

“Create the future with *n*”



Fiscal Year 2021 (Ending March 31, 2022) 3rd Quarter Financial Results Briefing Session Materials

Tokyo Stock Exchange Code: 6306

Nikko Co., Ltd.

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March 2, 2022

In this briefing session material, “AP” denotes asphalt plants and “BP” denotes concrete plants of our business.

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* The last digit of the figures of changes in this document may differ from those in the Quarterly Report due to the treatment of fractions less than unit.



- Net sales increased 10.3% YoY and operating income rose 13.5% YoY
- Net sales: All businesses saw an increase YoY in net sales. Overseas subsidiaries also performed strongly
- Operating income: In addition to the impact of revenue increase, the shifting of rising costs of raw materials including steel to selling prices has started having effect.

→ pp. 6, 7, 12



- For the BP-related business, net sales, operating income, new orders, and order backlog all increased YoY
- pp. 7, 13
- In the other business, sales of new products, mobile plants, and waterproof boards continued to rise
- p. 15



- New orders received declined 2.6% YoY and order backlog fell 6.9% YoY
- p. 9, 10

I would like to explain the good points till the third quarter of the current fiscal year and the matters whose progress was lacking.

Both sales and profits have grown through the third quarter. Net sales rose 10.3% compared with the same period a year earlier and we were also able to secure enough profits for operating income to offset the significant rise in costs of raw materials such as steel.

Among the segments, BP, or the batching plant business, in particular has been very strong in the current fiscal year. On the other hand, new orders received have been a little slow during the period. Due to this, order backlog has declined compared with the same period a year earlier.

FY 2021 3Q Performance Highlights (2)



FY 2021 9-month results

3Q (Apr-Dec)	Results	YoY change (amount)	YoY change (%)
Net sales	27,165	+2,533	+10.3%
Operating income	1,027	+123	+13.6%
Quarterly net income attributable to owners of parent	883	(82)	(8.5)%
New orders received	28,146	(747)	(2.6)%

(mil. yen)

- ▶ Sales of AP-related business: Both products and maintenance services in Japan declined, while overseas sales rose 4.6% YoY, improving to the pre-COVID-19 level
- ▶ Sales of BP-related business: Sales of both products and maintenance services rose Increased 17.5% YoY
- ▶ New orders received declined slightly

Business Climate

AP-related business

FY 2021 3Q (Apr-Dec)	Results (x 10,000 tons)	YoY change
Mixture output	2,859	(0.5)%
Virgin mixture	751	(1.6)%
Recycled mixture	2,108	(0.1)%

Share of recycled mixture 73.7%

Source: Japan Asphalt Mixture Association

BP-related business

FY 2021 3Q (Apr-Dec)	Results (x 10,000m ³)	YoY change
Ready-mixed concrete shipment	5,848	(2.6)%

Source: ZENNAMA (National Federation of Ready-Mixed Concrete Industrial Associations and National Federation of Ready-Mixed Concrete Cooperatives Association)

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Here are the highlights of the financial results.

Sales increased 10% compared with the same period a year earlier to 27.165 billion yen and operating income rose 13.6% to 1.027 billion yen. Net income declined compared with the same period a year earlier and this was because of a special factor in the previous fiscal year.

□ New orders received declined 747 million yen compared with the same period a year earlier to 28.146 billion yen. As for the business climate for asphalt, mixture shipment volume was at a similar level to the previous year. Ready-mixed concrete shipment declined 2.6% compared with the same period a year earlier. All companies have raised the price of ready-mixed concrete and our customers' performance has been steady.

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FY 2021 3Q (9-Month) Performance Highlights (1)



- ▶ Sales : AP products in Japan (down 380 million yen), BP products (up 830 million yen), Nikko Shanghai (up 410 million yen), exports (up 570 million yen), environment (up 460 million yen), conveyor (up 130 million yen), other business (up 230 million yen), maintenance services (up 120 million yen), other (up 290 million)
- ▶ Operating income: All segments other than the AP-related business saw sales increase, boosting operating income
- ▶ Ordinary income: Declined due to the absence of special dividend (340 million yen) from Maeda Road Construction Co., Ltd.
- ▶ New orders: AP-related business (down 1,030 million yen), BP-related business (up 1,160 million yen), environment- and conveyor-related business (down 260 million yen), and other business (down 610 million yen); down 740 million yen in total
- ▶ Order backlog: AP-related business (down 800 million yen), BP-related business (up 820 million yen), environment- and conveyor-related business (down 400 million yen), and other business (down 750 million yen); down 1.13 billion yen in total

	FY 2020		FY 2021				(mil. yen)	
	3Q actual	3Q (9-month) actual	3Q actual	YoY change	3Q (9-month) actual	YoY change	Full-year forecast	4Q forecast
Net sales	6,407	24,632	8,157	+1,750 +27.3%	27,165	+2,533 +10.3%	39,000	11,835
Operating income	(96)	904	59	+155 —	1,027	+123 +13.6%	2,300	1,273
Operating margin	—	3.7%	0.7%	—	3.8%	+0.1pt	5.9%	10.8%
Ordinary income	(89)	1,499	89	+178 —	1,194	(305) (20.3)%	2,500	1,306
Net income attributable to owners of parent	(133)	966	16	+149 —	883	(83) (8.6)%	1,700	817
Net income								
New orders received	9,857	28,893	10,075	+218 +2.2%	28,146	(747) (2.6)%	38,800	10,656
Order backlog	16,479	16,479	16,073	(406) (2.5)%	15,342	(1,137) (6.9)%	14,161	14,161

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□ I would like to explain with comparison to the third quarter (Oct. to Dec.) of the previous year. Net sales in the third quarter of the current fiscal year totaled 8.157 billion yen, up 1.75 billion yen from the previous year. Operating income came to 59 million yen, turning to profit after posting an operating loss of 96 million yen in the third quarter of the previous fiscal year. Ordinary income was 89 million yen and net income came to 16 million yen, both turning to profit in the current fiscal year after posting losses in the previous fiscal year. New orders received came to 10.075 billion yen and order backlog declined slightly from the same period a year earlier.

□ Full-year forecast is 39 billion yen for net sales, 2.3 billion yen for operating income, and 5.9% for operating margin.

To achieve these figures, we need 11.8 billion yen in net sales and 1.2 billion yen in operating income in the fourth quarter.

FY 2021 3Q (9-Month) Performance Highlights (2)

(mil. yen)

		FY 2020			FY 2021		FY 2021		Full-year forecast
		3Q actual	3Q (9-month) actual	Full year actual	3Q actual	YoY change	3Q (9-month) actual	YoY change	
AP-related business	Net sales	3,247	12,774	19,467	4,176	+929 +128.6%	13,365	+591 +4.6%	18,400
	Operating income	(105)	535	1,239	(61)	+44 +58.1%	327	(208) (38.9)%	850
	Operating margin	(3.2)%	4.1%	6.4%	(1.5)%	+1.7pt	2.4%	(1.8) pt	4.6%
BP-related business	Net sales	1,274	6,192	9,212	1,690	+416 +132.7%	7,279	+1,087 +17.6%	10,700
	Operating income	(25)	461	879	58	+83 +232.0%	667	+206 +44.7%	1,100
	Operating margin	(1.9)%	7.4%	9.5%	+3.4%	+5.4pt	9.2%	+1.8pt	10.3%
Environment- and conveyor-related business	Net sales	513	1,572	2,390	614	+101 +119.7%	2,195	+623 +39.6%	2,900
	Operating income	94	286	482	136	+42 +144.7%	379	+93 +32.5%	550
	Operating margin	18.3%	18.1%	20.2%	+22.1%	+3.8pt	17.3%	(0.9) pt	19.0%
Other business	Net sales	1,373	4,092	6,790	1,678	+305 +122.2%	4,325	+233 +5.7%	700
	Operating income	188	565	1,170	306	+118 +162.8%	623	+58 +10.3%	1,200
	Operating margin	13.6%	13.8%	17.2%	+18.2%	+4.5pt	14.4%	+0.6pt	17.1%
Corporate expenses		(248)	(944)	(1,469)	(382)	(134)	(971)	(27)	(1,400)

▶ Net sales of AP-related business: Net sales of products in Japan were down 10.4% YoY and maintenance services fell 2.7%. Overseas net sales increased 35.5% YoY and net sales for the overall segment increased 4.6%

▶ Net sales of BP-related business: Net sales of products increased 25.3% YoY and maintenance services were up 9.7%

▶ Net sales of environment- and conveyor-related business: Net sales of environmental products were up 767.7% YoY and those of conveyor products rose 10.3%

▶ Net sales of other businesses: Mobile plants continued to increase, up 81.6% YoY, while temporary construction materials were down 13.8% due to the impacts of COVID-19 and rising raw material costs

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□ Now, we will look at the segments. In total through the third quarter of the current fiscal year, net sales of AP were 13.365 billion yen, up 591 million yen compared with the previous year, while operating income came to 327 million yen, down 200 million yen compared with the same period a year earlier. As for factors behind the profit decline, the impact of rises in prices of raw materials such as steel affected the AP-related business the most.

The Thailand subsidiary started full operations in the current fiscal year and it is in loss as of now. So, it is negative compared with the previous year. Sales at Nikko Shanghai of the Chinese business increased compared with the previous fiscal year, but profits declined significantly due to the increasing steel price and a major increase in personnel expenses. For this reason, profit of the segment declined approx. 200 million yen compared with the same period a year earlier.

□ Sales of the BP-related business were 7.279 billion yen and operating income came to 667 million yen and both increased greatly. As the initial order backlog of the fiscal year was very high, we were expecting this high level to some extent. The orders during the period for the next fiscal year has also been strong.

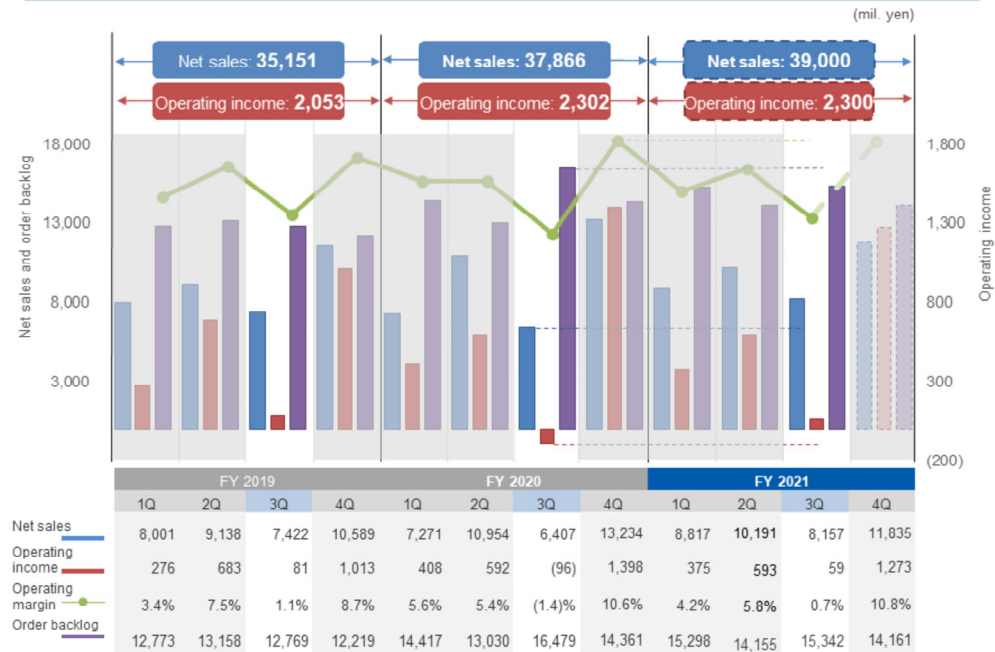
In the environment- and conveyor-related business, sales increased about 600 million yen from the same period a year earlier to 2.195 billion yen and operating income also rose to 379 million yen. Sales of the environment-related products were almost zero in the previous fiscal year and the increase was the factor behind the segment's increase.

In the other business, sales increased about 200 million yen from the same period a year earlier to 4.325 billion yen and operating income also rose 58 million yen to 623 million yen.

FY 2021 Quarterly Performance Trend



Quarterly net sales and operating income trends

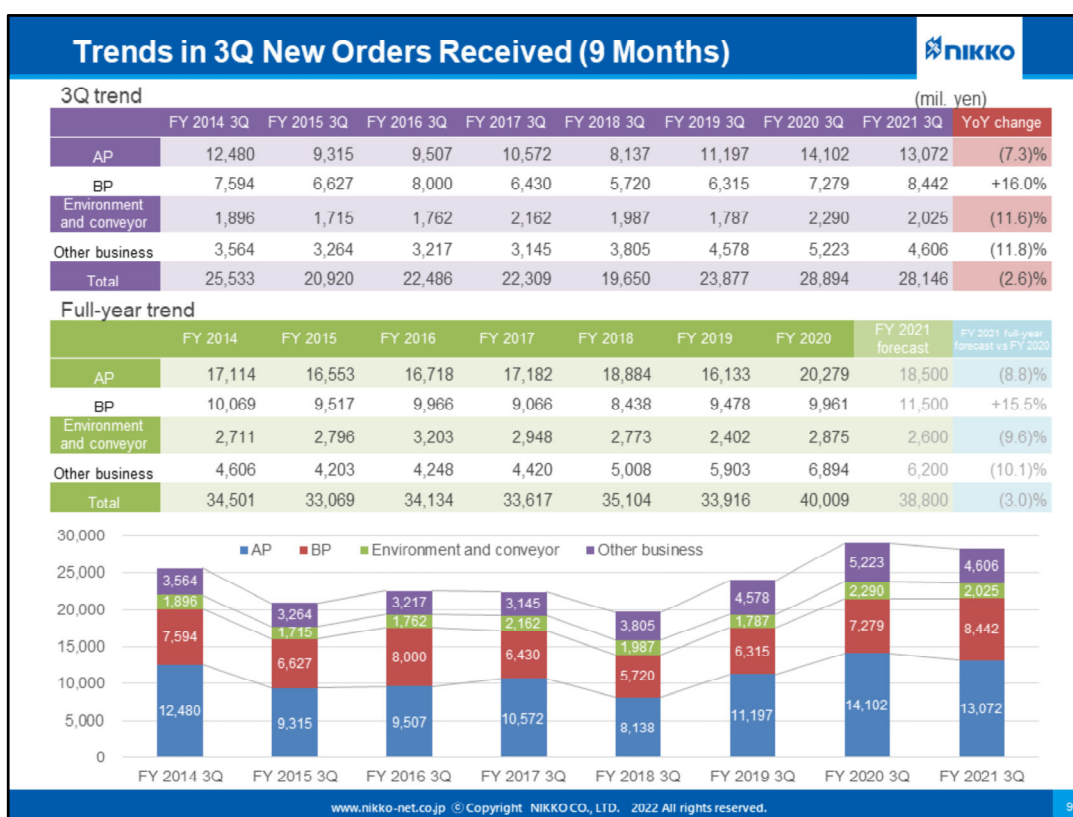


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□ Next is the quarterly changes in the results. The figures for the first quarter to third quarter of FY 2021 are results and those for the fourth quarter are estimates. For reference, the quarterly figures for FY 2019 and 2020 are also shown.

In case of Nikko, the first and third quarters are usually tough quarters and results are higher for the second and fourth quarters and sales and profits tend to concentrate highly on the fourth quarter. In the previous fiscal year, sales in the fourth quarter were 13.2 billion yen and operating income was 1.4 billion yen. In the fourth quarter of the current fiscal year, we expect 11.8 billion yen in sales and 1.2 billion yen in operating income. We expect to land at these figures.



□ This is the current order status. The orders in the previous fiscal year were very strong also compared with the past, increasing about 5 billion yen from a year earlier. The orders in the current fiscal year were initially expected again to increase a little from a year earlier, but as a result new orders received slightly underperformed the previous year's level at 28.146 billion yen in total. Even then, orders are still at high levels in each segment compared to the past.

As for BP, they totaled 8.4 billion yen in the current fiscal year (they were 8.0 billion yen in FY 2016 also) and have been at a very high level. New orders received for AP was 13.0 billion yen, which is a decline of about 1.0 billion yen compared with last year, but the current order situation of the current fiscal year is not at all at a low level compared with a year before that.

Trends in Order Backlog as of End of 3Q



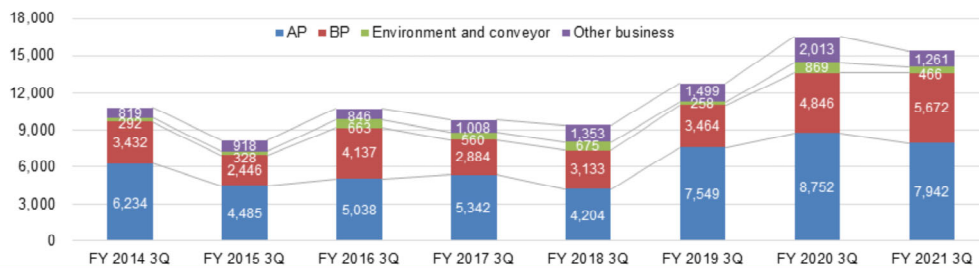
3Q trend

(mil. yen)

	FY 2014 3Q	FY 2015 3Q	FY 2016 3Q	FY 2017 3Q	FY 2018 3Q	FY 2019 3Q	FY 2020 3Q	FY 2021 3Q	YoY change
AP	6,234	4,485	5,038	5,342	4,204	7,549	8,751	7,942	(9.2)%
BP	3,432	2,446	4,137	2,884	3,133	3,464	4,845	5,672	+17.1%
Environment and conveyor	292	328	663	560	675	258	869	466	(46.4)%
Other business	819	918	846	1,008	1,353	1,499	2,013	1,261	(37.3)%
Total	10,777	8,177	10,684	9,793	9,364	12,770	16,479	15,342	(6.9)%

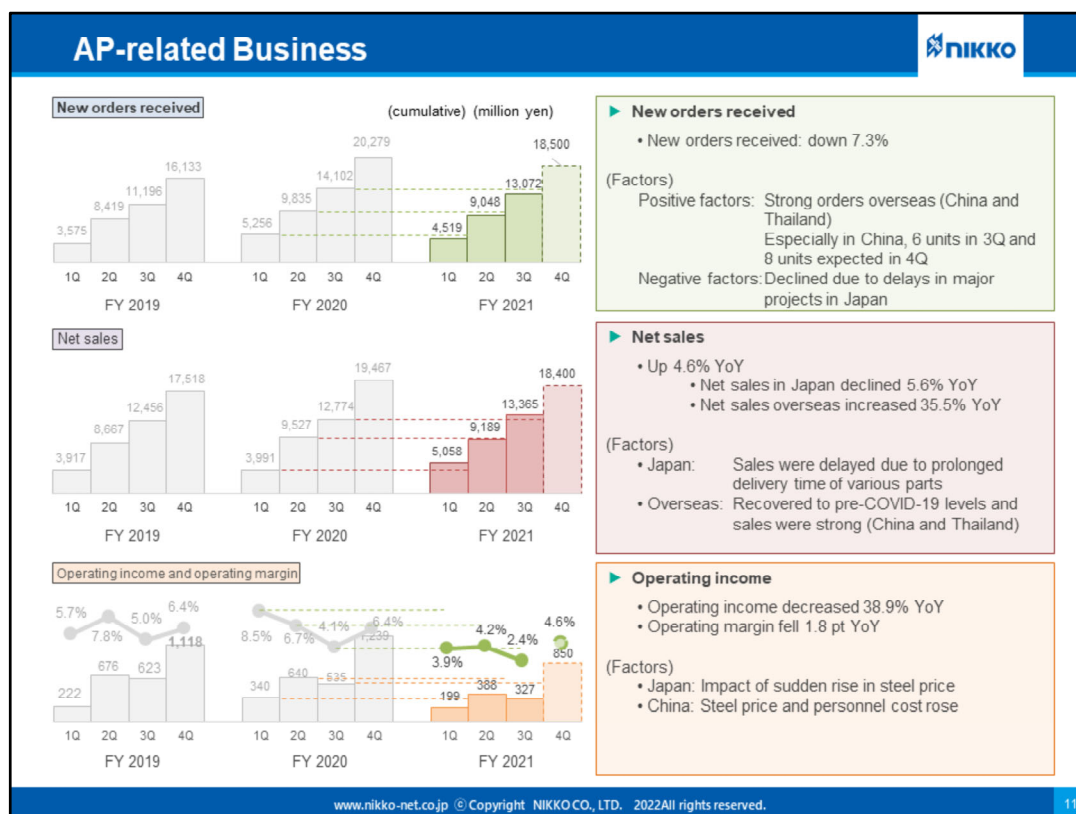
Full-year trend

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 forecast	FY 2021 full-year forecast vs FY 2020
AP	6,728	6,028	6,357	6,359	8,809	7,424	7,370	8,335	+1.2%
BP	3,467	2,717	3,350	2,895	3,440	3,760	4,924	5,308	+17.7%
Environment and conveyor	309	816	1,371	387	385	152	634	336	(47.2)%
Other business	535	437	551	491	821	883	1,445	181	(81.5)%
Total	11,039	9,997	11,629	10,132	13,455	12,219	14,373	14,161	(1.4)%



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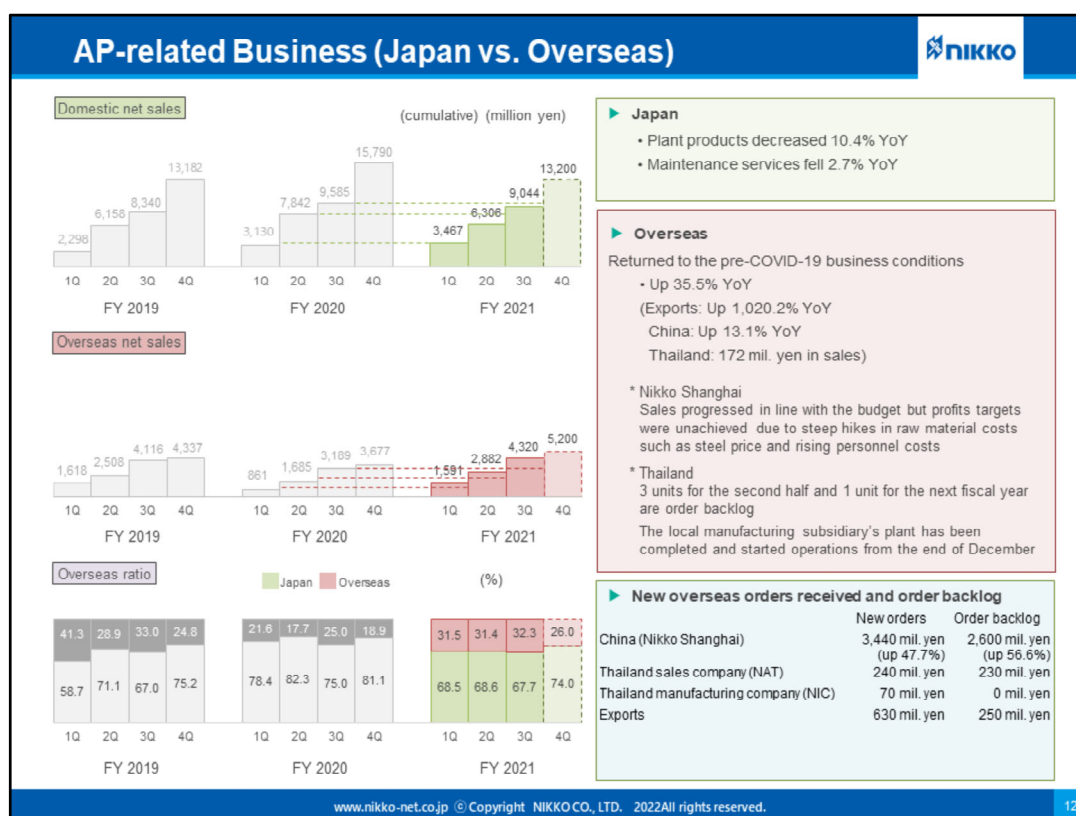


□ I would like to explain the performance of each segment in more detail.

The first is AP, and orders are slightly down compared with the same period a year earlier. Overseas, they rose in both China and Thailand compared with the same period a year earlier. On the other hand, the orders in Japan fell due to some projects that have been postponed to the next fiscal year.

Some of you may be thinking that the AP market environment has slightly worsened, but we are expecting a major rise in orders in the next fiscal year partly in comparison to the level in the current fiscal year. The AP market environment has by no means entered a declining trend.

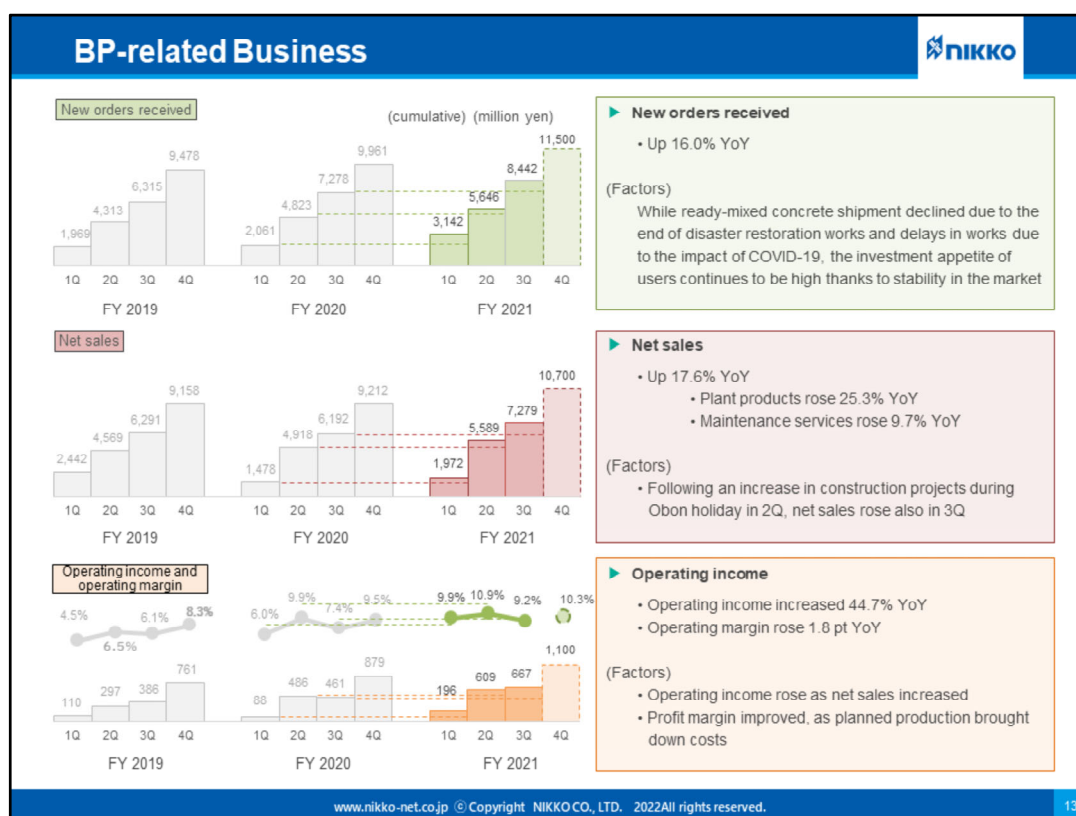
Net sales of AP increased 4.6% compared with the previous fiscal year and those increased especially overseas from last year. Operating income declined 38.9% compared with the same period a year earlier. As I have explained at the beginning, SG&A expenses in general including personnel expenses have increased significantly, in addition to the impact of raw material costs, especially of the rising steel price, and the rise in steel price in China.



□ This is AP-related business in Japan and abroad. In Japan, net sales of both plant products and maintenance services declined compared with the same period a year earlier. Overseas, there were almost no exports last year due to COVID-19 in addition to China and Thailand. In the current fiscal year, exports have returned to some extent and most of them are for Taiwan. Regarding Russia, I would like to explain the situation there. Until around 3 years ago, we were exporting 2 to 3APs a year, as it was a promising overseas market.

Ruble has declined significantly since 3 years ago and there have been no sales to Russia in the last 3 years. Although there have been parts sales worth about 20 million yen a year, if the current situation continues, there will be a negative impact.

As for overseas new orders received and order backlog, new orders received at Nikko Shanghai were 3.44 billion yen, up 47.7% compared with a year earlier. In Thailand, orders did not start in the previous year and were 240 million yen and the manufacturing subsidiary had 70 million yen. Exports were 630 million yen.



□ Next is BP. New orders received for BP rose 16% compared with the same period a year earlier. As mentioned initially, while ready-mixed concrete shipment decreased slightly, the unit price of ready-mixed concrete continues to rise. This has given customers extra room for investment, which is a tailwind for BP manufacturers including us. We are expecting this situation to continue for the time being. Net sales of BP rose 17.6% compared with the same period a year earlier and operating income increased 44.7%, rising significantly.

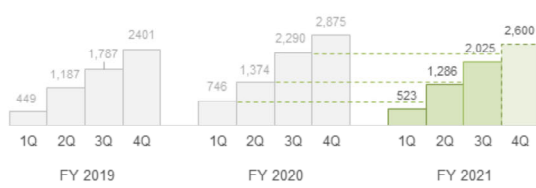
The whole BP market is very strong and we were told that our competitors have been doing equally well. From customers' perspective, they have shown understanding that it takes a certain period of time from placing an order to delivery. For this reason, we, as a manufacturer, currently have systematic production to a certain extent and productivity has improved in addition to sales increase, resulting in very strong profits from overall BP.

Environment- and Conveyor-related Business



New orders received

(cumulative) (million yen)



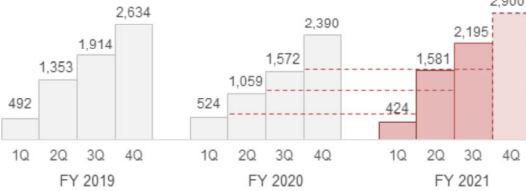
New orders received

Down 11.6% YoY

(Factors)

Device for sludge cake drying facilities: 1 unit 76 mil. yen

Net sales



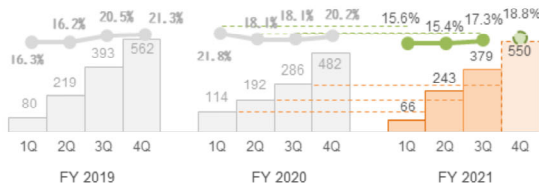
Net sales

Up 39.6% YoY

(Factors)

• Conveyors: Continued to recover from the impact of COVID-19
 Environment: Sales from dryer for disposed fluorescent light treatment facilities: 1 location
 Soil dryer facility for general contractors: 1 location
 Beverage bottle separator crusher facility: 1 location
 and other medium-sized projects worth 15 mil. yen to 30 mil. yen

Operating income and operating margin



Operating income

• Operating income increased 32.5% YoY
 • Operating margin fell 0.9 pt YoY

(Factors)

• Profit increase from sales expansion

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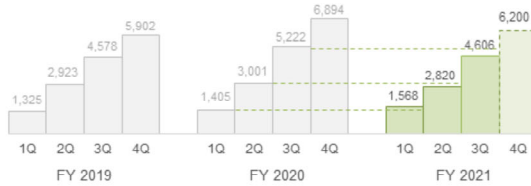
□ The environment- and conveyor-related business. Orders declined 11% compared with the same period a year earlier, while net sales increased 39.6%. Both sales and profit of conveyors have been at similar levels for the past few years. The performance of this segment is affected by the level of the sales and orders for environment-related products. As for the current fiscal year, we had net sales of the environmental products and sales of the segment increased about 40% from the previous year.

Other Business



New orders received

(cumulative) (million yen)



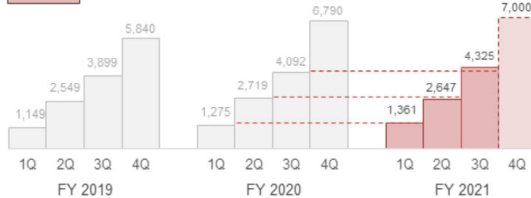
New orders received

- Down 11.8% YoY for the entire segment

New businesses

- Mobile plant (MP) products: 601 mil. yen (20 units) in the same period a year earlier
→ 834 mil. yen (22 units)

Net sales

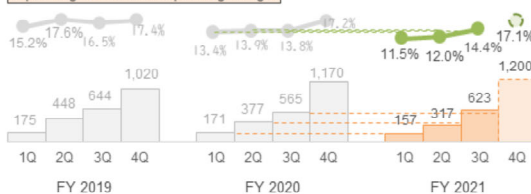


Net sales

Up 5.7% YoY

- Positive factors:
- MP products: 534 mil. yen (19 units) in the same period a year earlier
→ 970 mil. yen (25 units)
 - Waterproof boards were up 112 mil. yen YoY
- Negative factors:
- Temporary construction materials: down 13.8%
Regarding private construction investment, there have been delays in construction confirmation applications and declines in profits due to the impact of the pandemic, resulting in a review and postponements. The purchase appetite of temporary construction material rental companies have declined, owing to price hike in steel materials
 - Crushers: Down 24.6%

Operating income and operating margin



Operating income

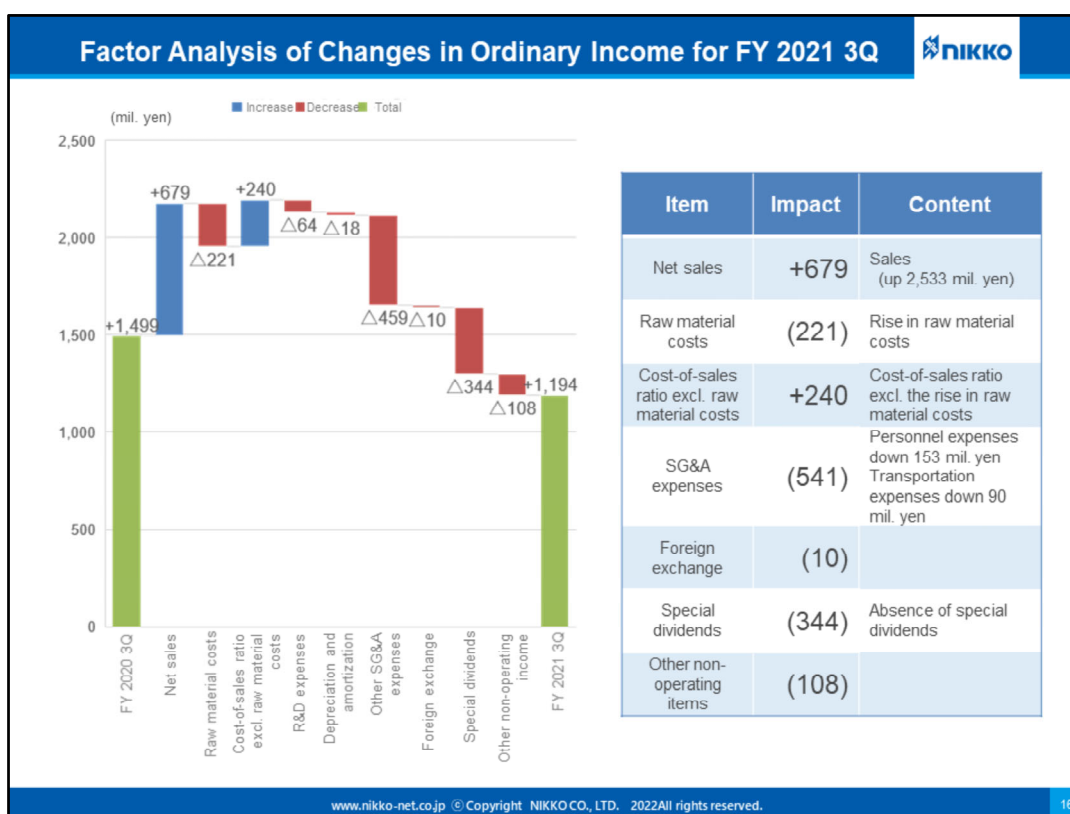
- Operating income increased 10.3% YoY
- Operating margin rose 0.6 pt YoY

★Sales composition of Other Business (FY 2021 1H)

Temporary construction materials 26.1%, waterproof boards, floodgates 16.6%, Hand tools 12.3%, mobile plants 17.2%, crushers 5.5%, Nikko-developed products 16.6%, other 5.5%

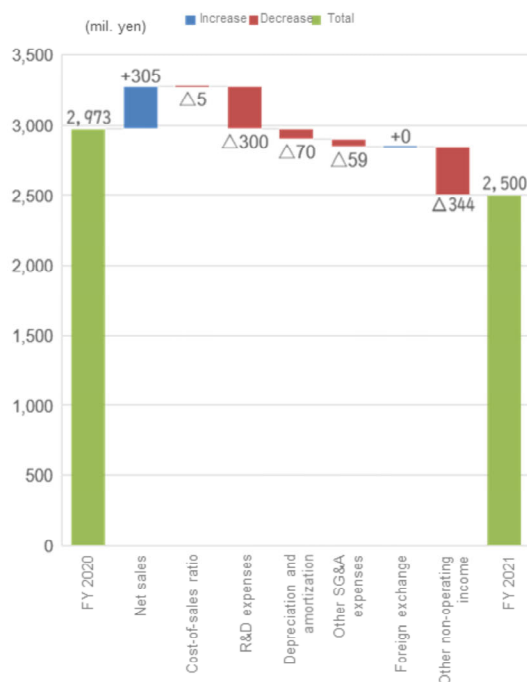
□ This is the other business. New orders received for the other business declined from the previous year.

Orders for mobile plants, on which we have been focusing on, rose compared with the previous year and have been performing strongly. Net sales of the segment as a whole increased 5.7% compared with the same period a year earlier. While sales of mobile plants and waterproof boards, on which we are focusing, increased, those of temporary construction materials were slightly slow and those of crushers were low. Operating income was up 10.3% compared with the same period a year earlier.



□ This is the analysis of factors contributing to changes in ordinary income for the third quarter. In the current fiscal year, ordinary income declined 305 million yen compared with the previous year. The right side show the analysis of the factors contributing to changes. Rise in sales contributed 679 million yen to profit increase, rising raw materials costs gave negative impact of 221 million yen, an improvement in cost-of-sales ratio excl. raw material costs contributed 240 million yen, and SG&A expenses rose 541 million yen.

Factor Analysis of Changes in Ordinary Income for FY 2021 (Forecast)



(mil. yen)

Item	Impact	Content
Net sales	+305	Increase in net sales +1,134
Cost-of-sales ratio	(5)	Rise in cost-of-sales ratio: 73.09% → 73.10%
R&D expenses	(300)	
Depreciation and amortization	(70)	
Other SG&A expenses	(63)	
Other non-operating items (Dividends income)	(344)	Absence of special dividends of 344

Balance Sheet Trends					NIKKO	
					(mil. yen)	
		FY 2020 3Q	FY 2021 3Q	Change	Main factors in year-on-year change	
Assets	Current assets	30,779	32,321	+1,542	Increase: Cash and cash equivalents	+2,797 mil. yen
					Work in process	+1,329 mil. yen
					Other business	+324 mil. on yen
					Decrease: Notes and accounts receivable-trade	(1,453) mil. yen
					Electronically recorded monetary claims	(373) mil. yen
	Property, plant and equipment	8,674	9,993	+1,319	Merchandise and finished goods	(1,089) mil. yen
	Intangible assets	538	889	+350	Increase: Buildings and structures	+1,128 mil. yen
	Investments and other assets	6,452	6,144	(308)	Machinery, equipment and vehicles	+188 mil. yen
					Land	+346 mil. yen
					Goodwill	+115 mil. yen
					Other business	+235 mil. yen
					Decline: Deferred tax assets	(135) mil. yen
Total assets		46,444	49,348	+2,903		
Liabilities	Current liabilities	13,226	15,276	+2,050	Increase: Accounts payable-factoring	+364 mil. yen
					Short-term loans payable	+1,190 mil. yen
					Contract liabilities (advances received)	+912 mil. yen
	Long-term liabilities	3,373	2,896	(477)	Decreases: Electronically recorded obligations	(236) mil. yen
					Provision for loss on order received	(205) mil. yen
					Long-term loans payable	(372) mil. yen
Total net assets		29,844	31,175	+1,330	Increase: Retained earnings	+739 mil. yen
Net assets per share (yen)		780.90	813.93	+33.03	Foreign currency translation adjustment	+202 mil. yen
					Valuation difference on available-for-sale securities	+170 mil. yen
					Foreign currency translation adjustment	+232 mil. yen
					Accumulated retirement benefit-related adjustment	+113 mil. yen

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□ Next is balance sheet. This is the comparison with the third quarter a year earlier. Total assets increased approx. 3.0 billion yen to 49.3 billion yen. The reason for the increase is a rise in property and equipment. Current assets have also increased, but the key reasons for the increase in property and equipment in particular are an increase due to the increase in buildings and structures including the construction of the Thailand plant and the construction of a new company building of Nikko Electronics, a subsidiary. Net assets rose 1.330 billion yen from the previous year to 31.175 billion yen.

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Topics: Next-generation Maintenance Service (Subscription)

Next-generation maintenance (predictive maintenance)
Starts with plant check-up

A subscription contract for plant maintenance services

Predictive maintenance is the future
Signs are visible
Renewal timing becomes clear

Customers can choose from several option types of service subscription plans

Service menu	Remote maintenance	New service Plus 1 Maintenance of current status + Regular check-up service	New service Plus 2 Partial maintenance subscription service centered on planned repair	New service Plus 3 Total maintenance subscription service including planning and post-incident maintenance
<div style="border: 1px solid #0056b3; height: 80px; margin: 5px;"></div> <p style="text-align: center; margin: 0;">Outline</p>	<ul style="list-style-type: none"> Create database of plant operation status 	<ul style="list-style-type: none"> In addition to remote maintenance, implement plant check-up Announce timing for parts replacement based on check-up data, and replace parts 	<ul style="list-style-type: none"> Partial addition of planned repair <ul style="list-style-type: none"> ✓ Replacement of electric parts ✓ Regular replacement of control panel PC ✓ Labor-free large-scale planned repair once every few years 	<ul style="list-style-type: none"> Formulation and implementation of a maintenance plan

Start with Plus 1 and Plus 2 ▶▶▶ Accumulate data and move on to Plus 3

Launched in FY 2021, there are 8 contracts for next-generation maintenance services (regular check-up) as of the end of December (of the total, 2 contracts signed the Plus 2 contract)

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- Among the topics this time, we have started a subscription business from the current fiscal year that offers maintenance services, wherein we offer services in lieu of a fixed rate fee from customers. Tanaka, who is in charge of the business, will explain it.
- I would like to explain next-generation maintenance services. We are expecting increase in user requirement for maintenance, with outsourcing especially expanding. For large machines, users will naturally rely on manufacturers for such maintenance. Under such circumstances, we would like to introduce new business models.
- As the subscription service has also been gradually increasing for vehicles, we prepared several items on the service menu for our machinery maintenance for customers to subscribe to, and we have been promoting the service since June last year. Given the large size of the machinery we offer, it would be more conventional to target the entire device. However, we have just started the service and depending on the customers' situation, the first item, Plus 1, is to perform regular check-up and propose maintenance works from our side. The second one, Plus 2, provides maintenance services including the whole set of electrical works, which customers are not good at. Finally, we are currently in the process of proposing Plus 3 in which we, the manufacturer, perform all the maintenance services as a new business model.
- As of the end of last December, we received 8 contracts and we expect the next-generation maintenance service will gradually spread. The breakdown of the contracts is 6 contracts for Plus 1 and 2 for Plus 2.

User advantages

Reduced emergency troubles

- Improves plant productivity
- Improves plant reliability
- Realizes stable plant operation

Management of target facilities

- Nikko maintains and manages target facilities
- No need for management by users
- Management by the plant manufacturer is secure

Flat rate

- Enables budget control
- Free emergency response within the scope of contract
- Discounted rate setting compared with post-incident maintenance

Advantages for Nikko

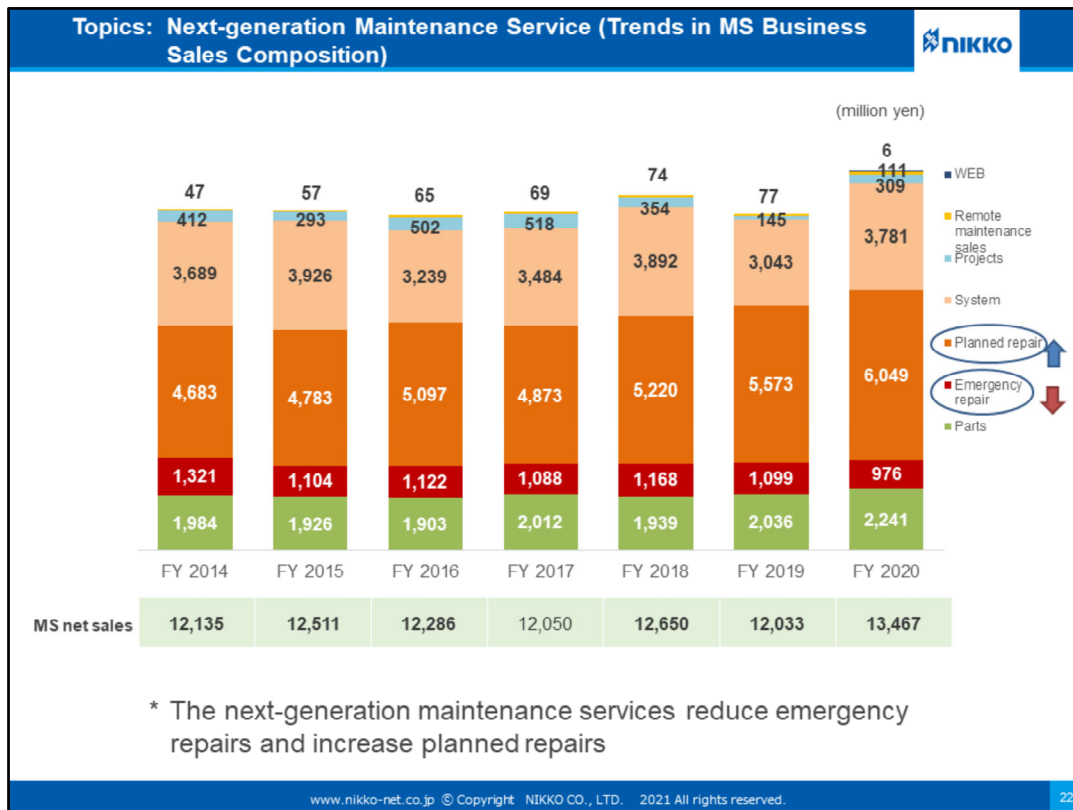
- Reduced responses to emergencies and troubles at customers
- Cost reduction from regular check-up
- Shift from free inspection to paid inspection

Reduced loss of sales opportunities to users

□ Users have the need to prevent sales opportunity loss. Emergency troubles require repairs and most of the repairs have been done after the incident till now.

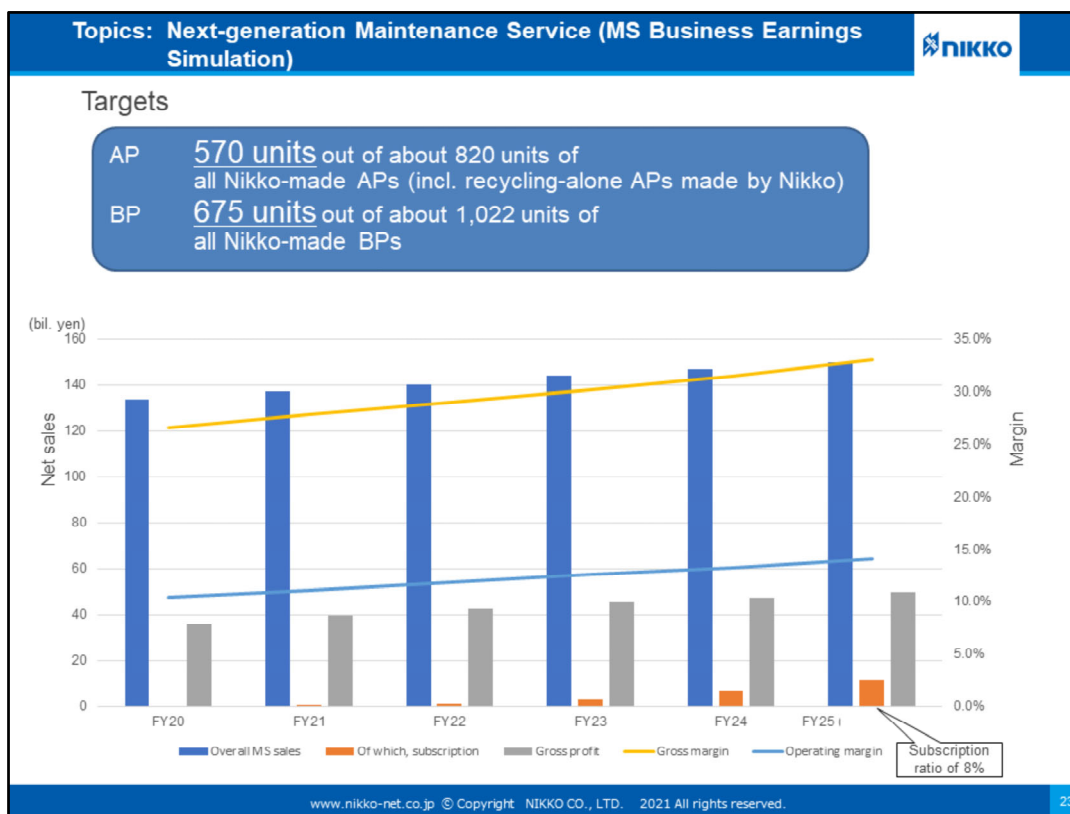
A machine suddenly stopping and causing trouble to customers (those who use asphalt mixture as well as construction companies using ready-mixed concrete) of the plant users is something the plant users will want to avoid as much as possible. This will be a situation where they lose the customers' trust and lose sales opportunities. We believe that our users will benefit from our improving aspects such as the occurrence of sudden repair expenses and inability to control the budget as increasing the complexity of the facilities makes it impossible to manage by themselves.

□ The advantage for us is that emergency troubles will decrease compared with the time when we had to repair facilities after a sudden breakdown. This will enable us to move systematically, and in turn reduce costs. In terms of inspections, which we till now provided on spot for free, we will significantly benefit from the switch to paid inspections from the planned inspections.



□ This is the sales composition of current maintenance service. The maintenance services include the parts-only sales, the emergency repairs basically after an incident, and the planned repairs similar to regular maintenance based on the content discussed with the customer in advance. Other than that, there are also a system for replacing a part of a device and a project for highways.

□ What we want to push forward internally is to reduce such emergency repairs and increase planned repairs. When completed, ultimately the sales opportunity loss at the customer side will decline and we believe that it will be acceptable to them. In addition, currently, emergency repairs has decreased and planned repairs has been increasing. We will introduce a new business model to further bring it forward.



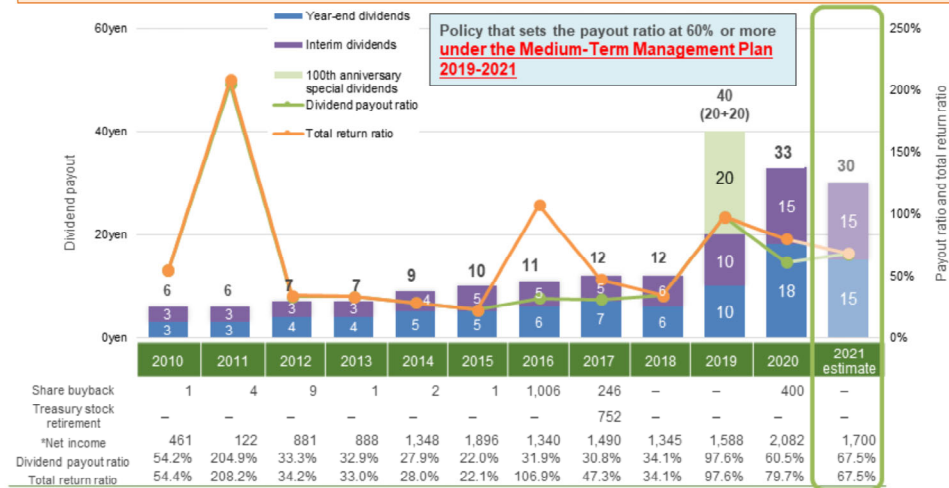
□ We currently have only 8 subscription contracts since the start, but our goal is to have enough subscription contracts to account for 8% on total in FY 2025. This will enable us to do more than what we were previously able to do, increase volume, and earn profits, and improve the sales of maintenance services to almost 15.0 billion yen ultimately.

Shareholder Returns



● Enhancement of shareholder returns

Forecast of 30.00 yen per share in dividend payment in FY 2021 (15.00 yen per share as interim dividends and 15.00 yen per share as year-end dividends)
(dividend payout ratio of 67.5%)



*The Company carried out a one-to-five split of shares in its common stock effective October 1, 2015, and the amount of dividends have been adjusted to the value after the split.

*Net income = Net income attributable to owners of parent (mil. yen)

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* The last digit of the figures of changes in this document may differ from those in the Quarterly Report due to the treatment of fractions less than unit.

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



(mil. yen)

	FY 2019				FY 2020				FY 2021			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	8,001	9,139	7,422	10,589	7,271	10,954	6,407	13,234	8,817	10,191	8,157	
AP-related business	3,917	4,750	3,789	5,062	3,991	5,536	3,247	6,693	5,058	4,131	4,176	
BP-related business	2,442	2,127	1,722	2,867	1,478	3,440	1,274	3,020	1,972	3,617	1,690	
Environment- and conveyor-related business	492	861	561	720	524	535	513	818	424	1,157	614	
Other business	1,149	1,400	1,350	1,941	1,275	1,444	1,373	2,698	1,361	1,286	1,678	
Operating income	276	683	81	1,013	408	592	(96)	1,398	375	593	59	
AP-related business	222	454	(53)	495	340	300	(105)	704	199	189	(61)	
BP-related business	110	187	89	375	88	398	(25)	418	196	413	58	
Environment- and conveyor-related business	80	139	174	169	114	78	94	196	66	177	136	
Other business	175	273	196	376	171	206	188	605	157	160	306	
Corporate expenses	(313)	(370)	(322)	(404)	(305)	(391)	(248)	(525)	(244)	(345)	(382)	
Ordinary income	361	673	129	979	979	609	(89)	1,474	519	586	89	
Net income attributable to owners of parent	270	733	(33)	618	746	353	(133)	1,116	378	489	838	
Cash flow from operating activities	3,809				2,784							
Cash flow from investing activities	(609)				(1,867)							
Total dividend	229	—	775	—	775	—	572	—				
Share buyback	0				400							

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



(mil. yen)

New orders received (cumulative)	FY 2019				FY 2020				FY 2021			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q forecast
AP-related business	3,575	8,419	11,196	16,133	5,256	9,835	14,102	20,279	4,519	9,048	13,072	
BP-related business	1,969	4,313	6,315	9,478	2,061	4,823	7,278	9,961	3,142	5,646	8,442	
Environment- and conveyor-related business	449	1,187	1,787	2,401	746	1,374	2,290	2,875	523	1,286	2,025	
Other business	1,325	2,923	4,578	5,902	1,405	3,001	5,222	6,894	1,568	2,820	4,606	
Total	7,320	16,843	23,877	33,915	9,469	19,036	28,893	40,009	9,753	18,802	28,146	

End-of-term order backlog	FY 2019				FY 2020				FY 2021			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
AP-related business	8,466	8,561	7,548	7,424	8,688	7,732	8,751	8,235	7,696	8,094	7,942	
BP-related business	2,967	3,184	3,464	3,760	4,342	3,665	4,845	4,508	5,678	4,565	5,672	
Environment- and conveyor-related business	342	219	258	152	373	467	869	636	734	341	466	
Other business	997	1,194	1,498	883	1,013	1,165	1,553	981	1,187	1,154	1,261	
Total	12,773	13,158	12,769	12,219	14,417	13,030	16,479	14,361	15,298	14,155	15,342	

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



(mil. yen)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Capital investment	292	335	844	815	877	1,261	550	1,889	1,483	2,748
Depreciation and amortization	432	389	395	422	487	482	472	508	611	677
R&D expenses	239	256	295	276	227	271	291	211	379	392

(persons, years old, or years)

Number of employees (consolidated)	775	763	767	796	803	797	807	799	838	861
Average age of employees (non-consolidated)	44.2	44.7	43.3	43.1	42.2	42.3	42.2	40.9	41.1	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	15.4
Female employees (non-consolidated)	28	31	31	33	39	42	42	45	51	55
Number of new-graduate hires (non-consolidated)	13	15	21	21	30	17	19	15	14	29
Number of female new-graduate hires (non-consolidated)	1	0	1	3	1	2	0	0	0	3
Percentage of female hires (non-consolidated)	7.6%	0%	4.7%	14.2%	3.3%	11.7%	0%	0%	0%	10.3%
Number of foreign-national hires (non-consolidated)	1	0	6	0	0	0	1	1	0	1
Number of foreign-national employees (non-consolidated)	2	2	8	6	6	6	7	8	5	5
Foreign national employees (consolidated)	92	90	91	95	94	93	101	98	116	116
Overseas employees (consolidated)	92	90	91	95	92	91	101	98	123	121

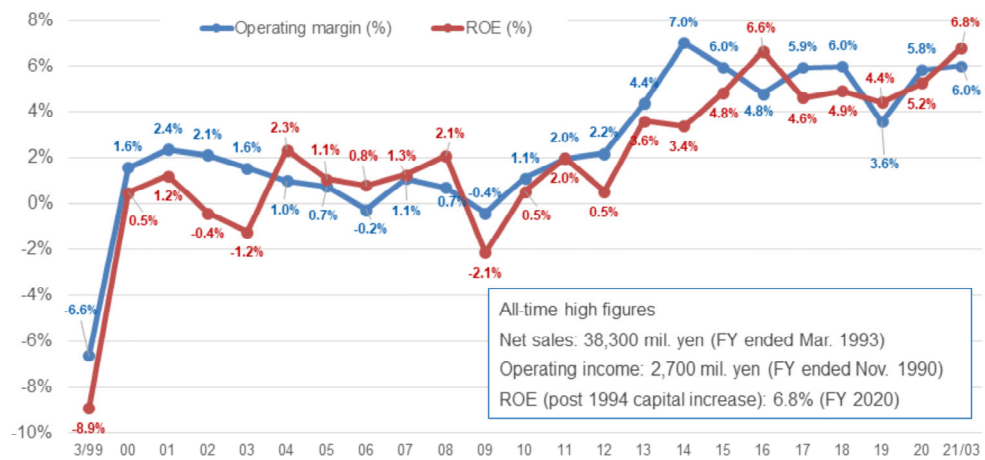
New products for reducing environmental impact

	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



	(mil. yen)																				
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20/03
Net sales	22,157	22,595	23,170	24,307	24,812	24,804	22,175	25,035	25,942	23,850	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)	302	530	492	379	246	185	(55)	271	189	(99)	205	470	541	1,180	2,249	1,832	1,029	1,944	2,103	1,427	2,053
Ordinary income	201	846	664	688	492	537	350	699	545	482	699	812	821	1,108	1,982	1,582	1,848	1,993	2,239	1,578	2,142
Net income (loss)	121	296	(93)	(284)	587	285	203	315	513	(499)	124	481	122	881	888	1,348	1,898	1,340	1,490	1,345	1,588

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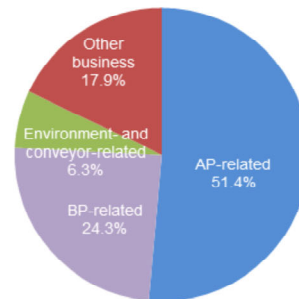
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Company Overview



Japanese name	Nikko Co., Ltd.
Head office	1013-1, Eigashima, Okubo-cho, Akashi, Hyogo Prefecture
Established	August 13, 1919
Capital	9,197 mil. yen (as of March 31, 2021)
Consolidated net sales	37,866 mil. yen (Fiscal year ended March 31, 2021)
Consolidated operating income	2,302 mil. yen (Fiscal year ended March 31, 2021)
Ratio of net sales outside Japan	9.9% (Fiscal year ended March 31, 2021)
Subsidiaries	10 companies (Fiscal year ended March 31, 2021)
Number of employees (consolidated)	861 (as of March 31, 2021)
Governance structure:	Company with Board of Corporate Auditors Directors: 7, of which 2 are outside directors Corporate Auditors: 4, including 3 outside auditors (as of March 31, 2021)

Net sales breakdown by business segment (FY 2020)



* 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.

Representative Director and President

辻 勝

Business Segments



AP-related business



Main products: ●Asphalt plants ●Recycling plants ●Crushing plants-Mixture silos
●Electronic control devices, plant management system



Asphalt plants (MBO)

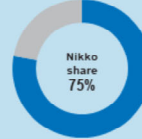


New model asphalt plant (VP-II)



Crushing plant

Market share (based on Nikko's survey)



BP-related business



Main products: ●Concrete batching plants ●Compact concrete batching plant ●Concrete pumps
●Electronic control devices, plant management system ●Plant facilities for concrete product production, etc.



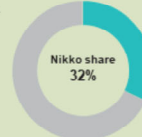
DASH-Hyper mixer



BP integrated management system (Cyber Advance)



DASH-H275RA V-TRIUM batching plant



Environment- and conveyor-related business



Main products: ●Belt conveyors, conveyors for facilities, beverage container recycling plants
●Oil-polluted soil cleaning plant, plastic recycling plant



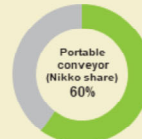
Modular belt conveyor



Super modular conveyor



Compact crusher (Choiwaru-no-jaw)



Other businesses



Main products: ●Pipe scaffolds, steel gangplanks, pipe supports ●Temporary aluminum staircases ●Shovels, spades, mortar mixers
●Floodgates, waterproof boards, crushers ●Real estate leasing, construction machinery product leasing ●Sales of housing renovation, etc.



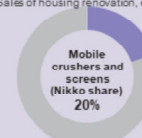
Mobile crushers



Roll breaker



Waterproof boards



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	1994 Nikko Baumaschinen (Germany)	1968 Ichiishi Kogyosho (M&A)
1951 Concrete mixers and winches	1938 Industrial machinery factory	1997 Taipei branch (Taiwan)	1971 Nikko Electronics Co., Ltd. established
1956 Ready-mixed concrete plant	1968 Tokyo factory	2001 Nikko (Shanghai) Construction Machinery	1983 Nikko Machinery Co., Ltd. established
1958 Asphalt plants	1994 Satte factory	2010 Shangtui Chutian Construction Machinery	1994 Tombo Industry Co., Ltd. established
1962 Telescopic steel props	2004 Shanghai Jiading factory	2020 Nikko Asia (Thailand) Co., Ltd.	1995 Nikko Sec Co., Ltd. established
1963 Pipe scaffolding	2014 Kakogawa factory	2020 Nikko Nilkhol Co., Ltd. (Thailand)	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)			



Nikko Group Business Vision

*n*からはじまる未来創造

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.

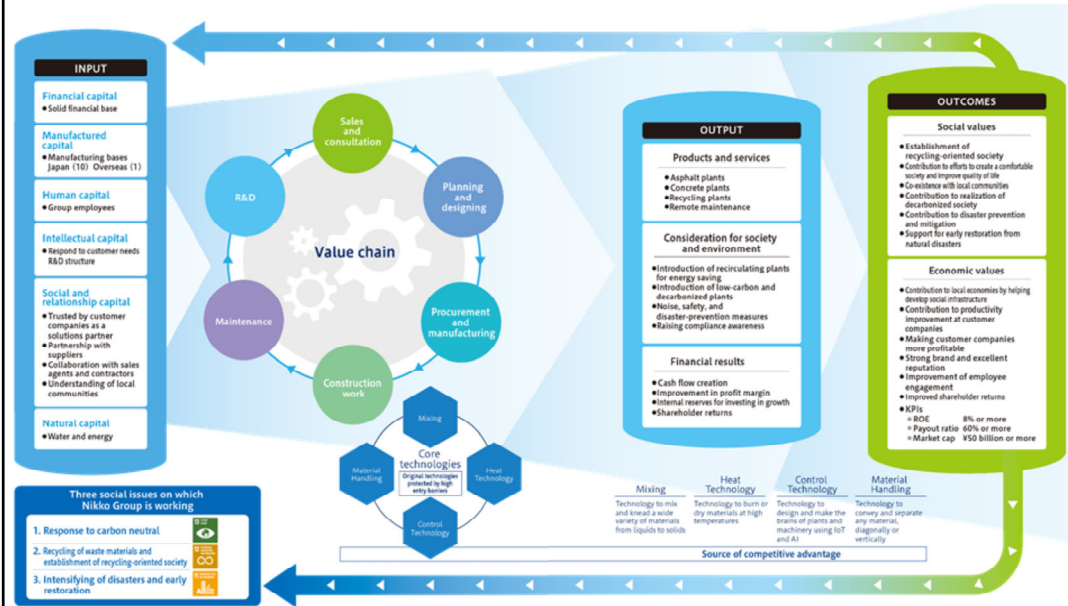
We will work to brush up on our core technologies in “heating,” “mixing,” “material handling” and “control” as we expand business.

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

Representative Director and President

辻 勝

Nikko's Business Model





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

(Online meetings and meetings in Tokyo also can be arranged.)

Tel: +81-78-947-3141 E-mail: IR-nikko@nikko-net.co.jp

Contact: Hachiken, Finance Department, Nikko Co., Ltd.

- 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.

M&A Deals

報道関係者各位

（2022年3月2日）
日工株式会社

日工株式会社、宇部興機株式会社を子会社化

～ 国内収益基盤の強化、新規事業拡大の実現～

アスファルトプラントの製造販売を行う日工株式会社（本社：兵庫県三木市、代表取締役：佐藤 恒典（サトウ・コウジ）以下、「日工」）は、2022年3月1日（火）に繊維造物・産業機械の設計・製作・据付・設置保全を行う宇部興機株式会社（以下、「宇部興機」）を子会社化したことをお知らせします。今回の子会社化に伴い、宇部興機株式会社の代表取締役社長に日工執行役員 山田和寛が就任いたします。

背景と目的

日エグループは2019～2021 中期経営計画において10 年後を見据えた長期基本方針を掲げており、国内収益基盤の強化、新規事業拡大の推進の一環として本件を実施するものです。

宇部興機株式会社は当証券受託事業、電力・自動車・化学・セメント・食品・軍品事業向けの設備機器製造やプラント工事をはじめ、水門・堤防・上下水道等の社会インフラ設備工事に関する幅広い社会インフラ設備の製作、組立工事を実施しております。また、太陽光発電LED 照明、生ゴミや資源物処理などの有機性のエネルギー資源を開発させたときに発生するバイオガスの生産・貯蔵タンク（ガスホルダー）の自社製品を開発し、環境分野での事業展開を積極的に推進しています。

本件統合を契機により、両社の技術・ノウハウ等を共有することで、日エグループが注力している環境リサイクル事業に新たなシナジー効果を生み出し、日エグループの新規事業の拡大を進め、お客さま満足度をより一層高めるものと日エグループの企業価値の向上を進め、持続的な成長を図ってまいります。

取締役体制

役職	氏名
代表取締役社長	山田 和寛
常務取締役	西田 竜孝
常務取締役	稲谷 正則
取締役	森谷 真一
取締役	小川 博弘
監査役	保田 孝雄
監査役	田上 真一

日工株式会社について

1978 年、業界の両端であった新・旧企業間統合により創業。スロップの工芸製作から始まり、今日日本のインフラを支えるプラント機械メーカーとして事業展開を行っています。アスファルトプラントの国内シェアは70%以上。重機などの鉄工インフラから環境分野まで幅広い事業のまちづくりのお手伝いをしています。

会社名：日工株式会社
所在地：〒674-0001 兵庫県三木市大久保町辻島 101-1
代表者：佐藤 恒典（サトウ・コウジ）
資本金：31 億 700 万円
設立：1978 年 8 月 13 日
従業員数：361 名（連結 2021 年 3 月期）
URL: <http://www.nikko-net.co.jp/>
事業内容：土木用プラント、建設機械等の製造販売

宇部興機株式会社について

1969 年に創業。当証券受託事業と並行して、電力・自動車・化学・セメント・食品・軍品事業向けの設備機器製造やプラント工事をはじめ、水門・堤防・上下水道等の社会インフラ設備工事に関する幅広い社会インフラ設備に携わり続けてまいりました。同時に環境分野での事業展開を積極的に推進しており、ガスホルダー事業や太陽光発電事業にも注力し、地球温暖化防止や次世代エネルギー等、環境型社会の実現に貢献する環境事業に取り組んでいます。

会社名：宇部興機株式会社
所在地：〒759-0234 山口県宇部市大字藤和字次路 202-230
代表者：山田 和寛（やまだ かずひろ）
資本金：20 億 700 円
設立：1969 年 4 月 1 日
従業員数：71 名
URL: <http://www.ubeko.co.jp/>
事業内容：施設設備工事・環境造物工事・機械器具製造工事 水道施設工事・プラント工事・一般産業機械・メカニカル機器・環境設備機器（ソーラーLED 照明灯・ガスホルダー） 建設保全およびレーザ加工・工場保全
上記に付随する設計・製作・据付

最近3年間の決算（単位：百万円）

項目	2019 年 3 月	2020 年 3 月	2021 年 3 月
売上高	1,006	2,040	2,523
営業利益	70	100	208
経常利益	74	100	211
当期純利益	50	62	71

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- Finally, we would like to announce the acquisition of Ube Kohki Co., Ltd. of Yamaguchi Prefecture as of March 1.
- The background and purpose of the acquisition is that our mainstay business is AP and BP and this has not changed for the past 30 to 40 years.
- We want to somehow grow a third pillar, and what we are currently emphasizing is environmental and recycling-related plants, which appear to be the most effective as they are an extension of our core technologies of drying, heating, and mixing. We acquired Ube Kohki as we judged that working together with it will give us synergies for growing this field.
- Our manufacturing lines are designed basically to manufacture APs and BPs. We want to build and sell plants in the new field, but productivity will be low if we manufacture something new with our existing manufacturing facilities. In such a situation, the fact that Ube Kohki receives orders for these things from customers and also installs them in an integrated manner proved to be the decisive factor. Its customers are major steel makers and chemical manufacturers of Japan, and we believe the trust in their product quality is high.
- The current business scale of Ube Kohki is 2.523 billion yen in net sales, 208 million yen in operating income, 211 million yen in ordinary income, and 71 million yen in net income for the fiscal year ended March 2021. Its impact on our earnings for the current fiscal year is negligible, as we acquired it on March 1. There will be no incorporation of profits and losses of Ube Kohki for the current fiscal year. The figures of Ube Kohki will be added full year to ours in the account settlement for the next fiscal year.