



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

Yutaka Nagaoka

We will strive for further growth using the earnings foundation and human resources that are the Nikke Group's strengths.

Revenue increased from the previous fiscal year and operating income hit a second consecutive record high for the fiscal year ended November 2023. We will strive for further growth toward our 130th anniversary using the Nikke Group's earnings foundation and human resources.

### Conditions in the Fiscal Year Ended November 2023

With operating income hitting a fresh high, arrangements have been made toward the 130th anniversary of the company's founding.

Operating income for FY2023 hit a record high for the second consecutive year. We think this is because we strengthened the earnings foundation to constantly record operating income of more than 10 billion yen amid a rise in resource and energy prices and the yen's ongoing depreciation. I visited many business bases and group companies and talked with people there during the two years since I became the Nikke Group representative, which has once again made me aware that there are many competent, skilled, and motivated workers in the Group. In FY2026, Nikke will mark the 130th anniversary of its founding. We have established the CF 140 Vision (Create the Future 140 Vision) Committee to newly set a corporate image, direction, and business strategy to be pursued by the Nikke Group over the next 10 years to achieve further growth and expansion of the Group using that earnings foundation and human resources. The Nikke Group will continue to take on challenges to be a company creating future lifestyles.

### RN (Renewal Nikke) 130 Vision

Summary of the results of the 2nd Medium-term Management Plan and strategies under the 3rd Medium-term Management Plan

The key to the new Medium-term Management Plan is accelerating growth investment and other strategies as the final phase of the RN 130 Vision.

Summary of the results of the 2nd Medium-term Management Plan (fiscal year ended November 2021 through fiscal year ended November 2023) under the RN 130 Vision

Although the target was not reached, operating income hit a fresh high

Since the start of FY2021, the 2nd Medium-term Management Plan under the RN 130 Vision has been implemented amid the COVID-19 pandemic. After that, our external environment changed dramatically due to Russia's invasion of Ukraine, deteriorated relations between the United States and China, the

rise in energy and resource prices, the ongoing depreciation of the yen, and other reasons. Steering during the three years was particularly difficult.

### Highlights of the Fiscal Year Ended November 2023

Revenue increased year-on-year and operating income hit a second consecutive record high for the fiscal year ended November 2023

		Year-on-year
Sales	113.49 billion yen	4.1% ↑
Operating income	11.01 billion yen	2.9% ↑
Ordinary income	11.63 billion yen	▲ 0.7% ↓
Net income attributable to owners of parent	7.64 billion yen	4.9% ↑
ROE	7.0%	0.0% →

In that business environment, although the results for FY2023 did not reach the initial target sales, operating income, and net income under the plan, the 7% ROE target was achieved throughout the three years. The goal of surpassing the highest operating income recorded for FY2019 was achieved for FY2022 and FY2023, and the record-breaking growth has continued for two consecutive fiscal years.

I believe our success in achieving these results is entirely attributable to the fact that the four business divisions and approximately 60 group companies in the Nikke Group work on businesses using their respective strengths to build complementary relationships. The Consumer Goods & Services business, which successfully captured stay-at-home demand during the COVID-19 pandemic, significantly grew in FY2021. In FY2022, there was an increase in profits from the Textile & Clothing Materials business, where sales of textiles for overseas markets expanded, capturing a shift to a weaker yen, and from the Industrial Machinery & Materials business, where synergy was seen between Ambic Co., Ltd. ("Ambic") and Fuji Corporation ("Fuji Corp."), which joined the group in 2021. In FY2023, the Human & Future Development business performed well in the shopping center business. Also, it contributed to



revenue with gains obtained from the disposal of inefficient real estate while flexibly reviewing its business portfolio. Moreover, the Textile & Clothing Materials business, which has been trying to increase productivity, also secured a second consecutive high-profit level. Such a well-balanced complementary relationship, which increases profits as a whole, despite ups and downs in each fiscal year or business, is the core element of the Nikke Group’s resilience (flexibility to face challenging situations).

Strategies under the 3rd Medium-term Management Plan (fiscal year ending November 2024 through fiscal year ending November 2026) under the RN 130 Vision

Accelerate the four key strategies as the final phase of the RN 130 Vision

The 3rd Medium-term Management Plan under the RN 130 Vision is a plan, as the final phase of the RN 130 Vision, to newly recognize what to do in the future and work toward the “vision for the future” each business and each person created at the time of the development of the Vision. Accordingly, although amendments will be made based on changes in the business environment, the basic point is, like the 2nd Medium-term Management Plan, to accelerate the four key strategies: (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 and among business divisions.

Key Strategy | 1  
Prioritize allocation of resources to growth businesses, new businesses, and streamlining

A lack of growth of the third thickest pillar after the domestic uniform business and the shopping center and real estate development business, and a need to strengthen the supply chain amid increasing geopolitical risks are recognized as challenges to the allocation of resources to growth businesses, new businesses, and streamlining.

The 2nd Medium-term Management Plan projected an investment of 45 billion yen as a combined growth investment limit for capital investment and M&As. However, growth investment resulted in merely 24 billion yen, as there was a delay in procuring materials and equipment due to the COVID-19 pandemic, and some investments were intentionally avoided after scrutiny based on ROIC and other investment criteria.

The 3rd Medium-term Management Plan reflects our intention to facilitate growth investment more actively while maintaining financial soundness and projects an investment of approximately 50 billion yen. The following three investments remain key to the strategy: investment in product development, streamlining, and energy-saving equipment; investment in expanding our customer base; and investment in human resources.

The Textile & Clothing Materials business will strive to further increase margins by enhancing productivity and strengthening the production value chain. In FY2023, we continued making intensified capital investments, including

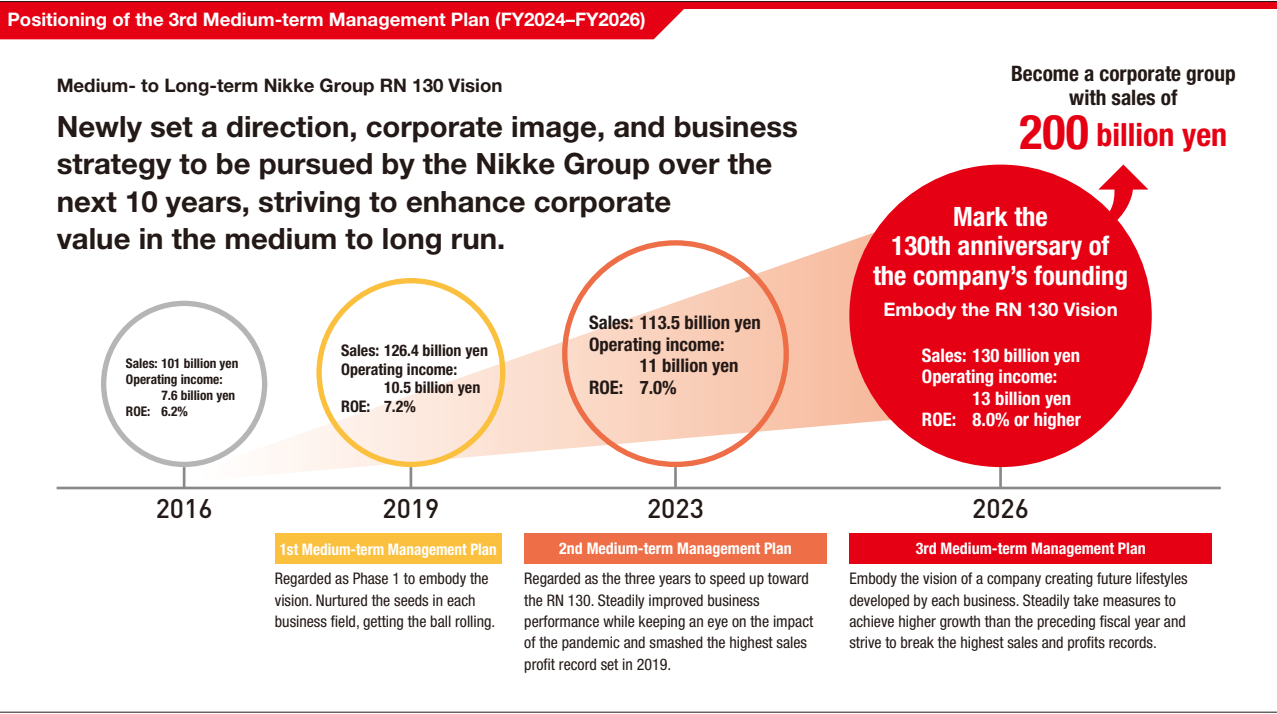
installing an additional production line of Breeza®, an eco-friendly innovative spun yarn. We will further invest in streamlining and enhancing productivity and actively invest in equipment and human resources to create new products. The production system has been developed to share information with our partner trading and apparel companies and enhance productivity through digitalization. This system has already been partially functioning since the end of last year and will be completed by the end of this fiscal year.

The Industrial Machinery & Materials business regards its nonwoven fabric business as a growth business, which should become the third pillar of the Nikke Group. Ambic and Fuji Corp., engaging in manufacturing and supplying nonwoven fabric and felt, integrated their businesses on December 1, 2023, and started as F&A Nonwovens Corporation (“FANS”). With a highly competitive product portfolio that integrates the strengths of the two companies, FANS will strive to be a company that can satisfy our customers’ needs more extensively. FANS has manufacturing subsidiaries in China, Indonesia, Vietnam, and other countries. Last year, it decided to make growth investments in those Indonesian and Vietnamese bases, where further development is expected. FANS will maintain a large volume of supplies in broad fields, including automotive, information equipment, construction materials, and consumer goods, and expand the scale and type of business.

To improve profitability by enhancing the value of our owned real estate, the Human & Future Development business will proceed with projects, such as the reconstruction of the Tokyo Building, which will be completed in early 2025, and the large-scale retrofitting work of the Kobe Head Office Building.

Based on investment criteria, we will also rebalance the portfolio by newly acquiring profitable real estate and disposing of inefficient real estate. The Nikke Colton Plaza in Ichikawa, Chiba Prefecture, has performed well since its renovation in October 2022. Continued investment in the shopping center business will further enhance customers’ convenience and make shopping much more exciting.

The Consumer Goods & Services business is the business division to which the Group’s fabless manufacturing and e-commerce retail companies belong. Additionally, we will acquire companies with a great affinity for its current business through M&As and establish an SPA value chain within the division, aiming for higher profitability. In the distribution and retail industry, an increase in logistics costs due to amended regulations and difficulty finding suitable workers is a major management issue. We will work on reducing relevant costs by establishing new logistics bases, including partnerships with external logistics service providers.



Key Strategy | 2

Expand overseas business

Overseas business expansion under the 2nd Medium-term Management Plan did not progress as expected due to the COVID-19 pandemic. We recognize that we are facing the task of developing a new strategy.

The Textile & Clothing Materials business has an integrated value chain from spinning to the whole cloth in Japan. The yen exchange rate is weaker today, which we can say may be used as an advantage to create a good opportunity to expand exports to overseas markets. Last year, Nikke Textile Co., Ltd. held a solo exhibition in Paris under the theme of “Nikke Authentic Gabardine,” attracting many visitors, mainly from high-end apparel companies. We are looking to establish bases in Paris and other parts of Europe. We will also review initiatives to expand the school uniform market in China and expand textile sales to, for example, local emerging apparel companies.

In the Industrial Machinery & Materials business, FANS will utilize the Asian production and marketing networks established by Ambic and Fuji Corp., respectively. EMI Corporation, a trading company dealing in industrial equipment and materials, will overcome the impact of the pandemic and fully demonstrate its sales and marketing capabilities in overseas markets, thereby expanding its distribution channels to all parts of Asia, including China and Southeast Asia, and also to Europe, and the United States.

The Consumer Goods & Services business regards

e-commerce as a pillar of its strategy. As the items handled by the business include many seasonal products, such as blankets and neck coolers, we are looking to launch overseas sales by establishing a cross-border e-commerce system for the southern hemisphere through major e-commerce service providers and creating other systems.

Key Strategy | 3

Improve capital efficiency

In March 2023, the Tokyo Stock Exchange requested that all listed companies on the Prime and Standard markets take action to implement management that is conscious of cost of capital and stock price. Since then, I have felt ever-increasing expectations from the market for enhancing corporate and stock values. I recognize that I am responsible for implementing the strategy steadily to achieve the ROE target of 8% for FY2026 under the 3rd Medium-term Management Plan. In FY2023, we held 32 meetings with investors and analysts, a significant increase from 18 meetings in the previous fiscal year. We will continue to make every effort to communicate with markets to get an understanding of Nikke’s value creation process from them, which I believe will lead to putting an end to the P/B ratio of less than 1x. For this, we will strive to disclose sufficient information and work on strengthening corporate governance to gain more trust. We will conduct business while keeping in mind that communication with shareholders and investors is a key issue.



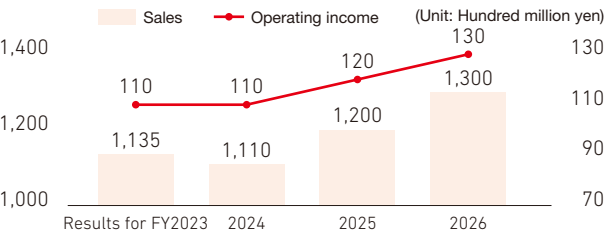
Key Strategy | 4

Create synergy through reorganization within and among business divisions

Collaboration and synergy effects among group companies have already achieved success with FANS in the Industrial Machinery & Materials business. However, much potential remains, mainly in overseas markets.

Last year, Interior Office One Inc. (“Interior Office One”) became a group company in the Consumer Goods & Services business. Interior Office One has planned and launched many self-developed products, mainly beds, mattresses, and bedding. It runs an e-commerce business using its website and major e-commerce platforms. The company has great e-commerce know-how, as shown by the fact that sales of beds on its website, Neruconciierge Neruco, reached the top in Japan, surpassing those made by major furniture sales companies on their websites. Interior Office One and the Nikke Group’s other furniture wholesaler, Miyako Corporation, has strengthened collaboration in the B2C business. In this way, by combining advantageous business models with the Group’s products, much more synergistic effects will be generated.

(Unit: Million yen)	2nd Medium-term Management Plan	3rd Medium-term Management Plan (FY2024–FY2026)			3-year growth rate compared to FY2023
	FY2023	FY2024	FY2025	FY2026	
	Results	Plan	Plan	Plan	
Sales	113,497	111,000	120,000	130,000	114.5%
Operating income	11,016	11,000	12,000	13,000	118.0%
(%)	9.7%	9.9%	10.0%	10.0%	
Net income attributable to owners of parent	7,643	7,700	7,800	8,800	115.1%
ROE	7.0%			Target of 8%	



- As the final phase of the RN 130 Vision, we will open our eyes to uncultivated fields, take on the challenge of developing and providing highly functional products and best services for communities, and strive to embody the vision of a company creating future lifestyles developed by each business.
- Although sales will shrink due to the reorganization of businesses, the goal for the initial year of the Medium-term Management Plan (FY2024) is to achieve the previous fiscal year's profit level by enhancing profitability.
- We will steadily achieve higher growth than the preceding fiscal year, and the goal is to break the highest sales and profits records for the final year of the Medium-term Management Plan. Moreover, we will facilitate management that is conscious of the profitability of equity and strive to achieve the ROE target of 8% and P/B ratio greater than 1x.

New Growth Fields

The medical business should become the fifth business.

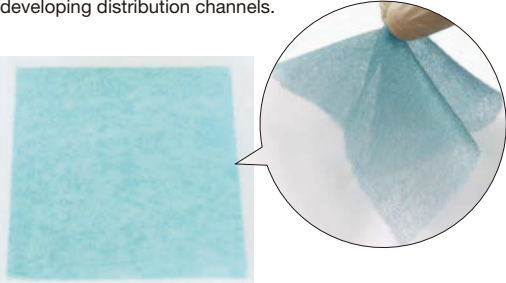
The medical business should become the fifth business after the current four businesses. In June 2023, Kyoto Medical Planning Co., Ltd. (“Kyoto Medical Planning”), a wholly owned subsidiary of Nikke, obtained approval for its self-developed medical product, Pawdre® absorbable suture reinforcement material. This product, produced by special processing, is an elastic and flexible sheet-type tissue reinforcement material suitable for the body. It prevents bleeding or air leakage from the suture line at the time of surgical procedure, such as sealing the resection plane of lung, liver or tongue cancer or the location of pneumothorax. There is no need to remove it, as it is naturally absorbed into the body approximately 15 weeks after the procedure. It does not remain in the body as a foreign object, significantly reducing patients’ mental and physical burden. The Nikke Group sets “Improve health and comfort” as one of the material issues to achieve well-being (physically, mentally, and socially good condition). Taking advantage of our textile technology, we have developed medical products to reduce the burden on the body, such as Pawdre®, and products to support regenerative medicine and drug development research, such as Genocel® culture substrate. We successfully obtained approval for these products, and their production system has been gradually established. In order to increase the number of customers for these products, Kyoto

Obtained approval of Pawdre® PGA sheet

Kyoto Medical Planning obtained approval for the Pawdre® PGA sheet from the Japanese Ministry of Health, Labor and Welfare on June 22, 2023.

Pawdre® is an absorbable suture reinforcement material that uses polyglycolic acid (PGA). The product, produced by special processing, is an elastic and flexible sheet-type tissue reinforcement material suitable for the body. This is best suited for reinforcement of the suture line or fragile tissues, such as to seal the resection plane of lung, liver, or tongue cancer or the location of pneumothorax, and is widely used by medical institutions.

We will promote sales of Pawdre®, using synergy in the medical business between the Nikke R&D Center, which will conduct research and development, and Kyoto Medical Planning, which will carry out the work of making applications for approval and perform other important functions such as manufacturing, distributing, marketing, and developing distribution channels.





Medical Planning established its Tokyo office in FY2024. The medical business has a great affinity for the corporate philosophy of the Nikke Group—“Gentle and warm toward people and the planet”—and we will strive to make it grow, looking to M&As as an option.

In addition, the Future Creation Department established in December 2022 has a mission to freely explore potential needs and look for the seeds of new technologies and services and, with an eye to the future of Nikke, develop and propose new businesses conforming to the Group’s vision and contributing to the SDGs. Although this requires finding unprecedented things and is a highly difficult task, the department proceeded with research in the past year, keeping an eye out for many fields. The second year began, and the department finally got ready to start. This year, it will narrow the focus and delve into the fields with a potential for commercialization. I hope its members will think from a wider perspective and bravely take on challenges with the mindset of creating the future of the company themselves. I expect some seeds of new businesses will grow by the time the new medium- to long-term vision starts toward the 140th anniversary year.

How the Nikke Group Should Be

Our human resources are the source that enables us to continue to take on challenges to be a company creating future lifestyles.

For now, businesses will face a situation where high geopolitical risks are unlikely to be eliminated, and resource and energy prices will remain high. The external environment will continue to change significantly in the long run. As a reduction in the working-age population is unavoidable due to the progression of an aging population with a low birthrate, we must continually take measures against a shrinking domestic market and difficulty finding suitable workers. Companies are expected to take increasingly more responsibility for climate change and other environmental issues and respecting human rights in the supply chain. In the technical aspect, AI and other digital technologies are evolving astonishingly fast, which may fundamentally change how business is done. However, we will establish a solid foundation for the Nikke Group with an unflinching resolve: “No matter what happens, we will go this way.” What is most important for this is human resources.



An organization where all Nikke Group members actively try new things and compete in each market is my ideal. The Nikke Group has a dozen domestic factories, many service locations and stores, and over 4,000 employees. Since becoming the president, I have visited many business locations and group companies and talked with people there. It has once again made me aware that there are many competent, skilled, and motivated workers in the Group. I am confident that this will be a great advantage in the future. In order to secure valuable workers, each group company must be an attractive company that can reveal a growing trend. For this purpose, the management team, including me, is entrusted with creating an environment where every employee can express their spirit of challenge and engage in their work with confidence and pride. If they conduct day-to-day work with the mindset of spontaneously and actively taking on challenges instead of just doing given tasks, they will be happy, and the company will also be able to grow. I hope our employees will achieve something in the Nikke Group that they can proudly say, “I did it.” We will provide motivated workers with all possible support regardless of gender or nationality, and will spare no effort to invest in developing human resources through education and training.

In December 2026, Nikke will mark the 130th anniversary of its founding. Therefore, we have established the CF 140 Vision Committee, a project to question the Nikke Group’s vision anew over the next ten 10 years, bringing together the members shouldering the next generation chosen from all companies and business divisions. I believe that in a rapidly changing environment, all we can do to grow further and expand toward the 140th anniversary year is to continue taking on challenges to be a company creating future lifestyles. For this, we will spend one year rethinking the company’s raison d’être and what direction the Nikke Group will take in the future, that is, our purpose and vision. Based on the outcome, I have a responsibility to create an environment where each business division will drive its business growth to be a company creating future lifestyles and to provide a compass to guide our employees to go forward, sharing the same mindset. I want to announce it in a timely manner as the next medium- to long-term vision and show how the Nikke Group will contribute to society and make our stakeholders and employees happy.

