



# Fiscal Year 2022 (Ended March 31, 2023) Financial Results Briefing Session Materials

June 13, 2023

**日工株式会社**

Tokyo Stock Exchange Code: 6306

Masaru Tsuji, Representative Director and President

Hiroshi Fujii, Director and Vice President

**1st Year Progress Report of FY 2022-2024 Medium-Term Management Plan**

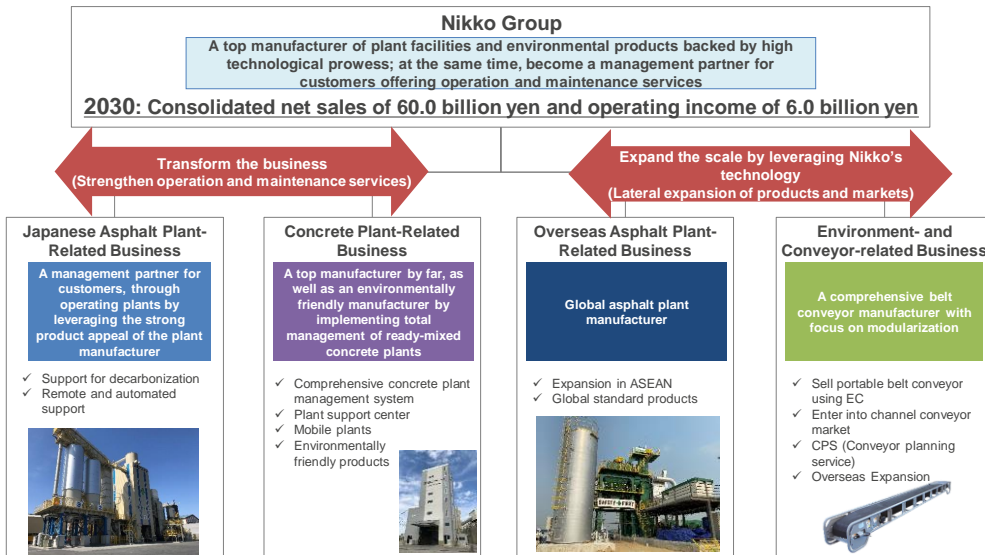
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\* The last digit of the figures in this document may differ from those in the Quarterly Report due to the treatment of fractions less than unit.



# **FY 2022-2024 Medium- Term Management Plan 1st Year Progress Report**

- Maintain and strengthen the Nikko brand, which boasts technological prowess and product appeal as a manufacturer, and expand our service business to achieve **60.0 billion yen in net sales and 6.0 billion yen in operating income in 2030**



**Tsuji:** I am Masaru Tsuji of Nikko Co., Ltd.

First, I would like to talk about our 2030 Vision.

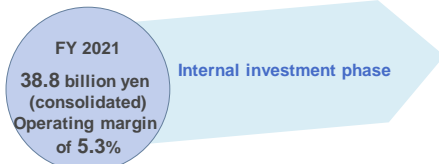
There were some destabilizing factors such as the impact of COVID-19, rising prices, and the Ukrainian situation, but we are maintaining the 2030 Vision without making any changes. The goals are 60.0 billion yen in sales and 6.0 billion yen in operating income.

Our current situation is that we are focusing most of our attention on the overseas asphalt plant business. Sales, however, have been stagnant due to the impact of COVID-19. I will explain the countermeasures later.

■ The new Medium-Term Management Plan is a time period in which we build the structure, processes, and systems toward 2030

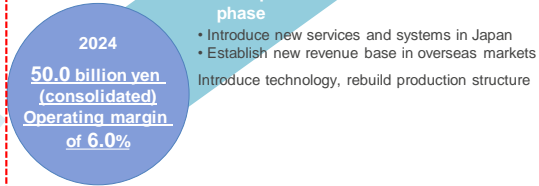
**Medium-Term Management Plan (2022–2024)**

<b>Business</b>	<ul style="list-style-type: none"> <li>✓ Standardization of AP, BP plants</li> <li>✓ Sell portable belt conveyor using EC, offer channel conveyors</li> <li>✓ Entry of overseas AP business into Indonesia and Vietnam</li> </ul>
<b>Internal functions</b>	<ul style="list-style-type: none"> <li>✓ Global marketing, DX promotion</li> <li>✓ Build cooperative sales structure for new businesses</li> <li>✓ Rebuild human resource management foundation and systems</li> </ul>



Internal investment phase

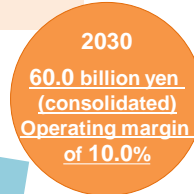
**Build a structure, processes, and systems that form the base of the 10-year vision in the three years of the medium-term plan, and promote testing and system development of new services aimed at the next 10 years**



Business expansion phase

- Introduce new services and systems in Japan
  - Establish new revenue base in overseas markets
- Introduce technology, rebuild production structure

<b>Business</b>	<ul style="list-style-type: none"> <li>✓ Remote and automated support, comprehensive management system</li> <li>✓ Full-fledged expansion of environmentally friendly products</li> <li>✓ Expansion in ASEAN</li> </ul>
<b>Internal functions</b>	<ul style="list-style-type: none"> <li>✓ Open and start full operation of a management support center</li> <li>✓ Automated and remote operations using technology</li> <li>✓ Review production process and the Head Office Plant to focus on assembly</li> </ul>



The overseas expansion of the asphalt plant business has entered a new phase.

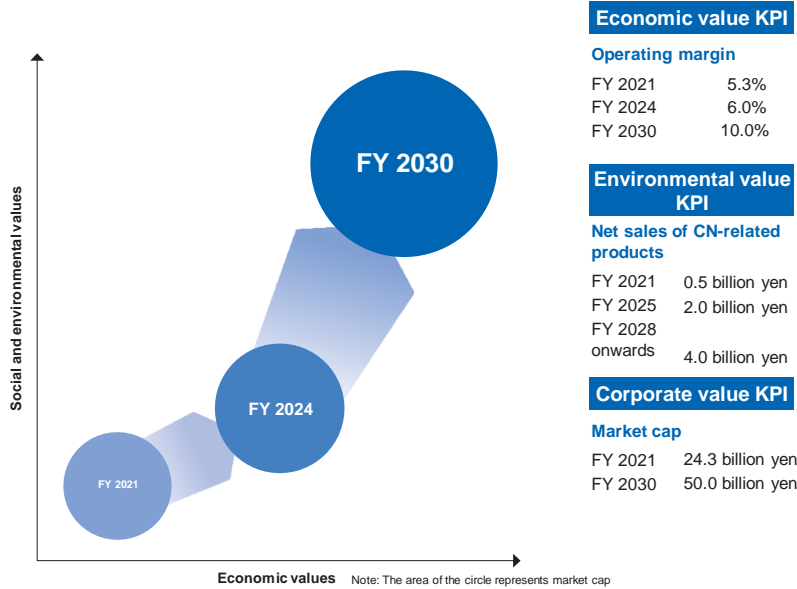
We pursued initiatives for selling our products in Indonesia and Vietnam, and signed a distributor agreement with a dealer in Vietnam in March of this year.

Our manufacturing subsidiary started operations in Thailand during March of the year before last, but sales activities have been stagnant and there is an imbalance between production and sales. Thailand and Vietnam are important markets, and we would like to establish a cycle of supplying high quality products from Thailand as soon as possible.

In the internal investment phase, we are implementing measures to increase investment impact based on the results of the previous term.

The most important thing we are focusing on is employee satisfaction. We reformed our personnel system to solve the issues pertaining to employee treatment. Externally, we held a trade show for new products for the first time in four years. We spent more than one year preparing for the trade show, in which we introduced our new products to more than 1,000 visitors. We believe that it has raised the morale of all employees and will contribute to the future development of our business.

Image of corporate value improvement towards FY 2030



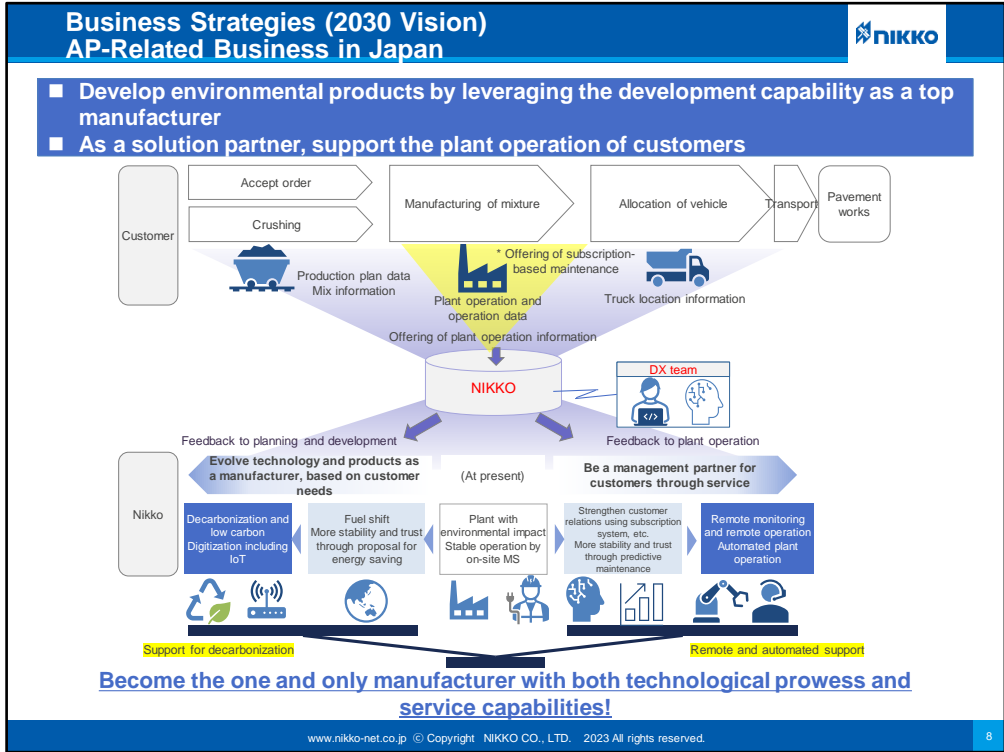
This graph is an image of our goal of raising our corporate value in the Medium-Term Management Plan through FY 2024, and towards the 2030 Vision that we had announced in 2019.

We are aiming for the continuous growth in indicators for economic value, environmental value, and corporate value. Although we could not reach the expected goals for the first year under the Medium-Term Management Plan, we believe that the situation is gradually improving. We will continue with our efforts without making any changes to these major goals.

■ For each businesses, we will actively invest in launching new products and services for business structure reform under the 2030 vision and in enhancing necessary organizational abilities

AP in Japan	<ul style="list-style-type: none"> <li>✓ Develop environmental products by leveraging the development capability as a top manufacturer</li> <li>✓ As a solution partner, support the plant operation of customers</li> </ul>
BP	<ul style="list-style-type: none"> <li>✓ Carry out comprehensive management of ready-mixed concrete plants</li> <li>✓ Develop products that satisfy the high quality requirements of precast concrete</li> </ul>
AP overseas	<ul style="list-style-type: none"> <li>✓ Design and launch standard model products that are competitive also in overseas markets</li> <li>✓ Build an organizational structure for expansion into the ASEAN market</li> </ul>
Conveyors	<ul style="list-style-type: none"> <li>✓ Offer convenience and efficiency that goes beyond the manufacturer's framework by leveraging the engineering of conveyor line, while realizing short delivery time and low price through modularization</li> <li>✓ Develop web-based services and design structure and build a foundation for delivering new products and services</li> </ul>

These are the broad policy-level items for each business. Please go through them at your convenience.



This slide shows the current status of the asphalt plant business in Japan as well as Nikko’s strengths as a manufacturer. Asphalt plants are essential for infrastructure development and Nikko has a 70% share of the market in Japan. We are also developing new technologies such as recycling plants and biomass fuel combustion systems to address environmental problems. It has a structure that captures the overall needs of customers including carbon neutrality and environmental measures.



### Japanese Asphalt Plant-Related Business

A management partner for customers, through operating plants by leveraging the strong product appeal of the plant manufacturer

- ✓ **Support for decarbonization**
- ✓ Remote and automated support



- We will leverage our high technological prowess as the top manufacturer and
  - establish technology for decarbonization as well as remote and automated operation, and
  - support customers' plant operation more than ever

#### 1. Support for decarbonization

Medium-term goal (FY 2022–2024)	FY 2022 Progress
Develop low-carbon mixture manufacturing system	<ul style="list-style-type: none"> <li>• <b>Foamed equipment</b> FY 2022 Orders: <u>40 units</u>; sales: <u>19 units</u> FY 2023 estimates Orders: <u>64 units</u>; sales: <u>55 units</u></li> </ul>
Develop combustion technology for decarbonized fuels	<ul style="list-style-type: none"> <li>• <b>Hydrogen burner</b> <u>Developed hydrogen burner for asphalt plants jointly with Tokyo Gas (hydrogen-only burner, which can also be co-fired with city gas.)</u> In April 2023, we manufactured asphalt mixture at Maeda Road Construction and carried out trial paving of a road</li> <li>• <b>Ammonia burner</b> Carried out LNG-ammonia combustion test at the company</li> </ul>
<u>Offer combustion technology for biomass and gas</u>	Completed development of a biomass burner that burns rice husk, etc. Currently in business negotiations on burners for applications other than AP such as pulverized coal

This describes the decarbonization of the AP-related business in Japan as well as its remote and automated support. Carbon neutrality is a major theme.

Asphalt plants heat and combine aggregates using fossil fuel that emit CO<sub>2</sub>. It is the responsibility of a manufacturer to reduce CO<sub>2</sub>, and is also what interests the customers.

Foamed equipment was rated highly at the trade show. We received orders for 40 units in FY 2022 and sold 19 units. For FY 2023, we expect to receive orders for 64 units and sell 55 units. While supply capacity is an issue, there is more demand.

Warm-mix asphalt was approved by the Tokyo Metropolitan Government, and road pavement companies have responded to the demand. We will develop a structure as soon as possible so that we can go beyond the expected orders and sales.

In developing decarbonized fuels, we, together with Maeda Road Construction, manufactured asphalt mixture using only hydrogen as the heating fuel and used it in construction work. Manufacturing technologies that use CO<sub>2</sub>-free fuels such as hydrogen and ammonia are already established.

If alternative fuels become more popular at lower costs, we will build a system to supply hydrogen burners and ammonia burners.

In terms of biomass, we are driving forward an initiative to manufacture asphalt using rice husks, etc.

### Japanese Asphalt Plant-Related Business

A management partner for customers, through operating plants by leveraging the strong product appeal of the plant manufacturer

- ✓ Support for decarbonization
- ✓ **Remote and automated support**



- We will leverage our high technological prowess as the top manufacturer and
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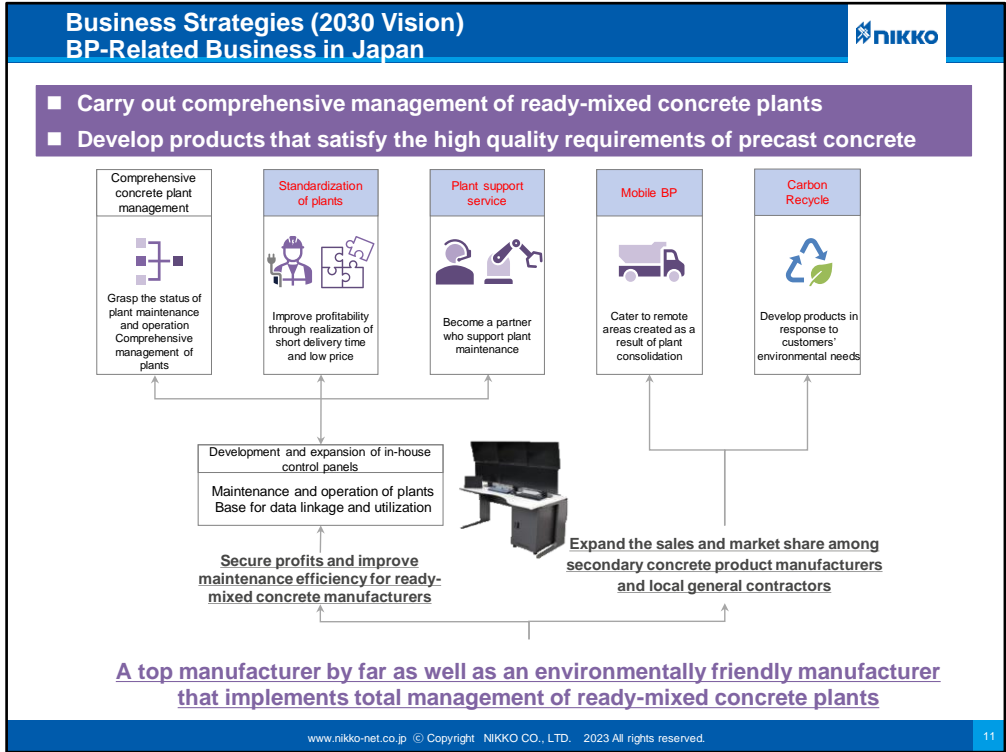
#### 2. Remote and automated support

Medium-term goal (FY 2022~2024)	FY 2022 Progress
Offer partially remote shipment system	Remote shipment from silo From April 1st through the 3rd, the required work was carried out by the user and the demonstration experiment of the remote shipment was launched
Build remote control and automation technology	<ul style="list-style-type: none"> <li>• We are developing the technology that leads to the remote and automated operations of both machinery equipment and control equipment</li> </ul>
Accumulate plant operation data based on expansion of the number of contracts for maintenance service subscription	We have concluded five contracts Further proposals in progress

Remote and automated support is a service that responds to the customers' ultimate request of making unmanned plants. It is also gaining attention as part of workstyle reforms.

As far as technology is concerned, although it is currently possible to make unmanned plants, there are still issues such as safety and operation management. For this reason, we plan to pursue automation in phases.

Starting in April 2023, we have been conducting experiments with remote operations of the system to ship from the mixture storage silos of asphalt plants. Going forward, we would like to offer efficient and stable service by making the entire plant unmanned and automated.



At ready-mixed concrete manufacturing facilities, it is important to implement comprehensive management by leveraging every data to enable manpower optimization and unmanned operation. An unmanned plant is the ultimate goal for asphalt plants and concrete batching plants.

The number of plants in Japan has been declining, and there are areas that are facing increasing supply shortage. We developed a mobile BP to respond to this issue. It enables the production of high quality ready-mixed concrete on site.

On the far right is carbon recycling. Customers demand carbon neutrality, and it is an issue for asphalt and ready-mixed concrete. Demand for plants that use technology to solidify CO<sub>2</sub> using calcium has been on the rise.

### Concrete Plant-Related Business

A top manufacturer by far, as well as an environmentally friendly manufacturer by implementing total management of ready-mixed concrete plants

✓ **Comprehensive concrete plant management system**

✓ **Plant support center**

- ✓ Mobile plants
- ✓ Environmentally friendly products



- Aim to become a top manufacturer by offering comprehensive management of ready-mixed concrete plants and by developing products that cater to the high quality requirements of precast concrete as well as being an environmentally friendly manufacturer

1. **Development and expansion of in-house control panels**

Medium-term goal (FY 2022–2024)	FY 2022 Progress
Promote standardization of plants by increasing control panel developed in-house and accumulating plant operation information of customers	<ul style="list-style-type: none"> <li>• We are driving forward efforts to acquire other companies' shares as we expand the sales of Nikko-made control panels. (improve market share) <b>FY 2022 control panel delivery result Market share of 43%</b></li> <li>• We are demonstrating the visualization of plant operation and the comprehensive management of ready-mixed concrete plants using mobile equipment through the collection of plant big data and enhancement of the facility ledger function. We are also working on the manufacturing of high-quality ready-mixed concrete in collaboration with other systems</li> </ul>
Introduce service to support operation of customer plants	<ul style="list-style-type: none"> <li>• Under the theme of DX plant management, we have started working on predictive maintenance, development of both hardware and software prototypes for predictive maintenance, and plant maintenance using image processing and various sensors</li> </ul>

Upon working on the automation of concrete plants, in addition to existing functions, we are focusing on the development of control panels and controllers for receiving information from more sensors, of which leads to unmanned operation.

Control panels are the core of the DX of plants. We have a 43% market share in Japan. We are currently pushing forward our development in our aim towards a market share of 50%.

### Concrete Plant-Related Business

A top manufacturer by far, as well as an environmentally friendly manufacturer by implementing total management of ready-mixed concrete plants

- ✓ Comprehensive concrete plant management system
- ✓ Plant support center
- ✓ **Mobile plants**
- ✓ **Environmentally friendly products**



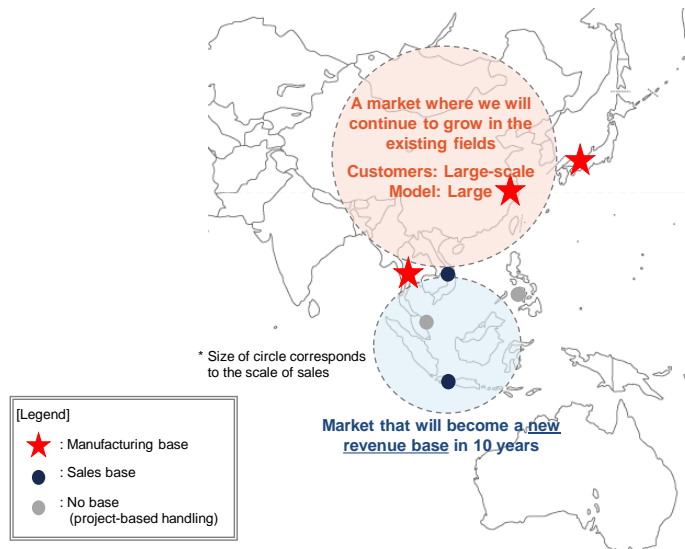
- Aim to become a top manufacturer by offering comprehensive management of ready-mixed concrete plants and by developing products that cater to the high quality requirements of precast concrete as well as being an environmentally friendly manufacturer

Medium-term goal (FY 2022–2024)	FY 2022 Progress
Expand mobile plants into areas which are no longer reachable due to consolidation of plants	<ul style="list-style-type: none"> <li>• <b>Delivered to users of precast concrete for projects</b> We are acquiring sales leads for disaster restoration and special concrete demand</li> </ul>
Develop and expand products in response to customers' environmental needs such as CO2 emissions reduction	<ul style="list-style-type: none"> <li>• <b>We received an order for a demonstration plant by participating in a GI fund project for the development of manufacturing technology for concrete, etc. using CO<sub>2</sub></b> We supplied Eco Tankaru manufacturing equipment to a precast concrete user. We are continuing to work on acquiring sales leads</li> </ul>

We are promoting mobile plants to respond to the supply shortage of ready-mixed concrete and disaster restoration.

As for initiatives related to environmentally friendly products, we are developing concrete using CO<sub>2</sub> and a product called Eco Tankaru in line with the goals of the GI Fund project. We are in charge of a plant being used as a facility for manufacturing Eco Tankaru.

- Design and launch standard model products that are competitive also in overseas markets
- Build an organizational structure for expansion into the ASEAN market



We are currently expanding our overseas business with a focus on ASEAN. It is an initiative to expand to a new market in ASEAN as a whole by establishing a manufacturing subsidiary in Thailand and also focusing on Indonesia and Vietnam.

We have had a local subsidiary for 20 years in Shanghai, China, and have established ourselves as the top brand in the Chinese market. There was a temporary suspension of factory operations due to COVID-19, but the recovery after the restrictions were lifted were quick and we have put in a lot of efforts to expand revenue.

**Overseas Asphalt Plant-Related Business**

Global asphalt plant manufacturer

- ✓ **Expansion in ASEAN**
- ✓ Global standard products



- Early start-up of the Thailand production base
- Establishment of sales structures in Indonesia and Vietnam

**1. Develop a structure for entering into new markets**

Medium-term goal (FY 2022–2024)	FY 2022 Progress
We will newly enter the Indonesian and Vietnamese markets	<ul style="list-style-type: none"> <li>• <a href="#">Concluded a distributor agreement with a construction machinery dealer in Vietnam</a></li> <li>• We will decide on distributors in Indonesia by observing the local demand</li> </ul>
Strengthen production capacity in Thailand to cover the entire ASEAN region	<ul style="list-style-type: none"> <li>• We are proactively making capital investment in the Thailand plant Planning to expand the scope of manufacturing in Thailand of the products to be shipped in FY 2023 <b>from current Nikko:NIC = 8:2 to 2:8</b></li> </ul>
Establish cooperation structures with local distributors	<ul style="list-style-type: none"> <li>• Considering a system for generating synergies with the Thailand distributor</li> <li>• Promoting plant education to the Vietnamese distributor</li> </ul>

\*NIC: Nikko Nikhosol (the local manufacturing subsidiary in Thailand)

In the overseas plant business, we signed a distributor agreement with Vitrac, a construction machinery dealer in Vietnam, and plan to focus on the Vietnamese market. The most important factor in overseas expansion is costs, and in cases where we manufacture products in Japan and bring them over, the cost sometimes is not justifiable when compared with competitors. To this end, we plan to boost the current local production ratio of about 20% up to about 80% in the near future, bringing the ratio of products manufactured in Japan to about 20%. We plan on reducing costs this way and have been pursuing activities to become competitive in the ASEAN market.

### Overseas Asphalt Plant-Related Business

Global asphalt plant manufacturer

- ✓ Expansion in ASEAN
- ✓ **Global standard products**



- Early start-up of the Thailand production base
- Establishment of sales structures in Indonesia and Vietnam

#### 2. Design plants standardized for overseas

Medium-term goal (FY 2022–2024)	FY 2022 Progress
Start a marketing team to grasp the needs in each country	<b>Establish the ASEAN Business Strategy Office to comprehensively study the ASEAN business and accelerate implementation of the large number of measures that need be promoted</b>
Design standardized plants that are cost competitive and catering to the needs of overseas markets through the introduction of local supplies, etc.	<b>Concept finalized</b> <b>We aim to complete it by the end of FY 2023.</b> We are also planning to expand the scope of manufacturing in Thailand of the products to be shipped in FY 2023 from current Nikko:NIC = 8:2 to 2:8

To make up for the COVID-19-induced period of stagnant sales, we established the ASEAN Business Strategy Office on January 1st of this year, and we are promoting activities to capture the ASEAN market in a short period of time in company-wide efforts. We are also engaged in activities to select strategic models that are suitable to Thailand and ASEAN, and supply plants that are ideal for the region by repeatedly carrying out modifications to models and standards.



■ Capture top sales share and strengthen profitability

Mobile plant = mobile crushers, belt conveyors, soil improving machine

Advantages: easy installation, can be used quickly, easy to move to desired location, sales channels for used machines

Imported devices		Nikko products
Mobile crushers and screens	Mobile belt conveyor	Mobile soil improving machine



Strengthen performance, ability for technology proposals, and maintenance support capability

FY 2024: To capture 50% market share and become No.1 in sales share

Expand profitability

In this report, there were few cases in which we made great progress.

The mobile plant business is offering products such as mobile crushers, belt conveyors, and soil improving machines, and it has been delivering great results. In particular, mobile crushers have acquired a meaningful share in the Japanese market. More than 150 units in total have been sold and various models are in use.

### Mobile plant business

- Capture top sales share and strengthen profitability

**FY 2024: To capture 50% market share and become No.1 in sales share\***

Mobile crusher, screen, and soil improving machine market: 199 units  
Data by Japan Construction Equipment Manufacturers Association

#### ✓ Stabilize business

- ✓ Develop new products and proposed products



### 1. For business stabilization

Medium-term goal (FY 2022–2024)	FY 2022 Progress
Build sales network, establish and promote rental service	<ul style="list-style-type: none"> <li>• <b>66 new distributors nationwide from FY 2019 to FY 2022 in addition to the mobile subcommittee (12 companies) of the Nikko Sales Agent Group.</b></li> <li>We continued with activities to add more new distributors</li> <li>• We established <b>a sales structure with eight sales companies belonging to manufacturers of crushers and construction machinery that do not have mobile equipment</b></li> </ul>
Promote maintenance business	<p><b>Increased the number of employees engaged in maintenance from 5 to 8</b> Maintenance net sales grew 103% vs. FY 2021 <b>as the number of units in the market increased</b></p>

We have a structure in place for selling about 30 units a year.

It is one of the businesses which we are pushing forward with the goal of achieving a 50% market share and becoming No.1 in Japan in FY 2024 and one in which we are succeeding.

Mobile plant business

- Capture top sales share and strengthen profitability

FY 2024: To capture 50% market share and become No.1 in sales share\*

Mobile crusher, screen, and soil improving machine market: 199 units  
Data by Japan Construction Equipment Manufacturers Association

- ✓ Stabilize business
- ✓ **Develop new products and proposed products**



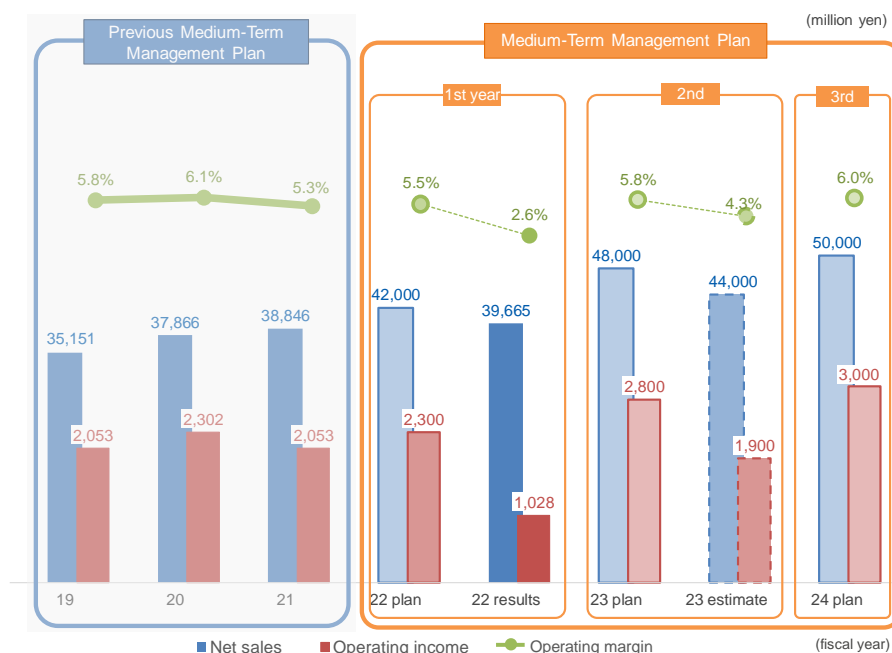
2. Develop new products and proposal products

Medium-term goal (FY 2022–2024)	FY 2022 Progress
Research market and customer needs	We continued working on increasing variations of new products and the products we offer to expand sales
In-house development of products and promote their sales within and outside Japan	<ul style="list-style-type: none"> <li>• <b>Increased delivery to users with large influence in each industry of crushed stone, mining, steel, and AP recycling industries</b></li> <li>• <b>Sales to Ukraine in ODA</b> (orders for 3 units, sales of 2 units)</li> <li>• Published articles and posted ads on industry newspapers</li> </ul>
Create new best-selling products	Commercialized the improved version of Mobix mobile soil improving machine; for launch in FY 2023

In the picture, we have intermediate models, large models, and even larger models, and various products including jaw crushers, impact crushers, and cone crushers that have gained large shares within our sales track record in Japan.

There are a large number of conventional stationary crushing systems and crushing plants in Japan, but I feel that the time will come where almost all of them will be replaced by a combination of these mobile crushers. We would like to drive forward by positioning it as a business that will grow further.

## Numerical Plan for Medium-Term Management Plan Sales and Operating Income Plan



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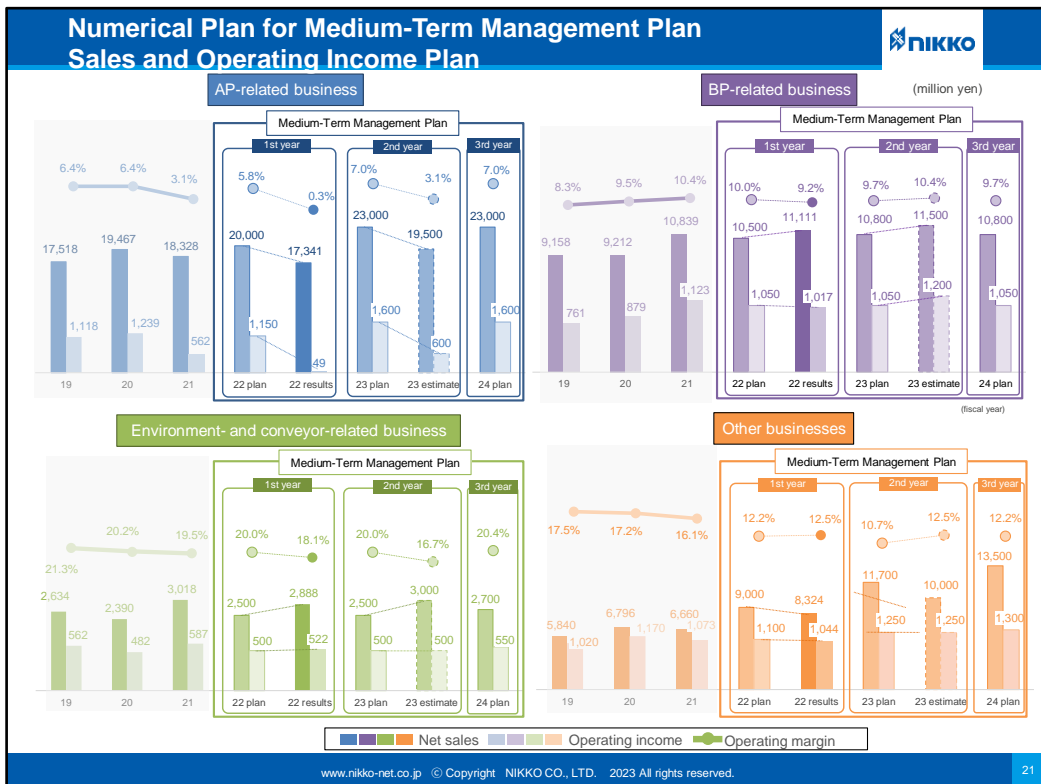
Now I will report on the numerical plan of the medium-term plan. In the previous medium-term plan, we gradually expanded the business size and secured a certain level of profits, but we have been falling significantly short of the goals in the new Medium-Term Management Plan.

Net sales fell below 40,000 million yen to 39,665 million yen. Profits also declined significantly leading to disappointing results.

The main causes are a delay in the timing of the strategy of the overseas AP-related business and the profit declines at AP customers in Japan due to the continuing surge in crude oil price. This has led to a sudden reduction in capital investment. However, we are slowly seeing some signs of improvement including the passing of costs to selling prices of asphalt mixture.

We see a recovery trend in maintenance services, which customers had especially kept in check, among customers who have recognized the risks involved in leaving their plants without maintenance service. The targets for the current fiscal year are 44,000 million yen in sales and 1,900 million yen in income. These are slightly off the targets of the Medium-Term Management Plan but can be seen as signs towards recovery.

We have been maintaining the initial goals for the third year, which is the final year. We will continue to make every effort to definitely achieve the goals.



These graphs show how each business performed over the years. The asphalt plant-related business is the main division and its results for the first year underperformed the targets considerably. For the second year, its goal is 23,000 million yen and its forecast is 19,500 million yen. We did not change the third year goals of the medium-term plan, and from the current situation, we believe it is not impossible to achieve them. Order activities and order backlog have been strong including asphalt plants. We are witnessing unprecedented improvement in figures and therefore would like to drive forward each business towards the third year goals.

# Numerical Plan for Medium-Term Management Plan Growth Investment



\*The figures in parentheses denote the previous Medium-Term Management Plan

Item	Investment (cumulative for three years)	
<b>Human resource enhancement</b> 	<b>Nikko non-consolidated</b> up 145 (up 69)	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p><b>3 year plan for FY 2022–FY 2024</b></p> <ul style="list-style-type: none"> <li>● AP-related business field 59 people</li> <li>● BP-related business field 20</li> <li>● Environment and conveyor field 12</li> <li>● Overseas 6</li> <li>● Development 12</li> <li>● Mobile plants 11</li> <li>● Other 25</li> </ul> </div> <div style="width: 45%;"> <p><b>FY 2022 results</b></p> <ul style="list-style-type: none"> <li>● AP-related business field 17 people</li> <li>● BP-related business field 15</li> <li>● Environment and conveyor field 1</li> <li>● Overseas 0</li> <li>● Development 4</li> <li>● Mobile plants 1</li> <li>● Other 15</li> </ul> <p>53 people in total</p> </div> </div>
<b>R&amp;D</b> 	<b>2.53 bil. yen</b> (1.19 bil. yen)	<ul style="list-style-type: none"> <li>● AP-related business field</li> <li>■ Environmentally friendly products</li> <li>■ Remote and automated support</li> <li>● BP-related business field</li> <li>■ Plant support center</li> <li>■ Product improvement</li> <li>■ System development</li> <li>● Environment and conveyor field</li> <li>■ Product development</li> <li>■ Investment in IT incl. EC</li> <li>● Overseas</li> <li>■ Development of standard models</li> </ul> <ul style="list-style-type: none"> <li>● AP-related business field (including overseas) 240 mil. yen</li> <li>● BP-related business field 220 mil. yen</li> <li>● Environment and conveyor field 55 mil. yen</li> <li>Other business 54 mil. yen</li> </ul>
<b>Capital investment</b>	<b>6.0 bil. yen</b> (6.3 bil. yen)	<ul style="list-style-type: none"> <li>◆ Build a new factory in Hyogo Prefecture (500 mil. yen)</li> <li>◆ Build a development and testing center (1,000 mil. yen)</li> </ul> <ul style="list-style-type: none"> <li>● Machinery and equipment in the AP-related business (Shanghai, Thailand, etc.); 250 mil. yen</li> <li>● Construction of warehouses for AP- and BP-related businesses 110 mil. yen</li> </ul> <p>Total of 2,210 mil. yen also including 350 mil. yen in software, etc.</p>

This is about internal investment and shows the human resource enhancement, the research and development, and the capital investment plans for the three years through FY 2024.

The number of employees increased by 69 in the previous medium-term plan, and we are aiming to increase it by 145 during the Medium-Term Management Plan. We also plan to increase R&D expenses from 1,190 million yen in the previous medium-term plan to 2,530 million yen in the current Medium-Term Management Plan. Regarding capital investment, we will continue to make appropriate investments as before.

We have defined three types of human resources who engage in the development of new markets, products, and services by leveraging Nikko's technological prowess to realize our vision of "Making the world a resilient and gentle place. "

- Human resources that innovate for the future
- Human resources that take on challenges without fear of failure
- Human resources that respect and work together with diverse people

We have established a human resource development policy and an in-house environment development policy with such human resources in mind, and announced them within and outside the company.

<Human Resource Development Policy>

We require human resources who engage in development of new markets, products, and services by leveraging Nikko's high technological prowess for the company to realize its vision of "Making the world a resilient and gentle place." In fact, creating innovations and taking on challenges independently as well as respecting and collaborating with diverse people within and outside the company are important factors for the employees themselves to achieve further growth and also for realizing the company's vision. For that reason, **we will work on developing a mechanism for the autonomous development of human resources and for connecting with diverse people within and outside the company as well as a framework to support the collaborations for new innovations and challenges.**

Taking the above policy into account, we will work on concrete initiatives such as the "creation of opportunities for dialogues for spreading the vision," "establishment of training structure," and "establishment and propagation of the method to develop human resources as an organization."

<In-House Environment Development Policy>

As a condition for engaging in human resource development to realize the company's vision, it is important that we respect the diverse people within and outside the company, make sure there is mutual respect among our colleagues, and establish an environment where we can comfortably work together with others in a lively manner as a result of that. For that reason, **we will work on creating a culture where each employee respects the values of diverse people and on improving the sense of security and the wellbeing of the employees and their families and co-workers as well as raising their motivation.**

Taking the above policy into account, we will work on concrete initiatives including "promoting the acceptance of diverse human resources," "establishment of a mechanism to evaluate challenges taken and collaboration," and "operational reforms for optimizing working hours."

In human capital management, we are determined to make company-wide efforts towards the goal of "Making the world a resilient and gentle place."

Category	Indicators	Results (From April 2022 to March 2023)	Goals (for FY 2030 when it is not specified)
Human Resource Development Policy	Ratio of female managers	0%	7%
	Training time	8.5 hours per person (5,086 hours overall)	10 hours per person (Note)
	Training expenses	49,586 yen per person (29,751,000 yen overall)	50,000 yen per person (Note)
In-House Environment Development Policy	Ratio of acquisition of childcare leave	Female: 100% Male: 33.3%	Female: 100% Male: 50% (2025)
	Female ratio	Female ratio: 14.5% *Including officers	Female ratio: 22.5%
	Turnover rate	Turnover rate: 3.7% Turnover rate within one year of joining the company: 3.1% Turnover rate within three years of joining the company: 7.7%	Turnover rate: 3.0% Turnover rate within one year of joining the Company: 3.0% Turnover rate within three years of joining the Company: 7.0%
	Number of occupational accidents	Lost-time accidents: 1 Accidents with no lost time: 7	Lost-time accidents: 0 Accidents with no lost time: 3 or fewer
	Fatalities from occupational accidents	0	Zero accidents
	Training related to health and occupational safety	-Central safety seminar -Central hygiene seminar -Health awareness class	Same as left (to be held continuously)

We set forth the Human Resource Development Policy and the policy for developing an in-house environment using specific numerical targets as much as we can.

These are the target figures for the ratio of female managers and the ratio of acquisition of childcare leave, and we would like to work towards achieving even better figures than these.



**[Establishment of the Wellbeing Promotion Office]**

We aim to become **“a company that will never let anyone drop out”** by carrying out wellbeing management, which the company promotes with responsibility for ensuring the sound mind and body of employees, through communication with as many employees as possible



We had earlier established, among other things, a contact point for reporting issues when something happened. However, we decided to create a new organization, the Wellbeing Promotion Office, to offer care from the perspective of employees.

It is still under consideration and we do not have a track record as yet, but we would like to grow it into an effective organization.

June 1, 2023

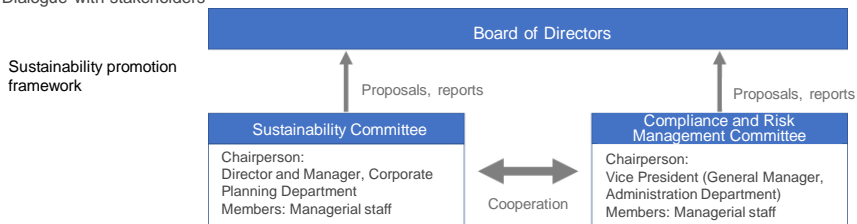
Establishment of Sustainability Committee

Roles

- 1 Identify the materiality for achieving a long-term vision
- 2 Identify the risk of the materiality as well as opportunities, and specify the progress management method (indicators and targets)
- 3 Create a draft of a medium-term plan by back-casting the long-term vision
- 4 Develop the structure for offering values to stakeholders
- 5 Work together with the Compliance and Risk Management Committee

Functions

- 1 Formulate the Basic Policy on Sustainability
- 2 Formulate human rights policy, implement human rights DD
- 3 Formulate anti-corruption (corporate ethics) policy
- 4 Promote enlightenment activities based on the policy
- 5 Formulate environment policy (decarbonization, resource recycling, water resources, biodiversity conservation)
- 6 Apply to the supply chain (formulate procurement guidelines)
- 7 Enhance human capital (engagement, diversity, life support, health, safety, and hygiene)
- 8 Dialogue with stakeholders



Likewise, we established the Sustainability Committee. We believe the committee’s activities are important in corporate management going forward, so we will also promote these activities.

### Basic Policy on Sustainability

Nikko Group's business is built on the trust of various stakeholders. We will aim to realize our vision of "Making the world a resilient and gentle place" through continuous conversations with our stakeholders.

#### Responsibility to society

- We will implement fair business activities, along with supporting and respecting human rights protection and improving corporate ethics, and share it across the entire value chain so as to realize a sustainable society.
- We will promote new workstyles and develop a workplace that is rich in diversity and is healthy, safe, secure, and rewarding.
- Recognizing our role as a market leader, we will contribute to the realization of a prosperous future and resilient society through the products, services, and solutions we offer.

#### Responsibility to the global environment

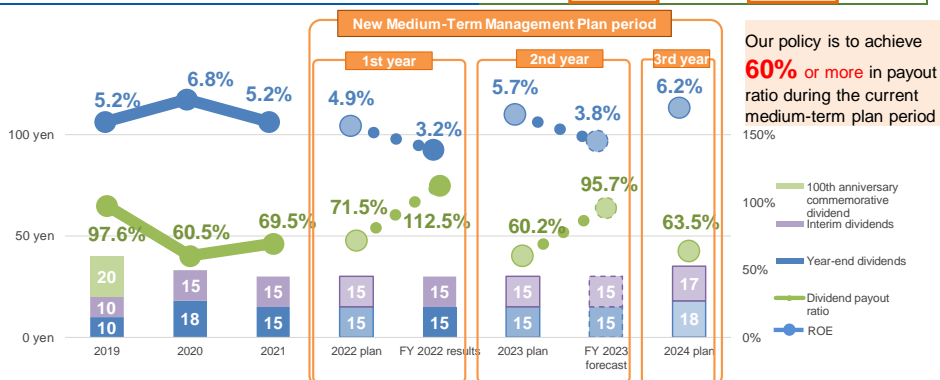
- We will act as a company with responsibility toward the future of global environment by promoting the transition to a decarbonized economy and striving to improve the efficiency of resource recycling and pollution control so as to contribute to the protection of biodiversity.

## Numerical Plan for Medium-Term Management Plan Shareholder Returns



(million yen)

	Previous Medium-Term Management Plan			New Medium-Term Management Plan				
	FY 2019 results	FY 2020 results	FY 2021 results	FY 2022 plan	FY 2022 results	FY 2023 plan	FY 2023 forecast	FY 2024 plan
Sales	35,151	37,866	38,846	42,000	39,665	48,000	44,000	50,000
Operating income	2,053	2,302	2,053	2,300	1,028	2,800	1,900	3,000
Net income attributable to owners of parent	1,588	2,082	1,649	1,600	1,020	1,900	1,200	2,100
Dividend per share (yen)	40	33	30	30	30	30	30	35
Total dividend	1,550	1,260	1,146	1,144	1,147	1,144	1,147	1,334
Dividend payout ratio	97.6%	60.5%	69.5%	71.5%	112.5%	60.2%	95.7%	63.5%
Net assets	30,293	31,451	32,050	32,506	31,604	33,262	31,657	34,028
ROE	5.2%	6.8%	5.2%	4.9%	3.2%	5.7%	3.8%	6.2%



★The Company carried out a one-to-five split of shares in its common stock effective October 1, 2019, and the amount of dividends have been adjusted to the value after the split.

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We will now look at the details of shareholder returns. Based on the results for FY 2022, payout ratio came to 112.5%, and we were unable to generate profits.

Nonetheless, we maintained an annual dividend of 30.0 yen per share at the payout ratio of 112.5% based on future profit improvement and current capital strength. For the current fiscal year, we will work to boost profits so that we can pay a dividend of 30.0 yen per share without the payout ratio exceeding 100%.



# **FY 2022 Financial Results and FY 2023 Outlook**

## FY 2022 Performance Highlights (1)



### FY 2022 results

(million yen)

	Results	YoY change (amount)	YoY change (%)
Net sales	39,665	+818	+2.1%
Operating income	1,028	(1,025)	(49.9%)
Net income attributable to owners of parent	1,020	(629)	(38.1%)
New orders received	40,849	+996	+2.5%

- ▶ **Sales of AP-related business:** Sales of plants in Japan greatly declined and those of maintenance service also fell. Sales declined 5.4% year on year despite sales increase in the overseas business.
- ▶ **Sales of BP-related business:** Declined 2.5% year on year as product sales in Japan were at a similar level as the previous fiscal year while those of maintenance services increased.

### Business climate

#### AP-related business

FY 2022 (Apr. 2022–Mar. 2023)	Results (10,000 tons)	YoY change	
Mixture output	3,672	(5.2%)	
Virgin mixture	916	(7.6%)	
Recycled mixture	2,756	(4.3%)	Share of recycled mixture 75.1%

Source: Japan Asphalt Mixture Association

#### BP-related business

FY 2022 (Apr. 2022–Mar. 2023)	Results (10,000 m <sup>3</sup> )	YoY change
Ready-mixed concrete shipment	7,445	(2.2%)

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

**Fujii:** I will explain the business results for FY 2022 and the outlook for the ongoing fiscal year.

In FY 2022, even though we achieved sales increase, we posted large profit declines. The following three points are the factors contributing to profit declines.

- Raw material costs continued to be high.
- Road pavement companies reduced capital investment, and AP-related sales fell significantly.
- Loss in Thailand expanded due to the delay in bringing the Thailand business up to speed.

In the AP business environment, mixture shipment volume declined 5.2% in FY 2022 compared with a year earlier. The shipment volume is not expected to increase in FY 2023 and it is likely to decline by more than 1%. The shipment volume of ready-mixed concrete also fell 2.2% in FY 2022. However, the price of ready-mixed concrete has been rising and the situation has been that ready-mixed concrete manufacturers, who are our customers, are actively making capital investment.



AP-related business (China): Works that were stagnant due to COVID-19 resumed at Nikko Shanghai.

Net sales increased 26.3% year on year thanks to sales of large-scale plants for highway construction work.

→ p. 42 AP-Related Business



Other business: Net sales rose 25.0% year on year due to consolidation of Ube Kohki, which joined the group.

Those of the mobile business increased 24.0% year on year reflecting higher unit prices of the business.

→ p. 46 Other Business



New orders and order backlog continued to remain flat.

→ p. 39 Trends in New Orders Received (Cumulative) and p. 40 Trends in Year-End Order Backlog



AP-related business: [Japan] Road pavement companies generally have been keeping capital investment in check due to the rise in asphalt prices.

Net sales of plants and maintenance services declined significantly.

[Thailand] Both net sales and new orders fell short of the budget.

→ p. 42 AP-Related Business, p. 43 AP-Related Business (Japan vs. Overseas)




Net sales of waterproof boards fell due to postponement and delay of construction works reflecting soaring construction material costs.


They declined to 300 mil. yen from 660 mil. yen in the previous fiscal year.


→ p. 46 Other Business


The slide shows the highlights of business performance in FY 2022.


- In the Chinese business, the plant operations were suspended for 1.5 months due to the impact of COVID-19, but it achieved record sales and profits.
- Sales of the other business increased significantly as it incorporated sales of Ube Kohki through M&A. Ube Kohki also had better-than-expected results in its first fiscal year. The mobile plant business also is growing smoothly thanks to increases in unit prices.
- New orders and order backlog have been maintaining high levels.
- Sales of plant maintenance services of AP have declined markedly and the Thailand business also fell short of the budget.
- Sales of the waterproof board business fell more than 50% compared with a year earlier because of the soaring prices of construction materials.


 Record figures are expected for both new orders received and sales.  
→ p. 39 Trends in New Orders Received (Cumulative) and p. 67 Trend in Key Financial Data

 AP-related business:  
Net sales and operating income are expected to increase on recovery in capital investment supported by the spread of higher unit price of asphalt mixture in Japan as well as sales expansion of foamed equipment.  
→ p. 37 FY 2023 Outlook (2)

 BP-related business: Stable demand is expected to continue given the stable market condition.  
→ p. 37 FY 2023 Outlook (2)

 Environment- and conveyor-related business: There are many inquiries for large-scale projects such as the World Expo in Osaka and IR-related projects.  
→ p. 37 FY 2023 Outlook (2)

 Mobile business: Net sales are expected to increase as we expand sales to new customers and enhance product lineup including soil improving machine.  
Expecting income expansion from maintenance service.  
→ p. 37 FY 2023 Outlook (2)

 Waterproof board business: Expecting to achieve the level of two years ago from implementation of construction projects that had been postponed plus sales for the current fiscal year.  
→ p. 37 FY 2023 Outlook (2)

This slide shows the topics related to the business performance forecast for FY 2023.

- New orders and sales: We are expecting our highest-ever figures with increases of 2,200 million yen in new orders and 4,400 million yen in sales compared with the previous fiscal year.
- AP-related business in Japan: We are expecting recovery in capital investment and higher sales from an increase in unit mixture prices by road pavement companies and sales expansion of foamed equipment.
- BP-related business: It continues to be strong and for the current fiscal year we are expecting sales and profits exceeding levels from the previous fiscal year.
- Environment- and conveyor-related business: Projects related to the World Expo in Osaka and IR-related projects are expected to increase and be completed in the period from FY 2023 to FY 2025.
- Mobile plant business: Maintenance services may drive forward profits reflecting the introduction of a new soil improving machine model and an increase in sales units.
- Waterproof board business: In the current fiscal year, it is expected to post business results similar to the previous fiscal year.





The AP-related business as a whole has started off with order backlog that is higher than at the end of the previous fiscal year, but order backlog at the Chinese AP-related business is down 54.4% compared with the previous fiscal year.

→ p. 40 Trends in Year-End Order Backlog,  
p. 43 AP-Related Business (Japan vs. Overseas)



The Thailand business is expected to post losses at a similar level as the previous fiscal year.

In the AP-related business as a whole, order backlog increased from the end of the previous fiscal year. At the same time, order backlog in China has halved. However, it is not that the market in China is suddenly deteriorating, as many business negotiations are in progress. In terms of sales, we are expecting 4,300 million yen for the current fiscal year compared with 5,000 million yen from the previous fiscal year. The Thailand business has been receiving support from Nikko's head office but it would need more time to improve profitability. We, therefore, are expecting it to post a loss in the current fiscal year similar to the previous fiscal year's level.

## FY 2022 Performance Highlights (1)



### Results in comparison with the previous fiscal year

- ▶ Net sales: AP-related business (down 980 mil. yen), BP-related business (up 270 mil. yen), environment- and conveyor-related business (down 130 mil. yen), other business (up 1,660 mil. yen; down 510 mil. yen excluding Ube Kohki)
- ▶ Operating income: Declined as costs of human capital investment in the investment phase of the management plan increased more than expected and we recorded valuation loss on inventory at Nikko Nilkhosol Co., Ltd., a consolidated subsidiary in Thailand
- ▶ Ordinary income: Decreased due to the decline in operating income
- ▶ Orders: AP-related business (down 560 mil. yen), BP-related business (down 620 mil. yen), environment- and conveyor-related business (down 550 mil. yen), other business (up 2,740 mil. yen) (up 230 mil. yen excluding Ube Kohki)
- ▶ Order backlog: AP-related business (up 270 mil. yen), BP-related business (up 350 mil. yen), environment- and conveyor-related business (down 440 mil. yen), other business (up 990 mil. yen).

(million yen)

	FY 2021 results	FY 2022 forecast	FY 22 results	YoY change (amount)	YoY change (%)
Net sales	38,846	42,000	39,665	+818	+2.1%
Operating income	2,053	1,700	1,028	(1,025)	(49.9%)
Operating margin	5.3%	4.0%	2.6%	(2.7pt)	—
Ordinary income	2,274	1,850	1,255	(1,019)	(44.8%)
Net income attributable to owners of parent	1,649	1,200	1,020	(629)	(38.1%)
New orders received	39,853	44,210	40,849	+996	+2.5%
Order backlog	16,490	18,700	17,656	+1,166	+7.1%

## FY 2022 Performance Highlights (2)



(million yen)

		FY 2021 results	FY 2022 forecast	FY 2022 results	YoY change (amount)	YoY change (%)
AP-related business	Net sales	18,328	20,000	17,341	(987)	(5.4%)
	Operating income	562	550	49	(513)	(91.3%)
	Operating margin	3.1%	2.8%	0.3%	(2.8pt)	–
BP-related business	Net sales	10,839	10,500	11,111	+272	+2.5%
	Operating income	1,123	1,050	1,017	(106)	(9.4%)
	Operating margin	10.4%	10.0%	9.2%	(1.2pt)	–
Environment- and Conveyor-related Business	Net sales	3,018	2,500	2,888	(130)	(4.3%)
	Operating income	588	500	522	(66)	(11.2%)
	Operating margin	19.5%	20.0%	18.1%	(1.4pt)	–
Other business	Net sales	6,660	9,000	8,324	+1,664	+25.0%
	Operating income	1,073	1,100	1,044	(29)	(2.7%)
	Operating margin	16.1%	12.2%	12.5%	(3.6pt)	–

- ▶ Net sales of AP-related business: Net sales of products in Japan were down 28.8% YoY and maintenance services fell 11.4%, while overseas net sales rose 30.3%
- ▶ Net sales of BP-related business: Net sales of plant products increased 0.5% YoY and maintenance services rose 4.8%
- ▶ Environment- and conveyor-related business: Net sales of environmental products were down 10.8% YoY and those of conveyor products declined 2.3%
- ▶ Net sales of other business: Net sales of mobile plants rose 24.0% YoY, waterproof boards fell 43.3%, temporary construction materials declined 10.0%, crushers increased 24.9%, hand tools rose 2.1%, and 2,160 mil. yen in net sales from Ube Kohki were newly incorporated

As for AP, profit was 49 million yen and the result for FY 2022 was disappointing. Segments other than that performed more or less in line with the plan.

(million yen)

	1H			2H			Full year		
	FY 22 results	FY 23 forecast	YoY change	FY 22 results	FY 23 forecast	YoY change	FY 22 results	FY 23 forecast	YoY change
Net sales	18,760	19,000	240 +1.3%	20,905	25,000	4,095 +19.6%	39,665	44,000	4,335 +10.9%
Operating income	399	400	1 +0.3%	629	1,500	871 +138.5%	1,028	1,900	872 +84.8%
Operating margin	2.1%	2.1%	(0.0pt)	3.0%	6.0%	+3.0pt	2.6%	4.3%	+1.7pt
Ordinary income	548	400	-148 (27.0%)	707	1,500	793 +112.2%	1,255	1,900	645 +51.4%
Net income attributable to owners of parent	259	200	(59) (22.8%)	761	1,000	+239 +31.4%	1,020	1,200	+180 +17.6%
New orders received	18,949	19,452	+503 +2.7%	21,900	23,586	+1,686 +7.7%	40,849	43,038	+2,189 +5.4%
Order backlog	16,660	18,108	+1,448 +8.7%	17,656	16,694	(962) (5.4%)	17,656	16,694	(962) (5.4%)

This shows the outlook for FY 2023. The full-year outlook is shown in the far right.

In the outlook for the current fiscal year, although the forecast is 44,000 million yen in sales and 1,900 million yen in operating income, we are taking a conservative view with respect to operating income. We expect the business environment in Japan to improve and there is a possibility that the figures for AP in Japan may also improve.

There is a big difference between the first half and the second half in the current fiscal year. The main factors behind these figures are the BP business, where sales concentrate in the second half, and sales of the other business, which also tend to concentrate in the second half, especially in March of the fourth quarter.

## FY 2023 Outlook (2)



(million yen)

		1H			2H			Full year		
		FY 22 results	FY 23 forecast	YoY change	FY 22 results	FY 23 forecast	YoY change	FY 22 results	FY 23 forecast	YoY change
AP-related business	Net sales	8,652	9,500	+848 +9.8%	8,689	10,000	+1,311 +15.1%	17,341	19,500	+2,159 +12.5%
	Operating income	132	300	+168 +127.3%	(83)	300	+383	49	600	+551 +1124.5%
	Operating margin	1.5%	3.2%	+1.7pt	-	3.0%	-	0.3%	3.1%	+2.8pt
BP-related business	Net sales	5,314	4,500	(814) (15.3%)	5,797	7,000	+1,203 +20.8%	11,111	11,500	+389 +3.5%
	Operating income	505	500	(5) (1.0%)	512	700	+188 +36.7%	1,017	1,200	+183 +18.0%
	Operating margin	9.5%	11.1%	+1.6pt	8.8%	10.0%	+1.2pt	9.2%	10.4%	+1.2pt
Environment- and Conveyor-related Business	Net sales	1,222	1,350	+128 +10.5%	1,666	1,650	(16) (1.0%)	2,888	3,000	+112 +3.9%
	Operating income	236	200	(36) (15.3%)	286	300	+14 +4.9%	522	500	(22) (4.2%)
	Operating margin	19.3%	14.8%	(4.5pt)	17.2%	18.2%	+1.0pt	18.1%	16.7%	(1.4pt)
Other business	Net sales	3,571	3,650	+79 +2.2%	4,753	6,350	+1,597 +33.6%	8,324	10,000	+1,676 +20.1%
	Operating income	253	200	(53) (20.9%)	791	1,050	+259 +32.7%	1,044	1,250	+206 +19.7%
	Operating margin	7.1%	5.5%	(1.6pt)	16.6%	16.5%	(0.1pt)	12.5%	12.5%	+0.0pt

- ▶ AP-related business: Net sales and profits are expected to improve on recovery in capital investment supported by the spread of higher unit price of asphalt mixture in Japan as well as sales expansion of foamed equipment.
- ▶ BP-related business: Both sales and profits are expected to increase as the market stabilizes thanks to establishment of higher prices of ready-mixed concrete
- ▶ Environment- and conveyors- related business: There are many large-scale projects such as the World Expo in Osaka, IR-related projects, and lification treatment plants. Orders, sales, profits, etc. are expected to recover. Orders for conveyor-related projects have been strong
- ▶ Other business: [Mobile business] Net sales are expected to increase as we expand sales to new customers and enhance product lineup including soil improving machine. Expecting income expansion from maintenance service of products that we have delivered in the market as our sales grow.  
Waterproof board business: Expecting to achieve the level of two years ago from implementation of construction projects that had been postponed plus sales for the current fiscal year.

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Next is the outlook for each segment of FY 2023.

For the AP-related business, we are expecting an operating income of 600 million yen, as the Thailand business continues to post loss and we do not expect the business in China to post results better than the previous year.

Order backlog of the BP-related business is at a very high level and we are expecting it to achieve the targets in both sales and profits.

The environment- and conveyor-related business is also expected to fully achieve the targets in both sales and profits.

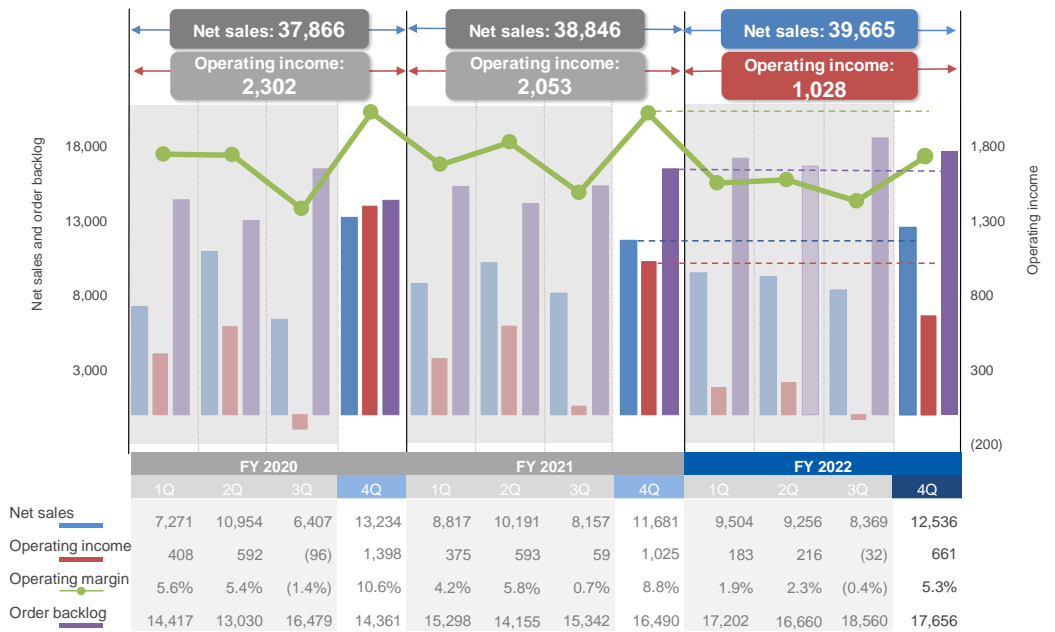
We drew up the plan for increases in both sales and profits for the other business as we expect mobile plants and waterproof boards to recover.

# FY 2022 Quarterly Performance Trend



## Quarterly net sales and operating income trends

(million yen)



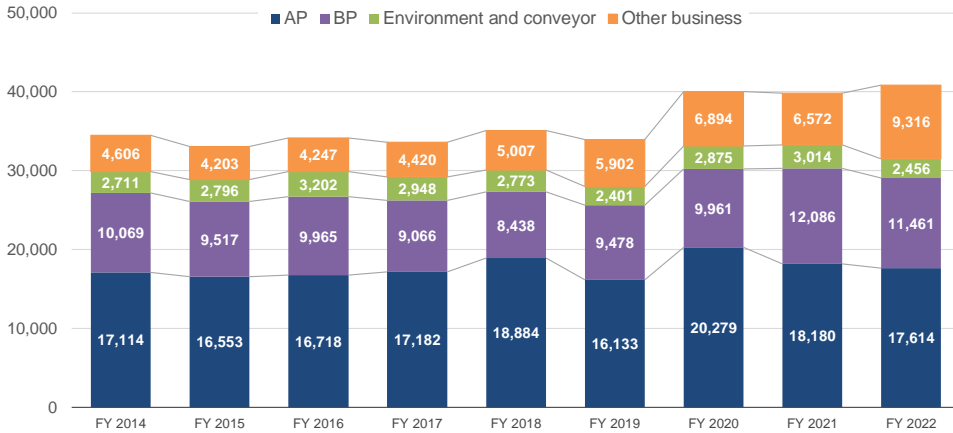
## Trends in New Orders Received (Cumulative)



Full-year trend

(million yen)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	YoY change
AP	17,114	16,553	16,718	17,182	18,884	16,133	20,279	18,180	17,614	(3.1%)
BP	10,069	9,517	9,965	9,066	8,438	9,478	9,961	12,086	11,461	(5.2%)
Environment and conveyor	2,711	2,796	3,202	2,948	2,773	2,401	2,875	3,014	2,456	(18.5%)
Other	4,606	4,203	4,247	4,420	5,007	5,902	6,894	6,572	9,316	+41.8%
Total	34,501	33,069	34,134	33,616	35,103	33,915	40,009	39,853	40,849	+2.5%



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The next is the trends in new orders received from FY 2014 to FY 2022.

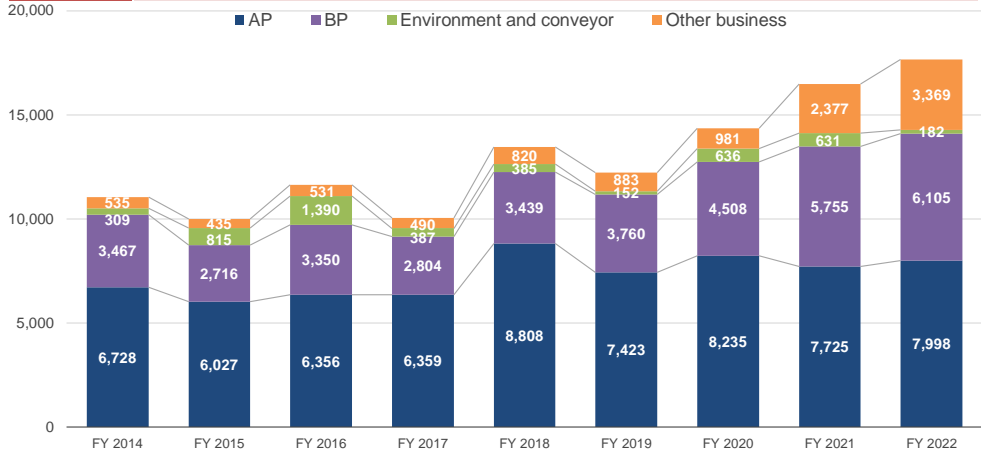
Initially the annual orders were 34,000 million yen. Currently they are approximately 40,000 million yen. By segment, while they have not really changed in the AP-related, BP-related, and environment- and conveyor-related businesses, those of the other segment almost doubled, resulting in a major change for the segments as a whole.

## Trends in Year-End Order Backlog



Full-year trend (million yen)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	YoY change
AP	6,728	6,027	6,356	6,359	8,808	7,423	8,235	7,725	7,998	+3.5%
BP	3,467	2,716	3,350	2,894	3,439	3,760	4,508	5,755	6,105	+6.1%
Environment and conveyor	309	815	1,390	387	385	152	636	631	182	(71.2%)
Other	535	435	531	490	820	883	981	2,377	3,369	+41.7%
<b>Total</b>	<b>11,039</b>	<b>9,997</b>	<b>11,629</b>	<b>10,132</b>	<b>13,454</b>	<b>12,219</b>	<b>14,361</b>	<b>16,490</b>	<b>17,656</b>	<b>+7.1%</b>



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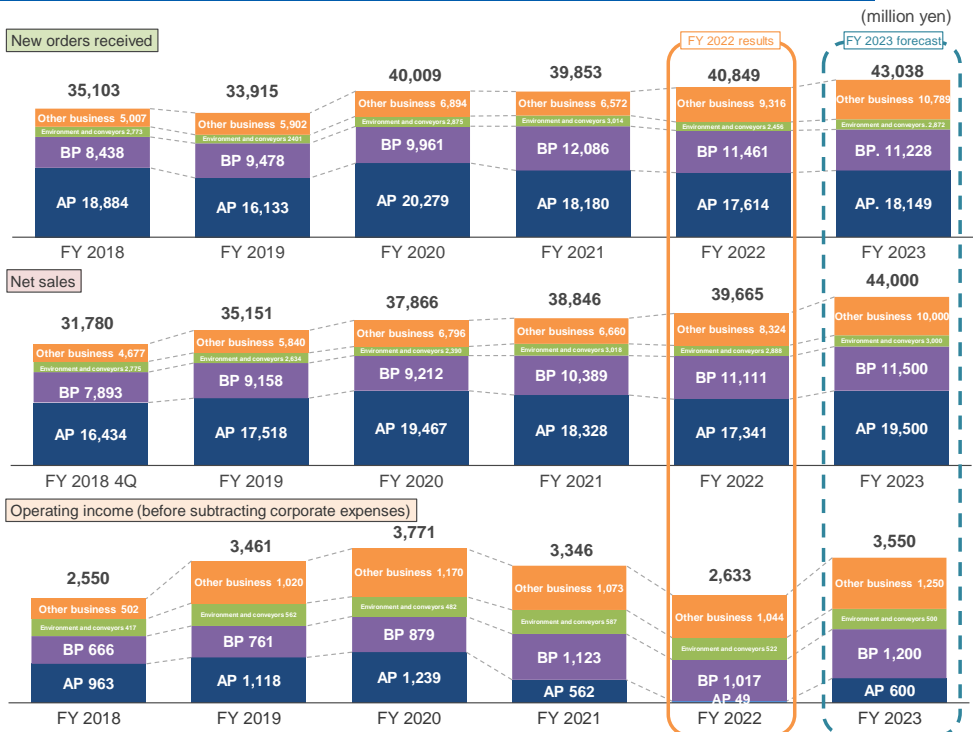
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This is the trend of order backlog as of the end of the fiscal year.

Order backlog as of the end of the fiscal year was markedly higher than the past, and at the beginning of the current fiscal year it has increased about 1,200 million yen compared with the previous year.



## Trends in New Orders, Sales, Operating Income by Segment

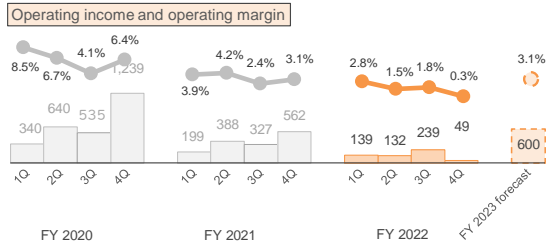
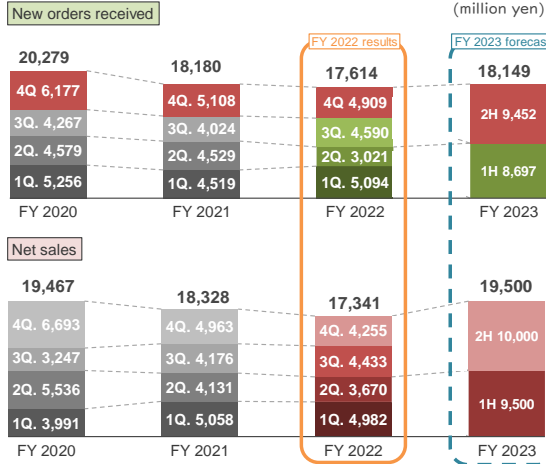


Summarizing the trends in orders, sales, and operating income by segment, AP orders for the current fiscal year is 18,100 million yen and it is not especially high compared with other segments.

In terms of sales, AP in Japan has been recovering and those of the other segments are also growing.

In terms of operating income, we are expecting BP and other segments to perform strongly.

# AP-Related Business



**► New orders received**

Positive factors: [China] Demand increased as infrastructure investment rose thanks to economic measures

Negative factors: [Japan] Declined due to delays in major projects  
Hesitation in capital investment due to cost increase at customers  
[China] Missed export opportunities due to the lockdown in Shanghai that started in April  
[Thailand] Orders stagnated due to elections, etc.

**► Net sales**

Positive factors: [Japan] Sales were delayed due to prolonged delivery time of various parts.  
Curbs on capital investment at customers due to cost increase  
[Overseas] China: Sales of plants for highway construction work were strong  
Thailand: Number of tourists are showing a recovery trend, but net sales were stagnant due to delays in works caused by a higher number of infected people resulting from the "living with COVID-19" policy

**► Operating income**

Positive factors: [China] Steel price has stabilized and the increase in personnel costs has also been absorbed by cost reduction efforts

Negative factors: [Japan] Impact of sudden rise in steel and supply prices. It was difficult to transfer the soaring costs to selling prices due to the deterioration in the industry's business performance  
[Thailand] Capital investment and personnel costs rose along with improvement in factory facilities

**FY 2023 estimates**

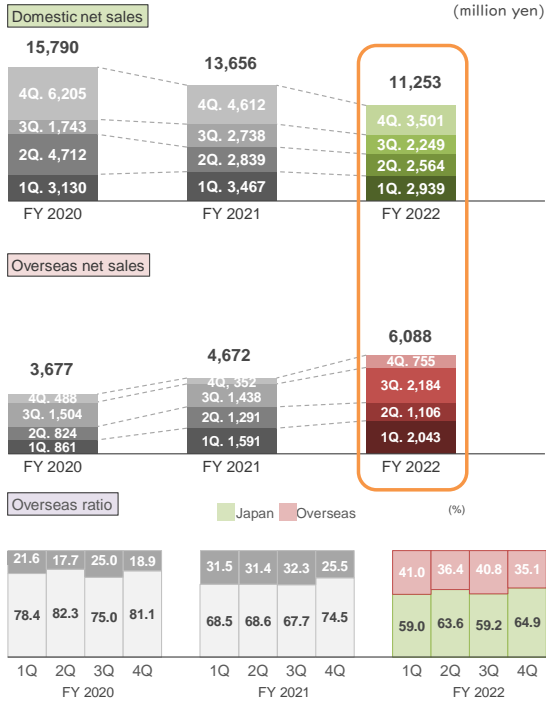
Started the fiscal year with positive order backlog from the end of FY 2022

[Japan] Net sales and profits are expected to improve on recovery in capital investment supported by the spread of higher unit price of asphalt mixture in Japan as well as sales expansion of foamed equipment.

[China] Started off with a 54.4% decline in order backlog from the previous fiscal year

Operating income: We expect to raise profit margin (2% or more) from price increase as a income improvement measure for the current fiscal year

# AP-Related Business (Japan vs. Overseas)



## Japan

- Plant products declined 28.8% from a year earlier
- Maintenance service fell 11.4% from a year earlier

## Overseas

- Up 30.3% YoY
  - Exports: Up 13.9% YoY
  - China: Up 26.3% YoY
  - Thailand: Up 170.0% (up 325 mil. yen)

### China

While business activities were restricted by the lockdown in Shanghai, sales increased YoY as we had sales of plants for which we had received the order in the previous fiscal year and also received more orders for large-scale plants for highway construction work after the restrictions were lifted.

Profits rose YoY as the prices of raw materials including steel stabilized and thanks to production increase and cost reduction efforts despite higher personnel costs. Meanwhile, order backlog fell YoY as things were slow even after the zero-COVID-19 policy ended.

### Thailand

Sold 1 unit in 1H and 1 unit in 2H

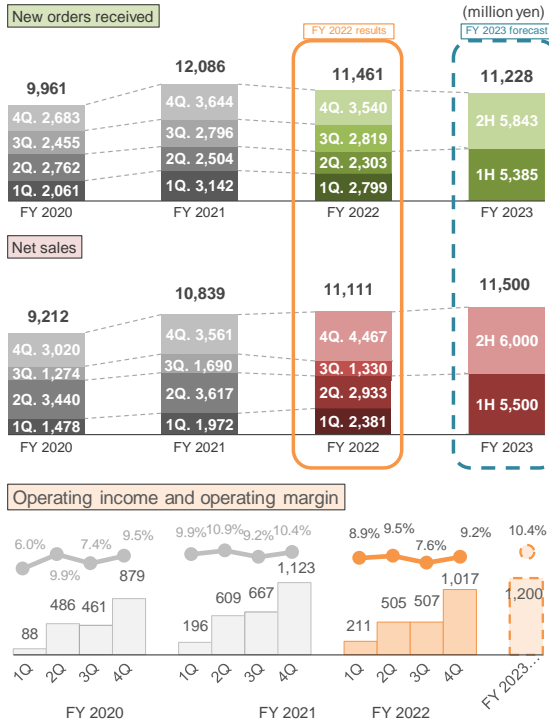
We expect to receive orders for 5 APs and two recycling plants in the sales promotion campaign for the following fiscal year.

### Exports (Taiwan, overseas operations)

Both products and parts were strong in Taiwan

## New overseas orders received and order backlog

	New orders	Order backlog
China (Nikko Shanghai)	3,270 mil. yen (-23.2%)	1,430 mil. yen (-54.4%)
Thailand sales company (NAT)	170 mil. yen (-32.3%)	40 mil. yen (-83.4%)
Thailand manufacturing company (NIC)	190 mil. yen (-)	0 mil. yen (-)
Exports	280 mil. yen	160 mil. yen

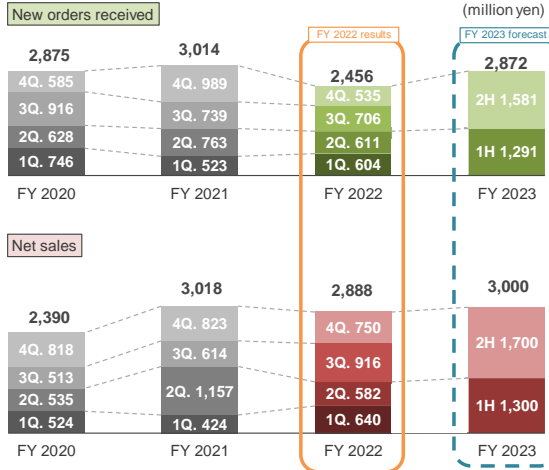


**▶ New orders received**  
 Positive factors: While volume of ready-mixed concrete declined, investment appetite of users continue to be high given stable market  
 Negative factors: Orders fell due to a decline in major projects

**▶ Net sales**  
 Positive factors: Projects continued to increase throughout the fiscal year thanks to the stable market

**▶ Operating income**  
 Negative factors: Profit declined as some projects among unit products had low margin due to the soaring raw material prices

**FY 2023 estimates**  
 Started the fiscal year with positive order backlog from the end of FY 2022  
 • The market of ready-mixed concrete industry stabilized as cost increases in electric power, raw materials, and transportation costs were appropriately passed on to selling prices and they were also reflected in the prices listed in commodity price materials  
 Stable demand is expected to continue

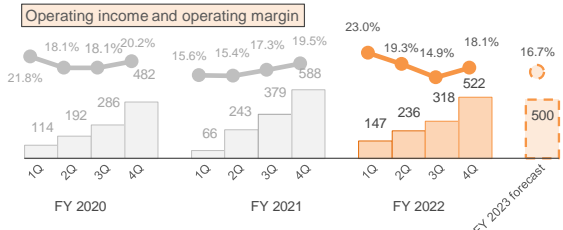


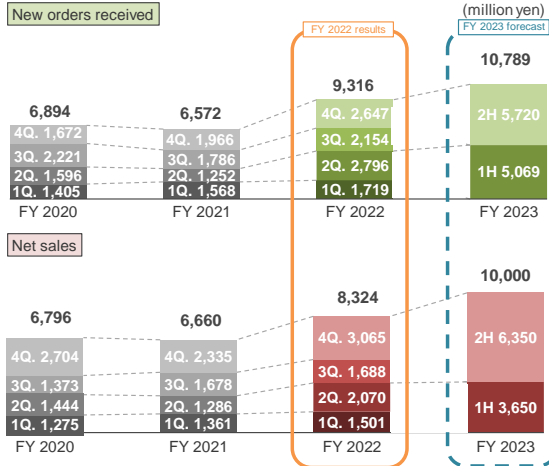
**▶ New orders received**  
 Negative factors: [Environmental products] Volume of activities to win orders has declined as manpower was required for delivery of coke dryer, an order remaining from FY 2021

**▶ Net sales**  
 Negative factors: The number of orders received in the current fiscal year and projects with medium-sized sales declined as manpower was required for delivery of coke dryer for an order worth 288 million yen remaining from FY 2021

**▶ Operating income**  
 Negative factors: Profit declined due to lower sales

**FY 2023 estimates**  
 Environment-related business: Expect increased sales as there are many business negotiations for large-scale projects such as the World Expo in Osaka and IR-related projects.





**New orders received**

- Mobile plant (MP) business expanded steadily  
FY 2021 1,890 mil. yen (44 units)  
FY 2022 1,990 mil. yen (36 units)

**Net sales**

Positive factors: MP products: 1,448 mil. yen (37 units) in the previous fiscal year  
→ 1,795 mil. yen (37 units)  
Price increases of various products raised the unit price and sales of highly beneficial for customers have been progressing  
Sales of Ube Kohki, which joined the group in March 2022, are expected to be 2,161 million yen

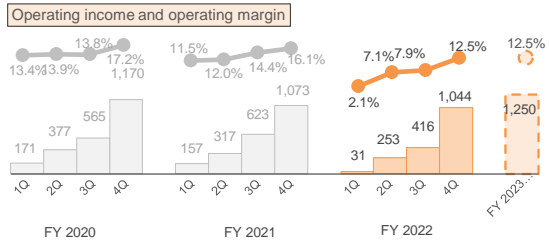
Negative factors: [Waterproof board business] down 43.3%  
Declined as construction projects were postponed due to a surge in construction material prices

**Operating income**

- Operating income fell 2.7% year on year
- Operating margin fell 3.6 pt year on year

**Sales composition of Other Business (FY 2022)**

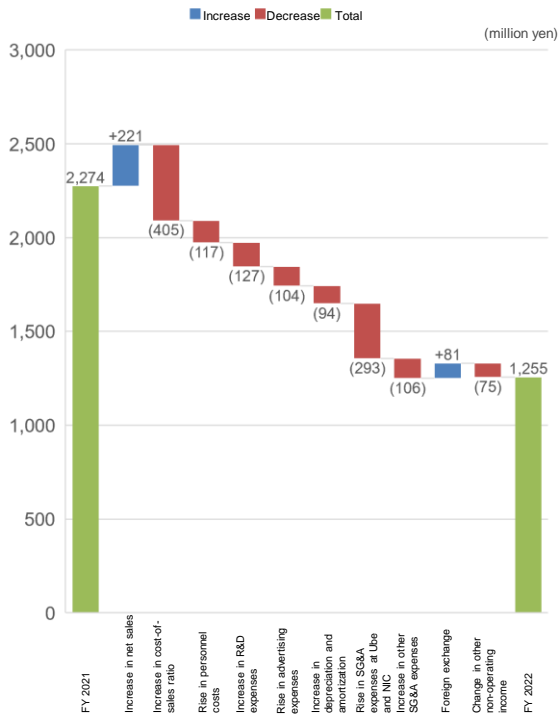
Temporary construction materials 16.5%, waterproof boards and floodgates 13.9%, hand tools 8.9%, mobile plants 21.6%, crushers 5.1%, Ube Kohki 26.0%, Nikko-developed products 6.3%, other 1.8%



**FY 2023 estimates**

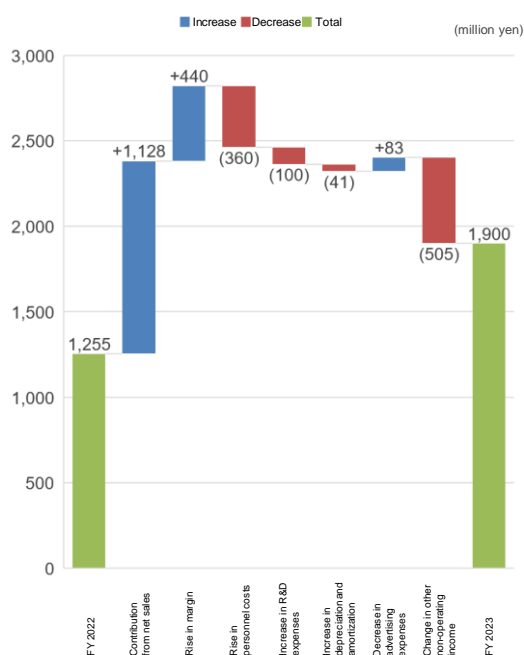
- Mobile business: Net sales are expected to increase as we expand sales to new customers and enhance product lineup including soil improving machine and profits are expected to expand owing to maintenance services for the products that are already in the market through sales expansion
- Waterproof board business: Expecting to achieve the level of two years ago from implementation of construction projects that had been postponed plus sales for the current fiscal year.

# Factor Analysis of Changes in Ordinary Income for FY 2022



Item	Impact	Content
Increase in net sales	+221	Increase in net sales: +818
Increase in cost-of-sales ratio	(405)	Rise in cost-of-sales ratio: 72.9% -> 74.0%
Rise in personnel costs at Nikko	(117)	Increase in wage
Increase in R&D expenses	(127)	Increase in development expenses
Rise in advertising expenses	(104)	Nikko Messe: (83)
Increase in depreciation and amortization	(94)	Increase due to capital investment
Rise in SG&A expenses at Ube and NIC	(293)	Ube (216 mil. yen) NIC (76 mil. yen)
Increase in other SG&A expenses	(106)	Increases in office expenses and travel expenses
Foreign exchange	+81	
Change in other non-operating income	(75)	Absence of outsourcing service income in the previous fiscal year

## Factor Analysis of Changes in Ordinary Income for FY 2023 (Forecast)



Item	Impact	Content
Contribution from net sales	+1,128	Increase in net sales +3,154
Rise in margin	+440	1% improvement from price increase
Rise in personnel costs	(360)	Increase in wage (200) Increase in number of employees (160)
R&D expenses	(100)	
Depreciation and amortization	(41)	
Decrease in advertising expenses	+83	Absence of Nikko Messe portion seen in FY 2022
Increase in other SG&A expenses	(505)	

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We are expecting 1,900 million yen in ordinary income for the current fiscal year, which is an increase of more than 600 million yen from the previous fiscal year. The main factors are an increase in net sales and improvement in profit margin as well as increases in product prices and higher expenses for growth investment. Expenses due to special factors will be reduced and we have made conservative estimates also for the increase in sales and administrative expenses. It is in range so that we can absorb, even if the increase in margin did not fully achieve the target.



## Balance Sheet Trends



(million yen)

		End of FY 2021	End of FY 2022	Change	Main factors in year-on-year change
<b>Assets</b>	Current assets	34,127	33,723	(404)	Increase: Notes receivable-trade +194 mil. yen Electronically recorded monetary claims +639 mil. yen Merchandise and finished goods +804 mil. yen Work in process +453 mil. yen Other business +276 mil. yen
	Property and equipment	10,669	11,839	+1,170	Decrease: Cash and cash equivalents (2,118 mil. yen) Accounts receivable-trade (630 mil. yen)
	Intangible assets	1,036	1,020	(15)	Increase: Buildings and structures +717 mil. yen Land +301 mil. yen Construction in progress +101 mil. yen Deferred tax assets +116 mil. yen Other intangible assets +219 mil. yen
	Investments and other assets	6,246	5,544	(702)	Decrease: Goodwill (135 mil. yen) Investment securities (848 mil. yen)
	<b>Total assets</b>	<b>52,079</b>	<b>52,127</b>	<b>+48</b>	
<b>Liabilities</b>	Current liabilities	15,774	15,338	(436)	Increase: Short-term loans payable +1,083 mil. yen Provision for loss on order received +136 mil. yen Long-term loans payable +865 mil. yen
	Long-term liabilities	4,254	5,184	+930	Decrease: Notes and accounts payable-trade (119 mil. yen) Accounts payable-factoring (428 mil. yen) Income taxes payable (253 mil. yen) Contract liabilities (691 mil. yen) Valuation difference on available-for-sale securities (275 mil. yen)
<b>Total net assets</b>		<b>32,050</b>	<b>31,604</b>	<b>(446)</b>	
<b>Net assets per share (yen)</b>		<b>837.22</b>	<b>826.73</b>	<b>(10.49)</b>	Decrease: Retained earnings (127 mil. yen)

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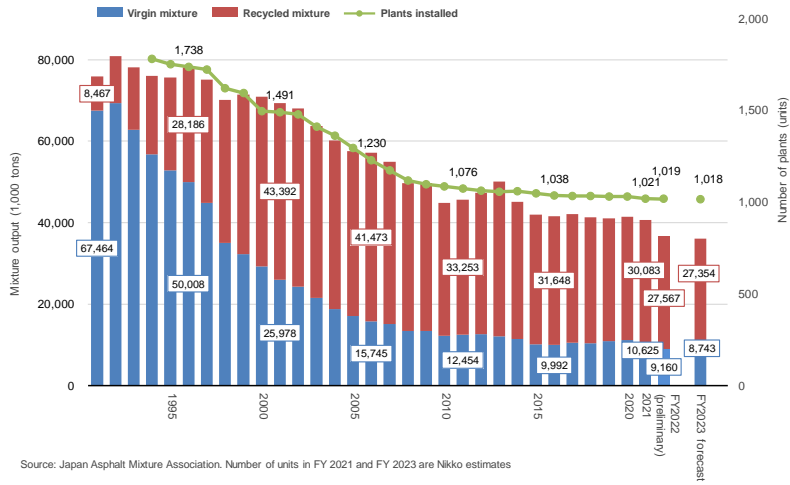
Next is the balance sheet as of the end of FY 2022.

There are two features. One is that inventories rose approximately 1,200 million yen due to an increase in order backlog. Another is that net assets increased approximately 440 million yen as the payout ratio exceeded 100%. As a result, net assets per share as of the end of FY 2022 came to 826.73 yen.



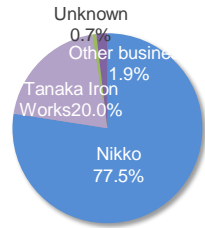
# **Business Climate and Management Strategy**

## Asphalt mixture output and number of asphalt plants installed



Source: Japan Asphalt Mixture Association. Number of units in FY 2021 and FY 2023 are Nikko estimates

## AP steady-state share



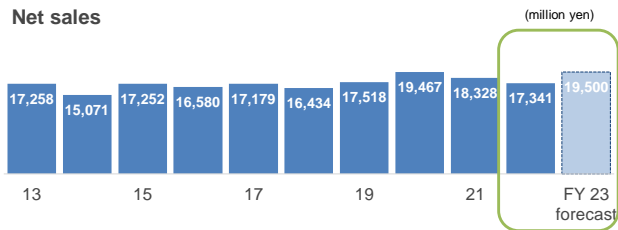
FY 2022 Nikko survey

- ▶ The industry has been pursuing price increase of asphalt mixture and business performance of the industry as a whole and is expected to improve gradually in the second half
- ▶ There is latent demand for replacing aged facilities and appetite for capital investment is expected to recover along with an improvement in business performance of the industry as a whole
- ▶ Inquiries for decarbonization-related products has been increasing and the Group is placing hope on continued growth of such products.

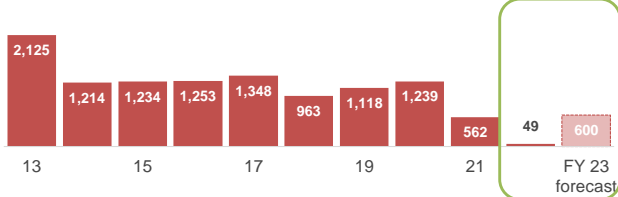
# AP-Related Business Details and Strategy for the Future (1)



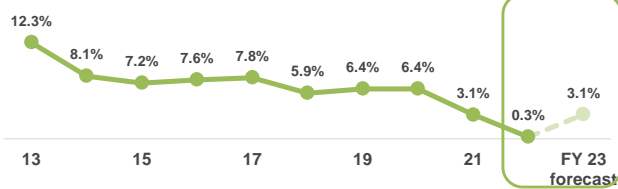
## Net sales



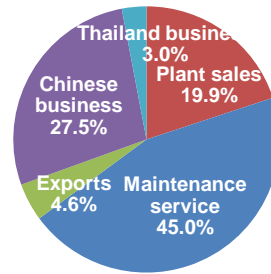
## Operating income



## Operating margin



## Sales ratio of AP-related business (FY 2022)



## Net sales annual growth rate

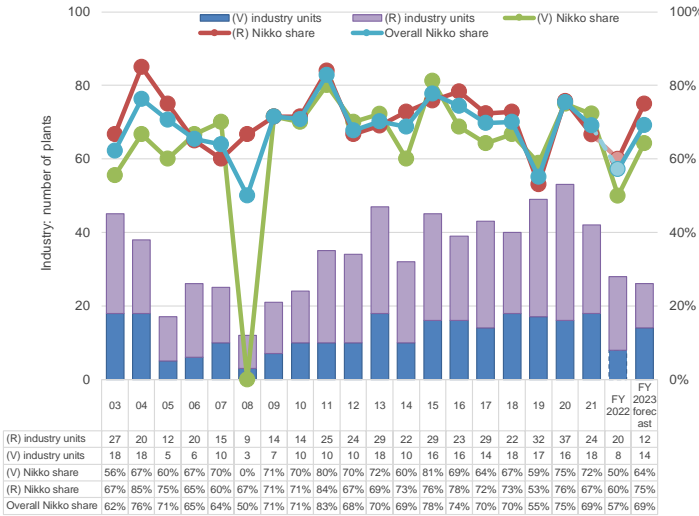
### FY 2021 → FY 2022 results

Plant sales	(28.8%)
Maintenance service	(11.4%)
Chinese business	26.3%
Exports	+13.9%
Thailand business	+170.0%

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



## AP demand and Nikko share



(R) industry units	27	20	12	20	15	9	14	14	25	24	29	22	29	23	29	22	32	37	24	20	12
(V) industry units	18	18	5	6	10	3	7	10	10	10	18	10	16	16	14	18	17	16	18	8	14
(V) Nikko share	56%	67%	60%	67%	70%	0%	71%	70%	80%	70%	72%	60%	81%	69%	64%	67%	59%	75%	72%	50%	64%
(R) Nikko share	67%	85%	75%	65%	60%	67%	71%	84%	67%	69%	73%	76%	78%	72%	73%	53%	76%	67%	67%	60%	75%
Overall Nikko share	62%	76%	71%	65%	64%	50%	71%	83%	68%	70%	69%	78%	74%	70%	70%	55%	75%	69%	67%	57%	69%

V: Virgin mixtures  
R: Recycled materials

Source: Nikko

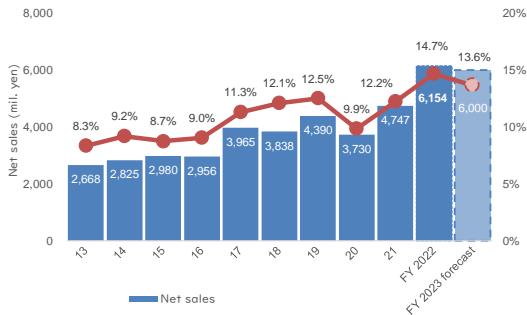
## New product performance in AP-related business

	16	17	18	19	20	21	FY 22
Number of new model APs (VP and MBD)	2	3	3	5	2	3	2
Number of crushing plants	0	1	0	2	2	1	1
Number of decarbonization-related products	0	0	3	2	2	9	19

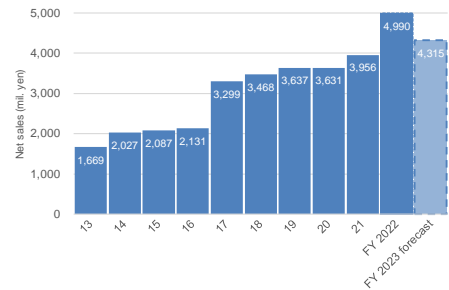
★Decarbonization-related products (Foamed asphalt device, biomass burner, etc.)

- ▶ Aim to improve profits by expanding sales of VP series (large-sized model VP-IV and standard model VP-III)
- ▶ Strengthen decarbonization-related products and aim to reduce CO2 emissions from 50% in 2030 to 0% in 2050

## Nikko's overseas net sales and overseas sales ratio



## Nikko Shanghai net sales



The overseas division and exports are showing a recovery trend from the impact of COVID-19

### [China (Nikko Shanghai)]

Going forward, the decelerating trend of global economy is likely to have considerable impact on the Chinese economy, and there will be variations by region in the post-zero-COVID policy infrastructure investments.

In the current fiscal year, we expect demand for large-scale plants for highway construction work to subside and demand for plants for stationary factories and expansion of recycling facilities to grow. We will expand sales of new models developed last year.

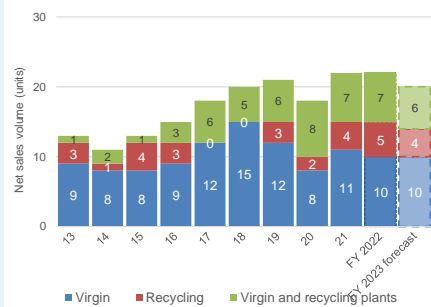
### [Thailand]

Budget is expected to focus on maintenance works and expansion works for existing roads. Inquiries have been increasing for the use of recycled materials for existing road works and also due to environmental needs. We estimate mixture volume to be high in the north and northeastern areas, which will be the main target from the next fiscal year onwards

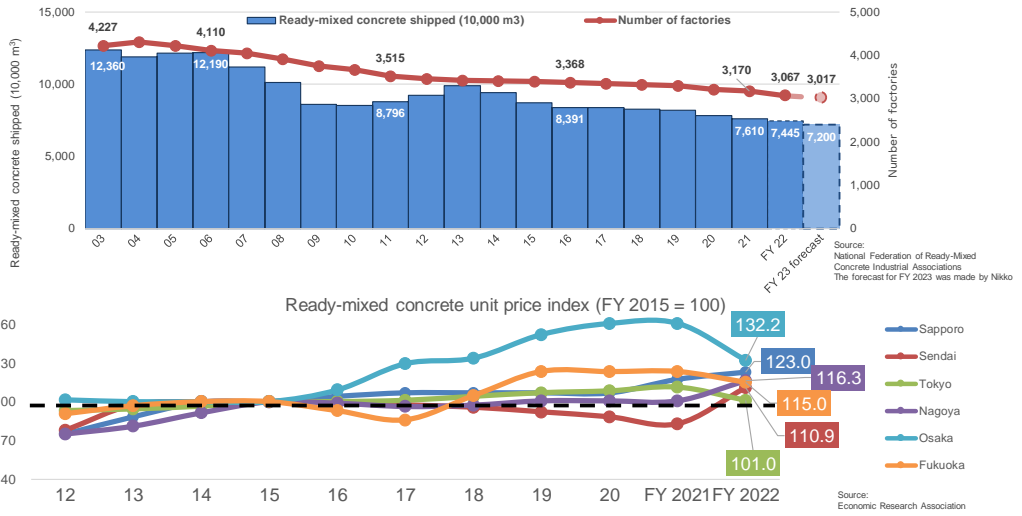
### [Taiwan]

Business negotiations for parts and partial replacement are expected to continue and we will strengthen our sales structure.

## Nikko Shanghai AP unit sales



Trends in ready-mixed concrete shipments, price, and number of factories

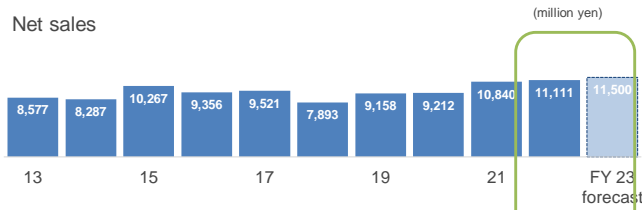


Ready-mixed concrete shipment in Japan was 74.45 million m<sup>3</sup> in FY 2022 according to National Federation Ready-Mixed Concrete Industrial Associations and it was slightly below the level a year earlier. While private demand regained strength throughout Japan, prolonged slump in public demand continues to stand in the way of recovery in demand. Under such circumstances, the ready-mixed concrete industry adequately passed on the increases in costs of electricity, raw materials, and transportation to the selling prices, and the price listed in the commodity price materials has improved significantly in a short period of time, despite declining number of ready-mixed concrete plants reflecting the downward trend in shipment volume.

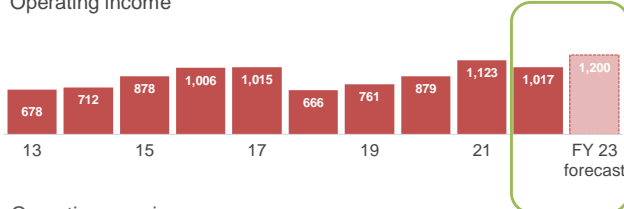
# BP-Related Business Details and Strategy for the Future (1)



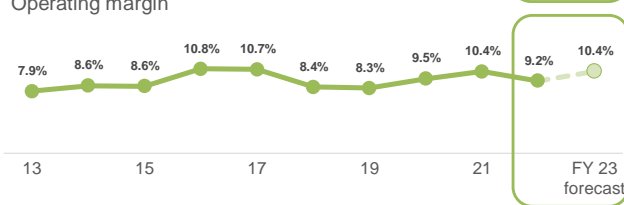
## Net sales



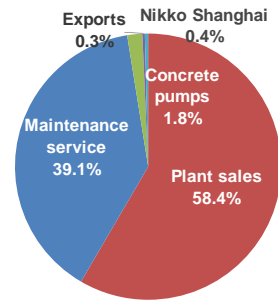
## Operating income



## Operating margin



## Sales ratio of BP-related business



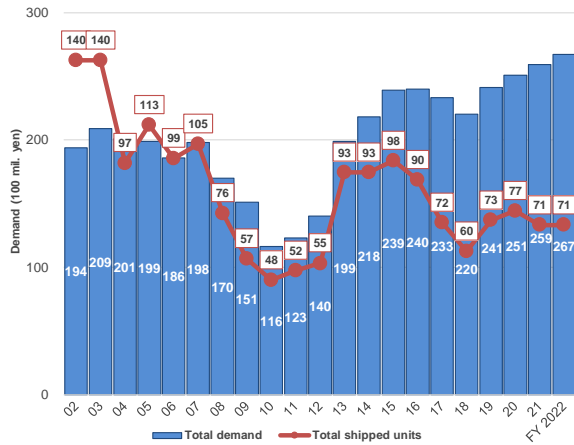
## Net sales annual growth rate

### FY 2021 → FY 2022 results

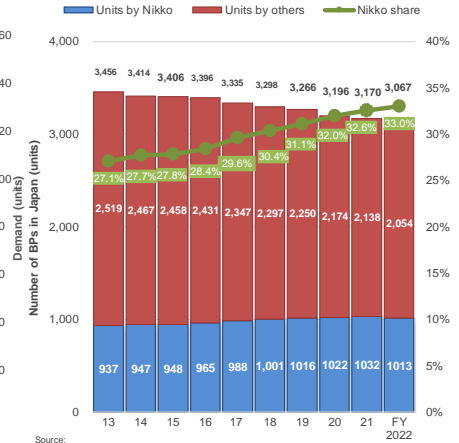
Plant sales	+0.5%
Maintenance service	+4.8%
Concrete pumps	+24.0%
Nikko Shanghai	+25.0%
Exports	(64.0%)



### Total BP demand (value and number of units)



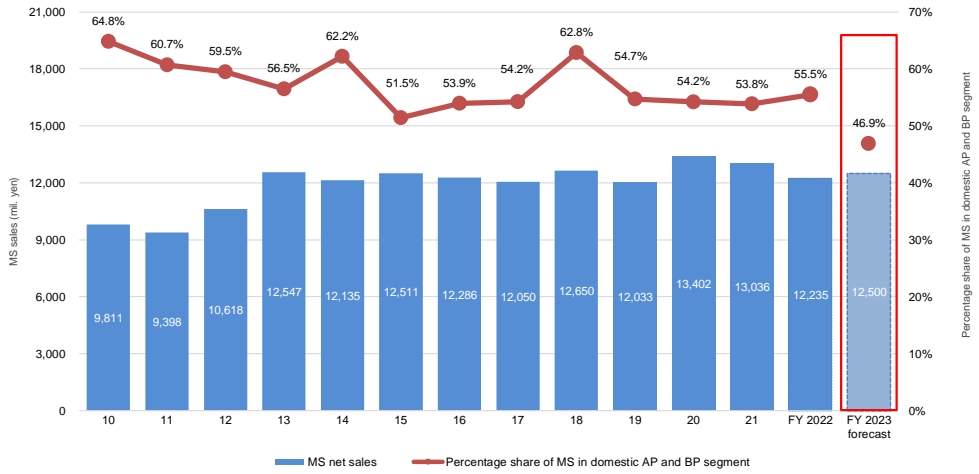
### BP steady-state share trends



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

- ▶ Total demand related to concrete plants has increased for four consecutive years, reaching 26.7 billion yen in FY 2022 with the delivery of 71 units. For the current fiscal year, demand of a similar level as FY 2022 is expected.
- ▶ 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.

## AP and BP maintenance service: Net sales level and share



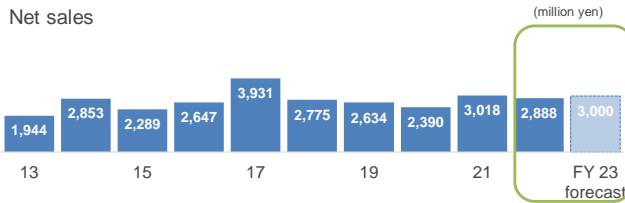
\*The ratio of MS is expected to decline in FY 2023 due to a significant increase in the sales of plants.

- ▶ Work on further improvement of efficiency through new measures such as flat-rate maintenance services as well as stable operation of customer plants

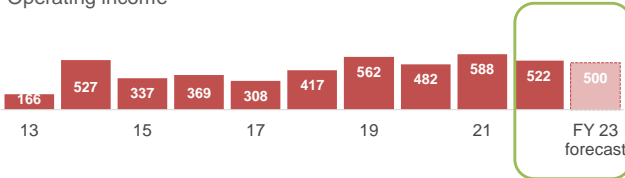
# Environment- and Conveyor-Related Business Outlook and Strategies



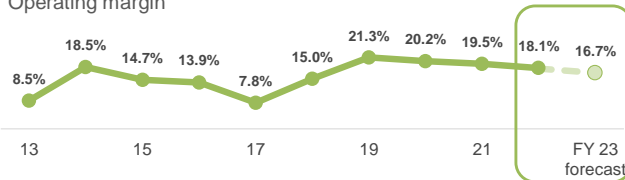
## Net sales



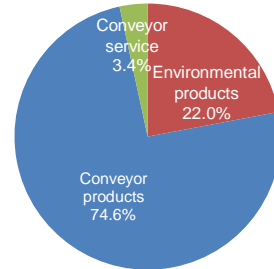
## Operating income



## Operating margin



## Sales ratio of environment- and conveyor-related business



## Net sales annual growth rate

### FY 2021 → FY 2022 results

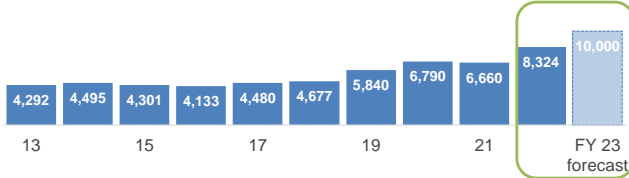
Environmental products	(10.8%)
Conveyor products	(2.4%)
Conveyor service	(0.1%)

## Other Business Outlook and Strategies

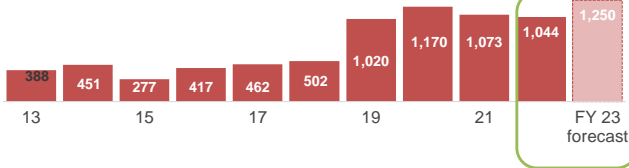


### Net sales

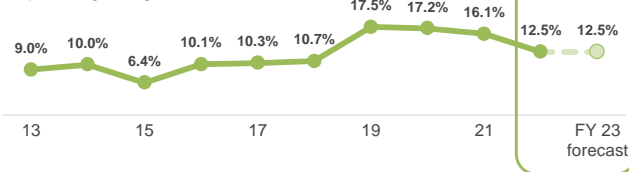
(million yen)



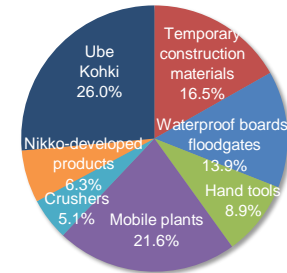
### Operating income



### Operating margin



### Other business sales



### Net sales annual growth rate

#### FY 2021 → FY 2022 results

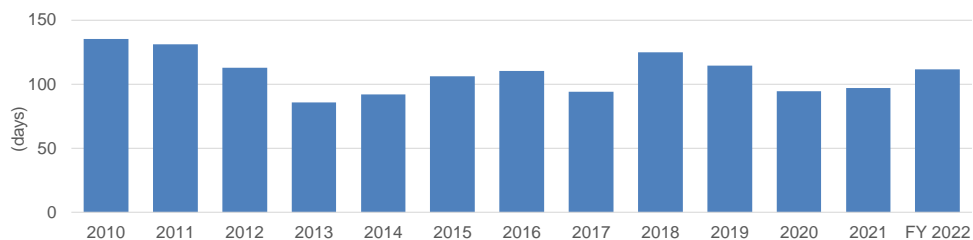
Temporary construction materials	(10.1%)
Waterproof boards, floodgates	(27.8%)
Hand tools	+2.1%
Mobile plants	+24.0%
Crushers	+24.9%
Nikko-developed products	(48.2%)
+Sales of Ube Kohki have been incorporated from FY 2022	

To liquidate assets worth approx. 5 bil. yen (as of the end of FY 2018) lying dormant on the balance sheet into cash

(i) Sale of strategic shareholdings: about 2 bil. yen → **Sales results for the period from FY 2019 to FY 2022: 2.2 bil. yen**

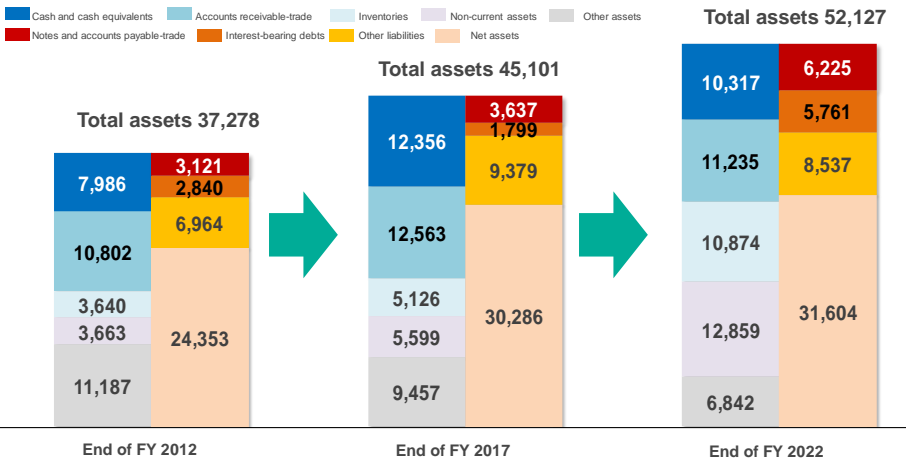
Status of reducing strategically-held shares (in mil. yen)							
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Number of issues sold completely	5	7	6	6	6	4	0
Amount sold in the period	193	405	194	720	506	691	371
Book value	132	221	106	272	468	376	192
Sales gain	61	184	88	448	37	314	178

(ii) Efforts to improve CCC → **FY 2022: A negative impact of 1.5 bil. yen**



## Balance Sheet Trends

(million yen)



- ▶ We will continue with the sale of strategic shareholdings.
- ▶ Aim to enhance shareholder returns (to continue with divided payout ratio of 60% or more during the current medium-term plan)



# Reference Materials

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



(million yen)

	FY 20				FY 21				FY 22			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Net sales</b>	7,271	10,954	6,407	13,234	8,817	10,191	8,157	11,681	9,504	9,256	8,369	12,536
AP-related business	3,991	5,536	3,247	6,693	5,058	4,131	4,176	4,963	4,982	3,670	4,433	4,256
BP-related business	1,478	3,440	1,274	3,020	1,972	3,617	1,690	3,561	2,381	2,933	1,330	4,467
Environment- and conveyor-related business	524	535	513	818	424	1,157	614	823	640	582	916	750
Other business	1,275	1,444	1,373	2,704	1,361	1,286	1,678	2,335	1,501	2,070	1,688	3,065
<b>Operating income</b>	408	592	(96)	1,398	375	593	59	1,026	183	216	(32)	661
AP-related business	340	300	(105)	704	199	189	(61)	235	139	(7)	107	(190)
BP-related business	88	398	(25)	418	196	413	58	456	211	294	2	510
Environment- and conveyor-related business	114	78	94	196	66	177	136	209	147	89	82	204
Other business	171	206	188	605	157	160	306	450	31	222	163	628
Corporate expenses	(305)	(391)	(248)	(525)	(244)	(345)	(382)	(322)	(345)	(382)	(388)	(490)
<b>Ordinary income</b>	979	609	(89)	1,474	519	586	89	1,079	326	222	(19)	726
<b>Net income attributable to owners of parent</b>	746	353	(133)	1,116	378	489	838	(59)	140	119	(35)	796
<b>Cash flow from operating activities</b>	2,784				2,224				(1,644)			
<b>Cash flow from investing activities</b>	(1,867)				(2,165)				(1,226)			
<b>Total dividend</b>	775	–	572	–	683	–	573	–	574	–	574	–
<b>Share buyback</b>	400				0				–			



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



(million yen)

New orders received (cumulative)	FY 20				FY 21				FY 22			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
AP-related business	5,256	9,835	14,102	20,279	4,519	9,048	13,072	18,180	5,094	8,115	12,705	17,614
BP-related business	2,061	4,823	7,278	9,961	3,142	5,646	8,442	12,086	2,799	5,102	7,921	11,461
Environment- and Conveyor-related Business	746	1,374	2,290	2,875	523	1,286	2,025	3,014	604	1,215	1,921	2,456
Other business	1,405	3,001	5,222	6,894	1,568	2,820	4,606	6,572	1,719	4,515	6,669	9,316
<b>Total</b>	<b>9,469</b>	<b>19,036</b>	<b>28,893</b>	<b>40,009</b>	<b>9,753</b>	<b>18,802</b>	<b>28,146</b>	<b>39,853</b>	<b>10,217</b>	<b>18,949</b>	<b>29,217</b>	<b>40,849</b>

End-of-term order backlog	FY 20				FY 21				FY 22			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
AP-related business	8,688	7,732	8,751	8,235	7,696	8,094	7,942	7,725	7,837	7,188	7,344	7,998
BP-related business	4,342	3,665	4,845	4,508	5,678	4,565	5,672	5,755	6,173	5,544	7,032	6,105
Environment- and Conveyor-related Business	373	467	869	636	734	341	466	631	596	606	396	182
Other business	1,013	1,165	2,013	981	1,187	1,154	1,261	2,377	2,595	3,321	3,787	3,369
<b>Total</b>	<b>14,417</b>	<b>13,030</b>	<b>16,479</b>	<b>14,361</b>	<b>15,298</b>	<b>14,155</b>	<b>15,342</b>	<b>16,490</b>	<b>17,202</b>	<b>16,660</b>	<b>18,560</b>	<b>17,656</b>

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



(million yen)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Capital investment	844	815	877	1,261	550	1,889	1,483	2,748	1,907	2,214
Depreciation and amortization	395	422	487	482	472	508	611	677	759	990
R&D expenses	295	276	227	271	291	211	379	392	449	576

(persons, years old, or years)

Number of employees (consolidated)	767	796	803	797	807	799	838	861	1,038	1,064
Average age of employees (non-consolidated)	43.3	43.1	42.2	42.3	42.2	40.9	41.1	41.1	40.8	40.3
Average years of service (non-consolidated)	20	19.3	18.2	18.5	18.3	16.0	15.8	15.4	15.3	14.7
Female employees (non-consolidated)	31	33	39	42	42	45	51	55	59	69
Number of new-graduate hires (non-consolidated)	21	21	30	17	19	15	14	13	29	32
Number of female new-graduate hires (non-consolidated)	1	3	1	2	0	0	0	0	3	6
Percentage of female hires (non-consolidated)	4.7%	14.2%	3.3%	11.7%	0%	0%	0%	0%	10.3%	18.8%
Number of foreign-national hires (non-consolidated)	6	0	0	0	1	1	0	1	0	8
Number of foreign-national employees (non-consolidated)	8	6	6	6	7	8	5	5	6	13
Foreign national employees (consolidated)	91	95	94	93	101	98	116	116	194	205
Overseas employees (consolidated)	91	95	92	91	101	98	123	121	197	214

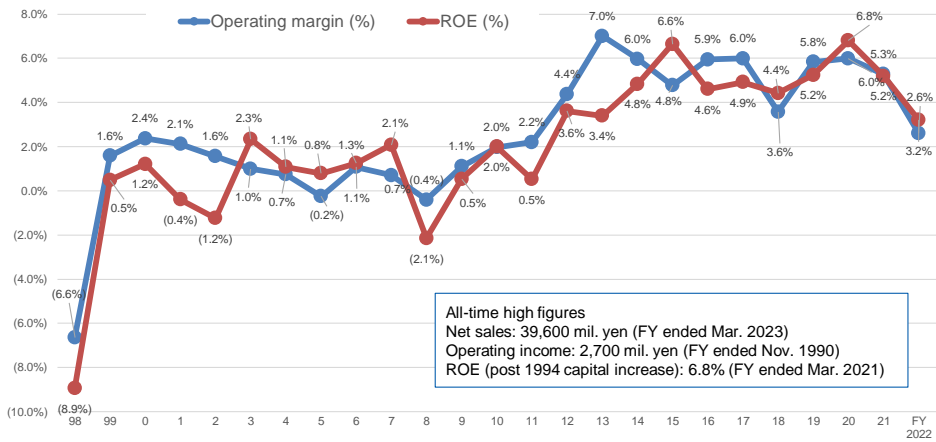
### New products for reducing environmental impact

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2022
New products	[Sand dryer] [High-temperature preheating burner]	[NTB-II burner]	[Newly designed bag filter]	[VP Series APs]	—	[Foamed asphalt manufacturing equipment]	[Powdered fuel burner]
Features reducing environmental impact	<ul style="list-style-type: none"> <li>Higher plant production efficiency</li> <li>Energy saving</li> </ul>	<ul style="list-style-type: none"> <li>Energy saving</li> <li>Higher combustion efficiency in combustion range</li> </ul>	<ul style="list-style-type: none"> <li>Space saving</li> <li>Energy saving</li> <li>Exhaust gas reduction</li> <li>Low noise</li> </ul>	<ul style="list-style-type: none"> <li>Preventing diffusion of recycled material odorous gas</li> </ul>	—	<ul style="list-style-type: none"> <li>Support for manufacture of warm-mix asphalt</li> </ul>	<ul style="list-style-type: none"> <li>Aimed at burning powdered biomass fuels</li> <li>Reduce CO2 emissions from burners</li> </ul>

# Trend in Key Financial Data



## Operating margin and ROE



All-time high figures  
 Net sales: 39,600 mil. yen (FY ended Mar. 2023)  
 Operating income: 2,700 mil. yen (FY ended Nov. 1990)  
 ROE (post 1994 capital increase): 6.8% (FY ended Mar. 2021)

(million yen)

	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	FY 2022
Net sales	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	37,866	38,846	39,665
Operating income (loss)	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	2,302	2,053	1,028
Ordinary income	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	2,973	2,274	1,255
Net income (loss)	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	2,082	1,649	1,020



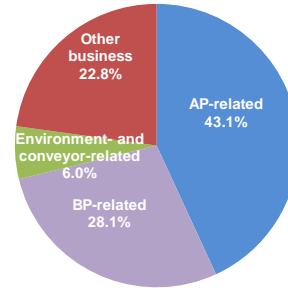
# Company Information

## Company Overview



Company name	Nikko Co., Ltd.	
Head office	1013-1, Eigashima, Okubo-cho, Akashi, Hyogo Prefecture	
Established	August 13, 1919	
Capital	9,197 mil. yen	(as of March 31, 2023)
Consolidated net sales	39,665 mil. yen	(FY 2022)
Consolidated operating income	1,028 mil. yen	(FY 2022)
Ratio of net sales outside Japan	14.7%	(FY 2022)
Subsidiaries	11 companies (FY 2022)	
Number of employees (consolidated)	1,064	(as of March 31, 2023)
Governance structure:	Company with Audit & Supervisory Board Directors: 9, of which 4 are outside directors Audit & Supervisory Board Members: 4, including 3 outside auditors (as of March 31, 2023)	

Net sales breakdown by business segment (FY 2022)



\* 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 **谷 隆典**

AP-Related Business	BP-Related Business	Environment- and Conveyor-Related Business	MOBIL Other Business																																																																																																																
<p><b>Main products</b></p> <ul style="list-style-type: none"> <li>Asphalt plants</li> <li>Recycling plants</li> <li>Crushing plant</li> <li>Mixture silos</li> <li>Electronic control devices, plant management system</li> </ul>  <p>ASD Made-to-order AP models that can handle diverse needs</p>  <p>VP II Ecological model AP, primarily for recycling</p>  <p>CBD Global model AP for Thailand and Southeast Asia markets</p>	<p><b>Main products</b></p> <ul style="list-style-type: none"> <li>Concrete plants</li> <li>Compact concrete plants</li> <li>Concrete pumps</li> <li>Electronic control devices, plant management system</li> <li>Concrete manufacturing plant facilities, etc.</li> </ul>  <p>DASH-H107Eeviv Twin-ADV Ultra-strong concrete plants</p>  <p>DASH-H1187 Pro65T Large-scale precast concrete plant</p>  <p>ONZEMIX-T50 Mobile BP</p>	<p><b>Main products</b></p> <ul style="list-style-type: none"> <li>Belt conveyors, conveyors for facilities, beverage container recycling plants</li> <li>Soil remediation plant, plastic recycling plant</li> </ul>  <p>Modular conveyor Conveyor using pipe frames whose lengths can be adjusted in increments of 10cm</p>  <p>Super modular conveyor Simple sealed-type conveyor using steel plate frames that ensures higher safety</p> <p>A plaster-based solidification material manufacturing facility manufactures gypsum hemihydrate by drying gypsum plaster. The facility manufactures solidification material by blending with cement and lime.</p>	<p><b>Main products</b></p> <ul style="list-style-type: none"> <li>Pipe scaffolding, steel ganglanks</li> <li>Temporary aluminum staircases</li> <li>Shovels, spades</li> <li>Small-sized concrete mixers, mortar mixers</li> <li>Floodgates, waterproof boards, cruffers</li> <li>Real estate leasing, construction machinery product leasing</li> <li>Sales of housing renovation</li> </ul>  <p>Hammer crusher Particle size can be adjusted with grate size and the desired particle size can be obtained with a single crushing</p>  <p>Mobile plant One set of crusher line (scalpers, screens, belt conveyor, etc.)</p>  <p>Waterproof board Waterproof board, which is effective against water damage (internal flooring caused by ground seepage)</p>																																																																																																																
<p>Thailand business 1.5%</p> <p>China business 20.6%</p> <p>Plant sales 20.5%</p> <p>Maintenance services 48.0%</p> <p>Exports 3.8%</p> <p>Nikko share 69%</p> <table border="1"> <thead> <tr> <th>(Billion yen)</th> <th>2017</th> <th>2018</th> <th>2019</th> <th>2020</th> <th>2021</th> <th>2022 (interim)</th> </tr> </thead> <tbody> <tr> <td>Net sales</td> <td>12,129</td> <td>16,424</td> <td>17,318</td> <td>19,457</td> <td>18,138</td> <td>20,009</td> </tr> <tr> <td>Operating income</td> <td>1,342</td> <td>963</td> <td>1,116</td> <td>1,220</td> <td>962</td> <td>1,110</td> </tr> <tr> <td>Operating margin</td> <td>7.8%</td> <td>5.8%</td> <td>6.4%</td> <td>6.3%</td> <td>5.3%</td> <td>5.5%</td> </tr> </tbody> </table>	(Billion yen)	2017	2018	2019	2020	2021	2022 (interim)	Net sales	12,129	16,424	17,318	19,457	18,138	20,009	Operating income	1,342	963	1,116	1,220	962	1,110	Operating margin	7.8%	5.8%	6.4%	6.3%	5.3%	5.5%	<p>Concrete pumps 1.8%</p> <p>Maintenance services 38.1%</p> <p>Plant sales 55.4%</p> <p>Exports 0.3%</p> <p>Nikko share 32.9%</p> <table border="1"> <thead> <tr> <th>(Billion yen)</th> <th>2017</th> <th>2018</th> <th>2019</th> <th>2020</th> <th>2021</th> <th>2022 (interim)</th> </tr> </thead> <tbody> <tr> <td>Net sales</td> <td>9,021</td> <td>7,893</td> <td>9,158</td> <td>9,212</td> <td>10,840</td> <td>10,500</td> </tr> <tr> <td>Operating income</td> <td>1,011</td> <td>665</td> <td>761</td> <td>879</td> <td>1,121</td> <td>1,062</td> </tr> <tr> <td>Operating margin</td> <td>10.7%</td> <td>8.4%</td> <td>8.3%</td> <td>9.5%</td> <td>10.4%</td> <td>10.2%</td> </tr> </tbody> </table>	(Billion yen)	2017	2018	2019	2020	2021	2022 (interim)	Net sales	9,021	7,893	9,158	9,212	10,840	10,500	Operating income	1,011	665	761	879	1,121	1,062	Operating margin	10.7%	8.4%	8.3%	9.5%	10.4%	10.2%	<p>Conveyor services 3.2%</p> <p>Portable products 23.0%</p> <p>Hand made 10.9%</p> <p>Nikko share 60%</p> <table border="1"> <thead> <tr> <th>(Billion yen)</th> <th>2017</th> <th>2018</th> <th>2019</th> <th>2020</th> <th>2021</th> <th>2022 (interim)</th> </tr> </thead> <tbody> <tr> <td>Net sales</td> <td>4,900</td> <td>3,931</td> <td>2,775</td> <td>2,834</td> <td>2,360</td> <td>3,018</td> </tr> <tr> <td>Operating income</td> <td>308</td> <td>417</td> <td>562</td> <td>462</td> <td>589</td> <td>700</td> </tr> <tr> <td>Operating margin</td> <td>6.3%</td> <td>10.6%</td> <td>20.3%</td> <td>16.3%</td> <td>25.0%</td> <td>23.2%</td> </tr> </tbody> </table>	(Billion yen)	2017	2018	2019	2020	2021	2022 (interim)	Net sales	4,900	3,931	2,775	2,834	2,360	3,018	Operating income	308	417	562	462	589	700	Operating margin	6.3%	10.6%	20.3%	16.3%	25.0%	23.2%	<p>Other 5.8%</p> <p>Crushers 5.1%</p> <p>Nikko-developed products 9.4%</p> <p>Temporary material 9.4%</p> <p>Waterproof boards, products 24.1%</p> <p>Mobile cruffers 23.9%</p> <p>Nikko share 23%</p> <table border="1"> <thead> <tr> <th>(Billion yen)</th> <th>2017</th> <th>2018</th> <th>2019</th> <th>2020</th> <th>2021</th> <th>2022 (interim)</th> </tr> </thead> <tbody> <tr> <td>Net sales</td> <td>4,480</td> <td>4,677</td> <td>5,840</td> <td>6,790</td> <td>6,660</td> <td>8,000</td> </tr> <tr> <td>Operating income</td> <td>462</td> <td>622</td> <td>1,020</td> <td>1,110</td> <td>1,070</td> <td>800</td> </tr> <tr> <td>Operating margin</td> <td>10.3%</td> <td>13.3%</td> <td>17.5%</td> <td>16.3%</td> <td>16.1%</td> <td>9.9%</td> </tr> </tbody> </table>	(Billion yen)	2017	2018	2019	2020	2021	2022 (interim)	Net sales	4,480	4,677	5,840	6,790	6,660	8,000	Operating income	462	622	1,020	1,110	1,070	800	Operating margin	10.3%	13.3%	17.5%	16.3%	16.1%	9.9%
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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	2020 Nikko Asia (Thailand) Co., Ltd.	1994 Tombo Industry Co., Ltd. established
1962 Telescopic steel props	2004 Shanghai Jiading factory	2020 Nikko Nilkhol Co., Ltd. (Thailand)	1995 Nikko Sec Co., Ltd. established
1963 Pipe scaffolding	2014 Kakogawa factory		2002 Niigata Engineering (transfer of business)
1966 Conveyor system	2016 Fukusaki factory		2006 Mitsubishi Heavy Industries, Ltd. (transfer of business)
1983 Floodgates			2008 Maekawa Kogyosho (M&A)
2000 System for cleaning oil-polluted soil			2022 Ube Kohki (M&A)
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.

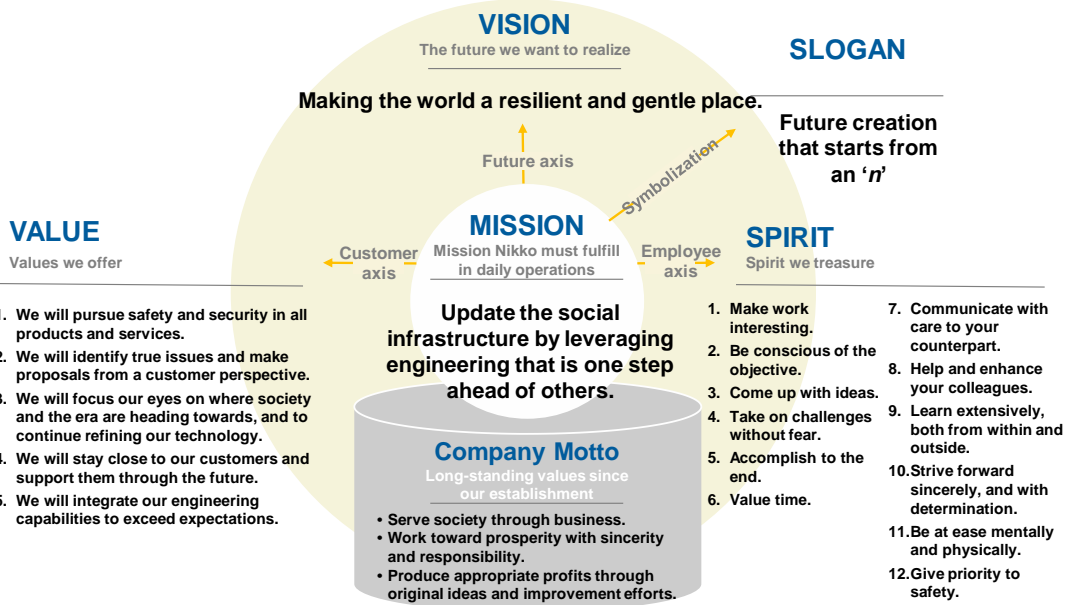
We aim to expand our overseas business and become the top manufacturer in the Asian market.

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 Group's Value Creation Process

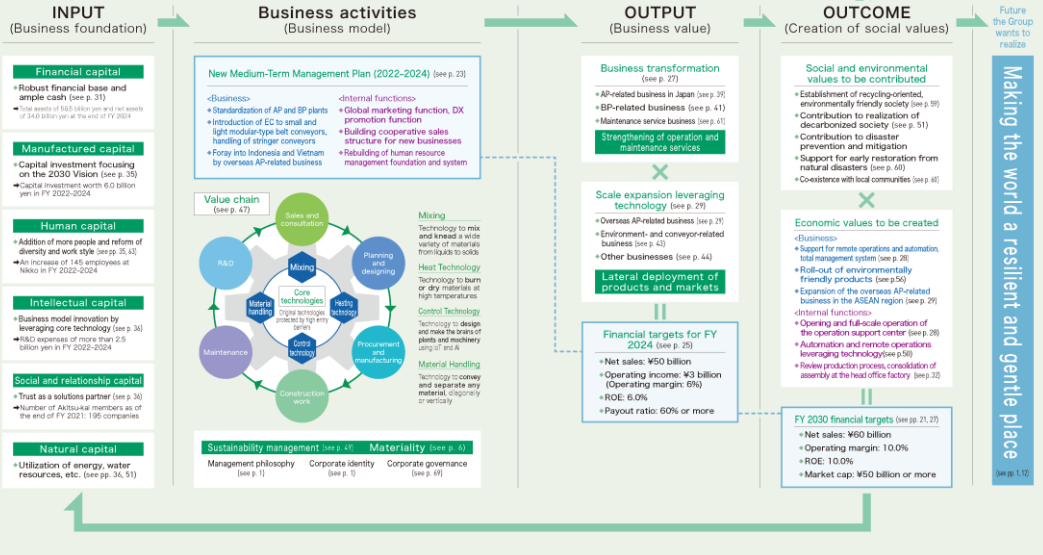


**Social issues and changes in the industry (risks and opportunities)** (see p. 45)

- Carbon-neutral initiatives
- Acceleration of digitization
- Declining birthrate and aging population, declining workforce
- Recycling of waste materials and establishment of recycling-oriented society
- Intensification of disasters and early restoration
- Rising ESG awareness

**Nikko Group 2030 Vision** (see p. 5)

The top manufacturer of plant facilities and environmental products underpinned by advanced technology and customers' management partner through operation and maintenance service





**Update the social infrastructure by leveraging engineering that is one step ahead of others.**

**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](mailto: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.