







Let's do it Together

Innovations of Sustainable Growth

NIKKE Group

Nikke Group Integrated Report 2021











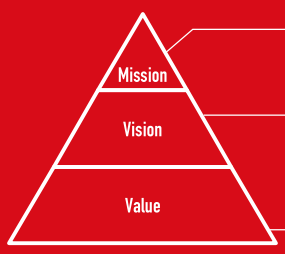

Let`s do it Together!

Innovations of Sustainable Growth

At Nikke Group, under our philosophy of being **a corporate group that is "gentle and warm" toward people and the planet**, we have contributed to the realization of a sustainable society by responding flexibly to the changing business environment of the times and by taking on new business challenges with passion and pride.

Since Nikke's inception as a wool manufacturer in 1896, we underwent a major transformation from a business model that divided textile and non-textile sectors to one that treats all segments as our "main business", and we are now launching a business plan that will enable us to foster new growth drivers.

We hope that through this Integrated Report readers will gain an understanding of the Nikke Group's current business model, which not only hedges risk through portfolio diversification, but, as a collection of many different platforms, is a natural consequence of our management stance which enabled us to respond and adapt flexibly even under an adverse business environment.



Corporate Philosophy

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.

Group Vision

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.

Management Policies

Editorial policy: In addition to financial information including business results and strategy, this Integrated Report is edited with the intention of informing shareholders, investors, and other stakeholders of Nikke Group's non-financial information such as ESG topics.
Period covered: FY2020 (December 1, 2019–November 30, 2020)
Scope covered: Nikke Group initiatives and the activities of each company.

Scope of environmental reporting:	• Nikke mills: 2 locations (Innami Mill/Gifu Mill); • Offices: 6 locations; • Domestic Group companies: 8 companies (Ambic Co., Ltd.; Gosen Co., Ltd.; Kanaya Knit Co., Ltd.; Bisyuu Wool Co., Ltd.; Taisei Wool Textile Co., Ltd.; Tsukineko Co., Ltd.; Nikke Okoshi Dyeing Co., Ltd.; and Hokuren Co., Ltd.); • Shopping Center Division / Shopping Centers: 2 locations (Nikke Parktown and Nikke Colton Plaza)

Note: Figures may differ from the data reported in the previous fiscal year, as data prior to the reporting year has been reviewed and revised in accordance with the companies subject to aggregation. Furthermore, figures may differ from those reported in the previous fiscal year due to rounding.
Disclaimer: This report contains forward-looking statements on Nikke and the Nikke Group. Such forward-looking statements are based on information available at the time and may differ from the results of our future business activities.

CONTENTS

Chapter 1 Cover Story

Contains our approach to this Integrated Report.

About the 2021 Integrated Report / Editorial Policy

01

Let's do it Together!

Chapter 1 Cover Story

We've compiled key points for understanding Nikke.

The Source of Nikke Group's Value Creation

03



Chapter 1 Cover Story

Our CEO explains Nikke's vision for contributing to the sustainable growth of society.

Message from the President

05



Chapter 2 Review of Business

Our CFO explains Nikke's financial strategy.

Message from the CFO

19



Chapter 2 Review of Business

A dialogue on Nikke's M&A strategy.

Discussion between our CFO and the President of AQUA

21

Chapter 2 Review of Business

Charts explaining Nikke's business and SDGs/ESG-related topics.

Business Model and Value of Nikke Group

23



Chapter 2 Review of Business

Contains explanations of businesses contributing to a sustainable society and priority issues.

Introduction of Our Businesses

25

Textile & Clothing Materials ····· 25
Industrial Machinery & Materials ····· 27
Human & Future Development ····· 29
Consumer Goods & Services ····· 31

Chapter 3 ESG in Action

Contains the status of Nikke's initiatives on ESG topics.

Report on ESG Activities

33

Environment ····· 33
Social ····· 37
Governance ····· 41

Chapter 4 Nikke Group in Data

Contains significant financial data displaying Nikke's corporate growth.

Financial Data

45

Changes in Significant Financial Data (over 11 years) ····· 45
Changes in Financial Data in Graphs ····· 47

Chapter 4 Nikke Group in Data

Contains general company information.

Corporate Information

49

Nikke's journey:
History of Nikke Group's growth and changes ····· 49
Business Locations ····· 51
Company overview / Shareholder information ····· 53

An Unwavering Spirit and Long-term Vision

A corporate group that is “gentle and warm” toward people and the planet

The Nikke Group’s journey over more than 120 years has been sustained by our independently nurtured spirit. Throughout our history, we have continued to take on challenges with passion and pride under our corporate philosophy of “a corporate group that is ‘gentle and warm’ toward people and the planet”, so that an awareness of ESG topics and the SDGs is embedded in our DNA. Despite the extremely challenging business environment under the COVID-19 pandemic, we will continue carefully nurturing this “unwavering spirit” as a source of added value to contribute to a sustainable society.

Nikke Group was originally founded as a company in the wool industry, but about 100 years after its establishment the textile business was enveloped by a wave of intense global competition. It was also clear that textile-related sales would fall amidst a declining population in Japan, and Nikke was faced with a crisis of how to ensure the company’s continued growth in the future. It was then, amid that sense of crisis, that we launched our long-term vision to be updated every ten years, and a medium-term management plan within that vision. Initially we began by gradually expanding our business areas outside of textiles, and as we set our sights on the 120th anniversary of the company we later formulated the NN120 Vision to eliminate the boundaries between textile and non-textile business. We positioned all segments as our main business and aimed to develop as a united group, and this vision has now been realized. The journey of our company’s business transformation is clearly shown by the changes in business segment ratios in the graph below.

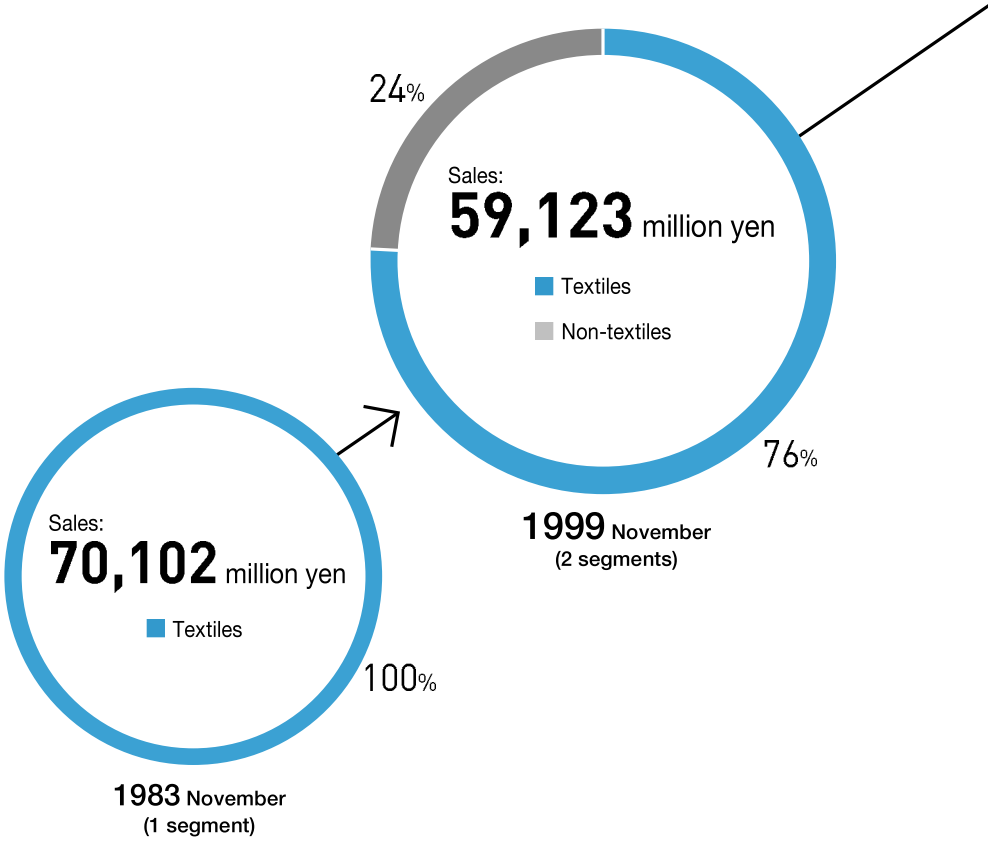
Next, we established the Renewal Nikke 130 Vision (“RN 130 Vision”) as we approach 2026, the 130th year since Nikke’s founding. The goal of this vision is for each business division to find, foster, and expand growth drivers that will enable the Group’s future business expansion. Our ideal portrait of the Nikke Group is one with a management style that enables each sector to compete for business appeal in terms of growth potential, originality, and profitability, and the aim of this is to make Nikke a corporate group that can achieve long-lasting growth and development.

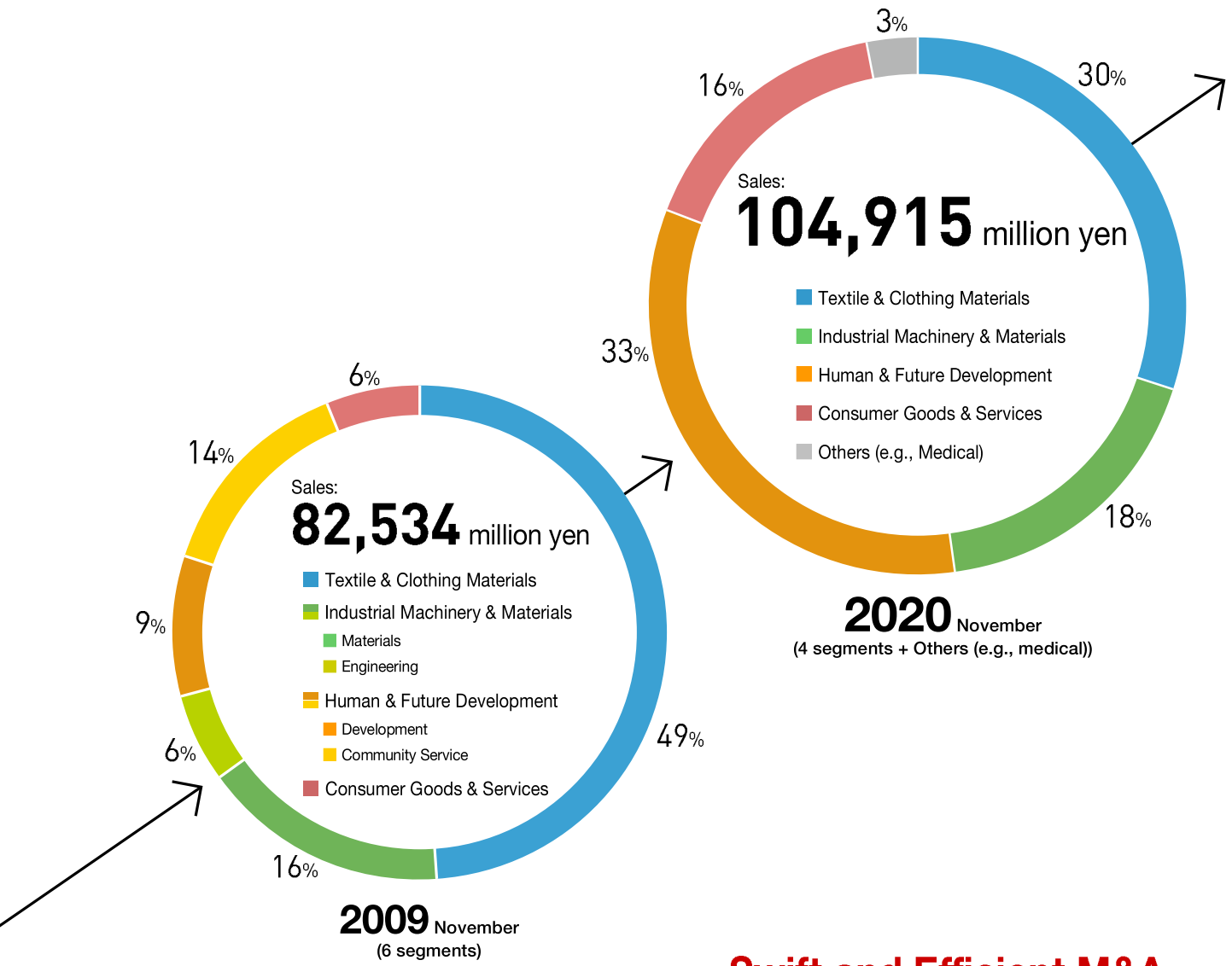
The Source of Nikke Group’s Value Creation

Portfolio Reforms

Flexible portfolio reforms without insistence on conventional business

One of Nikke Group’s strengths is our ability to build robust business foundations by staying one step ahead of current trends and reviewing our portfolio flexibly without being fixated on our conventional business. Since our beginning as a wool company solely focused on textiles, we have responded to the times and cultivated businesses that contribute to the sustainable growth of society. Now, over a century after the company’s founding, our aim is to build a stable business foundation with a four segment system. Furthermore, as we move forward we intend to proactively cultivate new seedlings of growth in the medical field through our M&A strategy.





The rise of diverse talent

Our approach to personnel is a source of growth and change

The involvement of Group employees is an essential point to consider for the Group's growth strategy. Our medium- to long-term vision, the RN 130 Vision, clearly describes the development and promotion of an HR system that fosters personnel that take on challenges and rewards them for results. By utilizing the diverse skills and passions of our human talent, we create synergy between our conventional businesses which are cultivated by inner growth (capital investment and R&D investment), and new fields aiming for growth from outside Nikke (our M&A strategy). Additionally, we promote corporate activities with an awareness of the Sustainable Development Goals (SDGs) as well as the creation of a trusted corporate group in order to build even stronger business foundations.

No. of employees
November 2020

4,770

Swift and Efficient M&A

Using synergy to efficiently enter new business fields

The advantage of an M&A strategy is being able to accelerate business growth. Through M&A acquisitions of companies with proven track records, we can quickly and efficiently take over the acquired company's assets, such as personnel and resources, which ultimately reduces the costs associated with business expansion even when entering new business fields. Conversely, the disadvantage of M&A is the possibility that the acquired company may not be as profitable as expected. We take care to reconcile matters as much as possible while accepting each other's culture. As of February 25, 2021, the number of consolidated subsidiaries, including those acquired through M&A, has risen to 54, and the unwavering spirit we have fostered since Nikke's founding has removed psychological barriers between employees of each company. Looking at these companies, one can see the synergistic effects that have been generated, and they are contributing to business results as members of the Nikke Group.

No. of M&As
2017–November 2020

9

Message from the President

TOP MESSAGE



Tomita kazuya

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

Kazuya Tomita

We set a new all-time record-high for net profit even under the COVID-19 pandemic This is the result of our highly resilient business model and employees' sense of responsibility and contributions.

In the fiscal year ended November 2020, societies and economies around the world faced the severe impact of the global threat presented by the COVID-19 pandemic. I would like to express my sincere condolences to all those who have been affected by COVID-19 and their families, and to those who have lost their lives. I would also like to convey my heartfelt gratitude to all the medical professionals, government officials, and people who are working hard to prevent infections and maintain functions of society. Amid this challenging business environment, thanks to our customers and employees, we achieved a new all-time record-high for both Ordinary income and Net profit attributable to owners of parent. In addition, we were able to pay annual dividends of 27 yen, another all-time record-high. We increased the annual dividend by 1 yen per share over our initial target. This is nothing other than the result of our business model's strong resilience to the sudden economic downturn. However, what made this possible in reality were the employees who continued working for the benefit of society even under the pandemic situation. For example, our factory staff who closed off contact with the outside in order to ensure new uniforms would be ready for students by the time the school year began, and members of nursing and childcare facilities who continued working during the pandemic. These results were possible only due to the ownership and dedication of each and every employee. To all of our employees, I can't thank you enough.

Addressing the COVID-19 Pandemic and Our Business Model Driving the M&A Strategy

In the fiscal year ended November 2020, we were exposed to unprecedented economic stagnation due to the global COVID-19 pandemic. I believe that this year's Integrated Report must differ from that of a normal year. We will focus instead on how we can address this turmoil and maintain our strength and resilience, thereby supporting our customers and society, and protecting our employees.

The textile industry has a strong resilience to crises, having previously faced long hardships in the past. However, even some prestigious companies sadly went bankrupt under the COVID-19 situation. Relying on tradition and experience is not enough to maintain strength—companies must respond flexibly to changes in the business environment, and adapt continuously. Recently, I heard from a friend who is a reporter at a textile industry newspaper, that after the collapse of Lehman Brothers in 2008, Nikke's president at the time, Toshimitsu Furui, said that he would make Nikke a company that could survive even if such a crisis occurred twice in a row. Now, through ten years of business reforms, I believe with conviction that we have transformed the company and realized the former president's vision.

Reflecting back on the fiscal year ended November 2020, the Industrial Machinery & Materials segment, which drove business results last fiscal year, was significantly impacted by the automotive industry slowdown which resulted from COVID-19. On the other hand, our Textile & Clothing Materials business—which is less susceptible to economic fluctuations and enjoys stable demand mainly by providing school uniforms and uniform fabrics to public institutions such as police and fire departments—and our Human & Future Development business—which generates stable rent income mainly from shopping centers on former mill sites adjacent to residential districts—supported our business results despite the forced closure of some stores under state of emergency declarations. In addition, the e-commerce business of our Consumer Goods & Services segment, which has been expanding under our M&A strategy, performed better than expected by proactively addressing changes in the business environment under COVID-19.

We also set new all-time record-highs for both Ordinary income and Net profit attributable to owners of parent due to the contributions of Daiichi Orimono Co., Ltd. and NAKATA CONSTRUCTION Inc. who were newly added to the Group through M&As, and as a result of posting negative goodwill arising from our capital and business alliance with Fujico Co., Ltd., whom we had been in negotiations with for several years with the aim of generating a synergistic effect.

These results are largely due to the efforts of our finance team, who, in line with Nikke's tradition of conservative financial management, built up a buffer for our activities during such times of crisis. Additionally, the effects of productivity-raising measures and cost-reduction measures promoted by each business division were demonstrated during this time. And, the most important thing during this period was the efforts of the senior management of our 54 Group companies, whom I believed in and entrusted with the work of responding to these major changes in the business environment. They worked creatively, paid attention to profitability, and some made drastic business improvements beyond what I had expected. I believe that our business model has shown its true value in the face of the extreme fluctuations caused by COVID-19.

Message from the President

A company that stays afloat no matter what

The most common feedback we receive from investors is “The overall picture of your business is difficult to grasp”, and “Are you aware of the conglomerate discount?” The next question is usually “What field are the investors and analysts that come to your company in? Are they in materials, or real estate?”

Our company has over 120 years of history, and is also the first company (“01”) listed for the textiles industry, with the securities code “3201”. The Textile & Clothing Materials business is still a major cash flow generator for our company. The Nikkei reported on the profitability of this business in a recent article*, saying, “the operating margin of textile-related businesses is incomparable”, also mentioning its stability, barriers to entry, and resilience in times of recession. However, how many historied textile companies still have textiles as a core part of their business and revenue? I think the reality is that as the business environment surrounding the textile industry becomes more and more challenging, many textile companies are leveraging their unique strengths and assets to invest in new businesses, and each of these companies have now taken different forms. If downsizing through selection and concentration of business was the answer to the conglomerate discount, many companies founded in the textile industry would not have survived.

* Source: December 4, 2020 - *The Nikkei* p.39 “Kansai Firms take the Offensive (Kansai (Western Japan) Economy page)”

Historied textile companies have always had good real estate assets, but unlike many textile companies, we did not sell or entrust our former mill sites to real estate companies when we moved our production sites overseas. Rather, in response to requests from local public organizations with whom we had developed close ties when operating mills in those regions, and for the benefit of our employees who live nearby, we developed facilities such as shopping centers, and decided to operate them ourselves. Our nursing and childcare businesses were also born out of requests from local regions, and are currently growing as stable revenue sources. This is our Human & Future Development business. The stability of this segment even under the COVID-19 situation is due to the fact that these facilities are indispensable for residents who make up the community.

Actually, I was responsible for this sector for quite some time. Former President Furui, whom I mentioned earlier, gave me the mission of making this sector profitable and able to earn a stable cash flow. This was in light of the funds liquidity issue faced by the Textile and Clothing Materials segment. In other words, demand in this segment was stable, but the issue lay in the long duration of time required to recoup funds throughout the manufacturing process, from making threads until uniforms are delivered at the start of the school year.



While this served as a barrier preventing other companies from entering the sector, on the other hand it presented concerns that an economic crisis could give rise to financial constraints. Our Human & Future Development business needed to become more profitable in order to compensate for this, and I achieved this by seeing numerous M&A deals through. Now that I am the president, this method has become the policy for the entire group.

In this way, Nikke has undergone a transformation from a former textile company, to one with a business model that divided textile and non-textile sectors, to a company that treats all segments as our “main business”, and we are now in the middle of a business plan that will enable us to foster new growth drivers. For example, I believe that the Nikke Group should be seen as a platform for a diverse range of businesses, just like a general trading company. This crisis has proven the resilience of this business framework. This model not only hedges risk through portfolio diversification, but is a result of our Group businesses and companies responding and adapting flexibly and at their own discretion to rapid changes in the business environment as those who directly face frontline business. The reason that our group is difficult to comprehend is a consequence of this management approach.

Our business model, which combines our traditional conservative financial management with growth investment and M&A using cash flow from the Textile & Clothing Materials and Human & Future Development businesses, also upholds the management philosophy of Nikke’s founder, Seibei Kawanishi. Japan Wool Textile, which provided uniforms to the military and public institutions, was managed conservatively by Seibei, who used the stable cash flow to fuel his entrepreneurial spirit and take on challenges in new business fields, forming the “Kawanishi Conglomerate” by founding businesses such as an aircraft manufacturer, a warehouse business, and a rail company in rapid succession. These challenges resulted in companies that are still active

today, including ShinMaywa Industries, Denso Ten, and Kawanishi Warehouse. Based on this history, I believe a company that stays afloat no matter what must have both a conservative management base that focuses on financial stability, and a bold approach to investment based on "animal spirits" (in other words, an entrepreneurial ambition and drive in uncertain situations).

Continual business portfolio review and M&A

Continual review of the business portfolio and an M&A strategy play a vital role in maintaining this kind of strength in the company, as well as in maintaining efficiency and growth. In the three years under the 1st Medium-term Management Plan, I am proud to say that Nikke was involved in seven M&A deals, with two last fiscal year. We also entered into a capital and business alliance with one company, making the number of M&As considerably large. However, I should add that for conducting such deals, we have a division led by M&A specialists with experience working at financial institutions at the center of the project, and everything is carefully examined under their expertise. In addition, our CFO, who is in charge of the company's finances, also has experience working in M&A at a financial institution, and he is also in charge of verifying such deals. Our M&A criteria, which investors often ask about, such as the Return on Invested Capital (ROIC) target of 8% set based on our cost of capital, including the process of implementation and consistency at the company, are covered in the CFO message (see p.19–20).

Business model



In addition, I would like to again emphasize that even after M&A execution, performance is verified and checked under a system of regular discussions with general managers and senior management from the perspective of reviewing the business portfolio.

Another thing I focus on when conducting M&A deals is incorporating growth fields into Nikke Group. By doing so, we are able to develop new strategies, draw in new talent, and energize the organization. For instance, reflecting back on the fiscal year ended November 2020, our colleagues in the e-commerce sector, which our M&A strategy was particularly focused on, performed more strongly than expected under the COVID-19 situation. Also, newly added companies in the construction and textiles fields have leveraged their strengths in public works and strong sales channels with high-end overseas brands to support our profits while acting as an impetus on our existing businesses.

Let's now talk about personnel. This is not limited to M&A. In the personnel transfers following the General meeting of stockholders for the fiscal year ended November 2020, two out of our four business divisions were entrusted to mid-career hires and new colleagues who joined the group through M&As. We also have a new executive officer who will be in charge of the lifestyle support business, which is the sector I am most focused on. This person came from another company, and has a proven track record at Nikke. Some have said that this kind of appointment is rare at a company with such a long history. A reporter at our financial results press conference asked me, "The new executive officer (in charge of lifestyle support) is Nikke's first female director, isn't she?". To this, I responded, "We assign the person who can best manage their assigned business sector, regardless of gender. That's all."

ESG topics and the SDGs at a company that is "gentle and warm" toward people and the planet

Since the start of COVID-19, investors I speak with have been asking more about our corporate philosophy, especially the philosophy of being gentle and warm toward people and the planet. Their questions generally seem to be asking whether this philosophy is in response to ESG topics and SDGs that gained attention after the start of the COVID-19 pandemic. Recently, much attention has been focused on these concepts, but as a company that has been handling wool, a natural material, since its founding, these concepts have been embedded in our corporate culture and work from the beginning. Our corporate philosophy was extended to all group companies in 2008 along with our textile business concept that removes the boundary between textile and non-textile business, and is not a response to recent trends.

Message from the President

On the topic of the environment and society, firstly, for the past 120 years we as a company have been handling natural wool, an environmentally-friendly material intertwined with the history of humankind for some 6,000 years, which decomposes in soil. The Textile & Clothing Materials business, for which Nikke was originally founded, is likewise intertwined with schoolchildren through the uniforms that are spun and woven from this wool. To give an example, we received the following message from a customer via our website. The customer stated that she had purchased a Nikke-made school coat, and while the outer wool cloth was fine, the lining was damaged, and she requested we repair it. In fact, the school coat in question had been purchased for the customer by her mother 50 years prior, and passed on to the customer's daughter. The customer stated she wanted to pass the coat down to her granddaughter to wear next. Nikke Institute of Education, an association that conducts research on the benefits of school uniforms, was established on the premise of social class disparities in dress which are said to be particularly pronounced at elementary school graduation ceremonies, and under the philosophy of "leaving no one behind" by using uniforms. We believe that this research will become increasingly important in the context of widening income gaps due to COVID-19 and LGBT-friendly school education. School uniforms are said to have originated over five centuries ago at the Christ's Hospital boarding school in England. As a charity school, the purpose for adopting uniforms was "providing an education to children without fathers and poor children", and this prevented any discrimination on the basis of attire. This kind of school uniform is called a "blue coat", and while it looks stylish akin to a trench coat, it was adopted for safety and theft-prevention as it uses the cheapest dye. Enable customers to wear quality products for many years. Thus, bring happiness to children and their families through uniforms. These are the ideas that our corporate culture is rooted in.

Our Industrial Machinery & Materials sector aims to achieve growth through business for electric vehicles and environmental filters. And, our Human & Future Development business contributes to communities undergoing urban development. As I have previously mentioned, our shopping center business utilizes former mill sites for regional development and was started in response to calls from local people. Our "Craft in Action" event, which is held on site, received the Grand Mécénat Award in 2016 as an event bringing the community together, but this initiative originally began in 1983 when we decided to develop shopping centers and announced our plan to create a community with a polytechnic school. Furthermore, our child-related business which aims to reduce the burden on working women, as well as our childcare and nursing businesses, have been advanced in communities as we receive requests from them. Perhaps in light of these points, an analyst covering our company remarked, "It seems that all of Nikke's business is SDGs-related", but this is not something new. In accordance with our traditions, we will continue managing the company to be "gentle and warm" toward people and the planet, just as we always have.

Regarding corporate governance, I believe our 120-year history is a testament to Nikke's corporate governance. In addition, in 2004 we established the Advisory Board (appointment and remuneration). In 2006, we introduced an executive officer system and invited outside directors. In 2010, we appointed three independent directors (outside directors), who make up more than one-third of the board. With these and other measures we have taken, I am proud to say that we have made initiatives to strengthen corporate governance since early on.

Regarding the "Response policy pertaining to the large-scale purchasing of Nikke shares" (i.e., a takeover defense measure), which was approved at this year's general meeting of stockholders, I would like it to be understood that this was the result of long discussions with our highly-experienced outside directors. This policy is based on the current tender offer limitations and the possibility of abusive takeovers. I believe that defenses against hostile takeovers and malicious demands are also necessary for long-lasting companies.

To Our Shareholders

In the fiscal year ended November 2020, we faced significant limitations on holding discussions with investors due to the spread of COVID-19. Despite this situation, our IR team contacted investors via telephone and online meetings. Under the current situation in which our investors are concentrated in Tokyo, this method is actually more practical for us at Nikke, which is based in Osaka. Additionally, we held our financial results briefing online as well. It seems that those who attended found the "dialogue" Q&A between our financial executive officer and myself to be quite entertaining. However, I truly want to speak with investors in person at such briefings. I feel that perhaps my thoughts were not conveyed well in this format. We have received many comments from investors that they plan to come to Osaka to talk in person once the state of emergency is lifted, and I am looking forward to the end of the COVID-19 pandemic.

Regarding shareholder return, under the 2nd Medium-term Management Plan we are aiming to maintain stable dividends without dividend cuts and a payout ratio of at least 30%, and we will increase dividends in line with our profits. In addition, from the standpoint of emphasizing dividend stability, we have newly established a target indicator of approximately 2% for the dividend on equity ratio (DOE). The adoption of the DOE indicator is in consideration of the profits of shareholders who are long-term holders, and we introduced this indicator as we believe it is one of the most appropriate for our company. In addition, we will enhance total shareholder returns including the acquisition of treasury

shares. In this way, we aim to be a company that is gentle and warm in our relations with shareholders as well.

In Closing

Each year, in the last part of my message in the Integrated Report, I mention discoveries I have had while talking with employees as I visit offices inside and outside the Group and affiliate companies. However, unfortunately in the fiscal year ending November 2020 I was unable to visit and have conversations in person due to COVID-19. Instead, I think the Group newsletter which we started in the same fiscal year will fill that gap. This publication was issued with the following points in mind. Firstly, now that we are a corporate group with 54 companies thanks to our M&A efforts, we wanted employees to understand an overview of the Group as a whole, which is something that even investors find difficult to do. Next, I wanted to share our corporate philosophy and my thoughts with each and every employee. And finally, we wanted employees to take this newsletter home to show their children what kind of company their parents work for. It was with these points in mind that we ventured to issue a printed newsletter in this age of social media. The inaugural issue covers the intention behind the creation of this newsletter, the second issue features the story of a family with members spanning four generations who have worked at Nikke Group, and the third issue tells the story of nursing efforts and the work of people at overseas locations under the COVID-19 pandemic.





The latest issue covers the Medium-term Management Plan, and features myself and each general manager as anime-style action heroes talking about our dreams. In a survey we received comments such as, “My child said they didn’t know their mother worked at this kind of company”, “Nikke is involved in so many businesses”, and “I was able to learn about the company president’s ardent thoughts on corporate management. I was encouraged by the headlines ‘Stuffy organization enables companies to make leaps forward’, and ‘Have positive ambition’. It made me again consider the stance of keeping up with the times while maintaining things that ought to be maintained.” This is exactly what I had intended, so these comments put a smile on my face.

When creating this Group newsletter, a writer from the production company asked, “What is the appeal of Nikke Group?” Thinking back on my over 30-year career at Nikke, I replied that Nikke’s appeal is the sincerity of its employees. This is something that is pointed out by mid-career hires and those at companies which joined our Group through M&As. As a member of management, there is nothing that makes me happier. This is because dishonest management is sure to spell the end of the company at some point. This is our greatest asset that has been woven together over the Group’s 120 years. At the beginning of my message, I stated that employees who continued working under the COVID-19 situation for the benefit of society supported us in achieving our highest profits ever in this period of adversity. And I mentioned that personnel are the key to long-lasting development. The fundamental thing for each of these lays in the sincerity of employees. I firmly believe it is what will enable Nikke Group to overcome future crises, and continue growing as a company. These are people with whom I am truly proud to work.

Message from the President

Nikke Group RN 130 Vision

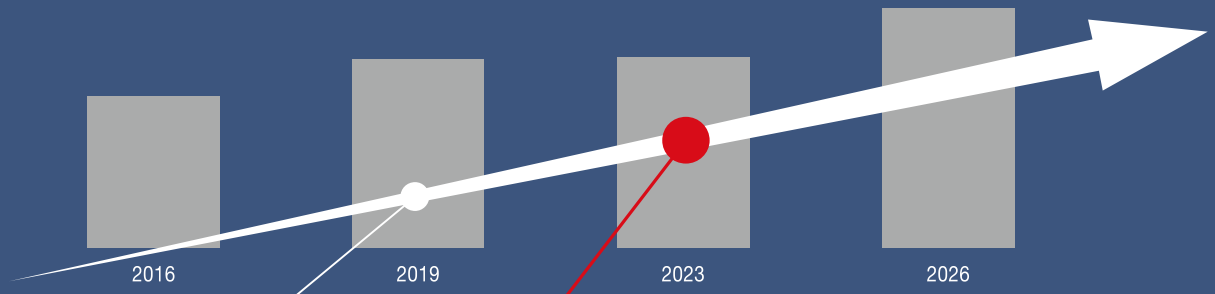
2nd Medium-term

Nikke Group's Medium- to Long-term Vision
– Aiming to be a company that continues to enjoy long-lasting growth and development –

Since the COVID-19 pandemic began, an increasing number of investors ask questions or give comments from a long-term perspective, such as asking about our company's corporate philosophy, or indicating that their policy is to invest in companies having histories longer than 100 years, with an investment period of ten years or longer. In response to such inquiries, I would like to cover our long-term vision and the Medium-term Management Plan which was announced this year.

Medium- to Long-term Vision: Nikke Group RN 130 Vision

We will become a corporate group that can achieve long-lasting growth and development
by enabling each sector to compete for business appeal in terms of growth potential, originality, and profitability.



1st Medium-term Management Plan
FY2017–2019

Positioned as Phase 1 for solidifying our vision.
Nurture the seeds of each business field, and put their development on track.

2nd Medium-term Management Plan
FY2021–2023

This three-year period is positioned for acceleration toward the RN130 Vision. Steadily recover our business results while being mindful of the impact of COVID-19, and set new all-time record-highs for sales and profits exceeding those achieved in 2019.

Realization of RN130 Vision
To FY2026 and beyond

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, and realize Nikke as a company creating future lifestyles envisioned by each business.

Management Plan

FY ending November 2021 – FY ending November 2023

Nikke Group announced the 2nd Medium-term Management Plan of the RN 130 Vision in January 2021. While we had originally scheduled to release the plan last year, in the process of formulating the plan, a committee made up mostly of early-career employees presented a vision of achieving 200 billion yen in sales, so we decided to postpone the release of the plan for one year as we solidified and refined the plan to present to investors. However, since then there have been drastic changes seen in the business environment due to COVID-19, and we have reformulated the plan based on these changes.



We will re-establish the direction Nikke Group should aim for throughout the next ten years, rebuild our corporate image and management strategy, and aim to enhance our corporate value over the medium to long term.

Four key strategies under the 2nd Medium-term Management Plan

❶ Develop each business with an awareness of prioritized allocation of resources to growth businesses, new businesses, and streamlining

Textile & Clothing Materials:
- Foster growth drivers (functional materials, Chinese school uniforms, overseas markets)
- Invest in manpower saving and optimization for manufacturing

Industrial Machinery & Materials:
- Further expansion of automotive and environment-related business (especially strengthen business overseas)
- Strengthen alliance with Fujico Co., Ltd.

Human & Future Development:
- Further expansion of the lifestyle support field (nursing care, childcare, sports schools, and child-related businesses)
- Make independent from the utilization of unused land in the development and real estate businesses

Consumer Goods & Services:
- Expansion of e-commerce business

Medical-related:
- Make developed products profitable

❷ Aim to expand overseas business

- Develop the Chinese market for the school uniform business
- For the Industrial Machinery & Materials business, expand overseas business and partner with Fujico Co., Ltd.

❸ Promote improvement of capital efficiency

- Redevelopment, re-redevelopment, and disconnecting from low-profit real estate
- Thoroughly sort businesses and promote withdrawal from or reorganization of unprofitable businesses

❹ Create synergy through reorganization within business divisions

Message from the President

Medium- to Long-term Vision: Nikke Group RN 130 Vision

Growth potential by segment

(millions of yen)

		1st Medium-term Management Plan		2nd Medium-term Management Plan (FY2021–2023)			3-Year Growth Rate Compared to FY2020
		FY2019	FY2020	FY2021	FY2022	FY2023	
		Results	Results	Expected business results	Target	Target	
Textile & Clothing Materials	Sales	34,826	31,399	32,000	34,500	36,700	116.9%
	Operating income	2,506	2,216	2,700	3,200	3,650	164.7%
Industrial Machinery & Materials	Sales	25,784	19,057	22,000	24,000	27,200	142.7%
	Operating income	1,820	1,289	1,200	1,550	2,150	166.8%
Human & Future Development	Sales	47,101	34,468	33,000	34,000	37,400	108.5%
	Operating income	6,907	5,949	5,700	6,000	6,650	111.8%
Consumer Goods & Services	Sales	16,568	16,783	17,000	17,500	20,700	123.3%
	Operating income	950	1,168	1,100	1,250	1,550	132.7%
Overall Group	Sales	**126,401**	**104,915**	**107,000**	**114,000**	**127,000**	**121.1%**
	Operating income	10,472	9,048	8,600	9,500	11,500	127.1%

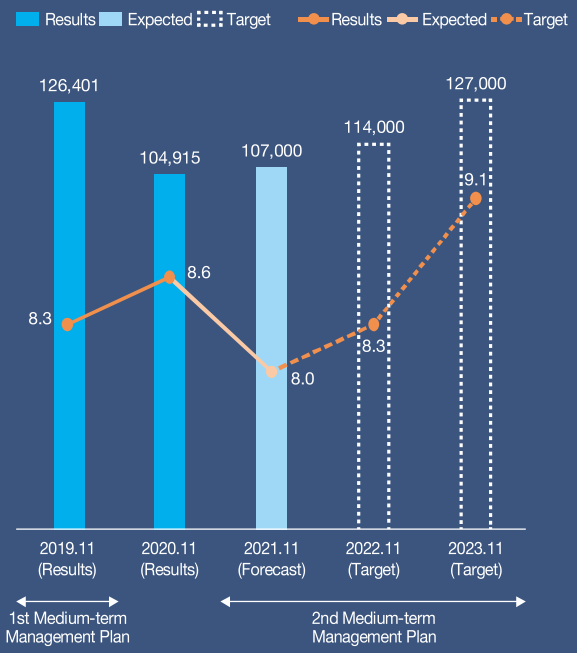
Fostering growth drivers through growth investment and the M&A strategy

Our business model is divided into four business divisions. First, our Textile & Clothing Materials business—which is less susceptible to economic fluctuations and enjoys stable demand mainly by providing school uniforms and uniform fabrics to public institutions such as police and fire departments—and our Human & Future Development business—which generates stable rent income mainly from shopping centers on former mill sites adjacent to residential districts—are two businesses which generate stable cash flow that is not affected by economic ups and downs. In addition to these businesses, we also have the Industrial Machinery & Materials business—which has high growth potential despite its susceptibility to economic fluctuations due to its main clients being in the auto industry—and the Consumer Goods & Services business—which handles sales and distribution services within and outside the group as the core of our business diversification. These four business divisions balance overall risk while generating stable cash flow which is used for growth investment and driving our M&A strategy to foster growth drivers for Nikke Group.

First I would like to reflect on our 1st Medium-term Management Plan from the fiscal year ended November 2017 to the fiscal year ended November 2019, which is positioned as Phase 1 for solidifying the RN 130 Vision. The main purpose of the plan was the development and expansion of growth businesses that would provide for the Group's future business expansion. To that end, we worked on four key strategies: (1) Prioritized allocation of resources

Business growth potential

Sales (millions of yen) / Operating income to sales ratio (%)



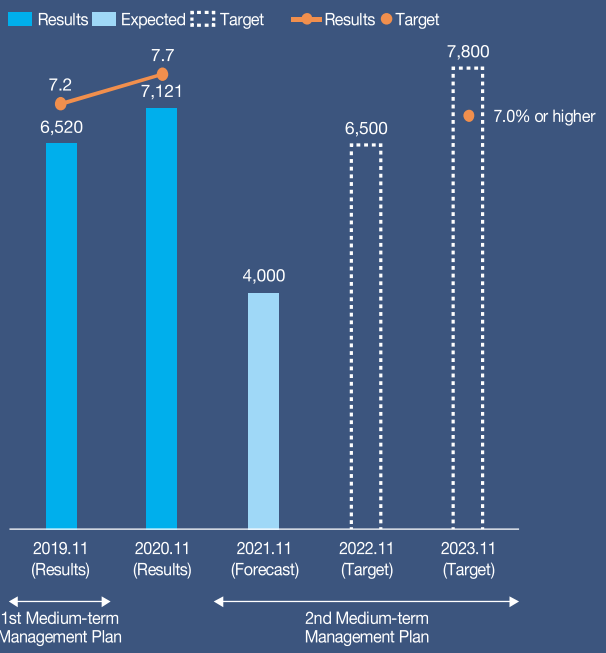
Comparison of FY ending November 2020 and FY ending November 2023

Sales Up **21.1**% ↗

Operating margin Up **0.5** points ↗

Business profitability

Net profit attributable to owners of parent (millions of yen) / ROE (%)



Comparison of FY ending November 2020 and FY ending November 2023

Net profit attributable to owners of parent Up **9.5**% ↗

Target ROE for FY2023 **7.0**% or higher

to growth businesses, new businesses, and streamlining; (2) Expansion of overseas business; (3) Improving asset efficiency; and (4) Creating synergy through reorganization within business divisions. As a result of this, in addition to achieving our targets for sales and profits for the fiscal year ended November 2019, the last fiscal year under the 1st Medium-term Management Plan, we also set an all-time record-high for sales and profits, increased operating income for the 10th consecutive period, and achieved 7.2% ROE, exceeding the target of 7% or higher. In contrast, there were also businesses that were significantly delayed in achieving the plan's tenets. As I have already mentioned, the fiscal year ending November 2020 had its own single fiscal year plan as a preparation year for the 2nd Medium-term Management Plan.

Aims of the 2nd Medium-term Management Plan

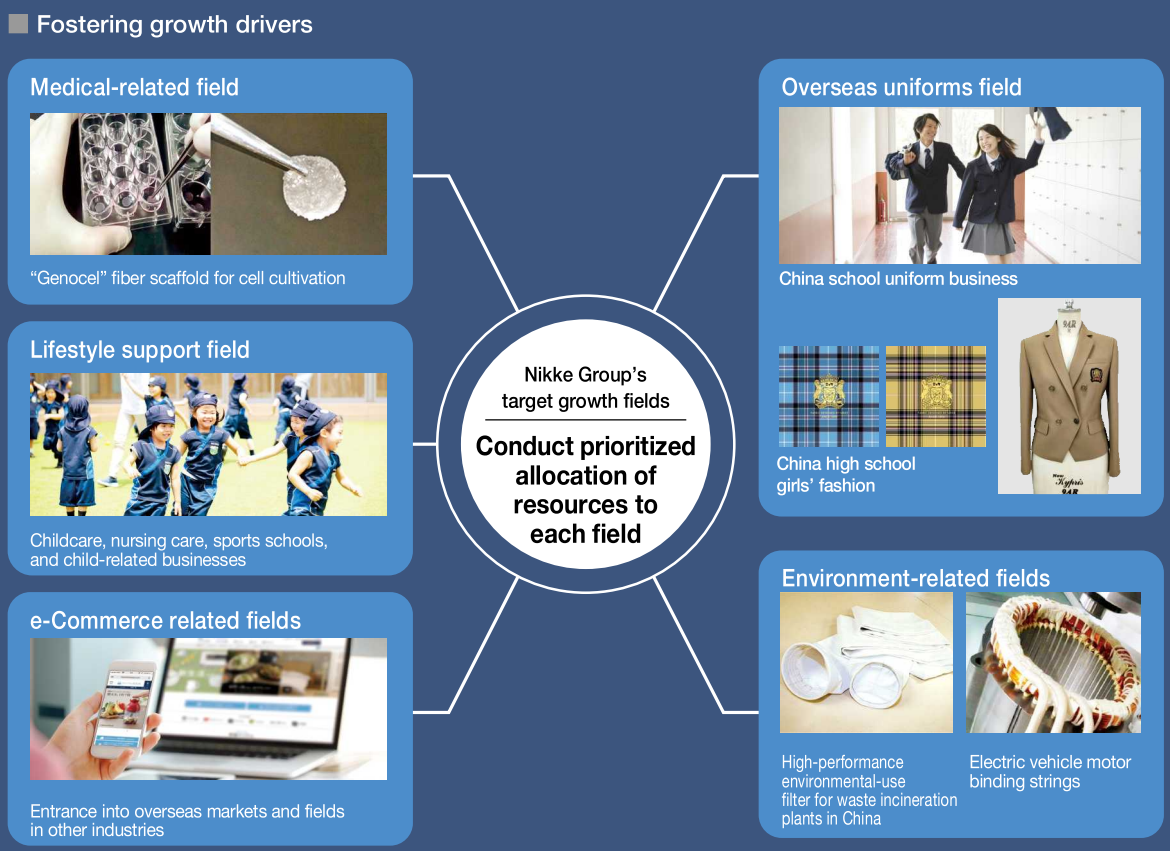
The 2nd Medium-term Management Plan describes a road map for the three-year period of acceleration toward the RN 130 Vision, which envisages the Nikke we want to create. Based on our awareness of issues under the 1st Medium-term Management Plan, we will continue working toward those four key strategies, steadily recover our business results while being mindful of the impact of COVID-19, and aim to set new all-time record-highs for sales and operating income exceeding those achieved in the fiscal year ended November 2019.

Message from the President

The following businesses will be considered growth divisions going forward. First is the Textile & Clothing Materials business. While under the 1st Medium-term Management Plan we were searching for the next growth drivers for advancing this sector, we are starting to see the expansion of overseas business in this area due to development of the school uniform business in China and our partnership with Daiichi Orimono Co., Ltd. In the Industrial Machinery & Materials business, we will expand our business in the automotive-related field and expand business overseas with an eye on the shift to electric vehicles and self-driving, open an environmental filter factory in China, and expand profits for the non-woven fabric business through our alliance with Fujico Co., Ltd.

Next, in the Human & Future Development business, although some targets, in the hotel business for example, were revised due to COVID-19, we are aiming to expand profits through the renovation and redevelopment of owned assets, and aim to further expand the lifestyle support business including real estate development of external assets, and the childcare, nursing care, sports school, and child-related businesses. And, in the Consumer Goods & Services business which made a big leap forward under the COVID-19 situation, we will strive to further strengthen the e-commerce business, secure sales routes in overseas markets, and endeavor to enter into fields in other industries. Additionally, while it is not one of our current business divisions, our medical business which uses Nikke's textile and non-woven fabric technology for biofriendly textile materials is a field anticipated to have considerable growth potential as a new Nikke Group business in the future. Overall, we have positioned the lifestyle and environment-related businesses as key growth areas, and I believe this is important also from the standpoint of the SDGs.

Medium- to Long-term Vision: Nikke Group RN 130 Vision



The key is a well-balanced capital policy and, above all, personnel

Our capital policy intends to balance growth investment with stable shareholder returns. In addition to generating 30 billion yen in cash flow total over the three years, on the assumption of maintaining our A credit rating, an equity ratio of at least 50%, and potential funding of 20 billion yen, we are anticipating a growth investment quota of 45 billion yen for investments. Furthermore, from the perspective of enhancing corporate value over the medium to long term, we are aiming to invest 25 billion yen in capital investment and R&D, as well as 20 billion yen in M&A investment.

We plan to realize the RN 130 Vision under this capital policy. What's important is figuring out what to do in the 21st century, and which businesses will undergo significant growth. The keys are growth potential, originality, and profitability. Profitability in particular is a prerequisite to the business's sustainability. Plus, I would like to again emphasize that, above all, personnel are essential.

If we can continue being a company with personnel who find our business engaging and improve each other in friendly rivalry on the basis of that appeal, I believe Nikke Group can become an enduring company that will last for the next hundred or even two hundred years.

Our approach to growth investment, shareholder returns, and financial strategy

30 billion yen or more in cash flow (3-year cumulative)

- Net profit: approx. 19 billion yen
- Depreciation: approx. 13 billion yen

+

Procure 20 billion yen in funds

- Maintain "A" credit rating
- Equity ratio of 50% or higher

↓

Growth investment quota: 45 billion yen (3-year cumulative)

(Breakdown)

Capital investment / R&D investment: 25 billion yen

M&A investment: 20 billion yen

Shareholder return

- Do not reduce dividends (with the exception of commemorative dividends)
  Make stable dividend policy an objective.
- Aim for a payout ratio of 30%, and increase dividends in line with profits.
- Additionally, use the dividend on equity ratio (DOE) as an indicator and maintain this around 2%.
- Enhance total shareholder returns including the acquisition of treasury shares.

Message from the President



Aiming to further improve corporate value by establishing the Medical-related field as a new growth field

Nikke Group comprises four business segments—Textile & Clothing Materials, Industrial Machinery & Materials, Human & Future Development, and Consumer Goods & Services—each of which is positioned as a main business. The profitability of our existing businesses has stabilized, but I believe we must further develop growth businesses and enter into new business domains in order to achieve our objectives. Now, in addition to our existing businesses, Nikke Group has established the Medical-related field as a business field with new potential, and we are working vigorously as a unified group to seek out new possibilities and make developed products profitable.

Prospects for

Why did you choose the Medical-related field?

Under our previous medium- to long-term vision, the NN120 Vision, Nikke Group established a research and development center as an organization expanded from our technical research center in December 2008. This center was established for the purpose of creating next-generation business, and its mission was to find a way to break into new growth fields based on the idea of "creating a market by demonstrating a unique nature that differs from the business division organization". Fields targeted by the R&D center included health, comfort, medical, and the topic of a society with increased life-span, and as it searched for latent needs it focused on the medical field, especially regenerative medicine, as a new field for development. Since then, we have utilized our underlying technologies cultivated through textile manufacturing with the aim of developing more human-friendly medical devices. As a result, in 2018 we founded Nikke Medical Co., Ltd. and began selling "Genocel", a fiber scaffold for cell cultivation which are indispensable to regenerative medicine. In addition, in 2019, Kyoto Medical Planning Co., Ltd., a company authorized to sell specially controlled medical devices, was made a group company, and we are now making preparations for the manufacture and development of medical devices for human applications.

As a corporate group that professes to be gentle and warm toward people and the planet, we at Nikke Group are driving our business based on the medical-field keywords "safe, secure, healthy, and comfortable". In the future, we anticipate that other societies around the world will grow healthier and live longer, and we will aim to be a corporate group that can contribute to the age of longevity by providing medical devices that are human friendly.



Gelatin fiber scaffold for cell cultivation

Making the medical-related field a growth business! A range of possibilities

1 Growth expectations for FY2023

Our Group's medical-related business is managed by Nikke Medical Co., Ltd. and Kyoto Medical Planning Co., Ltd. Nikke Medical Co., Ltd. was founded in December 2018, and handles materials and components such as "Genocel", a gelatin fiber scaffold for cell cultivation which is used in drug discovery research. Kyoto Medical Planning Co., Ltd. is involved in the manufacture and sales of medical devices, and joined the Group in April 2019. We at Nikke Group are enhancing our presence in medical science and the medical industry, including in regenerative medicine, and by FY2023, the final year of our 2nd Medium-term Management Plan, we intend to expand our Medical-related business sales to 5.3 billion yen, an 80% increase from the current level.

2 Developing "Genocel" fiber scaffold for cell cultivation, and powder products

Genocel is expected to be instrumental to expanding this business area. Genocel is gelatin from cattle bones and pork skins that has been processed into fiber and made into unwoven sheets or blocks. In the cultivation of induced pluripotent stem cells (iPS cells), embryonic stem cells (ES cells), etc., it is utilized as a 3D scaffold material, a carrier material for cell sheets, and a laminate material for different types of cell sheets. Cells infiltrate deep into Genocel, making it ideal for 3D cell formations, and cells can be kept alive for long periods due to the nutrition and oxygen permeability of the gelatin. Since Genocel is translucent in liquid, it is observable during cultivation; it also has high tenacity, and can be handled with tweezers. Its hardness and thickness can be changed to meet requirements, and it is mainly used in university research labs.

New Potential

—— Entering the Medical-related field ——



Additionally, in response to user needs, we also offer Genocel in a powder. Spheroids, or spherical cell aggregates, can be produced by putting the powder in the culture vessel together when seeding the cells on a needle-like fiber, and can be grown to a size of about 1 mm in two days. We are also considering the launch of products following Genocel. We are working on research and development of medical devices utilizing our specialty technology of turning biocompatible ingredients into fibers, and in tandem with Nikke Medical Co., Ltd. and Kyoto Medical Planning Co., Ltd. we plan to launch a continual line of products for use in medical practice.

3 Development of a device for iPS myocardial sheet implantation

Together with Kyoto University, Nikke Medical Co., Ltd. and Ashimori Industry Co., Ltd. have developed the Endoscopic Cell Sheet delivery Device (ECSheeD). Cell sheets made from iPS cells, for example, can be inserted through a narrow incision, making for a safe and low-impact surgery. We are proceeding with development of this technology as a medical device with Nipro Corporation, and aim to have it in practical use in two to three years.

The developed device will use an elastomer on the tip. When inserted, each sheet is stored in a thin tube, which is then unrolled inside the body and placed on the surface of the heart. Water is supplied via an ultra-thin tube, allowing the sheet to be delivered without distortion. Conventionally, sheet transplantation surgery involves making an incision in the middle of the chest or between the ribs to expose the heart and attach the sheet. There is a significant risk of infection at the incision site, as well as of complications such as bleeding and respiratory disturbance associated with the incision, and post-surgery pain, creating a need for endoscopic surgery with smaller incisions. We plan to further improve this technology through testing on beating heart models with the goal of application in actual heart surgeries in the future.

Message from the CFO



We will endeavor to enhance the Nikke Group's corporate value by continuing to place M&A at the core of our growth strategy

Managing Executive Officer and
Director of Management Strategy Center **Takehiro Okamoto**

We set new all-time record-highs for both ordinary income and net profit even under the COVID-19 pandemic

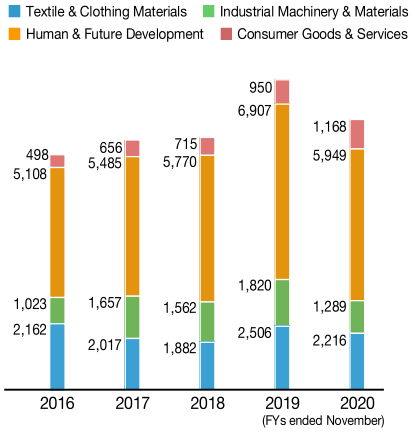
In the fiscal year ended November 2020, due to the impact of COVID-19 we saw decreases in Sales and Operating income compared to last fiscal year. However, as a result of posting, as non-operating income, gains on negative goodwill arising from making Fujico Co., Ltd. an affiliate company accounted for using the equity method as a result of our capital and business alliance initiated in 2020, we set new all-time record-highs for both Ordinary income and Net profit attributable to owners of parent. In addition, last fiscal year was positioned as a preparatory period for formulating the 2nd Medium-term Management Plan (2021–2023) of our medium- to long-term RN 130 Vision, the last fiscal year of which will be FY2026. In order to ensure the realization of our vision for FY2026, we have re-examined our current progress, challenges, and changes in the business environment.

Capital efficiency and growth potential are challenges for the 2nd Medium-term Management Plan

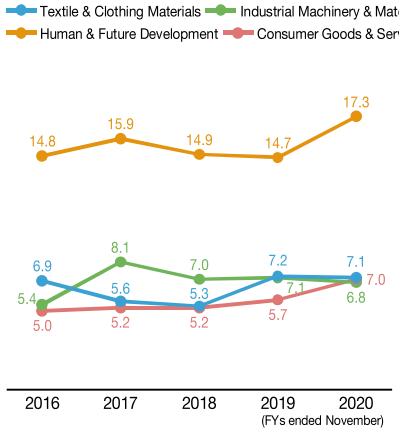
The 2nd Medium-term Management Plan which was launched from December 2020 has kept the same key strategies from the 1st Medium-term Management Plan, but with the impact of COVID-19 uncertain, we are aiming to steadily recover our business results, and in the final year of FY2023 we aim to achieve the all-time record-high level of sales and profits that was achieved in FY2019.

In our financial strategy, we continue to view integrity, profitability, capital efficiency, growth potential and stable returns to shareholders as fundamental factors. Our strength lies in our stable cash flow based on the sale of school uniform materials and the leasing of real estate, which has led to our current sound financial position with an equity ratio of over 60% and no substantial debts. In consideration of the impact of COVID-19, in addition to soundness, our current financial

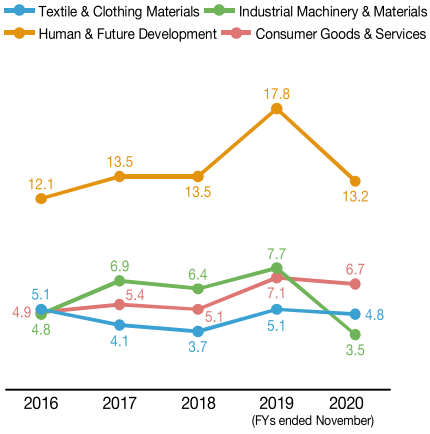
Operating income by segment (millions of yen)



Operating margin by segment (%)



ROIC by segment (%)



management policy is working to secure liquid funds on hand in preparation for risks that the group as a whole may face.

I believe that the challenges we face are capital efficiency and growth potential. Our target ROE for the final fiscal year of the 2nd Medium-term Management Plan is 7% or higher. Last fiscal year we achieved our ROE target of over 7%, but this was largely due to the posting of gains on negative goodwill, and if that amount is excluded ROE was in the 5% range. Additionally, we have over 60 billion yen in unrealized gains on leased and other real estate, and to improve asset efficiency we are using ROIC as an investment criterion and strictly screening potential deals. Our cost of capital is in the 4% range when estimated using WACC, so our minimum requirement for ROIC is 5% or higher, and our target is 8% or higher. Using ROIC, in addition to encouraging the downsizing and withdrawal from loss-making and unprofitable businesses, we will endeavor to redevelop or re-redevelop low-profit real estate. Last fiscal year, judging that it would take time for inbound tourism demand to recover, we swiftly closed and wrote off impairment losses on the capsule hotel Nine Hours, despite the fact that it was a new business. For our redevelopment projects, we have several large-scale projects, including in Ichikawa, Chiba Prefecture; Yaesu in Chuo Ward, Tokyo; Ichinomiya, Aichi Prefecture; and Chuo Ward, Kobe. While each of these will take time, we will implement or set the direction for these in the 2nd Medium-term Management Plan.

External growth (M&A) continues to be at the core of our growth strategy

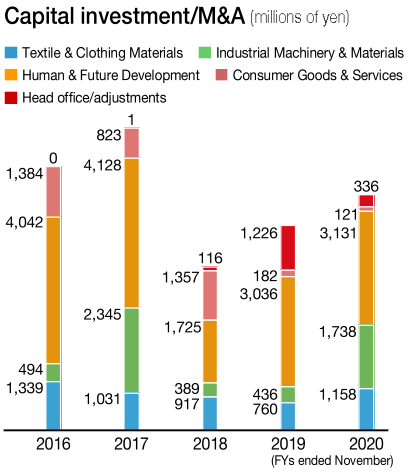
M&A remains at the core of our growth strategy. In order to achieve sound growth, it is important to conduct investment in a way that strikes a balance between internal growth (capital investment and R&D investment) and external growth (M&A). During the three years of this Medium-term Management Plan, we have allotted 25 billion yen for capital investment and R&D investment, and 20 billion yen for M&A investment. Over these three years, we plan to raise 30 billion yen in operating cash flow and 20 billion yen in external funding. In order to respond flexibly, we have obtained an A credit rating and completed registration for the issuance of corporate bonds. Our interest-bearing liabilities of 20 billion yen are at a level that enables us to maintain our A credit rating. We also hold slightly less than 15 million treasury shares, equivalent to 15 billion yen at market value, but at present rather than retiring them we are considering their positive utilization for stock swaps in M&A deals and as stock compensation for executives. In terms of fields for M&A investment, at any time we are considering around five deals, and we consider business areas where we can expect synergistic effects with our four current business divisions and our medical business. In the past we had primarily looked at deals presented to us by financial institutions and M&A intermediaries, but going forward we would like to more often approach companies with which partnerships would be beneficial, as with our capital and business alliance with Fujico Co., Ltd. As the CFO, the thing I am most concerned with for M&A investments is of course the investment amount. In particular, we have an internal criterion for the amount of goodwill in an M&A deal, which is the targeted company's estimated operating income for five years or less, and we ensure not to invest in any deal that does not meet this standard. As a result, goodwill represents about 1 billion yen of our intangible assets on a consolidated basis, and this is a healthy level with around 500 million yen in amortization annually.

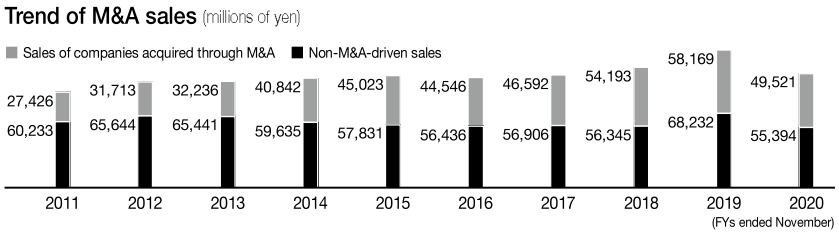
We are planning capital investment for labor and energy saving efforts in the Textile & Clothing Materials segment, for the filter business in the Industrial Machinery & Materials segment, and for nursing care, childcare, and franchise businesses in the Human & Future Development segment, among others, and this fiscal year we have already made decisions to open three nursing care businesses, one childcare facility, and one franchise.

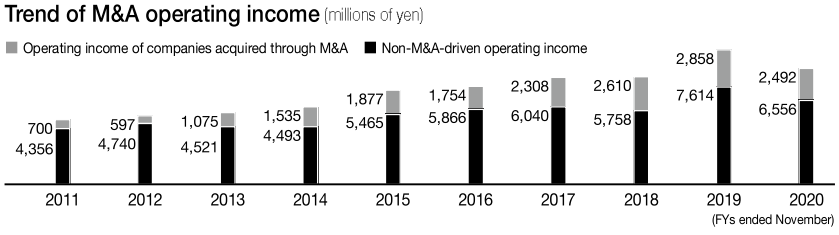
Regarding the reduction of cross-holdings, we are proceeding with the sale of shares for which the necessity of holding is reduced and shares for which returns fall below capital cost, and in the three years under the 1st Medium-term Management Plan we sold 20 companies' stocks with a book value of 2.2 billion yen; last fiscal year we sold 11 companies' stocks with a book value of 300 million yen. Under the 2nd Medium-term Management Plan we will continue checking whether our share holdings fall into these categories and will work to reduce cross-holdings.

Next, regarding our dividend policy, we have not reduced dividends since 1975 when we reduced them due to a decline in our earnings after the oil shocks, and we have aimed to implement a stable dividend policy, with a payout ratio of 30% and no dividend cuts. In addition to this, under the 2nd Medium-term Management Plan we have added a dividend on equity ratio (DOE) of around 2% as a management indicator. We will use this as a key indicator going forward.

Lastly, the Corporate Strategy Center, which I am the director of, supervises the Finance & Accounting Department, Business Research & Planning Department, Human Resource Department, Legal Affairs & Public Relations Department, Digital Promotion Department, and Business Development Office (M&A), etc. There, we focus not only on the formulation of financial strategy based on the company's management strategy, but also fulfill a broad role in providing information and advice to assist the CEO's strategic decision-making. We will continue our involvement in the capital market as we endeavor to enhance our corporate value.







Discussion between our CFO and the President of AQUA: Synergy through M&A

Q **Does Nikke Group abide by any criteria when making M&A deals?**

A **CFO Okamoto**

We have two investment criteria from a financial perspective. The first is evaluating "goodwill" at the time of acquisition. Our standard is five years or less of the targeted company's estimated operating income, and we use this standard to prevent the takeover price from skyrocketing. Since in our consolidated accounting we amortize goodwill over five years, if it will take longer than five years to amortize after an acquisition, the operating income of that deal will fall into the red, resulting in a drag on our business results. Therefore, we hold serious discussions with everyone on the topic of estimated operating income prior to acquisition.

The second thing we use as a criterion for investment is ROIC. The target is 8%, but since our WACC is at the 4% level, the minimum is 5%. We are raising awareness of how much capital to use and how much profit to generate, which will lead to improvement in the issue of capital efficiency.

Q **What do you pay particular attention to when implementing the M&A strategy?**

A **CFO Okamoto**

It's often said that synergistic effects are important for M&A, and this means that 1+1 could equal something like 2.5 or 3. However, such cases are extremely rare, and at Nikke we consider businesses that are compatible with our existing businesses and which partnering with would provide some kind of advantage. For example, in our Consumer Goods & Services business, as a result of M&A efforts targeting companies handling furniture, bedding, interior home appliances, and miscellaneous goods, and which have strengths in online retail, our Group companies have been working together to promote e-commerce and establish frameworks for building logistics functions that are compatible with both in-person shopping and e-commerce.

A **AQUA President Owari**

As all manner of companies join the e-commerce market, I believe it will change forms and expand. Looking at the recent case of Tesla's auto sales, I feel that there is no such thing as a product that cannot be sold via e-commerce. Leveraging e-commerce has the potential to significantly change existing distribution channels and sales methods, and I think Nikke Group might also have products and businesses that can leverage such methods. I would like to share our e-commerce-related know-how and advance the Group's cooperation in the field of digital business.



Managing Executive Officer and Director of Management Strategy Center **Takehiro Okamoto**

"Personnel" is key for targeting new growth fields via our M&A strategy.

What is AQUA Co., Ltd.?

AQUA Co., Ltd. joined Nikke Group on March 30, 2018, and operates e-commerce shops as well as stores on e-commerce malls. On its own website as well as online malls such as Rakuten and Yahoo Shopping, AQUA primarily sells lifestyle appliances, miscellaneous interior goods, and cosmetics, under the name Select Shop AQUA. Their business has been highly praised by consumers, even winning the 2017 "Shop of the Year - Lifestyle Appliances" award on Rakuten.









President and Chief Executive Officer,
AQUA Co., Ltd.

Muneto Owari

At Nikke Group, we are formulating an aggressive investment plan to drive growth under the 2nd Medium-term Management Plan. This plan includes not only capital investment and R&D investment for internal growth, but also 20 billion yen in M&A investment which aims to promote growth from outside the Group. Nikke's CFO Takehiro Okamoto and AQUA Co., Ltd. President Muneto Owari discuss Nikke Group's M&A strategy from multiple perspectives.

Overview of AQUA Co., Ltd.

Company name:	AQUA Co., Ltd.
Representative:	Muneto Owari
Head office location:	6002-41 Totsukacho, Totsuka-ku, Yokohama-shi, Kanagawa Prefecture
Established:	October 12, 2004
Capital:	10 million yen
No. of employees:	35
Primary businesses:	Consumer Goods & Services (Online retail and retail of designer appliances, interior goods, and cosmetics) Proportion of voting rights held by Nikke: 98%

CEO's comment

In addition to pioneering and developing new products, in the future I would like to package the know-how we gain through our e-commerce business and share this throughout the Nikke Group.
I believe we will contribute to the development of e-commerce business throughout the group by offering consulting as well.

Q What can Nikke Group do to contribute to the growth of a sustainable society?

A CFO Okamoto

Wool fabric, our main product, is a natural fiber compatible with the idea of environmental protection. We sell this fabric primarily as a material for school uniforms, and these uniforms have beneficial effects including improving the schooling environment and educational facilities, and helping children to build better interpersonal relationships. We would like to make this clear from a scientific perspective and expand the use of uniforms overseas as well. We are also working on initiatives including solar power generation and early childhood education, and we will continue promoting sustainability in our own way through the gradual implementation of corporate activities that demonstrate an awareness of the SDGs.

A AQUA President Owari

I believe that the retail business that our company is involved in is not unrelated to sustainability. Firstly, I would like to gather information from clients about their product manufacturing. In addition, since we handle many kitchen-related products, many female employees are active in our work environment. Therefore, we will work to create a workplace in which we can maintain business continuity while enabling women to enjoy long careers even after changes in their lives such as childbirth and childcare. In order to continue being a company that contributes to the realization of a sustainable society, and to realize AQUA's corporate philosophy of "Resonating between people and nature", we are working on sustainability activities together with the group as a whole.

Q What made you decide to work at Nikke Group?

A AQUA President Owari

When AQUA was acquired by the Group, I was told in detail that, "Since Nikke has a stable business foundation, including its large business scale and real estate business, immediately after joining the Group we will not unilaterally make unreasonable demands or demand sudden changes. What we are particularly focused on is trying to develop strategies freely in a way that is left to the people working at each Group company." To tell the truth, there were times when I was uncertain, but that's exactly how it has actually been. Thanks to that, I have been able to focus on maintaining and expanding our e-commerce business since then.

Q What are your thoughts as a new member of Nikke Group?

A AQUA President Owari

I believe it's the same for other Group companies that are similar to ours, but Nikke's way of utilizing each company's employees rather than sending in their own to establish control is really wonderful. I was also surprised to find that the conditions offered by the Group's internal financing system are close to those offered by our existing banking partners. Having this kind of system in place to provide backup support gives peace of mind to our business partners.

Business Model and Value of Nikke Group

Nikke Group's goals for Value creation & Corporate image

Factors serving as a compass → Business model

Environment

All employees across Nikke Group will actively engage in environmental conservation activities in all facets of business, from research and development to manufacturing, engineering, sales and distribution.

Social

We will work to achieve sustainable growth and improve our corporate value by building trusting relationships with our stakeholders.

Governance

We will ensure corporate transparency and fairness, and aim for operations that can be trusted by stakeholders including shareholders.

Social issues

Super-aging society
Declining birthrate
Human resource development
Symbiosis with local communities
Environmental and energy issues
Social contributions
Global connections
Machine-human collaboration
Connecting with AI, IoT, etc.



Nikke Group aims to make “social contributions” and “improve corporate value” by always looking ahead to the future with its unique business model that makes the most of the strengths of the Group.
We will work to achieve sustainable corporate growth by pursuing diverse human resources, “gathering knowledge”, promoting business diversification and building trusting relationships with our stakeholders.

Value creation	Materiality (key issues)	Corporate image

We aim to be a company filled with vitality where all employees are encouraged to embrace new challenges for growth.

Textile & Clothing Materials

- Contribute to reducing the environmental burden through sales expansion of blended fabrics made of wool, which is a natural material, and recycled polyester.
- Contribute to realizing an educational environment that “leaves no one behind” through the educational support activities and the wider use of uniforms.
- Contribute to realizing gender equality through the development and sales of materials for LGBT-friendly uniforms.
- Contribute to ensuring the safety of people working in harsh environments through the sales expansion of the protective material, “P-TEX®”.
- Contribute to reducing the environmental burden by promoting the collection and recycling of used uniforms through the Ecological Life and Culture Organization.



We will create markets with unique products and services based on the needs of customers and research and development.

Industrial Machinery & Materials

- Promote technological innovation by providing materials essential for EVs and other eco-friendly vehicles, such as Himelon® and motor binding strings.
- Promote technological innovation, such as EVs and ADAS (Advanced Driver Assistance Systems) through the provision of FA(Factory Automation) equipment.
- Contribute to improving environmental issues, such as air and water pollution, through the provision of filter-related products.
- Contribute to reducing the environmental burden through the provision of solar power generation equipment and energy-saving equipment.
- Contribute to people's health through the provision of medical materials.



We will contribute to the continuous advancement of society through global connections and always looking ahead to the future.

Human & Future Development

- Contribute to reducing the environmental burden through the greening business and solar panel installation business.
- Contribute to local communities by promoting the care and support for elderly people and their family members who require long-term care support in collaboration with local governments, medical institutions and local communities,
- Contribute to local communities by providing high-quality education that develops healthy minds and bodies through the childcare, after-school care and bilingual kindergarten management businesses.



Consumer Goods & Services

- Contribute to efficient use of resources by promoting sales of emergency blankets for survival kits using recycled polyester.
- Contribute to reducing waste harmful to the environment, preventing marine pollution and practicing land conservation by promoting sales of environmentally friendly biodegradable products.
- Contribute to people's health by promoting sales of antibacterial films and blue light shielding films.
- Promote logistics using clean energy (natural gas).



To succeed in various markets, we will diversify our businesses for further innovation and growth.

Medical business

- Contribute to the development of regenerative medicine and reduction of treatment costs through the provision of gelatin non-woven fabric.
- Contribute to the development of treatments for intractable diseases and regenerative medicine, and reduction of treatment costs through the provision of medical devices, such as non-woven fabric sheets and stents made by bioabsorbable fiber materials.



Research and development

- Contribute to promoting effective and safe medical care through research and development of medical materials that are gentle to the body.
- Contribute to reducing waste harmful to the environment, preventing marine pollution and conservation of land environment through research and development of natural fibers and biodegradable fibers.
- Contribute to promoting effective use of resources through research and development of fiber recycling technology.
- Contribute to improving energy efficiency through research and development of unused energy recovery.



We will achieve further growth and enhanced corporate value by building strong trusting relationships with all our stakeholders.

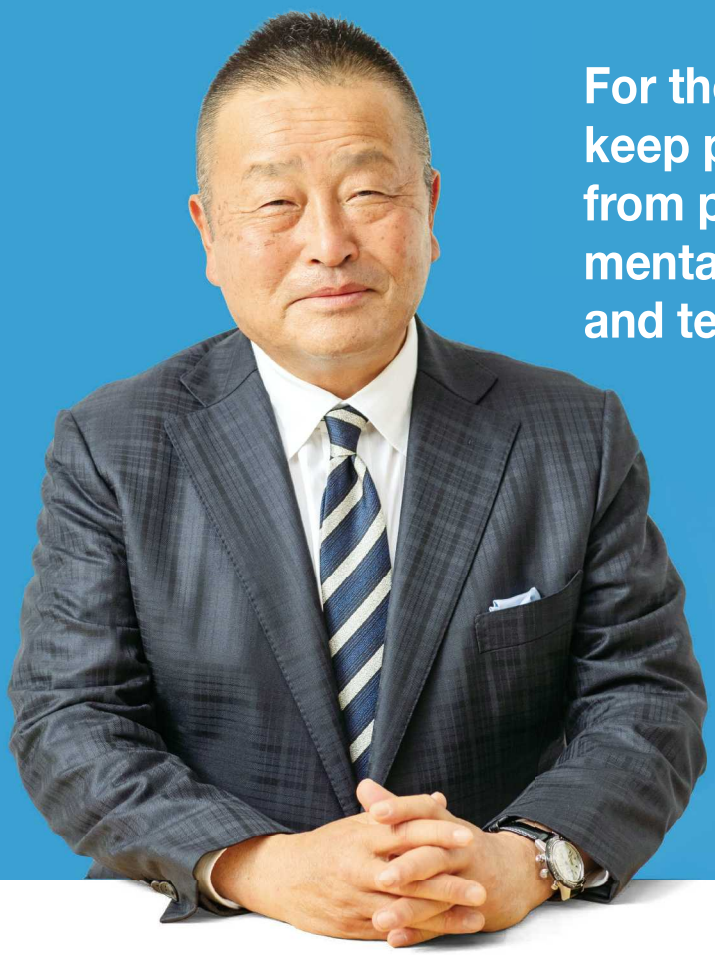
Company-wide

- Realization of a society where each employee respects each other and plays an active role regardless of gender, age, nationality, experience, or any other personal attribute.
- Promotion of workstyle reforms



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.

Business Review



For the people around the world, we keep providing comfortable lifestyles from physical, physiological, and also mental perspectives with our products and technologies. That is our mission.

General Manager of Textile & Clothing Materials Division

Yoshirou Kawamura

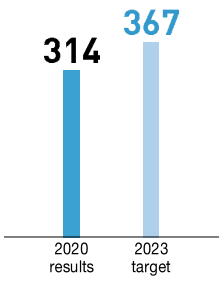
April 1983:	Joined Nikke
December 2005:	President and Chief Executive Officer, Jiangyin Nikke Worsted Spinning Co., Ltd. & Jiangyin Nikke Dyeing Co., Ltd.
December 2008:	General Manager of Research and Development Office II, Research and Development Center, Nikke
May 2010:	General Manager of Engineering Division, Nikke
February 2013:	President and Chief Executive Officer, Nikke Machine Manufacturing Corp.
September 2015:	General Manager of Manufacturing Control 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, Managing Executive Officer, General Manager of Textile & Clothing Materials Division, Nikke (current position)

3-year growth under the Medium-term Management Plan

Sales **116.9%**

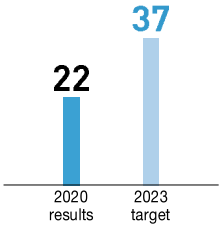
Operating income **164.7%**

Sales



Operating income

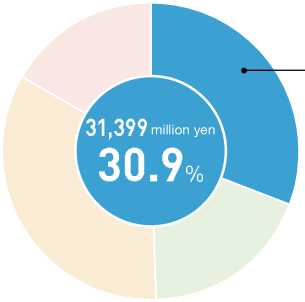
(100 million yen)



Performance by business segment for 2020 (FY ended November)

Notes: Sales composition ratios are calculated based on group-wide sales excluding sales of other / adjustment divisions (3,205 million yen). Operating income composition ratios are calculated based on the total amount of segment income excluding "Others" and the adjustment amount (−1,574 million yen).

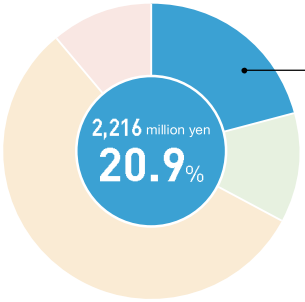
Sales distribution



Textile & Clothing Materials

Breakdown	
Uniforms field	85%
Textiles field	10%
Yarn field	4%
Others	1%

Operating income distribution



Textile & Clothing Materials

Breakdown	
Uniforms field	119%
Textiles field	△5%
Yarn field	0%
Others	△14%

Main products and services

- Uniforms field: Uniform materials for Schools, Private companies, and Government offices
- Textiles field: Fashion materials and products
- Yarn field: Wool yarn for fabric and knitting

Textile & Clothing Materials






▶ Business overview

Development, manufacture, and sale of high-performance materials and products primarily for clothing use.

▶ Key policies

"Maximize domestic profits" & "Maximize overseas growth"

- For all activities, conduct initiatives with an awareness of the SDGs.
- As the domestic market is shrinking, realize operating profit growth through drastic reductions of manufacture and operation costs.
- In our overseas businesses, build marketing and promotional infrastructure to accelerate growth.

Business strategies for attaining our future vision

Key policies and Vision

The business mission of the Textile & Clothing Materials Division is to continue providing people around the world with comfortable lifestyles from physical, physiological, and also mental perspectives with our wool and synthetic fiber technologies cultivated over many years. Everyone in our business is expected to maintain the mission, and, in the key policies of the 2nd Medium-term Management Plan, also expected to be engaged in all of our business activities with an awareness of the SDGs, and processes reengineering from a consumer perspective to achieve this mission.

In the Textile & Clothing Materials business, as the purpose of SDGs initiatives, we decide to contribute to the protection and preservation of the planet's environment with the natural gift of wool as the primary materials toward a safer, more secure, and sustainable future, and to support the development of personnel to realize the own future envisioned We will implement nine specific points of action under our "Weaving for the future" vision.

Keys for future business strategy

The evolution of digital technology is drawing companies and consumers closer together, as well as companies and other companies, and we expect that this kind of shift will accelerate going forward. I believe the transformation of business processes utilizing this technology will be a key strategy for us going forward.

In Japan, as the market for our business shrinks, we will work to improve profitability by eliminating waste and improving operational efficiency, not only within the business group but also by effectively linking the entire value chain from manufacturing to sales, apparel, and consumers. In addition, in our textile and yarn business for fashion market, we will transition from the sale of materials to selling products as an OEM/ODM, and develop a profitable model based on our strengths in materials and arranging the production background.

Overseas, Nikke Textile Co., Ltd. and Daiichi Orimono Co., Ltd. will expand textile sales to high-end European brands. To that end, we will build a shared marketing and promotion infrastructure for the two companies. We will develop the China school uniform business and position it as a growth driver.

Transformation of the manufacturing department is also important

Transformation of the manufacturing department is also important in order to support this kind of sales strategy. We will invest approximately 6 billion yen over three years in order to realize a more simple and smart style of manufacturing, including energy efficiency improvements. Additionally, we will aim to build a globally optimized manufacturing value chain in partnership with external companies to maintain stable quality and supply capacity while at the same time reducing costs.

Business Review



By driving the supply of environmentally-friendly products and contributing to environmental load reduction, we hope to also contribute to the achievement of the SDGs.

General Manager of Industrial Machinery & Materials Division

Kuniaki Hihara

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.
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)
June 2020:	President and Chief Executive Officer, Fujico Co., Ltd. (current position)

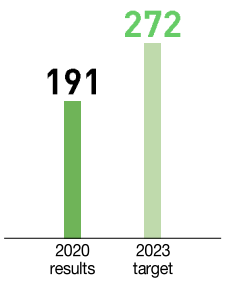
3-year growth under the Medium-term Management Plan

Sales **142.7%**

Operating income **166.8%**

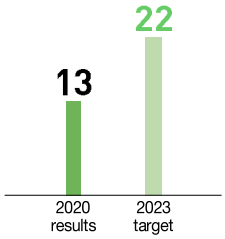
Sales

(100 million yen)



Operating income

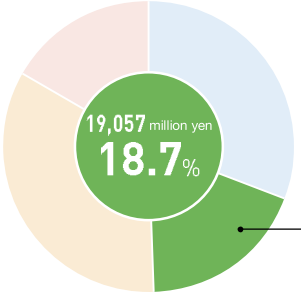
(100 million yen)



Performance by business segment for 2020 (FY ended November)

Notes: Sales composition ratios are calculated based on group-wide sales excluding sales of other / adjustment divisions (3,205 million yen). Operating income composition ratios are calculated based on the total amount of segment income excluding "Others" and the adjustment amount (−1,574 million yen).

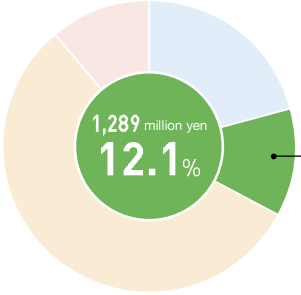
Sales distribution



Industrial Machinery & Materials

Breakdown	
Automotive-related field	49%
Environment-related fields	10%
Other industry-related fields	25%
Consumer-related fields	15%

Operating income distribution



Industrial Machinery & Materials

Breakdown	
Automotive-related field	79%
Environment-related fields	9%
Other industry-related fields	13%
Consumer-related fields	△1%

Main products and services

- Automotive-related field: FA equipment / Cushioning (non-woven fabric) / Thread for airbags and seatbelts / Materials for motor binding strings
- Environment-related fields: Filters (non-woven fabric) / Energy-related equipment
- Other industry-related fields: OA and home appliance materials / Semiconductor-related components
- Consumer-related fields: Racket sports related / Fishing related / Materials for musical instruments

Industrial Machinery & Materials






▶ Business overview

Provision of products, materials, technology, and services in the following fields

❶ Automotive-related fields ❷ Environmental-related fields ❸ Other industry-related fields ❹ Consumer-related fields

▶ Key policies

- Expand profits primarily in automotive-related and environmental-related business.
- Expand overseas sales.
- Expand profits in the non-woven fabric business (deepen the business alliance with Fujico Co., Ltd.).

Business strategies for attaining our future vision

Key policies and Achievement of the SDGs

In the Industrial Machinery & Materials business, we have established a key policy of "expanding profits primarily in the Automotive-related and Environmental-related businesses", whose markets are expected to grow due to strong demand from society. In the Automotive-related business, technological innovation continues to evolve without pause including things like the shift to electric and automation. This period of transformation is a golden opportunity for Nikke Group to use its originality and superior technology to proactively develop and provide materials for environmentally friendly vehicles and electric vehicle related FA equipment.

In the Environmental-related business, as preservation of the environment from air pollution and other threats becomes a global issue, by driving the supply of environmentally friendly products, such as filters, and contributing to environmental load reduction, we hope to also contribute to the achievement of the SDGs.

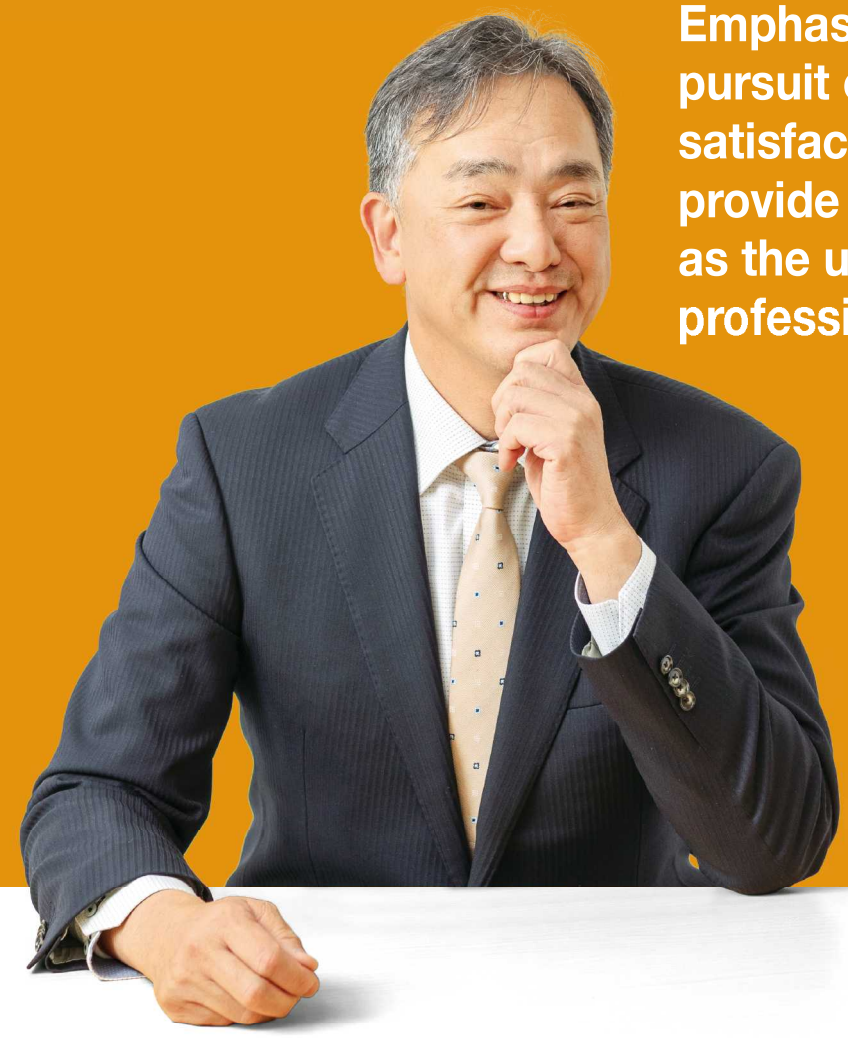
Synergistic effects with overseas business

In these fields we are especially aiming to expand sales overseas. During the period of the 2nd Medium-term Management Plan, in addition to our plans to newly open an environmental filter factory in Jiangsu Province, China, and expanding our facilities for electric vehicle motor binding strings, we are planning to expand our global sales organization primarily in regions with expected market growth and profits.

Additionally, we will also focus on expanding profits in our non-woven fabrics business by strengthening cooperation with Fujico Co., Ltd., with whom we started a capital and business alliance in May of last year. Synergistic effects are already being demonstrated through the mutual exchange of personnel and cooperation in production, and we would like to further deepening our cooperation to maximize these effects.




Business Review



Emphasizing talent development in pursuit of customer and employee satisfaction, we continue to provide products and services as the undisputed No.1 team of professionals in each field.

General Manager of Human & Future Development Division, Nikke

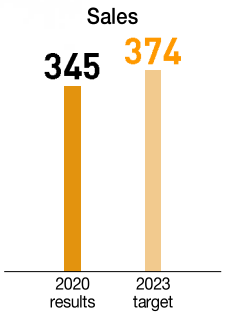
Yutaka Nagaoka

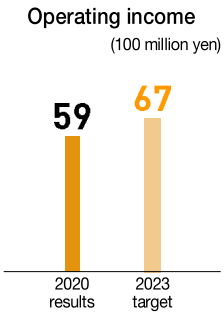
April 1984:	Joined Nikke
December 2008:	Textile & Clothing Materials Division, General Manager of Gifu Mill, Nikke
December 2010:	Textile & Clothing Materials Division, General Manager of Innami Mill, Nikke
February 2012:	General Manager of Textile & Clothing Materials Division, Nikke (in charge of special missions for overseas business)
February 2014:	Textile & Clothing Materials Division, General 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
February 2021:	Director, Managing Executive Officer, General Manager of Human & Future Development Division and General Manager of Development Division, Nikke (current position)

3-year growth under the Medium-term Management Plan

Sales **108.5%**

Operating income **111.8%**

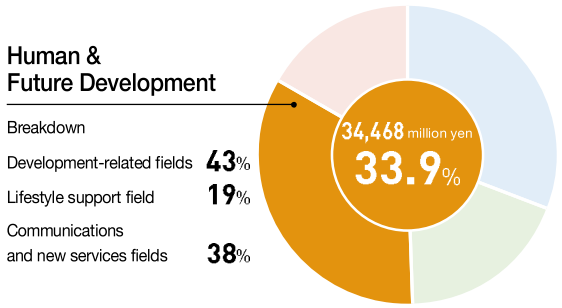




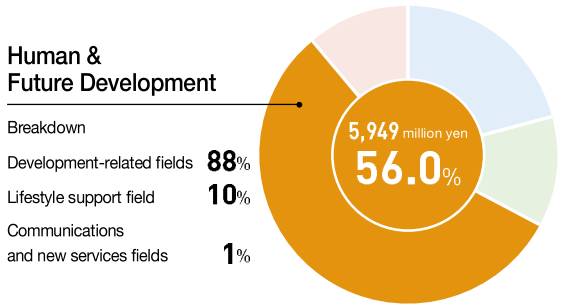
Performance by business segment for 2020 (FY ended November)

Notes: Sales composition ratios are calculated based on group-wide sales excluding sales of other / adjustment divisions (3,205 million yen). Operating income composition ratios are calculated based on the total amount of segment income excluding "Others" and the adjustment amount (−1,574 million yen).

Sales distribution



Operating income distribution



Main products and services

- Development-related fields: Commercial facility management / Real estate leasing / Sale of solar energy / Construction business
- Lifestyle support field: Childcare and after-school childcare / Nursing care / Sports related
- Communications and new services fields: Communications related / Kids Land (amusement facility for young children) / Franchise business (Baskin Robbins, Tsutaya, etc.)

Human & Future Development







▶ Business overview

Provision of products and services and development of real estate to meet local needs through growth pole development from stores to urban development.

▶ Key policies

- Pursue customer satisfaction (CS) and employee satisfaction (ES) to provide products and services as the regional No.1.
- Strengthen interrelationships within business divisions to expand options for urban development and growth pole development.
- Strive to maximize the profits of group-company-owned assets and maximize asset value.
- Emphasize talent development and be a team of professionals in each field.

Business strategies for attaining our future vision

Four key policies

❶ Pursue customer satisfaction (CS) and employee satisfaction (ES) to continue providing products and services as the undisputed regional No.1.

❷ Strengthen interrelationships within business divisions to expand options for urban development and growth pole development.

❸ Strive to maximize the profits of overall group-company-owned assets and maximize asset value.

❹ Emphasize talent development and be a team of professionals in each field.

With these four key principles as guidelines, we will proactively promote business while following the PDCA cycle.

Specific measures in our three departments

We have three departments: the Development Department, which conducts community-based urban development and facility leasing management; the Life Value Services Department, which is involved in life-related businesses including nursing care, childcare, and sports; and the Communications and New Services Department which conducts franchise businesses including mobile phone sales, kids amusement facilities, book & video rentals, and confectionery sales.

In the Development Department, in order to further enhance the value of owned assets, we will formulate a concrete plan within FY2021 for developing the south side of Colton Plaza, and will work to effectively utilize the Tokyo building, Kobe Head Office, and unused land in Ichinomiya. We will also identify properties that will lead to increased real estate value, such as external office buildings and commercial facilities, and proceed with the management and purchase of such properties. Nikke Real Estate Group, which is involved in building construction, is working to expand its business fields by receiving orders for public works. The Life Value Services Department will develop social businesses closely aligned with communities, including expanding nursing care business locations and enhancing community-based nursing care support services, while our childcare business will expand into areas with high demand for licensed childcare services, and our sports business will support health and sports activities by opening new virtual reality golf lesson and indoor tennis court facilities. The Communications and New Services Department will strengthen initiatives for each carrier for mobile phone sales, expand the kids amusement business in the post-COVID-19 environment, and in the franchise business, take on challenges in new business areas with potential for the future.

We will carry out the above measures and aim to achieve 37.4 billion yen in Sales and 6.7 billion yen in Operating income in 2023, the final fiscal year of the 2nd Medium-term Management Plan.

Business Review



Our primary mission is to provide convenience and prosperity to the world and our customers' lives together with our partner companies by exercising a heightened awareness of changes.

General Manager of Consumer Goods & Services Division

Hiroshi Fuji

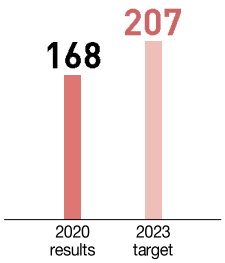
February 2012: President and Chief Executive Officer, Miyako Corp.
March 2016: President and Chief Executive Officer, Miyako Corp. (Miyako Corp. becomes a Nikke Group subsidiary)
November 2016: President and Chief Executive Officer, Miyako Corp. & President and Chief Executive Officer, Niceday Inc.
March 2018: President and Chief Executive Officer, Miyako Corp. & President and Chief Executive Officer, Niceday Inc. & President and Chief Executive Officer, AQUA Co., Ltd.
February 2021: Executive Officer, General Manager of Consumer Goods & Services, Nikke & President and Chief Executive Officer, Miyako Corp. (current position)

3-year growth under the Medium-term Management Plan

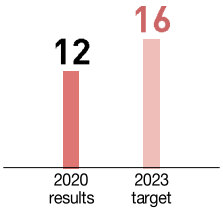
Sales **123.3%**

Operating income **132.7%**

Sales



Operating income (100 million yen)



Performance by business segment for 2020 (FY ended November)

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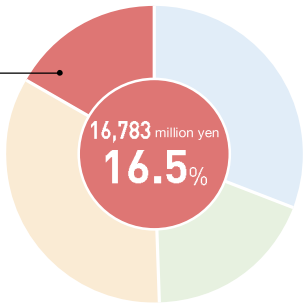
Operating income composition ratios are calculated based on the total amount of segment income excluding "Others" and the adjustment amount (−1,574 million yen).

Sales distribution

Consumer Goods & Services

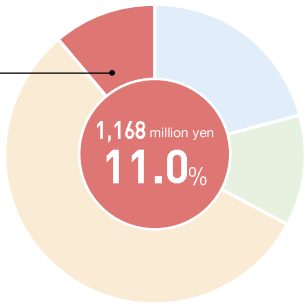
Breakdown	
Bedding and business supplies fields	25%
Household goods field	49%
Hobby and craft field	17%
Others	9%



Operating income distribution

Consumer Goods & Services

Breakdown	
Bedding and business supplies fields	24%
Household goods field	42%
Hobby and craft field	13%
Others	21%



Main products and services

- Bedding and business supplies fields: Bedding / Airline blankets / Blankets for disaster supplies
- Household goods field: Lifestyle appliances and miscellaneous goods / Miscellaneous goods for 100-yen shops / Furniture / Film for tablets and computers
- Hobby and craft field: Stamping ink and stamps / Horse riding goods / knitting yarn
- Others: Container sales / Insurance agency / Logistics

Consumer Goods & Services







▶ Business overview

- The development of products and services without fixation on existing business fields, and the pioneering of new businesses.
- Leveraging our trading company functions to propose and realize strengthened foundations for sales, e-commerce, and logistics both inside and outside the Group.

▶ Key policies

- Discover and develop new businesses with an open mindset, and actively enter into different industry fields without being restricted by existing business frameworks.
- Strive for business with high future potential and social contribution in all areas, from upstream to downstream.

Business strategies for attaining our future vision

Our primary mission is providing convenience and prosperity

FY2021, the first fiscal year of the 2nd Medium-term Management Plan, is positioned as a year for forming the foundation for achieving the RN 130 Vision, our medium- to long-term vision, in FY2026. We will also promote further reforms and improvement as we aim for the achievement of the SDGs in FY2030. With no end to the COVID-19 pandemic in sight, people's lifestyles and ways of life are changing significantly. I believe the primary mission of our business division, which handles a wide range of lifestyle-related products and is positioned at the core of Nikke's e-commerce business, is to provide convenience and prosperity to the world and our customers' lives together with our partner companies by exercising a heightened awareness of such changes.

Deploying concrete measures that fully leverage an unrestricted

We will promote the stated key policies by fully leveraging one of the strengths of our division: the power of an open mindset that is not limited by existing business frameworks.

1. We will realize proactive entrances into other industries and cross-disciplinary business with the aim of expanding profits.
2. We aim to increase the Nikke Group's ratio of e-commerce business, and to share our division's sales know-how and mechanisms.
3. In addition to strengthening our partnerships with logistics companies optimized for both offline and online business, we will construct new logistics bases in an aim to build an optimal supply chain. At the same time, we will work to reduce logistics-related expenses and prevent the outflow of business outside the Group.
4. We will collaborate with overseas-based mail order and e-commerce companies to expand the sales of Nikke Group products in overseas markets.

With these four concrete measures, we aim to achieve 20.7 billion yen in Sales and 1.6 billion yen in Operating income in FY2023, the final year of the 2nd Medium-term Management Plan.





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

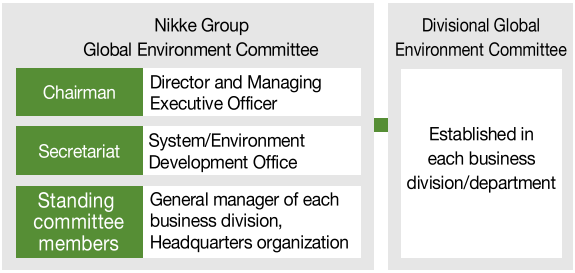
- Thorough awareness of environmental consideration within the Group
- Promotion of reduction of CO_2 emissions, energy saving, resource saving and the 3R strategy for waste management
- Development of materials and production technologies that respond to environmental issues
- Disclosure of environmental information and symbiosis with local communities

Environmental management system

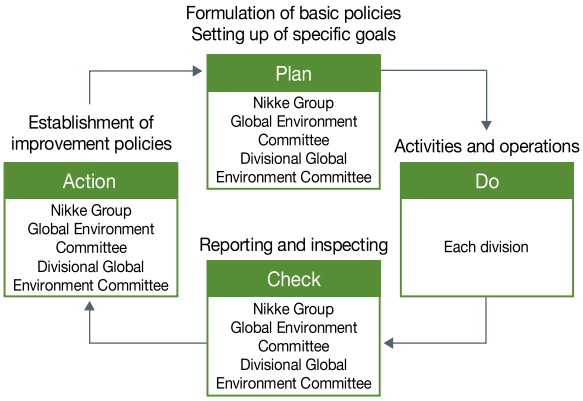
Nikke Group has built a system in which all Group companies engage in environmental conservation activities toward the same goal. "Nikke Group Global Environmental Committee" determines the basic policies and measures. Meanwhile, Divisional Global Environmental Committee creates and implements the specific plan.

For promoting our environmental conservation activities, we repeatedly implement the "PDCA cycle" as shown in the figure below to radicate and enrich the activities.

Environmental management system



Environmental conservation activity promotion flow



Mid-term plan for environmental conservation

Objective	FY2020 targets	FY2020 results	Self-assessment	FY2023 targets (Medium- to long-term targets)	Relevant page number
Energy saving	No more than 99.0% (intensity compared with FY2019)	100.1%	★	Not more than 97.0% (intensity compared with FY2020)	P.34
Reducing CO_2 emissions	No more than 99.0% (intensity compared with FY2019)	98.7%	★★	Not more than 97.0% (intensity compared with FY2020)	P.34
Reducing the amount of waste generation	No more than 99.0% (intensity compared with FY2019)	98.4%	★★	Not more than 97.0% (intensity compared with FY2020)	P.34

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

Acquisition status of ISO14001 certification

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

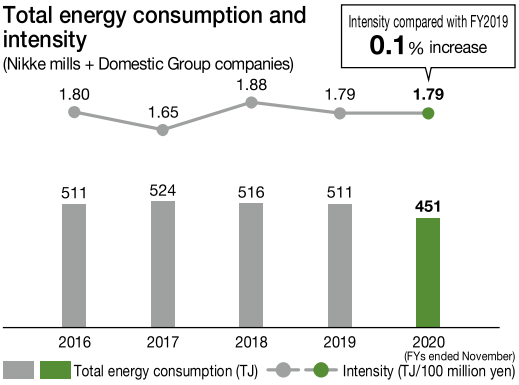
In FY2020, no Group company acquired ISO14001 certification.

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

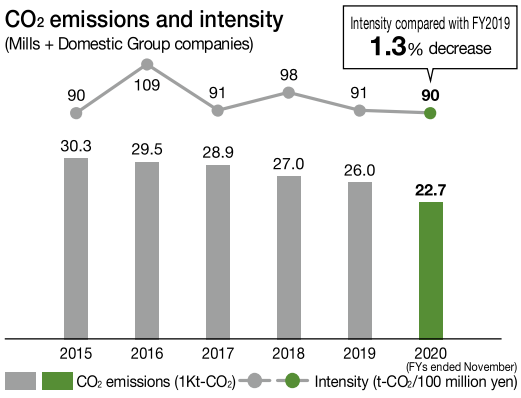
Promotion of energy saving activities

The total energy consumption intensity was 100.1%, which did not meet the target of "not more than 99.0% compared with FY2019". This was mainly due to the impact of COVID-19, and we were able to limit the negative impact through efficient energy usage.



Reduction of greenhouse gas emissions

The intensity of CO_2 emissions was 98.7%, achieving the target of "not more than 99.0% compared with FY2019". This was mainly due to the reduction of CO_2 emission from electricity. Compared to the levels in 1990, under which the Kyoto Protocol was based, our CO_2 emissions decreased by 74.8% in the domestic manufacturing division and by 67.4% including the shopping center division.



Note: CO_2 FY2020's emission amount was calculated by using FY2019's factor, because FY2020's factor was unreleased at this time. Stated emission amount in FY2019 disagrees with the previously published figure because it was recalculated by using subsequently released FY2019's factor.

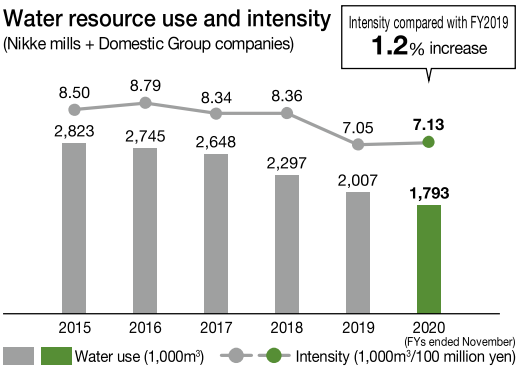
Contribution to Recycling-oriented Society

Reduction of raw material input

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 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

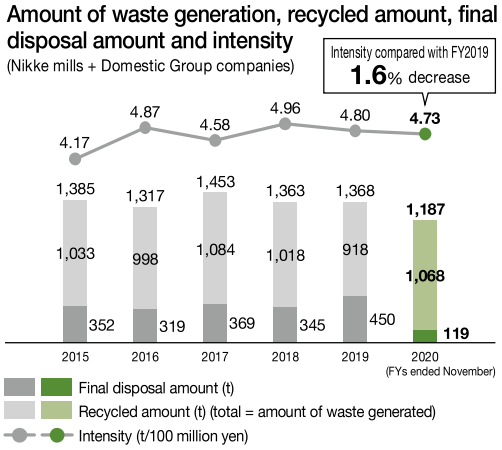
We are using tap water, industrial water and groundwater for production. Water consumption in FY2020 decreased by 10.7% and water intensity increased by 1.2% compared with FY2019. We will continue to work to reduce our water usage by recycling of water and strengthening inspections and repairs of our piping systems.



Waste reduction

The intensity of waste generation was 98.4%, achieving the target of "not more than 99.0% compared with FY2019".

At Shopping Centers, we reduced the amount of waste by waste sorting despite increased number of restaurants. The waste intensity was improved accordingly. In our offices, we are working to reduce waste by going paperless.



Contribution to a Recycling-oriented Society

The 50-year wool coat connecting three generations

We received an inquiry via the Nikke website, stating “My daughter loves wearing my Nikke-made school coat which was bought 50 years ago. She still wants to wear it, but the lining is worn out. Can you repair it?” While the outer wool cloth of this coat, which was made 50 years ago, was still fine, the customer requested that the worn out inner lining be replaced as the coat is now worn by her daughter. The coat had a heavy woolen feel and texture, retaining its original heft, and the fabric had not faded at all, showing at a glance how well it had been cared for.

When we spoke with the customer after the repair was completed, she was very thankful, saying, “My mother bought me this coat when I entered high school at age 15, exactly 50 years ago. At the time, it felt a little bit lavish to wear a coat when going to school. When I got married I couldn’t bring myself to throw it away, so I kept it. When my youngest daughter was in junior high school, she said she wanted to wear the coat, and she has loved wearing it since her high school days, saying it’s still usable. The coat’s shape is good, and it’s warm. More recent coats are mixed with synthetic fibers so they aren’t as warm. My daughter now has children of her own, two daughters age 11 and 3. I hope that my granddaughters will also wear this coat someday. Thank you so much for repairing the coat.” We never expected to be able to hold in our hands a garment made 50 years prior by our predecessors, and this was an opportunity to remind ourselves of Nikke’s capable technological prowess. We felt a sense of pride that this coat had been passed down through the generations of a family for so long, and at the same time we had sobering thoughts about the weight of responsibility that comes with inheriting what our predecessors built and passing that on to future generations.







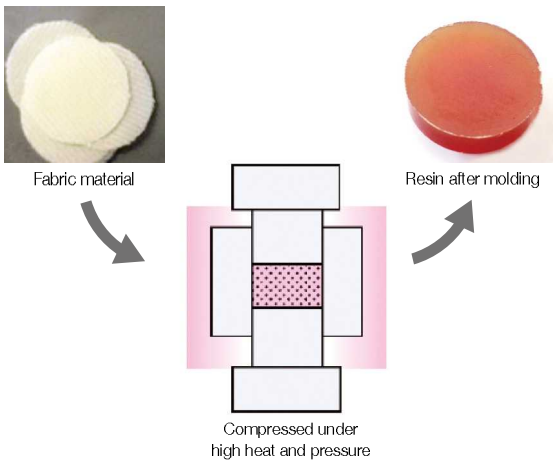




Development of wool resin

Though the use of recycled wool fabric such as reclaimed wool for felt is already widespread, Nikke Group has been working together with Muroran Institute of Technology to develop a resin-like molded material as a high functional and eco-friendly material. The wool component can be extracted by disintegration and separation of waste materials such as wool-containing clothing. When the wool component is pressed under high temperature and pressure, a resin-like molded material is obtained. When specially pre-treated 100% wool fabric is used as raw material, transparent and high-performance resin-like plate material is obtained by compression heating. These molded materials show excellent physical properties like so-called high-performance plastics. The mechanism of this phenomenon is considered that keratin protein was squeezed from inside of single fiber and filled the gaps between fibers. Then keratin became resin by cross-linking reaction under heat and pressure, followed by forming wool fiber reinforced composite. We call it "Wool Resin". Wool Resin can be shaped by cutting and polishing as well as other plastics. We aim to apply it to clothing-related plastic such as buttons and glasses frames. Wool Resin is garnering attention at home and abroad as a substitute of fossil resource-derived materials. The prototype of glasses frame made of Wool Resin is shown in the photo below. Wool Resin prepared from undyed wool fabric shows unique texture like tortoiseshell frames. Other colors can be available by dyeing.

The wool resin molding process





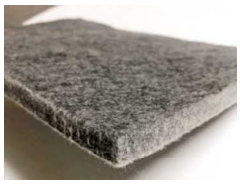
Prototypes: Eyeglasses frame and button

Product development of recycled carbon fiber

One of the prioritized measures of R&D Center is product development of recycled carbon fiber. It contributes to a sustainable and recycling-oriented society. Carbon fiber shows one-fourth of weight and ten times of tenacity compared with steel fiber. Consequently, carbon fiber is widely used in making mechanical parts for not only aircraft and automobile but also space rockets. It is necessary for space development. Though the carbon fiber composite is the most advanced material which is efficient for reduction of CO_2 emission, recycling them is very difficult and waste of them is disposed in landfills. We have been developing carbon fiber-containing nonwoven-making technology by applying Nikke's specialized technologies. This is an ongoing project with JAXA, Japan Aerospace Exploration Agency. After a process of trial and error, we have created a recycled carbon fiber reinforced composite board that shows same tensile strength as aluminum alloy plate used in aircraft. We are developing another application as well as the work with JAXA. Last year, we attended some academic meetings and exhibitions aggressively to show Nikke Group's technical prowess at home and abroad and got considerable interest from many companies. Though we have many challenges such as market research and application development since ReCF is a new material, we will pursue the possibility of creating new applications such as sports goods and prosthetic apparatus. We are planning to establish a business model with a view to expand this business to Europe and North-America where environmental issue is actively concerned.



Recycled carbon fiber (ReCF)



ReCF non-woven fabric

Examples of ReCF material application

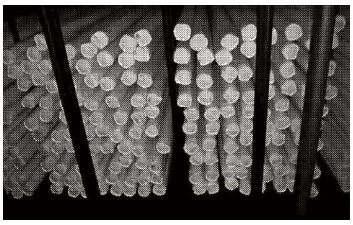






Strengthening the manufacturing and sale of environmental filters

In our Industrial Machinery & Materials business, we are developing a strategy to increase our number of factories in China to increase the production volume of gas purification filters used in garbage incineration plants by five times by around 2026. In response to the increasing number of garbage incineration plants as a result of more stringent environmental regulations, our aim is to expand the filter business, which should provide stable profits due to the need for replacement of such filters. In FY2021, our Group company Ambic Co., Ltd. will construct a new building at its piano parts factory in Jiangsu Province to house the production equipment. By 2026, we will increase the production volume by five times the current level to 300,000 square meters. Due to the shortage of landfills in China, regulations are being tightened to ensure that garbage is incinerated rather than being sent directly to landfills, and by 2030 the number of garbage incineration plants in China is expected to be around 1,200 or about double the current number. In addition, demand for gas purification filters is increasing, and the scale of the filter market is expected to increase by 5 to 10% each year. At Nikke Group we are anticipating a significant increase in our share of the Chinese market, from our current 1% to 10% by 2030, enabling us to contribute to environmental improvements in China.



Planting mangrove trees

Our many social contributions in Thailand, including tree planting, trash picking, and fire prevention activities

At Gosen Thailand, which is involved in the manufacture and sale of textile materials for automobiles, our staff carry out a variety of social contribution activities including planting trees and picking up trash in forests, installing safety doors, and donating excess thread to self-sufficiency education facilities for women. The great thing about these activities is that employees come up with the ideas and set a budget on their own. These proactive volunteer activities have been well received, and the mangrove tree planting initiative received the Social Contribution Award at the FY2019 Nikke Challenge Awards.



Planting trees and picking up trash in a forest



Excess thread is donated to self-sufficiency education facilities for women

Report on ESG Activities Social

Human resource development

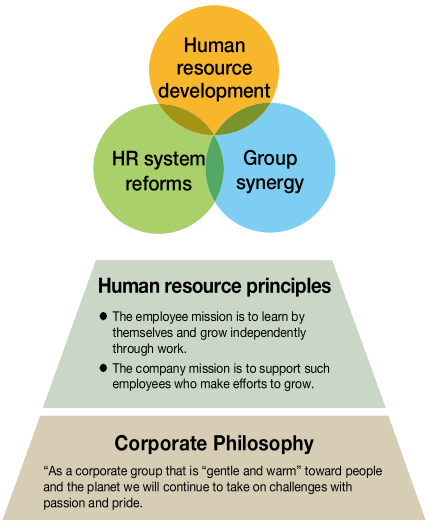
Basic concept

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.

Message from General Manager of Human Resource Department



Executive Officer, Management Strategy Center, Head of the HR Strategy Office
Yasushi Kurusu



Based on our awareness of personnel as the company's most important asset, we aim to help our talent grow and to become a company that creates future lifestyles.

At Nikke Group, in our strong efforts to propel the RN 130 Vision, our medium- to long-term vision launched from 2016, we held repeated discussions on what should form the foundation of the vision. As a result of these discussions we came to the conclusion that personnel are the most important corporate resource for the execution of growth strategy, and we incorporated established this idea in our human resource principles and incorporated it in the Medium-term Management Plan.

The human resource principles focus on the growth of personnel, and we have restructured the human resource development system for all Group employees, providing a wide range of opportunities for growth from new employees to those chosen for the next generation of management, and are encouraging the growth of personnel as well as learning through the experience of work.

We have also revised our compensation system for employees who take on various challenges, grow our businesses, and generate results. In particular, we have established clear compensation standards for members of upper management who drive the business of Group companies, and reformed the system into one that significantly reflects results.

I believe that the question of whether or not Nikke Group will be able to generate value for customers in the future rests on our personnel. What are the "undeveloped fields" mentioned in our corporate philosophy? What are "highly functional products"? What is required for a regional No.1 service? We will provide new value to the world by looking at these questions from the perspective of market participants, gather feedback from them, and develop personnel who can realize our goals. And, along with the growth of our employees, we will grow into a company that creates future lifestyles as we work toward goals set for FY2026, the final year of the RN 130 Vision.

FOCUS! Nikke employees working toward the future lifestyle industry of tomorrow

Industrial Machinery & Materials Division

Manufacture and donation of face shields to Thai medical institutions and public facilities as a social contribution effort during the COVID-19 pandemic

As the impact of COVID-19 spread in Thailand, resulting in a lack of medical supplies, employees of Gosen Thailand sprang into action. Everyone worked together on the manufacturing of face shields, which were donated to multiple medical institutions and public facilities.

These face shields were crafted through the group efforts of employees and with the hope of contributing to an earlier end to the pandemic.





We received words of appreciation, saying that the face shields were a precious item and easy to use.

Consumer Goods & Services Division

Significant contribution to business results through the sale of pandemic supplies

Nikke Shoji Co., Ltd. utilized their robust sales channels and procurement network of overseas partner factories to secure pandemic supplies including masks. By striving to provide a stable supply of such items, sales increased dramatically, and this effort was a significant factor in the company's increase in operating income. Additionally, due to increased stocking of pandemic supplies by government agencies and local governments, pandemic supplies handled by Nikke gained more attention, including the V-Lap® emergency mat.







Based on the idea of looking for opportunities amid adversity, everyone at the Lifestyle Sales Department worked together with a sense of urgency.

Nikke's personnel development

We revised our basic approach to personnel development in FY2020 with strict enforcement of new policies.

◆Purpose of personnel 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 personnel who demonstrate leadership to those around them regardless of their rank (position).

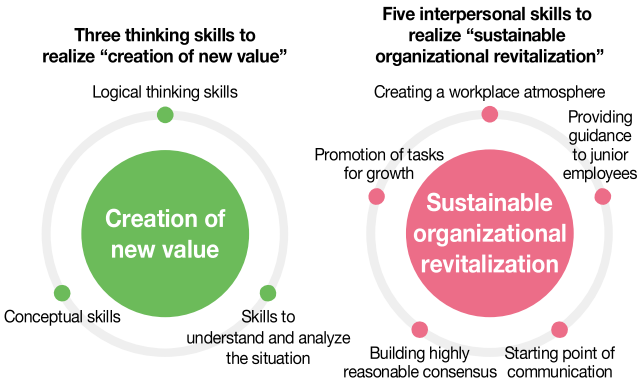
◆The role of leaders

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 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.



Ranks	Core skills: Thinking skills	Core skills: Interpersonal skills	Special skills	Self-enlightenment
Department managers and office managers (Executive candidates)	Next-generation manager training (VOC): 1 year		E-learning (Financial accounting, legal affairs, labor, compliance, etc.)	E-learning
		New manager training		
Section chiefs and Chiefs (Department manager candidates)	Solving well-defined problems	[Leader training] Creating an organization that helps people grow		
Leaders (Management candidates)	Leadership that brings out motivation and competence of subordinates			
	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		
	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

Nikke Group Newsletter Production Committee

Contributing to strengthened internal branding as Nikke Group expands its field of business

The inaugural issue of the Group newsletter was released in April 2020. We called for the submission of potential names, and the name "Challenger" was chosen. The newsletter will be issued four times per year. This newsletter aims to strengthen the internal branding of the Group, which has dramatically expanded its field of business with approximately 60 companies and over 5,000 employees, and its role will be to foster an understanding and sense of belonging to Nikke Group, and to enhance the feeling of shared experience among employees.



Issuing this newsletter in a printed format ensures that it can be delivered to every employee, and taken home to share with employees' families. Our staff of seven employees from various business divisions heard many positive impressions about the newsletter.

Human & Future Development Division

Opening of Nikke Group's first joint nursing care and childcare facility

On April 1, 2020, Nikke Tetote Ichikawa, a group home (a communal living facility for nursing care of people with dementia) was newly opened by Nikke Care Service Co., Ltd. in Ichikawa, Chiba Prefecture. This facility will be jointly operated with Nikke Nursery Co., Ltd.'s first small-scale licensed nursery school, Pokka Pokka Nikke Nursery. Both are small facilities limited to those in the city, enabling a high quality environment for their operation.

We aim to provide the regional No.1 nursing care service as a facility that strongly supports elderly people with dementia.







Report on ESG Activities Social

Relationship with Shareholders and Investors

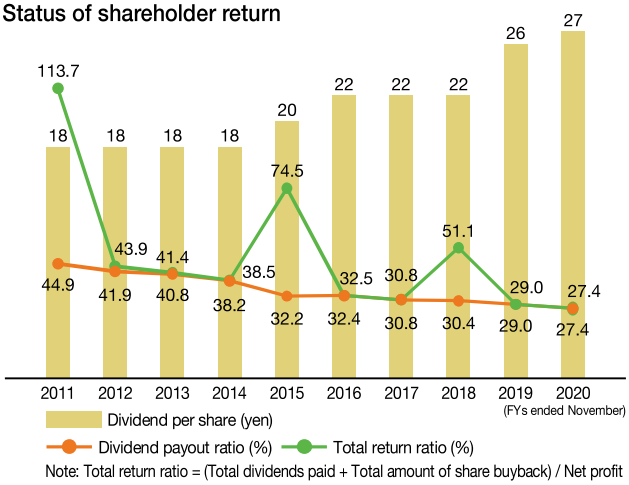
Basic concept

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".

The state of forward-looking IR activities

At Nikke we are particularly focused on shareholder returns, and we aim to maintain stable dividends without dividend cuts and a payout ratio of 30%, and will increase dividends in line with our profits. We also aim to enhance total shareholder returns including the acquisition of treasury shares, and in FY2020 we increased the dividend by 1 yen year-on-year to 27 yen (payout ratio: 27.4%). In addition, we take care to communicate proactively with shareholders and investors, and in FY2020 we held 1-on-1 meetings (approx. 30 per year) and financial results briefings for analysis (two per year).

Status of shareholder return



Note: Total return ratio = (Total dividends paid + Total amount of share buyback) / Net profit



Photo from a financial results briefing

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.

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 a clear 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 2020, 43 people participated.

Safety and hygiene

Every fiscal year, Nikke Group 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) 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. 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 recurrence of similar accidents.

Number of workplace accidents that occurred and frequency rate/intensity rate (fiscal year ended November 2020)

	2015	2016	2017	2018	2019	2020
Number of accidents causing lost worktime	9	14	9	10	10	6
Number of accidents causing leave of absence	4	4	3	2	2	2
Total	13	18	12	12	12	8
Frequency rate	1.73	1.93	1.41	1.00	1.00	1.12
Intensity rate	0.047	0.066	0.039	0.030	0.030	0.013

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

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 an aim to create a work environment in which both male and female employees can raise children and care for relatives while continuing to work, and to enable women to continue working without leaving their jobs after childbirth and childrearing, we have established maternity leave and childcare leave systems that exceed the statutory number of days and period 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 ended November 2020)

	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	7	308
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 or until the end of the fiscal year in which the child turns one year of age in specific cases)	7	796
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	0	796

Promoting remote work

At Nikke Group, we are promoting the utilization of remote work from the perspective of maintaining employee health and peace of mind as one part of our corporate response amid COVID-19. In addition to encouraging employees to work from home with the goal of reducing the percentage of employees coming in to work by around 70% during the state of emergency, we are also aiming to have only about 50% of employees come in to work even in normal times. We are preparing work arrangements to accommodate the diversity of work-life balance that is expected in the future.

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.

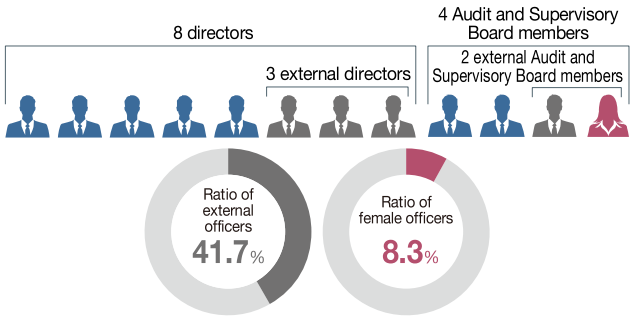
● Group Management Conference

The Group Management Conference consists of executive officers, Audit and Supervisory Board members, 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, and appointed reserve external 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)

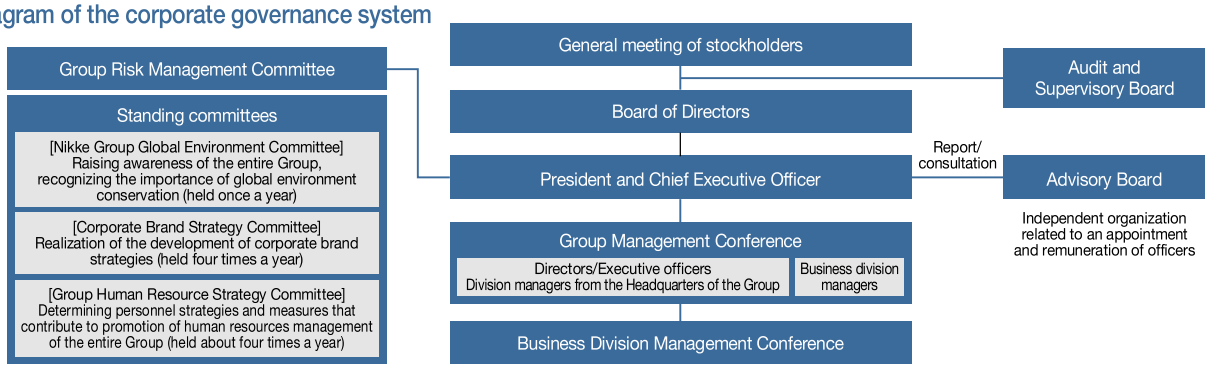
Structure of the Board of Directors and Audit and Supervisory Board



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

● Diagram of the corporate governance system



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 numeration and business result-linked numeration 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.

Total amount of remuneration, etc. (results for the fiscal year ended November 2020)

	Number of people	Total amount of remuneration, etc.
Directors (of which, external directors)	9 (3)	202 million yen (16 million yen)
Audit and Supervisory Board members (of which, external Audit and Supervisory Board members)	5 (2)	47 million yen (11 million yen)

Note: 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 (of which, up to 24 million yen for external directors) and an annual remuneration of up to 80 million yen for Audit and Supervisory Board members (of which, up to 16 million yen for external Audit and Supervisory Board members).
For details, please see page 44 of the "Notice of Convocation of the 190th 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 FY2020, 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. Constructive discussions on management plans and other topics, and analysis of the results were more highly evaluated based on a review of the 1st Medium-term Management Plan and the formulation of the 2nd Medium-term Management Plan. The preparation of systems enabling independent external officers to exchange information and share their awareness was also more highly evaluated, and even further improvement is needed. Regarding the management of the Board of Directors, we recognize the continued need for well-balanced proceedings in line with the agenda and the promotion of online meetings. We will refer to these evaluation results as we continue working to enhance the efficacy of the Board of Directors and strengthen our corporate governance.

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.
- Business reorganization, and improvement of business structure
- Significant drop in stock prices, fluctuations in exchange rates, etc.
- Product defects, etc.
- Purchase of raw materials
- Overseas business development
- Disasters, spread of serious infectious diseases, etc.
- Impairment losses on fixed assets

Note: For details please see page 16 onwards of the "190th 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. In order to prevent the spread of COVID-19, we are implementing measures under the instruction of the contingency task force including: encouraging employees to refrain from taking business trips and holding large meetings, utilizing online tools such as online meeting systems, working from home and utilizing stagger

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 FY2020, there were three 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 Office). 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 an important asset for continuing its business and believes that properly handling and protecting personal information is its social responsibility. Having established the Nikke Group Privacy Policy and Nikke Group Personal Information Protection Regulations in 2005 and built 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



Chairman

Mitsuyoshi Satou

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



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, 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.
February 2018: Director, Managing Executive Officer
General Manager of Industrial Machinery & Materials Division, Nikke (current position)
June 2018: External Director, Ashimori Industry, Co., Ltd. (current position)
June 2020: President and Chief Executive Officer, Fujico 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 Control 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, General Manager of Fabric Business, Nikke
February 2019: Director, Managing Executive Officer
General Manager of Textile & Clothing Materials Division (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, General Manager of Gifu Mill, Nikke
December 2010: Textile & Clothing Materials Division, General Manager of Innami Mill, Nikke
February 2012: General Manager assigned to Textile & Clothing Materials Division, Nikke
(in charge of special missions for overseas business)
February 2014: Textile & Clothing Materials Division, General 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
February 2021: Director, Managing Executive Officer
General Manager of Human & Future Development Division
& General Manager of Development Division, Nikke (current position)



External Director (independent officer)

Kozo Arao

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 Micron Corporation, (current position)
June 2016: External Director, Nippon Shokubai Co., Ltd.,



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)



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 Department, Nikke
December 2008: General Manager of Legal Affairs and IR Public Relations Department, Corporate Strategy Center, Nikke
June 2013: General Manager of Internal Audit Office, Nikke
December 2014: General Manager of Internal Audit Department & Manager of Audit Department, Nikke
February 2015: President and Chief Executive Officer, Akatsuki Shoji Co., Ltd.
February 2018: Audit and Supervisory Board member, 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)
External Audit and Supervisory Board member (current position)
February 2017: External Audit and Supervisory Board member, Nikke (current position)

Skill matrix of our officers (as of February 25, 2021)

In order to build an effective corporate governance system to effect sustainable growth, Nikke appoints directors and Audit and Supervisory Board members with broad business experience and a high level of wide-ranging knowledge and expertise. Data on the skills and activities of each director and Audit and Supervisory Board member is shown below.

	Name (position)	Age (years)	Number of shares held (in thousands of shares)	Skills							Business experience at Nikke				
				Corporate management	Sales	Engineering/ R&D	Finance/ Accounting	HR/Labor	Legal/ Risk management	Global experience	Textile & Clothing Materials	Industrial Machinery & Materials	Human & Future Development	Consumer Goods & Services
Internal officers	Mitsuyoshi Satou (Chairman)	72	103	○		○	○	○	○		○	○		
	Kazuya Tomita (President and Chief Executive Officer)	61	74	○	○		○	○	○		○		○	○
	Kuniaki Hihara (Director and Managing Executive Officer)	63	25	○	○					○	○	○		
	Yoshirou Kawamura (Director and Managing Executive Officer)	60	25	○		○				○	○	○		
	Yutaka Nagaoka (Director and Managing Executive Officer)	59	28	○		○				○	○	○	○	○
	Shougo Ueno (Audit and Supervisory Board member)	63	24	○	○						○		○	○
	Junichi Komiya (Audit and Supervisory Board member)	62	15	○	○				○		○			

	Name (position)	Age (years)	Number of shares held (in thousands of shares)	Skills							Relationship with Nikke			
													Attendance	
				Corporate management	Sales	Engineering/ R&D	Finance/ Accounting	HR/Labor	Legal/ Risk management	Global experience	Term of office (years)	Years in office	Board of Directors (meetings)	Audit and Supervisory Board (meetings)
External officers	Kozo Arao (External Director)	75	5						○		1	6*	12/12	—
	Shigeo Niwa (External Director)	72	—	○			○		○	○	1	4*	12/12	—
	Yoshihiro Onishi (External Director)	75	—	○		○					1	3	12/12	—
	Takeshi Katayama (External Audit and Supervisory Board member)	70	—	○			○		○		4 (2nd year)	6	12/12	12/12
	Michiko Uehara (External Audit and Supervisory Board member)	71	—						○		4 (2nd year)	4	11/12	12/12

Note: Before their appointment as Nikke external directors, Kozo Arao and Shigeo Niwa each have four years of experience serving as external Audit and Supervisory Board members at Nikke.

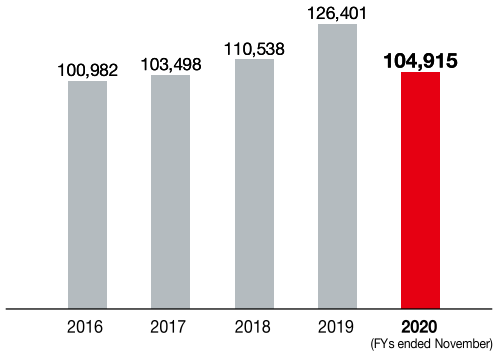
Changes in Significant Financial Data (over 11 years)

	FY ended Nov. 2010	FY ended Nov. 2011	FY ended Nov. 2012	FY ended Nov. 2013	FY ended Nov. 2014
Consolidated Profit/Loss					
Sales (millions of yen)	84,831	87,659	97,357	97,677	100,477
Operating income (millions of yen)	4,617	5,056	5,337	5,596	6,028
Ordinary income (millions of yen)	4,733	4,942	5,401	6,023	6,635
Net income attributable to owners of parent (millions of yen)	2,148	3,102	3,261	3,346	3,572
Consolidated Financial Standing					
Net assets (millions of yen)	68,998	67,642	70,046	77,485	79,442
Total assets (millions of yen)	113,021	111,392	117,792	132,931	133,938
Interest-bearing liabilities (millions of yen)	13,659	13,032	15,976	20,678	17,748
Consolidated Free Cash Flow					
Cash flow from operating activities (millions of yen)	9,194	4,299	5,397	6,180	12,146
Cash flow from investing activities (millions of yen)	(1,098)	(2,183)	(3,740)	(10,104)	(4,061)
Cash flow from financing activities (millions of yen)	(6,936)	(5,023)	1,505	2,158	(5,334)
Free cash flow (millions of yen)	8,096	2,116	1,657	(3,924)	8,085
Balance of cash and cash equivalents at year's end (millions of yen)	13,059	10,247	13,525	11,986	14,923
Per share information					
Net assets per share (yen)	863.44	879.84	913.10	1,010.83	1,036.09
Net profit per share (yen)	26.81	40.13	42.98	44.16	47.15
Dividends (yen)	18	18	18	18	18
Dividend payout ratio (%)	67.1	44.9	41.9	40.8	38.2
Financial Data					
Operating margin (%)	5.4	5.8	5.5	5.7	6.0
Equity ratio (%)	60.4	60.0	58.8	57.6	58.6
Return on Equity (ROE) (%)	3.1	4.6	4.7	4.6	4.6
Capital investment (millions of yen)	3,684	2,128	3,678	6,804	6,127
Depreciation (millions of yen)	3,653	3,494	3,505	3,383	3,671

	FY ended Nov. 2015	FY ended Nov. 2016	FY ended Nov. 2017	FY ended Nov. 2018	FY ended Nov. 2019	**FY ended Nov. 2020**
	102,854	100,982	103,498	110,538	126,401	**104,915**
	7,342	7,620	8,348	8,368	10,472	**9,048**
	7,799	7,649	9,089	9,128	11,165	**12,655**
	4,690	5,002	5,270	5,274	6,520	**7,121**
	81,807	82,155	89,067	89,195	93,344	**95,714**
	132,749	130,635	140,202	141,644	148,707	**147,172**
	16,879	15,413	16,742	18,139	17,476	**20,771**
	6,845	9,514	9,206	5,812	13,694	**11,315**
	(2,324)	(6,590)	(6,695)	(2,933)	(3,143)	**(6,225)**
	(4,909)	(3,361)	(743)	(1,483)	(2,923)	**(359)**
	4,521	2,924	2,511	2,879	10,551	**5,090**
	14,686	14,265	15,951	17,425	25,013	**29,927**
	1,096.44	1,101.87	1,194.34	1,212.69	1,264.35	**1,310.05**
	62.17	67.88	71.52	72.26	89.70	**98.57**
	20	22	22	22	26	**27**
	32.2	32.4	30.8	30.4	29.0	**27.4**
	7.1	7.5	8.1	7.6	8.3	**8.6**
	60.9	62.2	62.8	62.2	61.8	**63.8**
	5.9	6.2	6.2	6.0	7.2	**7.7**
	3,066	5,966	6,063	3,227	3,865	**3,562**
	3,564	3,490	3,681	3,780	3,580	**3,669**

Changes in Financial Data in Graphs

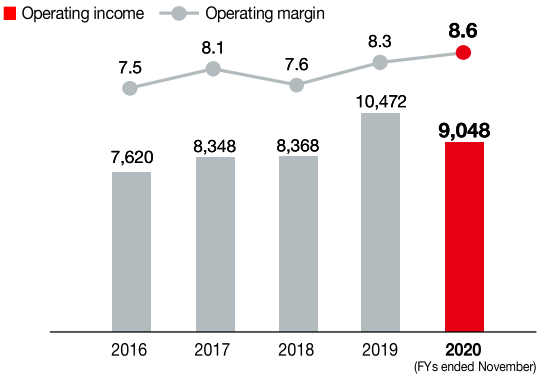
Sales (millions of yen)



Sales declined 17.0% YoY due to the impact of the COVID-19 pandemic

Due to the impact of COVID-19, sales for the fiscal year ended November 2020 declined 17.0% YoY to 104,915 million yen.

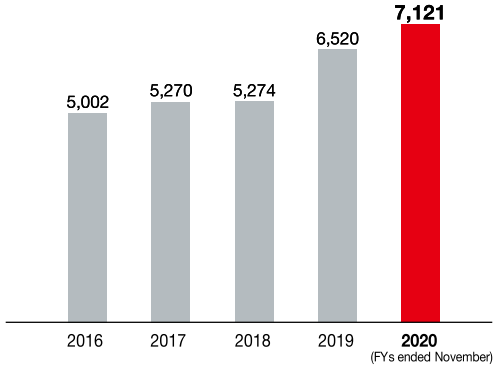
Operating income (millions of yen) / Operating margin (%)



Operating income fell 13.6% year-on-year, while the operating margin increased 0.3 points year-on-year

While operating income fell 13.6% YoY to 9,048 million yen, we were able to exceed our initial target by diversifying risks through diversified group management, and through initiatives addressing each relevant business environment.

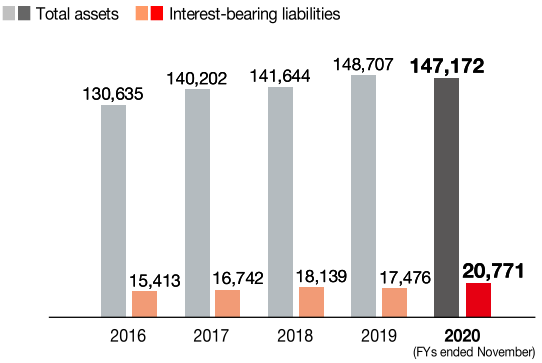
Net income attributable to owners of parent (millions of yen)



9.2% increase year-on-year

We set new all-time record-highs for both Ordinary income and Net income attributable to owners of parent (up 9.2% YoY) as a result of posting negative goodwill arising from making Fujico Co., Ltd. an affiliate company accounted for using the equity method due to our capital and business alliance initiated in May 2020.

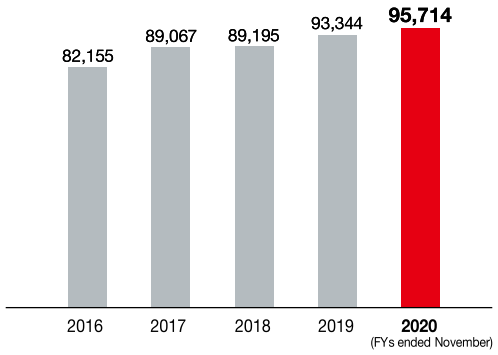
Total assets / Interest-bearing liabilities (millions of yen)



Total assets fell by 1,535 million yen, and interest-bearing liabilities increased by 3,295 million yen

Due to decreases in cash, deposits, and trade receivables, total assets fell by 1,535 million yen to 147,172 million yen. Interest-bearing liabilities increased 3,295 million yen YoY to 20,771 million yen.

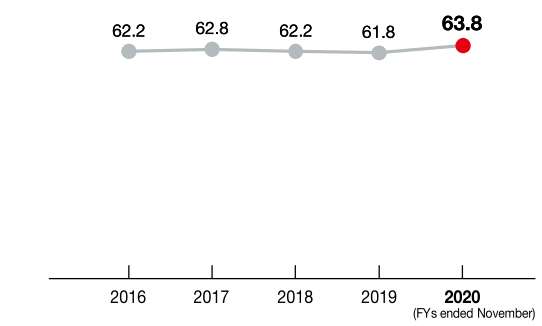
Net assets (millions of yen)



2.5% increase year-on-year

Net assets increased 2.5% YoY to 95,714 million yen. This was mainly due to an increase in retained earnings and a decrease in valuation difference on available-for-sale securities. Net assets per share also increased to 1,310.05 yen.

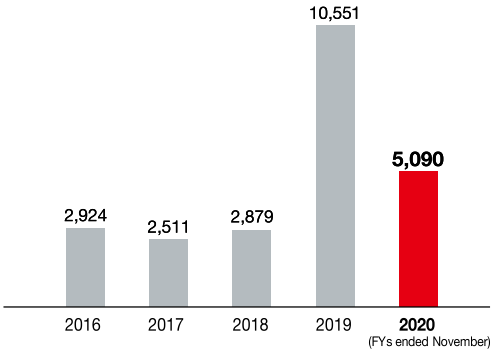
Equity ratio (%)



The equity ratio rose 2 points year-on-year, increasing from 61.8% to 63.8%

The equity ratio remains at a high level and increased from 61.8% to 63.8% YoY.

Free cash flow (millions of yen)

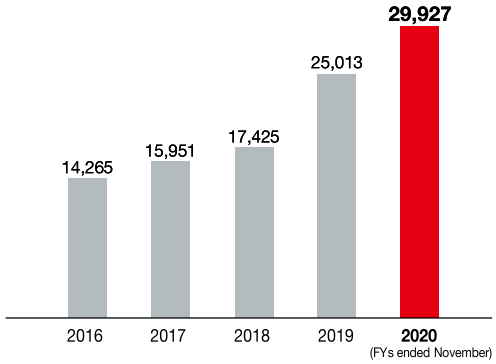


Declined by 5,461 million yen year-on-year

Operating cash flow was 11,315 million yen, while investment cash flow was −6,225 million yen, leaving free cash flow of 5,090 million yen for the period.

Balance of cash and cash equivalents at year's end

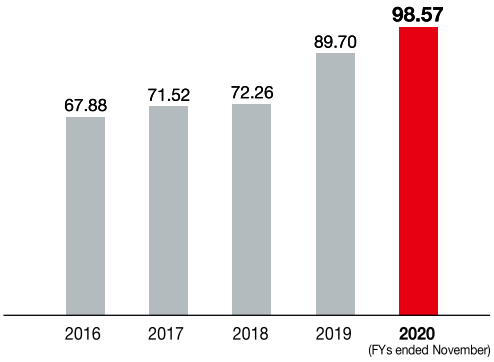
(millions of yen)



Increased by 4,914 million yen from last year

The balance of cash and cash equivalents at year's end increased by 4,914 million yen from last year to 29,927 million yen.

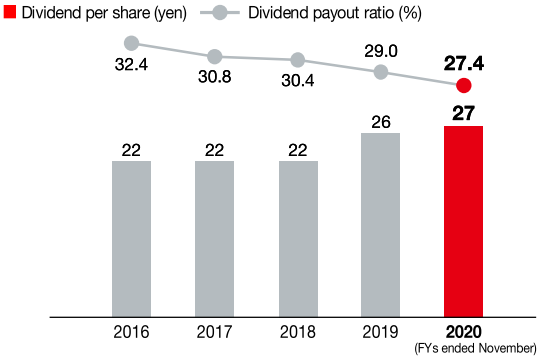
Net profit per share (yen)



Increased 8.87 yen from last year

Net profit per share increased by 8.87 yen to 98.57 yen from last year's 89.70 yen. We consider this a key business indicator.

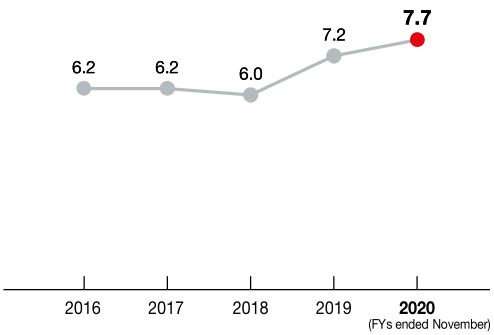
Dividend per share (yen) / Dividend payout ratio (%)



Dividend per share increased by 1 yen, and the dividend payout ratio changed to 27.4%

The annual dividend per share increased by 1 yen to 27 yen from last year's 26 yen. We are maintaining a high dividend payout ratio of 27.4% in consideration of shareholder return.

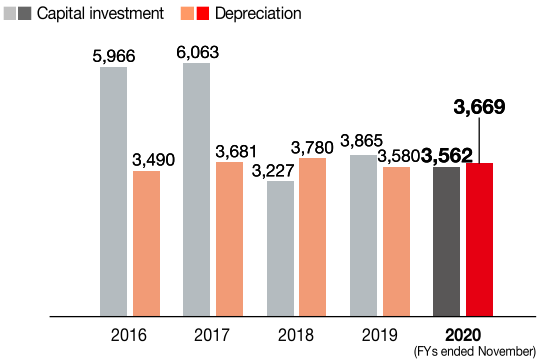
Return on Equity (ROE) (%)



Increased 0.4 points year-on-year

ROE increased from last year's 7.2% to 7.7%. We are maintaining the target level of 7.0% or higher under the current Medium-term Management Plan, and also consider this a key business indicator going forward.

Capital investment / Depreciation (millions of yen)



Capital investment amounted to 3,562 million yen, and depreciation amounted to 3,669 million yen

The amount of capital investment this fiscal year was 3,562 million yen. This is mainly accounted for by the new adoption and updating of production equipment, and the new construction and renovation of commercial facilities. Furthermore, depreciation was 3,669 million yen.

History of Nikke Group's growth and changes

Timeline of Japan Wool Textile (Nikke)

1896
Japan Wool Textile Co., Ltd. is founded

Nikke's logo, a stylized version of the Japanese character for "wool", surrounded by the sun.



Founder: Seibei Kawanishi
Around age 33 when he assumed the name Seibei Kawanishi VI

1899
Kakogawa Mill begins operations
manufacturing red blankets

1900
First shipment of blankets to the Japanese Army and Navy

1902
Tokyo sub-branch opened (upgraded to a branch in 1913)

1903
Dispatch of engineers to Europe

1904
Good business results achieved for the first time since the company's founding, solidifying wool as Nikke's foundation

1913
Nippon Keito Boseki Co., Ltd. is founded

1917
Nippon Felt Botai Co., Ltd. is founded (now Ambic Co., Ltd.)
funded by Seibei Kawanishi

1918
Merger with Nippon Keito Boseki Co., Ltd. (former Himeji Mill and former Gifu Mill)

1919
Innami Mill begins operations

1928
Showa Keito Boseki Co., Ltd. is founded
The Tokyo Branch Office is moved to 1F of Maru Building at 1-1 Yurakucho in Kojimachi ward, with an adjacent showroom

1929
Late night work by women is banned, and the two-shift system is started. Prior to this, study centers are set up at each mill, which later became girls'schools.

1935
Nikke Gifu girls' school
approved as a normal school for girls

1937
Headquarters building (now Kobe Head Office) constructed at 47 Akashimachi, Kobe-ku, Kobe

1941
Merger with Kyoritsu Moslin Co. (former Nakayama Mill and former Tatebayashi Mill)

1942
Merger with Showa Keito Boseki Co., Ltd. (former Yatomi Mill and former Ichinomiya Mill)

1945
Nakayama, Himeji, Gifu, and Ichinomiya mills damaged by air raids
Akashimachi headquarters building requisitioned by the General Headquarters of the Allied Powers (GHQ)

1949
Listed on the first section of the Tokyo Stock Exchange in the same year of its reopening
Securities code: 3201

1958
Unuma Mill begins operations (now Gifu Mill)

1959
Yatomi Mill, having escaped damage in the Isewan Typhoon, makes efforts to assist the local community

1961
Nikke Real Estate Co., Ltd. is founded
Participate in the management of Shinsei Shoji Co., Ltd. (now Nikke Shoji Co., Ltd.)

1964
Recipient of the first authorization for Woolmark use in Japan

1966
Develops a nationwide sales network for school uniforms

1967
Akatsuki Shoji Co., Ltd. is founded

1970
Nikke Machine Manufacturing is established
(Later became independent as Nikke Machine Manufacturing Corp. in 1978)

1974-1975
Financial deficit leads to structural improvements and restructuring of production framework

1976
Kakogawa and Innami mills are consolidated into Innami Mill

1982
Nakayama Mill closes

1859~

1946~

1859 → 1859-1941 The founding era of Nikke **→ 1945**

1946 → 1946-1960 Postwar recovery to an era of rapid growth

Diligent and tireless



1st president
Seibei Kawanishi
President from December 1896 to December 1943
Chairman from December 1943 to July 1947

The Nikke Spirit passed down through generations



2nd president
Kiyoshi Kawanishi
December 1943 to April 1946



3rd president
Takehiko Ota
April 1946 to January 1963



4th and 6th president
Sokichi Abe
January 1963 to July 1971
January 1975 to February 1979



5th president
Hironobu Tamate
July 1971 to January 1975



7th president
Fumio Nunami
February 1979 to February 1985

1984
Nikke Parktown Shopping Center opens on the site of the former Kakogawa Mill

1987
Nikke Leisure Service Co., Ltd. is founded

1988
Nikke Colton Plaza Shopping Center, a multipurpose facility for shopping, dining, and sports, opens on the site of former Nakayama Mill in Ichikawa, Chiba Prefecture

1990
Sole sponsorship of Kakogawa Marathon, then sponsored every year after
Nikke Milano Office is opened

1996
100th Anniversary of the company's founding
Nikke Textile Design and Creation Center opened in Ichinomiya, Aichi Prefecture

1998
Qingdao Nikke Fabric Co., Ltd. founded in Qingdao, China
Chunichi Keori Co., Ltd. is made a Group company (now Taisei Wool Textile Co., Ltd.)
Began mass production of woolen goods under Taisei Wool Textile Co., Ltd.

1999
Nikke Indoor Tennis Co., Ltd. is founded

2001
Shinsei Shoji Co., Ltd.; Matsumoto Co., Ltd.; and Eiko Shinso Co., Ltd. merge to form Nikke Shoji Co., Ltd.

2002
Nikke Care Service Co., Ltd. is founded
Manufacturer of non-woven fabric and felt Ambic Co., Ltd. is made a Group company

2003
Mobile phone sales agency GCC Co., Ltd. is made a Group company

2004
Kansai Media Hanbai Co., Ltd. is made a Group company (now Nikke Audeo Service and Development Co., Ltd.)

2006
Gosen Co., Ltd., manufacturer and seller of sporting equipment, fishing line, and industrial-use materials, is made a Group company
Textile trading company Nakahiro Corp. is made a Group company
Satoh Sangyo Co., Ltd. is made a Group company

2007
Consolidated sales exceed 100 billion yen
The NN120 Vision is formulated to eliminate the divisions between textile and non-textile business and to divide business into six business divisions with all segments treated as our "main business".

2008
Adopted the shortened company name "Nikke"

2009
Implemented measures to address deteriorating business results in the wake of the economic downturn that resulted from the 2008 financial crisis
Extended the retirement age and transitioned to a retirement system with 65 as the retirement age

2011
Yuei Trading Co., Ltd. is made a Group company

2012
Nikke (Shanghai) Management Co., Ltd. is founded
NN120 Vision 2nd Medium-term Management Plan
Changed to four business division system

2013
Tsukineko Co., Ltd., manufacturer and seller of stamp ink, is made a Group company
Nikke (Thailand) Co., Ltd. is founded
Acquired shares of Ashimori Industry Co., Ltd. (now an affiliate company accounted for using the equity method)
Nikke Machinaka Power Plant begins operating in Akashi Tsuchiyama

2014
Niceday Inc., manufacturer and seller of beds and bedding, is made a Group company

2015
Pamco Inc. is made a Group company
Sugimoto Textile Inc., a company involved in edge-proof materials, is made a Group company (now Nakahiro Corp.)

2016
120th Anniversary of the company's founding
RN130 Vision is formulated
Kodomo no Kao Co., Ltd., a company involved in stamp goods, is made a Group company
"Craft in Action" receives the Grand Mécénat Award at the 2016 Mécénat Awards
Furniture wholesaler Miyako Corp. is made a Group company

2017
EMI Corp. a trading company dealing in industrial materials and devices, is made a Group company
"Craft in Action" receives the Good Design Award

2018
Nikke Medical Co., Ltd. is founded to develop reagents and medical devices utilizing textile technology
Qingdao Nikke Fabric Co., Ltd. opens a branch in Shanghai to develop the China school uniform business
AQUA Co., Ltd., an online retailer and retailer of designer appliances, interior goods, and cosmetics, is made a Group company

2019
Kyoto Medical Planning Co., Ltd., a company selling medical devices, is made a Group company
Horsy International Co., Ltd. is made a Group company
Achieved increases in operating income for ten consecutive periods

2020
Daiichi Orimono Co., Ltd. is made a Group company
Capital and business alliance with Fujico Co., Ltd.
Nikke Indoor Tennis Co., Ltd. and Nikke Leisure Service Co., Ltd. are merged to form Nikke Wellness Co., Ltd.
NAKATA CONSTRUCTION Inc. is made a Group company

2023

Renewal Nikke 130 Vision

1970-1995 The era of structural reforms 1996-2015 Nikke Group enters its 2nd century
2016- Working towards the 130th Anniversary

2021 2023 →



8th president
Hayao Sunagawa
February 1985 to February 1991



9th president
Mitsuo Shiraha
February 1991 to February 1995
Now an honorary advisor



10th president
Yuichi Tomita
February 1995 to February 2001
Now an honorary advisor



11th president
Hiroaki Nakai
February 2001 to February 2004
Now an honorary advisor



12th president
Toshimitsu Furui
February 2004 to November 2009



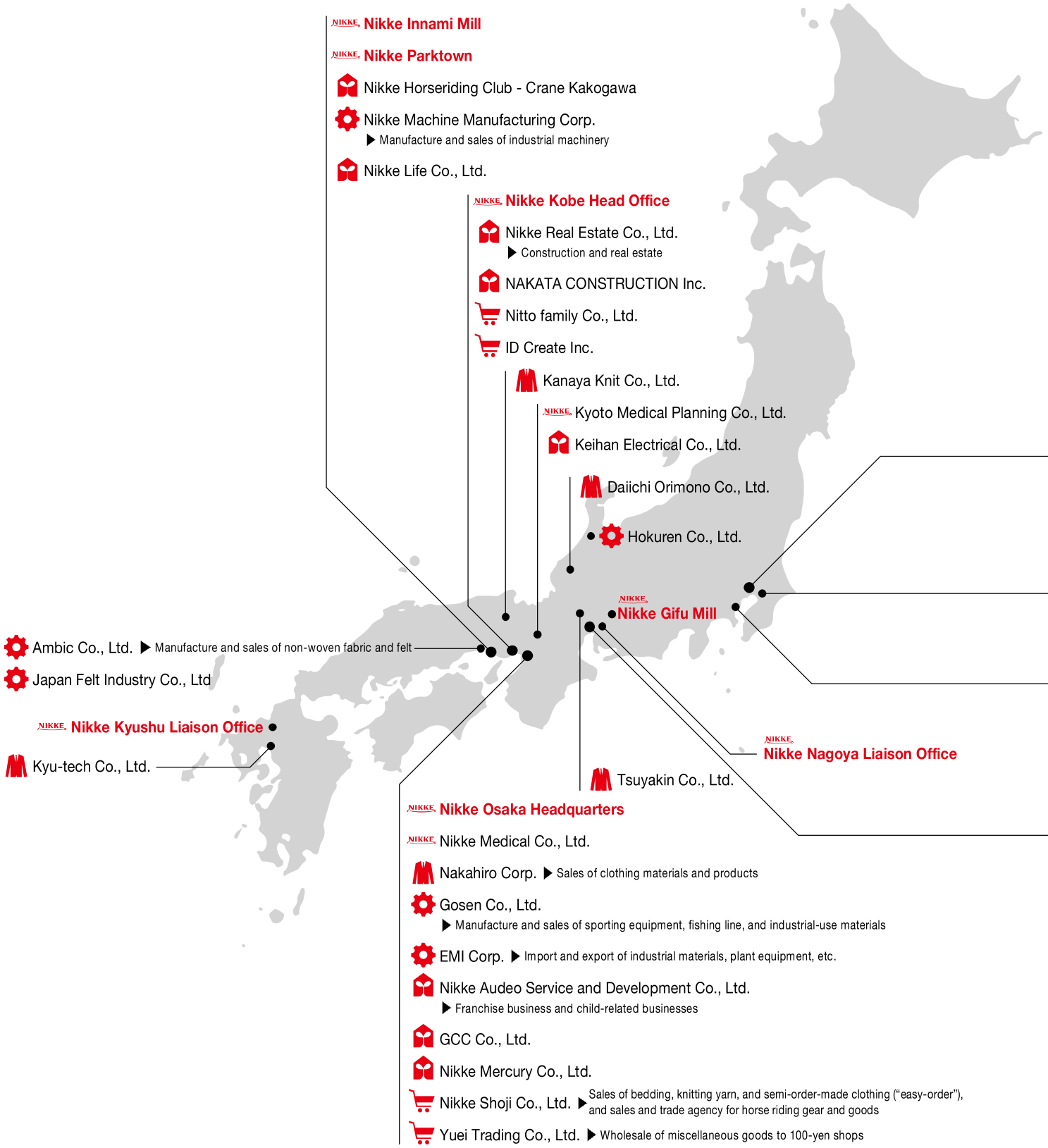
13th president
Mitsuyoshi Satou
December 2009 to February 2016
Currently serves as the Chairman

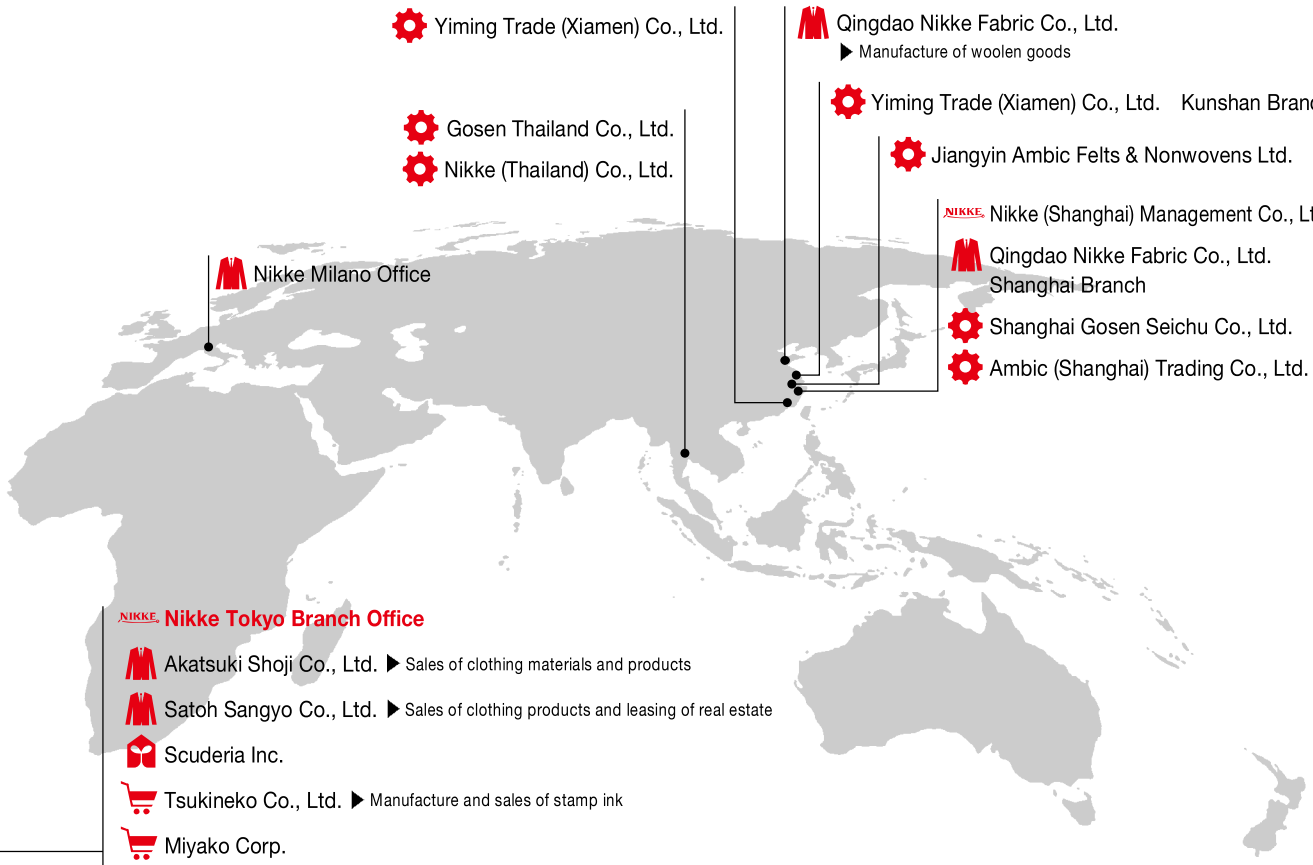


14th president
Kazuya Tomita
Since February 2016

Business Locations

Across Japan, and across the World
We continue to grow as a company creating future lifestyles.





Nikke Tokyo Branch Office

- Akatsuki Shoji Co., Ltd. ▶ Sales of clothing materials and products
- Satoh Sangyo Co., Ltd. ▶ Sales of clothing products and leasing of real estate
- Scuderia Inc.
- Tsukineko Co., Ltd. ▶ Manufacture and sales of stamp ink
- Miyako Corp.
  ▶ Sales of furniture, interior decoration, daily necessities / miscellaneous goods, etc.
- Kodomo no Kao Co., Ltd.
- Horsy International Co., Ltd.

Nikke Colton Plaza

- Nikke Town Partners Co., Ltd.
- Pamco Inc.
- Cosmo Maintenance Co., Ltd.
- Nikke Nursery Co., Ltd.

- Niceday Inc. ▶ Manufacture and sales of furniture, bedding, and interior goods
- AQUA Co., Ltd.
  ▶ Online retail and retail of designer appliances, interior goods, and cosmetics

Nikke Ichinomiya Office

Nikke Textile Design and Creation Center

- Nikke Textile Co., Ltd. ▶ Sales of yarn and textiles
- Taisei Wool Textile Co., Ltd.
- Nikke Okoshi Dyeing Co., Ltd.
- Bisyuu Wool Co., Ltd.
- Nikke Wellness Co., Ltd. ▶ Sports-related business
- Nikke Care Service Co., Ltd. ▶ Nursing care business
- Nikke Logistics Co., Ltd.

Nikke

- Textile & Clothing Materials
- Industrial Machinery & Materials
- Human & Future Development
- Consumer Goods & Services

Company Overview (as of November 30, 2020)

Company name (short form)	Nikke
Official company name	Japan Wool Textile Co., Ltd.
Headquarters	3-3-10, Kawaramachi, Chuo-ku, Osaka 541-0048, Japan
Date of foundation	December 3, 1896
Capital	6,465 (millions of yen)
No. of employees	4,770 (consolidated) 504 (non-consolidated) (as of November 30, 2020)
Listed on	First Section of the Tokyo Stock Exchange
Representative Director	Nikke Group Representative Director President and Chief Executive Officer Kazuya Tomita

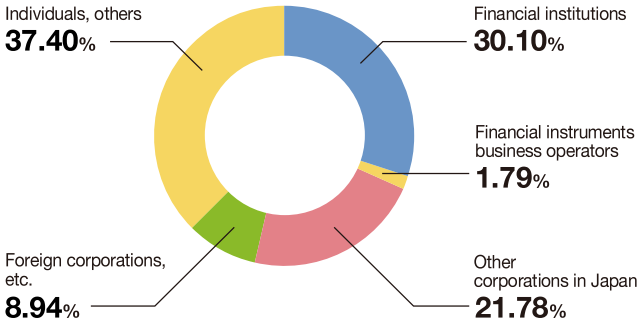


Status of major shareholders (as of November 30, 2020)

Shareholder name	Number of shares held (shares)
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,730,000
Mizuho Bank, Ltd.	3,198,000
Sumitomo Mitsui Banking Corporation	3,198,000
Nisshinbo Holdings Inc.	2,763,000
MUFG Bank, Ltd.	2,540,000
Custody Bank of Japan, Ltd. (Trust Account)	2,407,000
Takenaka Corporation	2,000,000
Nippon Life Insurance Company	1,747,000
Nikke Employee Stock Ownership Association	1,551,000
Teijin Frontier Co., Ltd.	1,396,000

(Note) 14,752,611 treasury shares that we own are not included in the above table.

Distribution of shares by ownership (as of November 30, 2020)



Our website

Please see our corporate website and IR information page for up-to-date information on Nikke Group, as well as our business results.



https://www.nikke.co.jp/

IR website https://www.nikke.co.jp/ir/











The Nikke Group will meet every challenge with passion and pride as a corporate group that is gentle and warm toward people and the planet.










Nikke Corporate Strategy Center **General Affairs, Legal, and PR Office**

Inquiries TEL: 06–6205–6601 FAX: 06–6205–6684

E-mail: webmaster@nikke.co.jp

We will ask for your contact information and direct your comments or questions to the appropriate department.

* Please note that you may not receive a reply on the same day. Thank you for your understanding.

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