



Creating future lifestyles
through sustainable business

NIKKE
Group



Nikke Group Integrated Report
2023



Striving to be a company that creates future lifestyles

Since our founding in 1896, we in Nikke Group have put into practice a philosophy of being a corporate group that is gentle and warm toward people and the planet, always ready to tackle new business challenges with passion and pride as we work to achieve sustainable growth.

In January 2016, amidst a drastically changing business environment, we restructured the direction, corporate image, and management strategy of Nikke Group for the next 10 years until 2026 and formulated the medium- to long-term RN130 (Renewal Nikke 130) Vision for improving corporate value.

We will continue to pursue sustainable management as we work to meet the need of a new era for a company that creates future lifestyles.

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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 nonfinancial information such as ESG topics.

Period covered: Fiscal 2022 (December 1, 2021 to November 30, 2022)

Organizations covered: Nikke Group initiatives and the activities of each group company
Scope of environmental reporting:
• Nikke mills: 2 locations (Innami Mill, Gifu Mill) • Offices: 6 locations
• 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.)
• Shopping centers: 2 locations (Nikke Parktown, Nikke Colton Plaza)

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.

Pursuing sustainable management— Nikke Group aims to be a company that creates future lifestyles

In today's world, where society is faced with an ongoing litany of global challenges, including climate change, the Covid-19 pandemic, heightened geopolitical risks and numerous others, the question is being asked as to what companies can do to help address these societal challenges and achieve sustainable growth. In Nikke Group, we have overcome various social and economic upheavals in the past by adhering to our corporate philosophy, which states that "Nikke Group will meet every challenge with passion and pride as a corporate group that is gentle and warm toward people and the planet." Our transformation from the textile business that we were founded as into our current four-division business structure, as well as the rebirth of our consolidated manufacturing bases as commercial facilities, sports facilities, and nursing care facilities, has been driven by a desire to be a company that creates future lifestyles.

Nikke Group has a goal of reducing its CO₂ emissions by 50%* by fiscal 2030. We continue to work toward this goal with the same unflagging resolve, taking on challenges that will allow us to contribute to the realization of a sustainable and prosperous society.

*Compared with fiscal 2018

3 focal points of the fiscal year ended November 2022

1 Completed 2nd year of RN130 Vision 2nd medium-term management plan » Good progress made Renewed record-high operating income

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 second year (fiscal year ended November 2022) of the second medium-term management plan, we achieved increased sales and profits (up 2.3% in sales and 19.7% in ordinary income) and record-high operating income (up 8.1% over the previous fiscal year).

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Unit: Million yen

	Fiscal year ended November 2021 (1st year)		Fiscal year ended November 2022 (2nd year)		Fiscal year ending November 2023 (final year)	
	Medium-term plan	Results	Medium-term plan	Results	Medium-term plan	Forecast*
Sales	107,000	106,619	114,000	109,048	127,000	121,000
Operating income	8,600	9,900	9,500	10,707	11,500	11,000
Operating margin	8.0%	9.3%	8.3%	9.8%	9.1%	9.1%
Ordinary income	8,200	9,784	9,700	11,715	11,700	11,400
Net income attributable to owners of parent	4,000	8,308	6,500	7,283	7,800	7,300
ROE	-	8.4%	-	7.0%	7.0% or more	7.0% or more

*Announced in January 2023

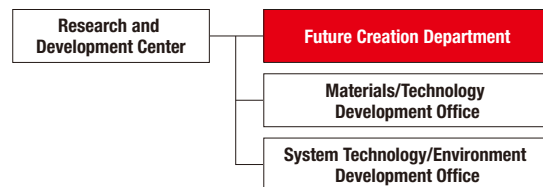
2 Progress towards achieving RN130 Vision » Taking a far-future perspective Tackling business challenges and reforms from a long-term perspective

In order to create attractive business that contributes to a sustainable society and long-term corporate growth, Nikke Group, operating from an awareness that human resources are our most important management asset, has established health and productivity management, diversity and inclusion, and human resource development as three key domains within which to pursue various initiatives. Actions include obtaining certification as a Health & Productivity Management Outstanding Organization, establishing a childcare leave system that greatly exceeds legal requirements, and instituting a training system for cultivating future leaders who will play a central role in our business. Through these we are developing a work environment where employees feel secure and empowered to perform at their full potential.

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Additionally, we have established the Future Creation Department, which serves to promote greater 'outside-in' creativity that adopts a far-future perspective and stimulates innovation unconstrained by existing business domains. We freely explore latent needs and identify the seeds of new technologies and services, striving to develop new business strategies that are consistent with Nikke Group's vision and that contribute to the achievement of the SDGs.

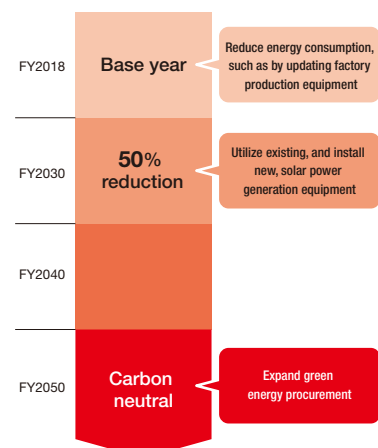
See p.12



3 Tackling climate change » Environmental conservation made the top management priority Aiming to reduce CO₂ emissions by 50%

In order to preserve our irreplaceable global environment for future generations, Nikke Group has made environmental conservation the top priority of corporate management. As evidenced by, among other things, the establishment in 1993 of the Nikke Group Global Environment Committee, we have been working for a long time to protect the environment through efforts that include conserving energy, reducing CO₂ emissions, and reducing the amount of waste disposed of in landfills. Additionally, in November 2022, we announced our support for the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD), redoubling our focus on tackling climate change and our commitment to ongoing expansion of information disclosure. We have set a concrete target of a 50% reduction in Scope 1 and Scope 2 CO₂ emissions by fiscal 2030, compared with fiscal 2018 levels. We also have a goal to be carbon neutral by fiscal 2050. We are exploring all options that will help us to achieve this, including reducing energy consumption, such as by updating factory production equipment, utilizing existing, as well as installing new, solar power generation equipment, and expanding green energy procurement.

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

Yutaka Nagaoka

We will continue to take on challenges to be a company creating future lifestyles as defined in the Group vision.

The fiscal year ended November 2022 was a year in which the world saw big changes in society and economy, such as the escalation of geopolitical risks triggered by Russia's invasion of Ukraine and shifts in monetary policy in Europe and the United States, in addition to the still remaining impact from COVID-19. Amid this surge, the Nikke Group recorded its highest-ever operating income, which once again demonstrated the resilience (flexibility to face tough situations) we have cultivated over the years. We will not rest on that strength, but pursue perpetual growth and continue to take on challenges to contribute to society as a company creating future lifestyles.

Assessment and analysis of results for the fiscal year ended November 2022

In the fiscal year ended November 2022, we were affected by four risks of rising energy costs, rising prices of raw materials and other commodities, large exchange rate fluctuations, and bottlenecks in logistics, and we were thus forced to steer a difficult course. However, each business division and each group company found business opportunities in adversity and worked on flexible and agile business operations. The Nikke Group therefore recorded higher sales and operating income than in the previous fiscal year. Operating income deserves special mention as it amounted to 10.7 billion yen and hit a fresh high. I believe that this outcome is a proof of the resilience the Nikke Group has cultivated over many years.

We have once again confirmed that the business portfolio of our four business divisions by which profits are generated in a balanced manner is a remarkable strength against changes in the external environment. Specifically, the Consumer Goods & Services business, which successfully captured stay-at-home demand during the COVID-19 pandemic and largely contributed to sales and profits for the fiscal year ended November 2021, faced an uphill battle for the fiscal year ended November 2022 due to a reactionary downturn and rising purchase prices. On the other hand, this was offset by the Human & Future Development business providing solid support by maintaining its sales and profit despite the closed periods of some facilities due to renovation, and also by increased profits from the Textile & Clothing Materials business and the Industrial Machinery & Materials business. School uniform designs, particularly those of junior high schools, are undergoing increasing changes to genderless uniforms, which has had the effect of attracting new customers and improving profits for the Textile & Clothing Materials

business. The textile field also showed favorable results for reasons such as an increase in inquiries from Europe and the United States, which led the way in living with COVID-19.

Regarding financial aspects, as we had appropriately hedged against exchange rate risks, the impact from a depreciating yen during the previous fiscal year was limited, and based on our solid financial condition built up so far, we were able to stably conduct business operations. We will continue to appropriately control business risks in order to achieve further growth.

Highlights of the Fiscal Year Ended November 2022

Revenue increased year-on-year, operating income hit a fresh high

		Year-on-year
Sales	109.04 billion yen	2.3% ↑
Operating income	10.70 billion yen	8.1% ↑
Ordinary income	11.71 billion yen	19.7% ↑
Net income attributable to owners of parent	7.28 billion yen	▲12.3% ↓
ROE	7.0%	▲1.4% ↓

Progress of the 2nd Medium-term Management Plan

The current fiscal year (fiscal year ending November 2023) is the final fiscal year of the 2nd Medium-term Management Plan. Regarding the external environment, inflation and geopolitical tensions, which have continued since the previous fiscal year, as well as other factors, such as concerns about the management of financial institutions in Europe and the United States, have made the global economy unstable. The businesses of the Nikke Group therefore cannot avoid a negative impact on profits as a result of rising purchase prices of wool raw materials, component materials, and products and soaring energy costs. Although restrictions in connection with the spread of COVID-19 infections have been relaxed, it is believed that lifestyles will never completely return to pre-pandemic times and I think that the provision of goods and services adapted to the “new normal” is needed.

The forecast of results for the current fiscal year does not achieve the figures announced in the 2nd Medium-term Management Plan. However, we will appropriately capture changes in consumer behavior in the new normal and thereby achieve increased revenue and operating income for the third consecutive year, aiming at exceeding our highest-ever record operating income.

The 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—have been partially delayed in implementation due to changes in the management environment, and we will facilitate catch-up measures.

Key Strategy 1

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

In the Textile & Clothing Materials business, we intend to further strengthen our domestic manufacturing system in response to changes in the terms of trade due to the continuing depreciation of the yen. In addition, as our Group has maintained production locations in Japan for a long period of time and is proud of its strengths in possessing unique technology to develop and process original yarns, we regard the weaker yen as a good opportunity to expand our overseas business. Moreover, with growing interest in SDGs, environmental friendliness is becoming an important factor in decision-making in connection with the procurement and purchase of clothing. Based on these circumstances, in July last year, we decided to invest in the expansion of the production line of **Breeza®**, an eco-friendly innovative spun yarn. This product is a ground-breaking green spun yarn as it reduces energy consumption at the time of manufacture by approximately 55% on a CO₂-equivalent basis compared with our conventional products, and also reduces the release of microplastics by approximately 75% by suppressing drop off of napped fibers and fuzz at the time of being worn or washed. This also represents



the technology underlying the “circular school uniform” or so-called “recycling from clothing to clothing” initiative, which we are currently experimenting with. As demand is expected in many markets, such as corporate uniforms and knit products as well as school uniforms, it is our hope that this investment will enable us to respond to such demand.



Breeza®
Breeza® is an innovative spun yarn developed by the Nikke Group to realize a future that is gentle to people and the planet. By reducing energy consumption, CO₂ emissions, and environmental pollutants, we aim to realize a sustainable society.

In the Industrial Machinery & Materials business, automotive- and environmental-related fields will continue to be the pillars of growth. The overseas market distribution of products such as HIMELON®, a non-woven fabric for multi-purpose use, was significantly delayed from the original expectation under the 2nd Medium-term Management Plan due to a slowdown in automotive production and overseas travel restrictions related to COVID-19. However, as automotive production has been on a recovery trend since the second half of last year and overseas travel restrictions have also been relaxed, the situation is now becoming favorable for full-fledged activities. In the environment-related field, the **ADMIREX®** high-performance filter bag mill, which began operations in China last year, is now on track to start mass production. Although orders had been sluggish due to lockdown, new orders are gradually picking up and we will focus on increasing orders received during the current fiscal year. In the non-woven fabric business, Fuji Corporation (“Fuji Corp.”) has contributed to the full-year consolidated results starting from the previous fiscal year, and we will further improve production efficiency and profitability through cooperation and collaboration with Ambic Co., Ltd. (“Ambic”).



ADMIREX®
Ambic Co., Ltd., a member of the Nikke Group, sells ADMIREX® high-performance filter bags manufactured with PTFE ultrafine fibers and its unique technology for waste incineration facilities and other uses.

The Human & Future Development business underwent renovation of the Nikke Colton Plaza in Ichikawa City, Chiba Prefecture last year, and thanks to your support, the renovation has been well-received, which can be seen in, for example, increases in the number of visitors and sales by approximately 10% compared with those before the renovation. Although increases in costs due to soaring utility costs have had an adverse impact, we intend to respond to the situation by fully making use of the effects from the renovation. Regarding real estate development, we will steadily

proceed with the reconstruction of the Nikke Tokyo Building and start retrofitting work of the Nikke Kobe Head Office Building, and we also intend to pave the way for possible redevelopment premises, including the unused land of the Ichinomiya Office and the south side of the Nikke Colton Plaza. Regarding communications, Tsutaya-related, and other business fields struggling due to changes in the business environment, we will proceed with selection and concentration such as reorganization and closure of unprofitable stores.

The Consumer Goods & Services business is currently in a tough business environment due to rising purchase prices as a result of the depreciating yen and a rebound from the stay-at-home demand during the COVID-19 pandemic. However, the e-commerce market is certain to continue to grow and expand. In November 2022, the Group was joined by **Thanko, Inc.**, which has created and provided ingenious home appliances, such as neck coolers and tank-type dishwashers, under the motto of “fun and useful,” and we have thereby further increased the variety of items we provide. We will continue to aggressively promote M&As, targeting companies that have a great affinity with our existing businesses and will contribute to the expansion of value chains and supply chains. Moreover, we also intend to use the know-how accumulated in the shift to e-commerce through the Consumer Goods & Services business for the expansion of sales of the Group’s products and services, and thereby lead to growth of the entire Group.



Thanko, Inc.
The company is a manufacturer that designs, develops, manufactures, and sells approximately 100 kinds of home appliance products a year under the mission of providing society with fun and useful products. It offers not only B2C products, but also B2B products, and conducts a multi-dimensional business by running its e-commerce website in addition to a physical store in Akihabara, Tokyo.

Key Strategy 2

Expand overseas business

The Textile & Clothing Materials business has continued to focus on the development of new distribution channels in overseas markets and, with the establishment of the Global Business Management Department, created a system to accelerate the expansion of overseas business through a unified strategy. Regarding the textile field, we have not been able to respond to inquiries from European and American markets as smoothly as we planned for the past three years due to overseas travel restrictions related to COVID-19. Despite that situation, we received increased orders for the previous fiscal year by, for example, adopting a new marketing approach such as the use of remote access tools and

proposing environmentally friendly materials and functional materials. As COVID-19 restrictions have been relaxed, we will further promote marketing for the current fiscal year. Regarding the Chinese market, market conditions have changed after the announcement of a measure to make private elementary and junior high schools public, which, along with other factors, requires us to assess the market once again. It remains a huge market and we will therefore consider the analysis of consumer preference and the development of distribution channels for uniforms, textiles, and fashion, respectively.

In the Industrial Machinery & Materials business, we have maintained a strategy to expand overseas sales of HIMELON® non-woven fabric and other products and merchandise, using the trading company function of EMI Corporation as the core. However, the schedule has been delayed and this is again due to overseas travel restrictions related to COVID-19. We have already started taking measures such as bolstering the sale of inventory overseas, and as the movement and flow of people has reactivated, we will also enhance collaboration among overseas locations of the companies in the business division and increase the number of dispatched workers in order to make up for the delay.

Key Strategy 3
Improve capital efficiency

We recorded an ROE of 7.0% at the closing of the previous fiscal year.

Although this is a decrease from 8.4% for the preceding fiscal year, we were able to achieve the ROE target of 7% set for the final year of the 2nd Medium-term Management Plan. ROEs, which remained less than 5% until 10 years ago, have recently exceeded 7% for four consecutive fiscal years. I think that this is an outcome of a stable increase in profits. Although the target for the current fiscal year is 7% as defined in the 2nd Medium-term Management Plan, we will give sufficient consideration to how we will create a revenue structure where we can continuously achieve 8% with an eye to the next Medium-term Management Plan. While ROIC-based management for new investment and M&As has penetrated each business division and we sense that a strong management culture is being built, we will continue to strive to strike the right balance between growth and efficiency.

Key Strategy 4
Create synergy through reorganization within business divisions

In the Industrial Machinery & Materials business, we have facilitated cooperation with Ambic and Fuji Corp., and Fuji Corp. has contributed to the full-year consolidated results starting from the previous fiscal year, which significantly improved the results. We will further improve synergy through, for example, personnel exchanges, mutual use of production infrastructure, cooperation in purchasing, sales, research, development

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 expand automotive- and environment-related businesses (especially strengthen business overseas)
 - Strengthen collaboration with Fuji Corporation
-  **Human & Future Development:**
 - Further expand the lifestyle support field (nursing care, childcare, sports schools, and Kids Land)
 - Generate revenue without relying on the utilization of unused land in the development and real estate businesses
-  **Consumer Goods & Services:**
 - Expand e-commerce business
-  **Medical-related:**
 - Make developed products profitable

2 Expand overseas business

- Develop the Chinese market for the school uniform business
- Expand overseas business and collaborate with Fuji Corporation in the Industrial Machinery & Materials business

3 Improve capital efficiency

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

4 Create synergy through reorganization within business divisions



and other activities, and joint development of overseas business.

In the Consumer Goods & Services business, Aqua Inc. in the business of online sales of good design home appliances, interior goods, and kitchen items for individual consumers merged with Niceday Inc. in the business of manufacturing and sales of bedwear, bedding, and other products and production of digital content. We will strengthen the ability to respond to increasingly advanced web technologies, the ability to develop products, and the ability to disseminate information, and also pursue synergy in e-commerce distribution channels and efficiency in delivery, aiming at further business expansion and growth.

Business portfolio evaluation and M&A strategy

The current system consists of four business divisions and these divisions are regarded as main businesses. This is the core element of the resilience of the Nikke Group as they each offer a very well-balanced complementary relationship. The school uniforms in the Textile & Clothing Materials business and the shopping centers in the Human & Future Development business are the B2B2C business that is supported by consumers, specifically students and local residents, respectively. Although these businesses will be subject to impact from demographic factors in the long run, they can be said to be businesses that will be hit by relatively small impact waves. Previously, using these businesses as a revenue base, we have tried to achieve growth through M&As in the Consumer Goods & Services and Industrial Machinery & Materials businesses. However, for the past two or three years, the Consumer Goods & Services and Industrial Machinery & Materials businesses have also captured the environment of the market and sufficiently contributed to revenue.

The medical-related field, which contributes to the lives and health of people as a business that corresponds to the corporate philosophy of the Nikke Group—gentle and warm toward people and the planet—will have to achieve further growth in the future, utilizing the fiber processing technologies of the Nikke Group. We continue to consider M&A projects in this field.

The number of Group member companies has now exceeded 60 and the number of Group employees has grown to approximately 10 times that of Nikke on a non-consolidated basis. How to utilize these personnel is the most important point for our growth. Since the assumption of the office of the President, I have personally visited nearly 70 business locations of the Group and I have always said during my visits, “Try to take on challenges as we will aggressively implement three investments, that is, investment in equipment, investment in expanding our customer base, and investment in human resources.” The size of the Group has become such that there is always a lack of personnel to take charge of operations. We will not only employ the appropriate number of people, but also create an organizational culture where all workers can demonstrate a spirit of challenge and take responsibility for our business, while fully supporting the development of motivated people, irrespective of their gender or nationality. These are measures for so-called human capital management. We are also considering the idea of, for example, sending employees on the shop floor to college or other institutions for retraining. I also expect those who have become a Group member through M&As to try to embark on a large project using Nikke’s management resources. I believe that the growth of the company is driven by individuals taking on challenges, and I will support this so that our employees, companies and Group can all achieve growth.

Communication with employees

Learn about the current market by experiencing the atmosphere of the shop floor

I have placed great importance on the atmosphere and voices from the shop floor since I began working at a mill. When making a decision, I have made it a rule to visit the shop floor as much as possible and make a determination on the firsthand knowledge obtained there. I feel that in order to learn about the current market, it is important to communicate with people of operating companies who are directly interacting with customers.



Visited Innami Mill in April 2022

What is the sustainable business management of the Nikke Group? (ESG measures)

Regarding the environment, there is an increasingly strong demand from society for taking action in the context of climate change, biodiversity, and other such issues. It is considered that an age will come in which the products and services that correspond to such values will be chosen, and those that do not will become unneeded. However, I take this change as an opportunity for Nikke.

In the first place, the Textile & Clothing Materials business mainly handles wool, a natural fiber, which is a sustainable material with a lower environmental burden as it is 100% biodegradable and returns to nature. We are driving technical innovation, and Breeza®, which I mentioned earlier, not only reduces the release of microplastics at the time of being worn or washed, but also reduces energy consumption at the time of manufacture by approximately 55% on a CO₂-equivalent basis compared with our conventional products. The Greenhouse Gas (GHG) Protocol Scope 3 addresses the issue of reducing GHG throughout the supply chain, and I therefore expect that demand will likely grow in many markets such as corporate uniforms and knit products as well as school uniforms. Also moving with the times are products for EVs and ADMIREX® high-performance filter bags in the Industrial Machinery & Materials business and such products need to be increased.

From the standpoint of reducing environmental burdens, the realization of a circular economy is an important challenge. While wool, which is handled in the Textile & Clothing Materials business, is originally a natural fiber with a lower environmental burden, many challenges remain in the production process of textiles and clothing and recycling after their use. We have therefore launched a demonstration test of circular school uniforms to allow school uniforms collected from graduates to be recycled into yarn, and we have also engaged in the practice of producing organic fertilizer Lanarin from useless wool shorn on farms in Japan.

The Industrial Machinery & Materials business has already introduced the production of an interior component installed under the floor carpet of a vehicle from recycled old clothes, and we intend to expand the scale of production by developing a procurement channel of materials. Moreover, we have developed technologies for processing carbon fiber waste, which is difficult to recycle, into a mixed non-woven fabric and further processing it into a molded component, and exhibited them at the SAMPE Japan Advanced Materials Technology Exhibition 2022. I believe that we can contribute to the preservation of the environment in many ways by using the advanced fiber processing technologies of the Nikke Group.

Regarding social contributions, people's lifestyles and personal relationships have suffered significantly due to the spread of COVID-19 infections over the past three years. Movement restrictions have now been relaxed and the flow of

people has reactivated, and it is the Nikke Group's hope that we can contribute to the recovery from that damage by providing communities with a venue for exchanges. At the Nikke Colton Plaza, Craft in Action, a workshop which won the Mecenat Award 2016, was held at its usual scale after an interval of three years. The Colton Plaza itself was renovated in October 2022 in order to improve customer flow and visited by a significantly larger number of customers than the previous year after the reopening after renovation, which was recognized and led to winning the Innovation Award at the 25th Tenant-Selected Developer Awards under the auspices of the Senken Shimbun Co., Ltd. I am delighted that we, as one of the largest commercial facilities in Ichikawa City, were able to contribute to local exchanges and revitalization.

COVID-19 imposed large restrictions on the operation of nursing care business, which is also included in the Human & Future Development business, and caused users and their families to endure inconvenience. We have, however, managed to overcome that by using various ingenious ideas from our staff, such as planning events to enjoy cherry blossoms or autumn leaves at neighboring places of interest and reporting the condition of residents through SNS to their families who were unable to meet with their family members. In order to sustain our commitment to staff motivation, we intend to utilize IT to save labor and improve efficiency, and thereby reduce the burden on staff and realize the best services for communities.

Regarding the improvement of corporate governance, we take pride in the fact that we started to aggressively work on it at an early point in time and spontaneously established a system before the application of the Corporate Governance Code to listed companies. In 2004, we established an Advisory Board to function as nomination and compensation committees, and in 2006, we introduced an executive officer system and brought outside directors on board. Since 2009, we have ensured that three of the eight directors are outside independent directors, and at least one-third has been independent officers. As part of our basic policy for the improvement of the corporate governance system, we will continue to improve the efficiency and transparency of management and enhance the corporate value of industry-leading Nikke Group. (pp. 39–42)

Finally, regarding returns to shareholders, we have made it our basic policy to maintain a stable dividend policy and use the dividend payout ratio of 30% and DOE (dividend on equity ratio) of 2% as a guide, and to increase dividends according to profit levels.

We paid an annual dividend of 30 yen per share for the fiscal year ended November 2022, which is a 2 yen increase from the previous fiscal year. The dividend payout ratio was 29.8%, up by 5.5 percentage points and the DOE was 2.1%, which is the same as the previous fiscal year. As we have decided to comprehensively improve returns to shareholders, including the acquisition of treasury shares, we acquired 3 million shares of treasury stock and retired 8 million shares of treasury stock.



Declaration of commitment to pursuing the vision and making the company grow

When reflecting on the Group's vision as top management, I have been sensing that each business is strongly aware of and taking on the challenge of developing and providing highly functional products and best services for communities in the course of daily work. On the other hand, when it comes to "uncultivated fields," I have the impression that responses to issues and implementation of plans on a short- and medium-term basis are prioritized.

With the establishment of the **Future Creation Department** in December 2022, we have therefore decided to improve the outside-in thinking ability to consider issues from the perspective of the distant future and picture future scenarios. The department, as a department serving to drive innovation, will thereby aim to develop new businesses that are different from the existing business fields. It is placed within the Research and Development Center and does not have short-term goals, but is engaged in the mission of freely exploring potential needs and looking for the seeds of new technologies and services, and drafting new business strategies that will conform to the Nikke Group's vision and contribute to SDGs. Although we are going to consider a variety of strategies in the future, if this is based on our own resources, those ideas will be narrowed, and we will therefore not always pursue launching a business ourselves, but with respect to targeted businesses intend to implement M&As and recruitment of experienced workers to bring them into the Group.

As the current fiscal year is the final year of the 2nd Medium-term Management Plan and also the year to develop the 3rd Medium-term Management Plan towards the last fiscal year (FY2026) of the RN130 Vision, we need to rebuild a growth strategy once again. Finding opportunities to work on new businesses in the increased interest in climate change, biodiversity, water security, responsible procurement, and other ESG matters, in addition to changes in consumption behavior under the new normal, we intend to further refine our strategies. I have heard that young workers in some of the business divisions have already started discussions on new businesses to provide solutions to social problems. I am, myself, looking forward to seeing what strategies they will formulate.

Future Creation Department established

The Future Creation Department is a new department established in December 2022 with the mission of serving to explore knowledge (to learn about the unknown world) and creating new businesses for the future. The members, who have varied experience, congregate and conduct activities at the Osaka Headquarters. We are now entering the age called VUCA* in which rapid changes make it difficult to predict the future, and companies that cannot respond to these changes will not infrequently be pushed into a corner, even if they are a large company. We will continue to take on challenges on a daily basis coming up with ideas about how the Nikke Group can contribute to a brighter future that people want to create.




*VUCA is a coined acronym consisting of the first letters of four words, Volatility, Uncertainty, Complexity, and Ambiguity, and means a rapidly changing situation where prediction is difficult.

Completed 2nd Year of RN130 Vision 2nd Medium-term Management Plan Results and Evaluation

Fiscal 2022 was the second year of the second medium-term management plan (fiscal 2021–2023), as well as the halfway mark of the RN130 Vision. Because of factors such as the pandemic, the rapid depreciation of the yen, and the soaring cost of materials and energy, the future remains uncertain. However, this sort of highly uncertain business environment can also be seen as presenting opportunities, to which we have flexibly and rapidly adapted our business operations.

As a result, we achieved increased sales and renewed record-high operating income. This was mainly due to strong performance in Textile & Clothing Materials and in Industrial Machinery & Materials, to which the full-year consolidation of Fuji Corporation contributed from the consolidated fiscal year under review.

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 (electric vehicles, stricter environmental regulations in China, etc.)	<ul style="list-style-type: none"> Overall progress in overseas business has been slowed due to the pandemic. Due to factors such as a shrinking future target market (private schools), the business environment for the school uniform business in China is worsening.
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"> Nikke Colton Plaza (Ichikawa, Chiba Prefecture) underwent a partial renovation. Lifestyle support-related facilities were expanded (opened one rehabilitation facility and one golf school) Renovation work on the Kobe Head Office building starts in 2023.
E-commerce sales		E-commerce sales have increased in recent years with the addition to Nikke Group of Niceday Inc., Miyako Corporation, and AQUA Inc. We aim for further growth by more strongly aligning these within the Group.	<ul style="list-style-type: none"> AQUA and Niceday were merged (stronger synergy and streamlining of management). Acquired 80% share in e-commerce website operator Thanko, Inc. (consolidation started in fiscal 2023).
Synergy with Fuji Corporation		We aim to consolidate production in the nonwoven fabric business and streamline management of Fuji with the goal of expanding profits. (Fuji became a wholly owned subsidiary in September 2021.)	<ul style="list-style-type: none"> Full-year consolidation for Fuji began in fiscal 2022 (contributed significantly to revenues thanks to a stronger collaborative structure).





Nikke Group Results

(Unit: Million yen)	Fiscal year ended November 2021 (1st year)		Fiscal year ended November 2022 (2nd year)		Fiscal year ending November 2023 (final year)	
	Medium-term plan	Results	Medium-term plan	Results	Medium-term plan	Forecast*
Sales	107,000	106,619	114,000	109,048	127,000	121,000
Operating income	8,600	9,900	9,500	10,707	11,500	11,000
Operating margin	8.0%	9.3%	8.3%	9.8%	9.1%	9.1%
Ordinary income	8,200	9,784	9,700	11,715	11,700	11,400
Net income attributable to owners of parent	4,000	8,308	6,500	7,283	7,800	7,300
ROE	–	8.4%	–	7.0%	7.0% or more	7.0% or more

*Announced in January 2023

In fiscal 2022, all items except sales achieved the target levels of the medium-term management plan. Operating income was ahead of schedule in reaching the target of "Renewing the record-high operating income achieved in fiscal 2019." This was one of the targets under the RN130 Vision 2nd Medium-term Management Plan.

Results by Segment

	(Unit: Million yen)	Fiscal year ended November 2021 (1st year)		Fiscal year ended November 2022 (2nd year)		Fiscal year ending November 2023 (final year)
		Medium-term plan	Results	Medium-term plan	Results	Medium-term plan
 Textile & Clothing Materials	Sales	32,000	29,872	34,500	29,735	36,700
	Operating income	2,700	2,749	3,200	3,234	3,650
	Operating margin	8.4%	9.2%	9.3%	10.9%	9.9%
 Industrial Machinery & Materials	Sales	22,000	20,390	24,000	23,853	27,200
	Operating income	1,200	1,235	1,550	1,952	2,150
	Operating margin	5.5%	6.1%	6.5%	8.2%	7.9%
 Human & Future Development	Sales	33,000	34,059	34,000	34,938	37,400
	Operating income	5,700	6,115	6,000	6,151	6,650
	Operating margin	17.3%	18.0%	17.7%	17.6%	17.8%
 Consumer Goods & Services	Sales	17,000	18,685	17,500	16,802	20,700
	Operating income	1,100	1,410	1,250	953	1,550
	Operating margin	6.5%	7.6%	7.2%	5.7%	7.5%
Others, adjustments	Sales	3,000	3,612	4,000	3,720	5,000
	Operating income	[2,100]	[1,610]	[2,500]	[1,584]	[2,500]
Total	Sales	107,000	106,619	114,000	109,048	127,000
	Operating income	8,600	9,900	9,500	10,707	11,500
	Operating margin	8.0%	9.3%	8.3%	9.8%	9.1%

Chapter 2

Review of Business

Value Creation Story

Sustainable Management — 15

Value Creation Process — 17

Nikke Business Divisions

Textile & Clothing Materials — 19

Industrial Machinery & Materials — 21

Human & Future Development — 23

Consumer Goods & Services — 25

Message from the CFO

Message from the CFO — 27

Sustainable Management

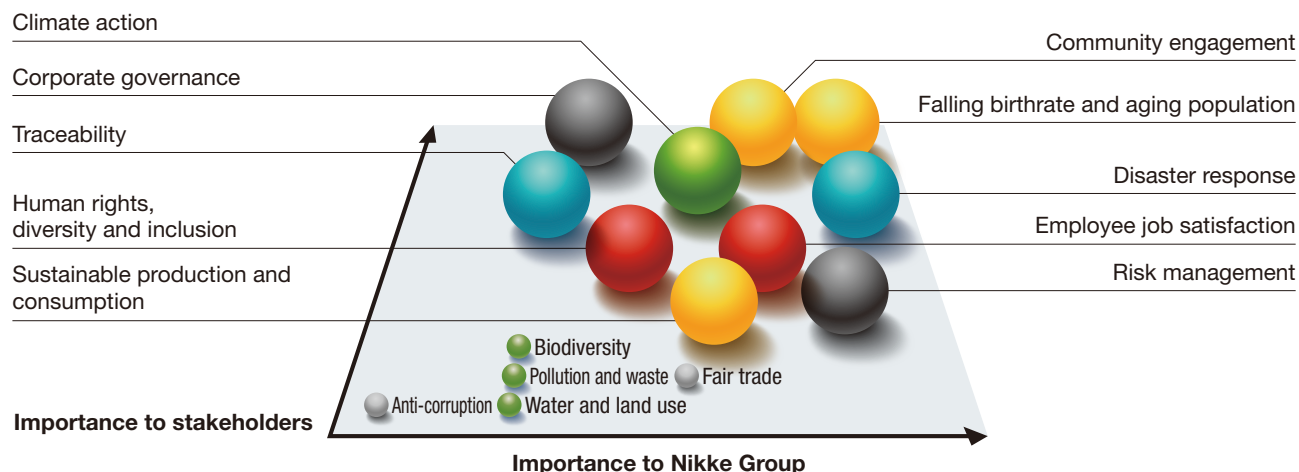
Creating attractive, sustainable business that contributes to a sustainable society

How We Approach and Identify Materiality

Within 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 Nikke Group, identifying health and comfort, safety and security, and the environment as materialities. We work to ensure that every aspect of our corporate activity contributes to solving these social issues. 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 diversity and inclusion.

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



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

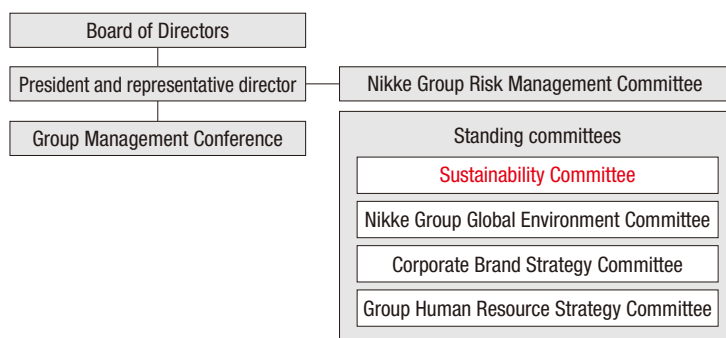
environmental challenges, respect for human rights, and fair and proper dealings with business partners, to be a key management issue for Nikke Group. We believe that integrating these into our management will both contribute to the realization of a sustainable society and the long-term growth of Nikke Group. The Sustainability Committee prioritizes materialities and pursues Group-wide initiatives, such as the supervision and evaluation of sustainability-related social issue response policies and activities.

Identified Materiality; Key Measures and Results

Materiality	SDGs	ESG	Key measures	FY2022 results
Improve health and comfort		ESG	Grassroots urban development; community-based shopping centers	Held local events 71 times Resumed regular hosting of "Craft in Action" (20th) after a three-year hiatus
		ES	Expansion of lifestyle support-related business (nursing care, childcare, sports schools, Kids Land)	Opened new nursing care facilities (2), rehabilitation facility (1), and golf school (1)
		ES	Educational environmental betterment via school uniform provision; environmental education program and Nikke Institute of Education-driven educational support activities	Held Wool Labo education program 40 times
		S	Medical-related initiatives	Released the Carnon medical device developed by the Research and Development Center
Improve safety and security		ES	Provision of safe, secure, and comfortable products and services	Began sale of P-TEX edge-proof material and PBI flame-proof clothing
		ES	Creation of a traceable value chain	Commercialized ZQ-certified raw wool
		SG	Pursuit of technological innovation; promotion of basic research	Expanded production facilities for Breeza® environmentally friendly thread Established the Future Creation Department
Protect the environment		E	Development of environmentally friendly materials incorporating characteristics of wool, a natural fiber	Began sale of Lohascoat™ in 2022 See https://www.nikke.co.jp/business/Lines_1/tech/
		E	Solving environmental problems via development and provision of environmental filters	Conducted biodegradability testing of wool in seawater
		ES	Environmental load reduction via solar power systems	Approx. 27,241 MWh (total for FY2022) generated by 19 Nikke Machinaka Power Plants in Japan
		ESG	Environmental load reduction via recovery and recycling activities	Undertook Eco-ship and Eco-network recycling of used uniforms
		ESG	Energy-saving activities; CO ₂ emissions reduction; waste reduction	Results for total energy usage, CO ₂ emissions, and waste generation (see p.49) Support for TCFD recommendations (p.31)
Strengthen business foundation		SG	Thorough compliance practices	Attendance rate of 97.8% for e-learning compliance training (for The Japan Wool Textile Co., Ltd.)
		ESG	Health and productivity management	Established cancer consultation desk for Group employees; expanded employee benefits and services Nitto Family Co., Ltd. certified as a 2022 Health & Productivity Management Outstanding Organization
		SG	Employment unbiased by age, gender, disability, race, ethnicity, etc.; creation and operation of a raise and promotion system ("challenge grade system")	Hiring results (see p.50)
		SG	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	Maternity leave and childcare leave utilization results (see p.50)
		SG	Abolition of employment type-based working conditions/disparities	Expanded human capital disclosures (gender pay gap) (see p.50)

Structure of the Sustainability Committee

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



Value Creation Process

Maintaining a focus on social issues while capitalizing on the strengths of our business foundation to achieve the vision for Nikke Group

A corporate group that is gentle and



Note: As of November 30, 2022

warm toward people and the planet

Output Products and services

A company creating future lifestyles

Development and provision of highly functional products and the best services for communities

Textile & Clothing Materials P.19

- Uniforms
- Textiles
- Yarn
- Others

Industrial Machinery & Materials P.21

- Automotive
- Environmental
- Other industries
- Consumer-related

Human & Future Development P.23

- Commercial facility management
- Real estate development
- Lifestyle support
- Communications and new services

Consumer Goods & Services P.25

- Bedding and business supplies
- Household goods
- Hobby and craft
- Others

Outcome Value provided

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: 36
- Childcare facilities: 5
- Bilingual kindergartens: 1

Sports and school operation-driven grassroots support for health promotion, and support for local school club activities

- Tennis schools: 8
- Golf schools: 8
- Batting centers: 1

Contributing to environmental load reduction via sales of solar energy

- Solar power generated: 27,241 MWh

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

- Commercial facilities: 2

Nikke Group's financial results

Business scale and capital efficiency

Sales 109.0 billion yen

Operating income 10.7 billion yen

ROIC

Textile & Clothing Materials:	7.0%
Industrial Machinery & Materials:	5.8%
Human & Future Development:	16.6%
Consumer Goods & Services:	5.5%



Textile & Clothing Materials



Leveraging our unique technologies for a circular economy and supply chain transformation

Managing Executive Officer
General Manager of Textile & Clothing Materials Division

Yoshiyasu Kaneda

Results of the 2nd year of the 2nd medium-term management plan (fiscal year ended November 2022)

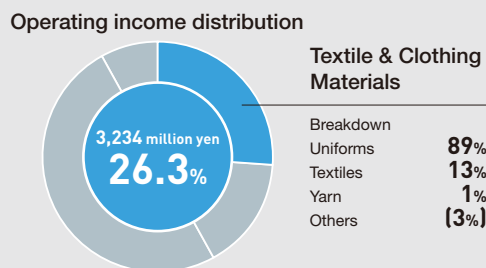
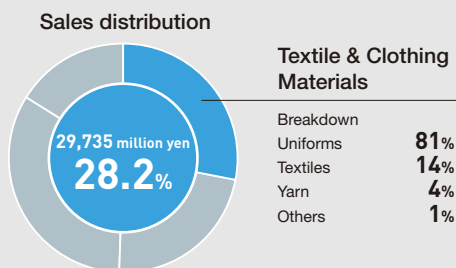
(Unit: Million yen)

	1st year		2nd year				3rd year (final year)	
	Fiscal year ended November 2021		Fiscal year ended November 2022				Fiscal year ending November 2023	
	Medium-term plan	Results	Medium-term plan	Results	Difference	Evaluation	Medium-term plan	Forecast*
Sales	32,000	29,872	34,500	29,735	(4,765)	↘	36,700	33,800
Operating income	2,700	2,749	3,200	3,234	34	↗	3,650	3,300
Operating margin	8.4%	9.2%	9.3%	10.9%	1.6 points	↗	9.9%	9.8%

*Announced in January 2023

Performance by business segment for the fiscal year ended November 2022

Note: Sales distribution was calculated based on group-wide sales excluding sales of "Others" and adjustment divisions (3,720 million yen). Operating income distribution was calculated based on the total amount of segment income excluding "Others" and the adjustment amount (-1,584 million yen).

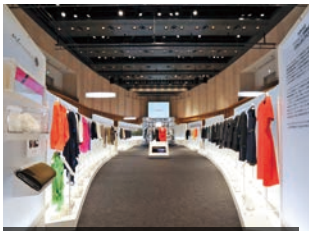


Changes in ROIC (return on invested capital)

	2018	2019	2020	2021	2022 (fiscal year ended November)
ROIC	3.7%	5.1%	4.8%	6.1%	7.0%

Main products and services

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



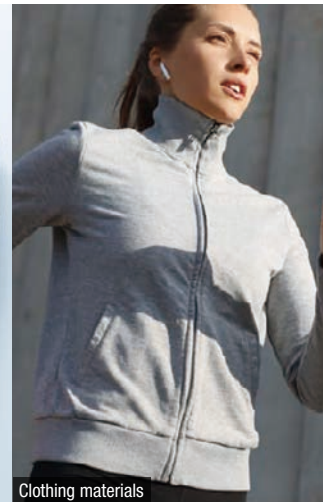
Textile and clothing material trade shows



Uniform materials for private companies (fabrics)



Uniform materials for schools (fabrics)



Clothing materials

Business overview

- Development, manufacture, and sale of high-performance materials and products primarily for clothing use

Key policies

- For all activities, conduct initiatives with an awareness of the SDGs, working to achieve environmental friendliness and business growth
- Develop business operations that maximize production capacity by capitalizing on our distinctive thread/yarn
- Utilize digital technologies to achieve supply chain transformation and operational cost reduction
- Use focused investment of management resources and close coordination of production and sales to accelerate growth in overseas business

Sustainable management-focused medium-term management plan and strategy

Business advantage

The Textile & Clothing Materials Division has an advantage in the form of an integrated supply system, which encompasses a complete supply chain within the Group, from raw materials procurement and materials (thread) development to sewn product delivery. Specifically, it is our capability in developing materials and adapting to customer needs that sets us apart from other companies. When it comes to materials development, we have a technological foundation cultivated over many years that allows us to produce proprietary, patented thread highly regarded in the market. This technology will let us construct a new value chain that can contribute to a circular economy. And I believe that the ability to pursue technology-driven business evolution gives our division a competitive advantage.

Risks and opportunities

We view the continuing decline in Japan's birthrate and working population as a medium- to long-term structural risk, as it means a shrinking market for uniforms. More immediately, we are also cognizant of the risk of rising costs due to soaring energy prices, yen depreciation, and other factors affected by geopolitical risks. On the other hand, we view the increasing awareness prompted by the SDGs to reduce global environmental burdens as a significant opportunity for our division. This is because we have unique technologies to make products from natural wool and recycled raw materials, which sets us apart from the competition.

Business strategy

Our division's key policy is to ensure that "For all activities, conduct initiatives with an awareness of the SDGs, working to achieve environmental friendliness and business growth." Specifically, we will work to create a new value chain, which encompasses environmentally friendly product development and recycling systems. We are also aiming to develop materials that will differentiate us from other companies, as well as to improve the sophistication of our production technology and engage in capital investment to dramatically increase energy efficiency. To undertake such activities, it is essential to have an organizational culture of swift, bold action. We will thus work on developing such a culture within our division.

Recycling school uniforms into school uniforms

With the help of Komaba Gakuen High School (in Tokyo), we will begin in April 2024 the first demonstration testing in Japan of from-clothes-into-clothes recycled school uniforms. This system returns wool blend school uniforms into their raw materials state and then remakes them from those materials.





Industrial Machinery & Materials



Achieving our SDGs by supplying eco-friendly products

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

Kuniaki Hihara

Results of the 2nd year of the 2nd medium-term management plan (fiscal year ended November 2022)

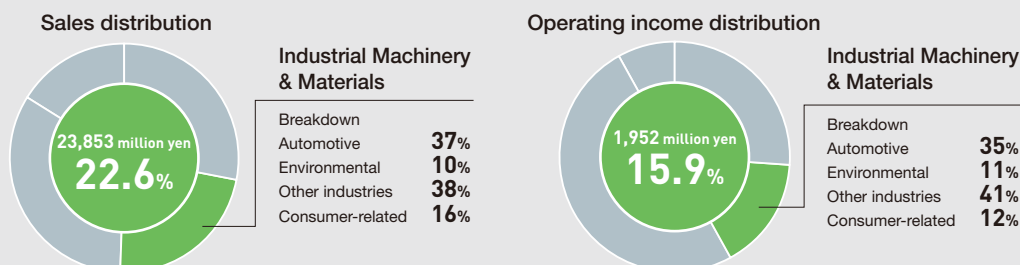
(Unit: Million yen)

	1st year		2nd year				3rd year (final year)	
	Fiscal year ended November 2021		Fiscal year ended November 2022				Fiscal year ending November 2023	
	Medium-term plan	Results	Medium-term plan	Results	Difference	Evaluation	Medium-term plan	Forecast*
Sales	22,000	20,390	24,000	23,853	(147)	↘	27,200	30,900
Operating income	1,200	1,235	1,550	1,952	402	↗	2,150	2,200
Operating margin	5.5%	6.1%	6.5%	8.2%	1.7 points	↗	7.9%	7.1%

*Announced in January 2023

Performance by business segment for the fiscal year ended November 2022

Note: Sales distribution was calculated based on group-wide sales excluding sales of "Others" and adjustment divisions (3,720 million yen). Operating income distribution was calculated based on the total amount of segment income excluding "Others" and the adjustment amount (-1,584 million yen).



Changes in ROIC (return on invested capital)

	2018	2019	2020	2021	2022 (fiscal year ended November)
ROIC	6.4%	7.7%	3.5%	3.6%	5.8%

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



Business overview

- Provision of products, materials, technologies, and services for automotive, environmental, other industrial, and consumer-related fields

Key policies

- Expand profits primarily in the automotive and environmental business
- Expand overseas sales
- Expand profits in the nonwoven fabric business (synergy between Ambic and Fuji)

Sustainable management-focused medium-term management plan and strategy

Business advantage

In the Industrial Machinery & Materials Division, we have established a key policy of expanding profits primarily in the automotive and environmental fields, whose markets are expected to grow due to strong demand from society. Each group company has a research and development department, and we have in place a structure that enables us to develop competitive products tailored to each market's needs with regard to use versatility, durability, functionality, and environmental friendliness. In addition to maintaining production bases in Japan, we have also expanded into China and the ASEAN region to build a value chain capable of quickly delivering high-quality, low-cost products. We are also a trading company, with sales strength not only in Japan but also overseas.

Risks and opportunities

We recognize the risk created by slumping automobile sales, both in Japan and overseas, due to a shortage of semiconductors and the economic recession, as well as the risk of rising costs due to yen depreciation and soaring raw materials and energy prices. 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.

Business strategy

In the automotive business, current global efforts to reduce greenhouse gas emissions are driving technological innovation in electrification, automation, and other areas. This represents golden opportunities for our division to capitalize on the uniqueness and superiority of Nikke Group technologies to actively develop and provide materials for EV, FA equipment, and other products. In the environmental business, protection against air pollution and other problems is a major global concern. By supplying high-performance filters and other environmentally friendly products, as well as undertaking environmental load reduction efforts, we will also contribute to the achievement of the SDGs.

Expanding operations at Sanwa Felt (Vietnam)

In March 2023, Nikke Group decided to transfer and expand operations at Sanwa Felt (Vietnam) Co., Ltd. for OA-use felt and nonwovens. This decision was made in response to customers relocating their manufacturing bases from China to Vietnam. We will use this opportunity to expand business.





Human & Future Development



Continuing to grow so we can make a greater contribution

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

Yoshiro Kawamura

Results of the 2nd year of the 2nd medium-term management plan (fiscal year ended November 2022)

(Unit: Million yen)

	1st year		2nd year				3rd year (final year)	
	Fiscal year ended November 2021		Fiscal year ended November 2022				Fiscal year ending November 2023	
	Medium-term plan	Results	Medium-term plan	Results	Difference	Evaluation	Medium-term plan	Forecast*
Sales	33,000	34,059	34,000	34,938	938	↗	37,400	30,800
Operating income	5,700	6,115	6,000	6,151	151	↗	6,650	6,250
Operating margin	17.3%	18.0%	17.7%	17.6%	(0.1 points)	↘	17.8%	20.3%

*Announced in January 2023

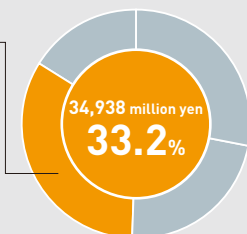
Performance by business segment for the fiscal year ended November 2022

Note: Sales distribution was calculated based on group-wide sales excluding sales of "Others" and adjustment divisions (3,720 million yen). Operating income distribution was calculated based on the total amount of segment income excluding "Others" and the adjustment amount (-1,584 million yen).

Human & Future Development

Breakdown
Commercial facility management **13%**
Real estate development **31%**
Lifestyle support **23%**
Communications and new services **33%**

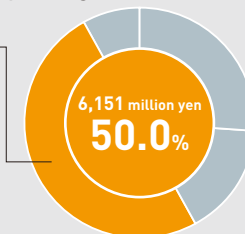
Sales distribution



Human & Future Development

Breakdown
Commercial facility management **29%**
Real estate development **51%**
Lifestyle support **15%**
Communications and new services **4%**

Operating income distribution



Changes in ROIC (return on invested capital)

	2018	2019	2020	2021	2022 (fiscal year ended November)
ROIC	13.5%	17.8%	13.3%	16.1%	16.6%

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.)



Business overview

- Provision of 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 Nikke Group-owned assets and maximize asset value
- Emphasize talent development and have employees demonstrate thoughtful action as professionals in each field

Sustainable management-focused medium-term management plan and strategy

Business advantage

“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

Our division is concerned about soaring energy costs for large shopping centers and other facilities. We are also mindful of the risk of rising costs due to increasing construction material prices.

There is finally a steady rebound in the number of visitors to our various facilities after the decline caused by the pandemic. We will continue to work to provide ever more customers with comfortable and safe services.

Business strategy

In the fiscal year ended November 2022, our division was 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 help people live fuller and richer lives through commercial facilities, sports facilities, and other real estate, as well as to support their lives in a range of contexts, from childcare to nursing care, striving to ensure we remain an essential business focused on the future.

Nikke Colton Plaza renovation

On October 22, 2022, we opened the renovated Nikke Colton Plaza in Ichikawa, Chiba Prefecture. A partial redesign of the interior has made it more customer-friendly and easier to navigate, providing greater food options and enhancing the quality of daily life.





Consumer Goods & Services



Evolving with society to deliver convenience and prosperity

Executive Officer
General Manager of Consumer Goods & Services Division

Hiroshi Fujii

Results of the 2nd year of the 2nd medium-term management plan (fiscal year ended November 2022)

(Unit: Million yen)

	1st year		2nd year				3rd year (final year)	
	Fiscal year ended November 2021		Fiscal year ended November 2022				Fiscal year ending November 2023	
	Medium-term plan	Results	Medium-term plan	Results	Difference	Evaluation	Medium-term plan	Forecast*
Sales	17,000	18,685	17,500	16,802	(698)	↘	20,700	22,000
Operating income	1,100	1,410	1,250	953	(297)	↘	1,550	1,200
Operating margin	6.5%	7.6%	7.2%	5.7%	(1.5 points)	↘	7.5%	5.5%

*Announced in January 2023

Performance by business segment for the fiscal year ended November 2022

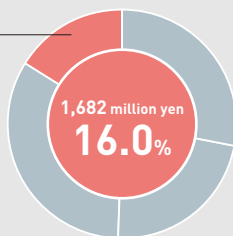
Note: Sales distribution was calculated based on group-wide sales excluding sales of "Others" and adjustment divisions (3,720 million yen). Operating income distribution was calculated based on the total amount of segment income excluding "Others" and the adjustment amount (-1,584 million yen).

Consumer Goods & Services

Breakdown

Bedding and business supplies	23%
Household goods	49%
Hobby and craft	18%
Others	9%

Sales distribution

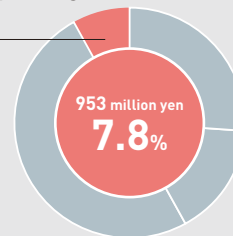


Consumer Goods & Services

Breakdown

Bedding and business supplies	14%
Household goods	37%
Hobby and craft	20%
Others	29%

Operating income distribution



Changes in ROIC (return on invested capital)

	2018	2019	2020	2021	2022 (fiscal year ended November)
ROIC	5.1%	7.1%	6.8%	10.1%	5.5%

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



Business overview

- Development of products and services without fixation on existing business fields; 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 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-focused medium-term management plan and strategy

Business advantage

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 two Group companies of Miyako and AQUA.* In addition, through Thanko, which joined Nikke Group last year, we will advance further upstream while acquiring and expanding sales channels.

*On October 1, 2022, the e-commerce-focused AQUA Inc. absorbed and merged with Niceday Inc. in order to further expand and grow business.

Risks and opportunities

We recognize that the global increase in the cost of raw materials and crude oil, along with rapid depreciation of the yen, represents a business risk by inviting an increase in product procurement costs. Additionally, we view the supply chain disruptions caused by the pandemic and international conflicts to be major risks. 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.

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 logistics companies that can provide efficient, effective, and environmentally friendly services. In overseas business, we will utilize Nikke Group's trading company functions and collaborate with overseas mail order and e-commerce companies to create a system to deliver the best products at the right time. To this end, we will also actively pursue M&A of companies possessing functions that will augment and supplement our existing business.

Products brimming with originality

In November 2022, we acquired 80% of all issued shares of Thanko, Inc., a company which, under the motto of "interesting and useful," manufactures and sells products brimming with originality. By welcoming Thanko into Nikke Group, we aim to further expand our e-commerce business.



We will first ensure that ROEs continuously reach 8% or higher, looking to much more efficient management.

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

Takehiro Okamoto

Assessment and analysis of the progress of the 2nd Medium-term Management Plan

How are the results for the fiscal year ended November 2022 assessed and how is the growth investment (with the investment limit of 45 billion yen) under the Medium-term Management Plan progressing?

Under a tough management environment, the results for the fiscal year ended November 2022, the second year of the 2nd Medium-term Management Plan, received positive impact created by flexible responses to changes in the business environment and the facilitation of diversification, resulting in greater revenue than the previous fiscal year and the highest-ever operating income.

On the other hand, actual investment for the growth of the Group was approximately 16 billion yen, which is currently not progressing as well as planned in the Medium-term Management Plan. This is mainly because of the slow progress of the establishment of new business places due to the impact from COVID-19 and other factors in the Human & Future Development business, and the small number of projects that satisfied internal criteria for M&A projects, income property investment projects, and other projects. We will catch up on the delay by developing new businesses for the future through the establishment of the Future Creation Department, further promoting M&A projects, and moving further forward.

M&A as a growth strategy

What is the review process in the course of implementing M&As?

The internally established Business Development Department to devote itself to M&As takes charge of the process from the collection of information about projects to closing. Although what is important in M&As is a synergistic effect, this alone would bring only a limited number of projects, and we therefore broadly review, for example, whether there is an affinity for the corporate philosophy of the Nikke

Group and whether collaboration is advantageous. When making a decision about the project, we use ROICs as a criterion for investment, set the price of goodwill paid on acquisition at a maximum of five times the target company's estimated operating income, and take other measures to curb the rising prices of acquisition. We also conduct thorough scrutiny for five years after acquisition by verifying whether the plan is progressing as expected and reporting the details to the Board of Directors. The value of goodwill can be recovered within the number of expected years for almost all projects.

Please tell about the strength and advantage Nikke has in promoting M&As.

Our long history of working on M&As, know-how, information gathering ability, highly motivated workers, among others, are our strong points. However, what is important is whether officers and employees of target companies feel that they can happily join the Nikke Group or that they would like to work with us. The Nikke Group offers trust and credibility backed by its 120-plus years and a corporate culture of being diligent, sincere, and people-friendly. I would say that these points have dispelled the concerns of target companies and led to the advantage we have in promoting M&As.

M&As, which combine companies with different backgrounds and histories, create gaps in culture and atmosphere. Harmonization takes time, and in case of failure, this will lead to workers leaving employment or lowered motivation among them. After an M&A, we ensure our corporate philosophy is shared and clarify our strategies and vision. However, with respect to business promotion and other operational aspects, we respect the ways of thinking and traditional practices of each company. Regarding workers, we ensure that they can work in the same manner as before, and if they have demonstrated ability and performance, we will promote them to positions in the parent company in the Nikke Group, considering the wishes of the workers themselves and the intention of the management team of the company. This also acts as a source of strength being added to the Nikke Group.



Efforts to improve capital efficiency

What specific challenges does each business division have in improving capital efficiency?

We use ROEs and ROICs as an efficiency management indicator. For the previous fiscal year, the ROE was 7% and ROIC was a little less than 6%. ROICs are also used as an internal criterion for investment and as our cost of capital is approximately 4%, we use the minimum requirement of 5% and the target of 8%.

The ROICs of the business divisions for the previous fiscal year were 7% from the Textile & Clothing Materials business, a little less than 6% from the Industrial Machinery & Materials business, a little over 16% from the Human & Future Development business, a little over 5% from the Consumer Goods & Services business, and approximately minus 5% from the Headquarters section.

The Textile & Clothing Materials business has been working on the improvement of ROICs by implementing the VCD (value chain digitalization) project, which makes possible the unified management of the value chain from the viewpoint of shortening the CCC (cash conversion cycle) through the use of DX and thereby allows for reduction of inventory assets and cost savings.

The Human & Future Development business not only leases real estate, but also conducts business itself as a tenant in developed real estate, which is our strength as asset efficiency can be improved. There are redevelopment projects involving owned real estate, such as the land adjacent on the south side of the Nikke Colton Plaza in Ichikawa City and lands in Ichinomiya City and Kakogawa City, and others. However, further growth requires facing the challenge of leasing or purchasing external real estate to achieve profitability in a like manner.

The Industrial Machinery & Materials business will seek to expand business overseas and this will require that we compete with large-scale overseas companies. The flagship non-woven fabric and felt business has expanded its scale with Fuji Corp. having joined the Nikke Group, and has also been taking measures such as

consolidating business bases and streamlining product lineups to improve profitability.

The Consumer Goods & Services business is an aggregate of relatively small-scale group companies and has therefore been working on the reorganization of businesses to improve capital efficiency and profitability.

Our PBR is currently at a level of from 0.6 to 0.7 times. We have an initial target of constantly exceeding 8% for ROEs in order to improve PBRs. For that purpose, we need to enhance the profit level through R&D investment, capital investment, human investment, M&A investment, and other growth investment as mentioned in the policy of President Nagaoka, and we intend to make thorough efforts to achieve the 8% ROIC as the internal criterion for investment.

Policy about returns to shareholders and cash allocation

What is the policy about returns to shareholders, growth investment, and other such matters?

Regarding the payment of dividends, we place importance on not reducing dividends and use the DOE (dividend on equity ratio) target of 2% and the dividend payout ratio of 30% as a guide.

The amount of growth investment has been set at 45 billion yen for the three years under the 2nd Medium-term Management Plan and the source of funds is operating cash flow of 30 billion yen and corporate bonds of 20 billion yen. Regarding the issuance of bonds, we have a long-term credit rating of A (stable) from JCR (Japan Credit Rating Agency), and we are at a level of being able to maintain the A rating even if interest-bearing liabilities increase by 20 billion yen. The use of bonds also has the effect of reducing our cost of capital. The acquisition of treasury shares is made while taking into consideration the progress of growth investment, market prices of stock, details of capital efficiency, and other factors.

From the viewpoint of improving capital efficiency, we will consider increases in dividends in proportion to the profit level and further acquisition of treasury shares.

Opinions as the chairman of the Sustainability Committee

What is the approach towards the reduction of CO₂ emissions and water security issues?

We have been working on environmental issues, including climate change, as one of the crucial management challenges for many years. This includes, for example, investment in energy-saving and streamlining and the introduction of a cogeneration system. We have already developed and been operating solar power plants at 19 locations across Japan. We expressed our support for the TCFD recommendations last year and disclosed in January of this year that we have set a goal of reducing CO₂ emissions by 50% towards FY2030 (compared with FY2018). Regarding the reduction of CO₂, we are mainly considering continuous efforts for energy-saving investment and activities, the establishment of additional solar power plants, the self-consumption of self-generated electricity, and other measures.

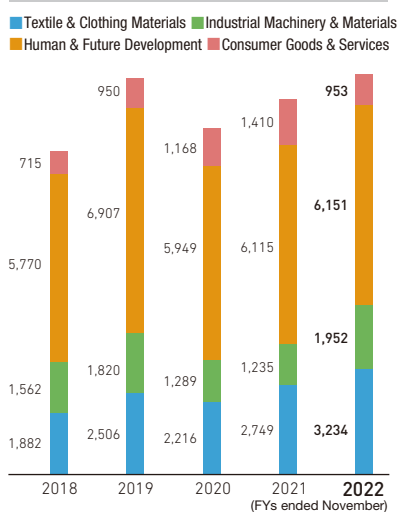
Today, there is also increasingly more focus on water security. We have, however, been working on this issue for half a century. Although wool, our main raw material, is a natural fiber with a lower environmental burden than other fabric products, it involves the challenge of disposing of liquid waste discharged in the dyeing and finishing processes. We have therefore installed liquid waste disposal

facilities at all mills and developed many different disposal technologies, for example, to improve the quality of discharged water and enhance the efficiency of disposal. We have also reduced the amount of water consumption itself. We intend to make efforts from now on to disclose more detailed information by analyzing the impact on businesses across the value chain and conducting a risk and opportunity assessment.

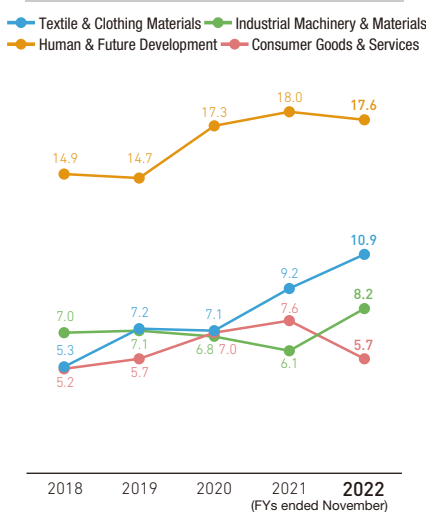
Amid the attention being placed on respecting human rights in the supply chain, what is Nikke's approach towards this?

We understand that we should make efforts to respect human rights throughout all business activities such as recruitment, procurement, manufacturing, and marketing, including those of the supply chain. We are currently developing a human rights policy by expanding respect for human beings as described in the Nikke Group Corporate Ethics Handbook. Regarding child labor, forced labor, and other human rights risks in the supply chain, we verify them through visits and hearings in a partial manner. We are considering the establishment of a human rights due diligence system in the future to work on this continuously.

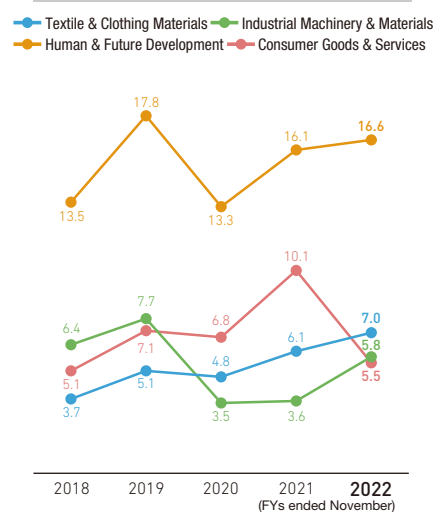
Operating income by segment (million yen)



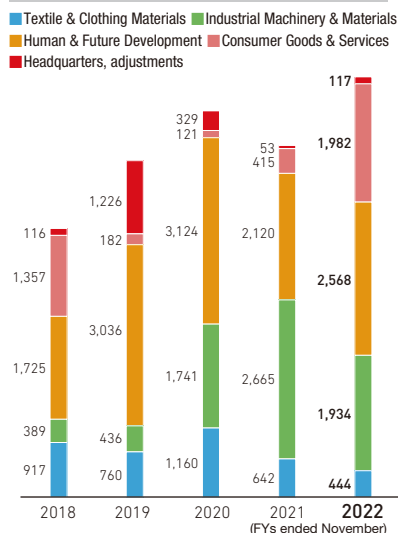
Operating margin by segment (%)



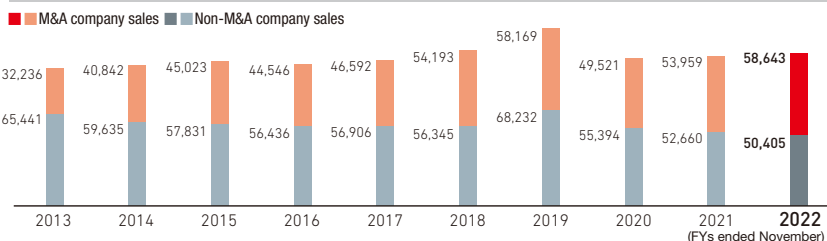
ROIC by segment (%)



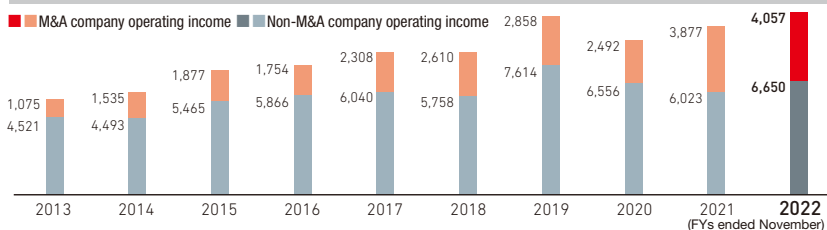
Capital investment / M&A (million yen)



M&A company sales (million yen)



M&A company operating income (million yen)



Chapter 3

ESG in Action

Environment

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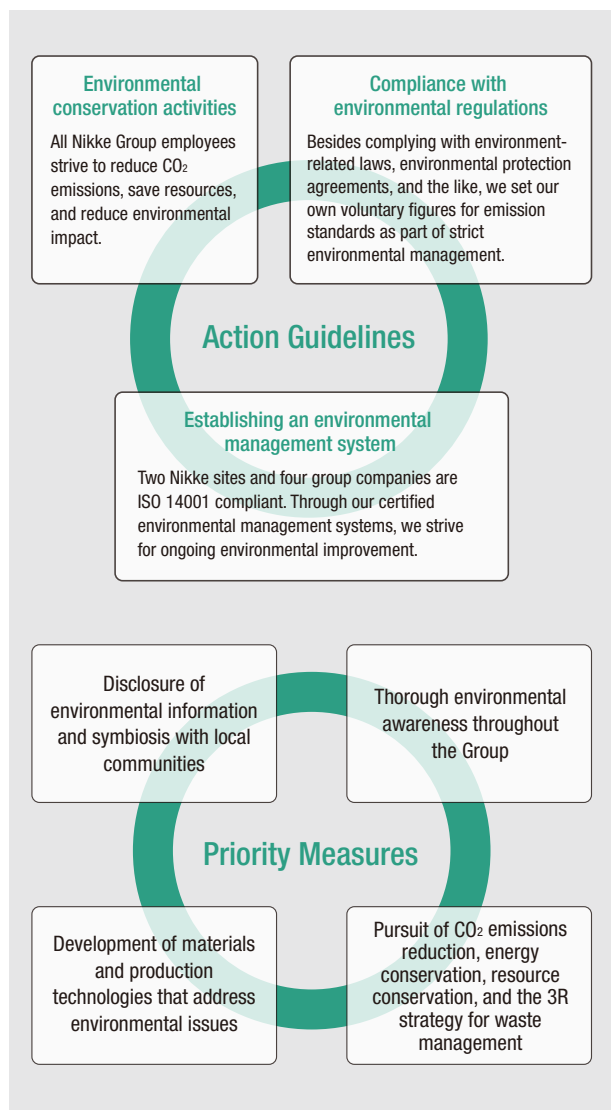
Disclosures Based on the TCFD Recommendations

In November 2022, Nikke Group announced its support for the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD). We are redoubling our focus on tackling climate change and pursuing ongoing expansion of information disclosure. Moving forward, Nikke Group is working to reduce Scope 1 and Scope 2 CO₂ emissions by 50%, compared with fiscal 2018 levels, by fiscal 2030. We also have a goal to be carbon neutral by fiscal 2050 and are exploring all options that will help us to achieve this. Efforts include reducing energy consumption, such as by updating factory production equipment, utilizing existing, as well as installing new, solar power generation equipment, and expanding green energy procurement.



Climate Change Action Policy

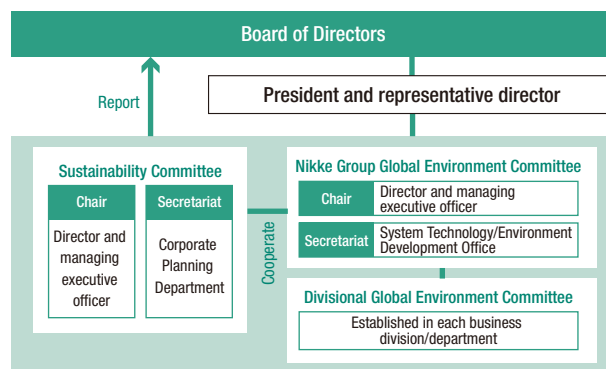
We consider global environmental conservation to be of utmost importance and have therefore created three action guidelines and four priority measures to address it. All Group employees work proactively in all areas to protect the environment.



Governance

The Sustainability Committee analyses risks and opportunities and works together with the Nikke Group Global Environment Committee and the Divisional Global Environment Committee to put into practice a concrete plan of action.

Governance Organization Chart



Strategy

Each of the 1.5°C and 4°C scenarios is envisioned for each area of business. In addition to pursuing a circular economy for wool material, we analyze migration risks, physical risks, and opportunities. Among the opportunities we are considering is in-house utilization of solar power generation facilities that we own nationwide.

1.5°C scenario

Rising energy and materials costs, along with a greater cost burden stemming from environmental measures and carbon taxes, will have a corresponding impact on the Textile & Clothing Materials Division, Industrial Machinery & Materials Division, and Human & Future Development Division. There is also the possibility of increased costs due to the need to develop new materials and restructure the supply chain.

4°C scenario

As storm and flood damage grow in severity, there is the possibility that some factories and commercial facilities will be affected, resulting in losses due to shutdown, as well as recovery costs. Also, problems such as droughts in raw wool-producing regions could interfere with procurement.

Risk Management

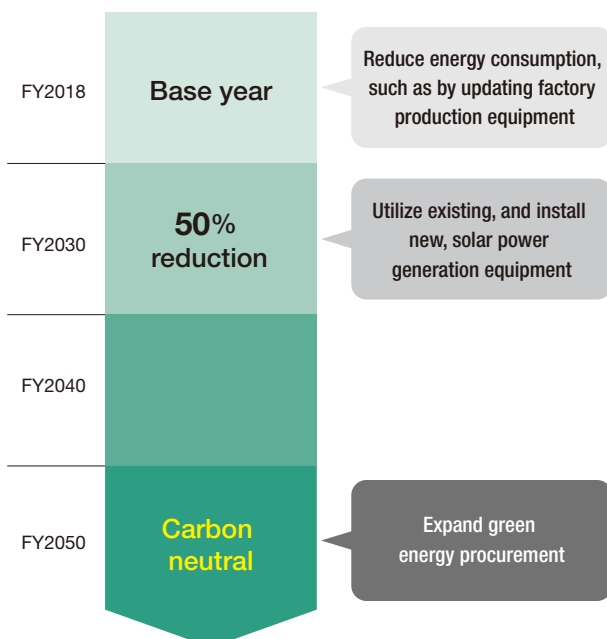
The Nikke Group Risk Management Committee has been established directly under the president and representative director. Through this committee, a shared awareness of comprehensive risks, which includes climate-related risks, is fostered among the entire Group. Regular reviews of the risk management system are also carried out.

Nikke Group Risk Management Committee Organization Chart



Indicators and Targets

We are working to reduce Scope 1 and Scope 2 CO₂ emissions by 50%, compared with fiscal 2018 levels, by fiscal 2030. We are also considering all options that will enable us to achieve carbon neutrality by fiscal 2050.



CO₂ Consolidated Emissions (Scope 1, 2)*1

In our Industrial Machinery & Materials business, the inclusion of Fuji Corporation as a consolidated subsidiary in September 2021 has meant that its results are included in the consolidated emissions results from fiscal 2022 onward, thus increasing the total relative to the base year. For the Group as a whole, there has been a steady decrease in emissions volume thanks to ongoing efforts, such as the introduction of energy-efficient transformers, the adoption of LED lighting, and the updating of air conditioners.

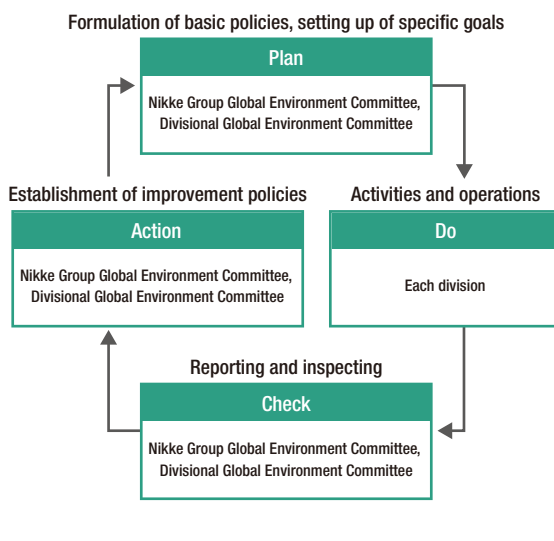
(Unit: t-CO ₂ /year)	FY2018 (base year*2)	FY2022 results
Textile & Clothing Materials	33,593	16,881
Industrial Machinery & Materials	9,544	11,834
Human & Future Development	11,100	10,022
Consumer Goods & Services	441	355
Others	20	146
Total	54,698	39,237

[Percentage change] -28.2%

*1 For Scope 3, data aggregation for The Japan Wool Textile Co., Ltd. began in fiscal 2022. We are considering disclosing these results in the future.

*2 Fiscal 2018 has been established as the base year, which was when Scope 1 and 2 data aggregation for all consolidated company sites began.

Environmental Conservation Activity Flow



Environmental Initiatives

Nikke Group considers global environmental conservation to be of utmost importance. We pursue environmental conservation activities across all areas of our business, from research and development, manufacturing, and technology to sales and distribution.

A True Circular Economy of Wool (Efforts for a zero-waste, recycling-oriented society)

Lanarin—100% Wool Organic Fertilizer

The Textile & Clothing Materials Division is pursuing a true circular economy of wool (efforts for a zero-waste, recycling-oriented society) as one of its SDG activities. As part of this, the short wool and other unusable clippings sheared from the sheep each year at the Rokkosan Pasture in Kobe are collected and used to make Lanarin 100% wool organic fertilizer (not for sale).

Created using special technology employed by the Okamoto Fertilizer Factory (Nara Prefecture), Lanarin contains more than 10% nitrogen components and 18 different amino acids. It can be used to grow fruits and vegetables. Cultivation testing using Lanarin is currently underway at the Rokkosan Pasture to investigate its fertilizing effects. In addition, the Kobe Winery, in which Nikke participates as part of the ownership system, is using Lanarin to fertilize grape vines. From these, Nikke employees hand-pick grapes that are used to produce wine.



Lanarin—100% wool organic fertilizer (not for sale)

Start of Demonstration Testing for Recycled School Uniforms

In order to investigate sustainability across the entire school uniform supply chain, we began demonstration testing of from-clothes-into-clothes recycled school uniforms. This involves collecting school uniforms from graduates and recycling them into new ones.

This first-in-Japan experiment (based on Nikke findings) is being carried out with the help of Komaba Gakuen High School (Setagaya Ward, Tokyo). Wool blend school uniforms are returned to their original, raw material state, and this recycled thread is then used to create new school uniforms.

The mechanism for collecting and recycling wool blend clothing is not new. However, it was difficult to make new clothes from old clothes using conventional spinning technology. We have developed a unique worsted spinning

technology based on many years of research. During the testing phase, the recycled product was virtually indistinguishable in terms of appearance and quality from a conventional product.

Collection of graduates' school uniforms began in March 2023. The scheduled start for use of uniforms made from recycled raw materials is April 2024.



Komaba Gakuen High School school uniforms

Biodegradability Testing of Wool in Seawater

In recent years, there is concern about microplastic marine pollution caused by fibers and debris shed from synthetic fiber clothing as a result of washing or other treatment. This has prompted rapidly growing interest about biodegradability in seawater. Biodegradability is the process whereby bacteria and other microorganisms break down materials into water and carbon dioxide, thereby returning the materials to nature. Nikke, together with the Kobe Municipal Mariculture Center, carried out demonstration testing of biodegradability in seawater.

This test studied biodegradability after 150-day immersion in seawater of a T-shirt made from our NIKKE AXIO® long-fiber polyester/twisted union wool yarn and one made from 100% polyester. The results showed that the wool was biodegradable, while the polyester was not.

Wool is one of the earliest natural fibers used by humans. We will continue our efforts to explore and reconfirm its sustainability.



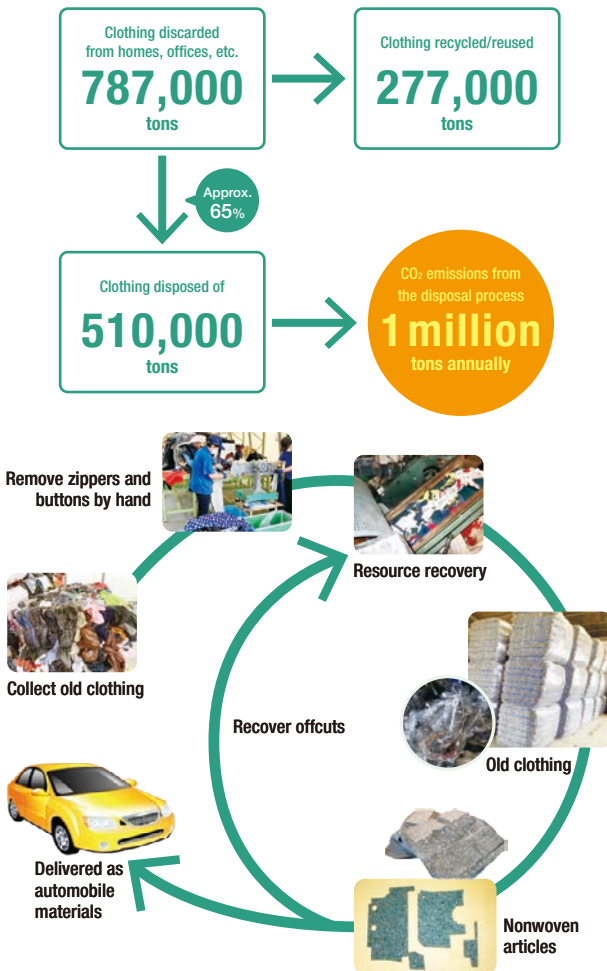
85% wool and 15% polyester; the wool component biodegraded completely

100% polyester; the material did not biodegrade

Recycling through the Use of New Processing Equipment

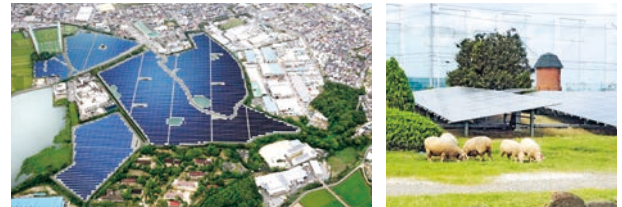
Fuji Corporation's Ichinoseki Plant (Iwate Prefecture) has a recycling business that collects old clothing and recycles them into raw materials, which are then used as materials for automobiles. Because the job of removing buttons and other elements from the old clothing must be done by hand, annual production is currently limited to 280 tons. Looking ahead, and with an eye to expanding this business into the northern Kanto area, we are considering introducing equipment that will allow for monthly production of up to 300 tons.

Old Clothing Resource Recovery in Japan Note: Fiscal 2020



Providing Renewable Energy via Solar Power Business

Since fiscal 2012, the Human & Future Development Division has been selling electricity via Nikke Machinaka Power Plants, balancing land utilization with environmental conservation. The Akashi Tsuchiyama Nikke Machinaka Power Plant located on the site of a former golf course in Inami Town, Kako District, Hyogo Prefecture began operation in October 2013. We will further develop renewable energy hubs like this.



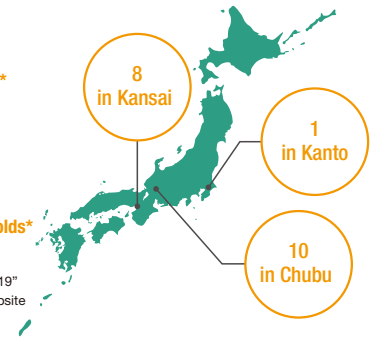
Nikke Machinaka Power Plants across Japan

Annual power generation:
Approx. **27,241 MWh***

*Fiscal 2022 total

Annual household power consumption equivalent:
Approx. **6,731 households***

*Calculation based on "Household Energy Situation for FY2019" on the Ministry of the Environment website



ISO 14001 Certification

In Nikke Group, two mills and four group companies have acquired ISO 14001 certification, an international environmental management system standard.

Site	Registration date
Nikke Inami 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

Relationship with Society

With the aim of becoming a company that creates future lifestyles, we work to cultivate stronger relationships with stakeholders as we pursue sustainable management that brings new value to society.

Relationship with Shareholders and Investors

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. In conjunction with this, we endeavor to put in place a shareholder-friendly environment, such as by allowing voting via the Internet, introducing an electronic voting platform for institutional investors, and providing a partial English translation of the notice of convocation of the general meeting of shareholders. In addition, we take care to communicate proactively with shareholders and investors, and in fiscal 2022 we held 1-on-1 meetings (approx. 30 per year) and financial results briefings for analysts (two per year). The primary topics for dialogue with shareholders and investors include financial results, growth strategy, capital policy, and governance.

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. In fiscal 2022, we acquired 3 million shares of treasury stock and canceled 8 million shares of treasury stock.

Relationship with 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

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

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 fiscal 2022, 71 people participated.

Safety and Health

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 2022)

Note: Nikke Group production sites

	2016	2017	2018	2019	2020	2021	2022
Number of accidents causing lost worktime	14	9	10	10	6	5	13
Number of accidents causing leave of absence	4	3	2	2	2	1	2
Total	18	12	12	12	8	6	15

Human Resource Strategy

By integrating management strategy and human resource strategy, we work to foster individuals who can pursue challenges and transformation leading to lasting improvement in corporate value.



Message from General Manager of Human Resource Department

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

Yasushi Kuruu

As Nikke Group continues to pursue the medium- to long-term RN130 Vision begun in 2016, and with an awareness that human resources are our most important management asset, we integrate management strategy and human resource strategy to create a work environment where employees feel secure and empowered to perform at their full potential.

The first measure is health and productivity management. You cannot hope to improve organizational vitality and productivity if employees are not physically and mentally healthy. We have introduced a medical information site to improve health literacy, established an external consultation desk to discuss post-diagnosis illness and lifestyle concerns, promoted collaborative health in conjunction with the health insurance association, and introduced stress tests. We are also pursuing Group-wide certification as a Health & Productivity Management Outstanding Organization.

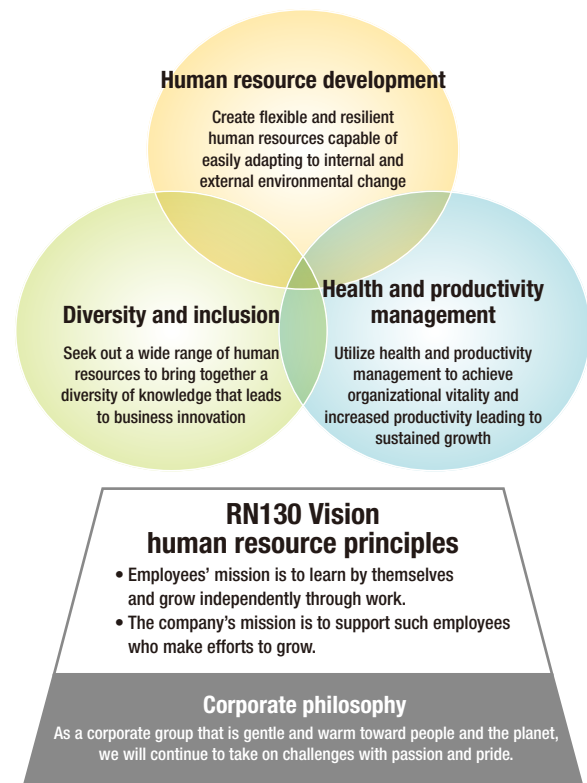
Our second measure is diversity and inclusion efforts. By welcoming diversity of employee nationality, gender, culture, and values, and by providing an environment that offers a wide range of opportunities for both new graduates and mid-career hires, we are creating new value adapted to increasing globalization and changing customer needs. We are also anticipating the coming era in which the value that people place on work style is becoming increasingly diverse by initiating efforts to foster greater participation among all employees. With the aim of creating an environment where both men and women can continue working while raising children, we have established leave systems that exceed the requirements of the law, such as a system of shortened working hours for childcare (up to the end of sixth grade). We also promote childcare leave for male employees (25% utilization rate in fiscal 2022). We have also extended the retirement age to 65, introduced a nursing care leave system, and operate a region-specific career-track system. By investigating flexible work arrangement and leave systems, hiring more elderly and disabled people, expanding employee benefits and services, and taking various other means, we aim to remain adaptable to ever-changing environments and values.

The third measure is human resource development, grounded in the belief that employee growth contributes to

Group growth. We are restructuring our human resource development system for all Group employees to provide more comprehensive growth opportunities for everyone, from new graduate hires to management-track employees. We also promote on-the-job learning alongside growth as human beings. We undertake not only rank-specific training but also programs for cultivating future leaders who will play a central role in their areas of business, such as the business leader development program and next-generation manager training. Through these, we are actively working to foster individuals who will embrace challenges.

I believe that Nikke Group's ability to generate value for customers in the future depends on its employees. We will provide new value to society through the development of high-performance products and the creation of regional No. 1 service. Working toward the 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.

Management Strategy and Human Resource Strategy Integration



Developing Leaders Who Will Guide Nikke into the Future

Round-table discussion of business leader development program participants



General Manager,
Human Resource Department,
Corporate Strategy Center
Yasushi Kurusu
(facilitator)



Future Creation Department,
Research and Development Center
Yasuko Shibata
(1st class)



Production Control Department,
Textile & Clothing Materials Division
Takayuki Sueoka
(2nd class)



Manager,
AQUA Marketing Department,
Consumer Goods & Services Division
Minoru Masuda
(4th class)



Materials/Technology
Development Office,
Research and Development Center
Toshiki Saotome
(5th class)

► Tackling challenges with a “give it a try” spirit

Kurusu: Nikke Group has a variety of education and training to improve the performance of human capital. One such program is the business leader development program, which aims to grow leaders who will play key roles in driving future business. What was your motivation for participating in this program?

Shibata: I was part of the inaugural class, which didn't have open recruitment, so my participation was through being nominated. Since there was no one who had been through the program before, I had absolutely no idea about how I should act. But, since I had just been transferred to the Business Development Department (which is responsible for M&A), my attitude was “just give it a try.” There was an open recruitment system for the second and later classes of participants. How was that for all of you?

Sueoka: When I applied, I had just finished my 10th year as a production engineer. My primary motivation was that I wanted to know whether my career and technical skills would be applicable in the wider world. So, I figured I should try business school. I also felt a sense of mission to motivate my workplace juniors to keep on tackling challenges.

Saotome: My responsibilities are in medical field-related research and development. I wanted to learn management strategy and marketing so that I could then apply them in making the medical field a core business of Nikke Group. The medical field is a new challenge for Nikke Group. Right now, I am learning how to analyze external environments and marketability and then come up with, as well as practically apply, strategies.

► Stimulated greatly by different ideas

Kurusu: I imagine there were different things you noticed from studying together with people from different industries. Tell us how you feel about that.

Shibata: The biggest benefit of discussing and debating things with people from different industries, and of being exposed to different ways of thinking, was that it made me aware of the habits in my own thinking. Before, I was often quick to draw conclusions. However, this created hidden assumptions in communication, making it hard to speak clearly while taking the other person's perspective. The Future Creation Department explores business in completely different areas to what Nikke Group had done previously, and I have many opportunities to communicate with people who know nothing about Nikke Group. This makes me feel like I am putting what I learned to use.

Masuda: Initially, I was learning for the sake of my own growth, but I now think that is inadequate. I want to take what I learned and feed it back to the company to facilitate organizational improvement. I also feel that giving Nikke Group companies opportunities to participate in training will contribute to overall Group governance.

Saotome: By participating, I was able to reconfirm for myself our corporate strengths, such as how we approach the external environment. In particular, I realized that our application of fiber processing technology in the medical field represents a strength that other companies don't have.

► Valuing the decision-making process

Kurusu: How are you applying what you have learned to your current duties?

Sueoka: I am currently handling the digitalization of the entire value chain for our Textile & Clothing Materials business. This involves a big-picture overall design while individually filling each stage of the value chain without omissions or duplications. Because the know-how for certain aspects depends on specific individuals, this means communicating with them logically while standing in their shoes and staying focused on the original purpose. This makes me feel I am

putting to use in my current job what I learned. Digitalization also means building environments where any work can be done by anyone. I believe this creates a base for diversity and inclusion.

Masuda: If I keep going about my work according to my own way of doing things, it weakens the hypothesis → verification process and prevents the accumulation of know-how. I have revised my process so that my decision-making is based on

hypotheses for which there is supporting evidence. It is also extremely good that the habit of repeatedly asking “Why?” and digging deeper has become ingrained in our organization. I believe this will lead to improved results in the future.

Kurusu: Thank you for your time today. I look forward to the contributions you will make as leaders who drive the creation of new value. Let’s work together to propel Nikke Group forward as a company that creates future lifestyles.

Business Leader Development Program and an Employee-friendly Human Resources System

HR Systems,
Human Resource Department
Sae Takahashi



This program aims to develop human resources (= business leaders) who create new customer value by tackling challenges that transform business activities. It is primarily business school-based and involves the systematic study of management-building theory. Participation in this program is limited to a small number of exemplary employees hand-picked from Nikke Group companies through open recruitment and departmental recommendations. Although it sounds a bit clichéd, after several years of working in the secretariat I strongly believe that it is experience more than knowledge that contributes most to employee growth. The experience of engaging in debate and discussion not only with other employees in Nikke Group but also people from outside the Group helps to refine participants, elevating their perspective and broadening their horizons. Because it is a small-scale program, I tell participants to spread what they have learned throughout the organization in order to change thinking and behavior at the organizational level.

I want to help build a company where the employees who have chosen to work for Nikke Group feel secure and empowered—regardless of gender, age, nationality, disability, or sexual orientation—to demonstrate their motivation and abilities without feeling that they have to make a trade-off between their private life and their career.

Nikke Group Rank-specific Education System

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		
Leaders (management candidates)	① Solving well-defined problems ② Leadership that brings out motivation and competence of subordinates	Leader training	E-learning (financial accounting, legal affairs, labor, compliance, etc.)	E-learning
	Business leader development program			
Mid-level (leader candidates)	① Problem solving with hypothetical thinking ② Facilitation that brings out wisdom and motivation	Strengthening skills to get people involved		
		Tutor training		
3rd year employees	① Basics of logical thinking ② Persuasive communication	Advocacy improvement training		
		3rd year training		
2nd year employees		2nd year training		
New employees	New employee training			

Rank-specific training

Corporate Governance

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

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 outside 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 outside 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 outside directors and Audit and Supervisory Board members twice a year as a place for exchanging information and sharing awareness to revitalize the Board of Directors.

In order to strengthen the supervisory function of the Board of Directors by separating management and supervision, the chairman of the board has been a non-representative chairman.

Structure of the Audit and Supervisory Board

The Audit and Supervisory Board consists of four people, including two highly independent outside 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.

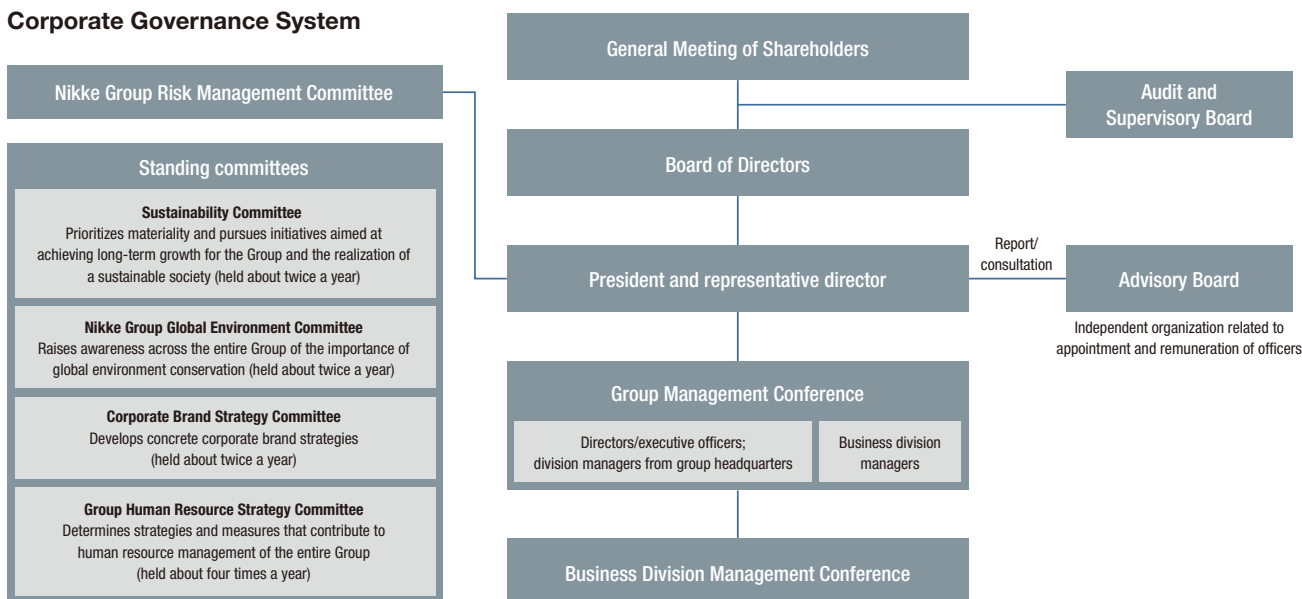
Group Management Conference

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.

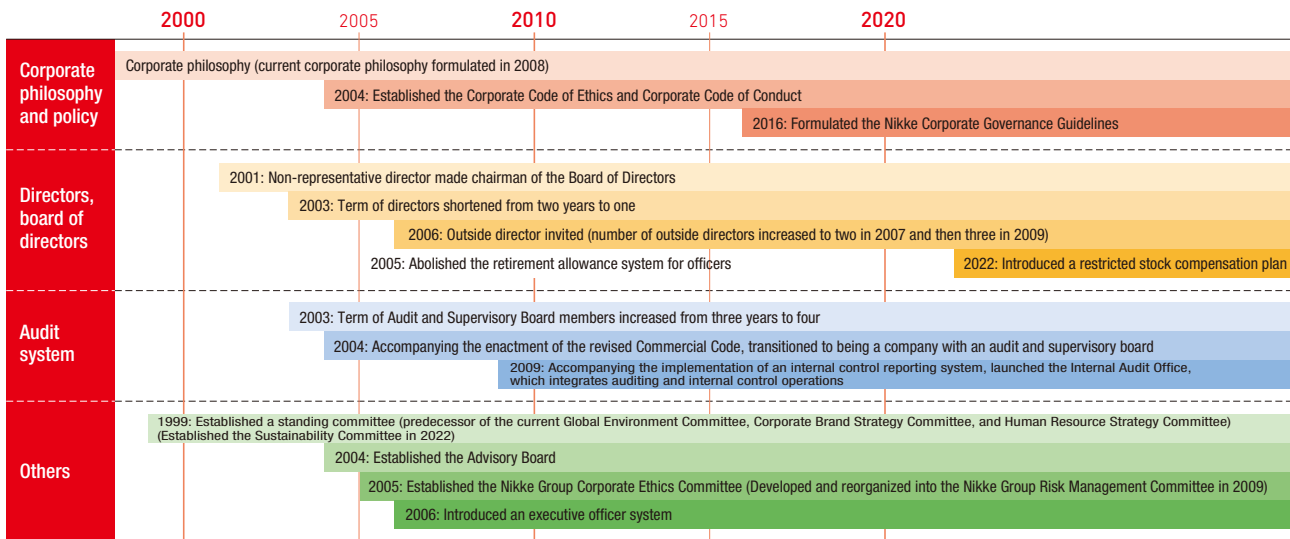
Advisory Board

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.

Corporate Governance System



Corporate Governance Initiatives



Status of Cross-holdings

Policy on Holdings

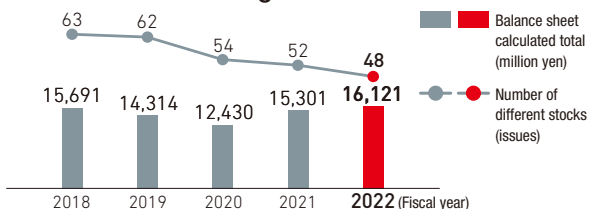
Regarding share cross-holdings, we disclose these in our securities report as well as conduct an annual review during which the Board of Directors considers a number of questions about each stock held, including the purpose for holding it and whether the risks and benefits of holding it justify the capital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

Based on the results of this review, as part of the Nikke Group RN130 Vision 2nd medium-term management plan (fiscal 2021–2023), we sold off 11 of our cross-shareholdings in fiscal 2021, which represented a book value reduction of over 100 million yen, and 23 of our cross-shareholdings in fiscal 2022, which represented a book value reduction of over 600 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



Primary matters for deliberation by the Board of Directors (fiscal 2022)

Management strategy related	Progress management of medium-term management plan / progress management of single-year management plan / formulation of coming fiscal year management plan / financial plan formulation / management of financial results and performance / management of group company financial results and performance / M&A-related matters / restructuring / progress management of investments / etc.
Governance	Personnel changes for directors, Audit and Supervisory Board members, executive officers, and important division managers / Advisory Board appointment / policy decision-making (e.g., officer remuneration) and deciding of share-based remuneration / D&O insurance and liability limitation agreements with outside directors / Audit and Supervisory Board auditing policies and planning / internal control audit planning / accounting auditor audit planning / verification and sale of cross-shareholdings / Board of Directors effectiveness evaluation / establishment and revision of important rules and regulations / Tokyo Stock Exchange new market segment and corporate governance code revision initiatives / etc.
Investment and loans	Important investments (production facilities, commercial facilities, opening of new facilities, income properties, research facilities, Tokyo Building redevelopment, etc.) / core system investments / investment planning and results comparison / etc.
Shareholder related	Shareholder returns (dividend policy, treasury stock acquisition and cancellation) / general meeting of shareholders operating policy and results summarization / etc.

Evaluation of the Effectiveness of the Board of Directors

With respect to the evaluation of the effectiveness of the Board of Directors in fiscal 2022, 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 outside directors and Audit and Supervisory Board members, which is held regularly to facilitate information and awareness-sharing with independent outside 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.

Reasons for Officer Appointment

In order to build an effective governance system focused on sustainable growth, we appoint directors and Audit and Supervisory Board members who possess extensive business experience and wide-ranging expertise and knowledge. Each director's and Audit and Supervisory Board member's skills and activities are provided below.

Kazuya Tomita

Chairman and
Chairman of Board of Directors

As chairman of the Board of Directors, Tomita performed appropriate management supervision and, while presiding over meetings of the board, strived to ensure effective management of proceedings from a position of neutrality. Also, as the former president, he has been involved in overall management for many years, including promoting the Nikke Group RN130 Vision. He possesses a wealth of experience, for which he has been deemed an appropriate appointment for achieving sustained improvement in Nikke Group's corporate value.

Yutaka Nagaoka

President and Representative Director
Chief Executive Officer

As president and representative director, Nagaoka performed appropriate management supervision and decision-making on important matters and helped move forward the second phase of the Nikke Group RN130 Vision, i.e., the second medium-term management plan, realizing ahead of schedule a renewal of the record-high operating income achieved in fiscal 2019, which was one of the plan's targets. For these and other reasons, Nagaoka has been deemed an appropriate appointment for achieving sustained improvement in Nikke Group's corporate value.

Kuniaki Hihara

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

As a director, Hihara performed appropriate management supervision and decision-making on important matters. As a managing executive officer, he served as the general manager of the Industrial Machinery & Materials Division, where he focused on automobile- and environment-related growth industries, expanded overseas business, and facilitated expansion of nonwovens business via stronger ties with Fuji Corporation. Also, as chair of the Corporate Brand Strategy Committee, he oversaw the creation of a concrete corporate brand strategy. For these and other reasons, Hihara has been deemed an appropriate appointment for achieving sustained improvement in Nikke Group's corporate value.

Yoshiro Kawamura

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

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 Human & Future Development Division, where he pursued commercial facility renewal, Tokyo Building redevelopment, selection and concentration of unprofitable businesses, and structural reforms. Also, as chair of the Nikke Group Global Environment Committee, he promoted the importance of global environmental conservation and worked to raise awareness across the entire Group. For these and other reasons, Kawamura has been deemed an appropriate appointment for achieving sustained improvement in Nikke Group's corporate value.

Takehiro Okamoto

Director and Managing Executive Officer
Director of Corporate Strategy Center

As a director, Okamoto performed appropriate management supervision and decision-making on important matters. As a managing executive officer, he oversaw the Corporate Strategy Center as director, formulating and promoting corporate strategy, shaping corporate governance, facilitating overall Group financial affairs, human resources, IR, and M&A strategy, and launching the medical-related business. Also, as chair of the Sustainability Committee, he furthered efforts aimed at the long-term growth of the Group and the realization of a sustainable society. For these and other reasons, Okamoto has been deemed an appropriate appointment for achieving sustained improvement in Nikke Group's corporate value.

Yoshihiro Ohnishi

Outside director
(independent director)

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. Also, as an external member of the Advisory Board, he has been actively involved in improving Group corporate governance. For these and other reasons, Ohnishi has been deemed an appropriate appointment for achieving sustained improvement in Nikke Group's corporate value.

Yasuhiro Wakamatsu

Outside director
(independent director)

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 supervisory role among the Board of Directors. Also, as an external member of the Advisory Board, he has been actively involved in improving Group corporate governance. For these and other reasons, Wakamatsu has been deemed an appropriate appointment for achieving sustained improvement in Nikke Group's corporate value.

Seishi Miyajima

Outside director
(independent director)

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 supervisory role among the Board of Directors. Also, as an outside member of the Advisory Board, he has been actively involved in improving Group corporate governance. For these and other reasons, Miyajima has been deemed an appropriate appointment for achieving sustained improvement in Nikke Group's corporate value.

Shogo Ueno

Audit and Supervisory
Board member

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. He also has group company management experience. For these reasons, Ueno is deemed to be an appropriate appointment who is able to conduct audits to ensure good corporate health.

Kazuhiro Ohashi

Audit and Supervisory
Board member

As an executive officer, Ohashi focused on the launch of medical-related business. With his broad range of experience in Nikke Group in the fields of production and research and development, he has a great deal of insight into Nikke Group business. He also has group company management experience. For these reasons, Ohashi is deemed to be an appropriate appointment who is able to conduct audits to ensure good corporate health.

Takeshi Katayama

Outside Audit and
Supervisory Board member
(independent director)

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 outside Audit and Supervisory Board member.

Michiko Uehara

Outside Audit and
Supervisory Board member
(independent director)

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 outside Audit and Supervisory Board member.

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 outside 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 inside 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 outside 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 2022)

	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, outside directors)	227 million yen (18 million yen)	149 million yen (18 million yen)	53 million yen (—)	24 million yen (—)	11 (5)
Audit and Supervisory Board members (of which, outside Audit and Supervisory Board members)	49 million yen (12 million yen)	49 million yen (12 million yen)	— (—)	— (—)	4 (2)

- Total remuneration includes an anticipated 30 million yen directors' bonus for the fiscal year.
- Non-monetary remuneration, etc., is the amount recorded as expenses for the fiscal year under review based on the restricted stock compensation plan.
- 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 outside 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 outside 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 outside directors).
- For details, please see page 34 of the Notice of Convocation of the 192nd Ordinary General Meeting of Shareholders.

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 see pages 16 and 17 of the 192nd Securities Report.

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.

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 12 reports received in fiscal 2022.

Handling of Information

Respect for Intellectual Property

On December 1, 2008, Nikke Group established the Environment/Intellectual Property Control Office (currently, System Technology/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 22, 2023)



Kazuya Tomita

Chairman and Chairman of Board of Directors
 Date of birth: April 3, 1959; 63 years old
 Number of years as board member: 10
 Number of shares held: 91 thousand
 Attendance at Board of Directors meetings (previous term): 12/12 meetings

Apr. 1984 Joined Nikke
 Feb. 2007 Community Service Group manager
 Dec. 2008 Community Service Department manager
 Feb. 2009 Executive officer; Community Service Department manager
 Dec. 2011 Executive officer; Community Service Department manager; Administration Department manager; Communications and New Services Department manager
 Dec. 2012 Managing executive officer; Human & Future Development Division general manager; Consumer Division general manager; Administration Department manager; Communications and New Services Department manager
 Feb. 2013 Director and managing executive officer; Human & Future Development Division general manager; Consumer Division general manager
 Jun. 2014 Director and managing executive officer; Corporate Strategy Center director
 Feb. 2016 President, representative director, and chief executive officer
 Feb. 2022 Chairman (current)



Yutaka Nagaoka

President and Representative Director
 Chief Executive Officer
 Date of birth: September 7, 1961; 61 years old
 Number of years as board member: 3
 Number of shares held: 44 thousand
 Attendance at Board of Directors meetings (previous term): 12/12 meetings

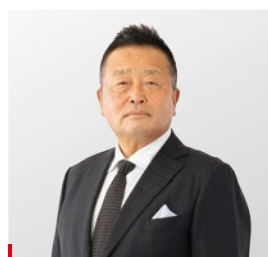
Apr. 1984 Joined Nikke
 Dec. 2008 Textile & Clothing Materials Division Gifu Mill manager
 Dec. 2010 Textile & Clothing Materials Division Innami Mill manager
 Feb. 2012 Textile & Clothing Materials Division manager (in charge of overseas business)
 Feb. 2014 Textile & Clothing Materials Division Gifu Mill manager
 Sep. 2015 Nikke Machine Manufacturing Corp. president
 Feb. 2018 Executive officer; Nikke Machine Manufacturing president
 Feb. 2020 Director and managing executive officer; Human & Future Development Division general manager
 Feb. 2021 Director and managing executive officer; Human & Future Development Division general manager; Development Department manager
 Feb. 2022 President, representative director, and chief executive officer (current)



Kuniaki Hihara

Director and Managing Executive Officer
 General Manager of Industrial Machinery & Materials Division
 Date of birth: May 7, 1957; 65 years old
 Number of years as board member: 5
 Number of shares held: 38 thousand
 Attendance at Board of Directors meetings (previous term): 12/12 meetings

Apr. 2011 Joined Nikke
 Jul. 2012 Textile & Clothing Materials Division No. 3 Sales Department manager
 Oct. 2013 Nikke (Thailand) Co., Ltd. president
 Dec. 2014 Nikke (Shanghai) Management Co., Ltd. chief executive officer
 Jun. 2015 Nankai Nikke (Malaysia) Sdn. Bhd. president
 Feb. 2016 Ambic Co., Ltd. president
 Feb. 2018 Director and managing executive officer; Industrial Machinery & Materials Division general manager (current)
 Jun. 2018 Ashimori Industry Co., Ltd. outside director
 Jun. 2020 Fuji Corp. president (current)



Yoshiro Kawamura

Director and Managing Executive Officer
 General Manager of Human & Future Development Division
 Date of birth: November 15, 1960; 62 years old
 Number of years as board member: 4
 Number of shares held: 36 thousand shares
 Attendance at Board of Directors meetings (previous term): 12/12 meetings

Apr. 1983 Joined Nikke
 Dec. 2005 Chief executive officer of Jiangyin Nikke Worsted Spinning Co., Ltd. and Jiangyin Nikke Dyeing Co., Ltd.
 Dec. 2008 Research and Development Center No. 2 Research and Development Office manager
 May 2010 Engineering Department specialist manager
 Feb. 2013 Nikke Machine Manufacturing Corp. president
 Sep. 2015 Textile & Clothing Materials Division Manufacturing Control Department manager
 Feb. 2016 Executive officer; Textile & Clothing Materials Division Manufacturing Control Department manager
 Jun. 2017 Executive officer; Textile & Clothing Materials Division Manufacturing Control Department manager; Fabric Department manager
 Feb. 2019 Director and managing executive officer; Textile & Clothing Materials Division general manager
 Feb. 2022 Director and managing executive officer; Human & Future Development Division general manager (current)



Takehiro Okamoto

Director and Managing Executive Officer
 Director of Corporate Strategy Center
 Date of birth: June 9, 1961; 61 years old
 Number of years as board member: 1
 Number of shares held: 31 thousand shares
 Attendance at Board of Directors meetings (previous term): 10/10 meetings

Aug. 2005 Joined Nikke
 Dec. 2008 Corporate Strategy Center Finance and Accounting Office manager
 Mar. 2013 Industrial Machinery & Materials Division Administration Department manager
 Dec. 2014 Corporate Strategy Center Corporate Planning Office manager
 Feb. 2016 Executive officer; Corporate Strategy Center Corporate Planning Office manager
 Feb. 2019 Managing executive officer; Corporate Strategy Center director
 Jun. 2021 Kawanishi Warehouse Co., Ltd. outside director (current)
 Feb. 2022 Director and managing executive officer; Corporate Strategy Center director (current)



Yoshihiro Ohnishi

Outside Director (independent director)
 Date of birth: January 26, 1946; 77 years old
 Number of years as board member: 5
 Number of shares held: –
 Attendance at Board of Directors meetings (previous term): 12/12 meetings

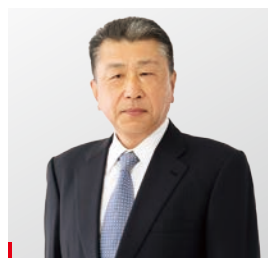
Apr. 1968 Joined ShinMaywa Industries, Ltd.
 Jul. 1996 ShinMaywa Industrial Machinery Systems Division manager
 Jun. 1997 ShinMaywa director
 Apr. 2003 ShinMaywa Corporate Planning Department manager
 Jun. 2003 ShinMaywa managing director
 Apr. 2006 ShinMaywa director and senior managing executive officer
 Oct. 2006 ShinMaywa Aircraft Division manager
 Apr. 2010 ShinMaywa Quality Assurance Division general manager
 Jan. 2011 ShinMaywa president
 Jun. 2017 ShinMaywa advisor
 Feb. 2018 Nikke outside director (current)



Yasuhiro Wakamatsu

Outside Director (independent director)
 Date of birth: August 6, 1954; 68 years old
 Number of years as board member: 1
 Number of shares held: –
 Attendance at Board of Directors meetings (previous term): 10/10 meetings

Apr. 1977 Joined Kawanishi Warehouse Co., Ltd.
 Jun. 2006 Kawanishi Warehouse director and Kobe Branch manager
 Apr. 2011 Kawanishi Warehouse director
 Jun. 2011 Kawanishi Warehouse director and Overseas Department manager
 Jun. 2011 Kawanishi Warehouse managing director, Sales Department deputy general manager, and Overseas Department manager
 Apr. 2013 Kawanishi Warehouse managing director and Sales Department deputy general manager
 Jun. 2013 Kawanishi Warehouse president and Sales Department general manager
 Sep. 2015 Kawanishi Warehouse president
 Apr. 2021 Kawanishi Warehouse chairman of the board (current)
 Feb. 2022 Nikke outside director (current)



Seishi Miyajima

Outside Director (independent director)
 Date of birth: January 11, 1960; 63 years old
 Number of years as board member: 1
 Number of shares held: –
 Attendance at Board of Directors meetings (previous term): 10/10 meetings

Apr. 1983 Joined Nomura Real Estate Development Co., Ltd.
 Jun. 2001 Nomura Corporate Sales Department manager
 Jun. 2006 Nomura director and Corporate Company vice president
 Apr. 2009 Nomura director, managing executive officer, and Corporate Company president
 Apr. 2012 Nomura director, senior managing executive officer, and Corporate Company president
 May 2012 Nomura Real Estate Holdings, Inc. executive officer and Property Brokerage & CRE Business Unit manager
 Apr. 2013 Nomura Real Estate Urban Net Co., Ltd. president
 Apr. 2016 Nomura Real Estate Urban Net chairman of the board
 Jun. 2018 Shinnihon Corp. director and executive vice president
 Feb. 2022 Nikke outside director (current)



Shogo Ueno

Audit and Supervisory Board member
Date of birth: July 6, 1957; 65 years old
Number of years as board member: 3
Number of shares held: 31 thousand
Attendance at Board of Directors meetings (previous term): 12/12 meetings
Attendance at Audit and Supervisory Board meetings (previous term): 12/12 meetings

Apr. 1983 Joined Nikke
Feb. 2007 Textile Division No. 2 Sales Department manager; Maruwai Yoshida president
Apr. 2009 Nitto Family Co., Ltd. director and Tokyo Branch manager
Dec. 2013 Tsukineko Co., Ltd. president
Feb. 2015 Executive officer, Consumer Business Division; Consumer Goods & Services Division general manager; Tsukineko president
Dec. 2015 Executive officer; Consumer Goods & Services Division general manager; Tsukineko president
Dec. 2017 Executive officer; Consumer Goods & Services Division general manager
Feb. 2018 Director and managing executive officer; Human & Future Development Division general manager
Feb. 2020 Full-time Audit and Supervisory Board member (current)



Kazuhiro Ohashi

Audit and Supervisory Board member
Date of birth: February 18, 1958; 65 years old
Number of years as board member: – (newly appointed)
Number of shares held: 26 thousand shares
Attendance at Board of Directors meetings (previous term): –/– meetings
Attendance at Audit and Supervisory Board meetings (previous term): –/– meetings

Apr. 1982 Joined Nikke
Dec. 2008 Research and Development Center No. 1 Research and Development Office manager
Feb. 2012 Textile & Clothing Materials Division Innami Mill manager
Dec. 2013 Gosen Co., Ltd. director and managing executive officer
Feb. 2017 Executive officer; Research and Development Center director
Apr. 2018 Executive officer; Research and Development Center director; Textile & Clothing Materials No. 1 and No. 2 Development Office manager
Dec. 2018 Executive officer; Research and Development Center director; Materials and Technology Development Office manager; Nikke Medical Co., Ltd. president
Apr. 2019 Executive officer; Kyoto Medical Planning Co., Ltd. president; Nikke Medical president (current)
Feb. 2023 Full-time Audit and Supervisory Board member (current)



Takeshi Katayama

Outside Audit and Supervisory Board member (independent director)
Date of birth: February 26, 1950; 72 years old
Number of years as board member: 8
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

Apr. 1973 Joined the Norinchukin Bank
Jun. 2001 Norinchukin Bank Legal Department manager
Jun. 2002 Norinchukin Bank managing director
Jun. 2005 Showa Leasing Co., Ltd. executive vice president
Jun. 2006 Kyodo Credit Service Co., Ltd. president
Oct. 2006 UFJ Nicos Co., Ltd. executive vice president
Apr. 2007 Mitsubishi UFJ Nicos Co., Ltd. director and executive vice president
Jun. 2008 Mitsubishi UFJ Nicos representative director and executive vice president
Jun. 2012 Cooperative Servicing Co., Ltd. president
Feb. 2015 Nikke outside Audit and Supervisory Board member (current)



Michiko Uehara

Outside Audit and Supervisory Board member (independent director)
Date of birth: December 24, 1949; 73 years old
Number of years as board member: 6
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

Apr. 1976 Kobe District Court assistant judge
Apr. 1979 Kobe District Court Amagasaki Branch assistant judge
Apr. 1982 Osaka District Court assistant judge
Apr. 1986 Fukuoka District Court judge
May 1989 Attorney registration; joined Miyake & Partners
Mar. 1992 Established Uehara Joint Law Office (current)
Feb. 2015 Nikke Audit and Supervisory Board member alternate
Jun. 2016 Sumitomo Electric Industries, Ltd. outside Audit and Supervisory Board member (current)
Feb. 2017 Nikke outside Audit and Supervisory Board member (current)
Jun. 2022 Sekisui Kasei Co., Ltd. outside director (current)

Name	Kazuya Tomita	Yutaka Nagaoka	Kuniaki Hihara	Yoshiro Kawamura	Takehiro Okamoto
Position	Chairman and Chairman of Board of Directors	President and Representative Director 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
Corporate management	●	●	●	●	●
Sales	●	●	●	●	●
Engineering/R&D	●	●	●	●	●
Finance/accounting	●	●	●	●	●
HR/labor	●	●	●	●	●
Legal/risk management	●	●	●	●	●
M&A	●	●	●	●	●
Global experience	●	●	●	●	●
Business experience at Nikke	●	●	●	●	●
Textile & Clothing Materials	●	●	●	●	●
Industrial Machinery & Materials	●	●	●	●	●
Human & Future Development	●	●	●	●	●
Consumer Goods & Services	●	●	●	●	●

Name	Yoshihiro Ohnishi	Yasuhiro Wakamatsu	Seishi Miyajima	Shogo Ueno*	Kazuhiro Ohashi*	Takeshi Katayama	Michiko Uehara
Position	Outside Director (independent director)	Outside Director (independent director)	Outside Director (independent director)	Full-time Audit and Supervisory Board member	Full-time Audit and Supervisory Board member	Outside Audit and Supervisory Board member (independent director)	Outside Audit and Supervisory Board member (independent director)
Corporate management	●	●	●	●	●	●	●
Sales	●	●	●	●	●	●	●
Engineering/R&D	●	●	●	●	●	●	●
Finance/accounting	●	●	●	●	●	●	●
HR/labor	●	●	●	●	●	●	●
Legal/risk management	●	●	●	●	●	●	●
M&A	●	●	●	●	●	●	●
Global experience	●	●	●	●	●	●	●
Business experience at Nikke	●	●	●	●	●	●	●
Textile & Clothing Materials	●	●	●	●	●	●	●
Industrial Machinery & Materials	●	●	●	●	●	●	●
Human & Future Development	●	●	●	●	●	●	●
Consumer Goods & Services	●	●	●	●	●	●	●

*Prior to their appointment as a Nikke Audit and Supervisory Board member, Shogo Ueno served two years as a Nikke director and Kazuhiro Ohashi served nine years as a Nikke executive officer.

Changes in Significant Financial Data (Over 11 Years)

FY ended Nov. 2012 FY ended Nov. 2013 FY ended Nov. 2014 FY ended Nov. 2015 FY ended Nov. 2016

Consolidated Profit/Loss

Sales (million yen)	97,357	97,677	100,477	102,854	100,982
Operating income (million yen)	5,337	5,596	6,028	7,342	7,620
Ordinary income (million yen)	5,401	6,023	6,635	7,799	7,649
Net income attributable to owners of parent (million yen)	3,261	3,346	3,572	4,690	5,002

Consolidated Financial Standing

Net assets (million yen)	70,046	77,485	79,442	81,807	82,155
Total assets (million yen)	117,792	132,931	133,938	132,749	130,635
Interest-bearing liabilities (million yen)	15,976	20,678	17,748	16,879	15,413

Consolidated Free Cash Flow

Cash flow from operating activities (million yen)	5,397	6,180	12,146	6,845	9,514
Cash flow from investing activities (million yen)	(3,740)	(10,104)	(4,061)	(2,324)	(6,590)
Cash flow from financing activities (million yen)	1,505	2,158	(5,334)	(4,909)	(3,361)
Free cash flow (million yen)	1,657	(3,924)	8,085	4,521	2,924
Balance of cash and cash equivalents at year's end (million yen)	13,525	11,986	14,923	14,686	14,265

Per Share Information

Net assets per share (yen)	913.10	1,010.83	1,036.09	1,096.44	1,101.87
Net profit per share (yen)	42.98	44.16	47.15	62.17	67.88
Dividends (yen)	18	18	18	20	22
Price-to-earnings ratio (PER) (x)	12.91	17.19	16.25	15.02	11.79
Dividend payout ratio (%)	41.9	40.8	38.2	32.2	32.4
Highest stock price (yen)	649	873	816	1,042	949
Lowest stock price (yen)	513	549	680	737	664

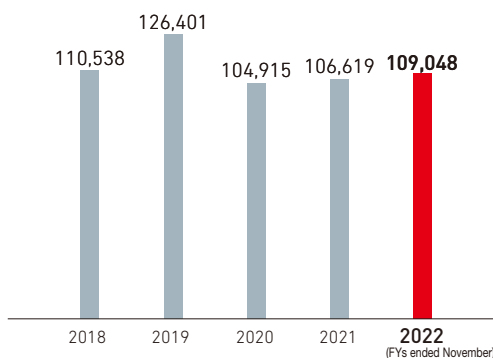
Financial Data

Operating margin (%)	5.5	5.7	6.0	7.1	7.5
Equity ratio (%)	58.8	57.6	58.6	60.9	62.2
Return on equity (ROE) (%)	4.7	4.6	4.6	5.9	6.2
Capital investment (million yen)	3,678	6,804	6,127	3,066	5,966
Depreciation (million yen)	3,505	3,383	3,671	3,564	3,490

FY ended Nov. 2017	FY ended Nov. 2018	FY ended Nov. 2019	FY ended Nov. 2020	FY ended Nov. 2021	FY ended Nov. 2022
103,498	110,538	126,401	104,915	106,619	109,048
8,348	8,368	10,472	9,048	9,900	10,707
9,089	9,128	11,165	12,655	9,784	11,715
5,270	5,274	6,520	7,121	8,308	7,283
89,067	89,195	93,344	95,714	104,620	107,734
140,202	141,644	148,707	147,172	163,632	163,384
16,742	18,139	17,476	20,771	21,082	19,279
9,206	5,812	13,694	11,315	12,404	9,449
(6,695)	(2,933)	(3,143)	(6,225)	(2,093)	(6,878)
(743)	(1,483)	(2,923)	(359)	(1,483)	(9,498)
2,511	2,879	10,551	5,090	10,311	2,571
15,951	17,425	25,013	29,927	41,052	34,363
1,194.34	1,212.69	1,264.35	1,310.05	1,398.04	1,508.32
71.52	72.26	89.70	98.57	115.07	100.54
22	22	26	27	28	30
13.87	12.72	11.85	10.71	7.31	10.03
30.8	30.4	29.0	27.4	24.3	29.8
1,054	1,205	1,115	1,153	1,072	1,114
766	840	727	706	834	829
8.1	7.6	8.3	8.6	9.3	9.8
62.8	62.2	61.8	63.8	62.9	65.3
6.2	6.0	7.2	7.7	8.4	7.0
6,063	3,227	3,865	3,562	3,525	4,652
3,681	3,780	3,580	3,669	3,669	3,869

Changes in Financial Data in Graphs

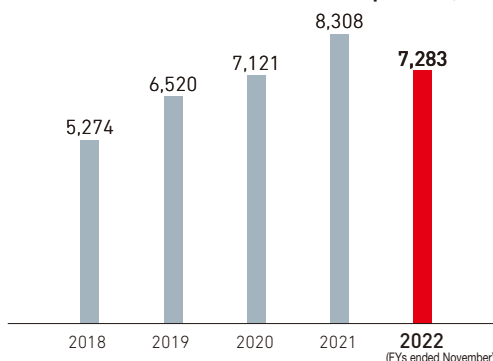
Sales (million yen)



Up 2.3% YoY

Sales for the fiscal year ended November 2022 increased 2.3% YoY to 109,048 million yen as a result of such factors as good performance in Textile & Clothing Materials business and Industrial Machinery & Materials business, which benefited from Fuji Corporation's first full year as a consolidated group company.

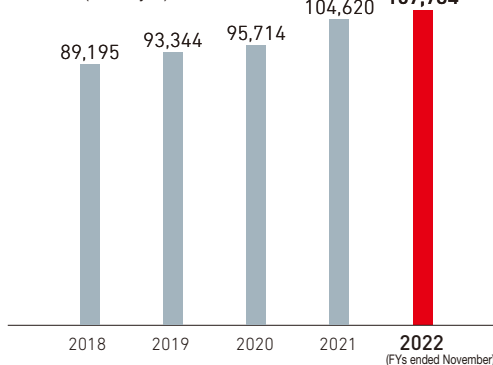
Net income attributable to owners of parent (million yen)



Down 12.3% YoY

Net income attributable to owners of parent declined 12.3% YoY as a result of such factors as loss of recorded gain on negative goodwill associated with Fuji Corp. becoming a wholly owned subsidiary.

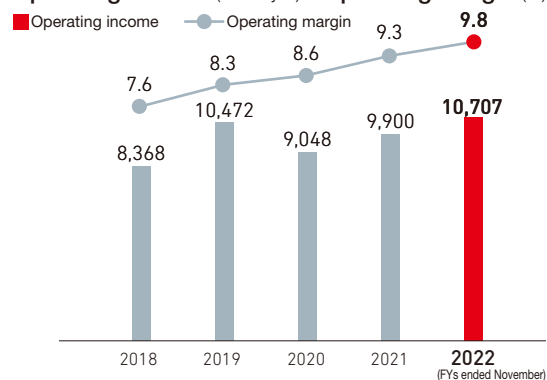
Net assets (million yen)



Up 3.0% YoY

Net assets increased 3.0% YoY to 107,734 million yen as a result of such factors as a decrease in treasury shares.

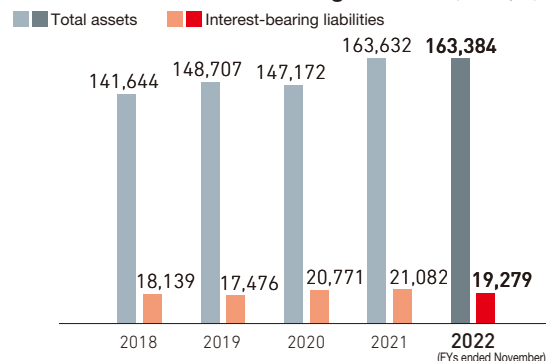
Operating income (million yen) / Operating margin (%)



Operating income up 8.1% YoY; operating margin up 0.5 points YoY

Operating income surpassed the second-year target of the RN130 Vision second medium-term management plan, increasing 8.1% YoY to 10,707 million yen, a record-high.

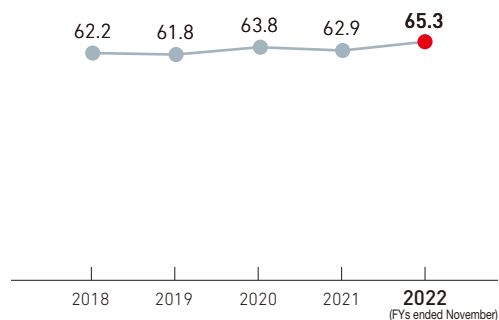
Total assets / Interest-bearing liabilities (million yen)



Total assets down 248 million yen YoY; interest-bearing liabilities down 1,803 million yen YoY

Total assets decreased 248 million yen to 163,384 million yen as a result of such factors as decreased cash and deposits. Interest-bearing liabilities decreased 1,803 million yen to 19,279 million yen.

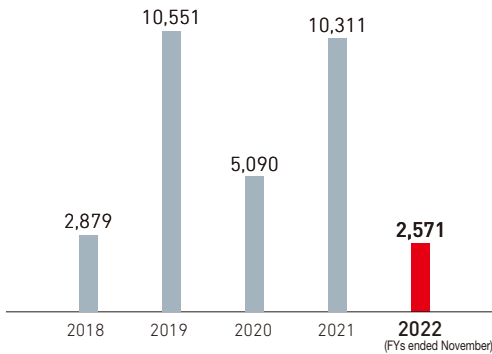
Equity ratio (%)



Up 2.4 points YoY

Equity ratio went up 2.4 points, from 62.9% to 65.3% YoY.

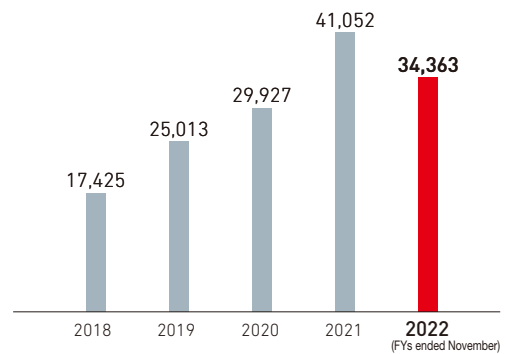
Free cash flow (million yen)



Down 7,740 million yen YoY

Operating cash flow was 9,449 million yen, while investment cash flow was minus 6,878 million yen, leaving free cash flow of 2,571 million yen for the period.

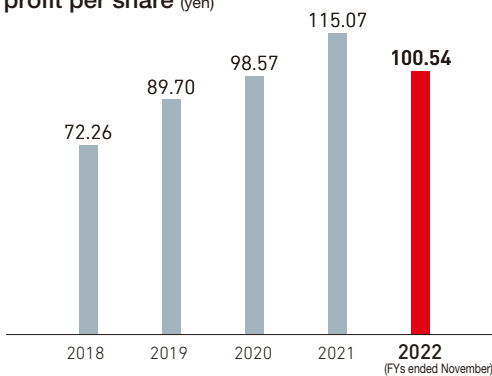
Balance of cash and cash equivalents at year's end (million yen)



Down 6,689 million yen YoY

The balance of cash and cash equivalents at year's end decreased 6,689 million yen YoY to 34,363 million yen.

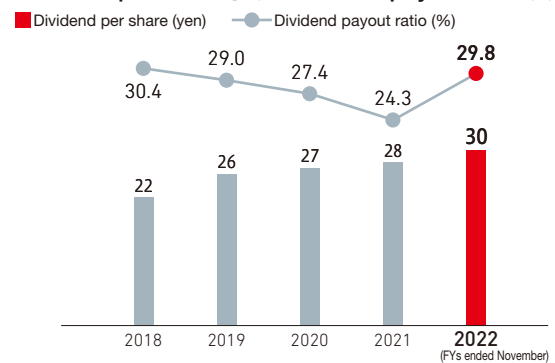
Net profit per share (yen)



Down 14.53 yen YoY

Net profit per share decreased 14.53 yen from last year, going from 115.07 yen to 100.54 yen. The primary cause of this was, just like with net profit, a loss of recorded gain on negative goodwill. We consider this a key business indicator.

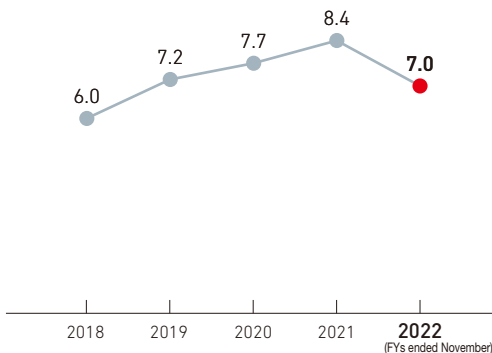
Dividend per share (yen) / Dividend payout ratio (%)



Annual dividend up 2 yen YoY; dividend payout ratio up 5.5 points YoY

Annual dividend increased 2 yen from last year, going from 28 yen to 30 yen. Dividend payout ratio increased 5.5 points from last year, going from 24.3% to 29.8%.

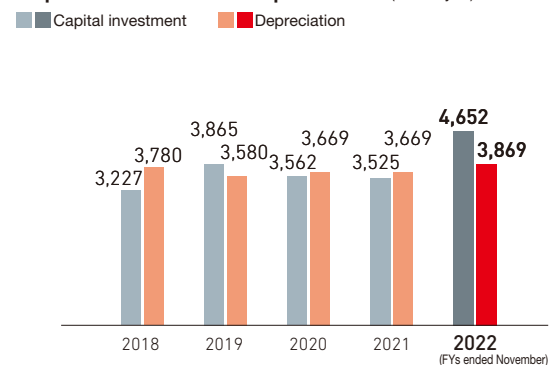
Return on equity (ROE) (%)



Down 1.4 points YoY

ROE declined 1.4 points from last year, going from 8.4% to 7.0%. We have maintained the numerical target of 7.0% or higher established in the medium-term management plan and will continue to emphasize this as an important business indicator.

Capital investment / Depreciation (million yen)



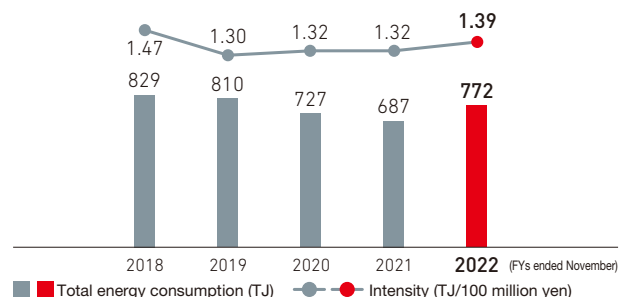
Capital investment up 1,127 million yen YoY; depreciation up 200 million yen YoY

The amount of capital investment was 4,652 million yen, which was allocated for production equipment installation, commercial facility renovation, and other such efforts. The amount of depreciation was 3,869 million yen.

Environment

The numerical data has been changed because of the addition and retroactive tabulation back to fiscal 2017 of the results data for shopping centers and Nikke Machine Manufacturing Corp., which have large environmental loads.

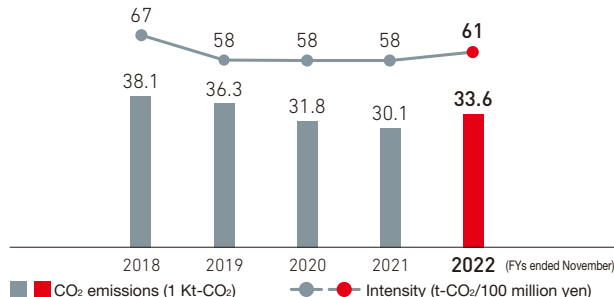
Total energy consumption (Nikke Group domestic production bases + Nikke offices + shopping centers)



Total energy consumption rose 6.3% compared with FY2020, with a rise in intensity of 5.0%, failing to meet the target

Total energy consumption rose as a result of Fuji Corp. being made a consolidated group subsidiary. Intensity is the result of 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. We are focused on achieving further energy efficiency.

CO₂ emissions (Nikke Group domestic production bases + Nikke offices + shopping centers)

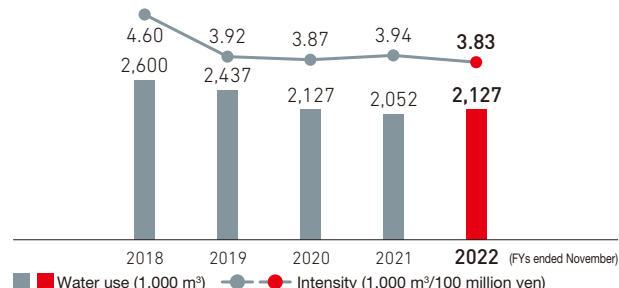


CO₂ emissions rose 5.7% compared with FY2020, with a rise in intensity of 4.4%, failing to meet the target

Note: The CO₂ emission factor for the fiscal year ended November 2021 was used to calculate the results for the fiscal year ended November 2022 because the CO₂ emission factor for the fiscal year ended November 2022 had not been announced. Also, the results for the fiscal year ended November 2021 have been revised to reflect the newly released CO₂ emission factor for the fiscal year ended November 2021. Figures thus differ from those reported last year.

The intensity of CO₂ emissions was 104.4%, which did not meet the target of "98.0% 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 CO₂ emissions decreased by 75.3% in the domestic manufacturing division and by 67.6% including the shopping center division.

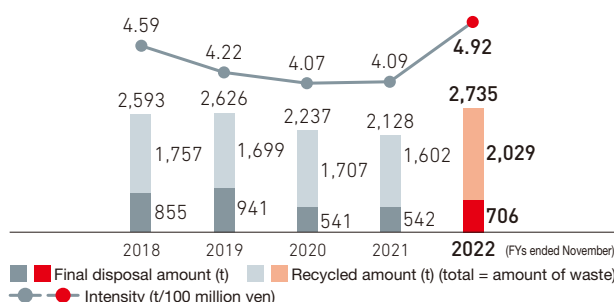
Water resource use and intensity (Nikke mills + domestic group companies + shopping centers)



Water resource use was the same as FY2020, and intensity declined 1.2%

We use tap water, industrial water, and groundwater for production. Water resource use for the fiscal year ended November 2022 was the same as for FY2020, and intensity dropped 1.2%. We will continue to work to reduce our water usage by recycling water and strengthening inspections and repairs of our piping systems.

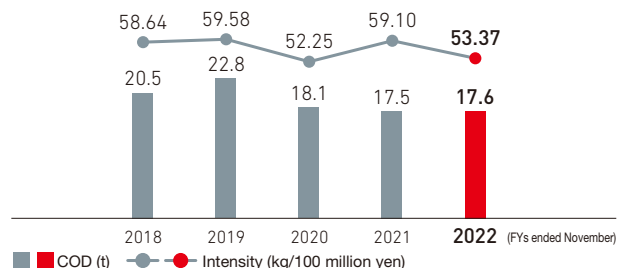
Amount of waste, recycled amount, final disposal amount (Nikke mills + domestic group companies + shopping centers)



Waste generation intensity was 120.3% compared with FY2020 and did not meet the target

The intensity of waste generation was 120.3%, which did not meet the target of "98.0% or less compared with FY2020." As a result of including new group companies since FY2022, waste has increased more than sales has increased, resulting in the target being missed by a large margin. We will continue to pursue waste sorting and recycling in all of our plants and offices.

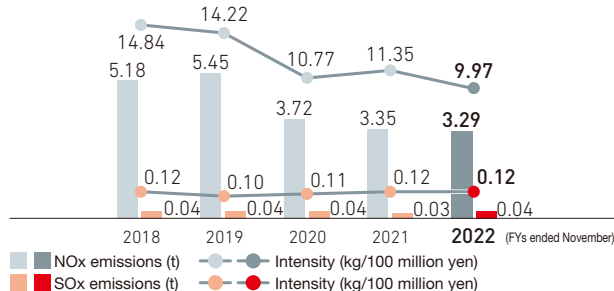
Wastewater management (water pollution discharge: COD load) (Nikke mills + domestic group companies)



COD load declined 2.6% compared with FY2020, but intensity increased 2.1%

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.

Air quality management (SO_x and NO_x emissions) (Nikke mills + domestic group companies)



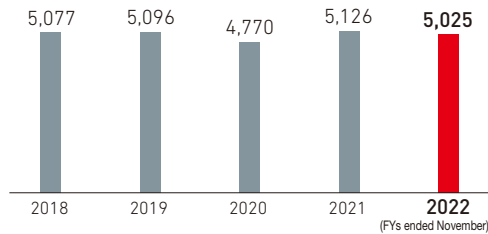
NO_x emissions intensity declined 7.4% compared with FY2020, but SO_x emissions intensity increased 4.6%

SO_x, NO_x, and particulate matter emissions from the Nikke Group are contained in boiler exhaust gas, with SO_x emissions, in particular, being attributable to boiler fuel. Nikke Innami Mill, Ichinomiya Office, Gifu Mill, Ambic, and Fuji Corp. use natural gas and other such fuels to power their boilers, resulting in zero SO_x emissions. In addition to conducting regular and reliable maintenance, each factory conducts daily managed operations and performs regular exhaust gas analysis to manage NO_x and particulate matter exhaust levels below those stipulated by the Air Pollution Control Act and other relevant laws, regulations, and environmental agreements.

Social

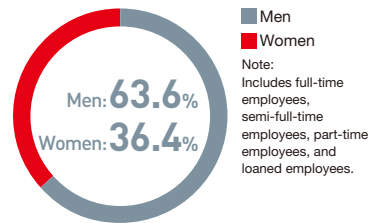
Number of employees

(entire Nikke Group) (As of November 30, 2022)



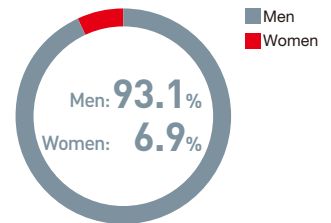
Ratio of men and female employees

(The Japan Wool Textile Co., Ltd.) (As of November 30, 2022)



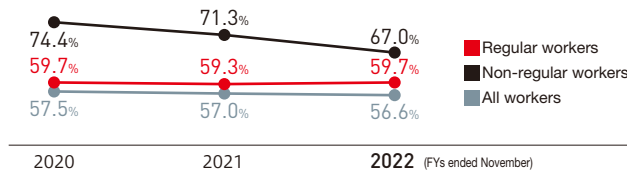
Ratio of men and female managers

(The Japan Wool Textile Co., Ltd.) (As of November 30, 2022)



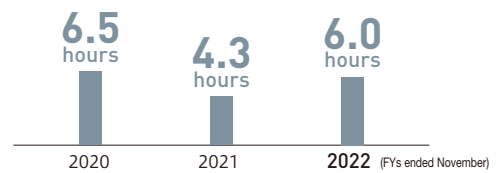
Gender wage gap

(The Japan Wool Textile Co., Ltd.) (As of November 30, 2022)



Workers' average monthly overtime

(The Japan Wool Textile Co., Ltd.)



Number of mid-career hires

(The Japan Wool Textile Co., Ltd.)

Men: **4** people Women: **3** people

Number of new graduate hires

(The Japan Wool Textile Co., Ltd.)

Men: **7** people Women: **2** people

Number of employees with disabilities

(The Japan Wool Textile Co., Ltd.)

15 people

Childcare leave* usage rate

(The Japan Wool Textile Co., Ltd.)

Men: **25**% Women: **100**%

*Legal requirement:
1 year of age (2 years of age in specific cases)
The Japan Wool Textile Co., Ltd.:
1 year after maternity leave (2 years of age in specific cases or until the end of the fiscal year in which the child turns 1)

Number of employees who took maternity leave*

(The Japan Wool Textile Co., Ltd.)

2 people

*Legal requirement:
6 weeks prior to the expected birth date;
8 weeks after giving birth
The Japan Wool Textile Co., Ltd.:
8 weeks before and after giving birth

Number of employees who took nursing care leave*

(The Japan Wool Textile Co., Ltd.)

Men: **0** people Women: **0** people

*Legal requirement:
93 days
The Japan Wool Textile Co., Ltd.:
6 months for those with less than 5 years of service;
1 year for those with 5 years of service or longer

Average number of annual paid holidays

(The Japan Wool Textile Co., Ltd.)

12.1 days

Average age of employees

(The Japan Wool Textile Co., Ltd.)

45.2 years old

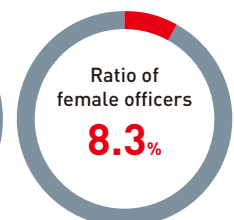
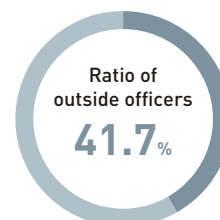
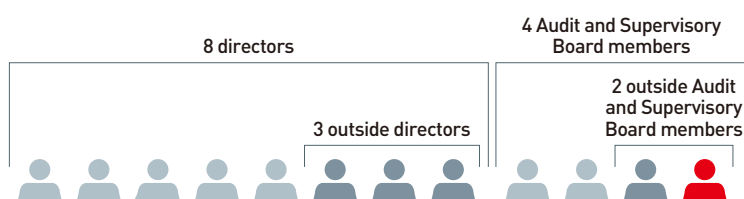
Average length of service of employees

(The Japan Wool Textile Co., Ltd.)

16.7 years

Governance

Structure of the Board of Directors and Audit and Supervisory Board



The total number of outside officers in the Nikke Group for the fiscal year ended November 2022 was five, of which one was a woman. The percentage of female officers is 8.3%

The Nikke Group's story is one of value transformation

Founded
in
1896

Founding of original textile business

Establishment of a stable earnings foundation
via cultivation of advantageous fields

1930

1940

1950

1960

1970

Textile & Clothing Materials 1896–

Developing and providing advanced materials and hybrid materials and products derived from wool

Consumer Goods & Services 1960–

Industrial

1896 –

Founding of original textile business

- **1896**
Japan Wool Textile Co., Ltd. is founded.
- **1899**
Kakogawa Mill begins operations manufacturing red blankets.
- **1903**
Dispatch of engineers to Europe.
- **1904**
Good business results achieved for the first time since the company's founding, solidifying Nikke's foundation as a woolen company.
- **1913**
Nippon Keito Boseki Co., Ltd. is founded.
- **1917**
Nippon Felt Botai Co., Ltd. is founded (now Ambic Co., Ltd.) funded by Seibei Kawanishi.
- **1918**
Merger with Nippon Keito Boseki (former Himeji Mill and former Gifu Mill).
- **1919**
Innami Mill begins operations.
- **1929**
Late night work by women is banned, and the two-shift system is started. Prior to this, study centers are set up at each mill, which later became girls' schools.
- **1935**
Nikke Gifu Girls' School approved as a normal school for girls.
- **1937**
Headquarters building (now Kobe Head Office) constructed at 47 Akashimachi, Kobe-ku, Kobe.
- **1941**
Merger with Kyoritsu Moslin Co. (former Nakayama Mill; now Nikke Colton Plaza).
- **1942**
Merger with Showa Keito Boseki (former Yatomi Mill and former Ichinomiya Mill).

1945 –

Postwar progress

Specialization in the field of uniforms brings continued, solid growth

- **1945**
Nakayama, Himeji, Gifu, and Ichinomiya mills damaged by air raids. Akashimachi headquarters building requisitioned by the GHQ.
- **1949**
Listed on the first section of the Tokyo Stock Exchange in the same year of its reopening. Securities code: 3201
- **1950**
Former Yatomi Mill is reconstructed.
- **1951**
Engineers dispatched to international textile trade fairs in the U.S. and France.
- **1952**
Introduction of new automatic looms.
- **1956**
Mister Nippon and Miss Nippon pageants held to celebrate the company's 60th anniversary.
- **1957**
Nikke School Uniform Association is established.
- **1958**
Unuma Mill begins operations (now Gifu Mill).
- **1961**
Nikke Real Estate Co., Ltd. is founded. Participates in the management of Shinsei Shoji Co., Ltd. (now Nikke Shoji Co., Ltd.). Launches Nikke pleated skirts.
- **1962**
"Nikke Duo Singing Contest" TV show begins (Nikke was the sole sponsor).
- **1964**
Recipient of the first authorization for Woolmark use in Japan.
- **1966**
Develops a nationwide sales network for school uniforms.
- **1967**
Akatsuki Shoji Co., Ltd. is founded.

1970 –

Structural reforms following the oil shock and expending capital to branch out into non-textile business

(industrial products, engineering, urban development)

Investing surplus capital into new fields where strengths can be utilized.
Real estate aimed at regional development without selling

- **1970**
Nikke Machine Manufacturing Corporation is established. (Later becomes independent as Nikke Machine Manufacturing Corp. in 1978.)
- **1974–1975**
Financial deficit leads to structural improvements and restructuring of production framework.
- **1976**
Kakogawa and Innami mills are consolidated into Innami Mill.
- **1982**
Nakayama Mill closes.
- **1984**
Nikke Parktown Shopping Center opens on the site of the former Kakogawa Mill.
- **1987**
Nikke Leisure Service Co., Ltd. is founded.
- **1988**
Nikke Colton Plaza Shopping Center, a multipurpose facility for shopping, dining, and sports, opens on the site of former Nakayama Mill in Ichikawa, Chiba Prefecture.
- **1990**
Sole sponsorship of Kakogawa Marathon, then sponsored every year after. Nikke Milano Office is opened.
- **1991**
Current Osaka Headquarters building is completed at 3-3-10 Kawara-machi, Chuo-ku, Osaka.
- **1995**
Kobe Head Office building suffers damage from the Great Hanshin-Awaji Earthquake. Soyo Boeki is made a group company (now Nikke Shoji Co., Ltd.).
- **1996**
100th anniversary of the company's founding. Nikke Textile Design and Creation Center opened in Ichinomiya, Aichi Prefecture.
- **1998**
Qingdao Nikke Fabric Co., Ltd. founded in Qingdao, China. Begins mass production of wool textiles under Taisei Wool Textile Co., Ltd. Chunichi Keori Co., Ltd. is made a group company (now Taisei Keori Co., Ltd.).
- **1999**
Nikke Indoor Tennis Co., Ltd. is founded (now Nikke Wellness Co., Ltd.).

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.

Value transformation through utilization of human resources, know-how, and assets from textile business

Revitalization of business and capital
Search for new value for society

1980

1990

2000

2010

2020

Leveraging our trading company functions to offer sales and logistics services both inside and outside the Group

Machinery & Materials 1970-

Developing, manufacturing, and selling products, equipment, and other items for a broad range of fields, including automotive and environmental

Human & Future Development 1980-

Providing services and developing real estate for community-friendly urban development

2000 –

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 Shinsō 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.
- **2004**
Kansai Media Hanbai Co., Ltd. is made a group company (now Nikke Audeo Service and Development Co., Ltd.).
- **2006**
Gosen Co., Ltd.; Nakahiro Corporation; 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**
Adopts the shortened company name Nikke.
- **2009**
Implements measures to address deteriorating business results in the wake of the economic downturn that resulted from the 2008 financial crisis. Extends the retirement age to 65.
- **2011**
Yuei Trading Co., Ltd. is made a group company.
- **2012**
Nikke (Shanghai) Management Co., Ltd. is founded. Nankai Worsted Spinning Co., Ltd. is made a group company (now Nikke Textile Co., Ltd.). 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 Corporation) are made group companies.

2016 –

A company that creates future lifestyles

- **2016**
120th anniversary of the company's founding. RN130 Vision is formulated. Kodomonokao Co., Ltd. and Miyako Corporation are made group companies. "Craft in Action" receives the Grand Mécénat Award at the 2016 Mécénat Awards.
- **2017**
EMI Corporation 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 Inc. is made a group company.
- **2019**
Kyoto Medical Planning Co., Ltd.; Hory International Co., Ltd.; and Keihan Electrical 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 Co., Ltd. and Fuji Corporation are made group companies. Ambic's Chinese subsidiary builds a new factory.

2022 to today

- **2022**
 - February Sustainability Committee is established.
 - April Listed on the Tokyo Stock Exchange Prime Market. Opens Nikke Golf School Union Midorigaoka. Opens Total Rehabilitation Tria.
 - October Opens renovated Nikke Colton Plaza. AQUA Inc. is merged with Niceday Inc.
 - November Announces support for the TCFD recommendations. Thanko, Inc., is made a group company.
 - December Establishes the Future Creation Department.
- **2023**
 - June Interior Office One Inc. is made a group company.



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



Our company trademark is a stylized version of the kanji (Chinese character) for "wool" surrounded by the sun

Business Locations (As of June 2, 2023)



Nikke's Major Business Bases

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



Textile & Clothing Materials

- Nakahiro Corporation: 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 Keori Co., Ltd.: Manufacture of wool textiles
- Kanaya Knit Co., Ltd.: Manufacture of knit products
- Bisyuu Wool Co., Ltd.: Processing of twisted yarn
- Nikke Textile Co., Ltd.: Design and sales of yarn and textiles
- Nikke Okoshi Dyeing Co., Ltd.: Yarn dyeing
- Nikke Logistics Co., Ltd.: General logistics-related operations
- Daiichi Orimono Co., Ltd.: Development, manufacture, design, and sales of ultra-high-density fabric
- Diyi Zhiwu Trading (Shanghai) Co., Ltd.: Design and sales of ultra-high-density fabric
- Kyu-Tech Co., Ltd.: Sewing of school uniforms
- Tsuyakin Inc.: Dyeing, treatment, and finishing; design, manufacture, and sales of sewn products and knit materials
- Qingdao Nikke Fabric Co., Ltd.: Manufacture of wool textiles
 - Qingdao Nikke Fabric Co., Ltd. Shanghai Branch: Sales of wool textiles



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.: Comprehensive 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 Co., Ltd.: Nursing care business, support for children with developmental disabilities
- 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
- Nikke Audeo Service and Development Co., Ltd.: Franchise business, Kids Land business



Industrial Machinery & Materials

- Ambic Co., Ltd.: Manufacture and sales of nonwovens and felt
 - Japan Felt Industrial 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 thread for automotive materials
 - Hokuren Co., Ltd.: Cheese dyeing and winding of synthetic and natural fibers
- Nikke Machine Manufacturing Corporation: Manufacture and sales of industrial machinery
- Nikke (Thailand) Co., Ltd.: Operational support for group companies in Asia
- EMI Corporation: Import and export of industrial materials, plant equipment, etc.
 - EMI (Xiamen) Corporation: Sales of Japan-related products in China
 - EMI (Xiamen) Corporation 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



Consumer Goods & Services

- Nikke Shoji Co., Ltd.: Design and sales of daily necessities, leisure and hobby-related goods, and other products
- Yuei Trading Co., Ltd.: Design, import, and sales of miscellaneous goods for 100-yen shops
 - YY Co., Ltd.: Design, import, and sales of clothing accessories and miscellaneous goods
- Tsukineko Co., Ltd.: Design, manufacture, and sales of ink pads
- Kodomonokao Co., Ltd.: Design and sales of stamp-related products
- Miyako Corporation: Import/export, wholesale, and retail of furniture and interior goods
- AQUA Inc.: Online retail and wholesale of designer appliances, interior goods, and bedding
- Thanko, Inc.: Design, manufacture, wholesale, and sales of home appliances
- 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
- Interior Office One Inc.: Design, development, and sales of furniture and interior 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.: Support for bases in China

Company Overview (As of November 30, 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	5,025 (consolidated); 488 (non-consolidated)
Listed on	Tokyo Stock Exchange Prime Market
Representative	Yutaka Nagaoka Nikke Group President and Representative Director, Chief Executive Officer



Status of major shareholders (As of November 30, 2022)

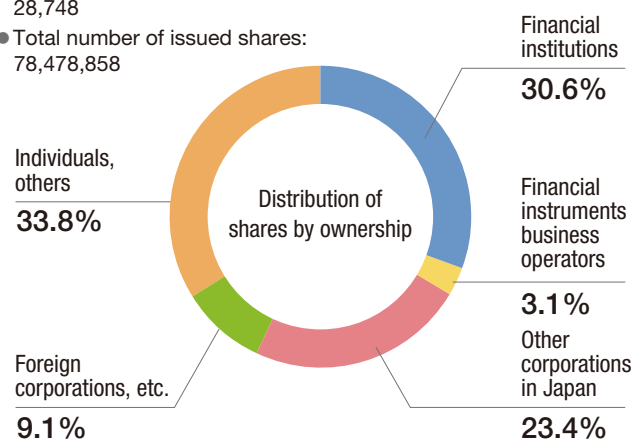
Shareholder	Number of shares held (thousand shares)
The Master Trust Bank of Japan, Ltd. (trust account)	7,527
Mizuho Bank, Ltd.	3,339
Sumitomo Mitsui Banking Corporation	3,268
Nisshinbo Holdings Inc.	2,763
SMBC Nikko Securities Inc.	2,055
Takenaka Corporation	2,000
MUFG Bank, Ltd.	1,814
Nippon Life Insurance Company	1,808
Custody Bank of Japan, Ltd. (trust account)	1,750
Nikke Employee Stock Ownership Association	1,631

Note: 7,784,142 treasury shares that we own are not included in the above table.

Status of shares (As of November 30, 2022)

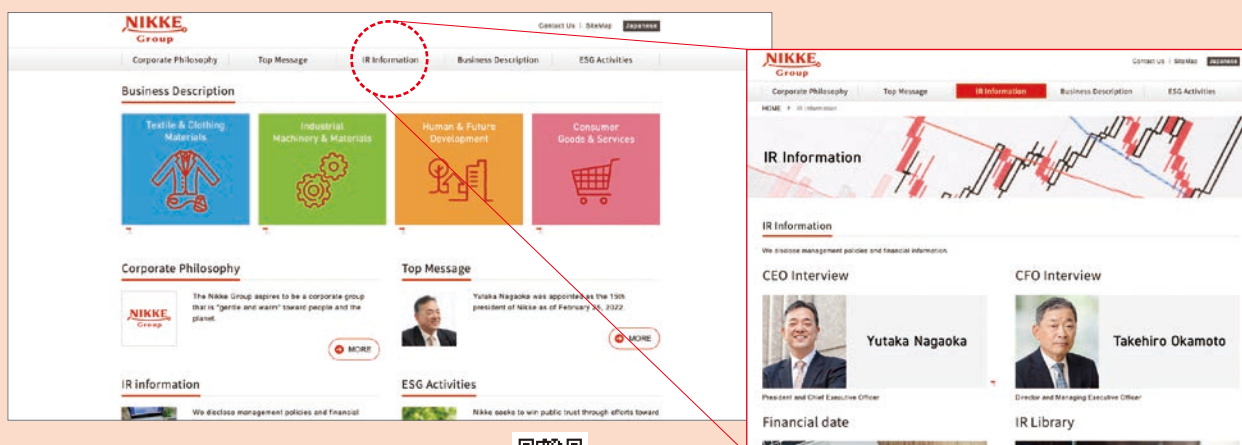
● Number of shareholders:
28,748

● Total number of issued shares:
78,478,858



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 information
<https://www.nikke.co.jp/english/investor.html>



General/Legal Affairs
and PR Department,
Nikke Corporate
Strategy Center

Inquiries

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

Access using the QR code and submit your inquiry using the dedicated form.



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.

NIKKE
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