

August 20, 2020

FY 2020 1Q Results Briefing: Gist of Questions and Answers Session

1. Please explain the factors which made the business environment of the AP-related business favorable.

-> Rather than the number of projects, we are receiving orders for large-scale projects. It seems it is not owing to certain business environment factors but the timing of capital investment of users. There are a total of about 700 AP plants of various scale made by Nikko across Japan, and among the orders we are receiving, there are many scrap and build of large-scale plants by major road builders.

2. Is there any impact of the delay in the Olympic Games on the AP- and BP-related businesses?

->There is no particular impact of the Olympic Games on either AP- or BP-related business.

Is there any impact such as delays in construction work, such as it is harder to carry out construction work before the Olympic Games?

-> There may be some impact to some extent, but I believe that there is no impact when you look at it from the nationwide perspective.

3. Please explain the status of net sales and profit margin of maintenance service in the first quarter of the current fiscal year.

-> Net sales of AP's maintenance service were 1.9 billion yen in the first quarter, which were unchanged from the same quarter a year earlier. Nevertheless, profit margin improved about 3 p.p. Sales of BP's maintenance service were 800 million yen in the first quarter and were also almost the same as the sales in the first quarter a year earlier. Profit margin of BP started improving about two years ago, and it was at about the same level in the first quarter compared with the first quarter a year earlier.

Does it mean that profit margin of BP's maintenance service is improving but that of AP's maintenance service is behind?

-> In the case of BP, significant part of maintenance service consists of parts and (the profit margin) has improved to a good level. In our view, the profit margin of AP's maintenance service can be improved a lot more.

4. You mentioned that the contract rate of remote maintenance service has increased. Does this appear in figures as margin improvement?

-> So far, we can only see the figures of annual contract amount on the surface.

I believe that it would take some more time before the improvement in operating efficiency in maintenance service from the introduction of remote maintenance service shows up in the profit margin.

Note: This summary of the question and answer session was created in part to provide the information to those who did not attend the results briefing. Please note that parts of the text have been edited to improve clarity and enhance understanding.

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