

# 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 CO<sub>2</sub> 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 coexistence with local communities

### Mid-term plan for environmental conservation

Objective	Content	FY2019 targets	FY2019 results	Self-assessment	FY2020 targets (Medium- to long-term)	Relevant page
Energy saving	Energy intensity per factory shipping price compared with FY 2016	Not more than 97.0%	95.3%	🌿 🌿 🌿	No more than 99.0%	P.32
Reducing CO <sub>2</sub> emissions	Energy intensity per factory shipping price compared with FY 2016	No more than 97.0%	96.7%	🌿 🌿	No more than 99.0%	P.32
Reducing the amount of waste generation	Waste intensity per factory shipping price compared with FY 2016	No more than 97.0%	98.7%	🌿	No more than 99.0%	P.32

### 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

## Environmental Management Systems

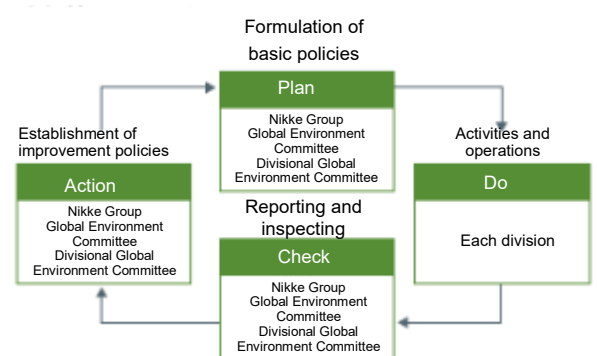
Nikke Group has built a system in which all Group companies engage in environmental conservation activities toward the same goals. Under the system, basic policies and measures are determined by the “Nikke Group Global Environment Committee”. Specific plans are formulated and implemented by the Divisional Global Environment Committees.

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

### Environmental management system



### Environmental conservation activity promotion flow



## Acquisition status of ISO14001 certification

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

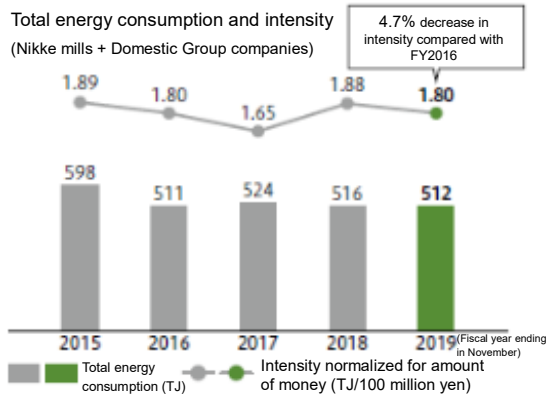
In FY2019, no Group companies acquired ISO14001 certification.

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

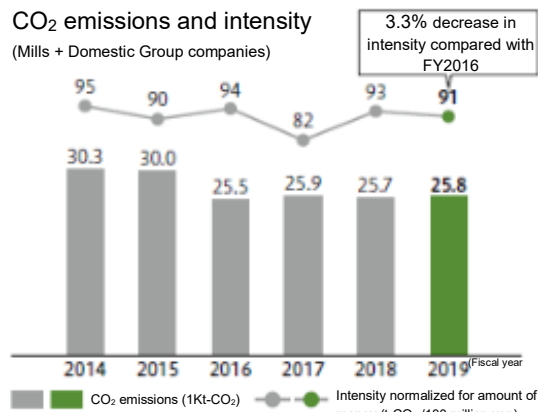
### Promotion of energy saving activities

The total energy consumption intensity was 95.3%, achieving the target of “no more than 97% compared with FY2016”. This was mainly due to the fact that we improved energy efficiency significantly by reducing heat dissipation loss through equipment repair and efficient operation of heat utilization equipment, and collecting and utilizing excess hot water.



### Reduction of greenhouse gas emissions

The intensity of CO<sub>2</sub> emissions was 96.7%, achieving the target of “no more than 97% compared with FY2016”. This was mainly due to the improvement made of total energy consumption intensity at each mill. Compared to the levels in 1990, under which the Kyoto Protocol was based, our CO<sub>2</sub> emissions decreased by 71.4% in the domestic manufacturing division and by 62.7% including the shopping center division.



(Note) CO<sub>2</sub> emissions factor from FY 2016 was used to calculate the actual FY 2017 value because the factor from FY 2017 hadn't been published yet. Also, the actual value from FY 2016 is different from that in the data reported last year because the calculations were corrected after the FY 2016 factor was published.

## Contribution to a Recycling-oriented Society

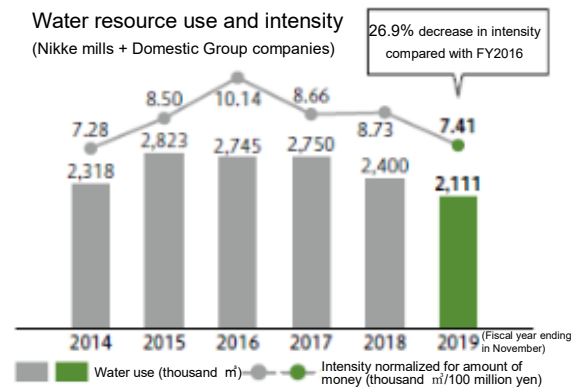
### Promotion of energy saving activities

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 the 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 include tap water, industrial water and groundwater for production. In FY2019, our consumption and intensity of water decreased by 23.1% and 26.9%, respectively, compared with FY2016. 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

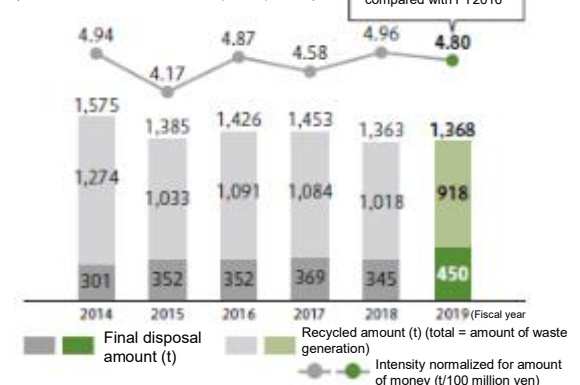
The intensity of waste generation was 98.7%, slightly not achieving the target of “not more than 97% compared with FY2016”.

This was mainly due to the impact of China's import ban of waste. Thereby, previously salable valuables such as waste plastics became unsalable.

Anticipating that the impact will continue into future periods, we will strengthen our efforts to reduce waste, such as recycling and reuse of waste.

At Shopping Centers, the amount of waste generation remained flat, while the number of restaurants increased. That resulted in a significant reduction in intensity. In our offices, we are working to reduce waste by going paperless.

Amount of waste generation, recycled amount, final disposal amount and intensity (Nikke mills + Domestic Group companies)



## Efforts toward Preventing Global Warming

### Wool, an “eco-friendly fiber” for the global environment

With an increasing social awareness of earth environment protection, 100% natural wool is being reassessed as an eco-friendly material with minimal environmental impact by its excellent characteristics. For example, wool fiber is known as a natural air conditioner capable of adjusting humidity levels and offers year-round comfort, “keeping warmth in winter and cool in summer”. Moreover, since it is composed of natural protein, it will be degraded completely by microorganisms and return to the soil when disposed of in the ground.



### Receiving an award for waste reduction in large-scale buildings

Osaka City has an award program for large-scale buildings that carry out on-site inspections and make excellent efforts to reduce waste generated in their buildings. In October 2019, Nikke Osaka Building received the award. That is, the sixth award in total and the fifth consecutive year. We will continue to engage actively in waste reduction.



### Implementation of “Nikke ZQ Environmental Education Support Program”

In FY2019, we invited 31 students from a high school in Tokyo who requested to participate in the “Nikke ZQ Environmental Education Support Program” to the ZQ ranch in New Zealand. The Program offers the school where students wear the ZQ wool uniforms an opportunity to think and learn about “sustainable consumption and production” through pre-study sessions about wool and ranch tours. This was the second implementation of the program and some students commented that they want the system like ZQ to expand for the sake of other countries, companies and animals.



Experiential learning of sheep shearing at a ranch in New Zealand



### Development of new environmentally friendly material, “PLABINA®”

Nikke has developed PLABINA®, hybrid environmentally friendly material in which bio-PET and recycled PET are combined with natural fiber wool. This is a new breakthrough environmentally friendly material for uniforms that integrates beautiful shape, comfort, durability and environmental consideration.



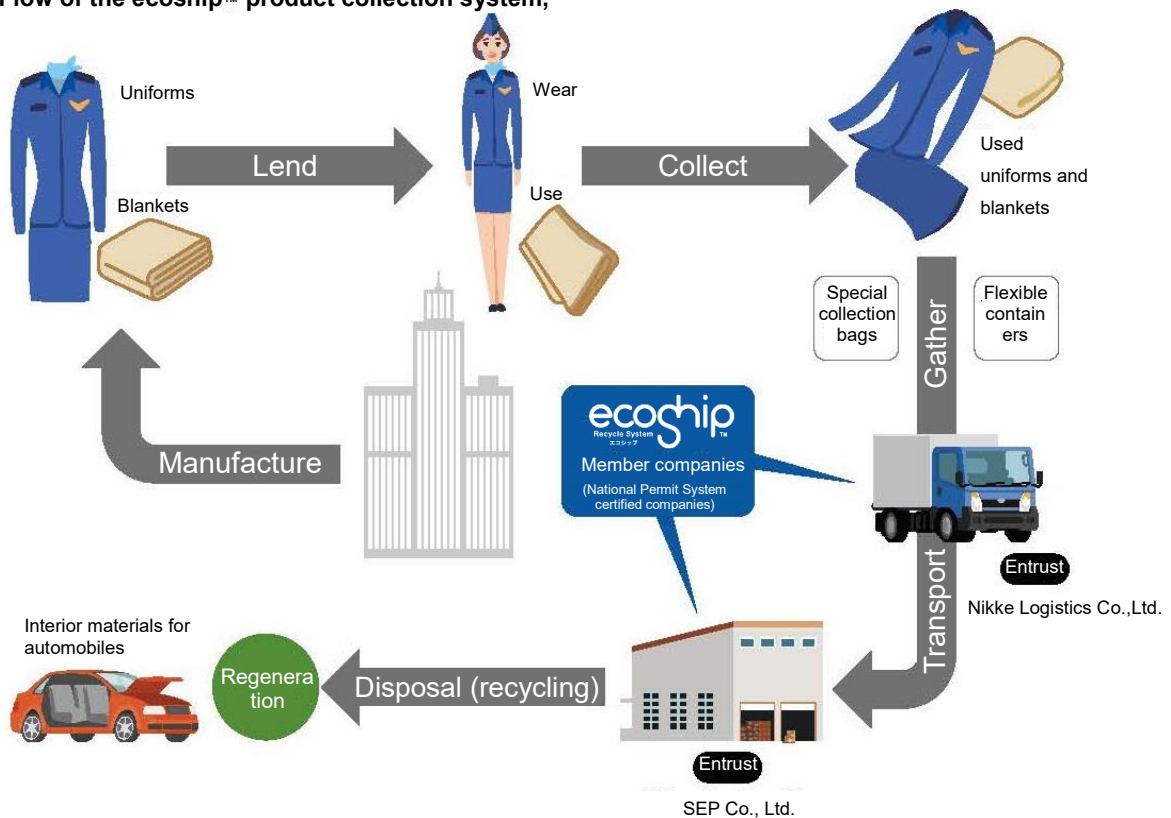
PLABINA® is a new standard Eco Mark Version 3.5 certified.

## Establishment of “ecoship™” and “ECONETWORK®” for resource recycling

Nikke, Nikke, Nakahiro Corp., Akatsuki Shoji Co.,Ltd., Satoh Sangyo Co., Ltd. and Nikke Shoji Co.,Ltd, have cooperatively obtained certification for the National Permit System of the Ministry of the Environment and established a recycling community “ecoship™”. The five member companies will promote the reduction of waste and efficient use of resources by collecting and recycling used uniforms and blankets that they had manufactured and had

become industrial waste. To reduce the burden on the global environment by recycling textile products, we established the ECONETWORK® wool recycling system in 1998. We collect clothing made of wool and composite materials and recycle them mainly into interior materials for automobiles.

### Flow of the ecoship™ product collection system,



## Nikke Machinaka Power Plants that generate total 29.5MW of electricity by solar power

Nikke develops and operates 11 solar power plants that generate total 29.5MW of electricity by utilizing idle lands in Kansai and Kanto area and office roofs. For example, the Akashi Tsuchiyama Mega Solar Power Plant in Inami-cho, Kako-gun,

Hyogo Prefecture was built on the site of “Nikke Golf Club Tsuchiyama Course”, which used to be a small-scale golf course. Currently, it generates about 17MW of electricity.

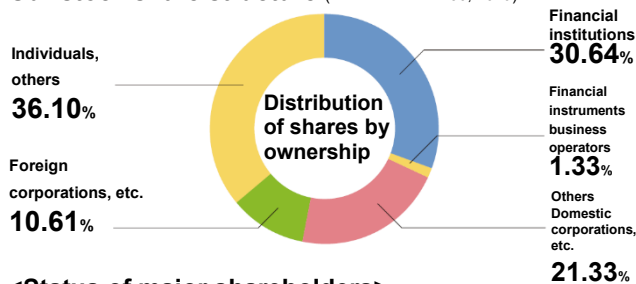


## Relationship with Shareholders and Investors

### 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”.

### Our stock share structure (As of November 30, 2019)



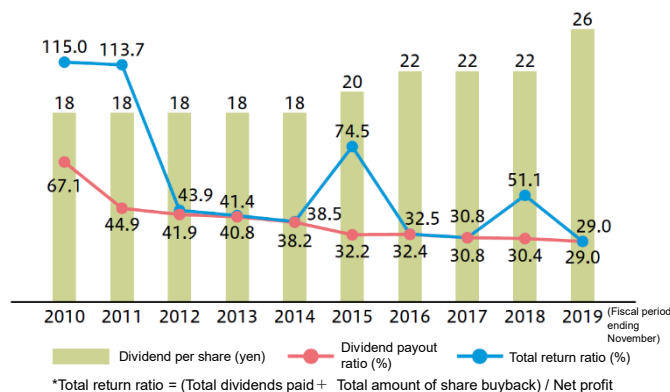
### <Status of major shareholders>

Shareholder name	Number of shares held (shares)
Mizuho Bank, Ltd.	3,198,000
Sumitomo Mitsui Banking Corporation	3,198,000
Nisshinbo Holdings Inc.	2,763,000
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,695,000
Japan Trustee Services Bank, Ltd. (Trust Account)	2,549,400
MUFG Bank, Ltd.	2,540,017
Takenaka Corporation	2,000,000
Nippon Life Insurance Company	1,747,285
Nikke Employee Stock Ownership Association	1,519,472
Teijin Frontier Co., Ltd.	1,396,500

(Note) 13,751,974 treasury shares that we own are not included in the above table.

### Shareholder return

We aim to maintain stable dividends without dividend cuts and a payout ratio of at least 30%, and will increase dividends in line with our profits. We will also enhance total shareholder returns including the acquisition of treasury shares.



## 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.

### A product developed based on customer feedback

We have started developing and selling a material for uniforms that can be “washed at home”, which was the most requested feature from customers.



### Nikke Parktown Shopping Center supporting child-rearing families

The Nikke Parktown Shopping Center in Kakogawa City, Hyogo Prefecture, which is outsourced by Nikke was renewed in October 2016 under the concept of a “shopping center supporting child-rearing families”. As a new service offered in collaboration with the local community, we have also established the “Kakogawa Civic Center” in the shopping center that provides administrative services. Nikke is operating a community-based shopping mall that supports child-rearing families across four generations in Kakogawa, the founding place of Nikke.



## 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 an accurate 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 2019, 61 people participated.

### 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 addition, we aim to create an environment where both male and female employees can continue to work while raising their children or caring for their family members. In particular, we have established maternity leave/childcare leave that exceeds the statutory number of days and period to allow female employees to continue working without leaving their jobs after childbirth/childrearing 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 ending in November 2019)

	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	3	333
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 in specific cases Or until the end of the fiscal year in which the child turns one year of age	6	839
Nursing care leave	93 days	6 months for those with less than 5 years of service 1 year for those with 5 years of service or longer	1	839

### Safety and hygiene

Every fiscal year, Nikke 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) through implementation of the 5S practice; (4) review of standard operations; (5) hazard prediction activities; (6) thorough implementation of safety education; (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 reoccurrence of similar accidents.

### Number of workplace accidents that occurred and frequency rate/intensity rate (fiscal year ending in November 2019)

	2014	2015	2016	2017	2018	2019
Number of accidents causing lost worktime	9	9	14	9	10	13
Number of accidents causing leave of absence	3	4	4	3	2	0
Total	12	13	18	12	12	13
Frequency rate	1.27	1.73	1.93	1.41	1.00	0.00
Intensity rate	0.022	0.047	0.066	0.039	0.030	0.000

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

### Nikke Institute of Education

On October 1, 2019, we opened the Nikke Institute of Education. Under the philosophy of “leave no one behind”, the Institute is engaged in various activities that are necessary to achieve the goal of the Institute, such as conducting surveys and research on the benefits of school uniforms, publishing and disseminating the research results through the media, raising awareness about the value of school uniforms among schools, PTAs, local communities and governments. The Institute will continue to conduct surveys and analyses using scientific approaches on the changes that school uniforms bring in students’ behaviors, the relevance of wearing school uniforms to improvement of academic performance and economic efficiency of introducing school uniforms versus regular clothing.



Brochure of the Nikke Institute of Education

### Nikke Colton Plaza receives a Regional Symbiosis Award

Nikke Colton Plaza is a shopping center that we opened in Ichikawa City, Chiba Prefecture in 1988 by redeveloping the site of Nikke Nakayama Mill. Since the establishment of the Nakayama Mill, Nikke has been very favored by local residents and continues to be a symbol of community orientedness and coexistence today. As a result, Nikke Colton Plaza received a Regional Symbiosis Award at the “21st Developer & Tenant Award” sponsored by Senken Shinbunsha. Nikke Colton Plaza is the first to receive the award a second time.

- Fashion/Gourmet/Cafe/Restaurant/Movie theater
- Center Mall/West Mall/East Mall
- Store area: 70,000 m<sup>2</sup>



Shopping Center: Nikke Colton Plaza

### Four generations working at Nikke

The Motokawa family has been working for Nikke for four generations. The first generation, Kazuichi joined the General Affairs Department in the year when the founder Seibeï Kawanishi built the Innami Mill. The fourth generation, Hiroyuki, works at the Innami Mill, looking at the brick building every day that has not changed since his great-grandfather’s time. As stated in our Corporate Philosophy, “a corporate group that is ‘gentle and warm’ toward people and the planet”, we have continued to be loved by our employees and local communities as a company that cares about people.



Mr. Shinichiro Motokawa, 3rd generation (right) and Mr. Hiroyuki Motokawa, 4th generation (left) having a nice chat together



Mr. Kazuichi Sunagawa, 1st generation



Mr. Takayoshi Motokawa, 2nd generation

### Implementation of the on-site visit by the president

Nikke Group implements an on-site visit by the president every year, including overseas bases, as an opportunity to facilitate dialog between the management and employees.

In FY2019, a total of 15 visits were made to 47 bases, including 10 overseas bases. We will continue to implement the visits to facilitate communication between the management and employees to improve the workplace environment.



Visiting Pure Heart Kids Land in Iruma Shopping Plaza SAIOS operated by Nikke Audeo Service and Development Co.,Ltd.



Visiting the Head Office and Factory of Ambic Co.,Ltd.

# 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.

## Human resource principles

- The employee mission is to learn by themselves and grow independently through work.
- The company mission is to support such employees who make efforts to grow.

## Human resource vision

Qualities expected of Nikke Group employees

### (1) Meet every challenge

Human resources shall be capable of expressing their own opinions, working on their goals and boldly accomplishing them without fear of failure.

### (2) Be highly capable of recognizing situations

Human resources shall be capable of understanding the current situation of external and internal environments, clarifying the purpose and recognizing their roles and goals.

### (3) Be disciplined and follow through

Human resources shall be capable of working toward the goals, constantly reminding themselves what the purpose of the goals are.

### (4) Have a great sense of ethics and be faithful

Human resources shall be capable of judging and acting based on a sense of ethics, and responding to various issues faithfully and thoughtfully.

## Concrete human resource development

In FY2020, the basic concept of human resources development has been revised as follows.

### Purpose of human resources 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 human resources who demonstrate leadership to those around them regardless of their rank (position).

### Role of leaders

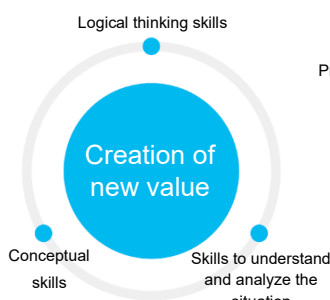
The role of leaders in Nikke Group is defined as "creating new value together with their members to achieve sustainable organizational revitalization". The main skills necessary to carry out this role are "thinking skills" and "interpersonal skills", and the specific skills of these are shown in the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

#### Three thinking skills to realize "creation of new value"



#### Five interpersonal skills to realize "sustainable organizational revitalization"



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	E-learning
Section chiefs and Chiefs (Department manager candidates)	Solving well-defined problems			
Leaders (Management candidates)	Leadership that brings out motivation and competence of subordinates	[Leader training] Creating an organization that helps people grow	E-learning	E-learning
	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		
	Persuasive communication			
Third year employees		[Third year training] Grow through providing guidance to junior employees		
Second year employees				
New employees	New employee training: 1 year			

Rank-specific training



# 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 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 officers/executive officers (internal), 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 Appointed reserve 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

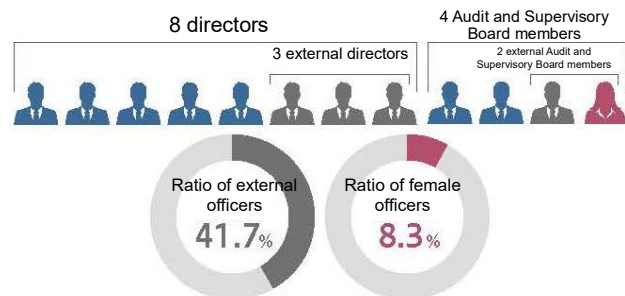
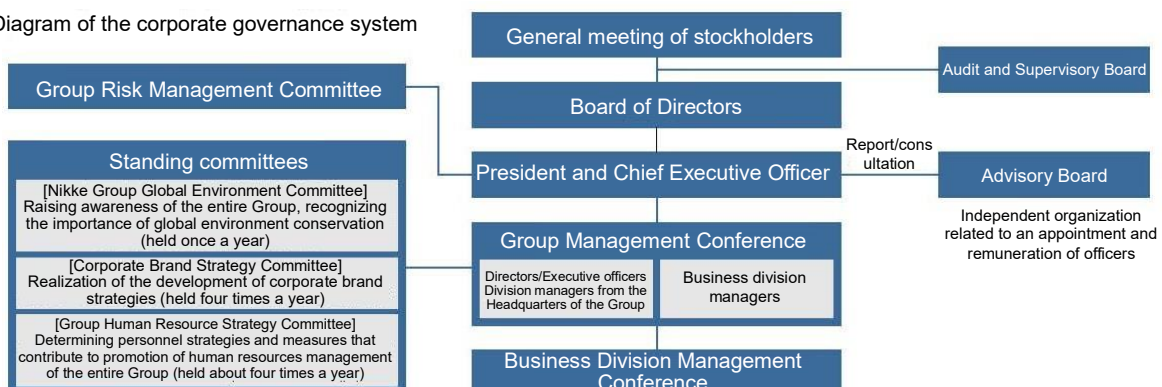


Diagram of the corporate governance system



## 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. 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 and an annual remuneration of up to 80 million yen for Audit and Supervisory Board members.

Total amount of remuneration, etc. (results for the fiscal year ending in November 2019)

	Number of people	Total amount of remuneration, etc.
Board of Directors (Including external directors)	9 (3)	181 million yen (12 million yen)
Audit and Supervisory Board members (Including external Audit and Supervisory Board members)	4 (2)	43 million yen (8 million yen)

\*For details, please see page 16 of the "Notice of Convocation of the 189th 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 FY2019, 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. Many of them were evaluated highly on constructive discussions concerning matters such as the establishment of corporate philosophy and management strategies, and plans conscious of the capital cost. On the other hand, there were also external officers who expressed the need for opportunities to deepen the understanding of the Group that covers a wide range of business areas.

# 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.
- Significant drop in stock prices, fluctuations in exchange rates, etc.
- Product defects, etc.
- Purchase of raw materials
- Overseas business development
- Disasters, etc.

\*For details please see page 16 onwards of the "189th 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.

### 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 FY2019, there were no 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). 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 the most important asset for continuing its business and believes that properly handling and protecting personal information is its social responsibility. Establishing Nikke Group Privacy Policy and Nikke Group Personal Information Protection Regulations in 2005 and building 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.

## Introduction of Officers (As of February 26, 2020)



### Chairman **Mitsuyoshi Satou**

Date of birth: June 8, 1948  
 April 1971: Joined Nikke  
 February 2003: Director, General Manager of Spinning Business Division  
 Manufacturing department & Manager of Ichinomiya Mill, Nikke  
 February 2004: Director, Manager of Corporate Planning Office, Nikke  
 February 2006: Director, Executive Officer & Manager of Corporate Planning Office, Nikke  
 February 2007: 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, Chairman of the Board of Directors, Chairman, Nikke  
 February 2016: Chairman of the Board of Directors, Nikke (current position)  
 February 2018:



### 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 2016: President and Chief Executive Officer, (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, Manager of Gifu Mill, Nikke  
 December 2010: Textile & Clothing Materials Headquarters, Manager of Innami Mill, Nikke  
 February 2012: General Manager of Textile & Clothing Materials Division, Nikke (in charge of special missions for overseas business)  
 February 2014: Textile & Clothing Materials Division, 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 (current position)



### External Director (independent officer) **Kozo Arai**

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 Micro Corporation (current position)  
 June 2016: External Director, Nippon Shokubai Co., Ltd. (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 Office, Nikke  
 December 2008: General Manager of Legal Affairs and IR Public Relations Office, Corporate Strategy Center, Nikke  
 June 2013: Manager of Internal Audit Office, Nikke  
 December 2014: General Manager of Internal Audit Office & Manager of Audit Office, Nikke  
 February 2015: President and Chief Executive Officer, Akatsuki Shoji Co., Ltd.  
 February 2018: Audit and Supervisory Board member, 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  
 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. (Current position)  
 February 2018: Director, Managing Executive Officer, General Manager of Industrial Machinery & Materials, Nikke (current position)  
 June 2018: External Director, Ashimori Industry, 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 Management 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, Textile & Clothing Materials Division & General Manager of Fabric Business, Nikke  
 February 2019: Director and Managing Executive Officer, General Manager of Textile & Clothing Materials Division, Nikke (current position)

External Director (independent officer)  
**Shigeo Niwa**

Date of birth: September 20, 1948  
 April 1971: Joined Long-Term Credit Bank of Japan (currently, Shinsei 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.  
 June 1997: Director, ShinMaywa Industries, Ltd.  
 April 2003: Manager of Corporate Planning Office, ShinMaywa Industries, Ltd.  
 June 2003: Managing Director, ShinMaywa Industries, Ltd.  
 April 2006: Director, Senior Executive Officer, ShinMaywa Industries, Ltd.  
 October 2006: General Manager of Aircraft Division, ShinMaywa Industries, Ltd.  
 April 2010: General Manager of Quality Assurance Division, ShinMaywa Industries, Ltd.  
 January 2011: President and Chief Executive Officer, ShinMaywa Industries, Ltd.  
 June 2017: Advisor, ShinMaywa Industries, Ltd.  
 February 2018: External Director, 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  
 June 2002: Managing Director, Norinchukin Bank  
 June 2005: Executive Vice President, Showa Leasing Co., Ltd.  
 June 2006: 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)