

Environmental Management

Basic Environmental Philosophy of Nikke Group

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

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

Prioritized measures

- Thorough awareness of environmental consideration within the Group
- Promotion of reduction of CO₂ emissions, energy saving, resource saving and the 3R strategy for waste management
- Development of materials and production technologies that respond to environmental issues
- Disclosure of environmental information and symbiosis with local communities

Environmental management system

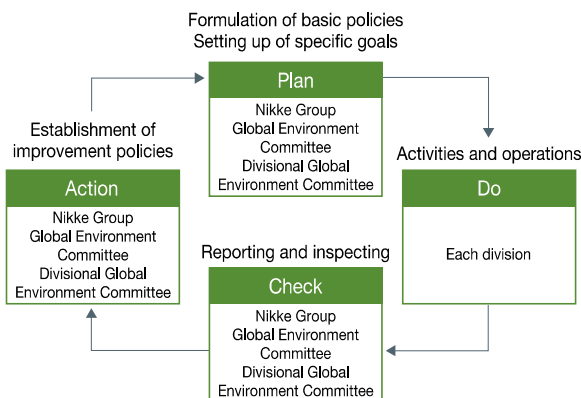
Nikke Group has built a system in which all Group companies engage in environmental conservation activities toward the same goal. “Nikke Group Global Environmental Committee” determines the basic policies and measures. Meanwhile, Divisional Global Environmental Committee creates and implements the specific plan.

For promoting our environmental conservation activities, we repeatedly implement the “PDCA cycle” as shown in the figure below to radicate and enrich the activities.

Environmental management system



Environmental conservation activity promotion flow



Mid-term plan for environmental conservation

Objective	FY2020 targets	FY2020 results	Self-assessment	FY2023 targets (Medium- to long-term targets)	Relevant page number
Energy saving	No more than 99.0% (intensity compared with FY2019)	100.1%	🟢	Not more than 97.0% (intensity compared with FY2020)	P.34
Reducing CO ₂ emissions	No more than 99.0% (intensity compared with FY2019)	98.7%	🟢	Not more than 97.0% (intensity compared with FY2020)	P.34
Reducing the amount of waste generation	No more than 99.0% (intensity compared with FY2019)	98.4%	🟢	Not more than 97.0% (intensity compared with FY2020)	P.34

Self-evaluation criteria

- 🟢 Achieved the goal, exceeded the target
- 🟡 Achieved the goal
- 🔴 Couldn't achieve the goal, but came close
- ✖ Couldn't improve toward achievement of the goal

Acquisition status of ISO14001 certification

In Nikke group, two mills and five group companies have acquired ISO14001 certification, an international environmental management system standard.

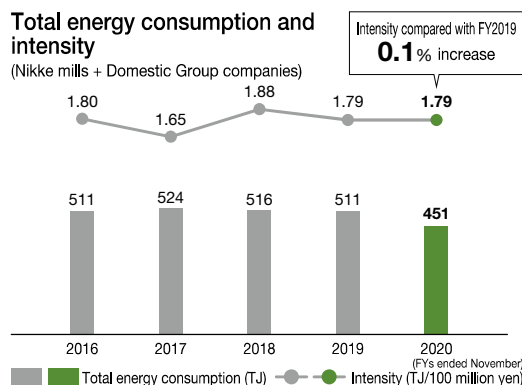
In FY2020, no Group company acquired ISO14001 certification.

Mills	Registration date
Nikke Innami Mill	November 2000
Akatsuki Shoji Co., Ltd.	September 2001
Nikke Gifu Mill	October 2001
Ambic Co., Ltd.	November 2001
Nakahiro Corp.	June 2002
Nikke Machine Manufacturing Corp.	November 2004
Gosen Co., Ltd.	April 2005

Efforts toward Preventing Global Warming

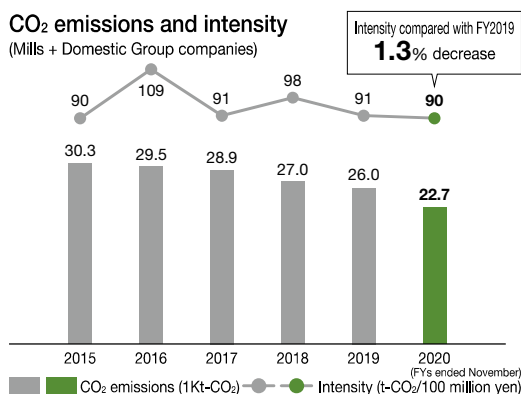
Promotion of energy saving activities

The total energy consumption intensity was 100.1%, which did not meet the target of “not more than 99.0% compared with FY2019”. This was mainly due to the impact of COVID-19, and we were able to limit the negative impact through efficient energy usage.



Reduction of greenhouse gas emissions

The intensity of CO₂ emissions was 98.7%, achieving the target of “not more than 99.0% compared with FY2019”. This was mainly due to the reduction of CO₂ emission from electricity. Compared to the levels in 1990, under which the Kyoto Protocol was based, our CO₂ emissions decreased by 74.8% in the domestic manufacturing division and by 67.4% including the shopping center division.



Note: CO₂ FY2020's emission amount was calculated by using FY2019's factor, because FY2020's factor was unreleased at this time. Stated emission amount in FY2019 disagrees with the previously published figure because it was recalculated by using subsequently released FY2019's factor.

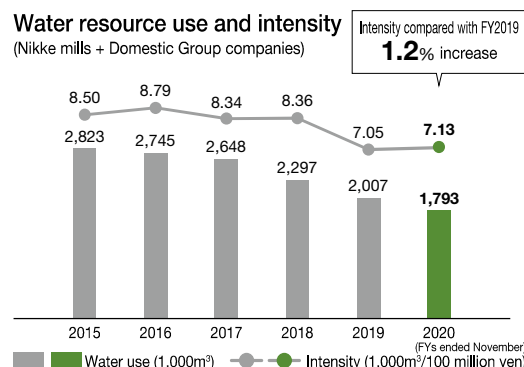
Contribution to Recycling-oriented Society

Reduction of raw material input

The main raw materials used in the manufacturing division are wool and other natural fibers, polyester and other synthetic fibers, dyes and chemicals. To reduce the raw materials input, we are continuously working to maintain high yields and reduce defect rate in the manufacturing process. We also have a material recycling system in which by-products generated in the manufacturing process, such as sliver waste and short hair, are fully recycled as a raw material for spinning.

Reduction of water consumption

We are using tap water, industrial water and groundwater for production. Water consumption in FY2020 decreased by 10.7% and water intensity increased by 1.2% compared with FY2019. We will continue to work to reduce our water usage by recycling of water and strengthening inspections and repairs of our piping systems.

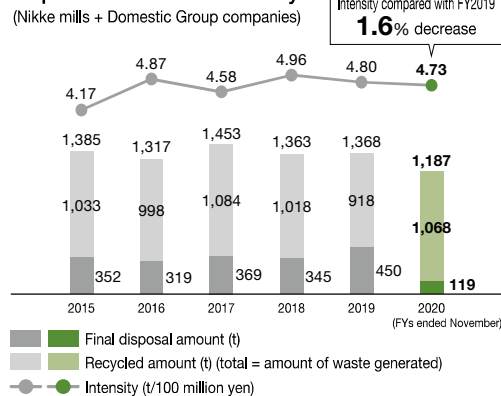


Waste reduction

The intensity of waste generation was 98.4%, achieving the target of “not more than 99.0% compared with FY2019”.

At Shopping Centers, we reduced the amount of waste by waste sorting despite increased number of restaurants. The waste intensity was improved accordingly. In our offices, we are working to reduce waste by going paperless.

Amount of waste generation, recycled amount, final disposal amount and intensity



Contribution to a Recycling-oriented Society

The 50-year wool coat connecting three generations

We received an inquiry via the Nikke website, stating “My daughter loves wearing my Nikke-made school coat which was bought 50 years ago. She still wants to wear it, but the lining is worn out. Can you repair it?” While the outer wool cloth of this coat, which was made 50 years ago, was still fine, the customer requested that the worn out inner lining be replaced as the coat is now worn by her daughter. The coat had a heavy woolen feel and texture, retaining its original heft, and the fabric had not faded at all, showing at a glance how well it had been cared for.

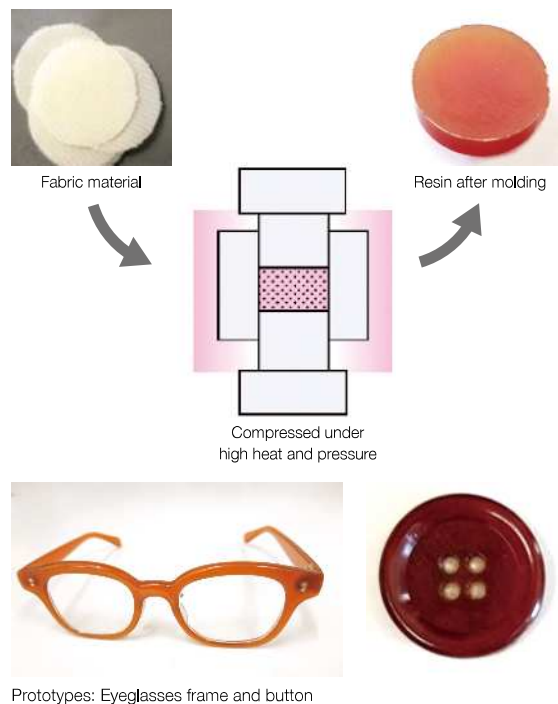
When we spoke with the customer after the repair was completed, she was very thankful, saying, “My mother bought me this coat when I entered high school at age 15, exactly 50 years ago. At the time, it felt a little bit lavish to wear a coat when going to school. When I got married I couldn’t bring myself to throw it away, so I kept it. When my youngest daughter was in junior high school, she said she wanted to wear the coat, and she has loved wearing it since her high school days, saying it’s still usable. The coat’s shape is good, and it’s warm. More recent coats are mixed with synthetic fibers so they aren’t as warm. My daughter now has children of her own, two daughters age 11 and 3. I hope that my granddaughters will also wear this coat someday. Thank you so much for repairing the coat.” We never expected to be able to hold in our hands a garment made 50 years prior by our predecessors, and this was an opportunity to remind ourselves of Nikke’s capable technological prowess. We felt a sense of pride that this coat had been passed down through the generations of a family for so long, and at the same time we had sobering thoughts about the weight of responsibility that comes with inheriting what our predecessors built and passing that on to future generations.



Development of wool resin

Though the use of recycled wool fabric such as reclaimed wool for felt is already widespread, Nikke Group has been working together with Muroran Institute of Technology to develop a resin-like molded material as a high functional and eco-friendly material. The wool component can be extracted by disintegration and separation of waste materials such as wool-containing clothing. When the wool component is pressed under high temperature and pressure, a resin-like molded material is obtained. When specially pre-treated 100% wool fabric is used as raw material, transparent and high-performance resin-like plate material is obtained by compression heating. These molded materials show excellent physical properties like so-called high-performance plastics. The mechanism of this phenomenon is considered that keratin protein was squeezed from inside of single fiber and filled the gaps between fibers. Then keratin became resin by cross-linking reaction under heat and pressure, followed by forming wool fiber reinforced composite. We call it “Wool Resin”. Wool Resin can be shaped by cutting and polishing as well as other plastics. We aim to apply it to clothing-related plastic such as buttons and glasses frames. Wool Resin is garnering attention at home and abroad as a substitute of fossil resource-derived materials. The prototype of glasses frame made of Wool Resin is shown in the photo below. Wool Resin prepared from undyed wool fabric shows unique texture like tortoiseshell frames. Other colors can be available by dyeing.

The wool resin molding process



Product development of recycled carbon fiber

One of the prioritized measures of R&D Center is product development of recycled carbon fiber. It contributes to a sustainable and recycling-oriented society. Carbon fiber shows one-fourth of weight and ten times of tenacity compared with steel fiber. Consequently, carbon fiber is widely used in making mechanical parts for not only aircraft and automobile but also space rockets. It is necessary for space development. Though the carbon fiber composite is the most advanced material which is efficient for reduction of CO₂ emission, recycling them is very difficult and waste of them is disposed in landfills. We have been developing carbon fiber-containing nonwoven-making technology by applying Nikke's specialized technologies. This is an ongoing project with JAXA, Japan Aerospace Exploration Agency. After a process of trial and error, we have created a recycled carbon fiber reinforced composite board that shows same tensile strength as aluminum alloy plate used in aircraft. We are developing another application as well as the work with JAXA. Last year, we attended some academic meetings and exhibitions aggressively to show Nikke Group's technical prowess at home and abroad and got considerable interest from many companies. Though we have many challenges such as market research and application development since ReCF is a new material, we will pursue the possibility of creating new applications such as sports goods and prosthetic apparatus. We are planning to establish a business model with a view to expand this business to Europe and North-America where environmental issue is actively concerned.



Recycled carbon fiber (ReCF)



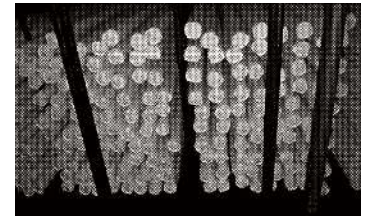
ReCF non-woven fabric

Examples of ReCF material application



Strengthening the manufacturing and sale of environmental filters

In our Industrial Machinery & Materials business, we are developing a strategy to increase our number of factories in China to increase the production volume of gas purification filters used in garbage incineration plants by five times by around 2026. In response to the increasing number of garbage incineration plants as a result of more stringent environmental regulations, our aim is to expand the filter business, which should provide stable profits due to the need for replacement of such filters. In FY2021, our Group company Ambic Co., Ltd. will construct a new building at its piano parts factory in Jiangsu Province to house the production equipment. By 2026, we will increase the production volume by five times the current level to 300,000 square meters. Due to the shortage of landfills in China, regulations are being tightened to ensure that garbage is incinerated rather than being sent directly to landfills, and by 2030 the number of garbage incineration plants in China is expected to be around 1,200 or about double the current number. In addition, demand for gas purification filters is increasing, and the scale of the filter market is expected to increase by 5 to 10% each year. At Nikke Group we are anticipating a significant increase in our share of the Chinese market, from our current 1% to 10% by 2030, enabling us to contribute to environmental improvements in China.



Planting mangrove trees

Our many social contributions in Thailand, including tree planting, trash picking, and fire prevention activities

At Gosen Thailand, which is involved in the manufacture and sale of textile materials for automobiles, our staff carry out a variety of social contribution activities including planting trees and picking up trash in forests, installing safety doors, and donating excess thread to self-sufficiency education facilities for women. The great thing about these activities is that employees come up with the ideas and set a budget on their own. These proactive volunteer activities have been well received, and the mangrove tree planting initiative received the Social Contribution Award at the FY2019 Nikke Challenge Awards.



Planting trees and picking up trash in a forest



Excess thread is donated to self-sufficiency education facilities for women

Human resource development

Basic concept

We make efforts for our human resource strategies by establishing “human resource principles” based on the ideas of our corporate philosophy and corporate principles, which are fostering challengers who possess the abilities to “think”, “act” and “change” on their own initiative.

Message from General Manager of Human Resource Department



Executive Officer, Management Strategy Center, Head of the HR Strategy Office

Yasushi Kuruu

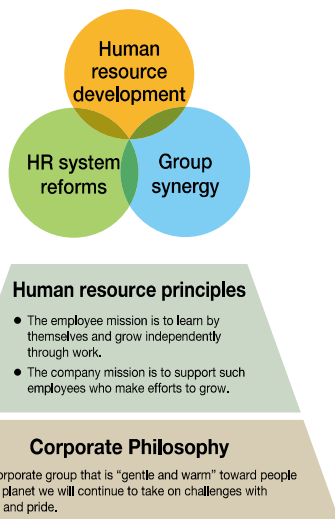
Based on our awareness of personnel as the company’s most important asset, we aim to help our talent grow and to become a company that creates future lifestyles.

At Nikke Group, in our strong efforts to propel the RN 130 Vision, our medium- to long-term vision launched from 2016, we held repeated discussions on what should form the foundation of the vision. As a result of these discussions we came to the conclusion that personnel are the most important corporate resource for the execution of growth strategy, and we incorporated established this idea in our human resource principles and incorporated it in the Medium-term Management Plan.

The human resource principles focus on the growth of personnel, and we have restructured the human resource development system for all Group employees, providing a wide range of opportunities for growth from new employees to those chosen for the next generation of management, and are encouraging the growth of personnel as well as learning through the experience of work.

We have also revised our compensation system for employees who take on various challenges, grow our businesses, and generate results. In particular, we have established clear compensation standards for members of upper management who drive the business of Group companies, and reformed the system into one that significantly reflects results.

I believe that the question of whether or not Nikke Group will be able to generate value for customers in the future rests on our personnel. What are the “undeveloped fields” mentioned in our corporate philosophy? What are “highly functional products”? What is required for a regional No.1 service? We will provide new value to the world by looking at these questions from the perspective of market participants, gather feedback from them, and develop personnel who can realize our goals. And, along with the growth of our employees, we will grow into a company that creates future lifestyles as we work toward goals set for FY2026, the final year of the RN 130 Vision.



FOCUS! Nikke employees working toward the future lifestyle industry of tomorrow

Industrial Machinery & Materials Division

Manufacture and donation of face shields to Thai medical institutions and public facilities as a social contribution effort during the COVID-19 pandemic

As the impact of COVID-19 spread in Thailand, resulting in a lack of medical supplies, employees of Gosen Thailand sprang into action. Everyone worked together on the manufacturing of face shields, which were donated to multiple medical institutions and public facilities.

These face shields were crafted through the group efforts of employees and with the hope of contributing to an earlier end to the pandemic.



We received words of appreciation, saying that the face shields were a precious item and easy to use.

Consumer Goods & Services Division

Significant contribution to business results through the sale of pandemic supplies

Nikke Shoji Co., Ltd. utilized their robust sales channels and procurement network of overseas partner factories to secure pandemic supplies including masks. By striving to provide a stable supply of such items, sales increased dramatically, and this effort was a significant factor in the company’s increase in operating income. Additionally, due to increased stocking of pandemic supplies by government agencies and local governments, pandemic supplies handled by Nikke gained more attention, including the V-Lap® emergency mat.



Based on the idea of looking for opportunities amid adversity, everyone at the Lifestyle Sales Department worked together with a sense of urgency.

Nikke's personnel development

We revised our basic approach to personnel development in FY2020 with strict enforcement of new policies.

◆ Purpose of personnel development

To intentionally and systematically develop leaders* by learning and acquiring the "awareness of roles" and "core skills" of each rank in stages towards the realization of "RN 130 Vision".

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

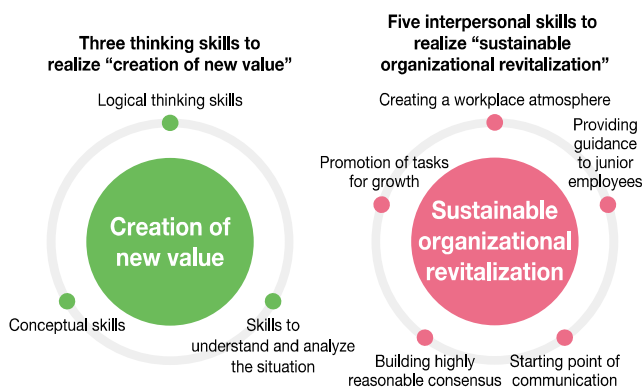
◆ The role of leaders

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

◆ Specific measures

Rank-specific training (development of core skills)

Defining core skills as the "skills that support the creation of results with reproducibility regardless of the situation", the overall structure of our rank-specific training focuses on mainly developing "thinking skills" and "interpersonal skills" in stages. When reviewing the contents of the program, we also focus on their linkage with the professional requirements to ensure consistency with our personnel system. The program is positioned as a system that "supports employees who make efforts to grow", which is offered to employees selected from the entire Nikke Group through open recruitment.



Ranks	Core skills		Special skills	Self-enlightenment
	Thinking skills	Interpersonal skills		
Department managers and office managers (Executive candidates)	Next-generation manager training (VOC): 1 year	New manager training	E-learning (Financial accounting, legal affairs, labor, compliance, etc.)	E-learning
Section chiefs and Chiefs (Department manager candidates)	Solving well-defined problems Leadership that brings out motivation and competence of subordinates	[Leader training] Creating an organization that helps people grow		
Leaders (Management candidates)	Business leader development program: 1 year			
Mid-level (Leader candidates)	Problem solving with hypothetical thinking	[Strengthening skills to get people involved] Demonstrate consensus building/facilitation skills	E-learning	E-learning
	Facilitation that brings out wisdom and motivation	Tutor training: Half day		
	Basics of logical thinking	[Advocacy improvement training] Refining your involvement in all directions		
Third year employees	Persuasive communication	[Third year training] Grow through providing guidance to junior employees		
Second year employees				
New employees	New employee training: 1 year			

Legend: Rank-specific training

Nikke Group Newsletter Production Committee

Contributing to strengthened internal branding as Nikke Group expands its field of business

The inaugural issue of the Group newsletter was released in April 2020. We called for the submission of potential names, and the name "Challenger" was chosen. The newsletter will be issued four times per year. This newsletter aims to strengthen the internal branding of the Group, which has dramatically expanded its field of business with approximately 60 companies and over 5,000 employees, and its role will be to foster an understanding and sense of belonging to Nikke Group, and to enhance the feeling of shared experience among employees.



Issuing this newsletter in a printed format ensures that it can be delivered to every employee, and taken home to share with employees' families. Our staff of seven employees from various business divisions heard many positive impressions about the newsletter.

Human & Future Development Division

Opening of Nikke Group's first joint nursing care and childcare facility

On April 1, 2020, Nikke Tetote Ichikawa, a group home (a communal living facility for nursing care of people with dementia) was newly opened by Nikke Care Service Co., Ltd. in Ichikawa, Chiba Prefecture. This facility will be jointly operated with Nikke Nursery Co., Ltd.'s first small-scale licensed nursery school, Pokka Pokka Nikke Nursery. Both are small facilities limited to those in the city, enabling a high quality environment for their operation.

We aim to provide the regional No.1 nursing care service as a facility that strongly supports elderly people with dementia.



Relationship with Shareholders and Investors

Basic concept

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

The state of forward-looking IR activities

At Nikke we are particularly focused on shareholder returns, and we aim to maintain stable dividends without dividend cuts and a payout ratio of 30%, and will increase dividends in line with our profits. We also aim to enhance total shareholder returns including the acquisition of treasury shares, and in FY2020 we increased the dividend by 1 yen year-on-year to 27 yen (payout ratio: 27.4%). In addition, we take care to communicate proactively with shareholders and investors, and in FY2020 we held 1-on-1 meetings (approx. 30 per year) and financial results briefings for analysis (two per year).

Status of shareholder return

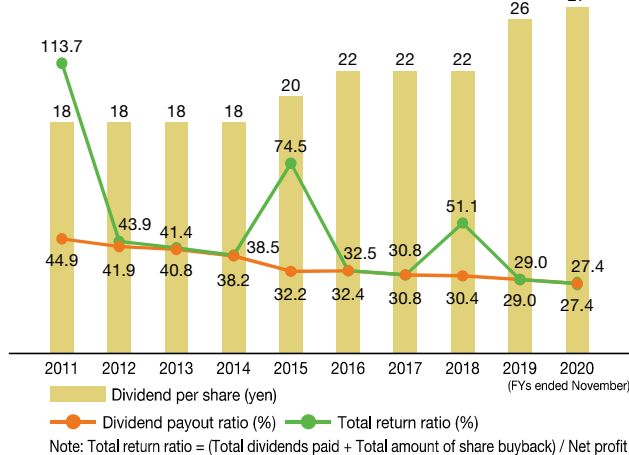


Photo from a financial results briefing

Relationship with Customers

Basic concept

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

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, and also established “Divisional PLP Committees” for each division to promote specific activities. In addition, we have established and maintain manufacturing and inspection processes and a quality assurance system in which we inspect and verify the compliance of our product manufacturing and sales processes with various laws and standards to ensure the quality of our products is responsibly upheld.

Relationship with Business Partners

Basic concept

In addition to following the principles stated in the “Code of Business Conduct and Ethics” that “fair and free competition is the basic principle of economic activities”, Nikke Group aims to increase corporate value by fulfilling its social responsibilities by practicing environmentally friendly procurement activities.

Compliance with business partners

In the “Corporate Code of Conduct” of Nikke Group, 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” have been established. We describe our products and services to our business partners in a clear and 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. When selecting business partners, we ensure that our doors are widely open to achieve efficient procurement, equal business opportunities are provided and fair judgments are made based on the price, quality, delivery, safety and environment as basic selection criteria.

Relationship with Employees

Basic concept

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

Respect for human rights

Nikke Group clearly stated its vision for human rights in the “Nikke Group Corporate Ethics Handbook” and laid out a goal to create a positive workplace where there are equal employment opportunities, human rights of all people involved are respected and there is no discrimination. Having a good understanding of human rights is important, especially for those in managerial positions, so we hold a “labor study session” every year, including for those in charge of practical work, and in 2020, 43 people participated.

Safety and hygiene

Every fiscal year, Nikke Group formulates a “Nikke safety and hygiene plan”, which mainly 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. By recognizing that realizing a safe and hygienic work environment is an important responsibility of Nikke Group for its employees, and is the first and foremost step in improving product quality, we share information on all workplace accidents that occurred within the Group with all our mills and offices to prevent any recurrence of similar accidents.

Number of workplace accidents that occurred and frequency rate/intensity rate (fiscal year ended November 2020)

	2015	2016	2017	2018	2019	2020
Number of accidents causing lost worktime	9	14	9	10	10	6
Number of accidents causing leave of absence	4	4	3	2	2	2
Total	13	18	12	12	12	8
Frequency rate	1.73	1.93	1.41	1.00	1.00	1.12
Intensity rate	0.047	0.066	0.039	0.030	0.030	0.013

Frequency rate = Number of workplace accidents that occurred ÷ Total working hours × 1 million
Intensity rate = Number of lost workdays ÷ Total working hours × 1,000

Diversity and work-life balance

Nikke strives to hire a diverse workforce, including senior people, people with disabilities and foreign nationals. Recently, we have been promoting overseas strategies and actively promoting employment of foreign nationals. Currently, we have employees of various nationalities who play active roles in the company. In an aim to create a work environment in which both male and female employees can raise children and care for relatives while continuing to work, and to enable women to continue working without leaving their jobs after childbirth and childrearing, we have established maternity leave and childcare leave systems that exceed the statutory number of days and period in order to support them to maintain a healthy balance between work and childcare. For the nursing care leave system as well, we have established a leave period that exceeds the statutory period to extend our support for generations providing nursing care for their aging family members.

Users of the “maternity leave/childcare leave system” and “nursing care leave system” (fiscal year ended November 2020)

	Statutory	Description of Nikke's leave systems	Number of users	Number of eligible people
Maternity leave	6 weeks prior to the expected birth date 8 weeks after giving birth	8 weeks before and after giving birth	7	308
Childcare leave	Until the child reaches one year of age (One year and six months of age in specific cases)	1 year after maternity leave (One year and six months of age or until the end of the fiscal year in which the child turns one year of age in specific cases)	7	796
Nursing care leave	93 days	6 months for those with less than 5 years of service 1 year for those with 5 years of service or longer	0	796

Promoting remote work

At Nikke Group, we are promoting the utilization of remote work from the perspective of maintaining employee health and peace of mind as one part of our corporate response amid COVID-19. In addition to encouraging employees to work from home with the goal of reducing the percentage of employees coming in to work by around 70% during the state of emergency, we are also aiming to have only about 50% of employees come in to work even in normal times. We are preparing work arrangements to accommodate the diversity of work-life balance that is expected in the future.

Corporate Governance

Basic concept

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

Corporate governance system

● Institutional design

Nikke Group has adopted the “company with a board of corporate auditors” as a form of its institutional design based on the Companies Act in which the Board of Directors and the Board of Corporate Auditors supervise and monitor the Group’s execution of businesses, and 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 mid-to-long-term and a system for selecting the most suitable managers.

● Structure of the Board of Directors

The Board of Directors consists of eight directors (including three external directors), who are balanced in terms of knowledge, experience, and capabilities as a board and have diversified backgrounds. We ensure that more than one third of the board members are external directors so that we can expect advice from various perspectives and strengthen the Board’s advisory function. In addition, we hold a “liaison meeting between external directors and Audit and Supervisory Board members” twice a year as a place for exchanging information and sharing awareness with outside officers to revitalize the Board of Directors.

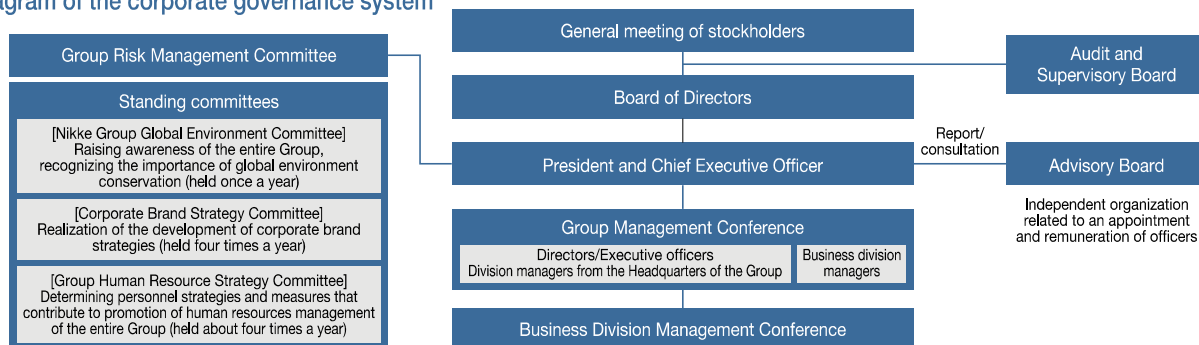
● Structure of the Audit and Supervisory Board

The Audit and Supervisory Board consists of four members, including two highly independent external auditors. The Audit and Supervisory Board members conduct visits each division and Group company and holds on-site interviews with the department manager and the president of the Group company about the status of business execution and risks.

● Advisory Board

From the viewpoint of strengthening the system for monitoring management and the system for selecting the most suitable managers, Nikke Group has established the Advisory Board that functions as an appointment and remuneration committee and holds two meetings a year. The Advisory Board, of which at least half of the members are independent and external, receives

● Diagram of the corporate governance system



reports regarding the appointment and remuneration of officers and matters that are essential to company management from the Chief Executive Officer and provides advice.

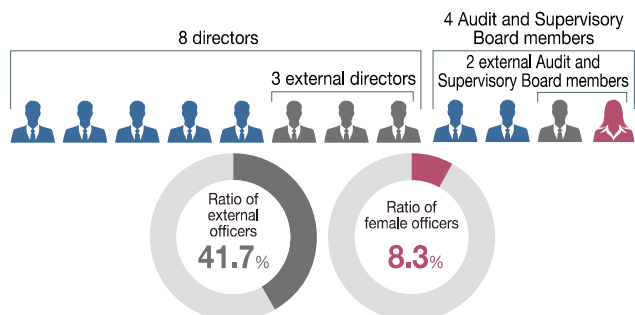
● Group Management Conference

The Group Management Conference consists of executive officers, Audit and Supervisory Board members, division managers and division managers from the Headquarters of the Group, and holds meetings twice or more per month for the purpose of leading the Chief Executive Officer to make effective judgments by considering each matter from various angles through discussions when the CEO is to make important decisions regarding his/her execution of operations.

Transition

2001	Chairman of the Board of Directors to be a director with no right of representation
2003	Shortened the term of office of directors to one year
2004	Established the Advisory Board
2005	Abolished the retirement allowance system for officers
2006	Introduced an executive officer system, invited external directors, and appointed reserve external Audit and Supervisory Board members
2007	Increased the number of external directors to two Established a special committee to ensure the rationality and fairness of the takeover defense measures
2009	Increased the number of external directors to three
2010	Appointed three independent officers (five as of February 2020)
2016	Established the “Nikke Corporate Governance Guidelines” (revised in February 2020)

Structure of the Board of Directors and Audit and Supervisory Board



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 stockholders. 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 amount of remuneration for internal directors consists of the fixed remuneration, which is a standard amount based on job title, annual performance-linked remuneration and business result-linked remuneration related to the progress and achievement of the mid-term management plan, which is paid at a ratio of approximately 7:2:1 as a standard. The amount of remuneration for Chairman of the Board of Directors, external directors and Audit and Supervisory Board members is limited to the 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 2020)

	Number of people	Total amount of remuneration, etc.
Directors (of which, external directors)	9 (3)	202 million yen (16 million yen)
Audit and Supervisory Board members (of which, external Audit and Supervisory Board members)	5 (2)	47 million yen (11 million yen)

Note: The maximum amount of remuneration for directors and Audit and Supervisory Board members was revised at the 189th Ordinary General Meeting of Stockholders held on February 26, 2020, with an annual remuneration of up to 300 million yen for directors (of which, up to 24 million yen for external directors) and an annual remuneration of up to 80 million yen for Audit and Supervisory Board members (of which, up to 16 million yen for external Audit and Supervisory Board members). For details, please see page 44 of the "Notice of Convocation of the 190th Ordinary General Meeting of Stockholders".
<https://www.nikke.co.jp/ir/>

Evaluation of the effectiveness of the Board of Directors

With respect to the evaluation of the effectiveness of the Board of Directors in FY2020, 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 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. Constructive discussions on management plans and other topics, and analysis of the results were more highly evaluated based on a review of the 1st Medium-term Management Plan and the formulation of the 2nd Medium-term Management Plan. The preparation of systems enabling independent external officers to exchange information and share their awareness was also more highly evaluated, and even further improvement is needed. Regarding the management of the Board of Directors, we recognize the continued need for well-balanced proceedings in line with the agenda and the promotion of online meetings. 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.

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	
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Purchase of raw materials Overseas business development Disasters, spread of serious infectious diseases, etc. Impairment losses on fixed assets

Note: For details please see page 16 onwards of the "190th Securities Report".
<https://www.nikke.co.jp/ir/>

Risk management system

Through the audits conducted by the Audit and Supervisory Board and 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 are also holding Risk Management Committee meetings to understand the risks unique to each business. In order to prevent the spread of COVID-19, we are implementing measures under the instruction of the contingency task force including: encouraging employees to refrain from taking business trips and holding large meetings, utilizing online tools such as online meeting systems, working from home and utilizing stagger

Structure of Nikke Group Risk Management Committee



Protection of whistleblowers

Nikke Group has informed employees of the consultation desk using the Corporate Ethics Handbook and company intranet for matters related to the Code of Business Conduct, and those that cannot be solved within the workplace or are not always appropriate to consult with their supervisors. We ensure that the privacy of employees using the consultation desk is strictly protected by establishing two routes, the Audit and Supervisory Board and Internal Audit Office. In FY2020, there were three consultations brought to the desk.

Handling of information

• Respect for intellectual property

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



Chairman
Mitsuyoshi Satou

Date of birth: June 8, 1948
 April 1971: Joined Nikke
 February 2003: Director, General Manager of Spinning Business Division
 Manufacturing department & General Manager of Ichinomiya Mill, Nikke
 February 2004: Director, General Manager of Business Research & Planning Department, Nikke
 February 2006: Director, Executive Officer & General Manager of Business Research & Planning Department, Nikke
 February 2007: Director, Managing Executive Officer
 In charge of manufacturing technology, General Manager of Tokyo Branch Office, Nikke
 December 2008: Director, Managing Executive Officer, Nikke
 Director of Research and Development Center & Director of Corporate Strategy Center, Nikke
 December 2009: President and Chief Executive Officer, Nikke
 February 2016: Chairman of the Board of Directors, Chairman, Nikke
 February 2018: Director, Chairman, Nikke (current position)



President and Chief Executive Officer
Kazuya Tomita

Date of birth: April 3, 1959
 April 1984: Joined Nikke
 February 2009: Executive Officer, General Manager of Community Service Business, Nikke
 December 2012: Managing Executive Officer, General Manager of Human & Future Development Division & General Manager of Consumer Business Division & General Manager of Management Department & General Manager of Communication/New Service Department, Nikke
 February 2013: Director, Managing Executive Officer
 General Manager of Human & Future Development Division & General Management of Consumer Business Division & General Manager of Management Department & General Manager of Communication/New Service Department, Nikke
 June 2014: Director, Managing Executive Officer, Director of Corporate Strategy Center, Nikke
 February 2018: President and Chief Executive Officer, Nikke (current position)



Director and Managing Executive Officer
Kuniaki Hihara

Date of birth: May 7, 1957
 April 2011: Joined Nikke
 July 2012: General Manager of Sales Department III, Textile & Clothing Materials Division, Nikke
 President, Nikke (Thailand) Co., Ltd.
 October 2013: President, Nikke (Thailand) Co., Ltd.
 December 2014: General Manager of Nikke (Shanghai) Management Co., Ltd.
 June 2015: President, Nankai Nikke (Malaysia) Sdn. Bhd.
 February 2016: President and Chief Executive Officer, Ambic Co., Ltd.
 February 2018: Director, Managing Executive Officer
 General Manager of Industrial Machinery & Materials Division, Nikke (current position)
 June 2018: External Director, Ashimori Industry, Co., Ltd. (current position)
 June 2020: President and Chief Executive Officer, Fujico Co., Ltd. (current position)



Director and Managing Executive Officer
Yoshirou Kawamura

Date of birth: November 15, 1960
 April 1983: Joined Nikke
 December 2005: General Manager of Jiangyin Nikke Worsted Spinning Co., Ltd. & General Manager of Jiangyin Nikke Dyeing Co., Ltd.
 December 2008: Manager of Research and Development Office II, Research and Development Center, Nikke
 May 2010: General Manager of Engineering Division, Nikke
 February 2013: President and Chief Executive Officer, Nikke Machine Manufacturing Corp.
 September 2015: General Manager of Manufacturing Control Department, Textile & Clothing Materials Division, Nikke
 February 2016: Executive Officer, General Manager of Manufacturing Control Department, Textile & Clothing Materials Division, Nikke
 June 2017: Executive Officer
 General Manager of Manufacturing Control Department, General Manager of Fabric Business, Nikke
 February 2019: Director, Managing Executive Officer
 General Manager of Textile & Clothing Materials Division (current position)



Director and Managing Executive Officer
Yutaka Nagaoka

Date of birth: September 7, 1961
 April 1984: Joined Nikke
 December 2008: Textile & Clothing Materials Division, General Manager of Gifu Mill, Nikke
 December 2010: Textile & Clothing Materials Division, General Manager of Innami Mill, Nikke
 February 2012: General Manager assigned to Textile & Clothing Materials Division, Nikke (in charge of special missions for overseas business)
 February 2014: Textile & Clothing Materials Division, General Manager of Gifu Mill, Nikke
 September 2015: President and Chief Executive Officer, Nikke Machine Manufacturing Corp.
 February 2018: Executive Officer, Nikke, President and Chief Executive Officer, Nikke Machine Manufacturing Corp.
 February 2020: Director, Managing Executive Officer
 General Manager of Human & Future Development Division, Nikke
 February 2021: Director, Managing Executive Officer
 General Manager of Human & Future Development Division & General Manager of Development Division, Nikke (current position)



External Director (independent officer)
Kozo Arao

Date of birth: January 20, 1946
 July 1971: Attorney registration, Joined Yoshikazu Nakasuji Law Office
 (currently, Nakanoshima Chuo Law Office) (current position)
 June 2010: External Audit and Supervisory Board member, Nankai Electric Railway Corporation, (current position)
 February 2011: External Audit and Supervisory Board member, Nikke
 June 2011: External Audit and Supervisory Board member, Nippon Shokubai Co., Ltd.
 February 2015: External Director, Nikke (current position)
 December 2015: External Audit and Supervisory Board member, Hosokawa Micron Corporation, (current position)
 June 2016: External Director, Nippon Shokubai Co., Ltd.,



External Director (independent officer)
Shigeo Niwa

Date of birth: September 20, 1948
 April 1971: Joined Long-Term Credit Bank of Japan (currently, Shinsai Bank, Ltd.)
 April 1998: General Manager of Legal Affairs Department, Long-Term Credit Bank of Japan
 February 2000: Joined Konami Co., Ltd. (currently, Konami Holdings Co., Ltd.), General Manager of Legal Affairs
 January 2003: Executive Officer, General Manager of Legal Affairs/Intellectual Property, Konami Co., Ltd.
 September 2008: Joined Japan Quality Assurance Organization, Counselor of the organization
 February 2013: External Audit and Supervisory Board member, Nikke
 February 2017: External Director, Nikke (current position)



External Director (independent officer)
Yoshihiro Onishi

Date of birth: January 26, 1946
 April 1968: Joined ShinMaywa Industries, Ltd.
 July 1996: General Manager of Industrial Machinery Systems Division, ShinMaywa Industries, Ltd.
 Director, ShinMaywa Industries, Ltd.
 June 1997: Manager of Corporate Planning Office, ShinMaywa Industries, Ltd.
 April 2003: Managing Director, ShinMaywa Industries, Ltd.
 June 2003: Director, Senior Executive Officer, ShinMaywa Industries, Ltd.
 April 2006: General Manager of Aircraft Division, ShinMaywa Industries, Ltd.
 October 2008: General Manager of Quality Assurance Division, ShinMaywa Industries, Ltd.
 April 2010: President and Chief Executive Officer, ShinMaywa Industries, Ltd.
 January 2011: Advisor, ShinMaywa Industries, Ltd.
 June 2017: External Director, Nikke (current position)
 February 2018: External Director, Nikke (current position)



Audit and Supervisory Board member
Shogo Ueno

Date of birth: July 6, 1957
 April 1983: Joined Nikke
 February 2007: General Manager of Sales Department II, Textile Business Division, Nikke & President and Chief Executive Officer, Maruwai Yoshida Co., Ltd.
 April 2009: Director and Tokyo Branch Manager, Nitto family Co., Ltd.
 December 2013: President and Chief Executive Officer, Tsukineko Co., Ltd.
 February 2015: Executive Officer, General Manager of Consumer Goods & Services Department, Consumer Goods Trading Division, Nikke & President and Chief Executive Officer, Tsukineko Co., Ltd.
 December 2015: Executive Officer, General Manager of Consumer Goods & Services, Nikke & President and Chief Executive Officer, Tsukineko Co., Ltd.
 December 2017: Executive Officer, General Manager of Consumer Goods & Services, Nikke
 February 2018: Director, Managing Executive Officer General Manager of Human & Future Development Division, Nikke
 February 2020: Audit and Supervisory Board member, Nikke (current position)



Audit and Supervisory Board member
Junichi Komiya

Date of birth: September 14, 1958
 April 1983: Joined Nikke
 February 2008: General Manager of Marketing Department, Nikke
 December 2008: General Manager of Legal Affairs and IR Public Relations Department, Corporate Strategy Center, Nikke
 June 2013: General Manager of Internal Audit Office, Nikke
 December 2014: General Manager of Internal Audit Department & Manager of Audit Department, Nikke
 February 2015: President and Chief Executive Officer, Akatsuki Shoji Co., Ltd.
 February 2018: Audit and Supervisory Board member, Nikke (current position)



External Audit and Supervisory Board member (independent officer)
Takeshi Katayama

Date of birth: February 26, 1950
 April 1973: Joined Norinchukin Bank
 June 2001: General Manager of Legal Affairs Department, Norinchukin Bank Managing Director, Norinchukin Bank
 June 2002: Executive Vice President, Showa Leasing Co., Ltd.
 June 2005: President and Chief Executive Officer, Kyodo Credit Service Co., Ltd.
 October 2006: Vice President, Executive Officer, UFJ Nicos Co., Ltd.
 April 2007: Executive Vice President & Senior Executive Vice President, Mitsubishi UFJ NICOS Co., Ltd.
 June 2008: Representative Director and Vice President & Senior Executive Vice President, Mitsubishi UFJ NICOS Co., Ltd.
 June 2012: President and Chief Executive Officer, Cooperative Servicing Co., Ltd.
 February 2015: External Audit and Supervisory Board member, Nikke (current position)



External Audit and Supervisory Board member (independent officer)
Michiko Uehara

Date of birth: December 24, 1949
 April 1976: Assistant Judge, Kobe District Court
 April 1979: Assistant Judge, Amagasaki Branch, Kobe District Court
 April 1982: Assistant Judge, Osaka District Court
 April 1986: Judge, Fukuoka District Court
 May 1989: Attorney registration, Joined Miyake & Partners
 March 1992: Opened Uehara Godo Law Office (current position)
 June 2016: External Audit and Supervisory Board member, Sumitomo Electric Industries, Ltd. (current position)
 February 2017: External Audit and Supervisory Board member, Nikke (current position)

Skill matrix of our officers (as of February 25, 2021)

In order to build an effective corporate governance system to effect sustainable growth, Nikke appoints directors and Audit and Supervisory Board members with broad business experience and a high level of wide-ranging knowledge and expertise. Data on the skills and activities of each director and Audit and Supervisory Board member is shown below.

Name (position)	Age (years)	Number of shares held (in thousands of shares)	Skills								Business experience at Nikke				
			Corporate management	Sales	Engineering/R&D	Finance/Accounting	HR/Labor	Legal/Risk management	Global experience	Textile & Clothing Materials	Industrial Machinery & Materials	Human & Future Development	Consumer Goods & Services		
Mitsuyoshi Satou (Chairman)	72	103	○		○	○	○	○		○	○				
Kazuya Tomita (President and Chief Executive Officer)	61	74	○	○		○	○	○		○		○	○		
Kuniaki Hihara (Director and Managing Executive Officer)	63	25	○	○					○	○	○				
Yoshiro Kawamura (Director and Managing Executive Officer)	60	25	○		○				○	○	○				
Yutaka Nagaoka (Director and Managing Executive Officer)	59	28	○		○				○	○	○	○	○		
Shogo Ueno (Audit and Supervisory Board member)	63	24	○	○						○		○	○		
Junichi Komiya (Audit and Supervisory Board member)	62	15	○	○					○	○					

Name (position)	Age (years)	Number of shares held (in thousands of shares)	Skills								Relationship with Nikke			
			Corporate management	Sales	Engineering/R&D	Finance/Accounting	HR/Labor	Legal/Risk management	Global experience	Term of office (years)	Years in office	Attendance (meetings)	Audit and Supervisory Board (meetings)	
Kozo Arai (External Director)	75	5							○		1	6*	12/12	—
Shigeo Niwa (External Director)	72	—	○			○			○		1	4*	12/12	—
Yoshihiro Onishi (External Director)	75	—	○		○						1	3	12/12	—
Takeshi Katayama (External Audit and Supervisory Board member)	70	—	○			○			○		4 (2nd year)	6	12/12	12/12
Michiko Uehara (External Audit and Supervisory Board member)	71	—							○		4 (2nd year)	4	11/12	12/12

Note: Before their appointment as Nikke external directors, Kozo Arai and Shigeo Niwa each have four years of experience serving as external Audit and Supervisory Board members at Nikke.