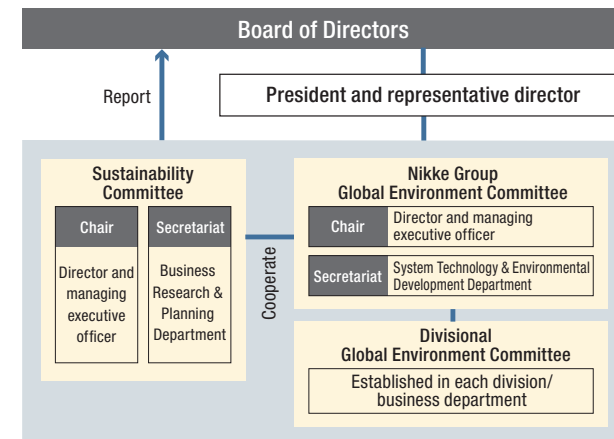


Disclosures Based on the TCFD Recommendations

Governance

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

Governance organization chart



1.5°C scenario

Rising energy and materials costs, along with a greater cost burden stemming from environmental measures and carbon taxes, will have a corresponding impact on the Textile & Clothing Materials Division, Industrial Machinery & Materials Division, and Human & Future Development Division. There is also the possibility of increased costs due to the need to develop new materials and restructure the supply chain.

4°C scenario

As storm and flood damage grow in severity, there is the possibility that some factories and commercial facilities will be affected, resulting in losses due to shutdown, as well as recovery costs. Also, problems such as droughts in raw wool-producing regions could interfere with procurement.

Risk Management

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

Indicators and Targets

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

CO₂ consolidated emissions (Scopes 1 and 2)

In the Textile & Clothing Materials business, emissions fell 41.2% compared to the base year, partly due to the exclusion of Jiangyin Nikke Worsteds Spinning Co., Ltd. from consolidated results following a divestment of equity interest in fiscal 2019. In our Industrial Machinery & Materials business, the inclusion of Fuji Corporation as a consolidated subsidiary has meant that its results are included in the consolidated emissions results from fiscal 2022 onward, thus increasing the total relative to the base year. Our Human & Future Development business saw a decrease compared to the base year due to downsizing of the communications and franchise businesses. For the Nikke Group as a whole, despite an increase in the emission factor of electric power companies, we're actively working toward our goal of a 50% reduction in emissions by fiscal 2030. We aim to achieve this through measures such as replacing production equipment with energy-efficient and streamlined systems, expanding and using solar power systems, and procuring renewable electricity.

(Unit: t-CO ₂ /year)	FY2018 (base year*)	FY2024 results
Textile & Clothing Materials	33,593	19,738
Industrial Machinery & Materials	9,544	10,718
Human & Future Development	11,100	8,229
Consumer Goods & Services	441	433
Others	20	175
Total	54,698	39,292

Percentage change -28.1%

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

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

(Unit: t-CO ₂ /year)	FY2024 results
Total**	42,955

*1 Fiscal 2018 has been established as the base year, which was when Scope 1 and 2 data aggregation for all consolidated company sites began.

*2 Categories 1 (purchased goods and services), 2 (capital goods), 3 (fuel- and energy-related activities), 4 (upstream transportation and distribution), 5 (waste generated in operations), and 13 (downstream leased assets) are tallied.

Environmental Initiatives

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

Textile Recycling Project

Nikke has set out to build a resource recycling system for textile products as one of its core sustainability themes. With this vision in mind, we're implementing a textile recycling project centered on two key initiatives: WAONAS and used clothing recycling.

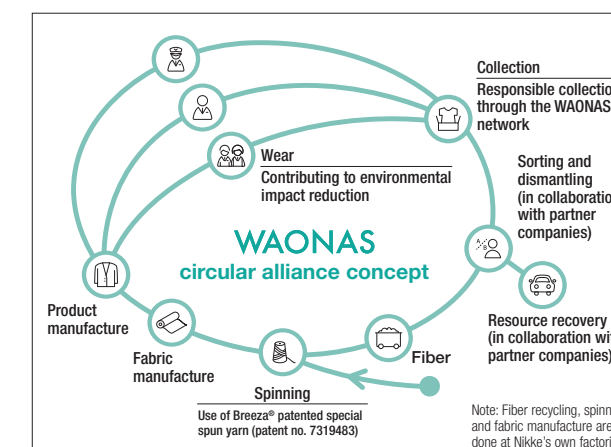
One of the critical environmental challenges we currently face is the increase in waste resulting from mass production and consumption. Clothing is no exception, with approximately 470,000 tons of garments discarded annually in Japan alone. Moreover, the EU's Ecodesign for Sustainable Products Regulation has come into force, and in Japan, the Ministry of Economy, Trade and Industry has issued an interim report on the promotion of sustainability in the textile industry. These developments reflect growing calls for reductions in textile waste and greater resource recovery.

In response to these societal trends, Nikke is leveraging its long-standing technologies and expertise in textiles to strengthen initiatives that promote reuse and recycling, while minimizing resource waste.

Launch of WAONAS clothing collection and recycling project

WAONAS is Japan's first environmentally conscious initiative to collect used wool-blend garments, return them to raw material form, and regenerate them into clothing from yarn once again. Until now, collected garments were recycled into materials for automotive interiors and other applications. With WAONAS, we're building a closed-loop system that will bring clothing back to clothing. Our goal is to sell 100,000 uniforms made from regenerated wool fiber by 2030.

To improve clothing collection and processing routes and create a more efficient system for resource recovery from the large volume of apparel currently being discarded, we're seeking wide-ranging partners—from suppliers to end-users—to help realize the WAONAS vision together.



Streamlining the used clothing recycling process

Up until now, the process of removing foreign objects such as buttons and zippers during recycling had to be done by hand, limiting the amount of material that could be processed. In the Industrial Machinery & Materials business, F&A Nonwovens Corporation (FANS) has automated the foreign object removal process to improve the efficiency of recycling operations as it plans to increase production of fiber by recycling used clothing. This initiative will increase the current output of reclaimed fiber by approximately tenfold.

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

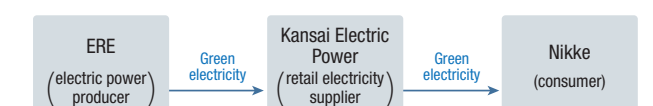


Equipment introduced (image)

Corporate PPA Agreement with ERE and Kansai Electric Power

Nikke has entered into a corporate PPA* with Eneos Renewable Energy Corporation (ERE) and the Kansai Electric Power Co., Inc. Supply of power under the agreement began in July 2024.

As the power generator, ERE supplies electricity from multiple low-voltage solar power plants located in the Kansai region, with a combined capacity of approximately 1.5 MW, to Kansai Electric Power. Kansai Electric Power, as the retail electricity provider, in turn supplies this electricity to Nikke. By using this electricity at seven of its facilities, Nikke expects to reduce CO₂ emissions by approximately 1,400 t-CO₂ annually. The Nikke Group will continue to explore all available options, not only expanding its procurement of green electricity, but also upgrading factory production equipment, reducing energy consumption, and utilizing and installing solar power systems.



*PPA: Power purchase agreement. A direct contract between an electric power producer and a company (consumer) for the sale and purchase of electricity.