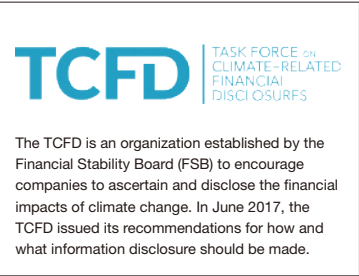


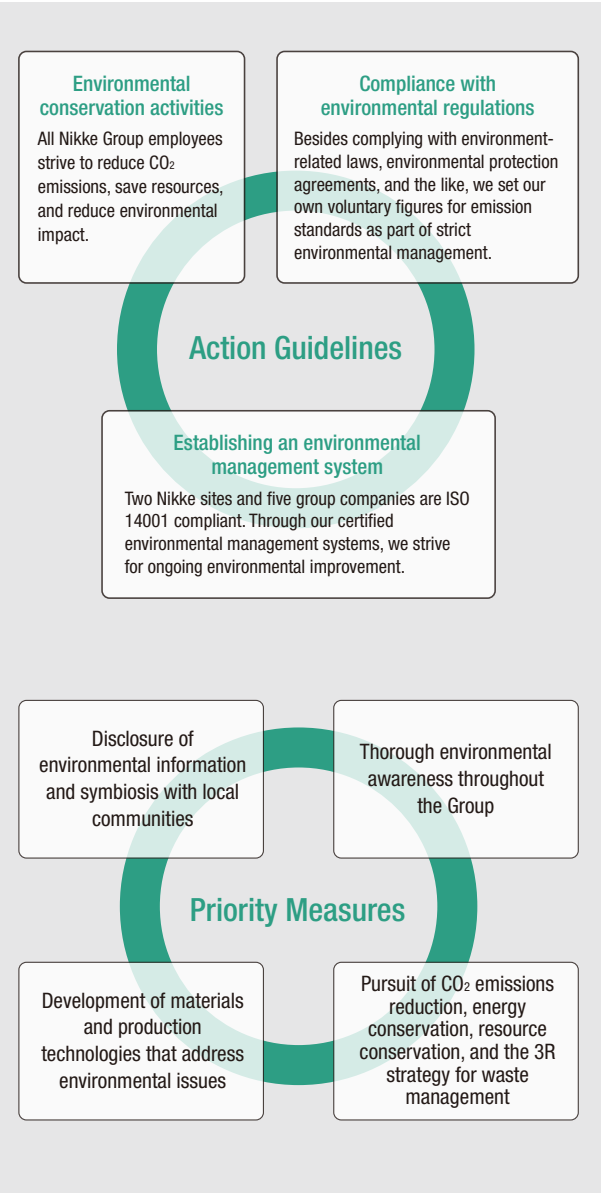
Disclosures Based on the TCFD Recommendations

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



Climate change action policy

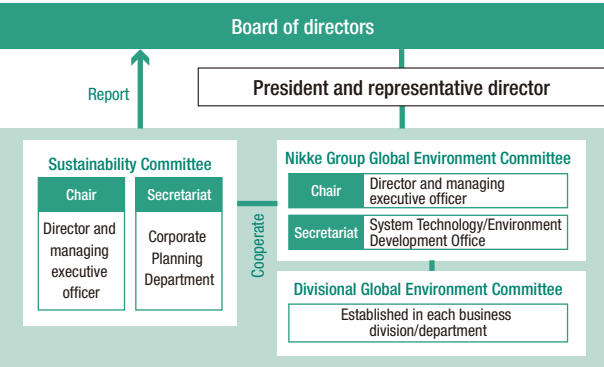
We consider global environmental conservation to be of utmost importance and have therefore created three action guidelines and four priority measures to address it. All Group employees work proactively in all areas to protect the environment.



Governance

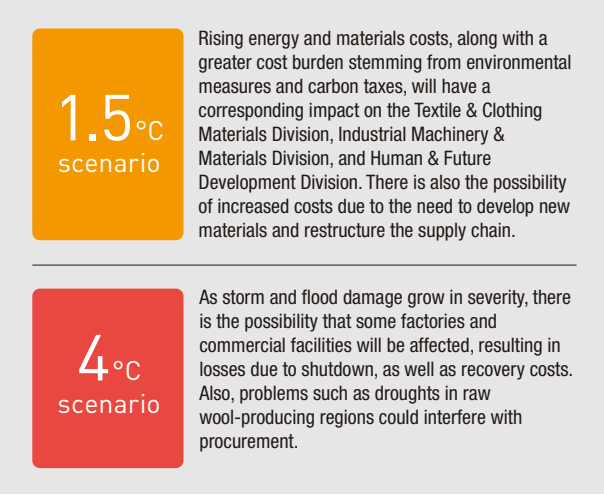
The Sustainability Committee analyses risks and opportunities and works together with the Nikke Group Global Environment Committee and the Divisional Global Environment Committee to put into practice a concrete plan of action.

Governance organization chart



Strategy

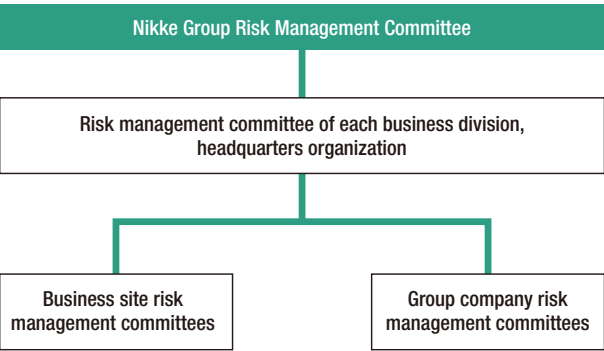
Each of the 1.5°C and 4°C scenarios is envisioned for each area of business. In addition to pursuing a circular economy for wool material, we analyze migration risks, physical risks, and opportunities. Among the opportunities we are considering is in-house utilization of solar power generation facilities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



Risk management

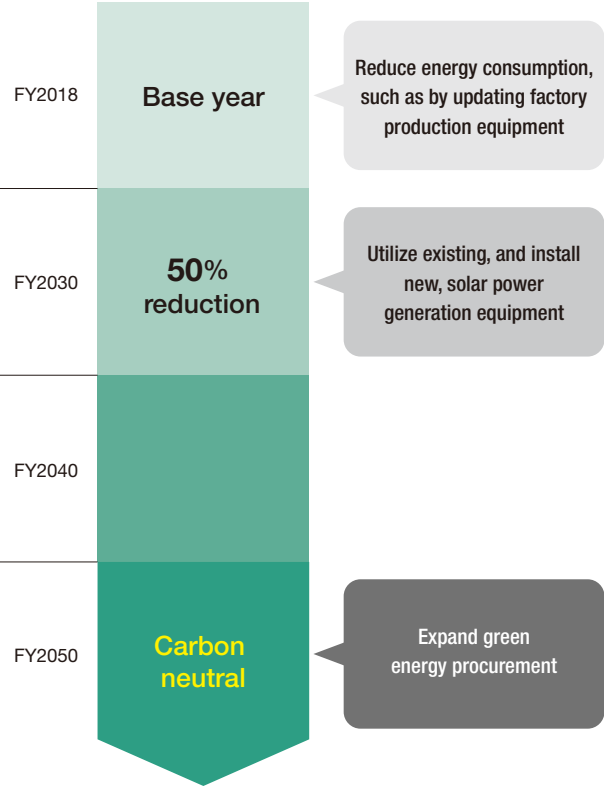
The Nikke Group Risk Management Committee has been established directly under the president and representative director. Through this committee, a shared awareness of comprehensive risks, which includes climate-related risks, is fostered among the entire Group. Regular reviews of the risk management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

Nikke Group Risk Management Committee organization chart



Indicators and targets

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



CO₂ consolidated emissions (Scope 1, 2)*1

In our Industrial Machinery & Materials business, the inclusion of Fuji Corporation as a consolidated subsidiary has meant that its results are included in the consolidated emissions results from fiscal 2022 onward, thus increasing the total relative to the base year. Our Human & Future Development business saw a decrease compared to the base year due to a decline in the number of stores after business restructuring. For the Nikke Group as a whole, despite an increase in the emission factor of electric power companies, emissions are steadily decreasing due to reduced energy consumption through energy-saving, streamlining, and other such investments, as well as efforts such as purchasing renewable energy electricity. We will continue to steadily reduce emissions by investing in, upgrading, and improving energy-efficient equipment, as well as utilizing solar power generation equipment, with the aim of achieving a 50% reduction by fiscal 2030.

(Unit: t-CO ₂ /year)	FY2018 (base year*2)	FY2023 results
Textile & Clothing Materials	33,593	17,650
Industrial Machinery & Materials	9,544	10,547
Human & Future Development	11,100	7,387
Consumer Goods & Services	441	365
Others	20	138
Total	54,698	36,087

Percentage change -34.0%

CO₂ emissions [The Japan Wool Textile Co., Ltd.] (Scope 3)*1

Starting in fiscal 2022, we began compiling data for the major business locations (manufacturing sites, commercial facilities, rental facilities, etc.) of The Japan Wool Textile Co., Ltd. in six categories that we believe have a significant impact on Scope 3. We will continue to work to expand the number of businesses and categories we target.

(Unit: t-CO ₂ /year)	FY2023 results
Total*3	40,154

*1 Scope 1: Direct greenhouse gas emissions by the company itself (fuel combustion, industrial processes)
Scope 2: Indirect emissions from the use of electricity, heat, and steam supplied by other companies
Scope 3: Indirect emissions other than Scope 1 and Scope 2 (emissions by other companies connected with the activities of the company)
*2 Fiscal 2018 has been established as the base year, which was when Scope 1 and 2 data aggregation for all consolidated company sites began.
*3 Categories 1 (purchased goods and services), 2 (capital goods), 3 (fuel- and energy-related activities), 4 (upstream transportation and distribution), 5 (waste generated in operations), and 13 (downstream leased assets) are tallied.

Environmental conservation activity flow



Environmental Initiatives

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

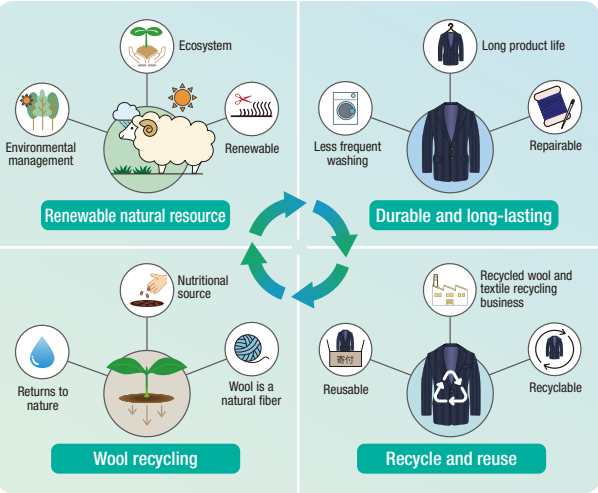
Wine made from grapes fertilized with Lanarin, a high-quality, 100% wool organic fertilizer

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

Lanarin contains nitrogen, which is an important component of fertilizer, as well as 18 different amino acids. Cultivation testing using Lanarin is currently underway at the Rokkosan Pasture to investigate its fertilizing effects.

In addition, the Kobe Winery, in which Nikke participates as part of the ownership system, is using Lanarin to fertilize grape vines. From these, Nikke employees hand-pick grapes that are used to produce wine, with our NIKKE Wool Wine 2022 (red, medium-bodied; Cabernet Sauvignon) now ready for release.

A true and sustainable circular economy of wool



Lanarin organic fertilizer made from sheep's wool



Hand-picking grapes fertilized with Lanarin



NIKKE Wool Wine 2022

Expansion of spinning machinery at the Gifu Mill for Breeza®, an innovative spun yarn

The Textile & Clothing Materials Division has set for itself an SDGs vision of “Weaving for the future” and is focusing on the SDGs in all its activities, including people- and eco-friendly product development. Additionally, we have made expanding sales of yarn spun using our unique technology as one of our business strategy pillars.

In order to increase production of Breeza®, an eco-friendly innovative spun yarn, we have added additional Breeza® spinning machines at our Gifu Mill (Kakamigahara, Gifu Prefecture), with full-scale operations beginning in November 2023. Approximately 300 million yen was invested in total, and maximum production capacity has been increased from the previous 60 tons per year to 180 tons per year.

Breeza® is a ground-breaking, eco-friendly spun yarn as it reduces energy consumption by approximately 55% on a CO₂-equivalent basis compared with our conventional products, and also reduces the release of microplastics by approximately 75% during wear and washing. In 2018, we introduced testing equipment and, after making numerous improvements, succeeded in mass-producing the yarn using our unique spinning technology. We are already selling it primarily for use in our flagship business of school uniforms.

As the trend towards the SDGs becomes ever more established, and environmental considerations become an increasingly important factor in clothing procurement and purchasing, we have determined that demand can be expected to expand in many markets, not only fabrics for school uniforms but also fabrics for corporate uniforms, knit products, and others. We have therefore significantly increased our production capacity. Breeza® spinning technology is also the basis of our circular school uniform initiative, for which we have begun demonstration testing. Komaba Gakuen High School (Setagaya Ward, Tokyo) received uniforms from 79 students of the 2022 graduating class and recycled them into some of the blazers to be worn by approximately 650 new students in school year 2024.

Based on the results of the pilot project, we are currently preparing to commercialize the system for school and business uniforms.



Cyclone spin manufacturing method
Nikke's unique spinning technique that uses rotating air currents to evenly intertwine wool with other fibers, such as fine polyester, into yarn. (Patent no. 6303077)

Forest conservation donation in response to customer feedback

In the Consumer Goods & Services Division, Interior Office One Inc. has been donating to forest conservation projects since May 2020. The underlying idea is to, from the perspective of the SDGs, contribute to growing trees that will become the main material used in furniture. The company donates 100 yen for each review posted by a customer. This donation program is also being used as sales promotion to encourage more reviews from customers who have purchased products.

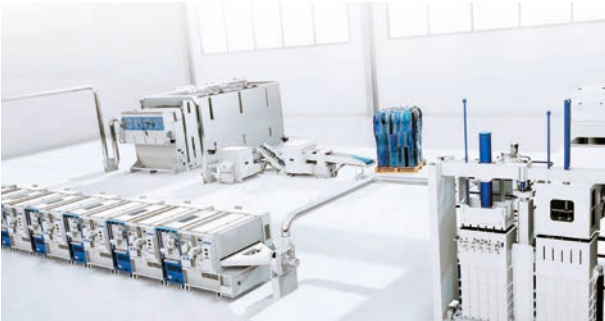
The donation recipient is More Trees, a forest conservation organization founded by the late Ryuichi Sakamoto. Since the start of the program to the present (April 2024), over 44,000 reviews have been received, for a cumulative donation total of around 4.4 million yen. Donations are used for the development of the More Trees forests and for reforestation activities. We will continue to seek out more customer feedback and keep contributing to forest conservation.



Introducing new equipment to streamline the used clothing recycling process

In the Industrial Machinery & Materials Division, F&A Nonwovens Corporation (FANS) is planning to increase production of fiber by recycling used clothing. New equipment that will make recycling more efficient will begin full-scale operation around January 2025, increasing production volume by about 10 times the current level. Up until now, the process of removing foreign objects such as buttons and zippers during recycling had to be done by hand, limiting the amount of material that could be processed, but this new equipment will automate the foreign object removal process.

It is estimated that the new clothing supply in Japan in fiscal 2022 was approximately 798,000 tons, of which about 90%, or roughly 731,000 tons, was discarded by households or businesses after use. We are now able to process about 4% of the approximately 127,000 tons used in industrial materials and other areas.



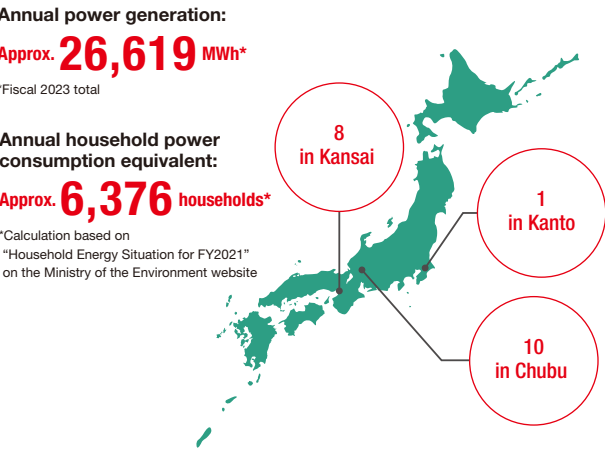
Equipment to be introduced (image)

Providing renewable energy via solar power business

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



Nikke Machinaka Power Plants across Japan



Annual power generation:
Approx. **26,619 MWh***
*Fiscal 2023 total

Annual household power consumption equivalent:
Approx. **6,376 households***
*Calculation based on "Household Energy Situation for FY2021" on the Ministry of the Environment website