Human Resource Development and Improvement in Job Satisfaction

To realize its vision of “Making the world a resilient and gentle place, ” Nikko has defined the following three types of human resources who would develop new markets, products, and services by leveraging the Company’s high technological prowess.

- Human resource that reinvents for the future
- Human resource that takes on challenges without fear of failure
- Human resource that respects and collaborates with diverse coworkers.

Based on this, we have set forth policies for developing human resources and in-house environment and have been disseminating these policies in and outside the Company.

Human resource development policy

To realize its vision of “Making the world a resilient and gentle place, ” Nikko needs human resources who would develop new markets, products, and services by leveraging the Company’s high technological prowess. In particular, we believe it is an important factor for further growth of employees and realizing the Company’s vision that individual employees independently carry out reforms and take on challenges while respecting and collaborating with diverse coworkers and others outside the company. To this end, we will drive forward initiatives to develop mechanisms to nurture independent human resources, create connections with people inside and outside the company, and support cooperation for new reform and challenges.

Concrete initiatives

- Creation of opportunities for having dialogue with the management team and managerial employees for instilling the vision
- Improvement of training system
- Establishment and instilling of the concept of organization-wide human resource development

In-house environment development policies

As the pre-condition for engaging in human resource development towards realizing Nikko’s vision, we believe that it is important for employees to respect and feel respected by the diverse people in and outside the company, and to develop an environment where employees feel secure and energetically cooperate with each other. For this reason, we have been pursuing initiatives for developing a culture where individual employees respect the values of diverse coworkers and for improving the sense of safety, well-being, and job satisfaction of employees and their family as well as colleagues.

Concrete initiatives

Measures to support development of next generation

- Rehiring of employees who left for childbirth or child rearing and establishment of a rehiring system for them
- Measures to promote utilization of annual paid leave
- Introduction of workstyle that is not dependent on location such as work from home and telecommuting

Promoting active participation of women

- Active promotion towards job applicants, of being a workplace where women can play an active role
- Awareness building to create a workplace culture where men as well as women can contribute to both workplace and family
- Realization of a flexible workstyle such as shortened working hour system, work from home, telecommuting, etc. and consideration of flexible working hour system
- Spreading a strong message regarding the rectification of long working hours from those at the top of the organization
- Personnel evaluation with focus on hourly labor productivity
- Fair evaluation for the use of childcare leave, shortened working hours, etc.
- Proactive operation of the system to shift employees from non-regular positions to regular positions

Indicators and targets

Category	Indicators	Results (FY 2022)	Targets (FY 2030 or indicated)
Human resource development policy	Ratio of female managers	0%	7%
	Time spent on training	8.5 hours per employee (5,086 hours in total)	10 hours per employee
	Cost of training	49,586 yen per employee (29.751 million yen in total)	50,000 yen per employee
In-house environment development policies	Ratio of employees taking childcare leave	100% for female and 33.3% for male	100% for female and 50% for male (FY 2025)
	Ratio of female employees	14.5% *including executives	22.5%
	Attrition rate (new graduates)	One year from joining the company: 3.1% Three years from joining the company: 7.7%	One year from joining the company: 3.0% Three years from joining the company: 7.0%
	Number of occupational accidents	Accidents with lost workdays: 1 Accidents without lost workdays: 7	Accidents with lost workdays: 0 Accidents without lost workdays: 3 or fewer
	Number of death from occupational accidents	0	Zero deaths
	Training on health and work safety	• Central Safety Training • Central Health Training • Health classes	Same as left (to be held continuously)

Situation by gender (Nikko Co., Ltd.)

(people)

	Male	Female
Career track	535	27
Clerical work	2	42
Contract employees*1	47	19
Master*2	22	0
Senior*3	9	0
Partner employees*4	0	14
Executive Officer	6	0
Total	621	102
Average age	42.8	44.0
Average years of service	17.9	10.7
Average wage (10,000 yen)*5	755	358

*1 Contract employees: rehired employees who are post-seniors or post-masters (non-regular employees) *2 Master: employees rehired after retirement (non-regular employees) *3 Senior: employees who are post-masters with extended employment (non-regular employees) *4 Partner: part-time employees with no fixed term (non-regular employees) *5 Male and female average wage: While there is no wage gap between men and women in the same position, wage gap does occur due to differences in office organization and lengths of service.

Trend of the number of hires

(people)

fiscal year	New graduates		People with prior work experience		Total
	Male	Female	Male	Female	
2023 (as of the end of June)	27	5	3	2	37
2022	26	6	19	2	53
2021	26	3	17	5	51
2020	13	0	17	4	34
2019	14	0	3	5	22
2018	19	0	6	1	26

Retention rate three years after joining (%)

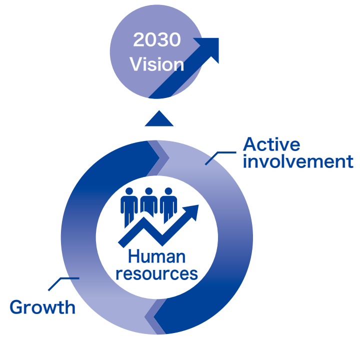
New graduates	92.3
People with prior work experience	81.0

Introduction and operation of a new personnel system

Based on the policies for developing human resources and in-house environment, Nikko in FY 2022 introduced a new personnel system aimed at promoting the growth and success of human resources who support the realization of the vision. We clarified employee treatment reflecting their duties and roles (Nikko Version Job-based Employment) and are operating the system to enable each employee to independently select their career paths.

What we aim to achieve through the system

Promote growth and success of human resources who support realization of 2030 Vision



Basic policies of the system revision

Basic policies

Persuasiveness | Fairness | Motivation

Key points of the revision

1	Adoption of personnel evaluation criteria that reflect characteristics of a job group
2	Clarification of personnel group for each grade
3	Strict implementation of promotion to section chief and above
4	A system where both demotion and pay cut are possible
5	Evaluation from the perspectives of results and process
6	Development of base pay and allowance system that are transparent and rational

Presentation of skill map and support for learning through training program

The new personnel system clarifies skills required of each grade and we actively support each employee to acquire skills suitable for their careers through various training programs.

Skill map for career track and managerial staff

G = grade JG = job grade

Item		G1	G2	G3	G4	JG1	JG2	JG3
Ability to raise concerns				Logical thinking ability	Logical thinking ability	Logical thinking ability	Critical thinking ability	Critical thinking ability
							Lateral thinking ability	Lateral thinking ability
					Multifaceted perspective	Multifaceted perspective	Multifaceted perspective	Multifaceted perspective
						Having insight, bird's-eye view	Having insight, bird's-eye view	Having insight, bird's-eye view
Interpersonal skills		Communication skills	Communication skills	Communication skills	Communication skills	Communication skills	Ability to negotiate	Ability to negotiate
				Leadership	Leadership	Leadership	Leadership	Leadership
				Listening skills	Listening skills	Listening skills		
					Presentation skills	Presentation skills	Presentation skills	Presentation skills
Job execution skills	Management strategies	Understanding Nikko's products and services	Understanding Nikko's products and services	Understanding Nikko's products and services	Formulation of functional strategies	Formulation of business strategies	Formulation of business strategies and resource distribution plan, future insight	Formulation of business strategies and resource distribution plan, future insight
	Marketing			Marketing	Marketing	Marketing	Marketing	Marketing
	Accounting, finance				Financial analysis	Financial analysis	Business plan, corporate finance	Business plan, corporate finance
	People, organization	Business manner, communications	Business manner, communications	Team management	Team management	Organizational management	Corporate culture development, organizational development	Corporate culture development, organizational development
	Operations	Progress management and time management Understanding of laws, regulations, specs regarding job execution Understanding business processing procedure of the department	Progress management and time management Understanding of laws, regulations, specs regarding job execution Understanding business processing procedure of the department					
			PDCA cycle	PDCA cycle	PDCA cycle	Risk management	Risk management	Risk management
			Business improvement	Business improvement	Business improvement	Business improvement	BPR	BPR

SMART goal setting and thorough goal management

In goal setting, we aim to ensure that each and every employee sets goals with SMART in mind to enable fair evaluation.

SMART in goal setting

	Requirements, meaning	Key points
S	Specific (Is it specific?)	The content is clear and easy to understand also for a third party.
M	Measurable (Can it be measured?)	The level of goal achievement has been converted into numbers or quantified
A	Achievable (Is it achievable?)	It describes procedures and steps towards achieving the goal.
R	Related (Is it linked to higher policies?)	It describes goals that are linked to those of the company and department.
T	Time-bound (Is the deadline clear?)	The deadline for achieving the goal is clearly presented and it is adequate.

The manager and the employee communicate through five one-on-one meetings a year regarding the established goal for close follow-up and goal management.

Meeting items	When	Purpose
Goal-setting meeting	April or May	• Set forth goals for the current fiscal year for each employee being evaluated taking into account company-wide and departmental goals.
Interim meeting	September	• The evaluator grasps the progress of the goals set forth at the beginning of the term, and consider measures as needed. • If a situation that was not foreseen at the beginning of the term occurs and necessitates changes to the contents of the goals, the goals are reset to carry out the procedure for changing goals mid-term.
Fiscal year-end meeting	February	• The evaluator grasps progress towards the goals set forth at the beginning of the fiscal year. • The evaluator communicates preparation for the evaluation meeting to the employee being evaluated.
Evaluation meeting	April of next fiscal year	• Confirm and evaluate the facts regarding achievement of the goals set at the beginning of the fiscal year and level of execution of the role.
Evaluation feedback meeting	June of next fiscal year	• Provide feedback on the evaluation ranks and basic pay for the next fiscal year after company-wide adjustment.

Allotment of treasury stock with restriction on transfer to employees

Commemorating the 100th anniversary of its foundation, Nikko allotted 100 shares in treasury stock to all employees of Nikko Group (worth 298,000 yen) in September 2019. Subsequently, the Company in 2021 introduced a system for allotting shares in treasury stock with restriction on transfer to its employees with the main aims of improving employee engagement and promoting their awareness as a shareholder for participating in management. Almost all employees have become Nikko shareholders and the Company expects their active contributions from a shareholder perspective to achieve 60.0 billion yen in consolidated net sales and operating margin of 10%, which are Nikko Group's 2030 Vision goals.

Status of allotment of shares in treasury stock with restriction on transfer

Implementation period	September 2019	August 2021	August 2022	August 2023
Target	857 employees (all employees including non-regular employees)	(1) Number of employees who received president's award (individuals, groups) (2) Employees who have achieved 10, 20, and 30 years in service (3) New hires (new graduates and mid-career hires) (4) Hires with prior work experience other than those allotted treasury stock in 2019	(1) Number of employees who received president's award (individuals, groups) (2) Employees who have achieved 10, 20, and 30 years in service (3) New hires (new graduates and mid-career hires) (4) Employees at affiliated companies other than those allotted treasury stock in 2019	(1) Number of employees who received president's award (individuals, groups) (2) Employees who have achieved 10, 20, and 30 years in service (3) New hires (new graduates and mid-career hires) (4) Employees at affiliated companies other than those allotted treasury stock in 2019
Target	857 people	106 people	169 people	140 people
Number of shares awarded (per person)	100 shares	100–1,000 shares	100–1,000 shares	100–1,000 shares
Price at which shares are awarded	2,980 yen	687 yen	649 yen	675 yen
Period of restriction on transfer	3 years	15 months	15 months	15 months

Development of environment ensuring occupational safety and health

Nikko Group is ensuring compliance with safety and health related laws and ordinances and improving its health and safety management level through company-wide training programs such as Central Safety Training and Central Health Training. It is also making sure to implement stress level tests and special health examination for employees with focus on improvement of personal as well as workplace environment. In the manufacturing divisions, which are associated with higher risks of accidents, the Group aims to achieve zero occupational accidents through the enhancement of education and support.

Annual targets

Accidents with lost workdays	0
Accidents without lost workdays	3 or fewer

Ratio of accidents with lost workdays (Nikko Co., Ltd.: FY 2022)

0.0

Trend of occupational accidents

(number of accidents)

		FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Nikko Group	Severe accidents	0	1	1	0	0
	Accidents with lost workdays	3	1	1	2	1
	Accidents without lost workdays	5	4	3	10	6 (including 2 accidents during commute)
	Total	8	6	5	12	6
Contractors (Nikko-related local projects)	Severe accidents	0	1	0	2	2
	Accidents with lost workdays	0	2	7	6	4
	Accidents without lost workdays	6	8	6	9	3
	Total	6	11	13	17	9