Materiality: Human Resource Development and Improvement in Job Satisfaction

Principles for human capital

To realize the vision "Creating robust, people- friendly cities around the world, " Nikko focuses on the development of human resources who work to create new markets, products, and services while leveraging the Nikko Group's high technological prowess. To this end, we have defined the three types of human resources shown below as the pillars of our human resources strategy.

Types of human resources Nikko Group is looking for

- 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

We believe that we can increase the value of our human capital, achieve sustained growth, and realize our vision as a company when each employee autonomously works on reinvention, takes on challenges, and respects and collaborates with diverse stakeholders in and outside the company.
To this end, we put our effort into the following three actions:

1. Developing independent human resources
Education and training programs elaborately designed to develop human resources who think and act with a sense of agency

2. Systematically facilitating connections between diverse coworkers
Promotion of networking that calls on diversity in and outside each company and country

3. Programs designed to help employees collaborate in working on reinvention and meeting challenges
Processes and incentives designed to encourage employees to work collaboratively across divisions, age groups, and regions

We are committed to addressing ever-changing social issues through investments in human capital, thereby continuing to enhance our corporate value.

Human resources strategy linked to the long-term vision

Nikko clarifies what it aspires to be as well as its key issues, and implements eight human resources measures as initiatives for its human resources strategy to realize the long-term vision.

Eight human resource initiatives aligned with management strategy

Measures related to human capital	What Nikko aspires to be	Key issues	KGI	KPI (progress monitoring)
Strengthen hiring of human resources	Hiring of human resources has been strengthened in all divisions and the pool of human resources to realize the vision is sufficient	● Formulate hiring plan by attribute (number of hiring by fiscal year: new graduates and hires with prior work experience) ● Implement measures to increase the number of applicants according toattributes such as science-related human resources and female	● Number of hires (overall and by attribute) by FY2030	● Number of applicants ● Application rate ● Percentage of applicants reaching final interview ● Number of applicants for final interview ● Number of applicants offered jobs ● Number of applicants hired
Establish and spread the ideal approach to human resource development	Each employee has an idea about his/her career and a system has been in place to support him/her in achieving his/her career goal, and employees are receiving such support and working	● Redevelop training system and career support system based on the human resource development policy	● Attendance rate of independent and selective training ● Training hours and costs per employee ● Employee satisfaction with human resource development system	● Training report submission rate ● Number of participants in external seminars
Develop global human resources	Development of global human resources who drive growth of overseas business has been strengthened, and human resources are deployed in each overseas base in a stable manner	● Establish and implement hiring and development programs for global human resources ● Foster an organizational culture that considers career formation from a global perspective	● Number of global human resources	● Number of foreign nationals hired ● Percentage of employees who hope to develop their careers globally ● Number of overseas trainees dispatched, number of employees with overseas work experience ● Number of participants in the global human resource development program
Understanding and spreading the Vision	Each employee understands and empathizes with the CI, longterm vision, and Medium-Term Management Plan as his/her own matter, and his/her job and work style are in conformity with them	● Foster an organizational culture in which all employees are interested in the CI, long-term vision, and Medium-Term Management Plan, and think on their own what they should do to realize them and take action	● Behavioral change with Vision in mind	● Fulfillment rate of opportunities for dialogue between the president and employees ● Fulfillment rate of opportunities for dialogue with management team and managers ● Level of understanding and acceptance of the Vision
Develop independent human resources	The number of human resources who think what they should do to contribute to the organization and act independently has increased and they have become the driving force in each division	● Extract the elements that are particularly important in realizing the management vision in terms of "innovative action," "external networking action," and "career development action," and study and implement measures to promote specific actions by employees	● Proactive human resources score	● Number of best practices shared ● Participation in external exchange (training) ● Number of actual job rotations
Ensure appropriate working hours	Each and every employee has a better understanding of time management, and working hours are leveled among employees	● Each employee correctly understands time management from the viewpoint of work-life balance (WLB) and labor productivity, and thinks and implements specific improvement measures	● Percentage of employees whose working hours are within the 36 agreement limits ● Cumulative number of cases in which an employee's monthly overtime hours exceed 40 hours	● Awareness rate of overtime reduction measures ● Implementation rate of overtime reduction measures
Improve sense of wellbeing and job satisfaction	Each and every employee is physically and mentally healthy, and feels socially and economically fulfilled	● Maintain and improve retention rate after joining ● Increase recognition/utilization rate of childcare and nursing care support systems ● Implement measures to reduce anxiety related to childcare and nursing care	● Scores on wellbeing	● Retention rate of new graduates and people with prior work experience three years after joining ● Career satisfaction rate of young human resources ● Introduction and utilization rate of consecutive leave system ● Implementation of seminars to support balancing work and childcare/nursing care ● Ratio of employees taking childcare leave
Promote DE&I	The organization and its human resources are evolving through each and every employee's acceptance of diversity, mutual recognition, and the exercise of diverse capabilities toward the realization of the Vision	● Study and implement measures to promote hiring, develop, and retain female employees ● Reconstruct hiring routes for foreign nationals and strengthen a system for acceptance after hiring ● Build an organizational foundation that enables each and every person with disabilities to demonstrate his/her diverse abilities and play an active role in his/her field of expertise	● Ratio of female employees, ratio of female managers ● Number of foreign nationals in managerial positions ● Employment rate of persons with disabilities	● Attendance rate of female employee development training for managers ● Attendance rate of in-house seminars for the development of female managers ● Ratio of employees who would like to be a manager if given the opportunity ● Ratio of female hired, ratio of female candidates for management positions ● Creation of opportunities for communication among foreign employees ● Retention rate of foreign employees three years after joining ● Implementation rate of interviews with employees with disabilities ● Number of study sessions for supervisors implemented

Framework to support international career advancement

To train employees to lead its overseas businesses essential to its growth, Nikko offers a human resource development program that accepts applications from employees who seek to pursue successful international careers or who have been directed by their companies to apply.

Target grades

JG1
G4
G3

Global human resource development program

- The program, offered by an external training organization, provides training for employees working at our bases in Japan. Its objective is to enhance the trainees' knowledge, skills, and language skills needed for overseas assignment.
- Communication skills, an understanding of different cultures and ability to adapt to different environments, resistance to stress, problem-solving skills, language skills, human resource management and risk management overseas, basic knowledge about contracts, etc.

Assignment to an overseas base to work as a local member

- On this assignment, employees experience working as core members of overseas bases to acquire the knowledge and improve the skills they should have as globally competent human resources that lead those bases.

Target grades

G2
G1

Language acquisition support program

- Online English language program
- The Company pays for a business English course its employees voluntarily take

In-house environment development and well-being enhancement

The Company believes that, to boost employee engagement and to achieve its sustained growth, it is essential for all of us to respect diverse internal and external coworkers, feel respected by these coworkers, and create an environment in which we work collaboratively feeling safe and motivated. With this awareness, we have defined human resource development and in-house environment development as the key pillars of our human capital strategy, and set the goals stated below to pursue our efforts.

In order to visualize employees' well-being and keep making improvements, we conduct an annual well-being survey of all employees of Nikko Co., Ltd. In FY2024, as high as 89.9% of the 691 employees who were asked to participate in the survey responded.

The survey results showed that the overall rating was 6.0 on a scale of 1 to 10, up 0.1 points from the previous year. While the one-on-one interviews we have been working on since FY2023 are becoming part of our routines and producing effects, issues have been identified in the items regarding "future career development." Hence, we are exploring and implementing measures to address those issues, and taking specific actions to make improvements. We will continue the development of in-house environments, so that we keep pursuing the creation of environments in which our employees feel comfortable as they work to achieve their full potential. More specifically, we are working on detailed improvement measures, such as setting up interviews with career consultants.

Human resource development and improvement in job satisfaction: indicators and targets

Category	Indicators	Results (FY2024)	Targets (FY2030)
Human resource development	Ratio of female managers	1.0%	7.0%
	Time spent on training	15.3 hours per employee (10,058 hours in total)	20 hours per employee
	Cost of training	88,156 yen per employee (57.830 million yen in total)	100,000 yen per employee
Human rights initiatives	Human rights training	627 participants	All employees participate every year
In-house environment development	Ratio of employees taking childcare leave	Female: 100% Male: 61.9%	Female: 100% Male: 50% (FY2025 target)
	Ratio of female employees	13.7%	22.5%
	Well-being questionnaire score	Average of all items: 6.0 pts	Average of all items: 8.0 pts
	Attrition rate	One year from joining the company: 0.0% Three years from joining the company: 15.6%	One year from joining the company: 3.0% Three years from joining the company: 7.0%
	Number of occupational accidents	Accidents with lost workdays: 2 Accidents without lost workdays: 8	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)

Improvement in job satisfaction by allotting treasury stock with restriction on transfer

Commemorating the 100th anniversary of its foundation, Nikko allotted 100 shares in treasury stock to all employees of the Nikko Group (worth 293,000 yen per person) in September 2019. This allotment was to show the Company's gratitude to employees for their contributions, and to raise their awareness of corporate value enhancement. In 2021, we also introduced a system for allotting shares in treasury stock with restriction on transfer to our employees with the aims of improving their job satisfaction and promoting their awareness as a shareholder for participating in management. This system has established the environment that allows employees to be voluntarily involved in enhancing our long-term corporate value while they hold shares in their company.
Today, almost all employees are Nikko shareholders. The Company expects their active contributions made from a shareholder perspective to achieving the goals the Nikko Group sets out for FY 2030 (70.0 billion yen in net sales and operating margin of 10%), with a sense of ownership over the Company's business management. We will remain committed to improving employee engagement and continuously enhancing our corporate value as part of our strategic investments in human capital.

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

	August 2021	August 2022	August 2023	August 2024	August 2025
Target	● Number of employees who received president's award (individuals, groups) ● Employees who have achieved 10, 20, and 30 years in service ● New hires (new graduates and mid-career hires) ● Hires with prior work experience other than those allotted treasury stock in 2019	● Number of employees who received president's award (individuals, groups) ● Employees who have achieved 10, 20, and 30 years in service ● New hires (new graduates and mid-career hires) ● Employees at affiliated companies other than those allotted treasury stock in 2019	● Number of employees who received president's award (individuals, groups) ● Employees who have achieved 10, 20, and 30 years in service ● New hires (new graduates and mid-career hires) ● Employees at affiliated companies other than those allotted treasury stock in 2019	● Employees of Nikko and employees and executives of subsidiaries, etc. of Nikko ● Number of employees who received president's award (individuals, groups) ● Employees who have achieved 10, 20, and 30 years in service ● New hires of Nikko Group (new graduates and hires with prior work experience)	● Employees who have achieved 10, 20, and 30 years in service ● New hires of Nikko and Nikko Group (new graduates and mid-career hires)
Target	106 people	169 people	140 people	1,059 people	154 people
Number of shares awarded	100-1,000 shares	100-1,000 shares	100-1,000 shares	100-1,000 shares	100 shares
Price at which shares are awarded	687 yen	649 yen	675 yen	701 yen	777 yen
Period of restriction on transfer	3 years	15 months	15 months	15 months	15 months