

“Create the future with *n*”



Fiscal Year 2022 (Ending March 31, 2023) 2nd Quarter Financial Results Briefing Session Materials

Tokyo Stock Exchange Code: 6306

Nikko Co., Ltd.

Masaru Tsuji, Representative Director and President

Hiroshi Fujii, Senior Managing Director

December 6, 2022

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

President Tsuji will explain the progress in the 10 year long-term plan and the final year of the Medium-Term Management Plan and sustainability promotion and initiatives, and Senior Managing Director Fujii will explain the business results.

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CORPORATE DATA

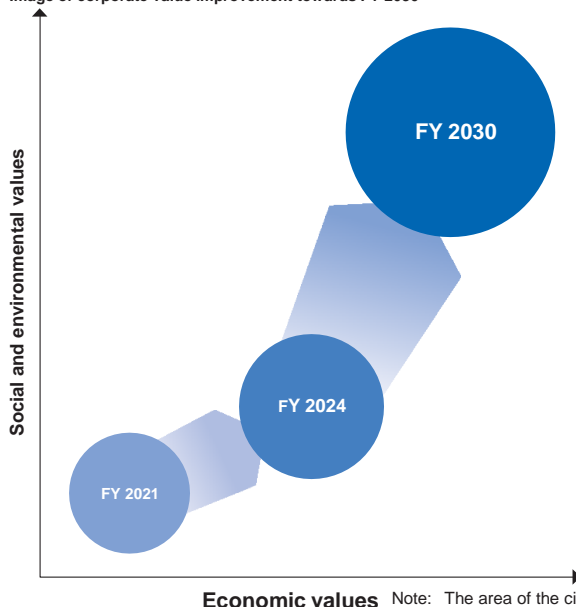
- FY 2021 Business Summary and FY 2022 Outlook
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Topics: Social and Environmental Values Nikko Group Aims to Achieve in Medium- to Long-Term



- Nikko Group considers the period through the current Medium-Term Management Plan (FY 2024) to be an internal and upfront investment phase for pursuing expansion in scale through changes in business and leveraging Nikko's technology
- The Group plans the period starting with the next Medium-Term Management Plan (from FY 2024) to be the phase for expanding business

Image of corporate value improvement towards FY 2030



Economic value KPI

Operating margin

FY 2021	5.3%
<u>FY 2024</u>	<u>6.0%</u>
FY 2030	10.0%

Environmental value KPI

Net sales of CN-related products

FY 2021	0.5 billion yen
<u>FY 2025</u>	<u>2.0 billion yen</u>
<u>FY 2028 onwards</u>	<u>4.0 billion yen</u>

Corporate value KPI

Market cap

FY 2021	24.3 billion yen
<u>FY 2030</u>	50.0 billion yen

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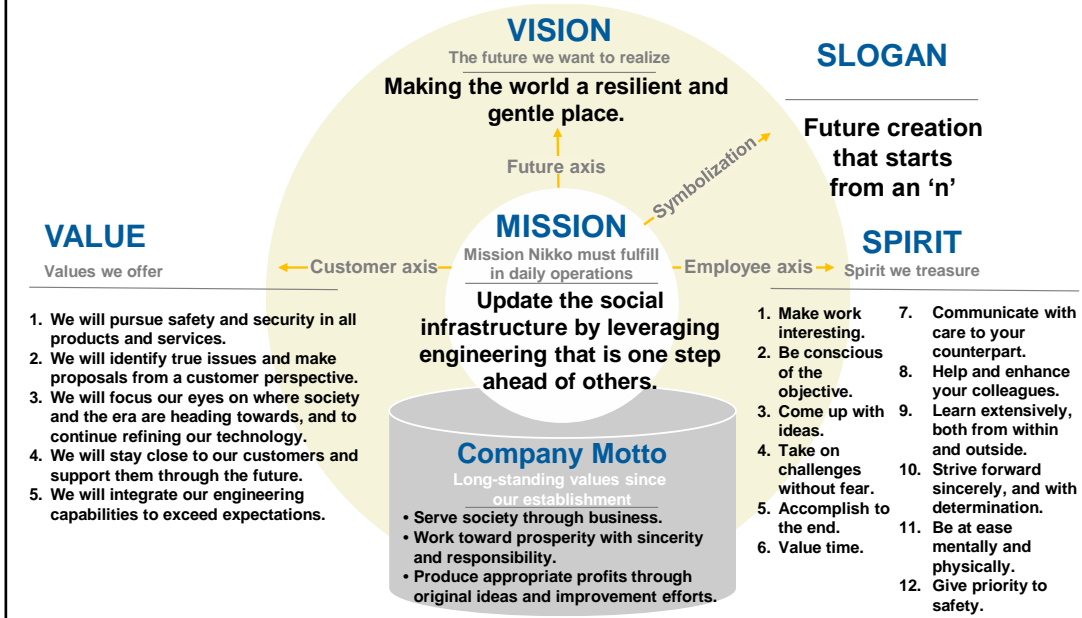
Energy prices surged due to the spread of COVID-19 and the Russian military invasion of Ukraine as well as the yen's sudden depreciation, which resulted in price rises in steel and supplies. The new Medium-Term Management Plan began under such circumstances with the company also facing carbon neutrality and other major issues.

In the previous Medium-Term Management Plan, the scale of our business became slightly larger as we established a manufacturing subsidiary in Thailand and added a new company to the Group through M&A.

We have set forth the following targets for 2030 under the medium- and long-term plans.

- 10% in operation margin as an economic value KPI
- 4.0 billion yen in net sales of environment-related products as an environmental value KPI

By making progress in accordance with the plan, we should be able to achieve 50.0 billion yen in market cap by 2030, which is a corporate value KPI.



We have been increasing the number of employees from the previous Medium-Term Management Plan, and I believe what is most important going forward is to build a unity of purpose among employees and share the same goal.

We launched the Nikko Mirai Project, primarily made up of employees who volunteered, and this year re-formulated the corporate identity and Management Philosophy that indicate the direction to be taken, replacing the existing wordings with new easy-to-understand expressions.

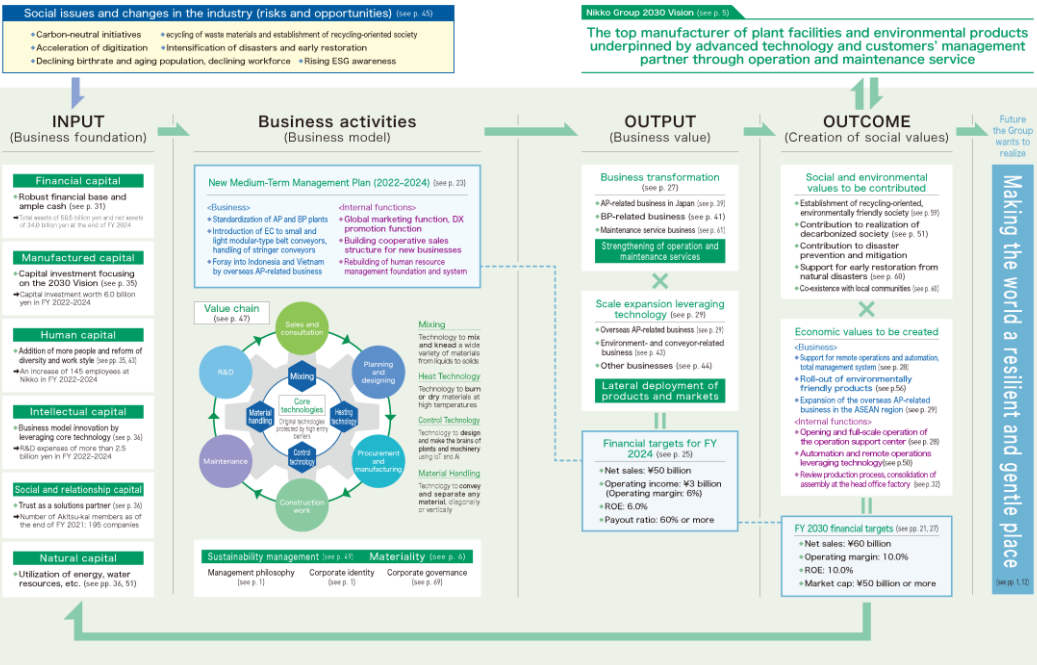
The mission shown here will be shared by all employees as the mission to be fulfilled on a daily basis.

The five items have originally been our Company Motto and we have replaced them with expressions that are easy to understand for all employees to convey our long-standing values since our establishment, and enable us to share the same goal.

We believe these expressions do the same for our customers and shareholders.

It was also good that we were able to adopt the positive and active phrase “Update the social infrastructure.”

Topics: Value Creation Process at Nikko Group



Nikko Group's Value Creation Process

We would like to consider social issues, changes in the industry, and risks as opportunities and take actions. I believe that we are living in an era where we have no choice but to withdraw from the industry if we are not able to address social issues. We would like to work on the issues with a positive attitude and link it towards business expansion.

We aim to raise our business value by giving concrete shape to business activities and establishing and executing the business model, and move on to achieve the financial targets of 50.0 billion yen in net sales, 3.0 billion yen in operating income, 6% in operating margin, 6% in ROE, and 60% or higher in dividend payout ratio in 2024.

Furthermore, we aim to raise our corporate value within society, which is a present-day requirement, and become a company that contributes to both the environment and society while pursuing various themes, while realizing 60.0 billion yen in net sales, 10% in operating margin, 10% in ROE, and 50.0 billion yen in market cap in 2030.

Green transformation and digital transformation in the Medium-Term Management Plan

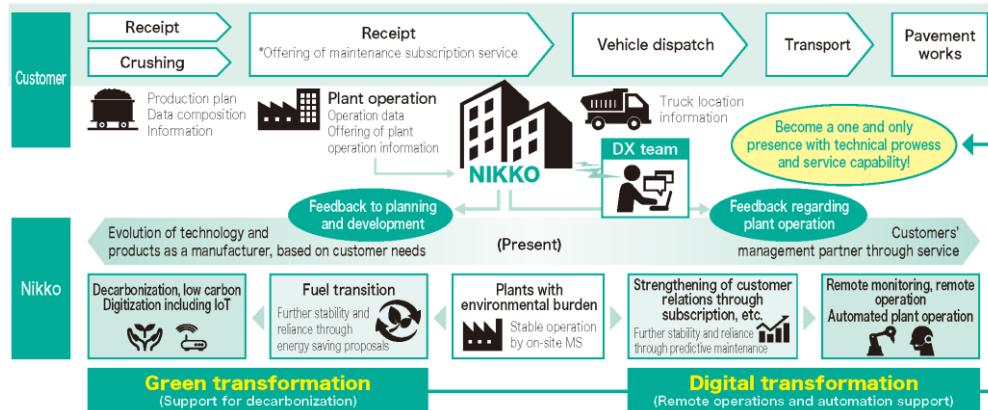
Nikko Group, as a plant manufacturer, aims to

- establish absolute superiority in environmentally friendly services and
 - build lasting relationships with customers through plant operation service
- to become the plant operation partner of its customers

- Green transformation including offering of plants supporting decarbonization and
 - digital transformation, which enables automatic operations using remote monitoring and remote operation of plants leveraging IoT and AI technology
- are essential.

The Group has been actively working on these two transformations to enable it to be the chosen management partner of its customers for reforming their plant operations by leveraging its strong product appeal unique to a plant manufacturer.

Sustainability strategy in the AP-related business in Japan



This is the explanation of GX- and DX-related initiatives.

We will achieve GX by offering environmentally friendly plants.

We will enable the remote monitoring and operation of plants by leveraging IoT and AI, and promote DX that results in automated plant operation.

Green and digital transformation promotion structure

Three cross-divisional teams are leading Nikko Group's pursuit of business model innovation and sustainable growth by deepening collaboration and working to solve various issues.



R&D and human resource development and enhancement

[Priority fields for R&D]

- Warm mix plant facilities
- AP regenerative burner
- Long-distance mixture transportation technology
- New RAV system
- AP exhaust gas CO2 capture system
- New burner control technology
- Co-generative system
- Ammonia burner
- Shipment-linked plant operation system
- Sand drying equipment

[Priority fields for human resource development and enhancement]

- Product development
- Design and engineering
- Control, remote, automation technology
- Technical support and plant operation support
- Remote maintenance

We established a CEO office for promoting GX and DX directly under the president as well as three dedicated teams consisting of cross-divisional members for pursuing the three new items.

The Low Carbon Task Force will also join related organizations.

For example, we are the only manufacturer participating as a supporting member in the Japan Road Contractors Association, and we are thinking of engaging in activities for realizing carbon neutrality, which is a future issue, in the industry. We are implementing measures towards the realization of carbon neutrality while driving forward research together with the involved parties, including universities and energy companies.

Topics: Growth Investment and Educational Investment in Medium-Term Management Plan



Growth Investment

Item	Investment (three years)	
Human resource enhancement 	Nikko non-consolidated up 145 (up 69)	<ul style="list-style-type: none"> ● AP-related business field 59 people ● BP-related business field 20 people ● Environment and conveyor field 12 people ● Overseas 6 people ● Development 12 people ● Mobile plants 11 people ● Other 25 people
R&D 	2.53 bil. yen (1.19 bil. yen)	<ul style="list-style-type: none"> ● AP-related business field ● BP-related business field ● Environment and conveyor field ● Overseas ■ Environmentally friendly products ■ Remote and automated support ■ Plant support center ■ Product improvement ■ System development ■ Product development ■ Investment in IT incl. EC ■ Development of standard models
Capital investment 	6.0 bil. yen (6.3 bil. yen)	<ul style="list-style-type: none"> ◆ Build a new factory in Hyogo Prefecture (0.5 bil. yen) ◆ Build a development and testing center (1.0 bil. yen)

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

Human resource investment: Establishment of a new personnel system and education program

● Three systems of education and training

Position-based training (Ability development training corresponding to position)	Objective-based training (Learning opportunities and assistance programs aimed at improving specific skills)	Autonomous and elective training (Face-to-face, online seminars)
<ul style="list-style-type: none"> ● New hire training ● New manager training ● Training according to year of joining company ● Training based on personnel evaluation feedback ● Career design training 	<ul style="list-style-type: none"> ● Support program for acquiring special skills, IT certifications ● Acquiring language skills (TOEIC score improvement) ● Support programs (target score: 820) (In-house English language class, online English learning, external English language schools) 	<ul style="list-style-type: none"> ● Business IT skills (macro, programming) ● Business writing ● Communication skills ● People management skills ● Presentation skills ● Accounting, tax ● Self-coaching

Amount invested in personnel training and training hours (total for FY 2021): ¥12,847,000 and 3,204 hours (only for major programs)

We will enhance management resources in the investment plan of the current Medium-Term Management Plan.

In human resource enhancement, we plan to add 145 employees in three years. We will increase the number of employees as a strategy for expanding the business scale.

Research and development targeting new challenges is the most significant prerequisite for a manufacturer, and we plan to spend 2.53 billion yen in R&D during the current medium-term plan, which is more than double the amount in the previous Medium-Term Management Plan.

We plan to spend 6.0 billion yen in capital investment in the current Medium-Term Management Plan, which is about the same level as the previous plan.

Though not mentioned here, we uniformly raised employee wages by 30,000 yen this year as part of our investment in people, which is most important. We are also working on a plan to shift the personnel system to a merit-based one.

We would like to nurture the ability of young employees by focusing on and investing in them.

This sentiment is at the forefront and I believe young employees are the future of the company. So, I would like to continue with this policy.

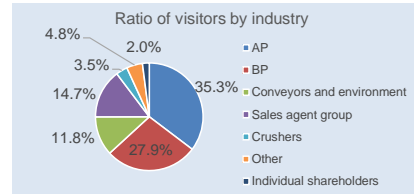
Topics: Giving Shape to Strategic Sustainability Products and Exhibition (Messe)



Held at the Head Office Plant from October 31 to November 11
In-House Messe exhibiting new products, carbon neutral-related products (demonstration machines, panels),
new DX-enabled control panels, and actual equipment used in disaster recovery support

Number of visitors: 1,126
(customers and individual shareholders)

Utilization of resources



Though COVID-19 infections have yet to subside, we held Nikko Messe 2022, a trade show for new products, at our Head Office Plant for the first time in four years from October 31 to November 11 with the aim of understanding the new needs of the market. We also built and displayed an actual new model AP.

Disaster prevention, disaster restoration, effective resource utilization



Mobile soil improving machine



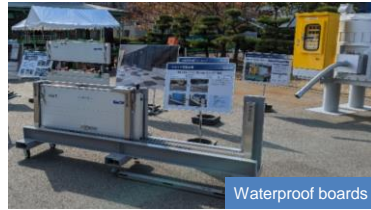
Mobile BP for disaster restoration and work site



Small unit crusher



Crushing plant for concrete waste materials and asphalt waste materials



Waterproof boards



PET bottle separator



Displayed the actual mobile plant line in another venue and demonstrated its operation

Actual models of our mobile soil improving machine and mobile BP, which can contribute to construction works at disaster restoration sites, were also exhibited. The picture at the bottom is a crushing plant near the Head Office and we also displayed a mobile crusher, which is a growth product, and demonstrated stone crushing.

Carbon neutral initiatives



NIKKO MESSE Thailand (October 11 to 21)

Popularization of “Brand, rather than plant!” Inquiries for one AP and one recycling plant



In addition, we exhibited the progress in the development of hydrogen and ammonia burners and conducted their burning tests as part of carbon neutral-related initiatives. We also displayed information regarding CCU, which solidifies and absorbs CO2 using concrete. We also held Nikko Messe Thailand at the manufacturing subsidiary in Thailand in October. The aim of the trade show was to popularize and highlight the “Brand, rather than plant!” because Thailand is a promising market.

Topics

Sustainability Strategy
in Medium-Term Management Plan ▶ pp. 3–12

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FY 2022 1H Business Climate and Results ▶ pp. 15–31

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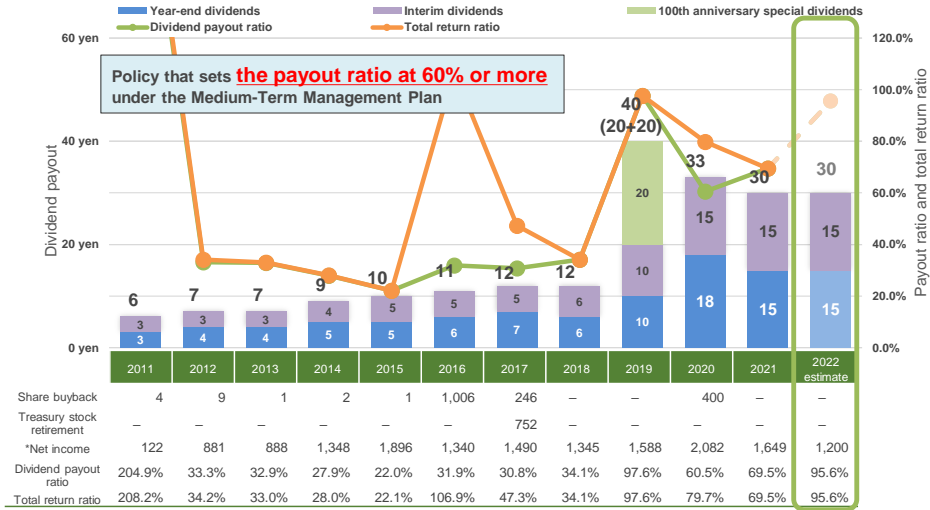
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● Enhancement of shareholder returns

□ Forecast of 30.00 yen per share in dividend payment in FY 2022 (15.00 yen per share as interim dividends and 15.00 yen per share as year-end dividends) (dividend payout ratio of 95.6%)




* 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.





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




The shareholder return policy of the new three-year Medium-Term Management Plan is to ensure a dividend payout ratio of 60% or higher, which is the same as the previous plan.

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FY 2022 1H Performance Highlights 

-  • The price increases have been accepted by customers in Japan and abroad. Gross margin is roughly unchanged from the previous fiscal year despite rises in raw material prices.
-  • The second highest new orders as well as record order backlog in the first half in the past 10 years. (including 970 mil. yen in orders and 1,620 million yen in order backlog for Ube Kohki in the first half of FY 2022)
→ p. 21 Trends in New Orders Received and p.22 Trends in Order Backlog
-  • Sales volume and net sales of mobile plants
FY 2021 1H: 13 units and 510 mil. yen → FY 2022 1H: 17 units and 810 mil. yen
→ p. 29 Other Business
-  • Recorded 826 mil. yen in sales of Ube Kohki, which the Group acquired in March, on the income statement
→ p. 29 Other Business

-  • Impact to earnings due to raw material prices remaining high: 200 mil. yen
-  • In the AP-related business, road pavement companies in general have been keeping capital investment in check due to the rise in asphalt prices
Sales of plants and maintenance services declined significantly
→ p. 23 AP-related Business
-  • Net sales of waterproof boards in the first half fell due to postponement and delay of construction works reflecting soaring construction material costs
They declined to 160 mil. yen from 320 mil. yen in FY 2021 1H

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This shows positive points and not-so-positive points of the business performance.

Positive points

- We began asking customers to accept price increases given the soaring prices of all kinds of supplies since the previous fiscal year.
There are products that quickly showed results and others that required a bit more time, but I believe the price increases have become accepted in the current fiscal year as the figures show. Gross profit margin came to about the same level as the previous fiscal year despite major increases in raw materials costs, and the first-half result at similar levels as the previous fiscal year indicates that this is a result of the price increases gaining ground.
- The first-half new orders were the second highest in the past 10 years, and had a new record of order backlog over the past 10 years. The portion of Ube Kohki, which joined the Group in the current fiscal year, boosted the figures, but order backlog was the highest in 10 years even after excluding the impact of Ube Kohki.
- Sales and sales volume of the mobile plant business, which we have been focusing on as a growth business, have been steadily growing also in the current fiscal year. Last year, there were 13 units and 510 million yen in sales, and in the first half of the current fiscal year the figures grew steadily with 17 units and 810 million yen in sales.
- Ube Kohki, which joined the Group through M&A, also posted sales in line with the plan and it recorded profits as planned.

Not-so-positive points

- Steel prices continued to rise from April on. It appears likely to remain slightly high in the immediate future. Our calculations show that it had an impact of approx. 200 million yen.
- Asphalt price increased as crude oil price rose, which negatively affected road pavement companies, our customers, and their capital investment showed a slight declining trend. Sales of AP maintenance service were weak in the first half. Some of the large-scale orders for plants that we were expecting in the first half got delayed.
- The waterproof board business, which we have been focusing on as a growth business along with mobile plants, has grown to 1.0 billion yen in sales but it has been relatively slow in the current fiscal year and has roughly halved compared with the previous fiscal year.

Business Climate in 2Q FY 2022



1H FY 2022 Results

(million yen)

1H (Apr.–Sept.)	Results	YoY change (amount)	YoY change (%)
Net sales	18,760	(248)	(1.3%)
Operating income	399	(569)	(58.8%)
Quarterly net income attributable to owners of parent	259	(608)	(70.0%)
New orders received	18,949	+147	0.8%

- ▶ Sales of AP-related business: Sales of plants in Japan greatly declined and those of maintenance service also fell. Sales declined 5.8% year on year despite sales increase in the overseas business.
- ▶ Sales of BP-related business: Declined 4.9% year on year as product sales in Japan fell and those of maintenance services remained unchanged

Business climate

AP-related business

1H of FY 2022 (Apr.–Sept.)	Results (10,000 tons)	YoY change	Share of recycled mixture
Mixture output	1,723	(3.2%)	74.5%
Virgin mixture	425	(6.2%)	
Recycled mixture	124	(2.2%)	

Source: Japan Asphalt Mixture Association

BP-related business

1H of FY 2022 (Apr.–Sept.)	Results (10,000 m ³)	YoY change
Ready-mixed concrete shipment	3,699	(1.6%)

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

Business environment of the second quarter

Sales declined 248 million yen compared with the same period a year earlier.

We have newly included the sales of 826 million yen from Ube Kohki in the current fiscal year. When this is excluded, sales declined to 970 million yen from the same period a year earlier. Operating income declined greatly to 399 million yen. Due to this, quarterly net income also fell significantly year on year.

Meanwhile, new orders increased more than 100 million yen compared with the previous year partly thanks to the addition of Ube Kohki.

Mixture output and ready-mixed concrete shipment, which directly affect the AP- and BP-related businesses, slightly declined from last year.

FY 2022 1H Performance Highlights (1)



YoY change of results

- ▶ Sales: AP products in Japan (down 430 mil. yen), BP products (down 320 mil. yen), Nikko Shanghai (up 340 mil. yen), exports (down 350 mil. yen), Thailand (up 250 mil. yen), environment (down 280 mil. yen), other business (up 920 mil. yen; up 100 mil. yen excluding Ube Kohki)
- ▶ Operating income: Decreased due to the decline in net sales and increases in R&D expense and personnel costs
- ▶ Ordinary income: Decreased due to the decline in operating income
- ▶ Orders: AP-related business (down 930 mil. yen), BP-related business (down 540 mil. yen), environment- and conveyor-related business (down 70 mil. yen), other business (up 1,690 mil. yen; up 720 mil. yen excluding Ube Kohki)
- ▶ Order backlog: AP-related business (down 900 mil. yen), BP-related business (up 970 mil. yen), environment- and conveyor-related business (up 260 mil. yen), other business (up 2,160 mil. yen; up 540 mil. yen excluding Ube Kohki)

	FY 2021		FY 2022 (million yen)						
	1H actual	Full year actual	1H actual	YoY change	Progress in full year forecast	1H forecast (revised in Sept.)	Full year forecast (revised in Sept.)	1H forecast (initial)	Full year forecast (initial)
Net sales	19,008	38,846	18,760	(248) (1.3%)	44.7%	20,000	42,000	20,000	42,000
Operating income	968	2,053	399	(569) (58.8%)	23.5%	400	1,700	1,000	2,300
Operating margin	5.1%	5.3%	2.1%	(3.0pt)	–	2.0%	4.0%	5.0%	5.5%
Ordinary income	1,105	2,273	548	(557) (50.4%)	29.6%	500	1,850	1,150	2,500
Net income attributable to owners of parent	867	1,649	259	(608) (70.0%)	21.6%	300	1,200	700	1,600
New orders received	18,802	41,337	18,949	+147 +0.8%	44.1%	–	43,000	23,000	46,000
Order backlog	14,155	16,490	16,660	+2,505 +17.7%	–	–	17,490	19,361	20,361

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Performance highlights for the first half.

We announced the earnings forecast for the current fiscal year at the beginning of the fiscal year in May, and the downward revision of the forecast in September.

The results when compared against the downwardly revised forecast were as follows: Net sales, which we had left unchanged at 20.0 billion yen, came to 18.7 billion yen. Operating income came to 399 million yen, in line with the 400 million yen forecast.

We did not announce any revised first-half figures for new orders or order backlog. Our initial forecast for new orders was 23.0 billion yen, but the result was 19.0 billion yen, which was a large shortfall of 4.0 billion yen.

A major factor behind this was the postponement of all of the three to four large-scale plant projects expected in the first half. It was not that these projects disappeared or were snatched by other companies, but that they were delayed into the second half. The actual order backlog was limited to 16.6 billion yen compared with the 17.49 billion yen in the revised full-year forecast.

FY 2022 1H Performance Highlights (2)



(million yen)

		FY 2021		FY 2022						
		1H actual	Full year actual	1H actual	YoY change	Progress in full year forecast	1H forecast (revised in Sept.)	Full year forecast (revised in Sept.)	1H forecast (initial)	Full year forecast (initial)
AP-related business	Net sales	9,189	18,328	8,652	(537) (5.8%)	43.3%	9,520	20,000	9,520	20,000
	Operating income	388	562	132	(256) (66.0%)	24.0%	200	550	500	1,150
	Operating margin	4.2%	3.1%	1.5%	(2.7pt)	—	2.1%	2.8%	5.3%	5.8%
BP-related business	Net sales	5,589	10,840	5,314	(275) (4.9%)	50.6%	5,000	10,500	5,000	10,500
	Operating income	609	1,123	505	(104) (17.1%)	48.1%	460	1,050	460	1,050
	Operating margin	10.9%	10.4%	9.5%	(1.4pt)	—	9.2%	10.0%	9.2%	10.0%
Environment- and conveyor-related business	Net sales	1,581	3,018	1,222	(359) (22.7%)	48.9%	1,190	2,500	1,190	2,500
	Operating income	243	588	236	(7) (2.9%)	47.2%	220	500	220	500
	Operating margin	15.4%	19.5%	19.3%	+3.9pt	—	18.5%	20.0%	18.5%	20.0%
Other business	Net sales	2,647	6,660	3,571	+924 +34.9%	39.7%	3,571	9,000	4,280	9,000
	Operating income	317	1,073	253	(64) (20.2%)	23.0%	180	1,100	480	1,100
	Operating margin	12.0%	16.1%	7.1%	(4.9pt)	—	5.0%	12.2%	11.2%	12.2%

- ▶ Net sales of AP-related business: Net sales of products in Japan were down 21.3% YoY and maintenance services fell 8.6%, while overseas net sales rose 9.2%
- ▶ Net sales of BP-related business: Net sales of plant products were down 9.8% YoY and maintenance services fell 0.1%
- ▶ Environment- and conveyor-related business: Net sales of environmental products were down 64.3% YoY and those of conveyor products fell 6.7%
- ▶ Net sales of other business: Net sales of mobile plants rose 58.8% YoY, waterproof boards fell 51.0%, temporary construction materials rose 0.3%, crushers increased 33.8%, hand tools rose 5.3%, and 820 mil. yen in net sales from Ube Kohki were newly incorporated

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This is the performance per segment.

The AP-related business turned out to be the segment with poor first-half results, which greatly diverged from the initial forecast.

Although we announced the revised forecast, the business fell short against the revised forecasts of 9,520 million yen in sales and of 200 million yen in operating income, as sales came to 8,652 million yen. In particular, sales on services in Japan are concentrated during the Obon holidays in regular years, but they were very slow in the current fiscal year, and profits did not grow as much as we had expected due to the decline in sales on services, which have a high profit margin.

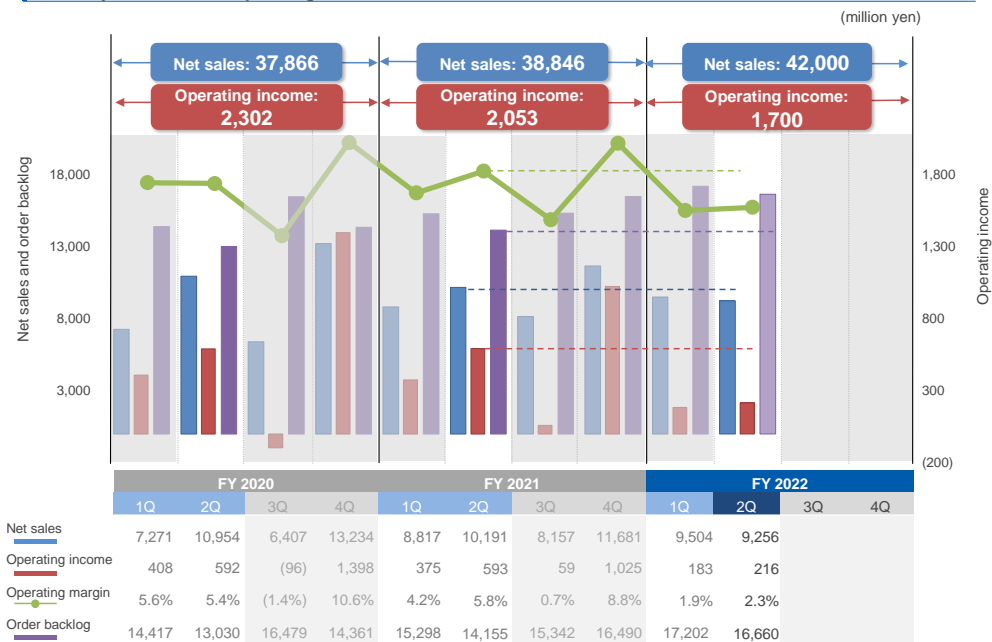
The progress in the BP-related business was as expected at the beginning of the fiscal year and we did not revise our forecast. Sales of the business slightly exceeded the forecast and profits also did the same. Likewise, both sales and profits of the environment- and conveyor-related business slightly exceeded the initial forecast figures. In the other business, we revised the sales and profit forecasts significantly in September. The largest factor was sluggishness in the waterproof board business. As a result, net sales of the business came in line with the revised forecast while profits slightly exceeded the forecast.

For the second half, it may be slightly difficult for the AP-related business to achieve the revised full-year sales forecast of 20 billion yen and operating income forecast of 550 million yen announced in September. Meanwhile, we are currently expecting sales and profits of the BP-related business to slightly exceed the forecasts, while the environment- and conveyor-related business and other business are expected to perform in line with the forecasts in the second half.

FY 2022 Quarterly Performance Trend



Quarterly net sales and operating income trends



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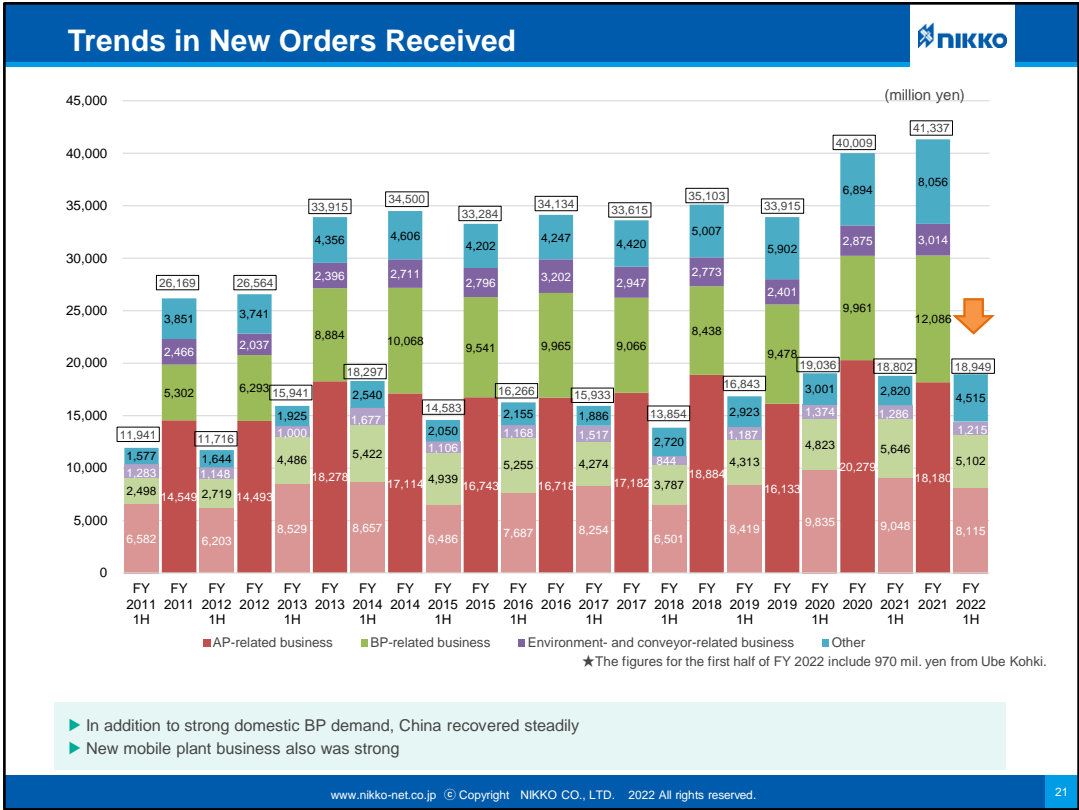
This is the quarterly performance trend.

We prepared this table because the figures fluctuate significantly from quarter to quarter in our case.

In the current fiscal year, profits in the first and second quarters have been slightly slower compared with the past two years. Nevertheless, 16.66 billion yen in order backlog as of the end of second quarter means that we started the second half with 2.5 billion yen more in order backlog compared with last year.

As of now, we expect net sales in the second half of the current fiscal year to exceed last year's second-half figure of approx. 20.0 billion yen.

We are expecting to recover considerably in the second half from the slightly sluggish performance in the first half.

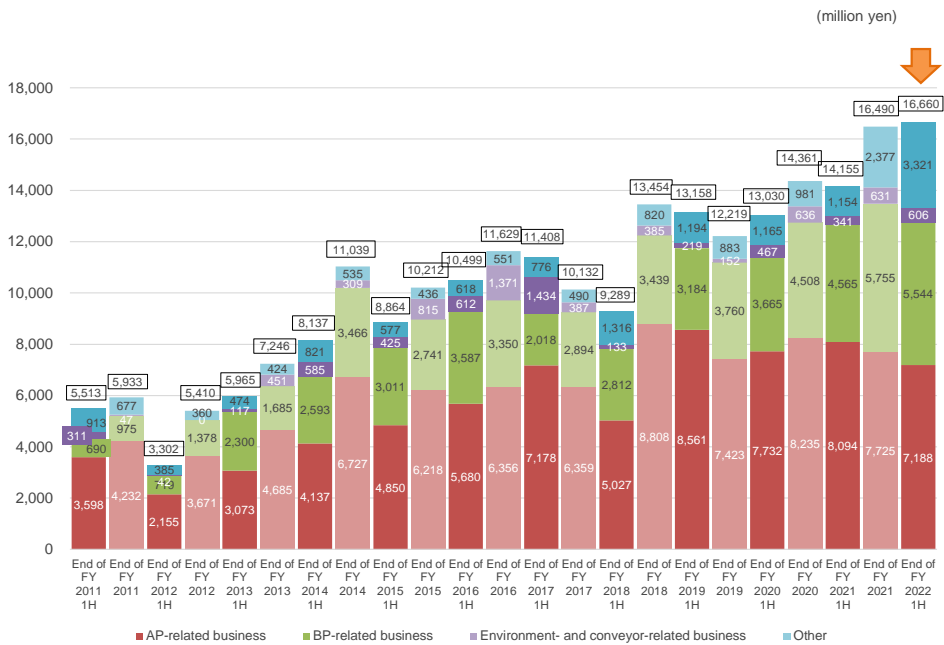


This is the trend of order backlog.

The tall bars of the bar graph show full-year figures and the shorter ones show the first-half figures.

New orders in the first half totaled 18.949 billion yen but this included orders of Ube Kohki. When they are excluded, new orders were slightly less than the previous two fiscal years. By segment, orders for the AP-related business were weaker in this first half. As I have explained earlier, the figure is a result of a decline in capital investment by road pavement companies, lower sales from service in construction works during Obon holidays, and delays in large-scale scrap-and-build projects.

Trends in Order Backlog



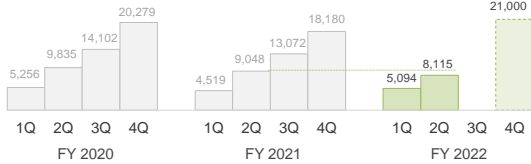
★The figures for the first half of FY 2022 include 1,620 mil. yen from Ube Kohki.

This is the trend of order backlog.

Far right shows the order backlog as of the end of September 2022. It came to 16.66 billion yen, which is a slight increase from the beginning of the fiscal year and up 2.5 billion yen compared with a year earlier. This includes the order backlog at Ube Kohki, but even when the impact of Ube Kohki is excluded, the figure still increased in total. The order backlog figure for the first half of FY 2022 is extremely high compared with the past.

New orders received

(cumulative) (million yen)



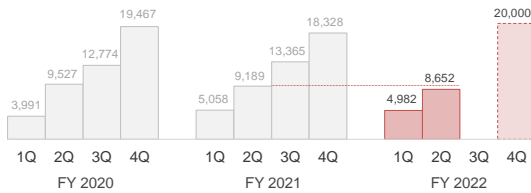
New orders received

- Down 10.3% YoY

(Factors)

- Positive factors: Orders in China have been strong after the lifting of lockdown. Received orders for 7 units worth 69 mil. yuan in 2Q (2Q FY 2021: 5 units worth 58 mil. yuan)
- Negative factors: Capital investment slowed reflecting the trend of declining earnings in the road pavement industry given rising asphalt prices

Net sales



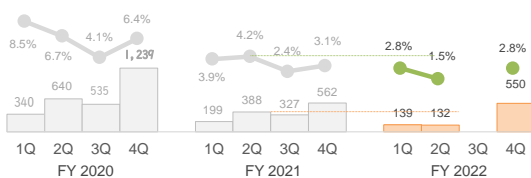
Net sales

- Down 5.8% YoY

(Factors)

- Net sales in Japan declined 12.7% YoY
- Net sales overseas increased 9.2% YoY
- Japan: Sales were sluggish due to slowdown in capital investment by road pavement companies and the prolonged delivery time for various parts.
- Overseas: China: Net sales in 2Q were roughly unchanged from the same period a year earlier. Sales increased YoY on a yen basis due to the impact of foreign exchange fluctuations. Expecting 97 million yuan in 3Q compared with 77 million yuan in the previous fiscal year.
- Thailand: There is a recovery trend in the number of tourists, but it will take some more time for businesses to recover.

Operating income and operating margin



Operating income

- Operating income declined 66.0% YoY.
- Operating margin fell 2.7 pp YoY.

(Factors)

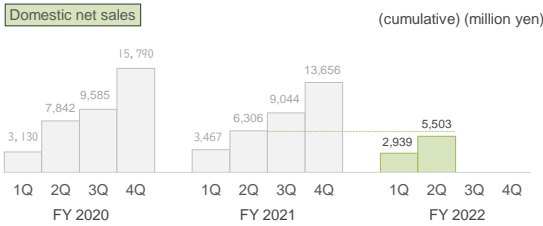
- Japan: Impact of sudden rise in steel and supply prices.
- China: Operating income improved in 2Q thanks to the impact of price increase and peaking of steel price
- Thailand: Orders did not grow and loss expanded from higher fixed costs due to full-scale operation of the factory

This is the situation of the AP-related business.

In the first half, the AP-related business was slightly weak, but on a positive note, orders in China have been favorable after the lockdown was lifted in spring. In China, both sales and operating income exceeded last year's levels and operating income has increased significantly reflecting the impact of increased product prices.

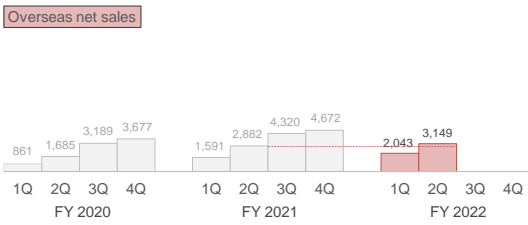
The Thai business was just launched and naturally we are not expecting it to go smoothly from the beginning. Though it did register sales in the first half, it is currently slightly struggling in terms of orders.

AP-Related Business (Japan vs. Overseas)



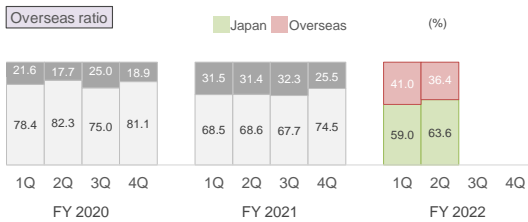
Japan

- Plant products decreased 21.3% YoY
- Maintenance services fell 8.6% YoY



Overseas

- Up 9.2% YoY
 - Exports: Down 54.5% YoY
 - China: Up 15.6% YoY
 - Thailand: Up 435.2% YoY (up 252 mil. yen)
- China: In 2Q, the Group was able to recover net sales to the previous year's level and operating income also improved significantly thanks to price increases and cost reduction.
- Thailand: Three units sold in the first half but no sales expected in the second half. Expect to receive orders for 2 units in the second half for delivery in the next fiscal year. To start a permanent trade show in October.
- Exports (Taiwan, overseas operations): It is returning to pre-COVID-19 levels, and Taiwan and maintenance parts have been recovering.



New overseas orders received and order backlog

	New orders	Order backlog
China (Nikko Shanghai)	2,780 mil. yen (up 6.5%)	3,240 mil. yen (up 2.8%)
Thailand sales company (NAT)	0 mil. yen	0 mil. yen

AP-Related Business Performance Trend by Area (1)



1H

(million yen)

	FY 2013			FY 2014			FY 2015			FY 2016			FY 2017		
	Sales	Operating income	Margin	Sales	Operating income	Margin	Sales	Operating income	Margin	Sales	Operating income	Margin	Sales	Operating income	Margin
Japan	8,483	1,355	16.0%	7,300	716	9.8%	7,513	819	10.9%	7,219	636	8.8%	6,488	314	4.8%
China	644	(2)	-	891	75	8.4%	851	(74)	-	815	24	3.0%	945	137	14.5%
Thailand	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	9,127	1,353	14.8%	8,192	791	9.7%	8,364	745	8.9%	8,035	660	8.2%	7,433	451	6.1%

	FY 2018			FY 2019			FY 2020			FY 2021			FY 2022		
	Sales	Operating income	Margin	Sales	Operating income	Margin	Sales	Operating income	Margin	Sales	Operating income	Margin	Sales	Operating income	Margin
Japan	6,817	450	6.6%	6,486	485	7.5%	7,878	609	7.7%	6,913	451	6.5%	5,779	195	3.4%
China	1,017	(35)	-	2,182	192	8.8%	1,650	74	4.5%	2,202	30	1.4%	2,546	127	5.0%
Thailand	-	-	-	-	-	-	-	(42)	-	75	(93)	-	327	(190)	-
Total	7,834	415	5.3%	8,668	677	7.8%	9,528	641	6.7%	9,190	388	4.2%	8,652	132	1.5%

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The profits and profit margin of the AP-related business have not been very good. So, we once again calculated the figures for respective areas of Japan, China, and Thailand separately.

For the first half of FY 2022, profit of the overall AP-related business segment was 132 million yen. This includes approx. 200 million yen in loss in Thailand, which pushed down the profits of the business in a major way. Profits in Japan, at 195 million yen, were also not good compared to the past, as sales were very sluggish and sales on services were small. At the same time, China posted sales of 2.5 billion yen, which was a record for a first half, and profits also grew thanks to large price increases compared with last year and the year before that when it struggled a little.

AP-Related Business Performance Trend by Area (1)

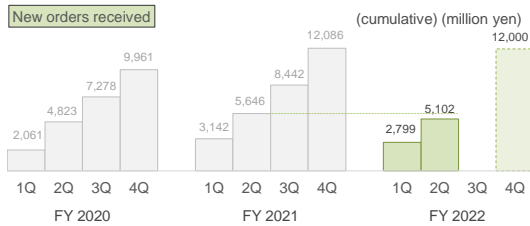


Full year

(million yen)

	FY 2013			FY 2014			FY 2015			FY 2016			FY 2017		
	Sales	Operating income	Margin	Sales	Operating income	Margin	Sales	Operating income	Margin	Sales	Operating income	Margin	Sales	Operating income	Margin
Japan	15,785	2,124	13.5%	13,339	1,132	8.5%	15,375	1,342	8.7%	14,652	1,215	8.3%	14,094	1,055	7.5%
China	1,473	1	0.1%	1,733	82	4.7%	1,878	(108)	-	1,928	39	2.0%	3,086	293	9.5%
Thailand	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	17,258	2,126	12.3%	15,072	1,214	8.1%	17,252	1,234	7.2%	16,581	1,254	7.6%	17,180	1,348	7.8%

	FY 2018			FY 2019			FY 2020			FY 2021		
	Sales	Operating income	Margin	Sales	Operating income	Margin	Sales	Operating income	Margin	Sales	Operating income	Margin
Japan	13,110	847	6.5%	13,926	991	7.1%	15,999	1,204	7.5%	14,356	792	5.5%
China	3,325	117	3.5%	3,592	145	4.0%	3,465	169	4.9%	3,781	17	0.4%
Thailand	-	-	-	-	(18)	-	4	(134)	-	191	(247)	-
Total	16,435	964	5.9%	17,518	1,118	6.4%	19,467	1,239	6.4%	18,328	562	3.1%

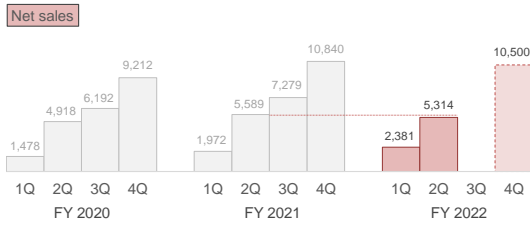


▶ **New orders received**

- Down 9.6% YoY

(Factors)

While there were fewer large-scale projects compared with the previous fiscal year and new orders received declined, users' appetite for investment continued to be firm given the stable ready-mixed concrete market.

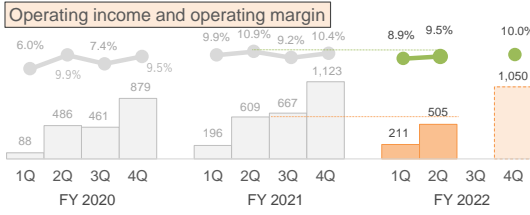


▶ **Net sales**

- Down 4.9% YoY
- Plant products decreased 9.8% YoY
- Maintenance services fell 0.1% YoY
- ★ In the current fiscal year, sales of majority of projects are expected to be recorded in 4Q.

(Factors)

- The number of construction projects during Obon holiday in August declined from last year



▶ **Operating income**

- Operating income decreased 17.1% YoY
- Operating margin fell 1.4 pp YoY

(Factors)

- Operating income declined due to the fall in net sales

This is the BP segment.

Orders in the segment declined about 10% compared with last year to 5.1 billion yen.

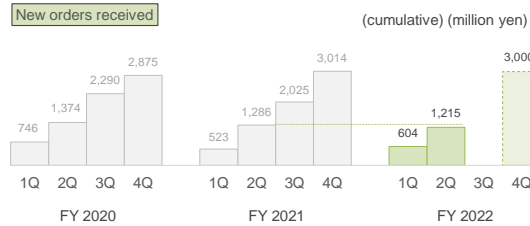
However, it is not that the market environment particularly worsened. Orders in the first half of last year were extremely high even when compared to the past, and compared to that high level last year, the figure fell a little in the current fiscal year.

Net sales of the segment also declined 5% from last year. This is probably because of the fact that we started the current fiscal year with the initial BP backlog which was about 1.0 billion yen lower compared with last year. Operating income also declined from last year as sales decreased.

Environment- and Conveyor-Related Business



New orders received



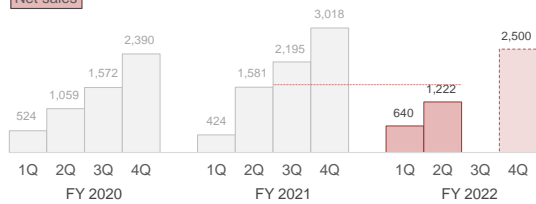
▶ New orders received

- Down 5.5% YoY

(Factors)

Environmental products: The number of large-scale projects declined from a year earlier

Net sales



▶ Net sales

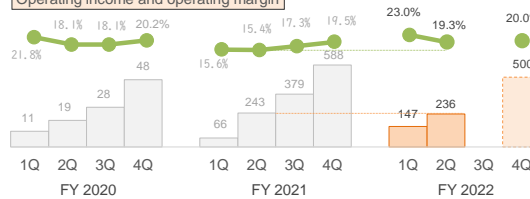
- Down 22.7% YoY

(Environment: down 64.3%; conveyor: down 6.7%)

(Factors)

- Large-scale projects were postponed or delayed due to the prolonged delivery time of control parts.
- In the first half of FY 2022, there are no large-scale JR-related projects and sales declined significantly

Operating income and operating margin



▶ Operating income

- Operating income decreased 2.9% YoY
- Operating margin rose 3.9 pp YoY

(Factors)

- Profits fell due to sales decline
- The number of low-margin projects decreased due to fewer large-scale projects

The environment- and conveyor-related business.

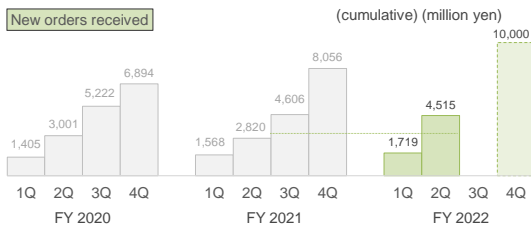
Orders were roughly unchanged, declining slightly. The reason is that we had large-scale projects of environmental products last year, but not in the current fiscal year.

Net sales also declined from the previous year. Operating income also fell as sales declined.

Other Business



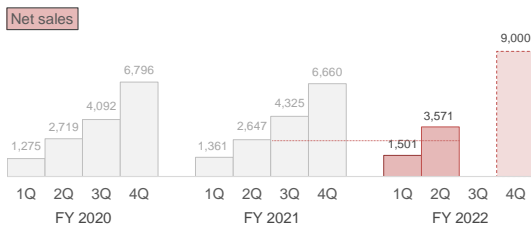
New orders received



New orders received

- Up 60.1% YoY for the entire segment
 - 3,541 mil. yen excluding 974 mil. yen for Ube Kohki
 - Mobile plant (MP) business: The number of units ordered declined due to the reaction to last-minute orders before the price revision in March 2022
- Meanwhile, the value increased reflecting price increases.
 FY 2021 610 mil. yen (17 units)
 FY 2022 790 mil. yen (16 units)

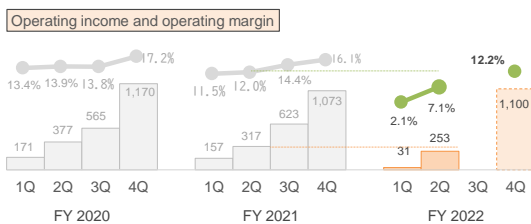
Net sales



Net sales

- Increased 34.9% YoY (up 3.7% when Ube Kohki is excluded)
- Positive factors:
- Ube Kohki: 826 mil. yen is integrated from the current fiscal year.
 - MP products: 510 mil. yen (13 units) in the same period a year earlier. → 810 mil. yen (17 units)
 - Maekawa Kogyosho (crushers) Up 50 mil. yen YoY
- Negative factors:
- Net sales of waterproof boards declined 167 mil. yen due to delays in construction works reflecting surging material costs
 - Nikko-developed products and contract-based products were down 69 mil. yen

Operating income and operating margin



Operating income

- Operating income decreased 20.2% YoY (down 20.7% excluding Ube Kohki) (Waterproof boards, floodgates were down 130 mil. yen YoY)
- Operating margin fell 4.9 pp YoY

★Sales composition of Other Business

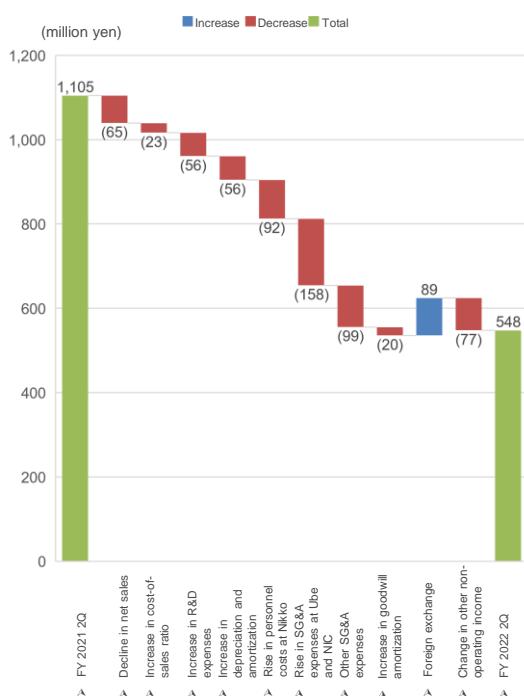
Temporary construction materials 19.4%, waterproof boards and floodgates 6.1%, hand tools 9.6%, mobile plants 22.6%, crushers 5.6%, Ube Kohki 23.2%, Nikko-developed products 2.3%, other 11.3%

This is the other business.

New orders in the current fiscal year were about the same level as the previous year, but they include approx. 1.0 billion yen of Ube Kohki. Orders fell more than 1.0 billion yen when Ube Kohki orders were excluded.

Net sales of the segment increased 34.9% compared with the previous year. However, operating income fell 20% compared with regular years, as sales of waterproof boards, which have especially high profit margin, were slow.

Factor Analysis of Changes in Ordinary Income for 1H FY 2022



Item	Impact	Content
Decline in net sales	(65)	Decline in net sales (248 mil. yen)
Increase in cost-of-sales ratio	(23)	Rise in cost-of-sales ratio
Increase in R&D expenses	(56)	Increase in development expenses
Increase in depreciation and amortization	(56)	Increase due to capital investment
Rise in personnel costs at Nikko	(92)	Increase in wage
Rise in SG&A expenses at Ube and NIC	(158)	Ube (93 mil. yen) NIC (65 mil. yen)
Increase in other SG&A expenses	(99)	Increases in office expenses and travel expenses
Increase in goodwill amortization	(20)	Ube (7 mil. yen) NIC (13 mil. yen)
Foreign exchange	89	Impact of yen's depreciation
Change in other non-operating income	(77)	Decline in dividends income, etc.

This is the analysis of factors contributing to the changes in ordinary income. Ordinary income in the current fiscal year was 548 million yen, which is roughly half of 1,105 million yen in the same period last year. Unfortunately, the only positive factor was 89 million yen from foreign exchange. The negative impact of the 248 million yen decline in net sales resulted in a 65 million yen fall in profits. Cost rate increased: though price increases have become widely accepted, cost rate rose 0.2%. We strategically increased R&D expenses significantly, especially for the reduction of CO2 emissions. Depreciation and amortization increased to a large extent compared with last year as a result of the active investments made in the past several years. Personnel costs increased 92 million yen at Nikko on a non-consolidated basis. SG&A expenses of Ube Kohki, which was added to the consolidated accounting from the current fiscal year, and that of the Thailand manufacturing subsidiary together came to 158 million yen. Other SG&A expenses considerably increased by 99 million yen reflecting the increase in travel expenses etc. following the end of the impact of COVID-19. The increase in depreciation and amortization at Ube Kohki and the Thailand manufacturing subsidiary came to 20 million yen.

Balance Sheet Trends



(million yen)

		FY 2021 4Q	FY 2022 2Q	Change	Main factors in year-on-year change
Assets	Current assets	34,127	34,076	(50)	Increase: Cash and cash equivalents +306 mil. yen Merchandise and finished goods +609 mil. yen Work in process +1,352 mil. yen Decrease: Notes and accounts receivable-trade (2,250 mil. yen)
	Property and equipment	10,669	11,404	+735	Increase: Land +233 mil. yen Other +169 mil. yen
	Intangible assets	1,036	1,021	(15)	Increase: Construction in progress +489 mil. yen Decrease: Software in progress (166 mil. yen)
	Investments and other assets	6,246	6,103	(142)	
Total assets		52,079	52,606	+526	
Liabilities	Current liabilities	15,774	15,512	(262)	Increase: Short-term loans payable +676 mil. yen Decrease: Notes and accounts payable-trade (474 mil. yen)
	Long-term liabilities	4,254	5,224	+969	Increase: Income taxes payable (283 mil. yen) Accounts payable-other (202 mil. yen)
Total net assets		32,050	31,870	(180)	Increase: Foreign currency translation adjustment +184 mil. yen Decrease: Retained earnings (313 mil. yen)
Net assets per share (yen)		837.22	832.33	(4.89)	

Topics	
Sustainability Strategy in Medium-Term Management Plan	▶ pp. 3–12
Shareholder Returns	▶ pp. 13–14
FY 2022 1H Financial Results	
FY 2022 1H Business Climate and Results	▶ pp. 15–31
FY 2022 Full-Year Outlook	▶ pp. 32–35
Business Climate and Management Strategy	▶ pp. 36–42
Reference Materials	▶ pp. 43–47
Company Information	▶ pp. 48–52

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

FY 2022 Full-Year Forecast (1)



(million yen)

	FY 2021		FY 2022			
	2H	Full year	2H forecast (this time)	Full year forecast (this time)	2H (initial)	Full year forecast (initial)
Net sales	19,838	38,846	23,240	42,000	22,000	42,000
Operating income	1,085	2,053	1,301	1,700	1,300	2,300
Operating margin	5.5%	5.3%	5.6%	4.0%	6.0%	5.5%
Ordinary income	1,168	2,273	1,302	1,850	1,350	2,500
Net income attributable to owners of parent	782	1,649	941	1,200	900	1,600
New orders received	22,198	41,337	24,051	43,000	23,000	46,000
Order backlog	16,361	16,490	17,490	18,153	20,361	20,361

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About the full-year business outlook.

We did not revise the initial net sales forecast of 42.0 billion yen.

Order backlog is 2.5 billion yen higher at the start compared with the previous fiscal year and we left unchanged our forecast of 42.0 billion yen in net sales, which is up 3.0 billion yen from approx. 39.0 billion yen in the previous fiscal year.

The full-year operating income forecast is 1.7 billion yen and we are expecting 1.3 billion yen in profit in the second half.

This is the same as the initial forecast and we do not foresee any problem.

Operating margin is expected to be 4.0% for the full year, which unfortunately is a major decline from the initial forecast and from last year. This is due to the fact that we are strategically increasing investment during the medium-term plan that began in the current fiscal year, especially in the first fiscal year. We also have revised down the ordinary income and net income forecasts to 1.85 billion yen and 1.2 billion yen.

Additionally in regards to order backlog, we are expecting slight delays in orders for large-scale AP projects and we reduced the forecast by 3.0 billion yen to 43.0 billion yen from the initial 46.0 billion yen.

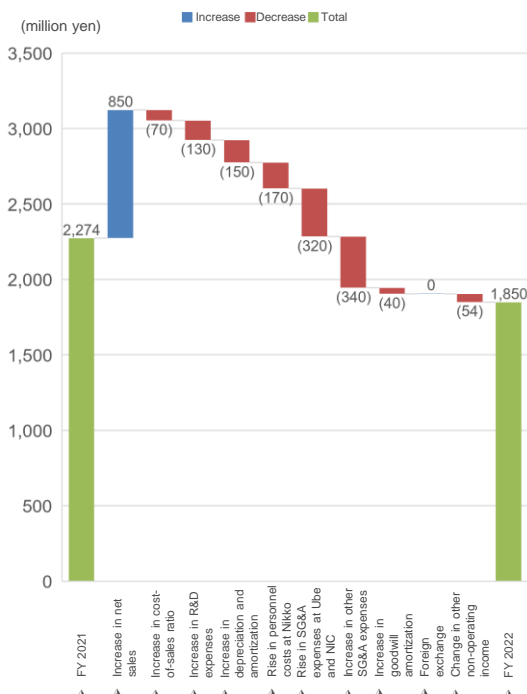
FY 2022 Full-Year Forecast (2)



(million yen)

		FY 2021 results		FY 2022 forecast				
		2H	Full year	1H actual	2H forecast (this time)	Full year forecast (this time)	2H (initial)	Full year (initial)
AP-Related Business	Net sales	9,139	18,328	8,652	11,348	20,000	10,480	20,000
	Operating income	174	562	132	418	550	650	1,150
	Operating margin	1.9%	3.1%	1.5%	3.7%	2.8%	6.2%	5.8%
BP-related business	Net sales	5,251	10,840	5,314	5,186	10,500	5,500	10,500
	Operating income	514	1,123	505	545	1,050	590	1,050
	Operating margin	9.8%	10.4%	9.5%	10.5%	10.0%	10.7%	10.0%
Environment and conveyor-related business	Net sales	1,437	3,018	1,222	1,278	2,500	1,310	2,500
	Operating income	345	588	236	264	500	280	500
	Operating margin	24.0%	19.5%	19.3%	20.7%	20.0%	21.4%	20.0%
Other business	Net sales	4,013	6,660	3,571	5,429	9,000	4,720	9,000
	Operating income	756	1,073	253	847	1,100	620	1,100
	Operating margin	18.8%	16.1%	7.1%	15.6%	12.2%	13.1%	12.2%
Corporate expenses		(704)	(1,293)	(727)	(773)	(1,500)	(850)	(1,500)

Factor Analysis of Changes in Ordinary Income for FY 2022 (Forecast)



(million yen)

Item	Impact	Content
Increase in net sales	+850	Increase in net sales +3,154
Increase in cost-of-sales ratio	(70)	Rise in cost-of-sales ratio: 72.9% → 73.1%
Increase in R&D expenses	(130)	Increase in development expenses
Increase in depreciation and amortization	(150)	Increase due to capital investment
Rise in personnel costs at Nikko	(170)	Increase in wage
Rise in SG&A expenses at Ube and NIC	(320)	
Increase in other SG&A expenses	(340)	Increases in office expenses and travel expenses
Increase in goodwill amortization	(40)	Ube (14 mil. yen) NIC (26 mil. yen)
Foreign exchange	-	
Change in other non-operating income	(54)	Absence of outsourcing service income in the previous fiscal year

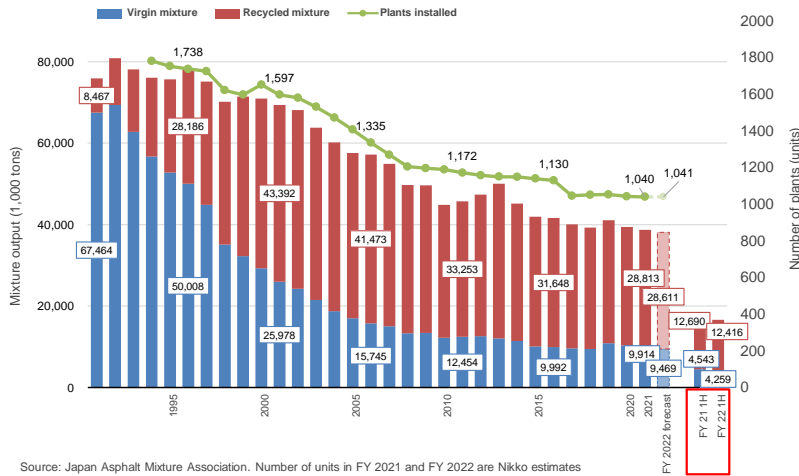
This shows the analysis of factors contributing to changes for the full year.

- While there are some unclear aspects, what we can say at the moment is that sales will certainly increase and we can expect profit increase from this. At the same time, we initially had forecast R&D expenses to increase 300 million yen, but it probably will not increase that much. Still, there will be increases in personnel and other costs. At the moment, we are not thinking of changing the initial forecast figures, as BP makes up for the lower-than-expected initial figure of AP.

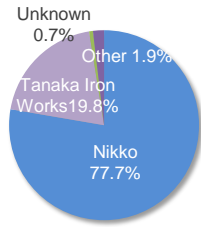
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Asphalt mixture output and number of asphalt plants installed



AP steady-state share

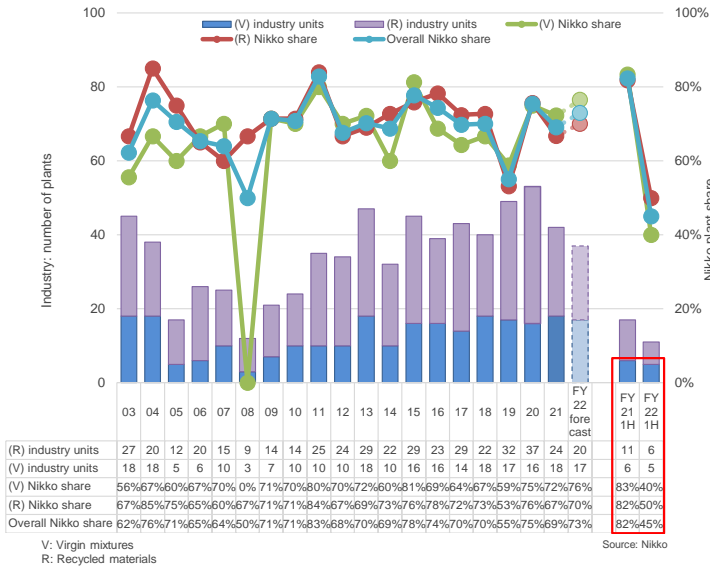


FY 2021 Nikko survey

Source: Japan Asphalt Mixture Association. Number of units in FY 2021 and FY 2022 are Nikko estimates

- ▶ The industry as a whole expects earnings to decline, as the impact of the price increase in asphalt mixture will be seen only from the next fiscal year onwards. Reduction in repair expenses and postponement in capital investment are expected.
- ▶ Mixture shipment in the Osaka area is showing a rising trend towards the 2025 World Expo, but it appears that shift of increased costs to prices has not made progress.
- ▶ Inquiries for decarbonization-related products has been increasing and the Group is placing hope on continued growth of such products.

AP demand and Nikko share



New product performance in AP-related business

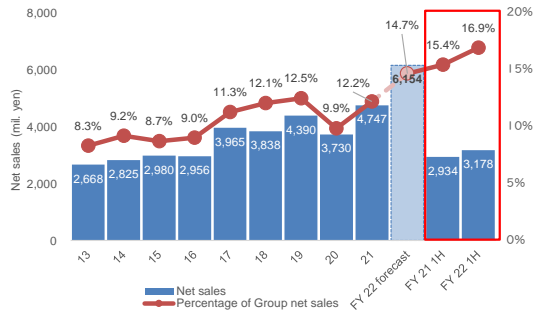
	16	17	18	19	20	FY 21	FY 22 1H
Number of new model APs (VP and MBD)	2	3	3	5	2	3	1
Number of crushing plants	0	1	0	2	2	1	1
Number of decarbonization-related products	0	0	3	2	2	9	3

(units)

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

- ▶ Introduce VP-IV, an improved version of large model VP-II, in FY 2022 so as to improve profit
- ▶ Strengthen decarbonization-related products and aim for CO2 of 50% in 2030 → 0% in 2050

Nikko's overseas net sales and overseas sales ratio



The overseas division and exports are showing a recovery trend from the impact of the novel coronavirus

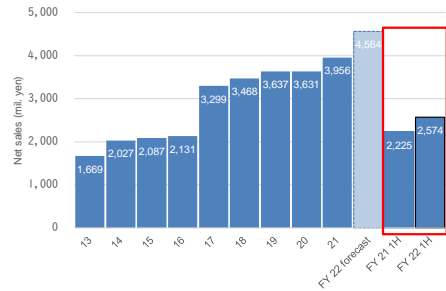
[China (Nikko Shanghai)]
Going forward, the slowing trend in China's economy is likely to become conspicuous, and we are paying close attention to new economic policies and changes in the zero-COVID policy. Regional differences in road investment are expected and the Group is pinning hopes on increased demand in Beijing and the western areas.
Currently, the switch from mobile plants for construction to stationary plants and to recycling facilities is gathering pace, and we are developing and expanding sales of new models which correspond to that.

[Thailand]
Budget is expected to focus on maintenance works and expansion works for existing roads. Large-scale works have been postponed to the year after next and beyond and the number of such works may increase from 2023.

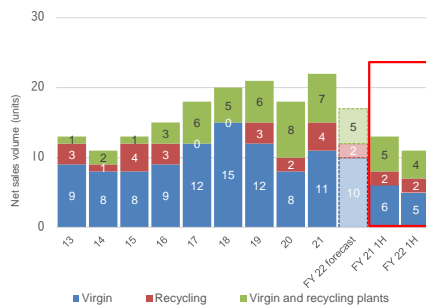
We estimate mixture volume to be high in the north and northeastern areas, which will be the main target from the next year onwards

[Taiwan]
Employees have been dispatched, and sales activities have started. Conversion, maintenance, orders for plants

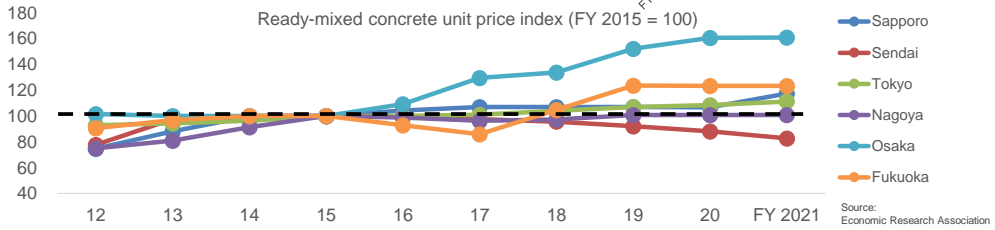
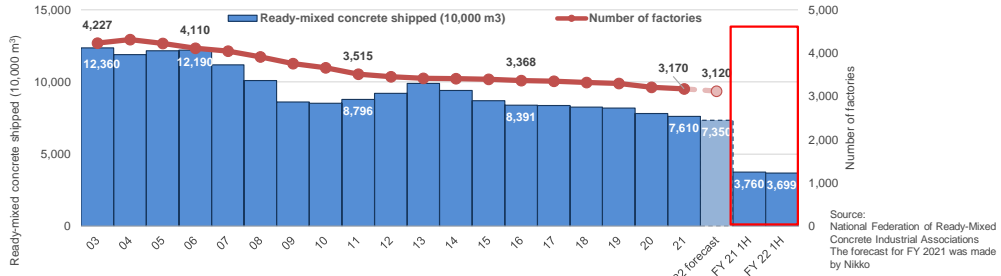
Nikko Shanghai net sales



Nikko Shanghai AP unit sales

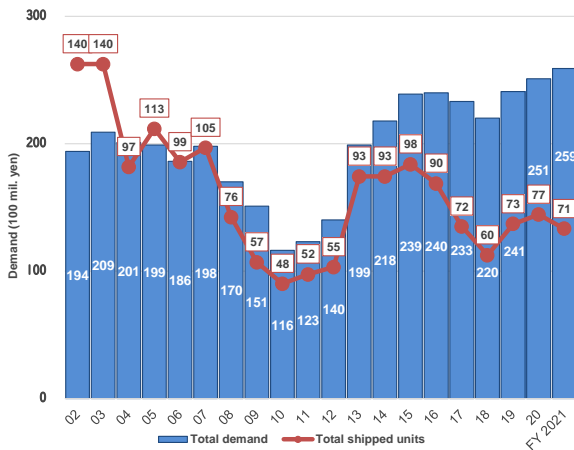


Trends in ready-mixed concrete shipments, price, and number of factories

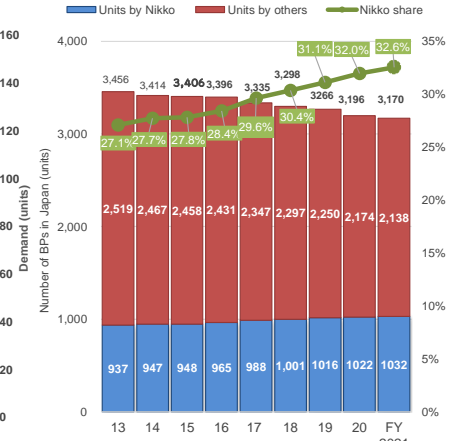


Ready-mixed concrete shipment in Japan was 36,997 million m³ in the first half (Apr.–Sept.) of FY 2022 according to the National Federation Ready-Mixed Concrete Industrial Associations and it was down 1.6% compared with a year earlier. While private demand regained strength throughout Japan, prolonged slump in public demand continues to stand in the way of recovery in demand. Under such circumstances, the ready-mixed concrete market has been improving around the country, and we will proactively work not only on setting appropriate prices and shifting the increased costs to selling prices but also on issues such as cost burden and growing risks of the ready-mixed concrete industry resulting from conventional business practices and contract formats.

Total BP demand (value and number of units)



BP steady-state share trends



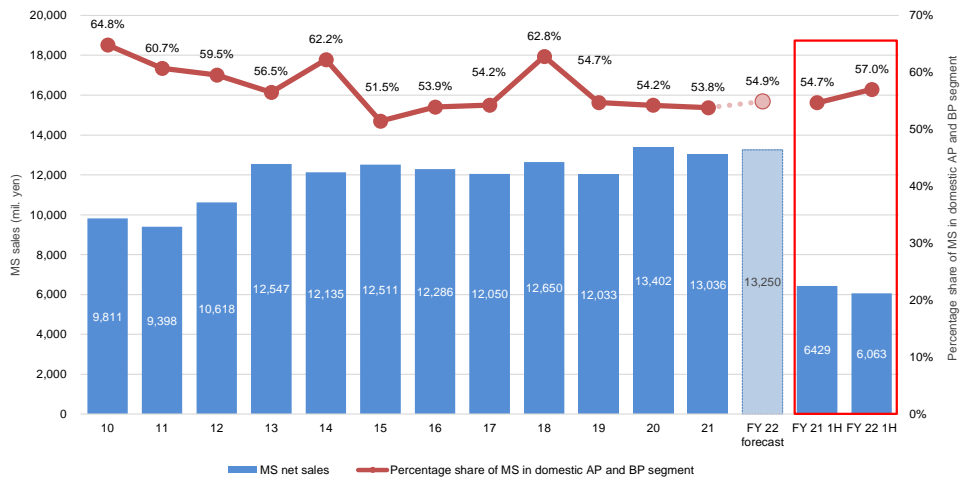
Source: Japan Construction Equipment Manufacturers Association's BP Subcommittee (Maintenance services included in demand amount)

- ▶ Ready-mixed concrete shipments in FY 2021 is expected to be 73.50 million m3. While private-sector demand is gradually recovering led by redevelopment in Tokyo Metropolitan area, it marked a record low for the fourth consecutive year. Costs of raw materials, personnel, and transportation have risen and we expect ready-mixed concrete cooperative societies in various regions to carry out unprecedented levels of price increase to ensure future business continuation of members.
- ▶ Increase market share by launching new differentiated products to meet new demand, which arises from sales expansion to precast industry, where demand continues to grow, as well as from ready-mixed concrete industry consolidation.

Maintenance Service Business Net Sales Level and Share



AP and BP maintenance service: Net sales level and share



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

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



(million yen)

	FY 2020				FY 2021				FY 2022			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	7,271	10,954	6,407	13,234	8,817	10,191	8,157	11,681	9,504	9,256		
AP-Related Business	3,991	5,536	3,247	6,693	5,058	4,131	4,176	4,963	4,982	3,670		
BP-related business	1,478	3,440	1,274	3,020	1,972	3,617	1,690	3,561	2,381	2,933		
Environment- and conveyor-related business	524	535	513	818	424	1,157	614	823	640	582		
Other business	1,275	1,444	1,373	2,698	1,361	1,286	1,678	2,335	1,501	2,070		
Operating income	408	592	(96)	1,398	375	593	59	1,026	183	216		
AP-related business	340	300	(105)	704	199	189	(61)	235	139	(7)		
BP-related business	88	398	(25)	418	196	413	58	456	211	294		
Environment- and conveyor-related business	114	78	94	196	66	177	136	209	147	89		
Other business	171	206	188	605	157	160	306	450	31	222		
Corporate expenses	(305)	(391)	(248)	(525)	(244)	(345)	(382)	(322)	(345)	(382)		
Ordinary income	979	609	(89)	1,474	519	586	89	1,079	326	222		
Net income attributable to owners of parent	746	353	(133)	1,116	378	489	838	(59)	140	119		
Cash flow from operating activities	2,784				2,224							
Cash flow from investing activities	(1,867)				(2,165)							
Total dividend	775	-	572	-	683	-	573	-	574	-		
Share buyback	400				0							

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



(million yen)

New orders received (cumulative)	FY 2020				FY 2021				FY 2022			
	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		
BP-related business	2,061	4,823	7,278	9,961	3,142	5,646	8,442	12,086	2,799	5,102		
Environment- and conveyor-related business	746	1,374	2,290	2,875	523	1,286	2,025	3,014	604	1,215		
Other	1,405	3,001	5,222	6,894	1,568	2,820	4,606	8,056	1,719	4,515		
Total	9,469	19,036	28,893	40,009	9,753	18,802	28,146	41,337	10,217	18,949		

End-of-term order backlog	FY 2020				FY 2021				FY 2022			
	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		
BP-related business	4,342	3,665	4,845	4,508	5,678	4,565	5,672	5,755	6,173	5,544		
Environment- and conveyor-related business	373	467	869	636	734	341	466	631	596	606		
Other	1,013	1,165	2,013	981	1,187	1,154	1,261	2,377	2,595	3,321		
Total	14,417	13,030	16,479	14,361	15,298	14,155	15,342	16,490	17,202	16,660		

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



(million yen)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Capital investment	335	844	815	877	1,261	550	1,889	1,483	2,748	1,907
Depreciation and amortization	389	395	422	487	482	472	508	611	677	759
R&D expenses	256	295	276	227	271	291	211	379	392	449

(persons, years old, or years)

Number of employees (consolidated)	763	767	796	803	797	807	799	838	861	1,038
Average age of employees (non-consolidated)	44.7	43.3	43.1	42.2	42.3	42.2	40.9	41.1	41.1	40.8
Average years of service (non-consolidated)	21.2	20	19.3	18.2	18.5	18.3	16.0	15.8	15.4	15.3
Female employees (non-consolidated)	31	31	33	39	42	42	45	51	55	59
Number of new-graduate hires (non-consolidated)	15	21	21	30	17	19	15	14	29	32
Number of female new-graduate hires (non-consolidated)	0	1	3	1	2	0	0	0	3	6
Percentage of female hires (non-consolidated)	0%	4.7%	14.2%	3.3%	11.7%	0%	0%	0%	10.3%	18.8%
Number of foreign-national hires (non-consolidated)	0	6	0	0	0	1	1	0	1	0
Number of foreign-national employees (non-consolidated)	2	8	6	6	6	7	8	5	5	6
Foreign national employees (consolidated)	90	91	95	94	93	101	98	116	116	194
Overseas employees (consolidated)	90	91	95	92	91	101	98	123	121	197

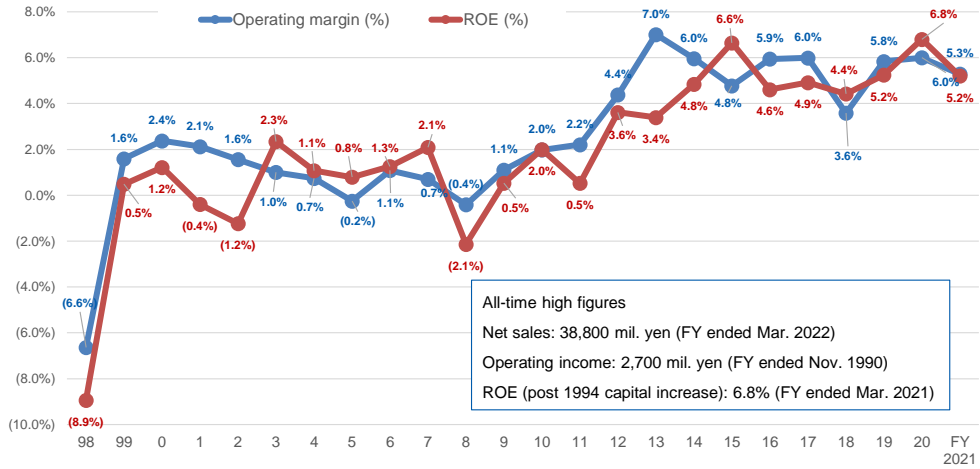
New products for reducing environmental impact

	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"> Higher plant production efficiency Energy saving 	<ul style="list-style-type: none"> Energy saving Higher combustion efficiency in combustion range 	<ul style="list-style-type: none"> Space saving Energy saving Exhaust gas reduction Low noise 	<ul style="list-style-type: none"> Preventing diffusion of recycled material odorous gas 	–	<ul style="list-style-type: none"> Support for manufacture of warm-mix asphalt 	<ul style="list-style-type: none"> Aimed at burning powdered biomass fuels Reduce CO₂ emissions from burners

Trend in Key Financial Data



Operating margin and ROE



All-time high figures
 Net sales: 38,800 mil. yen (FY ended Mar. 2022)
 Operating income: 2,700 mil. yen (FY ended Nov. 1990)
 ROE (post 1994 capital increase): 6.8% (FY ended Mar. 2021)

(million yen)

	99	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	FY 2021
Net sales	22,157	22,595	23,170	24,307	24,812	24,864	22,175	25,035	26,942	23,856	23,971	23,803	24,553	27,087	32,073	30,707	34,110	32,717	35,114	31,780	35,151	37,866	38,846
Operating income (loss)	352	536	492	379	248	185	(55)	271	189	(98)	265	470	541	1,186	2,249	1,832	1,629	1,944	2,103	1,427	2,053	2,302	2,053
Ordinary income	201	846	664	688	492	537	350	699	545	482	899	812	621	1,108	1,982	1,582	1,648	1,993	2,239	1,576	2,142	2,973	2,274
Net income (loss)	121	298	(93)	(284)	567	265	203	315	513	(499)	124	461	122	881	888	1,348	1,896	1,340	1,490	1,345	1,588	2,082	1,649

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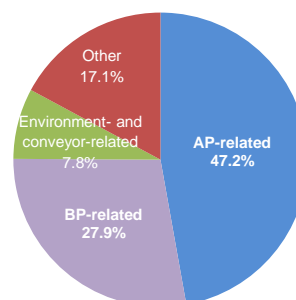
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Company Overview



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, 2022)
Consolidated net sales	38,846 mil. yen	(FY 2021)
Consolidated operating income	2,053 mil. yen	(FY 2021)
Ratio of net sales outside Japan	12.2%	(FY 2021)
Subsidiaries	12 companies	(FY 2021)
Number of employees (consolidated)	1,038	(as of March 31, 2022)
Governance structure:	Company with Audit & Supervisory Board Directors: 9, of which 4 are outside directors Audit & Supervisory Board Member: 4, including 3 outside auditors (as of March 31, 2022)	

Net sales breakdown by business segment (FY 2021)



* AP: Asphalt plant
BP: (Concrete) batching plant



Management Philosophy

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

Representative Director and President

辻 勝

Business Segments



AP-Related Business

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



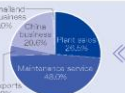
ABD Mobile-crusher AP model that can handle diverse needs



VP 8 Ecological model AP, primarily for recycling



CBD Central model AP for Thailand and Southeast Asia markets



Sales composition of the plant sales in Japan was down 6.8% pp and that of MS was up by 0.1 pp, while the composition of Nikko Shanghai was up 2.3 pp and that of exports and Thailand rose 0.7 pp.



In FY 2021, net sales in Japan declined 13.5% (including 6.6% decline in MS sales), while exports rose 27.1%. Operating income declined 5.6% due to high raw material costs and strategic projects. The number of strategic projects has declined in FY 2022 and operating income is expected to increase.



AP demand declined to 42 units in FY 2021 (down 11 units), while Nikko share fell 8 pp to 69%.



BP-Related Business

- Main products**
- Concrete plants
 - Compact concrete plants
 - Concrete pumps
 - Electronic control devices, plant management system
 - Concrete manufacturing plant facilities, etc.



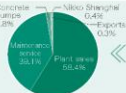
DASH H275E-VV Twin-ADV Ultra-swing concrete plants



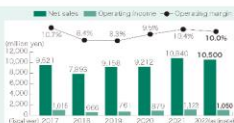
OIZEMX150 Mobile HP



DASH H167 Pro-MET Large scale precast concrete plant



Sales composition of plant sales rose 1.1 pp while that of MS and concrete pumps fell 4.7 pp and 2.5 pp.



In FY 2021, plant sales increased 30.5% and MS sales also grew 4.6%, as facility replacement was strong, reflecting the rising ready-mix concrete price and market share also increased. Operating income grew 2.8% as we were able to reduce costs through planned production, while operating margin also improved to 10.4%.



The BP demand fell to 71 units (down 6 units) in FY 2021, the first decline in three years, but Nikko's steady state share increased 0.9 pp to 32.9%.



Environment- and Conveyor-Related Business

- Main products**
- Belt conveyors, conveyors for facilities, beverage, container recycling plants
 - Soil remediation plant, plastic recycling plant



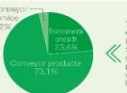
Modular conveyor Conveyor using pipe frames whose lengths can be adjusted in increments of 100m



A plaster-based solidification material manufacturing facility It manufactures gypsum hemihydrate by drying gypsum. The facility manufactures solidification material by bonding with cement and lime.



Super modular conveyor Simple wheel-type conveyor using steel plate frames that ensures higher safety.



The sales composition of environment-related products increased 14.3 pp, partly thanks to increasing of large-scale projects, and conveyor products fell down 14.5 pp while conveyor service rose 0.9 pp.



In FY 2021, net sales exceeded 30 billion yen for the first time in a long while, with stable contributions also from sales of environmental products. In addition to sales increase, operating income rose 21.3% partly owing to the effect of sales increase of conveyor products from the third quarter. In FY 2022, both net sales and operating income are expected to decline.



In FY 2021, the demand for portable conveyors was 4,300 units (unchanged) and Nikko's share also remained at the same level as a year before.



Other Business

- Main products**
- Fire scaffolding, steel gangplanks
 - Temporary aluminum staircases
 - Shovels, spades
 - Small size concrete mixer, mortar mixer
 - 200kg type water-proof boards, crushes
 - Real estate leasing, construction machinery product leasing
 - Sales of housing renovation



Hammer crusher Particle size can be adjusted with grate size and the desired particle size can be obtained with a single crushing.



Mobile plant One set of crusher, the 20-tonners, screens, set conveyor, etc.



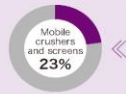
Waterproof board Reinforced board with an effective against water damage. External footing, readily placed.



Sales composition of mobile products, which is a new field, grew significantly to 2.0 pp, while that of temporary construction materials and other declined 2.0 pp and 0.3 pp.



In FY 2021, sales of mobile products and waterproof boards grew while sales of temporary construction materials for rental services decreased, and as a result for other businesses saw a decline in net sales and operating income. In FY 2022, though the total is expected to continue 2.0 billion yen for net sales and 0.2 billion yen for operating income, the segment's operating income is expected to decline due to poor performance of water-proof board and mobile products.



NIFF 2022 demand for mobile crushers and screens was 220 units, up 56 more from FY 2020.

History



Products	Production Sites	Overseas Expansion	Group Expansion in Japan (including acquisitions and transfer of business)
1919 Established TOMBO brand farming tools	1919 Head Office Plant	1994 Nikko Baumaschinen (Germany)	1968 Ichiishi Kogyosho (M&A)
1951 Concrete mixers and winches	1938 Industrial machinery factory	1997 Taipei branch (Taiwan)	1971 Nikko Electronics Co., Ltd. established
1956 Ready-mixed concrete plant	1968 Tokyo factory	2001 Nikko (Shanghai) Construction Machinery	1983 Nikko Machinery Co., Ltd. established
1958 Asphalt plants	1994 Satte factory	2020 Nikko Asia (Thailand) Co., Ltd.	1994 Tombo Industry Co., Ltd. established
1962 Telescopic steel props	2004 Shanghai Jiading factory	2020 Nikko Nilkhosol 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 (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



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

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

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

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

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