

# Human Resource Strategy

We are pursuing continuous growth and increased corporate value through human capital management to create an employee-friendly work environment and to support the growth of our employees.



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

## Yasushi Kurusu

The Nikke Group developed a medium- to long-term vision, which we have worked towards over 15 years since 2008, all the while adapting our business to various changes in the domestic and international environment. Fundamental to all of this has been an awareness that human resources are our most important management asset, and, under the slogan “a company where people grow,” we are working to develop an environment where employees can feel secure and work to their full potential.

### Actions to support the growth of human resources

#### Human resource principles

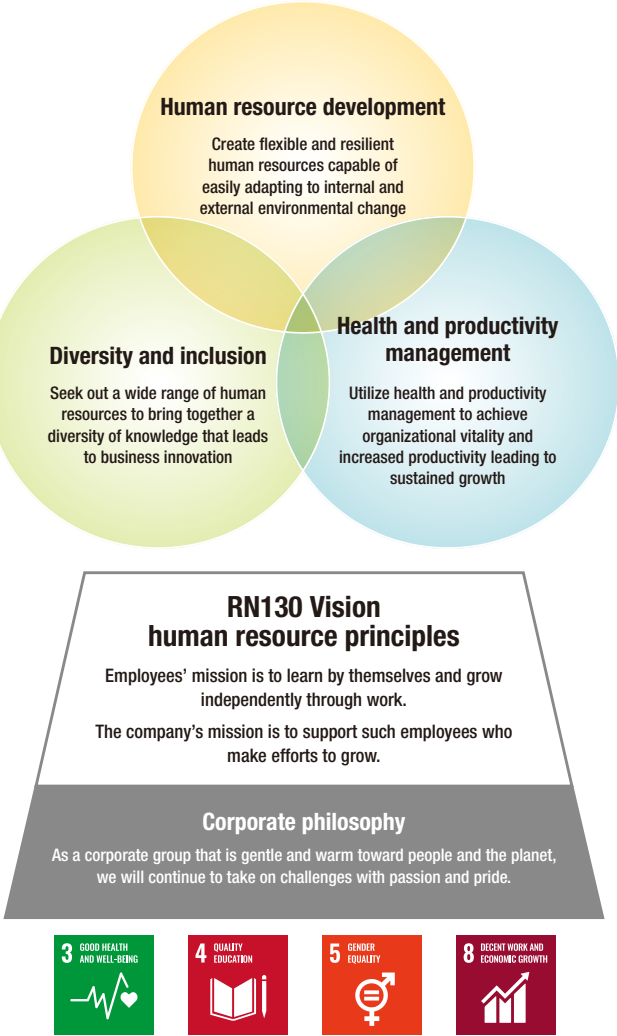
In 2008, we established our human resource principles, which are focused on the growth of our human resources.

Employees’ mission is to learn by themselves and grow independently through work.

The company’s mission is to support such employees who make efforts to grow.

We consider the realization of these principles to be a top priority and are implementing a variety of measures to achieve it.

#### Management strategy and human resource strategy integration



#### (1) Human resource development

With regard to human resource development, we have established a training system for all Nikke Group employees. We define the necessary core skills for employees to be thinking skills and interpersonal skills and provide rank-specific training. Individuals who will play key roles in the Group take next-generation manager training (VOC training), which helps them to hone their strategies so that they can work on continuous improvements in corporate value. This training has been conducted for over 10 years and has produced more than 130 graduates in total. These people are active in key positions within the Group, including as presidents, directors, executive officers, and department managers.

In addition, we run a business leader development program for employees in their 20s and 30s. We create strong business professionals by having employees attend business school, where they will engage in debate and discussion with people outside the Group and compete against others with different modes of thinking. This program has been ongoing for six years and has produced around 50 talented individuals so far. Our rank-specific training has employees participate on a voluntary basis, thereby fostering their autonomous growth.

#### Nikke Group rank-specific education system

Rank	Core skills		Special skills	Self-enlightenment
	Thinking skills	Interpersonal skills		
Department managers and office managers (executive candidates)	Next-generation manager training (VOC training)			
Section chiefs and chiefs (department manager candidates)		New manager training		
Leaders (management candidates)	1. Solving well-defined problems 2. Leadership that brings out motivation and competence of subordinates	Leader training		
Mid-level (leader candidates)	Business leader development program			
	1. Problem solving with hypothetical thinking 2. Facilitation that brings out wisdom and motivation	Strengthening skills to get people involved		
	1. Basics of logical thinking 2. Persuasive communication	Tutor training Advocacy improvement training		
3rd year employees		3rd year training		
2nd year employees		2nd year training		
New employees	New employee training			

Rank-specific training

#### (2) Health and productivity management\*

You cannot hope to improve organizational vitality and productivity if employees are not physically and mentally healthy. We have introduced a medical information site to improve health literacy, established an external consultation desk to discuss post-diagnosis illness and lifestyle concerns, promoted collaborative health in conjunction with the health insurance association, and introduced stress tests. We are also pursuing Group-wide certification as a Health & Productivity Management Outstanding Organization and currently have eight companies that have been certified in 2024.

\*See p.35

#### (3) Diversity, equity, and inclusion (DE&I)

By welcoming diversity of employee nationality, gender, culture, and values, and by providing an environment that offers a wide range of opportunities for both new graduates and mid-career hires, we are creating new value adapted to increasing globalization and changing customer needs. We are also anticipating the coming era in which the value that people place on work style is becoming increasingly diverse by initiating efforts to foster greater participation among all employees. With the aim of creating an environment where both men and women can continue working while raising children, we have established leave systems that exceed the requirements of the law, such as a system of reduced working hours for childcare (up to the end of sixth grade). We also promote childcare leave for male employees (85.71% usage rate in fiscal 2023\*). Furthermore, in 2009, we extended the retirement age to 65. We are also creating an environment where employees can work with peace of mind by introducing a nursing care leave system and operating a region-specific career-track system. Starting this fiscal year, we are launching a dedicated department to accelerate our efforts to adapt to the ever-changing environment and values by, for example, investigating flexible work arrangement and leave systems that respect work-life balance, hiring more elderly and disabled people, and expanding employee benefits and services. We are working to expand all of these activities throughout the entire Group.

I believe that the Nikke Group’s ability to generate value for customers in the future depends on its employees. We will provide new value to society through the development of high-performance products and the provision of regional No. 1 service. Working toward the goals set for fiscal 2026, the final year of the RN130 Vision, the Nikke Group will accelerate its move to sustainable management so that it can be a company that creates future lifestyles.



Group Manager, DE&I Group,  
Human Resource Department,  
Corporate Strategy Center  
**Ikuko Sumi**

#### Indicators and targets

The following indicators are used for our policy on human resource development, including ensuring the diversity of human resources, and for our policy on improving the internal environment. The results and targets for each are also shown below.

The Japan Wool Textile Co., Ltd.		
Indicator	Results (fiscal 2023)*	Targets (fiscal 2026)
Percentage of women among managers (%)	8.5	15.0
Childcare leave usage rate for male employees (%)	85.7	90.0
Gender wage gap (all workers) (%)	56.5	70.0

\*Regarding the results listed under human capital, the “Percentage of women among managers” is as of September 30, 2023, and the results for the other indicators are from October 1, 2022 to September 30, 2023.

# Health and Productivity Management

At Nikke, we believe that what is most important for our employees is that they be in good physical and mental health. That is why we actively promote health and productivity management as a way to revitalize the organization and improve productivity.



Nikke Health Declaration

We aim to be a vibrant and energetic company and strive to maintain and improve the health of our employees.

June 1, 2023  
The Japan Wool Textile Co., Ltd.  
President and Representative Director  
Yutaka Nagaoka

Organization chart

The president serves as the chief health and productivity management officer. The Health and Productivity Management Department works to promote employee health in cooperation with the safety and health committees, HR and labor representatives, and industrial physicians at each mill and office, the health insurance association, and the labor union.

Priorities

We adhere to a corporate code of ethics that prioritizes safety and health in all our business operations, from research and development to manufacture and sales services, so that we can provide a workplace environment in which employees can carry out their work in a healthy state of mind and body.

(1) We strive to prevent workplace accidents through thorough risk assessment and safety education.

(2) We analyze the results of stress checks and review working hours and annual paid leave taken to find ways to make improvements for the sake of creating a rewarding, employee-friendly workplace environment that is conducive to both physical and mental health.

(3) We promote the health of our employees by increasing opportunities for exercise and by taking measures to improve eating habits.

(4) We hold health promotion events and seminars that foster organizational revitalization and improved productivity.

Key indicators

The Japan Wool Textile Co., Ltd.

Health issues		Results				Fiscal 2024 target
		Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	
Safety	Number of workplace accidents (not accompanied by lost worktime) (cases)	2	2	5	5	0
	Number of workplace accidents (lost worktime) (cases)	0	0	0	0	0
Health management	Regular checkup attendance rate (%)	100.0	100.0	100.0	100.0	100.0
	Stress check participation rate (%)	81.1	84.5	81.4	91.2	92.0
Productivity	Overtime per person (monthly average) (hours)	6.5	4.3	6.0	7.2	6.0
	Production per person (year-on-year) (%)	102.0	105.0	106.0	105.0	105.0
	Performance evaluation points (year-on-year) (%)	98.8	102.3	100.2	102.7	101.0
Workplace environment	Turnover rate of new employees within three years of joining the company (%)	12.9	8.9	6.8	2.7	5.0
	Annual paid leave usage rate (%)	52.7	57.2	68.4	66.5	70.0

Main actions

Safety and health

Every fiscal year, the Nikke Group formulates an occupational safety and health plan, which covers the following seven items to prevent workplace accidents: (1) reduction of risk level; (2) raising safety awareness; (3) thorough implementation of the 5S practice; (4) review of standard operations; (5) hazard prediction activities; (6) thorough implementation of safety education; and (7) traffic safety education. Recognizing that a safe and healthy work environment for employees is an important responsibility of the Nikke Group and the first and foremost step in improving product quality, we share information on all Group workplace accidents with our mills and offices to prevent any recurrence of similar accidents.

Support for balancing work with medical treatment

We have introduced a welfare system that provides support both before and when employees become ill, reducing anxiety when employees get sick. We are also working to create an environment where employees can feel secure and work to their full potential.

Nikke Group's vision

Improve health literacy

Premorbid support  
Cancer-related medical information site

Support for balancing work with medical treatment

Postmorbid support  
Hatch Healthcare cancer consultation

We are enhancing our employee benefits to reduce Nikke Group employees' anxiety when they get sick and to create an environment where employees can feel secure and work to their full potential.

Checkup results analysis-based disease prevention measures

By analyzing the results of checkups, we identify employee health issues and work to improve them.

With a view to preventing the disease from worsening in the medium to long term, we work with our health insurance association to provide detailed lifestyle advice to each person who is eligible for specific health guidance.

Recent analyses have revealed that there are issues with blood pressure, blood sugar, and liver function. We are therefore focusing on increasing opportunities for exercise and improving dietary habits.

Health promotion seminars

We hold seminars on topics we have identified as health issues. Recent topics have included exercise, sleep, quitting

smoking, and female hormones. In a post-event survey, 98.6% of participants said they found the seminar useful.

Increasing exercise opportunities

Each Nikkei Group company holds walking events that make use of health apps and other means. We are working to improve internal communication and increase opportunities for exercise.

Kakogawa Marathon

With the aim of contributing to the promotion of health and sports among the citizens of Kakogawa, where Nikke was founded, we have been a part of the Kakogawa Marathon as a special corporate sponsor since the first race was run in 1990. Many Nikke Group employees have participated in the event.

Club activities

We are working to improve internal communication through club activities. We therefore help subsidize a portion of activity costs.

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Nikke Group Integrated Report 2024

Nikke Group Integrated Report 2024

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# Relationship with Society

With the aim of becoming a company that creates future lifestyles, we view how we interact with our stakeholders as an important management issue and, thus, pursue sustainable management that brings new value to society.

## Relationship with customers

### Stable product supply and quality control system

The Nikke Group has established the Nikke Group PLP Committee to ensure and verify the safety of products based on the Declaration on Product Safety and Guidelines on Product Safety Measures. We also established divisional PLP committees for each division to lead safety activities. In addition, we have established and maintain manufacturing and inspection processes and a quality assurance system. These are used to inspect and verify the compliance of our product manufacturing and sales processes with various laws and standards so that the quality of our products is upheld.

## Relationship with business partners

### Compliance with business partners

The Corporate Code of Conduct of Nikke Group includes the code of conduct for domestic and overseas business transactions, code of conduct for relationships with domestic and overseas business partners, and code of conduct for compliance with the Antimonopoly Act. We describe our products and services to our business partners in a sincere way to prohibit any acts in violation of laws and business ethics, such as bribery, unfairly restrained competition, and fictitious transactions. We also ensure that procurement of goods and services necessary for business activities is done from an equal and fair standpoint with our business partners. In our business partner selection criteria, we maintain an open-door policy in order to achieve efficient procurement, provide equal business opportunities, and make fair judgments based on price, quality, delivery, safety, and environmental friendliness.

## Nikke Group human rights policy

The importance of corporate efforts to respect human rights grows year by year. In order to clarify our position on human rights in what we do, the Nikkei Group established its human rights policy in August 2023.\*

Human rights are rights that all people are born with, and respect for human rights is an essential value shared by all humanity. In accordance with the UN Guiding Principles on Business and Human Rights, we support and respect internationally recognized human rights agreements and labor standards, strive to foster mutual understanding and respect

so that no one is treated unfairly on the basis of race, sex, religion, gender identity, or disability, and strive to build a corporate group that is trusted by society.

*Note: For more information, please see the “Nikke Group Human Rights Policy” on our website.*



## Declaration of Responsible Corporate Conduct

Based on our understanding of the Guidelines on Respecting Human Rights in Responsible Supply Chains, published by the Japanese Ministry of Economy, Trade and Industry in September 2022, and the Guideline for Responsible Business Conduct for the Textile and Clothing Industry of Japan, created by the Japan Textile Federation, the Nikke Group released its Declaration of Responsible Corporate Conduct in September 2023.\*

In accordance with these guidelines, we will conduct responsible business operations together with the cooperation of our direct and indirect business partners in our supply chain.

*Note: For more information, please see the “Declaration of Responsible Corporate Conduct” on our website.*



## Nikke Group CSR procurement guidelines

For a company to grow and develop on an ongoing basis, it is essential that it gains the trust of its stakeholders, including customers, business partners, employees, society, and shareholders. We believe that the foundation of this trust is demonstrating integrity in management toward stakeholders and ethical conduct that goes beyond compliance with laws and regulations.

Because we believe that such efforts cannot be completed through the efforts of the Nikke Group alone and that the understanding and cooperation of our suppliers is also essential, we formulated the CSR Procurement Guidelines in March 2024.\*

*Note: For more information, please see the “Nikke Group CSR Procurement Guidelines” on our website.*



# Stakeholder Engagement

We are using dialogue with shareholders and other stakeholders as part of our efforts to achieve sustained growth and improve corporate value over the medium to long term.

## Relationship with shareholders and investors

### Policy on constructive dialogue with shareholders

Through dialogue with shareholders, we strive to achieve sustained growth and improve our corporate value over the medium to long term.

Dialogue with shareholders is handled primarily by the IR department (General/Legal Affairs and PR Department) in cooperation with other relevant departments. Directors, executive officers, and other management also participate in this dialogue as necessary. In addition to discussing the most recent financial results and business outlook, the participants exchange opinions on a range of topics, including growth strategies (progress in growth drivers), efforts to improve capital efficiency, governance, shareholder returns, and capital policies.

In fiscal 2023, we held financial results briefings for institutional investors, analysts, and media representatives in January and July. We also held 32 individual IR meetings. The details of the January and July financial results briefings are published on our website.

Opinions received through dialogue with shareholders are compiled by the IR department and appropriately fed back to management at the Nikke Group Management Conference and the board of directors.

### Measures to achieve management focused on cost of capital and stock price

Operating income continues to exceed 10 billion yen, and we are making progress in building a stable earnings base. Our operating margin has improved to nearly 10%, and our ROE has consistently been at 7%.

Reflecting the stability of our business, we recognize that cost of shareholder equity is approximately 5% and weighted average cost of capital (WACC) is about 4%. We expect these

to rise in light of the future interest rate environment. PBR has risen to around 0.9 but is still below 1. While we recognize that the Nikke Group’s ROE and ROIC exceed the cost of shareholder equity and WACC, we will pursue management that is focused on an even greater return on capital, with the aim of achieving an ROE of 8% and a PBR of more than 1.

*Note: For more information, please see the Nikke Group RN130 Vision 3rd medium-term management plan (FY2024–2026).*



### General meeting of shareholders

In order to ensure shareholders have sufficient time to properly exercise their rights, we send notice of our general meeting of shareholders three weeks beforehand. In conjunction with this, we endeavor to put in place a shareholder-friendly environment, such as by allowing voting via the Internet, introducing an electronic voting platform for institutional investors, and providing a partial English translation of the notice of convocation of the general meeting of shareholders. In addition, the details of the general meeting of shareholders are made public on our website.

### Shareholder returns

Our basic policy is to increase dividends in line with profit levels, and we will gradually raise our dividend payout ratio from the current target of 30%, aiming for 35% in the final year of our 3rd medium-term management plan (2026). Additionally, we will flexibly acquire treasury stock in response to the progress of investments to enhance comprehensive shareholder returns.

Dividend payout ratios and total return ratios (%)										
	November 2014	November 2015	November 2016	November 2017	November 2018	November 2019	November 2020	November 2021	November 2022	November 2023
Dividend payout ratio (%)	38.2	32.2	32.4	30.8	30.4	29.0	27.4	24.3	29.8	30.4
Total return ratio* (%)	38.5	74.5	32.5	30.8	51.1	29.0	42.0	24.3	70.5	61.6

\*Total return ratio = (Total dividends + Total share buybacks) ÷ Net income