

Relationship to Society

Basic concept

With the aim of becoming a company that creates future lifestyles, we consider our relationship with stakeholders to be a top priority as we pursue sustainable management that brings new value to society

Turning an eye toward undeveloped fields, the 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.

Our relationship with stakeholders—shareholders, investors, customers, business partners, and employees—is one of our most important management tasks. That's why, through sincere communication and engagement, we strive for sustainable management that brings new value to society.

Relationship with Shareholders and Investors

As stated in our corporate principles, the Nikke Group aims to achieve sustainable growth and improve our corporate value in the medium 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.

Forward-looking IR/SR Activities

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. We also strive to cater to shareholders by, for example, allowing voting via the Internet, streaming the general meeting of shareholders live, and translating some of the meeting notice into English.

In addition, we take care to communicate proactively with shareholders and investors, and in fiscal 2021 we held 1-on-1 meetings (approx. 30 per year) and financial results briefings for analysts (two per year).

Shareholder Returns

At Nikke we are particularly focused on shareholder returns. Our basic policy is to increase dividends in line with our profits, and we aim to maintain stable dividends without dividend cuts, a payout ratio of 30%, and a DOE (dividend on equity ratio) of 2%. We also aim to enhance total shareholder returns including the acquisition of treasury shares.

Relationship with Customers

By stipulating that safety is core to the development and provision of superb products and services, the Nikke Group's Corporate Code of Ethics supports the aim to become a company that provides value to customers.

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. 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

In addition to following the Corporate Code of Ethics, which states that fair and free competition is the basic principle of economic activities, Nikke Group aims to increase corporate value by fulfilling its social responsibility of practicing environmentally friendly procurement.

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.

Relationship with Employees

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 states its vision for human rights in the Nikke Group Corporate Ethics Handbook and lays out a goal to create a positive workplace where there are equal employment opportunities, respect for all people's human rights, and no discrimination. Because understanding human rights is important, especially for those in managerial positions, we hold a labor study session every year that includes those in charge of practical affairs. In 2021, 75 people participated.

Safety and Hygiene

Every fiscal year, 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 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.

Number of workplace accidents

(fiscal year ended November 2021) Note: The Japan Wool Textile Co., Ltd.

	2016	2017	2018	2019	2020	2021
Number of accidents causing lost worktime	14	9	10	10	6	5
Number of accidents causing leave of absence	4	3	2	2	2	1
Total	18	12	12	12	8	6

Diversity and Work-life Balance

Nikke Group strives for a diverse workforce that includes seniors, disabled persons, and foreign nationals. Recently, we have been promoting overseas strategies and actively hiring foreign nationals. Employees of various nationalities currently play active roles in the company.

To create a work environment in which both male and female employees can raise children and care for family members while continuing to work, and to enable women to continue working without leaving their jobs for childbirth and childrearing, we have established maternity leave and childcare leave systems that exceed legal requirements for number of days and period. These systems support employees in maintaining a healthy balance between work and childcare. For the nursing care leave system as well, we have established a leave period that exceeds legal requirements in order to offer extended support for those providing nursing care for family members.

Users of the maternity leave/childcare leave system and nursing care leave system

(Fiscal year ended November 2021) Note: The Japan Wool Textile Co., Ltd.

	Legal requirement	Description of Nikke's leave system	Number of users
Maternity leave	6 weeks prior to the expected birth date; 8 weeks after giving birth	8 weeks before and after giving birth	4
Childcare leave	Until the child reaches 1 year of age (2 years of age in specific cases)	1 year after maternity leave (2 years of age or until the end of the fiscal year in which the child turns 1 year of age in specific cases)	5
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

Creating a Comfortable Work Environment

Aware that people have an increasingly diverse range of values regarding how they work, Nikke Group is focusing on building a comfortable work environment in which all employees can contribute in numerous ways. We will continue to take into consideration changing environments and values by, for example, introducing flexible work arrangements and leave systems, hiring more seniors and disabled persons, and expanding benefits packages.

Nikke Group's scope of business is expanding: we currently have approximately 60 group companies and over 5,000 employees. To promote greater understanding, a sense of belonging, and shared feelings within the group, four times a year we publish an in-house newsletter.



Human Resource Strategy

Message from General Manager of Human Resource Department



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

We will embark on a growth strategy recognizing that human resources are our most important management asset

Based on Nikke Group's human resource principles, we have restructured a human resource development system for all group employees. This system provides a wide range of growth opportunities for everyone from new employees to future management members, and it encourages employees to learn through experience and grow as human beings. We do everything possible to foster employees who love challenges. For example, besides rank-specific training, we have a business leader development program anyone can apply for, and next-generation manager training in which chosen participants learn to become future executives.

Diversity and inclusion are key to supporting growth. The RN130 Vision states that we will hire a diverse range of people in order to bring together a variety of knowledge that will innovate and propel our business. This means we hire people regardless of nationality, gender, culture, or values, whether they are new graduates or mid-career hires, and give them opportunities to shine so that we can create new value that responds to globalization and diversifying customer needs. We have also striven to create a comfortable work environment. In 2008, we were one of the first companies to extend retirement age to 65.

We also have systems that exceed the requirements of labor code requirements, such as for shortened working hours for childcare, male employee childcare leave, and nursing care leave. These, along with a system for guaranteeing full-time employees work in a specific region, ensure employees can work in comfort and security.

I believe that Nikke Group's ability to generate value for customers in the future depends on its employees. Moving forward, we will prioritize health and productivity management to revitalize our organization and increase productivity. We will also promote diversity and inclusion so that we can develop high-performance products and provide the region's No. 1 service, in the process bringing society new value.

Working toward goals set for fiscal 2026, the final year of the RN130 Vision, Nikke Group will accelerate its move to sustainable management so that it can be a company that creates future lifestyles.



FOCUS Diversity and Inclusion

Foreign Employees

In the long term, we want to use what we learn about building and operating businesses in our country

Pamco Inc.: Tang Jiajia and Wei Jun

Tang: Joining Pamco after graduation, I expected the company would use me as a native speaker of Chinese. But I was surprised when I was assigned to the domestic welfare department. But, I was doing exactly the same work as the Japanese hired at the same time, so it was a nice surprise. It was also a benefit in terms of communicating: users of the nursing care facilities would often come up and talk to me because they noticed I was a foreigner.



Tang Jiajia

about how I would use what I learned in my future career. As well, with many countries experiencing rapidly aging populations, I think that Japan will provide an example in terms of both welfare facilities and services.

Tang: I agree, I also hope I can provide other countries with Japan's know-



Wei Jun

how on coping with the aging problem the world is facing. The two of us work in the welfare industry through the Nikke Group, but there are many other foreign employees in various businesses. In Nikke Group, the fact we are foreigners does not really make us special. I think it's good that we can just do our jobs without thinking about our nationality.

Wei: I agree, I was also assigned to do the same work as Japanese employees, and the work was not as hard as I'd expected. Being assigned to work in the welfare industry, I was able to think

Nikke's Personnel Development

We revised our basic approach to personnel development in fiscal 2020 with strict enforcement of new policies

Purpose of Personnel Development

Towards the realization of RN130 Vision, consciously and systematically develop leaders* through a stepped approach in which employees learn and acquire awareness of the roles and core skills of each rank.

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

The Role of Leaders

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

Specific Measures

Next-generation manager training (VOC training)

With the goal of fostering next-generation executives for Nikke Group, we apply what is learned from management strategy systems and from customer comments (VOC: voice of customer) to our business, and constantly come up with new hypotheses and verifications that gradually improve our strategies.

Business leader development program

Positioned as a foundation along with VOC training, in this program employees attend business school, where they learn how to systematically apply theory to management in Nikke Group. Only a few employees are chosen for this elite training program through a competitive in-house application process.

Rank-specific training

Defining core skills as "skills that support the creation of results reproducible in any situation," this training takes a stepped approach to developing the thinking and interpersonal skills required at each employee rank. Open to applicants from the entire Nikke Group, it not only provides participants with knowledge and skills but also contributes to cultivating group awareness and synergy.

Rank	Core skills		Special skills	Self-formation
	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] Creating an organization that helps people grow		E-learning (financial accounting, fiscal affairs, labor compliance, etc.)
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] Demonstrate consensus building/facilitation skills		E-learning
	Tutor training			
3rd year employees	① Basics of logical thinking ② Persuasive communication	[Advocacy improvement training] Refining your involvement in all directions		
2nd year employees		[3rd year training] Grow through providing guidance to junior employees		
New employees		[2nd year training] Improve success rate of communication		
	New employee training			

Childcare Leave System for Male Employees

I'm able to witness my child's growth firsthand

Nikke Gifu Mill: Ritsuki Nishii

When my child was born, I wanted to split child-rearing with my wife so I could experience firsthand the joy of being a father. That's why I decided to talk to my boss and use the company's childcare leave system. Now, in my third month of the system, I am totally satisfied with the stress-free life I am enjoying with my wife and child. The first month after childbirth is an especially important time for the mother to regain her strength, so I believe jointly raising the child with her was crucial in easing her burden.



Having gained the support of my workplace, I can devote myself to raising my child

Mid-career Hires

Core to Nikke's culture is earnestly incorporating outside knowledge and experience

Digital Office: Yasunori Teranishi

There are mid-career hires like myself in many divisions of Nikke, and I feel we are integrated as equals with regularly hired employees. I have worked for numerous companies, but I feel that Nikke employees respect my values and culture rather than focus on what is different about me. It is in Nikke's corporate culture to earnestly accept outside knowledge and experience rather than just stick to conventional ways. One may think that old customs and values persist at a company with such a long history (I also thought this), but Nikke delegates authority by giving autonomy to the company organizations and employees responsible for certain processes, thus prioritizing objective assessment based on rational explanations and management indicators. This contributes to harmony among regularly hired employees and mid-career hires like myself.



I sensed there were barriers at other companies I transferred to in the past, but not at Nikke. We strive for a workplace where we can grow by working together