



# **Fiscal Year 2018 (Ended March 31, 2019) Financial Results Briefing Session Materials**

**May 30, 2019**

**Nikko Co., Ltd.**

(Tokyo Stock Exchange Code: 6306)

Masaru Tsuji, Representative Director and President

Hiroshi Fujii, Managing Director and General Manager of the Finance Dept.

- ❑ AP and BP in this document respectively refer to asphalt plant and concrete plant in our business.
- ❑ Let me start by discussing the “Nikko Group’s Business Vision” on page 6.

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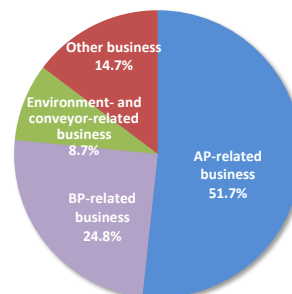
# Company Information

## Company Overview



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, 2019)
Consolidated net sales	31,780 mil. yen	(FY 2018)
Consolidated operating income	1,427 mil. yen	(FY 2018)
Ratio of net sales outside Japan	12.4%	(FY 2018)
Subsidiaries	7	(FY 2018)
Employees (consolidated)	799	(as of March 31, 2019)
Governance structure	Company with Board of Corporate Auditors Directors: 7, of which 2 are outside directors Corporate Auditors: 4, including 3 outside auditors (as of March 31, 2019)	

### Net Sales Breakdown by Business Segment (FY 2018)



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



### Management Philosophy

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

Masaru Tsuji  
Representative director and president

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## History



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

August 2019

100th anniversary  
of company foundation



**NIKKO**  
Future creation that starts from an *n*

## Nikko Group Business Vision

Future creation that starts from an *n*

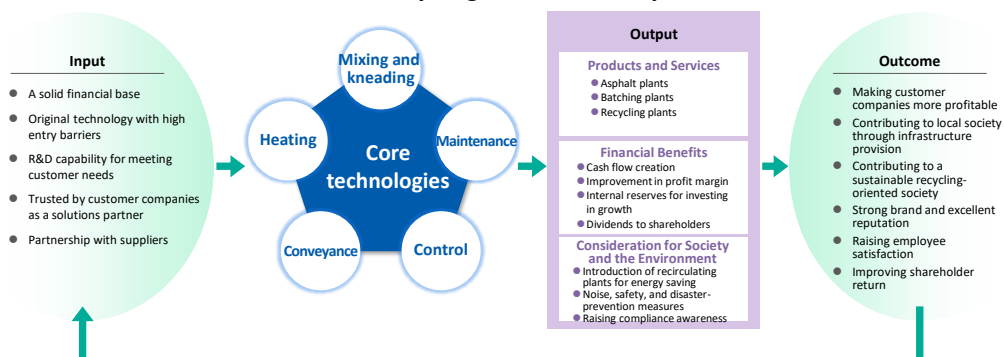
- ✦ We will work to increase our corporate value, aiming to clear the listing criterion of TSE first section.
- ✦ We strive to remain the leading company of asphalt and batching plants.
- ✦ We aim to expand our overseas business and become the top manufacturer in the Asian market.
- ✦ We will work to brush up on our core technologies in “heating,” “mixing,” “material handling” and “control” as we expand business.
- ✦ We will strive to remain a future-creating company ready to contribute to society.

Masaru Tsuji  
Representative director and president

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- ❑ The listing criteria of Tokyo Stock Exchange’s first section is under review and broad guidelines have become known.  
In terms of market capitalization criteria, we are slightly short.  
We will continue to increase our corporate value to clear these criteria.
- ❑ In this year of the 100th anniversary of our foundation, we will adopt an aggressive stance in seeking further growth into the future.  
We plan to set a goal of increasing our business scale by 50% over the next decade and announce a new Medium-Term Management Plan to guide us to this goal, at the time of 1Q results announcement.
- ❑ As you can see on Slide 8, we plan to enhance our shareholder return.  
As a way to convince our shareholders, we will pay 200 yen per share for dividend, including 100 yen of commemorative dividend marking the 100th anniversary of our foundation.  
We estimate the payout ratio will come to 76.6% overall and 38.3% excluding the anniversary payout.
- ❑ We plan to issue 100 shares with transfer restrictions each to all our employees as a 100th anniversary bonus, which we hope will inspire them to share the viewpoint of shareholders.
- ❑ We will also start releasing English versions of disclosure documents.

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



FY 2019 estimates: **Net sales** 35.7 bil. yen **Operating margin** 6.4%

## Business flow



- **Enhancing shareholder return**

- ✓ We plan to increase annual dividend to 200 yen per share (including 100th anniversary payout of 100 yen), for a payout ratio of 76.6% (38.3% excluding anniversary payout), planned in FY 2019.

- **Rewarding employees**

- ✓ We plan to issue 100 shares with transfer restrictions to each of the about 950 employees as a 100th anniversary bonus.

- **Strengthening information disclosure**

- ✓ We plan to issue the flash earnings report (*Kessan Tanshin*) for FY 2018 and notice of convocation of shareholders in English.
- Results briefing materials with English notation planned
- Integrated report in Japanese and English planned (October - November)



**New medium-term management plan to be unveiled at  
time of 1Q, FY 2019 results announcement**



# **FY 2018 Results and FY 2019 Outlook**

## FY 2018 Performance Highlights (1)



(mil. yen)

	FY 2017 actual	FY 2018 actual	Change rate	FY 2018 forecast
Net sales	35,114	31,780	(9.5)%	32,500
Operating income	2,103	1,427	(32.1)%	1,600
Operating margin	6.0%	4.5%	—	4.9%
Ordinary income	2,239	1,576	(29.6)%	1,750
Net income attributable to owners of parent	1,490	1,345	(9.7)%	1,400
New orders received	33,616	35,103	+4.4%	33,616
Order backlog	10,132	13,454	+32.8%	10,132

(yen)

Exchange rate (EUR/JPY)	127.19	129.97	+2.78	130.00
Exchange rate (RMB/JPY)	16.63	16.63	0	16.5

- ▶ Net sales fell as sales of domestic AP and BP products decreased 2.8 bil. yen and no sales came from large environmental products.
- ▶ Significant profit drop due to higher steel prices and transportation costs, in addition to sales decrease of 3.3 bil. yen.

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- ❑ Revenue and profit both dropped significantly in FY 2018 due to delays in domestic AP and BP, among other factors.
- ❑ Our failure to offset higher costs of steel materials and transportation costs also was a key factor of the profit fall.

## FY 2018 Performance Highlights (2)



(mil. yen)

		FY 2017 actual	FY 2018 actual	Year-on-year change	FY 2018 forecast
AP-related business	Net sales	17,179	16,434	(745) (4.3)%	16,800
	Operating income	1,348	963	(385) (28.6)%	1,100
	Operating margin	7.8%	5.9%	—	6.5%
BP-related business	Net sales	9,521	7,893	(1,628) (17.1)%	8,100
	Operating income	1,015	666	(349) (34.4)%	740
	Operating margin	10.7%	8.4%	—	9.1%
Environment- and conveyor-related business	Net sales	3,931	2,775	(1,156) (29.4)%	2,800
	Operating income	308	417	+109 +35.4%	300
	Operating margin	7.8%	15.0%	—	10.7%
Other business	Net sales	4,480	4,677	+197 +4.3%	4,800
	Operating income	462	502	+40 +8.7%	480
	Operating margin	10.3%	10.7%	—	10.0%
Corporate expenses		(1,031)	(1,122)	(91)	(1,020)

- ▶ Net sales from AP-related business: Down 4.3% year-on-year as sales of domestic maintenance business increased from a year ago, but more than offset by a significant drop in product sales. Overseas net sales declined 2.0% compared with a year earlier due to sales decline in ASEAN countries, although net sales in China increased.
- ▶ Net sales from BP-related business: Down 17.1% year-on-year as sales of both products and maintenance business decreased from a year ago.
- ▶ Environment- and conveyor-related business: Net sales of environmental products declined 72.3% year-on-year, when there were sales from a large-scale project. Net sales of conveyor products were down 0.8%, remaining roughly at the previous year's level. Overall sales of this business fell 29.4% year on year.
- ▶ Other business: Net sales of temporary construction materials rose just 0.5%, largely remaining at the previous year's level. Net sales of farming tools declined 4.6% from a year earlier. Net sales of crushers rose 6.4% from a year ago. Overall sales of this business fell 4.3% year on year.

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- ❑ Sales were down slightly for AP, and BP suffered a major revenue drop.
- ❑ Sales fall of AP business was small because a significant drop in product sales was offset by a slight increase in China revenue and a slight revenue increase in maintenance service.
- ❑ The significant profit fall in AP was mainly attributable to a very poor margins of individual products.
- ❑ BP business basically does not have sales overseas. Its profit fall was due mainly to a decline in sales of products, as was the case with AP.
- ❑ And as was the case with AP, margins of individual BP products were very poor.
- ❑ Revenue dropped significantly for the environment- and conveyor-related business because of a lack of environment-related large deals but profit increased thanks to the absence of unprofitable environment-related deals.

## 4Q FY 2018 Performance Highlights



(mil. yen)

	FY 2016 4Q	FY 2017 4Q	FY 2018 4Q	Year-on-year change
<b>Order receipt</b>	11,649	11,307	15,453	+4,146 +36.7%
AP-related business	7,212	6,610	10,746	+4,136 +62.6%
BP-related business	1,966	2,636	2,718	+82 +3.1%
Environment- and conveyor- related business	1,440	785	786	+1 +0.1%
Other business	1,031	1,276	1,202	(74) (5.8)%
<b>Net sales</b>	10,919	10,969	11,362	+393 +3.6%
AP-related business	6,084	5,592	6,140	+548 +9.8%
BP-related business	2,777	2,624	2,410	(214) (8.2)%
Environment- and conveyor- related business	733	959	1,075	+116 +12.1%
Other business	1,326	1,793	1,734	(59) (3.3)%
<b>Operating income</b>	836	902	1,120	+218 +24.2%
AP-related business	660	580	680	+100 +17.2%
BP-related business	273	278	285	+7 +2.5%
Environment- and conveyor- related business	61	92	163	+71 +77.2%
Other business	192	234	294	+60 +25.6%

- ▶ New orders received: New orders in AP business increased, driven by significant new orders for large plants in provincial cities.
- ▶ Net sales: Recovered to the level of normal years.
- ▶ Operating income: Increased driven by higher net sales.

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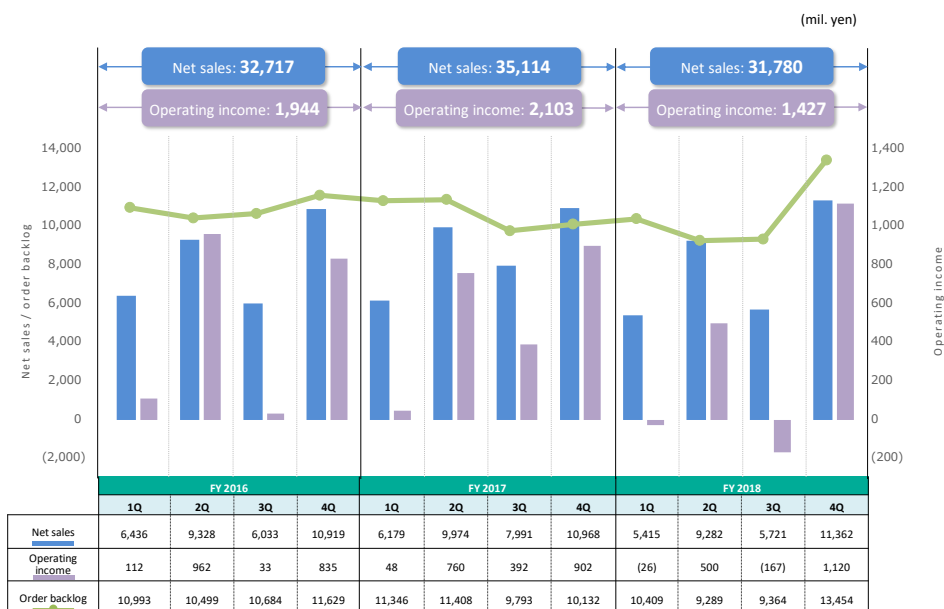
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- ❑ In terms of results for only the fourth quarter of fiscal 2018, new orders increased significantly compared to the same period in fiscal 2016 and 2017. In particular, new orders for APs increased significantly. These are expected to boost sales and profit in fiscal 2019.
- ❑ Fourth quarter sales were largely in line with, and profit was larger than, levels in average years.

## FY 2018 Performance Highlights (3)



### Quarterly net sales, operating income and order backlog trends





Note: Numbers for the second to fourth quarters of each fiscal year are year-to-date cumulative.

- ▶ New orders received: Strong in domestic and Chinese markets. Domestic figure rose driven by renewal investment plans for large plants in urban areas and recycling-centered new product VP (Value Pack), while recycling led the Chinese figure.
- ▶ Net sales: Decreased as shipment volume of asphalt mixture declined from a year ago as public works new orders for road-related projects slumped nationwide and due to some other factors.
- ▶ Operating income: Decreased due to significant drop in net sales of domestic products. Profit of maintenance service increased due to sales increase.

- Annual new AP order value was higher than the levels in fiscal 2016 and 2017, pushing up order backlog at the end of fiscal 2018.



Note: Numbers for the second to fourth quarters of each fiscal year are year-to-date cumulative.

- ▶ New orders received: Declined relative to the high levels in the previous two years, and due to year-on-year drop in volume of ready-mixed concrete shipments.
- ▶ Net sales: Declined due to low levels of back orders relative to year-ago levels at the beginning of the fiscal year and increased delayed deals. Figure for maintenance service fell slightly.
- ▶ Operating income: Decreased relative to year-ago level due to sales drop in products and maintenance.

- ❑ In BP, new orders in fiscal 2018 was lower in value than the levels in fiscal 2016 and 2017, but sales in the first half was significantly lower due to delayed deals.

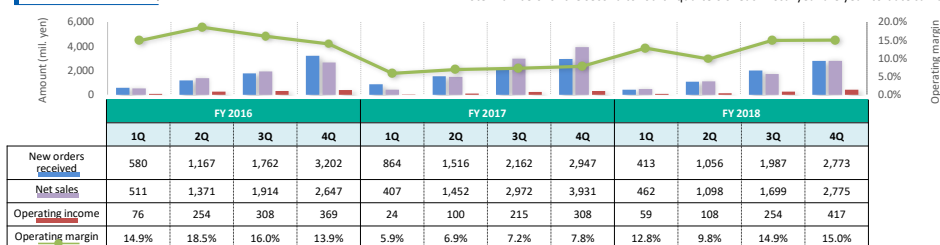
The backlog of these delayed deals will contribute to sales in the current fiscal year.

## Environment- and Conveyor-Related Businesses and Other Business-Related Business



Environment- and conveyor-related business

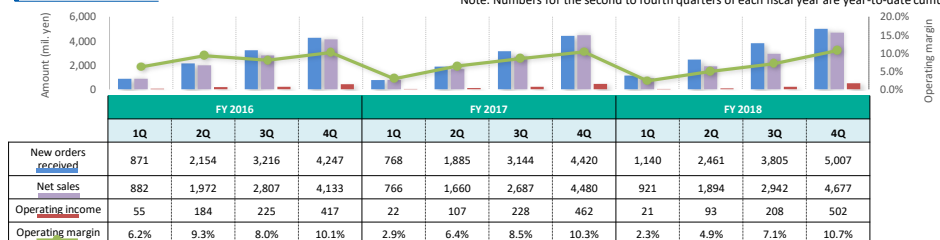
Note: Numbers for the second to fourth quarters of each fiscal year are year-to-date cumulative.



- ▶ New orders received: Declined due to lack of new large-scale orders in environment business segment.
- ▶ Net sales: Dropped from a year ago led by about 600 mil. yen in sales in environment business segment. Conveyor business segment sales largely in line with level in last fiscal year.
- ▶ Operating income: Increased thanks to absence of low-profit deals in environment business segment.

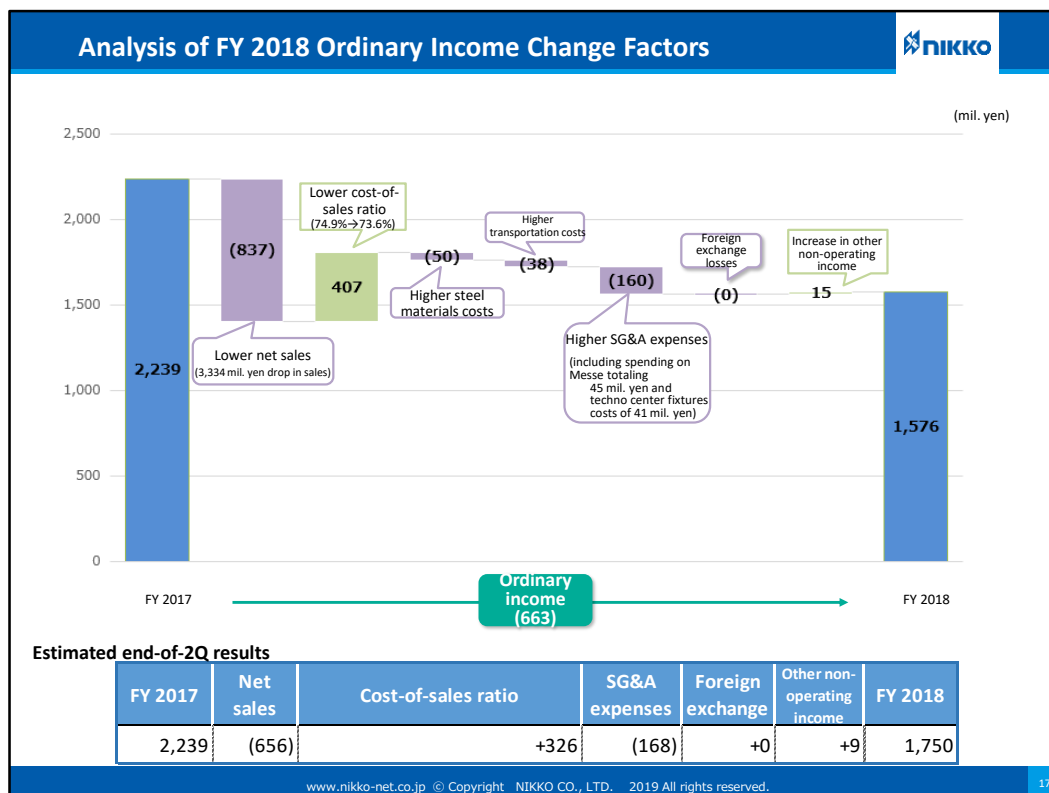
Other Business-Related Business

Note: Numbers for the second to fourth quarters of each fiscal year are year-to-date cumulative.



- ▶ New orders received: Increased significantly in floodgate and waterproof boards businesses.
- ▶ Net sales: Remained flat in temporary construction equipment and farming tools but rose in crushers.
- ▶ Operating income: Increase driven by crushers.

- ❑ Revenue fell for the environment- and conveyor-related business due to lack of sales from major deals. New order value was just about the year-ago level.
- ❑ Other business' revenue and profit have remained on an uptrend. We expect sales will grow further for floodgates, waterproof boards and crushers in fiscal 2019.



- ❑ Ordinary income decreased, and our analysis tells us a lower net sales was the biggest factor for the decrease.
- ❑ A lower cost-of-sales ratio contributed 407 mil. yen to profit, but the ratio itself fell as products represented a small share in sales and maintenance represented a large share in sales.
- ❑ Of the 160 mil. yen increase in SG&A expenses, costs for the Messe, a product exhibition, and costs of techno center fixtures were one-off factors impacting fiscal 2018 alone.

## Balance Sheet Trends



(mil. yen)

		FY 2017	FY 2018	Change	Main factors in year-on-year change
Assets	Current assets	30,479	29,390	(1,089)	Increase: Inventories +900 mil. yen Consumption taxes receivable +209 mil. yen Decrease: Cash and deposits (1,810) mil. yen Securities (199) mil. yen Notes and accounts receivable-trade (179) mil. yen
	Property and equipment	5,281	6,507	+1,226	Increase: Buildings and structures +882 mil. yen Land +255 mil. yen
	Intangible assets	318	418	+100	Decrease: Investment securities (1,090) mil. yen
	Investments and other assets	8,797	7,652	(1,145)	
	Total assets	44,876	43,969	(906)	
Liabilities	Current liabilities	11,455	10,781	(674)	Increase: Electronically recorded monetary claims +359 mil. yen Decrease: Notes and accounts payable-trade (787) mil. yen Accounts payable (395) mil. yen Deferred tax liabilities (295) mil. yen
	Long-term liabilities	3,134	2,773	(361)	
Total net assets		30,286	30,414	+128	Increase: Net income +1,345 mil. yen Decrease: Valuation difference on available-for-sale securities (638) mil. yen Dividend payout (497) mil. yen
Net assets per share (yen)		3,955.78	3,968.79	+13.01	

- ▶ In FY 2018, a negative free cash flow (-1,239 mil. yen) resulted as inventories increased 900 mil. yen, notes and accounts payable-trade decreased 1,008 mil. yen and capital investment amounted to 1,889 mil. yen.
- ▶ Key capital investment items included 492 mil. yen for updating production equipment, 489 mil. yen for building Techno Center and 318 mil. yen for buying Mobile Center.

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- ❑ The reason inventories of current assets increased was delays in items planned to be sold at the end of the fiscal year were delayed.
- ❑ Free cash flow in fiscal 2018 turned negative as inventories increased 900 mil. yen, notes and accounts payable-trade declined 1,000 mil. yen and capital investment totaled nearly 2,000 mil. yen while depreciation and amortization remained around 500 mil. yen.

Major capital investment items include about 500 mil. yen for updating production equipment, about 500 mil. yen for techno center construction and purchase of a mobile center amounting to about 300 mil. yen.

## FY 2019 Performance Outlook (1)



(mil. yen)

	FY 2018 actual			FY 2019 estimates			Year-on-year change
	1H	2H	Full year	1H	2H	Full year	
Net sales	14,697	17,083	31,780	16,600	19,100	35,700	+3,920 +12.3%
Operating income	474	953	1,427	1,100	1,200	2,300	+873 +61.2%
Operating margin	3.2%	5.6%	4.5%	6.6%	6.3%	6.4%	—
Ordinary income	595	981	1,576	1,250	1,250	2,500	+924 +58.6%
Net income attributable to owners of parent	564	781	1,345	900	1,100	2,000	+655 +48.7%
New orders received	13,854	21,249	35,103	17,000	17,500	34,500	(603) (1.7)%
Order backlog	9,289	13,454	13,454	13,854	12,254	12,254	(1,200) (8.9)%

(yen)

Exchange rate (EUR/JPY)	130.62	129.33	129.97	125.00	120.00	122.50	(7.47)
Exchange rate (RMB/JPY)	17.00	16.27	16.63	16.50	16.50	16.50	(0.13)

- ▶ Significant sales increase expected as we deal with beginning-of-year backlog of domestic AP and BP products.
- ▶ Significant profit growth, driven by increased sales, expected. Operating income increase expected in all segments.

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- ❑ We expect net sales to increase 12% and revenue to increase about 4,000 mil. yen in fiscal 2019.
- ❑ We expect operating income to grow more than 60% to reach about 870 mil. yen.
- ❑ The gap between ordinary income and net income is small because we expect to sell strategic shareholdings worth about 500 mil. yen.
- ❑ We expect new orders will be largely in line with the level in fiscal 2018, based on the favorable market environment that we see currently.

## FY 2019 Performance Outlook (2)



(mil. yen)

		FY 2017 actual			FY 2018 actual			FY 2019 plan			Year-on-year change
		1H	2H	Full year	1H	2H	Full year	1H	2H	Full year	
AP-related business	Net sales	7,432	9,747	17,179	7,833	8,601	16,434	9,100	9,600	18,700	+2,266 +13.8%
	Operating income	450	897	1,348	415	548	963	840	730	1,570	+607 +63.0%
	Operating margin	6.1%	9.2%	7.8%	5.3%	6.4%	5.9%	9.2%	7.6%	8.4%	—
BP-related business	Net sales	5,606	3,915	9,521	3,870	4,023	7,893	4,000	5,200	9,200	+1,307 +16.6%
	Operating income	669	346	1,015	358	308	666	320	430	750	+84 +12.6%
	Operating margin	11.9%	8.8%	10.7%	9.3%	7.7%	8.4%	8.0%	8.3%	8.2%	—
Environment- and conveyor-related business	Net sales	1,453	2,477	3,931	1,098	1,677	2,775	1,400	1,500	2,900	+125 4.5%
	Operating income	101	207	308	108	309	417	240	260	500	+83 +19.9%
	Operating margin	7.0%	8.4%	7.9%	9.8%	18.4%	15.0%	17.1%	17.3%	17.2%	—
Other business	Net sales	1,660	2,820	4,480	1,894	2,783	4,677	2,100	2,800	4,900	+223 4.8%
	Operating income	107	355	462	93	409	502	215	295	510	+8 +1.6%
	Operating margin	6.5%	12.6%	10.3%	4.9%	14.7%	10.7%	10.2%	10.5%	10.4%	—
Corporate expenses		(519)	(512)	(1,031)	(502)	(620)	(1,122)	(515)	(515)	(1,030)	+92

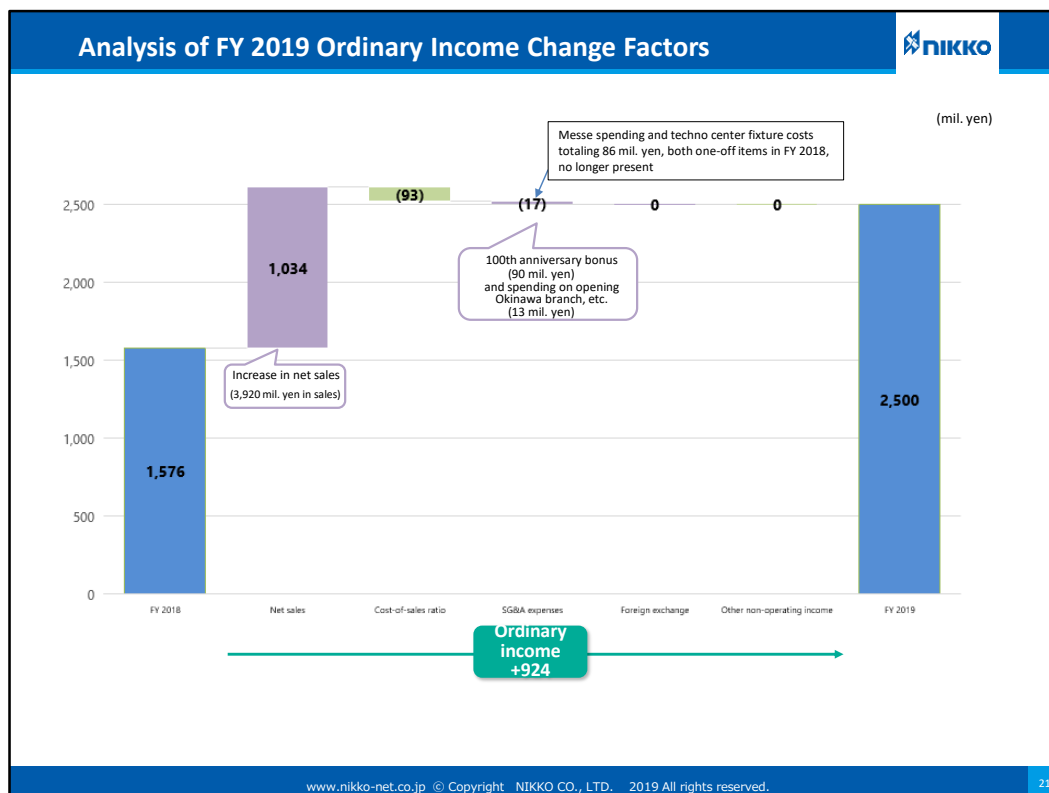
▶ Sales of AP expected to increase in Japan and China. Sales of BP expected to increase in Japan. Maintenance service expected to remain flat.

▶ Margin improvement expected on assumption of no further rise in steel material prices.

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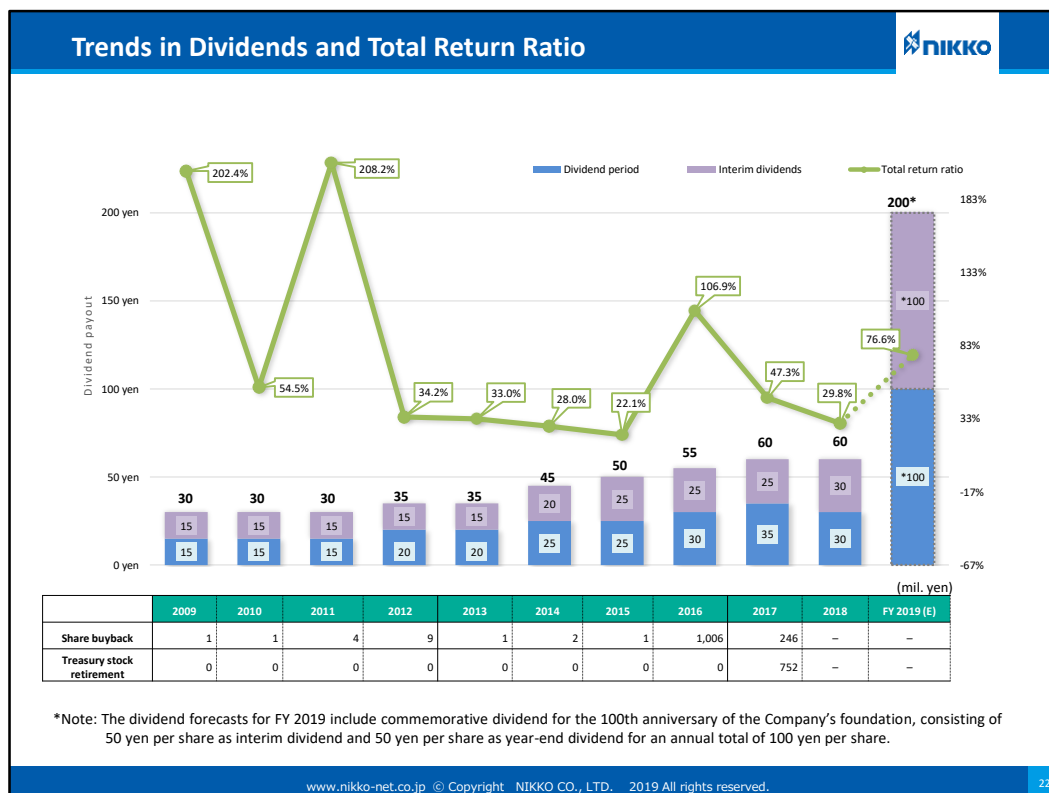
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- ❑ In terms of segment projections, we expect revenue of the AP segment will grow 2,200 mil. yen driven by the significantly increased order backlog, with profit rising 600 mil. yen.
- ❑ The China business remained brisk in fiscal 2017 and 2018, and growth will continue in this fiscal year.
- ❑ As backlog has also increased in the BP segment, we expect its revenue will increase 1,300 mil. yen.
- ❑ For the environment- and conveyor-related business, we expect both revenue and profit will grow, although no large environmental plant deal is planned.
- ❑ In the other business segment, we expect both revenue and profit to grow as order backlog of floodgates and waterproof boards has risen to high levels and crusher order backlog started the year at a high level.



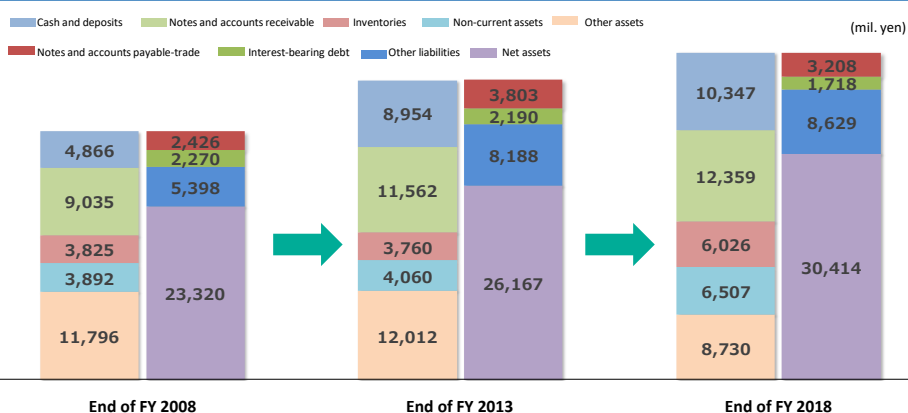
- ❑ In the current fiscal year, we expect ordinary income to increase, driven mainly by a net sales increase.
- ❑ In terms of SG&A expenses, the one-off cost items in fiscal 2018, mentioned in Slide 18, will no longer be present.

On the other hand, as we plan to impose a three-year transfer restriction on the 100th anniversary bonus, we will book one-third of the costs in the current fiscal year. We also expect an increased costs from opening of an Okinawa branch.



- ❑ We did not conduct share buybacks in fiscal 2018.
- ❑ Over the past decade, we doubled dividends to 60 yen from 30 yen.
- ❑ In the current fiscal year, we plan to pay out 100 yen, even excluding the commemorative dividend.
- ❑ We do not plan share buybacks at this point, but we are ready to be flexibly consider the possibility, depending on how the situation may play out.

## Balance sheet trends



- ▶ Large capital investments ended in FY 2018. To proceed at cruising speed in FY 2019 and after. We plan to be aggressive in strategic investment, however.
- ▶ We continue active divestment of strategic shareholdings.
- ▶ We see no further need to increase net assets and plan to bolster shareholder return instead.

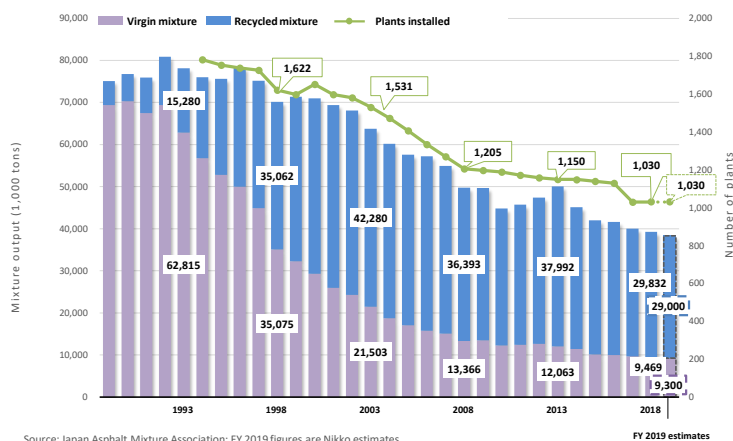
- ❑ Over the past decade, total assets grew in our balance sheet. In particular, net assets grew significantly.
- ❑ In our assets, cash and deposits increased to a little over 10,000 mil. yen from slightly less than 5,000 mil. yen.
- ❑ Other assets fell to 8,700 mil. yen at the end of fiscal 2018 from around 12,000 mil. yen.

There are two reasons. One is the sale of strategic shareholdings and the other is the sale of all our shareholdings in Germany's Benninghoven to the German side.



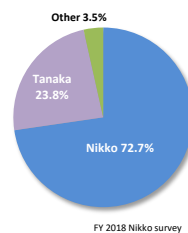
# **Business Climate and Management Strategy**

## Asphalt mixture output and number of asphalt plants installed



Source: Japan Asphalt Mixture Association; FY 2019 figures are Nikko estimates.

## AP steady-state share



FY 2018 Nikko survey

- ▶ Demand rebounded for recovery from the Great East Japan Earthquake and other needs, but both asphalt mixture output and the number of asphalt plant installations have remained on a downward trend since FY 2013.
- ▶ We expect demand will remain largely unchanged in FY 2019.
- ▶ We see demand for APs (inquiries and orders) will remain largely flat from the previous year, as highway companies that put off asset upgrades now have strong appetite for AP investment.

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

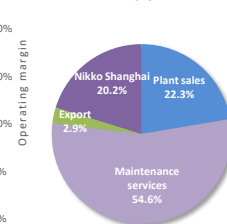


### Net sales, operating income and operating margin



### AP-related business: Net sales breakdown

FY 2018

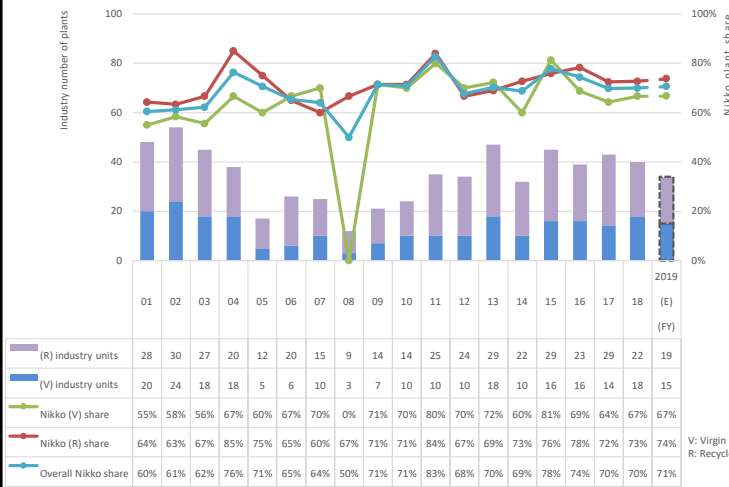


### Net sales: year-on-year change

#### FY 2018 results

Plant sales: (27.0)%  
 Maintenance services: +8.3%  
 Nikko Shanghai: +7.7%  
 Exports: (40.0)%

## AP demand and Nikko share



Source: Nikko

## New product performance in AP-related business

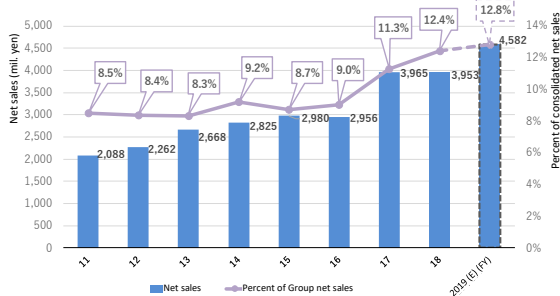
(units, mil. yen)

	15	16	17	FY 2018	2019 (E)
VP units	0	1	2	2	4
VP sales	0	211	580	554	1,420
Midship units	2	1	1	1	1
Midship sales	1,060	410	406	349	388
Crushing plant units	1	0	1	0	3
Crushing plant sales	152	0	125	45	362

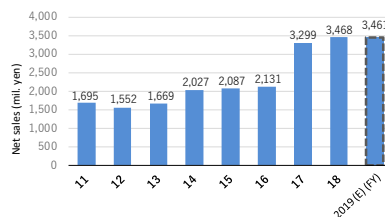
V: Virgin mixtures  
R: Recycled materials

► We expect share expansion in 2019 onward as demand for new product VP is boosted by Nikko Messe in October 2018.

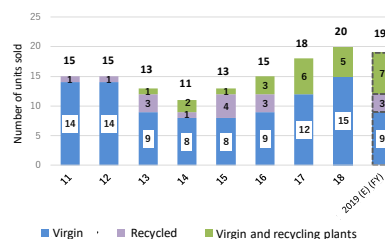
## Nikko overseas net sales and their share



## Nikko Shanghai net sales



## Nikko Shanghai AP unit sales



Thailand: Budgets restrained and construction orders delayed ahead of general election at the end of March

Indonesia: Lower sales due to sharp falls in local currency and presidential election in April

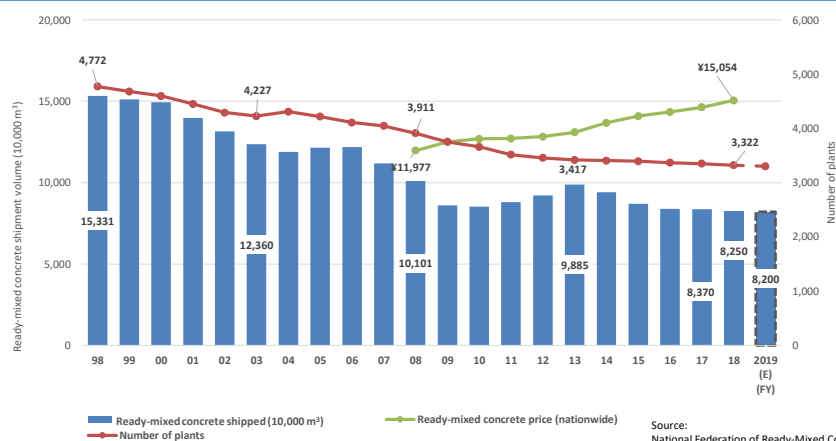
Russian far east: Lower sales amid weak ruble and unexecuted budget; signs of demand gradually increasing

Taiwan: Many deals of environment-related products closed

Shanghai: Demand for APs remains strong, supported by increased domestic demand resulting from trade friction with U.S., a five-year transportation infrastructure program, improved relations with Japan, etc.

Demand for expressway works-use plants expected to remain strong but gradually shift toward static, environmentally friendly plants.

## Trends in ready-mixed concrete shipments, price, and plants



Source:  
National Federation of Ready-Mixed Concrete  
Industrial Associations;  
Ministry of Economy, Trade and Industry's Ready-  
mixed Concrete Statistics Survey (price);  
FY 2019 figures are Nikko estimates.

- ▶ FY 2018 ready-mixed concrete shipment volume totaled 82,500,000 m<sup>3</sup>, outperforming the initial target, but falling from the year-ago level.
- ▶ Concentration of ready-mixed concrete plants in each area is expected to accelerate in the medium term.

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

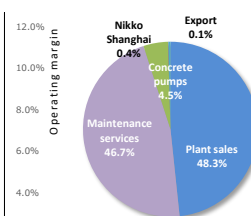


### Net sales, operating income and operating margin



### BP-related business: Net sales breakdown

FY 2018

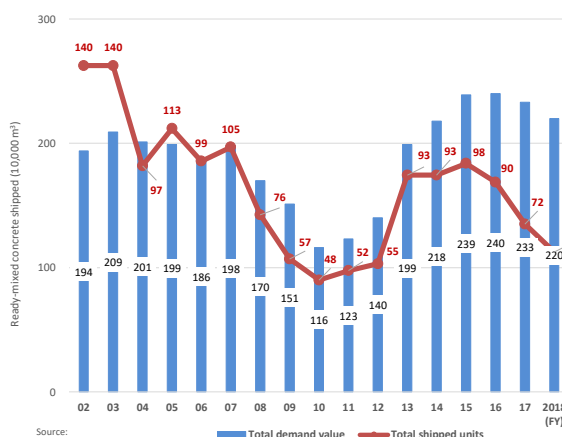


### Net sales: year-on-year change

#### FY 2018 results

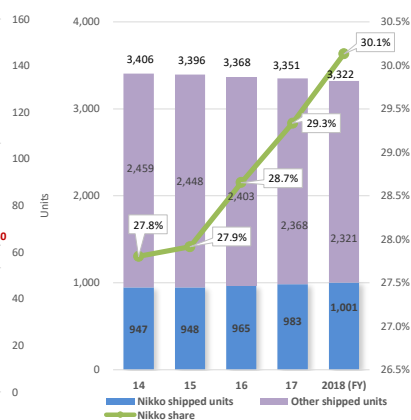
Plant sales: (25.7)%  
 Maintenance services: (2.4)%  
 Concrete pumps: (34.5)%  
 Nikko Shanghai: (47.6)%  
 Exports: (29.6)%

## Total BP demand (shipments and units)



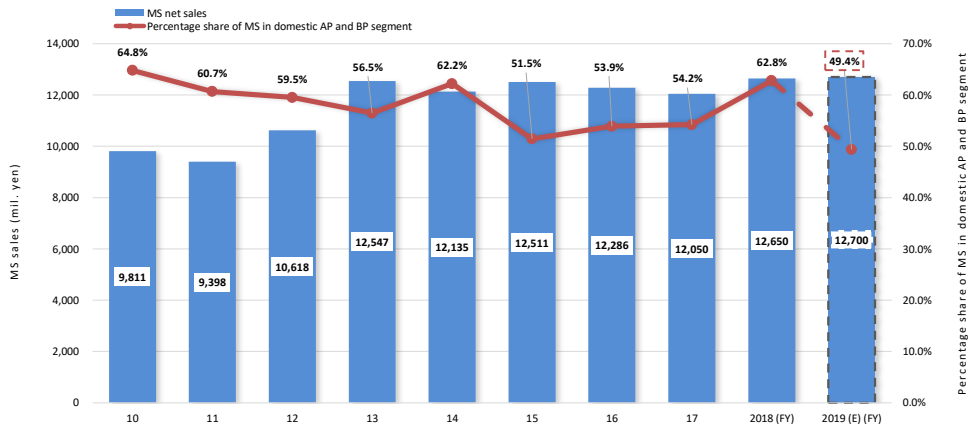
Source:  
Japan Construction Equipment Manufacturers  
Association's Concrete Plant Subcommittee  
(Maintenance services included in demand amount).

## BP steady-state share trends



- ▶ We expect demand from public works to remain solid beyond the 2020 Tokyo Olympics, driven by the Linear Chuo Shinkansen project, the "national resilience promotion" program, 2025 World Expo in Osaka, etc., but that demand level will increasingly vary from region to region and consolidation will advance.
- ▶ Increase market share by launching new differentiated products to meet new demand, which arises from sales expansion to precast industry where demand is growing as well as from ready-mixed concrete industry consolidation.

Maintenance service: Sales and percentage share of sales



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

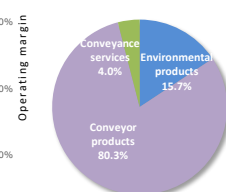
# Environment- and Conveyor-Related Business Outlook and Strategy



## Net sales, operating income and operating margin

## Environment- and conveyor-related business: Share of sales

FY 2018



## Net sales: year-on-year change

### FY 2018 results

Environmental products: (72.3)%  
 Conveyor products: (1.2)%  
 Conveyance services: +7.3%



# Reference Materials

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



(mil. yen)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Net sales	24,553	27,087	32,073	30,707	34,110	32,717	35,114	31,780
AP-related business	13,303	15,054	18,258	15,071	17,252	16,580	17,179	16,434
BP-related business	4,719	5,889	8,577	8,287	10,267	9,356	9,522	7,893
Environment- and conveyor-related business	2,521	2,085	1,944	2,853	2,289	2,647	3,931	2,775
Other business	4,008	4,058	4,292	4,495	4,301	4,133	4,480	4,677
Operating income	541	1,186	2,249	1,832	1,629	1,943	2,103	1,427
AP-related business	896	1,492	2,125	1,214	1,234	1,253	1,348	963
BP-related business	(39)	317	678	712	878	1,006	1,015	666
Environment- and conveyor-related business	530	250	166	527	337	369	308	417
Other business	(7)	59	388	451	277	417	462	502
Corporate expenses	(838)	(933)	(1,109)	(1,074)	(1,097)	(1,102)	(1,031)	(1,122)
Ordinary income	621	1,108	1,982	1,582	1,648	1,993	2,239	1,576
Net income attributable to owners of parent	122	881	888	1,348	1,896	1,340	1,490	1,345
Cash flow from operating activities	574	2,457	2,641	1,001	(1,040)	5,064	274	(218)
Cash flow from investing activities	299	(954)	(936)	(305)	2,142	(316)	41	(1,021)
Total dividend	250	292	292	376	418	426	459	459
Share buyback	4	9	1	2	1	1,006	246	0

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



(mil. yen)

Full-year new orders received	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	YoY change
AP-related business	14,549	14,493	18,278	17,114	16,743	16,718	17,182	18,884	+1,702
BP-related business	5,302	6,293	8,884	10,068	9,541	9,965	9,066	8,438	(628)
Environment- and conveyor-related business	2,466	2,037	2,396	2,711	2,796	3,202	2,947	2,773	(174)
Other business	3,851	3,741	4,356	4,606	4,202	4,247	4,420	5,007	+587
Total	26,169	26,564	33,915	34,500	33,284	34,134	33,616	35,103	+1,487

End-of-term order backlog	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	YoY change
AP-related business	4,233	3,671	4,685	6,727	6,218	6,356	6,359	8,808	+2,449
BP-related business	975	1,378	1,685	3,466	2,741	3,350	2,894	3,439	+545
Environment- and conveyor-related business	47	—	451	309	815	1,371	387	385	(2)
Other business	677	360	424	535	436	551	490	820	+330
Total	5,933	5,410	7,246	11,039	10,212	11,629	10,132	13,454	+3,322

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



(mil. yen)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019 estimates
Capital investment	292	335	844	815	877	1,261	550	1,889	800
Depreciation and amortization	432	389	395	422	487	482	472	508	550
R&D expenses	239	256	295	276	227	271	291	211	300

(persons, years old, or years)

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

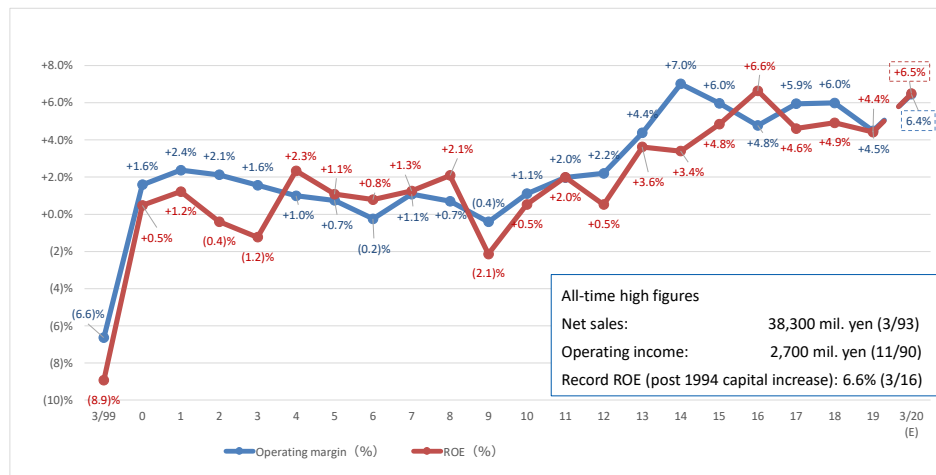
### New products for reducing environmental impact

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

## Trend in Key Financial Data



### Operating margin and ROE



	3/99	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	3/20 (E)
Net sales	22,294	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	35,700
Operating income (loss)	(1,480)	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	2,300
Ordinary income	(1,290)	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	2,500
Net income (loss)	(2,151)	121	298	(93)	(284)	567	265	203	315	513	(499)	124	461	122	881	888	1,348	1,896	1,840	1,490	1,345	2,100



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

(Meetings in Tokyo are also possible.)

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**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.
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