



- ❑ In this briefing material, AP denotes asphalt plants in our business and BP concrete plants.
- ❑ Nikko President Masaru Tsuji will explain the progress made in the medium-term business plan and the impact of the novel coronavirus on our business, and Hiroshi Fujii, Managing Director and General Manager of Financial Division, will explain the business results and the forecast for the current fiscal year.

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Nikko Group has been complying with the policies of the central and municipal governments and continuing its business activities while giving utmost priority to the safety of its customers, business partners, and local community members as well as all employees and their family members.

- Recommended employees to commute and travel by car and refrain from using public transportation, and travelling by car for unavoidable business travels.
- Recommended telecommuting to those working in engineering and head office divisions (63% telework).
- Dispersed the places of work to avoid crowding in offices.
- Employees checked temperature at home every morning and those who have fever or are unwell cannot come to work.

Impact on the business

- Impact on the overall construction-related industry in Japan is estimated to be small.
- Situation at overseas subsidiaries
 - Nikko Shanghai: Closed from Jan. 31 to Feb. 11.
Resumed operation on February 12. * Attendance at manufacturing floor: 31%; sales divisions: all employees telecommuted.
Mostly back to regular operation from March 25 (attendance at manufacturing floor: 94%).
As orders recovered, it is responding by operating overtime and on holidays from late April. The situation is same at outside suppliers.
 - Nikko Asia (Thailand) Co., Ltd.
Operation began on March 2 as planned (education, etc.).
Local employees started telecommuting on March 24.
Japanese employees have been telecommuting from March 25 and are scheduled to continue with it till the end of June.
This is its first fiscal year and the impact on business performance is expected to be limited.

- ❑ As for the impact of the novel coronavirus, those in the field have more opportunities to come in contact with customers, but the impact was relatively small given the nature of our industry.
- ❑ So far, no employees within the Nikko Group have contracted the infection, and we plan to take utmost care and go forward as our business becomes active following the lifting of the state of emergency.
- ❑ There was more or less no impact of the novel coronavirus on the financial results. There were some concerns regarding the business but we were able to operate the factories without any trouble.
- ❑ Currently, the measures we are taking involve telecommuting of employees in sales divisions, primarily in Tokyo. Since the beginning of April, those who can commute without using public transportation system are working from the offices, but operations are mainly carried out through teleworking.
Among the head office departments, the engineering divisions in particular prepared dozens of laptops for using CAD and the employees are primarily working from home.
- ❑ We judged that we can continue utilizing those laptops after the coronavirus infection subsides as an item to improve operating efficiency as part of work-style reform.



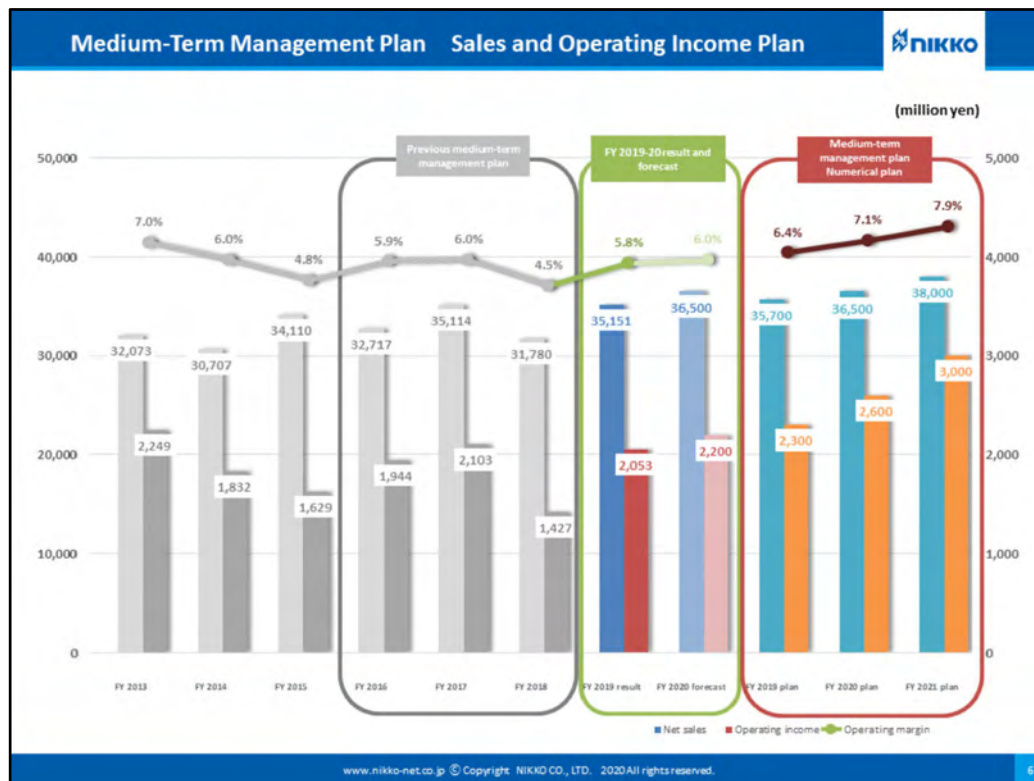
Review of FY 2019-2021 Medium-Term Management Plan and Action Plan

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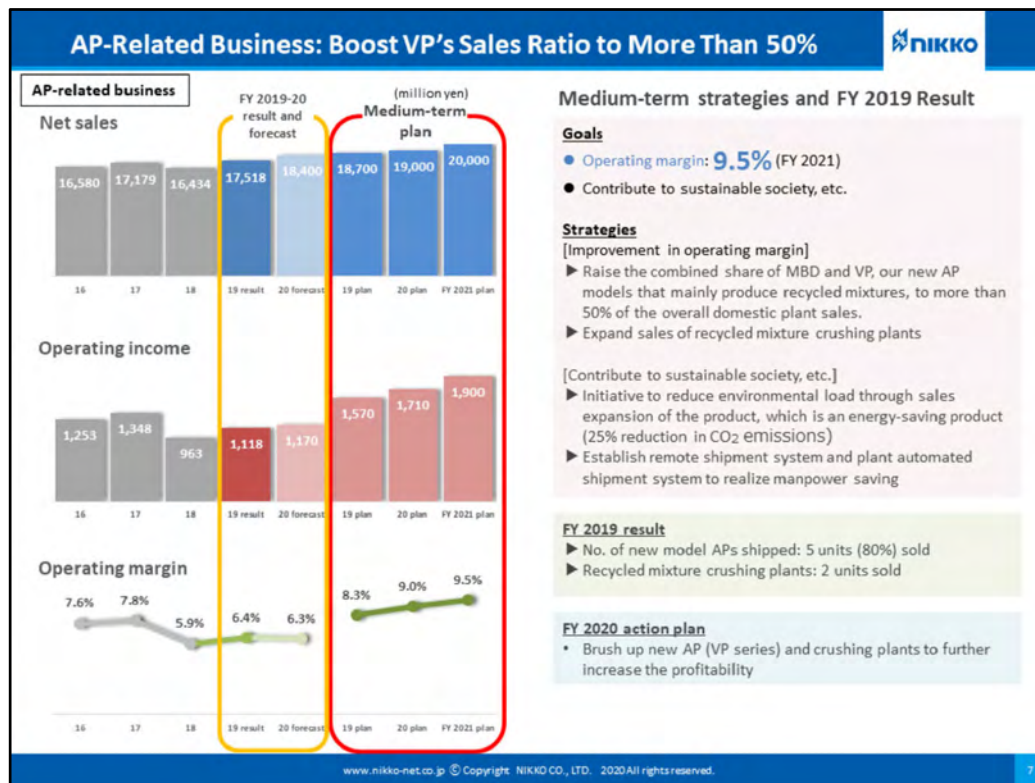
- ▣ I will now give an overview of the business results of FY 2019 in the medium-term management plan and future actions.

Basic Policy	
Long-term (10-year) Basic Policy, looking into the future	
Long-term Basic Policies	Results for FY 2019 (1st year)
1. Strengthen revenue base in Japan We aim to improve profitability by boosting product appeal by raising the level of all divisions of sales, service, engineering, and manufacturing (profit margin of 10%).	Operating margin in Japan FY 2018 4.5% → FY 2019 6.0% (MS profit margin: 25.9% → 28.0%)
2. Establish overseas sales We, as a manufacturer, aim to establish new overseas bases to spread Nikko products, which are the best in the world, in the ASEAN region (doubling overseas sales to 9.0 billion yen from the current 4.5 billion yen).	Thailand February 2020: Established Nikko Asia (Thailand) Co., Ltd. , an AP sales and maintenance company May: Decided to establish an AP manufacturing company
3. Promote new businesses (incl. M&As) We will invest management resources in expansion of new businesses and nurture products that will become new pillars of the industrial and construction machinery fields (generating 10.0 billion yen in sales from new businesses).	Mobile plant business FY 2018 90 mil. yen → FY 2019 500 mil. yen Waterproof boards FY 2018 210 mil. yen → FY 2019 810 mil. yen
4. Put work-style reform into practice We will improve operating efficiency and significantly boost labor productivity (centralizing clerical processes and using IoT and AI).	<ul style="list-style-type: none"> Enhanced web conferencing system to enable quick information sharing without constraints of time and place. Identified the problems with telecommuting and dispersed working system Dramatically improved production efficiency by introducing production facilities based on latest technology through investments in facility upgrade at manufacturing divisions.
5. Make ROE a KPI We aim to achieve market capitalization of at least 50.0 billion yen and ROE of at least 8%. We will also aim for a dividend payout ratio of minimum 60% and enhance shareholder returns.	Market cap FY 2018-end 19.25 bil. yen → May 27, 2020 26.68 bil. yen ROE FY 2018-end 4.4% → FY 2019-end 5.2% Dividend payout ratio forecast for FY 2020 62.6% May 22, 2020: Announced share buyback up to 800,000 shares (up to 400 mil. yen)
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- ❑ We have been working on the New Medium-Term Management Plan since last year by formulating a three year plan upon establishing a basic policy with an eye on 10 years ahead.
- ❑ The results of FY 2019 versus the target figures of the long-term policies for 10 years are as follows.
 - With respect to strengthening of revenue base in Japan, operating margin slightly improved from 4.5% to 6.0% but it is still a work in progress.
 - For establishment of overseas sales, we established Nikko Asia (Thailand) Co., Ltd. in February for sales and maintenance service of AP in Thailand and, as we announced the other day, decided to set up a company for manufacturing APs in Thailand.
 - In promotion of new businesses, net sales increased to 500 mil. yen from below 100 mil. yen a year ago as a result of activities to establish mobile plants, led by mobile crushers, as a pillar of the new business, and it showed an increasing trend. Sales of waterproof boards among disaster prevention-related products also increased markedly, reaching 800 mil. yen.
 - Among financial performance indicators, ROE reached 5.2%. We would like to raise it further.
 - We are expecting dividend ratio of 62.6% for the current fiscal year. In addition to it, we will also carry out share buyback and enhance shareholder returns.



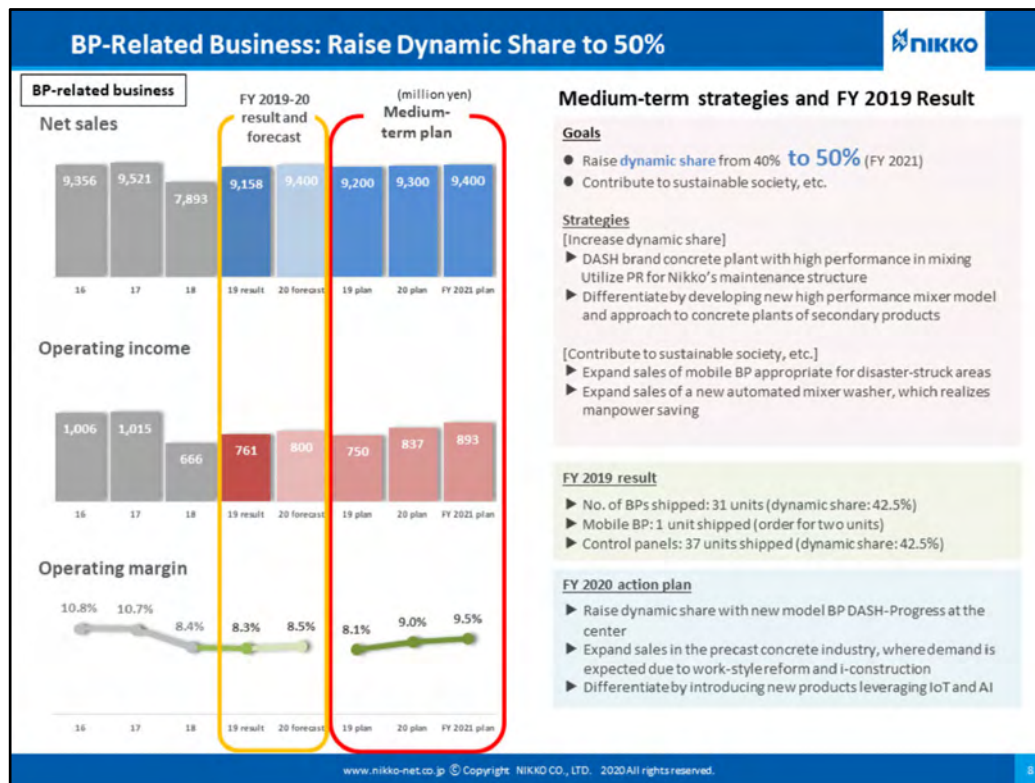
- ❑ The slide shows a graph of the plans for net sales and operating income in the medium-term plan, results for FY 2019 and forecasts for FY 2020. Net sales are almost on target but profit is slightly below the target.
- ❑ Currently, we are diligently engaged in activities to improve profit margin of each division, and we are hoping that those activities would enable us to exceed the forecast for the FY 2020 at least slightly and bring it closer to the figures targeted by the medium-term management plan.



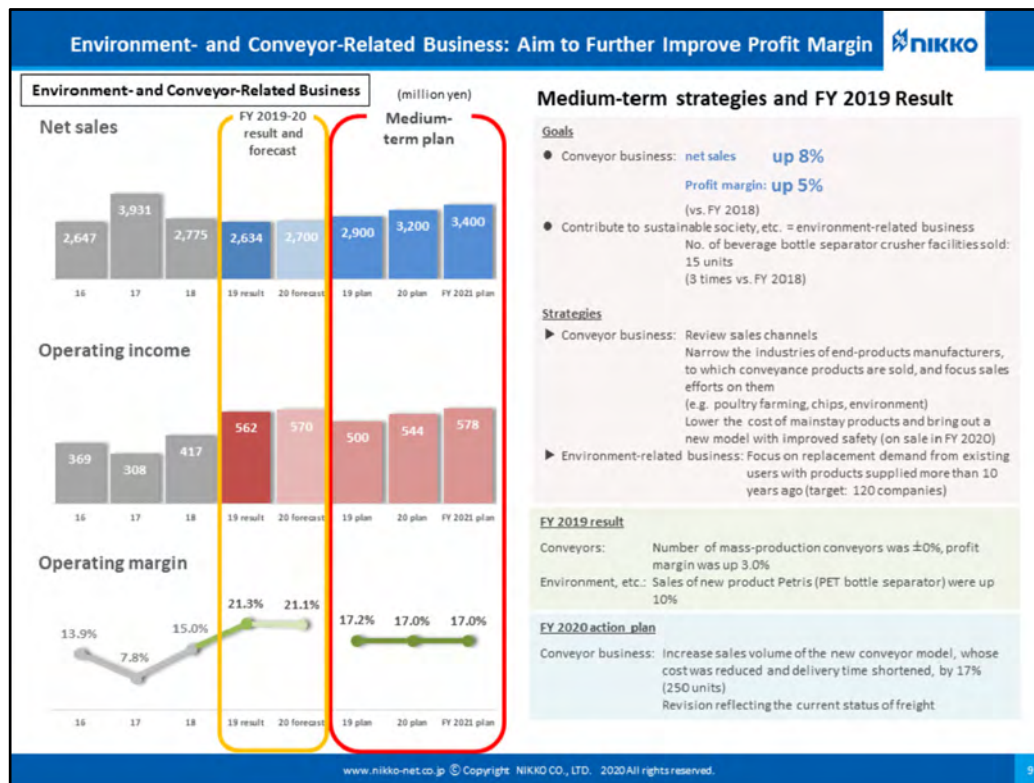
❑ Profits are the furthest from the targets in the case of AP.

AP is our mainstay business by far, and the overall numerical targets cannot be achieved without AP's improvement, so we are focusing on this business area the most.

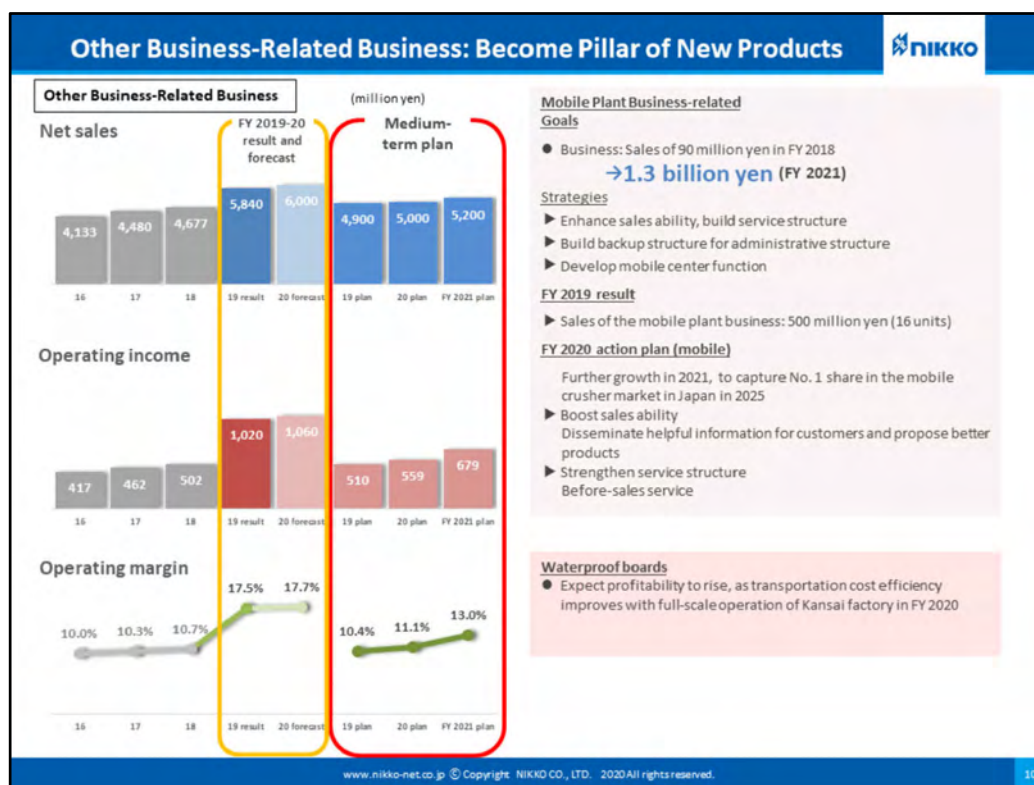
As a measure, we will introduce new products and differentiate us from other companies so as to ensure profits.



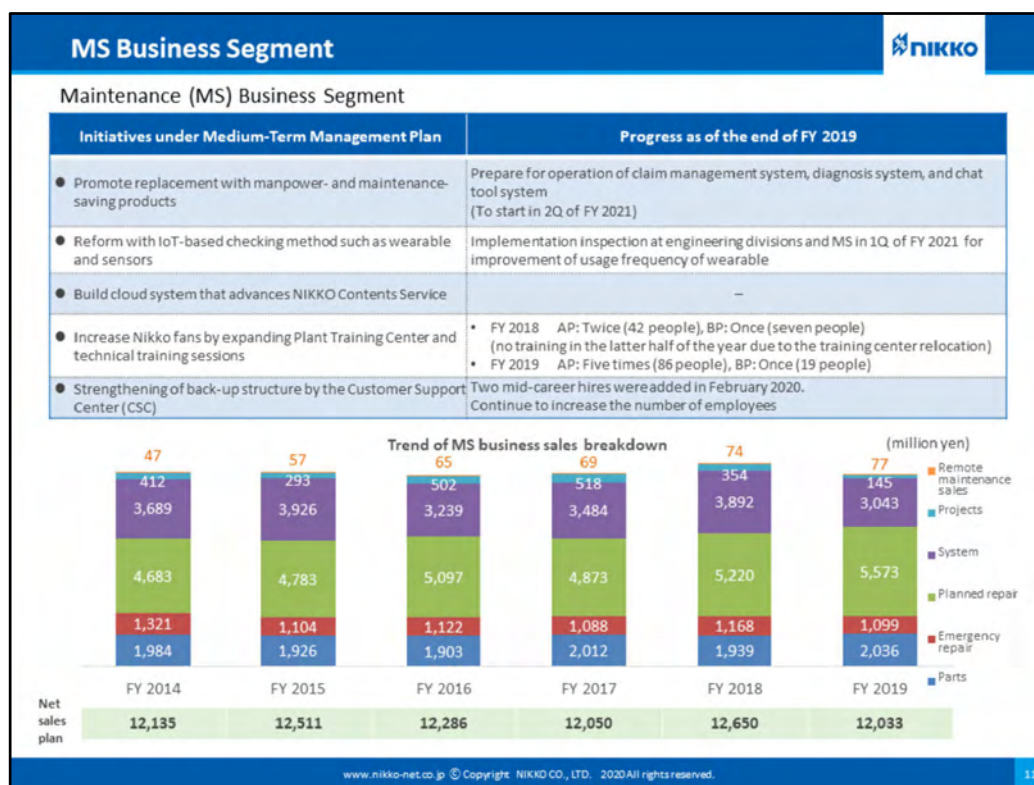
- ❑ BP is also showing trends similar to AP, achieving sales close to the target, but its profit was closer to the target compared with AP.
- ❑ AP, which we discussed earlier, has a 70% market share and we are differentiating our products to improve profitability. In the meantime, the dynamic share of our BP is still 40% and we believe there is room to increase that much more, so we are working to raise the market share to 50%.



- ❑ While sales of the environment- and conveyor-related business are small, they are also contributing to profit.



- The progress in the other business exceeded the target and we will further strive to develop new fields.



- ❑ Sales of the maintenance service (MS) business segment account for more than those of products group-wide.
- ❑ We are carrying out activities to improve both profitability and sales, in which we aim to implement asset management for customer facilities as an extension of the existing remote maintenance service.
It is a major reform of the business model and will take time, but we will prepare for it and implement activities to improve operation efficiency and profitability in this business domain.

International (China) Business Segment

Initiatives under Medium-Term Management Plan	Progress as of the end of FY 2019
● Introduction of new development projects in succession to the market: mixer 6t/B, larger RU, etc.	Plan to exhibit midship-type AP at bauma China 2020 Plan to introduce it to the market as early as in 2021
● Differentiation through introduction of new environmental equipment	Smoke and dust removal equipment managed with purchased products
● Full-scale start of the maintenance business (targeting large, static plant)	To make it full-scale as early as within 2020
● Improvement of plant functions	Improving plant functions, safety, and ease of maintenance as necessary
● Improvement of plant safety and ease of maintenance	
● Initiatives for remote monitoring system (response to remote maintenance requirement)	Delivery of new control panel: 1

International (ASEAN) Business Segment

Initiatives under Medium-Term Management Plan	Progress as of the end of FY 2019
● Strengthen sales of the new product business and aim to enter the business of used products, parts, and maintenance to address target's needs.	Established a sales and maintenance company in Thailand



International (ASEAN) Business

Five business policies

- (1) Expand new plant sales
- (2) Launch used plant business
- (3) Launch plant renewal business
- (4) Expand parts sales business
- (5) Launch maintenance service business

To establish a manufacturing company in FY 2020

Goals (plan)

- Become profitable in FY 2021 (second year)
- Expect 157 million yen in operating income in FY 2024 (fifth year)

- ❑ In the international business segment, in China, we have Nikko Shanghai, a factory fully owned by us, which is staffed almost entirely by local employees.
- ❑ The coronavirus crisis started easing the earliest in China and our operations also went back to normal quickly. The factory was unable to operate at all for virtually a month and a half, but is currently operating at 100% and sales activities are also being carried out smoothly. The employees are working to recover the blank of one to one and a half months caused by the coronavirus.
- ❑ We are currently focusing on the ASEAN region, but we cannot enter Thailand at the moment. As it takes one to one and a half years to establish a plant, we will advance the factory construction in the meantime. We will increase the productivity once the factory is completed at the beginning of autumn next year and make a foray into ASEAN market with focus on Thailand by controlling production cost and offering competitive products.

Established Nikko Asia (Thailand) Co., Ltd. for sales and service maintenance of asphalt plants in February 2020.

To establish an independent manufacturing company in Thailand in FY 2020.



May 22, 2020

To Whom It May Concern:

Company Name: Nikko Co., Ltd.
 Representative: Masaru Tsuji, Representative Director and President
 (Stock Code: 6398, First Section of Tokyo Stock Exchange)
 For inquiries: Hiroshi Fujii, Managing Director
 (Telephone: +81-76-947-3141)

Notice Regarding Establishment of Subsidiary Overseas

The Company's Board of Directors resolved at a meeting on May 22, 2020, to establish a subsidiary in the Kingdom of Thailand.
 Overview of the plan is as follows.

1. Purpose of establishment of a new company

The Company, as part of its ASEAN strategy, based on the medium- and long-term management plan, established Nikko Asia (Thailand) Co., Ltd. in February 2020 for sales and maintenance service of asphalt plants so as to provide stable and speedy maintenance, supply parts, and ensure close communications with customers. Subsequently, the Company will establish an independent manufacturing company in Thailand for local production to reduce costs and lead time to respond more to its customer needs and, together with the Shanghai factory in China, boost competitiveness across Asia.

2. Company overview

(1) Date to be established	June 25, 2020 (provisional)
(2) Name	Nikko Nid Khosol Co., Ltd. (provisional)
(3) Representative	Yoshika Yamamoto, President and Representative Director
(4) Capital stock	THB120 million (about 400 million yen)
(5) Location	Pathong Industrial Park Phase 4, Chonburi Province, Kingdom of Thailand

(6) Business	Manufacture and sale of asphalt plants and industrial machinery
(7) Ownership ratio	Wholly owned by Nikko Co., Ltd.

3. Factory overview

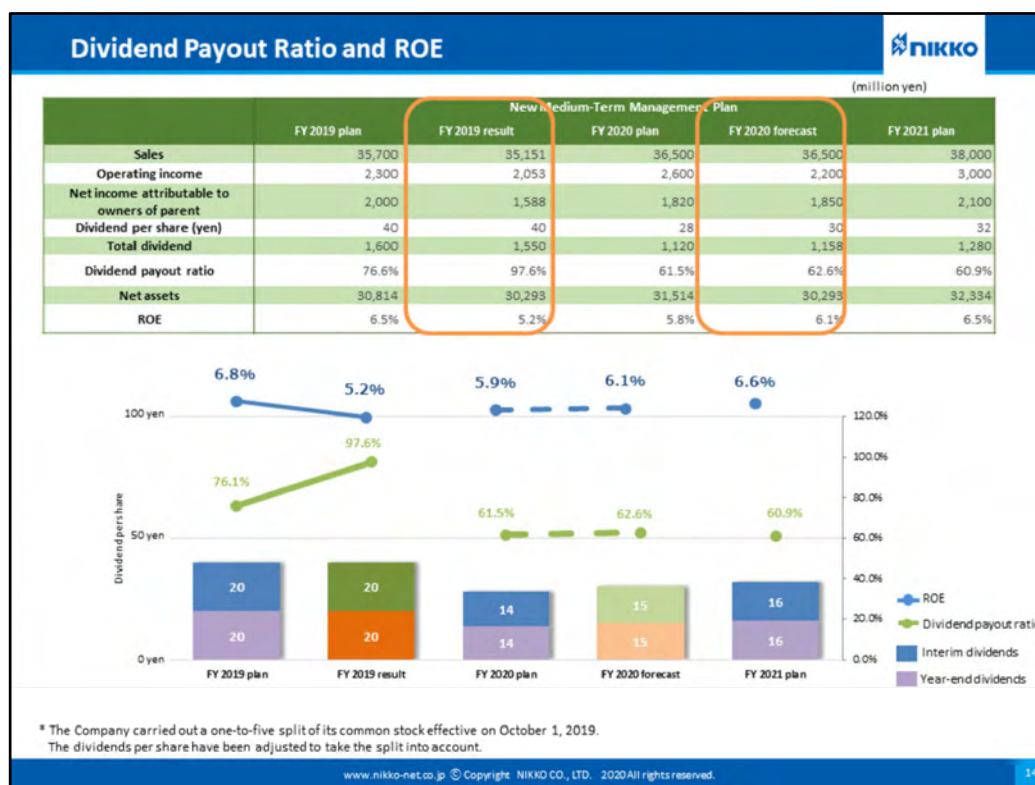
(1) Site area	40,542 m ²
(2) Factory area	4,536 m ²
(3) Investment	Approx. THB350 million (approx. 1.2 billion yen)
(4) Production capacity	Thirty asphalt plants a year and 900 tons of industrial machinery
(5) Start of construction work (provisional)	August 2020
(6) Start of operation (provisional)	October 2021



Rendering of the exterior of Nikko Nid Khosol Co., Ltd. (provisional name)

4. Future outlook

The impact of the establishment of the subsidiary on the Company's consolidated business performance forecast is expected to be negligible and it does not affect the outlook of the consolidated business performance.



- We would like to continue to highlight our sincerity to our shareholders and provide shareholder returns ensuring that the dividend payout ratio will stay above 60%.



FY 2019 Financial Results Briefing Session Materials

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In the past, we used financial statements dated Dec. 31 for two overseas consolidated subsidiaries that close accounts on that date (including Nikko (Shanghai) Construction Machinery Co., Ltd.), and made necessary adjustments on important transactions that took place before the consolidated account close date.

In order to have more appropriate grasp of the companies' operational situations and improve disclosure of quarterly consolidated financial statements, we adopted a consolidation method in which we work out provisional results of these companies on March 31, the consolidated account closing date, from the first quarter of the financial period under review.

Due to this change, for the fiscal year under review, accounts for the 15 months between January 1, 2019 and March 31, 2020 were consolidated.

Impact of the change in fiscal term of the overseas subsidiaries is as follows:

- Net sales: +43 million yen
- Operating income: -79 million yen

- In the account settlement for FY 2019, we changed the way we consolidate our overseas consolidated subsidiaries. This resulted in an increase of 43 mil. yen in net sales and a decrease of 79 mil. yen in operating income.



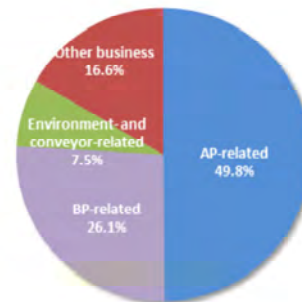
Company Information

Company Overview



Company name	Nikko Co., Ltd.	
Head office	1013-1, Eigashima, Okubo-cho, Akashi, Hyogo Prefecture	
Established	August 13, 1919	
Capital	9,197 million yen	(as of March 31, 2020)
Consolidated net sales	35,151 million yen	(FY 2019)
Consolidated operating income	2,053 million yen	(FY 2019)
Ratio of net sales outside Japan	13.4%	(FY 2019)
Subsidiaries	Nine companies	(FY 2019)
Employees (consolidated)	838	(as of March 31, 2020)
Governance structure	Company with Board of Corporate Auditors Directors: 7, including 2 outside directors Corporate Auditors: 4, including 3 outside auditors (as of March 31, 2020)	

Net sales breakdown by business segment (FY 2019)



AP: Asphalt plant
BP: (Concrete) batching plant



Management Philosophy

Adopting a customer-first policy, the Nikko Group provides customers with truly satisfactory products and services, while continually promoting self-reform aimed at winning broad trust and fulfilling our mission as a solutions partner evolving with customers.

Masaru Tsuji
Representative Director and President

辻 勝

History



Products	Production Sites	Overseas Expansion	Group Expansion in Japan (including acquisitions and transfer of business)
1919 Established TOMBO brand farming tools	1919 Head Office Plant	1993 Capital participation in Benninghoven (Germany)	1968 Ichiishi Kogyosho (M&A)
1951 Concrete mixers and winches	1938 Industrial machinery factory	1994 Nikko Baumaschinen (Germany)	1971 Nikko Electronics Co., Ltd. established
1956 Ready-mixed concrete plant	1968 Tokyo factory	1997 Taipei branch (Taiwan)	1983 Nikko Machinery Co., Ltd. established
1958 Asphalt plants	1994 Satte factory	2001 Nikko (Shanghai) Construction Machinery	1994 Tombo Industry Co., Ltd. established
1962 Telescopic steel props	2004 Shanghai Jiading factory	2010 Shangtui Chutian Construction Machinery	1995 Nikko Sec Co., Ltd. established
1963 Pipe scaffolding	2014 Kakogawa factory	2020 Nikko Asia (Thailand) Co., Ltd.	2002 Niigata Engineering (transfer of business)
1966 Conveyor system	2016 Fukusaki factory		2006 Mitsubishi Heavy Industries (transfer of business)
1983 Floodgates			2008 Maekawa Kogyosho (M&A)
2000 System for cleaning oil-polluted soil			
2001 Waste plastic treatment system			
2007 Concrete pumps			
2015 Crusher (import and sales)			

August 2019

100th anniversary of company foundation



Nikko Group Business Vision

Future creation that starts from an “*n*”

We strive to remain the leading company of asphalt and batching plants.

We aim to expand our overseas business and become the top manufacturer in the Asian market.

We will work to brush up on our core technologies in “heating,” “mixing,” “material handling” and “control” as we expand business.

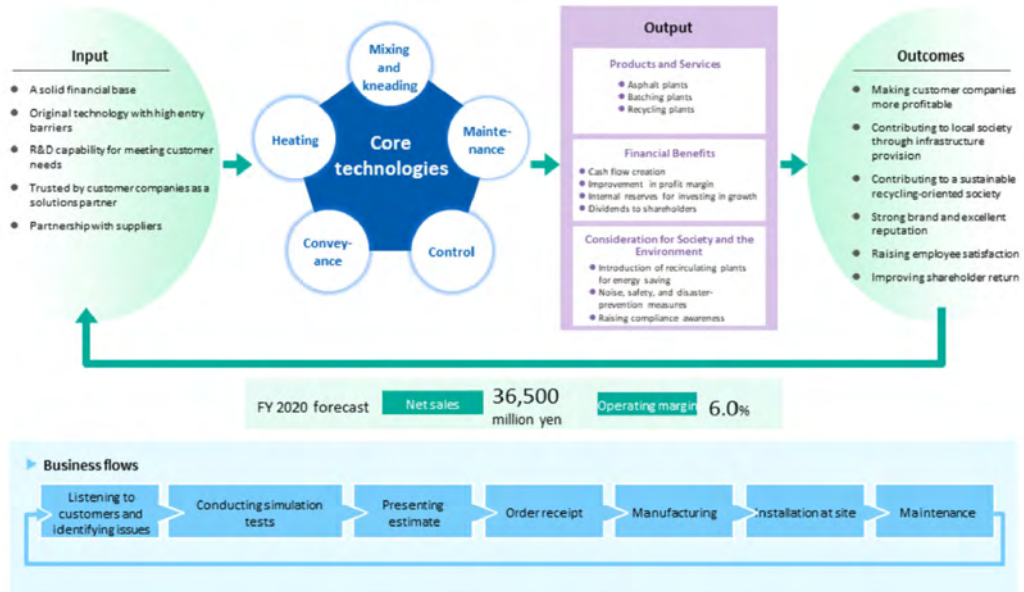
We will strive to remain a future-creating company ready to contribute to society.

Masaru Tsuji

Representative Director and President

辻 勝

A century of providing machines that build cities. Contributing to the establishment of a recycling-oriented society.



● Enhancement of shareholder returns

- ✓ Anticipates 30.00 yen per share in dividend payment in FY 2020 (dividend payout ratio of 62.6%)
 - ✓ Acquisition of treasury stock: from May 25, 2020, to Sept. 30, 2020 (800,000 shares in total [upper limit]; 400 million yen [upper limit])
- > total return ratio to come to 84.2%

● Information Disclosure

- ✓ The Company prepared Nikko Corporate Report 2019, the Nikko Group's integrated report for all stakeholders including investors and shareholders in both Japanese and English.
- We plan to enhance the integrated report from the ESG perspective in 2020.
(The Japanese version to be released in mid-September, English version in mid-October)

- I would like to explain enhancement of shareholder returns.
- To enhance shareholder returns, we expect to pay a dividend of 30.00 yen per share in the fiscal year ending March 2021, which will bring the payout ratio to 62.6%.
- As we announced earlier, we plan to carry out acquisition of treasury stock through September 30 with the aim of repurchasing shares equivalent to about 2% of the total number of outstanding shares.
- The total return ratio combining dividends and share buyback will be 84.2%.
- As part of our information disclosure effort, last year, for the first time, we compiled an integrated report and issued it in Japanese and English. We plan to continue to publish the integrated report this year. This time, we would like to enhance the contents of the integrated report from the ESG perspective.



FY 2019 Results and FY 2020 Outlook

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FY 2019 Performance Highlights (1)

Results compared with the previous year

- ▶ Sales: Sales of AP and BP products increased in Japan (up 2.4 billion yen) and those of the other business rose (1.1 billion yen), while sales of environmental products declined (down 100 million yen).
- ▶ Operating income: Increased (up 620 million yen), as sales increased (3.3 billion yen) and cost-of-sales ratio improved.
- ▶ Net income: Extraordinary profit/loss of 290 million yen in FY 2018 compared with 350 million yen in FY 2017. Cost of taxes increased to 850 million yen from 580 million yen in FY 2017. As a result, the rate of increase in net income was limited to 18.1%.
- ▶ Orders: Compared with FY 2018, down 14.5% in AP-related business, up 12.3% in BP-related business, down 13.4% in environment- and conveyor-related business, and up 17.8% in other business
- ▶ Order backlog: Compared with FY 2018, down 15.7% in AP-related business, up 9.3% in BP-related business, down 60.5% in environment- and conveyor-related business, and up 7.6% in other business

(million yen)

	FY 2018 result	FY 2019 result	YoY change (amount)	YoY change (%)	FY 2019 forecast
Net sales	31,780	35,151	+3,371	+10.6%	35,700
Operating income	1,427	2,053	+626	+43.9%	2,300
Operating margin	4.5%	5.8%	—	—	6.4%
Ordinary income	1,576	2,142	+566	+35.9%	2,500
Net income attributable to owners of parent	1,345	1,588	+243	+18.1%	2,000
New orders received	35,103	*33,915	(1,188)	(3.3%)	37,450
Order backlog	13,454	12,219	(1,235)	(9.1%)	15,205

*Orders worth 1,333 million yen were delayed due to the impact of the novel coronavirus, etc.

(yen)

Exchange rate (EUR/JPY)	129.97	121.73	—	—	121.18
Exchange rate (RMB/JPY)	16.63	15.76	—	—	15.66

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- ❑ I would like to explain the highlights of the business performance in 2019.
- ❑ In FY 2019, we were able to report increases in both sales and profit compared with the previous fiscal year. However, the results were slightly below our forecasts.
- ❑ Compared with FY 2018, both new orders received and order backlog declined by more than 1 bil. yen. Orders worth approx. 1.3 bil. yen were delayed due to the impact of the novel coronavirus. The orders would have been similar to the previous fiscal year's level if these orders had come in according to the plan.

FY 2019 Performance Highlights (2)



Results compared with the previous year

(million yen)

		FY 2018 result	FY 2019 result	YoY change (amount)	YoY change (%)	FY 2019 forecast
AP-related business	Net sales	16,434	17,518	+1,084	+6.6%	18,367
	Operating income	963	1,118	+155	+16.1%	1,476
	Operating margin	5.9%	6.4%	—	—	8.0%
BP-related business	Net sales	7,893	9,158	+1,265	+16.0%	9,369
	Operating income	666	761	+95	+14.2%	697
	Operating margin	8.4%	8.3%	—	—	7.4%
Environment- and conveyor-related business	Net sales	2,775	2,634	(141)	(5.1%)	2,803
	Operating income	417	562	+145	+34.8%	479
	Operating margin	15.0%	21.3%	—	—	17.1%
Other business	Net sales	4,677	5,840	+1,163	+24.8%	5,159
	Operating income	502	1,020	+518	+103.2%	948
	Operating margin	10.7%	17.5%	—	—	18.4%
Corporate expenses		(1,122)	(1,409)	+287	+25.6%	(1,303)

- ▶ Net sales of AP-related business: In Japan, net sales of products were up 34.5%. Net sales of maintenance service were down 8.1%. Overseas, exports increased 58.5% and net sales in Shanghai rose 8.0%.
- ▶ Net sales of BP-related business: Net sales of products were up 31.9% from a year earlier. Net sales of maintenance service were up 2.9%.
- ▶ Environment- and conveyor-related business: Net sales of environmental products were down 31.9% from a year earlier. Those of conveyor products were unchanged from a year earlier.
- ▶ Other business: Net sales of mobile plants were up 448.9% from a year earlier (92 million yen → 505 million yen). Net sales of waterproof boards were up 304.7% (210 million → 850 million). Net sales of temporary construction materials were up 11.5%. Net sales of crushers were up 4.7%. Net sales of hand tools were down 4.3%.

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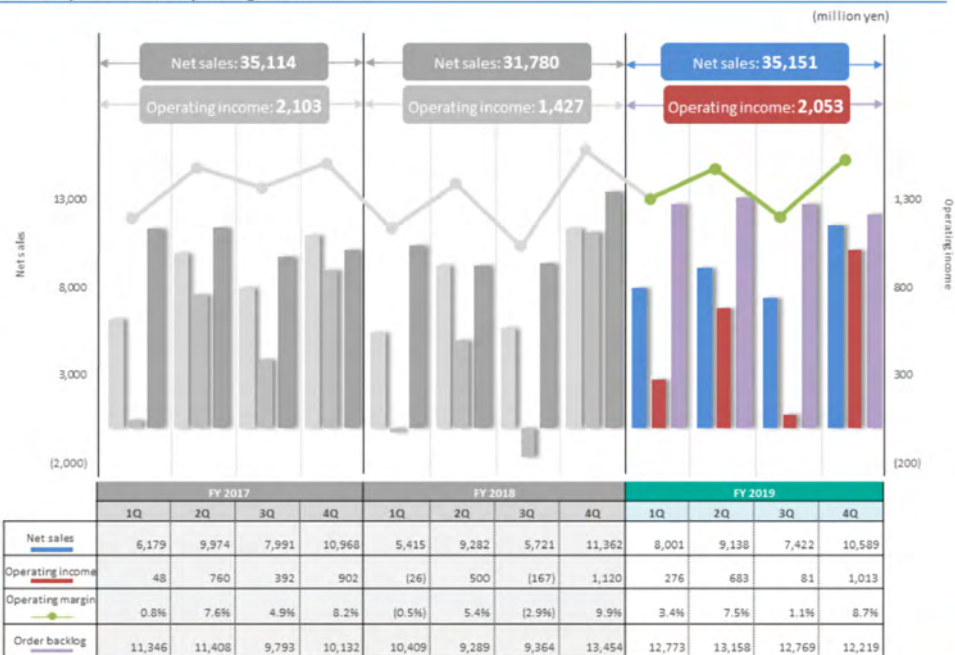
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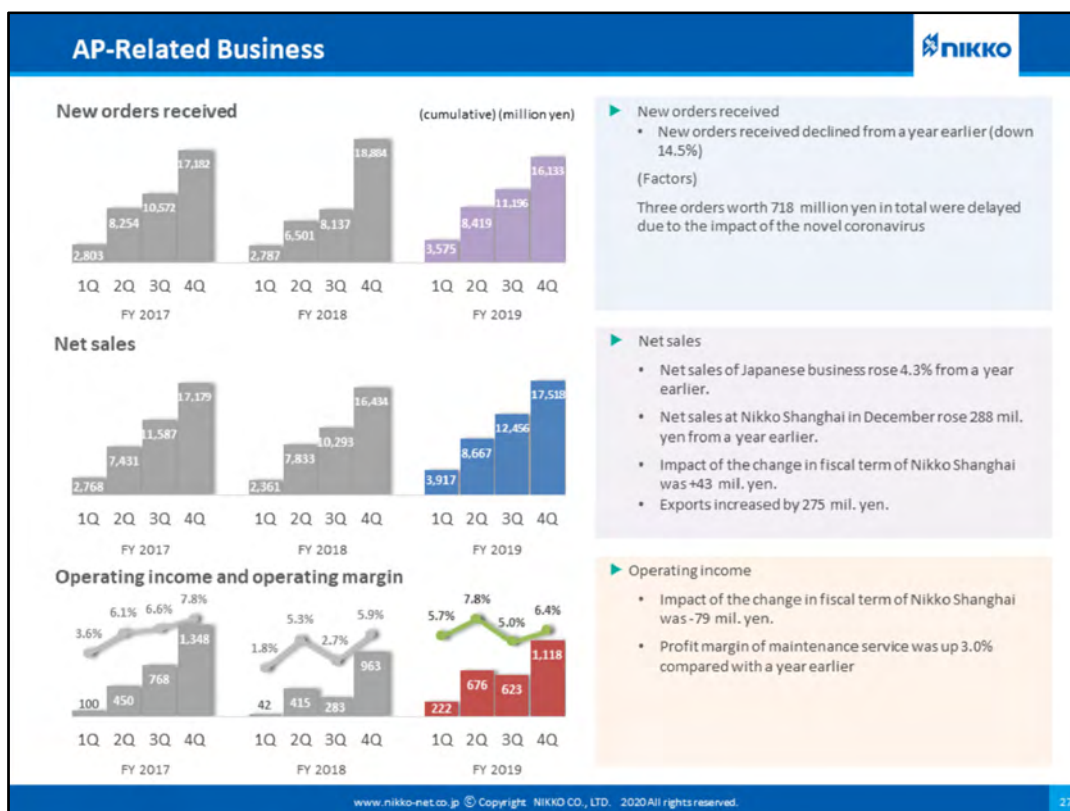
- A feature of segment performance in FY 2019 is that each segment improved compared with the previous year. While sales of the environment- and conveyor-related segment slightly declined, profits of all segments registered double-digit growth year on year. In particular, the other business segment significantly grew in both sales and profit.

FY 2019 Performance Highlights (3)

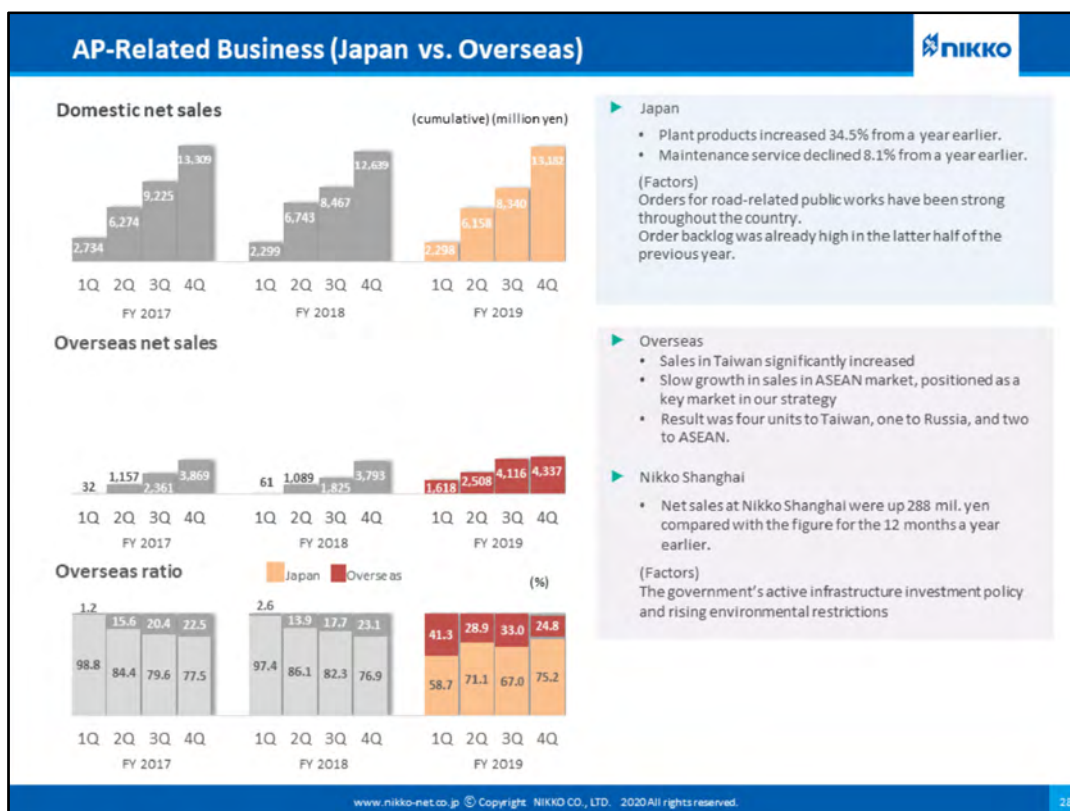


Quarterly net sales and operating income trends

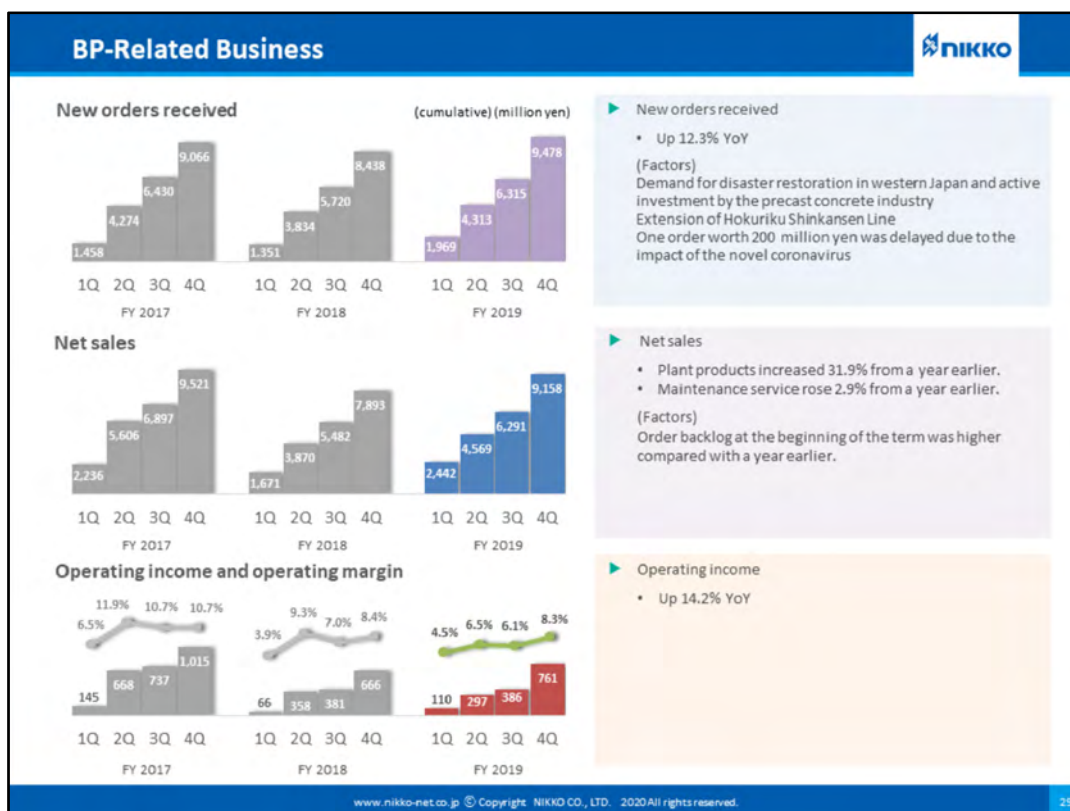




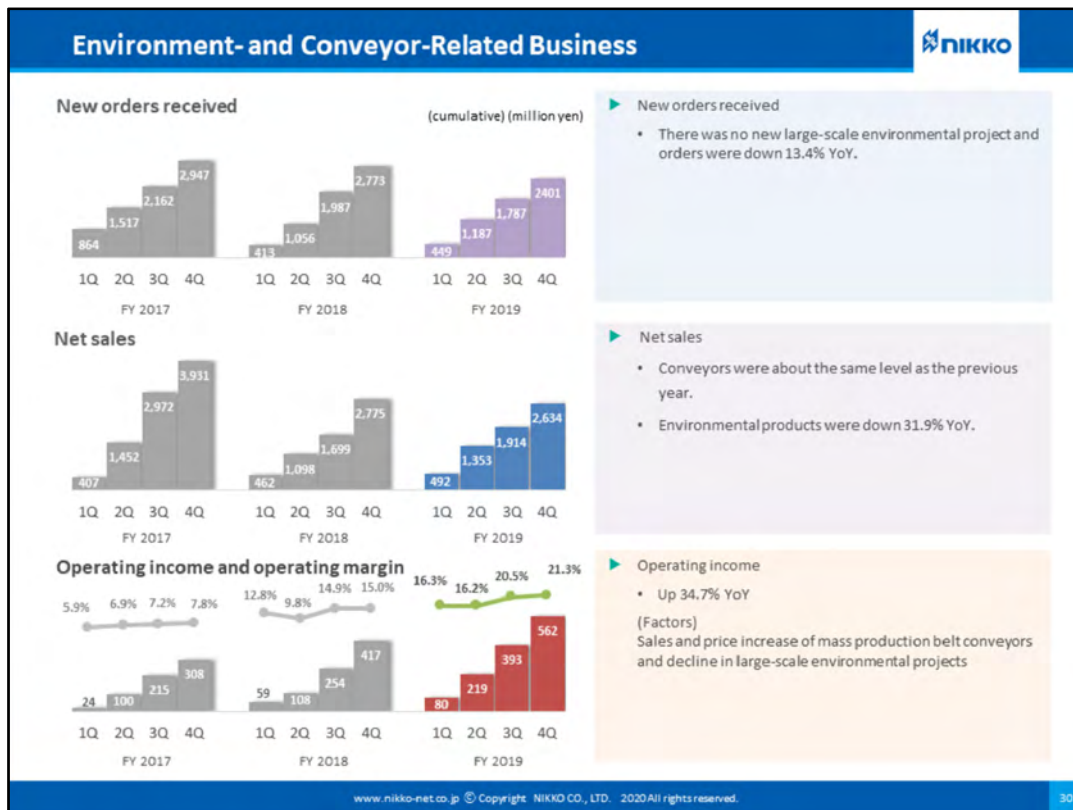
- ❑ The new orders received by the AP-related business for full year declined 14.5% on year. Three orders, worth 718 mil. yen in total, were delayed due to the impact of the novel coronavirus.
- ❑ Domestic net sales increased 4.3% compared with a year earlier. The account settlement period for the Chinese business this time was 15 months and its net sales were up 288 mil. yen even when compared on a 12 month basis.
- ❑ As for operating income and operating margin, operating income increased to 1,118 mil. yen in FY 2019 from 963 mil. yen a year ago. Operating margin increased from 5.9% to 6.4%. The most significant factor is that the margin of maintenance service rose 3.0% from a year earlier.



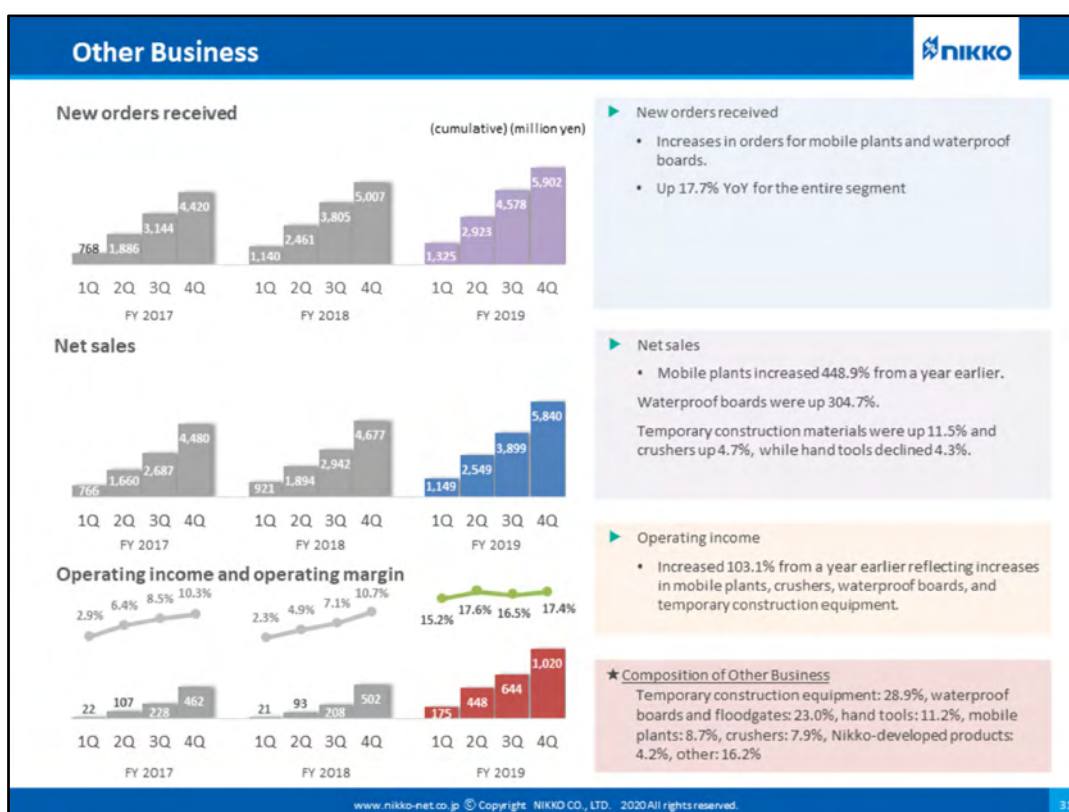
- ❑ In the AP business, sales of plants in Japan increased 34.5% compared with the previous year while those of maintenance declined 8.1%.
- ❑ Overseas, sales in Taiwan grew significantly, but those in the ASEAN region, which we position as a strategic market, slowed and they are limited to exports of two units.



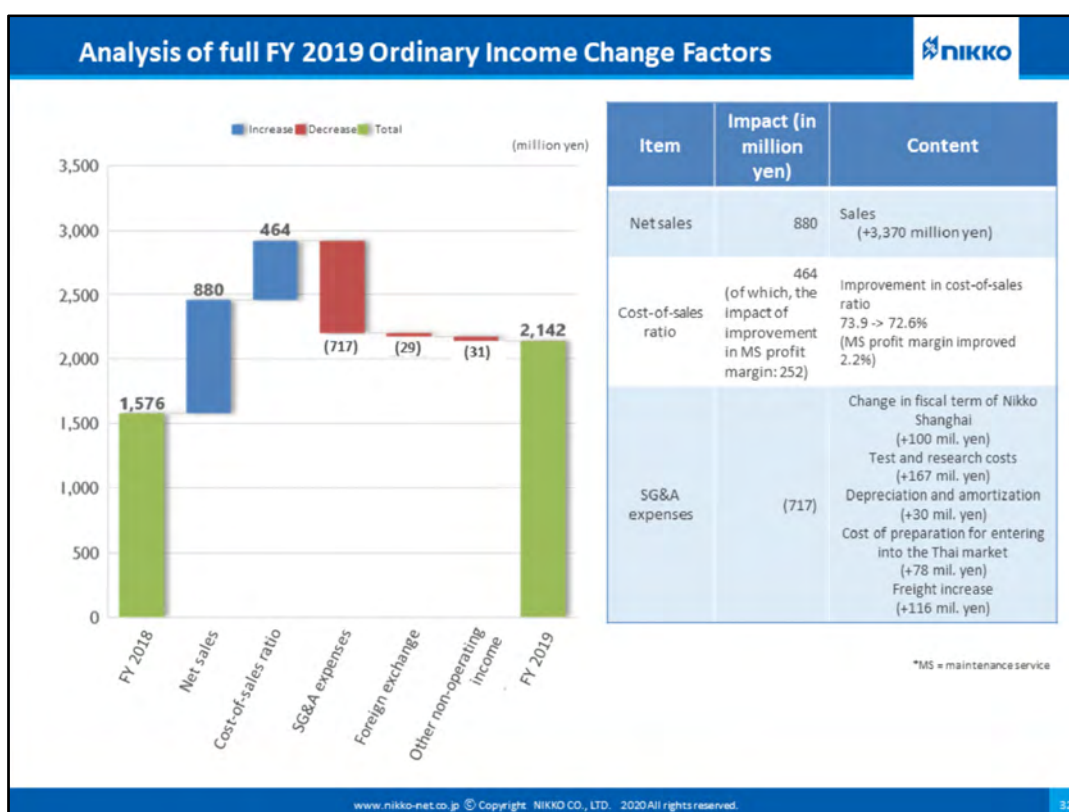
- ❑ Almost all sales in BP are in Japan.
- ❑ The new orders received increased 12.3% compared with a year earlier. The factors behind the growth are considered to be the demand for disaster restoration in western Japan, active investment by the precast concrete industry, and an increase in demand due to the extension of the Hokuriku Shinkansen Line.
- ❑ Among the orders for BP, one project worth 200 mil. yen was delayed due to the impact of the novel coronavirus.
- ❑ Net sales of plants increased 31.9% compared with the previous year and those of maintenance service rose 2.9%.
- ❑ Operating income increased 14.2% from a year earlier as sales grew. Operating margin was unchanged at 8.3%.



- ❑ Sales of the environment- and conveyor-related segment grow greatly when there is a large-scale environmental project, but there was no major environmental project or sales in FY 2019. New orders received declined 13.4% from a year earlier. Net sales of conveyors were at a similar level to a year earlier, while those of environmental products declined 31.9%.
- ❑ However, operating income registered a significant growth of 34.7% compared with the previous year. This is due to an increase in sales of mass production belt conveyors and price increase.



- ❑ New orders for the other business as a whole increased 17.7% compared with a year earlier.
- ❑ Net sales of mobile plants and waterproof boards increased by 400% and 300% respectively compared with a year earlier. In addition, sales of temporary construction materials and crushers also increased compared with a year earlier.
- ❑ Operating income doubled. Mobile plants, crushers, waterproof boards, and temporary construction materials largely contributed to profit.



- This is the analysis of the factors contributing to the increase in ordinary income compared with FY 2018. The most significant factor is the profit increase due to the sales rise, and the 3,370 mil. yen increase in sales resulted in an increase of 880 mil. yen in profit.
- Cost-of-sales ratio improved 1.3%, of which a 2.2% improvement in profit margin of maintenance service accounted for about 0.7%.
- The contribution of the improvement in cost-of-sales ratio including this was 464 mil. yen.
- One feature of FY 2019 was an increase of 717 mil. yen, or 10%, in SG&A expenses compared with a year earlier. The right side of the table shows the main factors.

Balance Sheet Trends



(million yen)

		FY 2018	FY 2019	Change	Main factors in year-on-year change
Assets	Current assets	29,390	31,426	+2,036	Increases: Cash and deposits +2,275 mil. yen Work-in-progress +570 mil. yen Raw materials and supplies +304 mil. yen Decreases: Notes and accounts receivable-trade (829) mil. Yen Finished goods and merchandise (255) mil. yen Consumption taxes receivable (209) mil. Yen
	Property and equipment	6,507	7,362	+855	Increases: Buildings and structures +279 mil. yen Machinery, equipment and vehicles +208 mil. yen Land +255 mil. yen Deferred tax assets +377 mil. yen
	Intangible assets	418	431	+12	Decreases: Securities (1,635) mil. yen
	Investments and other assets	7,652	6,456	(1,196)	
	Total assets	43,969	45,677	+1,708	
Liabilities	Current liabilities	10,781	12,545	+1,764	Increases: Notes and accounts payable-trade +160 mil. yen Electronically recorded monetary claims +238 mil. yen Accounts payable-factoring +1,036 mil. yen Income taxes payable +206 mil. yen
	Long-term liabilities	2,773	2,838	+65	
Total net assets		30,414	30,293	(121)	Increases: Capital surplus +110 mil. yen Retained earnings +583 mil. yen Decreases: Treasury stock (156) mil. Yen Valuation difference on available-for-sale securities (891) mil. yen Foreign currency translation adjustment (108) mil. Yen
Net assets per share (yen)		793.76	780.68	(13.08)	

* The Company carried out a one-to-five split of its common stock effective on October 1, 2019.
Net assets per share was calculated assuming that the split took place at the beginning of FY 2018.

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FY 2020 Forecast (1)							NIKKO
(million yen)							
	FY 2019 result			FY 2020 forecast			
	1H	2H	Full year	1H	2H	Full year	Year-on-year change
Netsales	17,140	18,011	35,151	18,500	18,000	36,500	+1,349 +3.8%
Operating income	959	1,094	2,053	1,100	1,100	2,200	+147 +7.1%
Operating margin	5.6%	6.0%	5.8%	5.9%	6.1%	6.0%	—
Ordinary income	1,034	1,108	2,142	1,550	1,150	2,700	+558 +26.0%
Net income attributable to owners of parent	1,003	585	1,588	1,050	800	1,850	+292 +18.7%
New orders received	16,843	17,072	33,915	17,000	18,000	35,000	+1,085 +3.1%
Order backlog	13,158	12,219	—	10,719	10,719	—	(1,500) (12.2%)
(yen)							
Exchange rate (EUR/JPY)	—	—	121.73	—	—	118.00	0.00
Exchange rate (RMB/JPY)	—	—	15.76	—	—	15.50	0.00

▶ The initial order backlog was lower than the previous fiscal year due to delays, but sales of AP in Japan are expected to increase.
 ▶ Operating income in all segments is expected to increase

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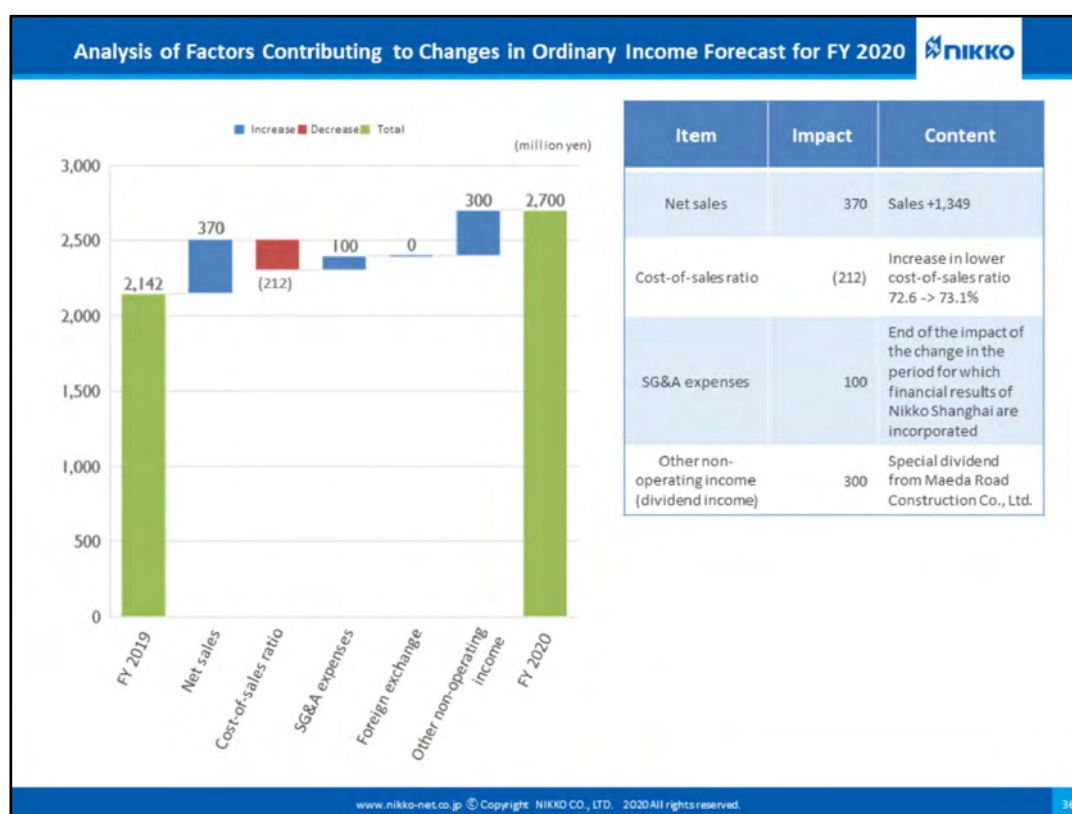
- ❑ The earnings outlook for the current fiscal year is increases in both sales and profit as a whole compared with the previous fiscal year.
- ❑ This outlook factors in the degree of the impact of the novel coronavirus.
 As the president explained at the beginning, it gives almost no impact on our business in Japan.
 However, our Chinese business has been the hardest hit. As the factory was closed for about a month and a half, sales are expected to decline by about 20% from a year earlier.
 Besides, the start of the Thai business is expected to be delayed a little, which is a negative impact of the novel coronavirus.
- ❑ Another feature of the current fiscal year is that ordinary income will increase more significantly than operating income, with a 2.7 bil. yen increase versus a 2.2 bil. yen increase in operating income.
 That is because we are expecting special dividends, an extraordinary factor that is limited to the current fiscal year, of approx. 350 mil. yen for the 530,000 shares we hold in Maeda Road Construction Co., Ltd. as strategic shareholdings.

FY 2020 Forecast (2)

		FY 2018 result			FY 2019 result			FY 2020 plan			
		1H	2H	Full year	1H	2H	Full year	1H	2H	Full year	Year-on-year change
AP-related business	Net sales	7,833	8,601	16,434	8,667	8,851	17,518	9,800	8,600	18,400	+882 +5.0%
	Operating income	415	548	963	676	442	1,118	630	540	1,170	+52 +4.6%
	Operating margin	5.3%	6.4%	5.9%	7.8%	5.0%	6.4%	6.4%	6.2%	6.3%	-
BP-related business	Net sales	3,870	4,023	7,893	4,569	4,589	9,158	4,800	4,600	9,400	+242 +2.6%
	Operating income	358	308	666	297	464	761	410	390	800	+39 +5.1%
	Operating margin	9.3%	7.7%	8.4%	6.5%	10.1%	8.3%	8.5%	8.5%	8.5%	-
Environment- and conveyor-related business	Net sales	1,098	1,677	2,775	1,353	1,281	2,634	1,200	1,500	2,700	+66 +2.5%
	Operating income	108	309	417	219	343	562	260	310	570	+8 +1.4%
	Operating margin	9.8%	18.4%	15.0%	16.2%	26.8%	21.3%	21.7%	20.7%	21.1%	-
Other business	Net sales	1,894	2,783	4,677	2,549	3,291	5,840	2,700	3,300	6,000	+160 +2.7%
	Operating income	93	409	502	448	572	1,020	500	560	1,060	+40 +3.9%
	Operating margin	4.9%	14.7%	10.7%	17.6%	17.4%	17.5%	18.5%	17.0%	17.7%	-
Corporate expenses		(502)	(620)	(1,122)	(683)	(726)	(1,409)	(700)	(700)	(1,400)	(9)

- ▶ Sales of products in AP to increase in Japan. Meanwhile, overseas including China likely to decline due to the impact of the novel coronavirus pandemic.
- ▶ Maintenance service is expected to grow both in AP and BP.

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- ❑ As a summary of segments, we plan increases in both sales and profits in the current fiscal year compared with a year earlier across all segments.
- ❑ Regarding AP, while there is a negative factor in terms of the delays in starting up in China and Thailand, sales of products and maintenance services in Japan are expected to increase from a year earlier, and we expect sales of the segment as a whole to rise 5.0% with operating income expected to increase 4.7%.
- ❑ In the BP segment also, sales are expected to increase 240 mil. yen partly due to the higher order backlog than the beginning of the previous year and operating income is expected to rise 5.1%.
- ❑ As for the environment- and conveyor-related business segment, while sales and profit of conveyors are expected to be at similar levels as a normal year, sales of the segment are expected to rise 2.5% and operating income 1.4% due to an increase in the number of projects for environmental products compared with a year earlier.
- ❑ In the other business segment, the mobile plant business, which grew significantly in the previous year, continues to be strong, and the segment as a whole is expected to grow also given no negative factors.

To realize assets worth approx. 5 bil. yen (the value as of the end of FY2018)
lying dormant on the balance sheet

(i) Sell strategic shareholdings: about 2 bil. yen

Status of reducing strategically-held shares (in mil. yen)				
	FY 2016	FY 2017	FY 2018	FY 2019
Number of issues	5	7	6	6
Amount sold	193	405	194	720
Book value	132	221	106	272
Capital gain	61	184	88	448

(ii) Improve CCC: about 3 bil. yen

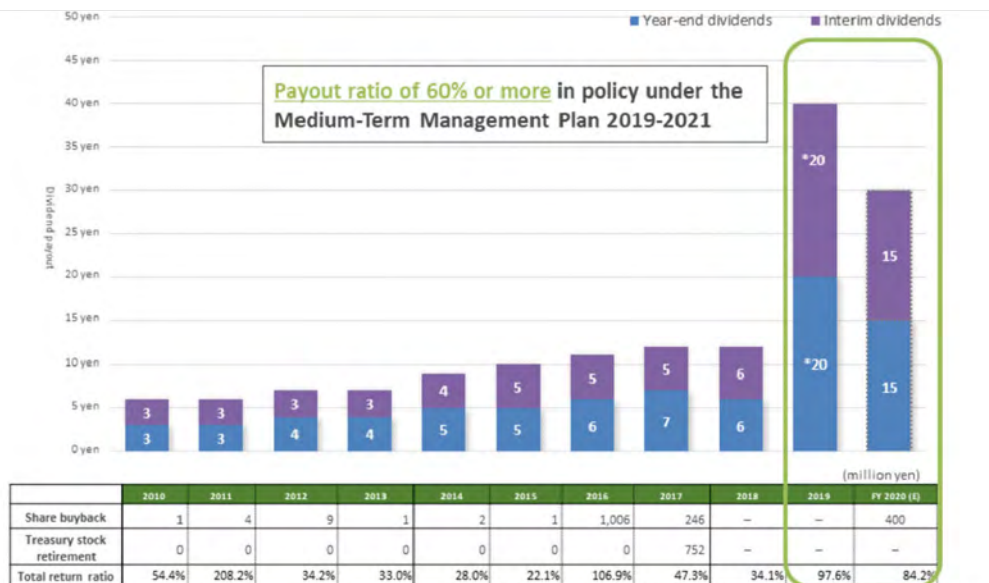


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- ❑ As the capital and financial strategy, we will continue with sales of strategic shareholdings and CCC improvement.
We set forth a slogan that we will liquidate assets worth 5.0 bil. yen lying dormant on balance sheet into cash, with the level as of the end of FY 2018 as a benchmark.
- ❑ In FY 2019, we sold 720 mil. yen worth of shares held in strategic shareholdings. We plan to continue with the sales in the current fiscal year.
- ❑ CCC was improved to 124 days in FY 2019 compared with 134 days in FY 2018, which is a reduction of 10 days. The 10 day reduction is translated into 1 bil. yen. We will continue with day-to-day efforts.

Trends in Dividends and Total Return Ratio



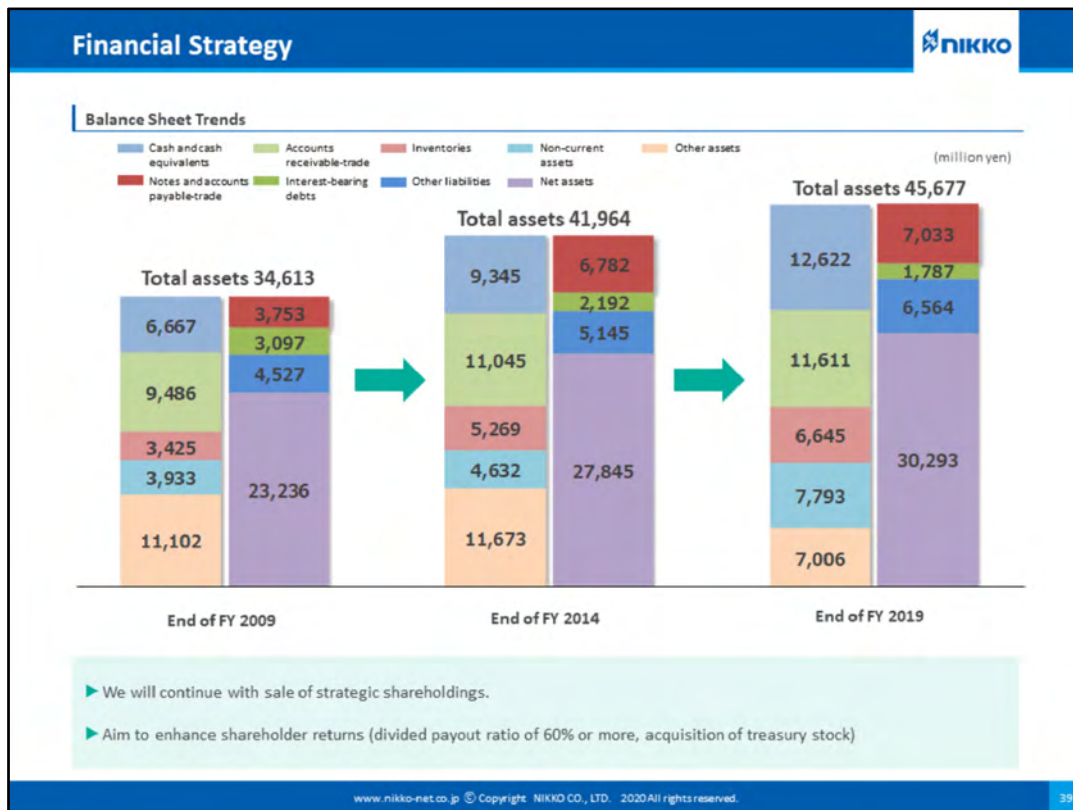
* Note: Dividend forecasts for FY 2019 include commemorative dividend for the 100th anniversary of the Company's foundation, consisting of 10 yen per share as interim dividend and 10 yen per share as year-end dividend for an annual total of 20 yen per share.

★ The Company carried out a one-to-five split of its common stock effective on October 1, 2019, and the dividend figures have been adjusted to take the split into account.

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- This page shows how Nikko has been working on shareholder returns in the forms of dividends and share buyback in an easy-to-understand manner.



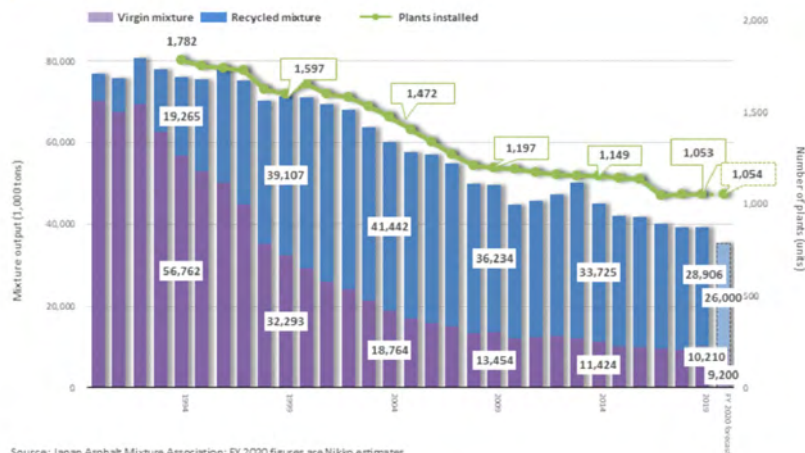
- ❑ This page enables comparison of current balance sheets with those 10 years ago in an easy-to-understand manner.
The total grew in the 10 years but both net assets and cash and cash equivalents also increased and accumulated.
- ❑ We will continue to actively work on sales of strategic shareholdings. Further, we also would like to utilize cash and use it for proactive investment so that we can harvest the fruits in the future.



Business Climate and Management Strategy

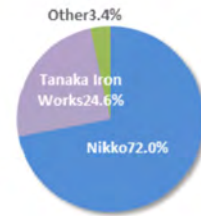
40

Asphalt mixture output and number of asphalt plants installed



Source: Japan Asphalt Mixture Association; FY 2020 figures are Nikko estimates.

AP steady-state share



FY 2019 Nikko survey

- ▶ There are concerns of deterioration such as reduction in public and private works due to the impact of the novel coronavirus infection for several years from now.
- ▶ Investment intention of road builders are still high and we expect the number of units to be delivered to increase year-on-year partly due to the projects continuing from the previous fiscal year.
- ▶ Shipment of mixture is expected to increase in the Osaka area in the future towards the 2025 World Exposition.

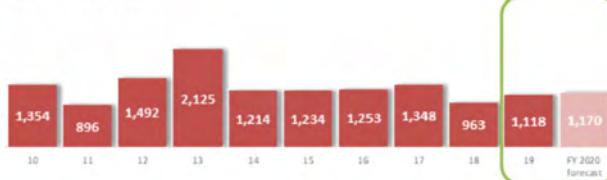
AP-Related Business Details and Strategy for the Future (1)



Net sales (million yen)



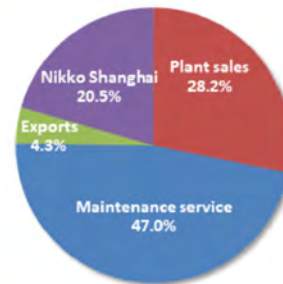
Operating income



Operating margin



Sales ratio of AP-related business



Net sales annual growth rate

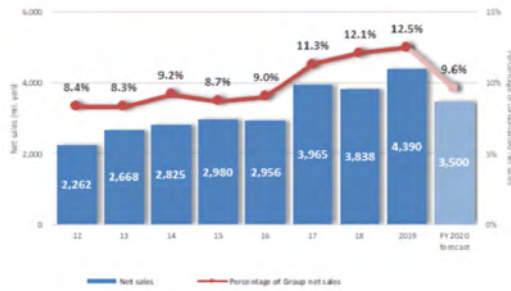
FY 2018 -> FY 2019 result

Plant sales	+34.5%
Maintenance service	-8.1%
Nikko Shanghai	+8.0%
Exports	+58.5%

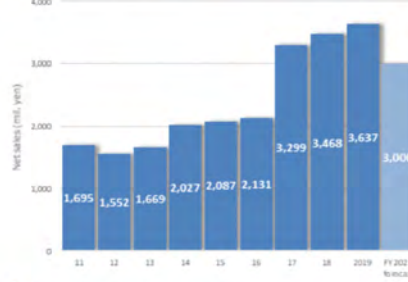
AP-Related Business Details and Strategy for the Future (3)



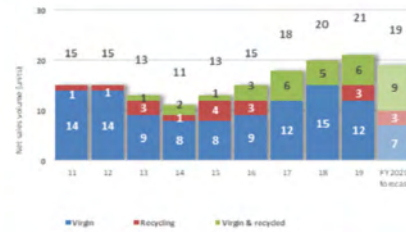
Nikko's overseas net sales and overseas sales ratio



Nikko Shanghai net sales



Nikko Shanghai AP unit sales



[Thailand]

Sales are expected to grow given the past results

Established a local subsidiary in February 2020 and secured sales and service structure including local staff, but there have been delays in road works budget and suspension of bidding for the works and it is also impossible for Japanese employees to visit the country.

[Indonesia]

The local currency continues to weaken and as per available information only small-scale road works are progressing.

[Taiwan]

Projects are being pursued via the Taiwan branch but travel between the two countries is not possible and there have been delays in the signing of some contracts.

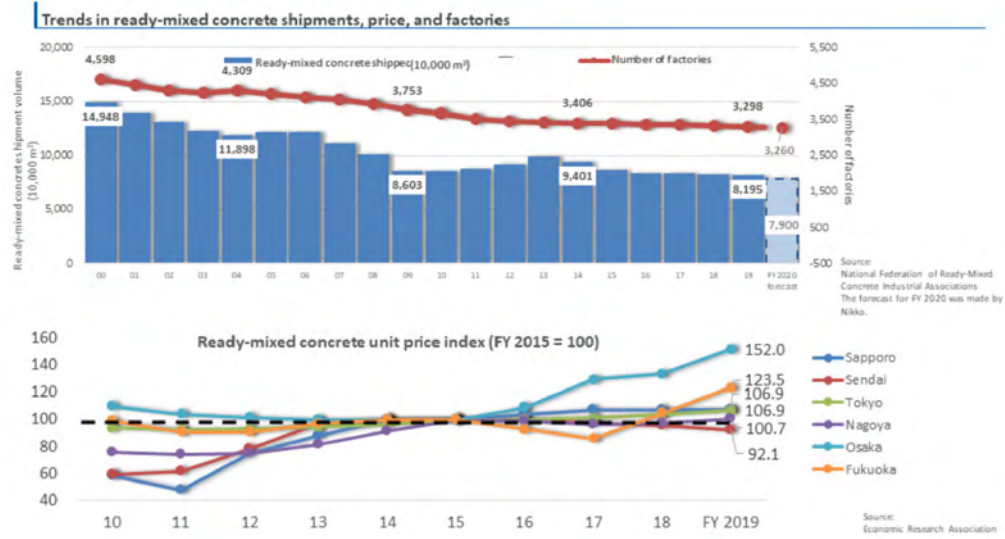
Replacement of gas burners, which is an environmental product, in Taipei and Taoyuan was completed in the past two years (about 30 units). We were told that a similar order has been issued also for regional cities in south, but there has been no significant movement.

[China (Nikko Shanghai)]

Sales are expected to be about 80% of the previous year (Jan.-Dec.) due to the impact of the novel coronavirus.

[Russia]

Local dealers have difficulties contacting customers due to the lockdown.



► FY 2019 saw a decline from a year earlier despite the ongoing demand related to Hokuriku Shinkansen and restoration from natural disasters, as the construction works related to the Tokyo Olympic and Paralympic Games ended, and due to delay in works caused by typhoon disasters, and manpower shortage.

In FY 2020, it is expected to decline from FY 2019 owing to significant reduction in capital investment primarily in Tokyo during the planned period for the Olympic and Paralympic Games, although they have been postponed.

BP-Related Business Details and Strategy for the Future (1)



Net sales (million yen)



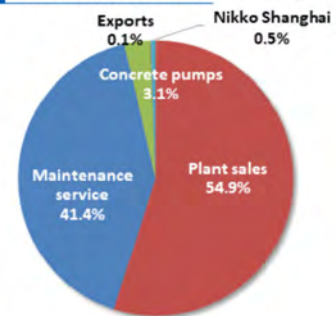
Operating income



Operating margin



Sales ratio of BP-related business



Net sales annual growth rate

FY 2018 -> FY 2019 result

Plant sales	+31.9%
Maintenance service	+2.9%
Concrete pumps	-21.9%
Nikko Shanghai	+58.8%
Exports	+27.3%

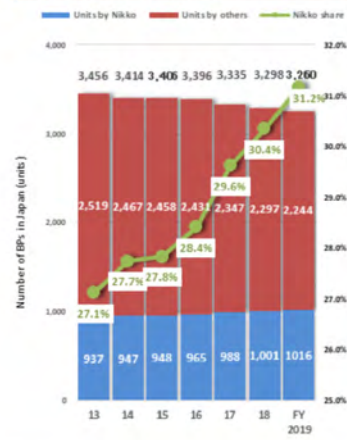
BP-Related Business Details and Strategy for the Future (2)



Total BP demand (value and number of units)



BP steady-state share trends



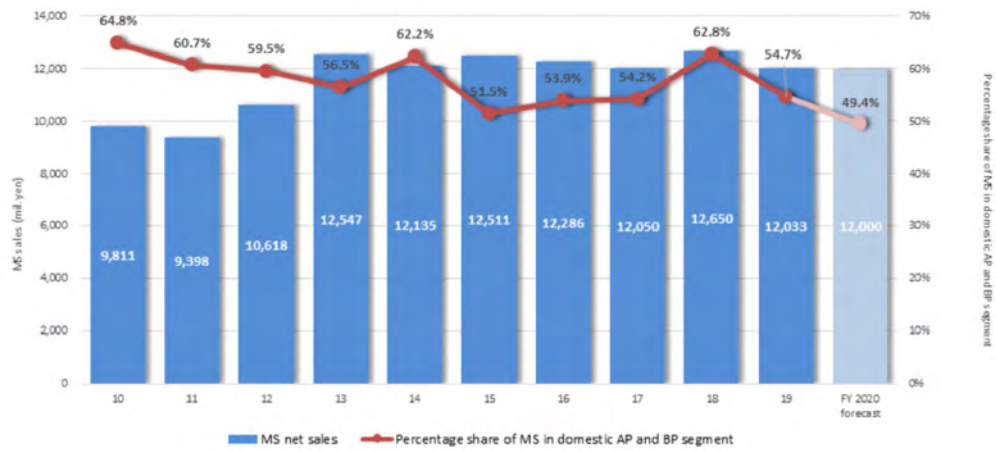
Source:
Japan Construction Equipment Manufacturers Association's BP Subcommittee
(Maintenance services included in demand amount)

- ▶ We expect demand from public works to remain solid beyond the 2020 Tokyo Olympics, driven by the Linear Chuo Shinkansen project, the policy to promote initiatives for "Building National Resilience", 2025 World Exposition in Osaka, etc., but the demand level will increasingly vary from region to region and consolidation is expected to gather pace.
- ▶ Increase market share by launching new differentiated products to meet new demand, which arises from sales expansion to precast industry where demand continues to grow as well as from ready-mixed concrete industry consolidation.

Maintenance Service Business Net Sales Level and Share



Maintenance service: Sales and percentage share of sales



► Work to improve efficiency of maintenance service and further expand margins

Environment- and Conveyor-Related Business Outlook and Strategies



Net sales

(million yen)



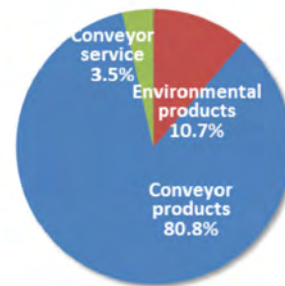
Operating income



Operating margin



Sales ratio of environment- and conveyor-related business



Net sales annual growth rate

FY 2018 → FY 2019 result

Environmental products	-31.9%
Conveyor products	+0.6%
Conveyor service	-13.6%

- ▶ Delay and reduction of plant capital investment is expected due to the impact of the novel coronavirus.
- ▶ Aim to boost profit by responding to needs of customers by shortening product delivery time and building instant delivery structure.

Other Business Outlook and Strategies



Net sales

(million yen)



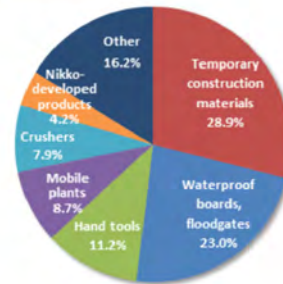
Operating income



Operating margin



Other business sales



Net sales annual growth rate

FY 2018 → FY 2019 result

Temporary construction materials	+11.5%
Waterproof boards, floodgates	+36.5%
Hand tools	-4.3%
Mobile plants	+448.9%
Crushers	+4.7%
Nikko-developed products	+32.1%
Other	+21.2%

▶ Mobile plant business and waterproof boards are expected to grow continuing from the previous term



Reference Materials

Trends in Net Sales, Profit, Cash Flows, and Other Indicators



(million yen)

	FY 2017				FY 2018				FY 2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	6,179	9,974	7,992	10,969	5,415	9,282	5,721	11,362	8,001	9,139	7,422	10,589
AP-related business	2,768	4,664	4,155	5,592	2,361	5,472	2,460	6,140	3,917	4,750	3,789	5,062
BP-related business	2,236	3,370	1,291	2,624	1,671	2,199	1,612	2,410	2,442	2,127	1,722	2,867
Environment- and conveyor-related business	407	1,046	1,519	959	462	636	601	1,075	492	861	561	720
Other business	766	894	1,027	1,793	921	973	1,048	1,734	1,149	1,400	1,350	1,941
Operating income	48	760	393	902	(26)	500	(167)	1,120	276	683	81	1,013
AP-related business	100	350	318	580	42	373	(132)	680	222	454	(53)	495
BP-related business	145	524	68	278	66	292	23	285	110	187	89	375
Environment- and conveyor-related business	24	77	115	92	59	49	146	163	80	139	174	169
Other business	22	85	121	234	21	72	115	294	175	273	196	376
Corporate expenses	(244)	(275)	(231)	(281)	(216)	(286)	(318)	(302)	(313)	(370)	(322)	(404)
Ordinary income	161	764	431	883	87	508	(142)	1,123	361	673	129	979
Net income attributable to owners of parent	182	561	308	439	130	434	(2)	783	270	733	(33)	618
Cash flow from operating activities	274				(218)				3,839			
Cash flow from investing activities	41				(1,021)				(639)			
Total dividend	232	—	191	—	267	—	229	—	229	—	775	—
Share buyback	245				0				0			

Trends in New Orders Received and Order Backlog per Business Segment (Cumulative)



(million yen)

New orders received (cumulative)	FY 2017				FY 2018				FY 2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
AP-related business	2,803	8,254	10,572	17,182	2,787	6,501	8,137	18,884	3,575	8,419	11,196	16,133
BP-related business	1,458	4,274	6,430	9,066	1,351	3,834	5,720	8,438	1,969	4,313	6,315	9,478
Environment- and conveyor-related business	864	1,517	2,162	2,947	413	1,056	1,987	2,773	449	1,187	1,787	2,401
Other business	768	1,886	3,144	4,420	1,140	2,461	3,805	5,007	1,325	2,923	4,578	5,902
Total	5,896	15,933	22,309	33,616	5,693	13,854	19,650	35,103	7,320	16,843	23,877	33,915

End-of-term order backlog	FY 2017				FY 2018				FY 2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
AP-related business	6,391	7,178	5,341	6,359	6,784	5,027	4,203	8,808	8,466	8,561	7,548	7,423
BP-related business	2,572	2,018	2,883	2,894	2,575	2,858	3,132	3,439	2,967	3,184	3,464	3,760
Environment- and conveyor-related business	1,827	1,434	560	387	338	345	675	385	342	219	258	152
Other business	553	776	1,008	490	710	1,058	1,352	820	997	1,194	1,498	883
Total	11,346	11,408	9,793	10,132	10,409	9,289	9,364	13,454	12,773	13,158	12,769	12,219

Trends in Capital Investment, Depreciation and Amortization, R&D Expenses, and Nonfinancial Data



(million yen)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Capital investment	292	395	844	815	877	1,261	550	1,889	1,483
Depreciation and amortization	432	389	395	422	487	482	472	508	611
R&D expenses	239	256	295	276	227	271	291	211	379

(persons, years old, or years)

Employees (consolidated)	775	763	767	796	803	797	807	799	838
Average age of employees (non-consolidated)	44.2	44.7	43.3	43.1	42.2	42.3	42.2	40.9	41.1
Average years of service (non-consolidated)	21.5	21.2	20	19.3	18.2	18.5	18.3	16.0	15.8
Female employees (non-consolidated)	28	31	31	33	39	42	42	45	51
Number of new-graduate hires (non-consolidated)	13	15	21	21	30	17	19	15	14
Number of female new-graduate hires (non-consolidated)	1	0	1	3	1	2	0	0	0
Percentage of female hires (non-consolidated)	7.6%	0%	4.7%	14.2%	3.3%	11.7%	0%	0%	0%
Number of foreign-national hires (non-consolidated)	1	0	6	0	0	0	1	1	0
Number of foreign-national employees (non-consolidated)	2	2	8	6	6	6	7	8	5
Foreign national employees (consolidated)	92	90	91	95	94	93	101	98	116
Overseas employees (consolidated)	92	90	91	95	92	91	101	98	123

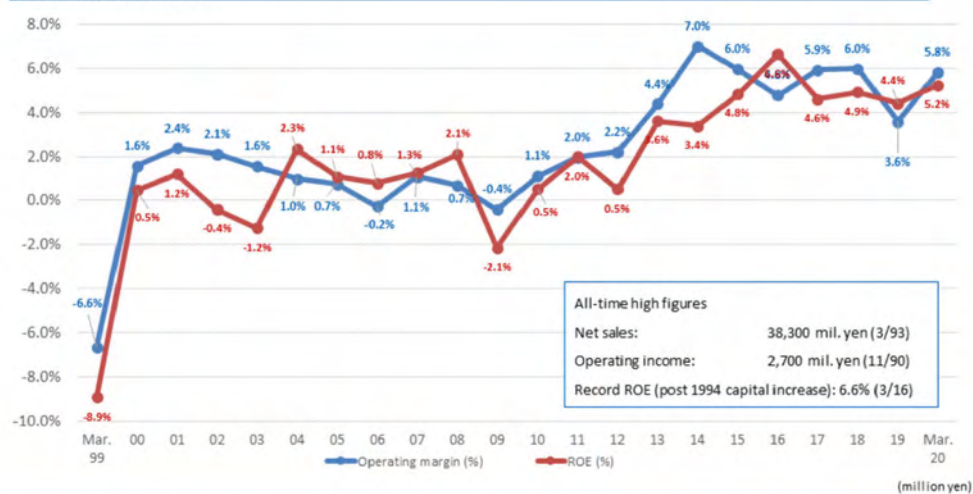
New products for reducing environmental impact

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
New products	[Sand dryer] [High-temperature preheating burner]	[NTB-II burner]	[Newly designed bag filter]	[VP Series APs]	—	[Foamed asphalt manufacturing equipment]
Features reducing environmental impact	- Higher plant production efficiency - Energy saving	- Energy saving - Higher combustion efficiency in combustion range	- Space saving - Energy saving - Exhaust gas reduction - Low noise	- Preventing diffusion of recycled material odorous gas	—	- Support for manufacture of warm-mix asphalt

Trend in Key Financial Data



Operating margin and ROE



	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Mar. 20
Net sales	22,157	22,595	23,170	24,307	24,812	24,864	22,175	25,035	26,942	23,856	23,971	23,803	24,553	27,087	32,073	30,707	34,110	32,717	35,114	31,780	35,151
Operating income (loss)	352	536	492	379	248	185	(55)	271	189	(98)	265	470	541	1,186	2,249	1,832	1,629	1,944	2,103	1,427	2,053
Ordinary income	201	846	664	688	492	537	350	699	545	482	899	812	621	1,108	1,982	1,582	1,648	1,993	2,239	1,576	2,142
Net income (loss)	121	298	(93)	(284)	567	265	203	315	513	(499)	124	461	122	881	888	1,348	1,896	1,340	1,490	1,345	1,588



Future creation that starts from an "n"

Please feel free to contact us as follows if you desire a meeting or have other requests.

(Meetings in Tokyo are also possible.)

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- Future projections and other forward-looking statements in this material were prepared based on information currently available to the management.
- These statements contain risks and uncertainties, such as changes in performance outlook due to the financial situation for the Company in Japan and abroad, industry trends, product demand and supply, advances in new technology, and other factors. Accordingly, investment decisions should not be made based only on the forward-looking statements in this material.
- Note also that forward-looking statements in this material are subject to change without prior notice, except where procedures are required by law.