



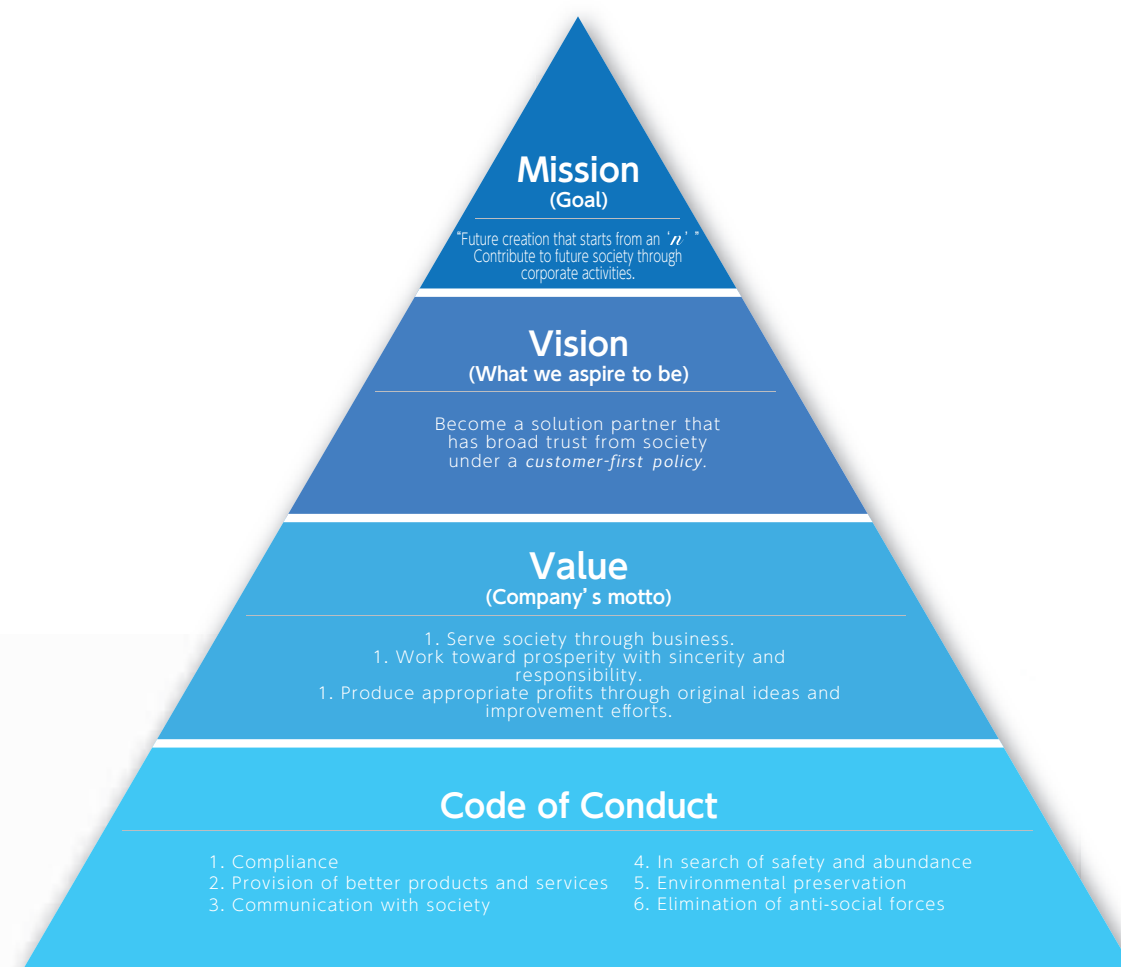
# Nikko Corporate Report 2019

Fiscal Year Ended March 31, 2019



Future creation that starts from an “*n*”

## Nikko Group's Management Philosophy Framework



The Nikko Group is working on achieving sustainable growth and improving its corporate value. Under the management philosophy that has been continuously passed on since our foundation in 1919, we have established the Code of Conduct comprising six items as the basis on which we make decisions in our workplace.

Each of our employees will strive forward to contribute to future society through the daily performance of their duties embracing Nikko Group's mission, "future creation that starts from an 'n'" close to their heart.

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### Editorial Policy

Nikko Corporate Report 2019 aims to disclose Nikko Group's medium- and long-term value creation efforts from both financial and nonfinancial aspects to all stakeholders including our shareholders and investors. The Report is edited referring to The *International Integrated Reporting Framework* established by the International Integrated Reporting Council (IIRC) and the *Guidance on Integrated Disclosure and Dialogues for Joint Value Creation* by the Ministry of Economy, Trade and Industry of Japan.

**Target readers:** All stakeholders involved in the Nikko Group.  
**Reported period:** The Report mainly covers FY2018 (April 1, 2018 to March 31, 2019) but also includes information before and after this period.

**Scope of reporting:** The Report reports on the Nikko Group comprising Nikko Co., Ltd. and eight subsidiaries (all of which are consolidated subsidiaries).

**Company names:** "Nikko" and the "Company" refer to Nikko Co., Ltd. and the "Nikko Group" and the "Group" refer to the Nikko Group including consolidated subsidiaries.

#### Note on forward-looking information

This Report includes statements on future outlook. We appreciate that you understand that actual performance may differ from the Company's projections.





“Future creation  
that starts from an ‘n’  
We are determined  
to meet your  
high expectations.”

Representative Director  
and President  
Chief Executive Officer

辻 勝

## Session 1 Introduction

### As you are taking the President's post, please share with us your background briefly.

I worked for a large shipbuilding company for a short period after completing a graduate course before joining Nikko in September 1987. I was initially assigned to the Design Section in the Concrete Plant-Related Business (BP), where I joined a team promoting introduction of CAD. I was then assigned to the President's office, where I engaged in system-related duties and designing of new business models as the leader of the Corporate Planning Division. I then served as Manager of Construction and Procurement Departments, and also of Business Development Department (New

Business), before becoming an Executive Officer. After becoming General Manager of Sales Department in 2011, I became Representative Director, President and CEO on April 1 this year.

I think I have deep knowledge about people in each division at the company's Head Office, as I have experienced a broad range of areas including technology, construction, manufacturing, sales and corporate planning.

### Please explain the position of Nikko in its industry (AP and BP).

Our unit share in the domestic asphalt plant (AP) market is over 70%, and Tanaka Iron Works is the only rival in direct competition with us. We take pride in our superior product technology and development potential, and maintenance service structure compared to rivals. Our users are mainly large road-paving companies, but none of them use Nikko products for all of their asphalt plants. So, I do not think there is much room for our APs to grow in terms of the domestic market share. Meanwhile, in the Chinese AP market, Nikko and two European companies, i.e. Ammann and Marini, have largely equal shares in the high-end machine segment whose market size is 100 to 150 units a year. We think the tighter environmental regulations in China and growing use of recycled mixture should drive our growth.

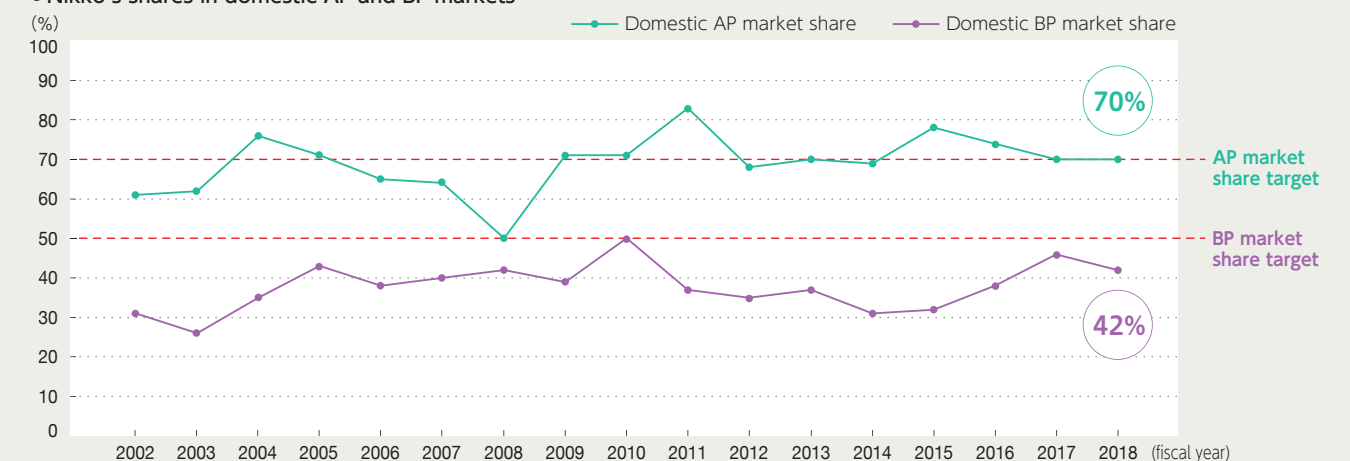
The Batching Plant (BP) market used to be largely equally split between five companies including us, which have since decreased to three, i.e. KYC Machine Industry,

Kitagawa, and us.

Nikko's steady-state share is the third largest at about 30%, but our dynamic share is the largest at about 40%. We are aiming for a 50% dynamic share.



● Nikko's shares in domestic AP and BP markets



## Session 2 Our Strategy

### Please give us a rundown on the Previous Medium-Term Management Plan which ended in FY2018.

Our performance during the previous Medium-Term Management Plan (FY2016-FY2018) was fairly good, with sales reaching a level close to the target. This was driven by great effort by the staff in the existing business areas. However, we failed to achieve the target. When we reviewed the results, net sales in the new areas, which we call development areas, were insufficient. Specifically, these

include Mobile Plant Business, and sales in overseas markets, especially ASEAN countries, significantly fell short of targets. Political uncertainty and falling local currencies in the ASEAN region, and the presidential elections had a negative impact, but it also made us aware of the limitations of doing sales activity from Tokyo.

### Please give us an overview of the New Medium-Term Management Plan and background to the long-term group Basic Policy.

The New Medium-Term Management Plan was finalized in 2019, the year in which we are marking our 100th anniversary. In our previous medium-term management plans, we first estimated demand for individual business areas and then set targets for them based on the estimated demand levels. When we worked out the New Medium-Term Management Plan, we already had the overarching goal of boosting sales by 50% to 50.0 billion yen over the next decade. So, for the first three years (FY2019-FY2020), we set targets for net sales, operating income, etc. based on what we need to achieve for the overall goal. For the FY2021 performance targets, we set 38.0 billion yen in net sales (vs. 31.8 billion yen in FY2018), 3.0 billion yen in operating income (vs. 1.4 billion yen in FY2018) and 2.1 billion yen (vs. 1.34 billion yen in FY2018).

We aim to achieve 10.0 billion yen in net sales from our new businesses, including those we may acquire, in a decade from now. Details of the growth scenario are not much different from what we assumed in the previous medium-term management plan. Our aim is to double the

net sales from the new Mobile Plant Business and overseas operations from the level in FY2018 to 9.0 billion yen in 10 years. In order to expand overseas sales, we are discussing options for setting up operations in the ASEAN region. These are areas we failed to achieve in the previous medium-term management plan.

In terms of key performance indicators in the New Medium-Term Management Plan, we aim for ROE of at least 8% (vs. actual FY2018 figure of 4.4%). In FY2021, the final year of the New Medium-Term Management Plan, we aim for a little less than 7% in ROE, and we do not expect to achieve 8% or higher, but we aim to keep capital costs in mind by limiting growth in net assets (by expanding shareholder returns, for example). We have publicly pledged to achieve dividend payout ratios of at least 60% as part of our goal to expand shareholder returns.

We plan to conduct a five-for-one stock split of common shares effective Sept. 30. By reducing prices per investment unit, we aim to increase liquidity of shares and expand our shareholder base.

#### New Medium-Term Management Plan

#### Long-term (10-year) Basic Policy, looking into the future

1

Strengthen revenue base in Japan

2

Establish overseas sales

3

Promote new businesses (M&A)

4

Put work-style reform into practice

5

Make ROE a KPI

Setting these five policy items at the center, we will strengthen corporate governance and implement business management that is highly transparent and vibrant.

## Session 3 Message For Our Stakeholders

### Please talk about the initiatives on human resources management and operational reforms.

There is no doubt education is a key part of human resources management, and, to me, to do it by having external instructors is an easy way out. So, we aim to create a structure in which employees can learn by acquiring skills and improve them through work. To achieve this, we need to change the work processes and the way work is done. This is what we are trying to do right now.

As a specific example of our work-process reform efforts, we assigned five tech staff to the Tokyo office so that they can visit customers with sales staff and offer advice while they work out product specifications. In the past, our sales staff just conveyed what customers told them to tech staff (designers). If a customer asked for five sheets of plant design, our head-office designers created five sheets. Currently, however, our tech staff who accompany the sales staff listen to what the customer wants, and if they recognize any unnecessary designs, they explain that to the customer.

Therefore, excessive designs are not created. This way, we are reforming the operational processes. If we reduce the number of design sheets from five to two, operational efficiency will improve. Furthermore, the tech staff can refine their skills in the process of convincing customers.

We are also planning to introduce a system using wearable devices so that experienced tech staffs in remote locations can monitor information about the younger service staff and give advice to them. You know, on-the-job-training once was a buzzword, and we are trying to create work processes in a way in which working itself can lead to improving skills.

Another of our endeavors in this area is a plan to manualize operational procedures. But this is not to manualize existing operational procedures. Instead, we aim to manualize what we think are ideal operational procedures. Simple duties will be performed using these manuals.

### What is your view about changing criteria for listing stocks on the Tokyo Stock Exchange, which has been in discussion behind the scenes?

We must protect our brand image which our predecessors have built over the first 100 years in the history of Nikko. Likewise, we must protect our listing in the first section of TSE. This is an issue that could affect the morale of our employees. The 10-year vision we worked out recently and our earnings targets are built on the basis that we are going to maintain the listing on the first section. A market capitalization of 25.0 billion yen or over is a reachable level

for us. So, we aim to increase our corporate value for the stakeholders by enhancing shareholder returns and transparency of management information, and sincerely engage in dialogue with our shareholders.

So, a lot of thoughts are invested in our slogan, "Future creation that starts from an *'N'*." We are determined to meet your high expectations.





Our origins trace back to 1919, when our founders launched a business of manufacturing and selling shovels, scoops and pickaxes. Since then, we have grown into a pioneer in asphalt and concrete plants, while having helped create Japan's roads and towns over a century. We have evolved along with the changing times and are now contributing to making our society more comfortable and with more value.

- 1919** • Nihon Kogu Product Co., Ltd was established  
Establishes August 13th as foundation day  
• "Tombo" registered as trademark

- 1920** • Extraordinary general shareholders meeting held  
Matsusaburo Yano appointed to Senior Managing Director  
First product, a shovel, goes on sale.

- 1921** • Head Office relocated to Akashi

- 1923** • Supplied materials for reconstruction following major earthquake that devastated the Kanto region



Key person  
of  
Nikko

Senior Third Rank,  
Fifth Order of Merit  
Matsusaburo Yano  
(Aug. 6, 1893 - Feb. 20, 1973)

Matsusaburo Yano served the company for about a half century from the time it started as Nikko Co., Ltd. (former Nihon Kogu Product Co., Ltd.), as Senior Managing Director, President and then Chairman. As a key person who led the development of Nikko through difficult times during and after World War II, he still inspires our respect. Nikko would not have been the company it is today without his contribution.

- 1932** • Approves plans to construct forging plant, install new machinery, and construct warehouse for wooden handle material, all on existing property

- 1933** • Construction of rolling mill decided

- 1934** • Second Plant opens  
Marks 15th foundation anniversary with ceremony

- 1936** • Obtains land for the Third Plant measuring over 3,600 tsubo (approximately 11,900m<sup>2</sup>)

- 1937** • Purchases land, measuring 326 tsubo (1,078m<sup>2</sup>), adjacent to the Third Plant  
• Holds Shinto ceremony to purify the land and starts construction work for the Third Plant

- 1938** • Third Plant goes online

- 1939** • Marks the 20th foundation anniversary with a ceremony at the Akashi Auditorium



Nihon Kogu Product's employees pose for the 15th foundation anniversary photo at the Second Plant in Akashi's Hayashisaki district.

- 1950** • Shovel demand surges following the start of the Korean War

- 1951** • Starts manufacture of winches and mixers

- 1952** • Starts sale of truck mixers, winches and mixers

- 1953** • Capital reaches 100 million yen  
• Japan Industrial Standards (JIS) mark granted on pickax products

- 1954** • Marks 35th foundation anniversary with ceremony at Akashi Shoko Kaikan

- 1955** • JIS mark granted on shovel, scoop and farming fork products

- 1957** • Opens skills training center  
• Builds construction machinery plant on the Third Plant property

- 1958** • Skills training center reorganized into vocational training center  
• First asphalt plant completed

- Osaka sales office opens

- 1959** • Holds construction machinery exhibition at the Third Plant  
• Tokyo office opens  
• Runs booth at Tokyo construction machinery product exhibition  
• Marks 40th foundation anniversary with ceremony at the Third Plant



Nikko's first asphalt plant

- 1970** • Relocates Head Office to Eigashima Plant

- 1971** • Establishes Nikko Electronics Co., Ltd.  
• Completes NAP3000 asphalt plant (200t/h), biggest of its kind in Japan at the time

- 1972** • Automates part of shovel finishing line  
• Develops asphalt plant with 240t/h capacity

- 1974** • Signs technology tie-up with Benninghoven, a leading industrial burner maker then based in West Germany, and the Dutch company Philips

- 1975** • Develops environmentally friendly CNAP series of asphalt plants

- 1976** • Launches Tombo-kai  
Holds meetings of sales agents in 12 districts across Japan

- 1977** • Develops recycling plant and mixture silo designs  
• Completes unit-type (U-type) concrete plant design

- 1979** • Marks the 60th foundation anniversary with ceremony



Develops U-type concrete plant

- 1990** • Signs capital tie-up with Benninghoven, a German industrial burner maker  
• Introduces new logo

- 1991** • Develops command fuzic control system and slump control function (SL-fuzic)

- 1992** • Participates in project to assemble on-site asphalt plants for Kansai International Airport (Nikko provided all four APs used in Kansai International Airport construction)

- 1993** • Completes Top-Drum recycle unit

- 1994** • Spins off former industrial machinery business and machinery manufacturing division (shovels, scoops and small mixers) into Tombo Industry  
• Conducts the 100th AP operator training session

- 1995** • Establishes Nikko Sec Co., Ltd.

- 1997** • Establishes Nikko Machinery Co., Ltd. to take over operations of Nikko Seisakusho and Nikko Gate

- Tombo Industry merges Tombo Nikko Shoji to integrate manufacturing and sales operations.

- 1998** • Obtains ISO9001 registration  
• Develops DSF-167 double spiral flow mixer and DASH-167 high-performance concrete plant  
• Merges Nikko Sec Co., Ltd. and Nikko Sec Industry Co., Ltd.  
• Marks the 80th foundation anniversary with new product exhibition

- 1999** • Opens Beijing office



Recycle4 can and bottle separator/crusher

1919~

Taisho era (through 1926)

1930~

Showa era (1926-1989)

1950~

1970~

Heisei era (1989-2019)

1990~

Reiwa era (from 2019)

1940~

- 1940** • Establishes Nikko Co. in Mukden, present-day Shenyang in China

- 1941** • Establishes Manchuria Machinery Manufacturing

- 1943** • Third Plant requisitioned as facility to manufacture weapons  
• Third Plant starts to support Mitsubishi Heavy Industries' Mizushima Plant

- 1944** • Builds Malay Plant in Kuala Lumpur

- 1945** • Plants suffer extensive damage from fire under military attack

- 1946** • First Plant back into operation  
• Construction work starts for the Second Plant Wood processing and manufacture of wooden handles restart

- 1948** • Construction of the Fourth Plant starts. Casting production starts  
• Company designated as manufacturer of specified important products

- 1949** • Shares listed on the Osaka Securities Exchange  
Shares listed on the Kobe Stock Exchange  
• Setsuko, Princess Chichibu, visits company



Snapshot of production line at the Second Plant after recovery from ravages of war

1960~

- 1960** • Completes first asphalt plant that uses electron tube-based control system

- 1961** • Ties up with Mitsubishi Heavy Industries, Ltd. Starts manufacture of pile hammer frames

- 1962** • Completes 40t/h asphalt plant  
• Lists shares on the Tokyo Stock Exchange (registration number: 321)  
• Ceremony marking completion of first phase of construction work for Eigashima Plant

- 1963** • Completes first automated concrete plant  
• Starts manufacture and sale of scaffolding parts

- 1964** • Relocates some head-office functions to Eigashima Plant Office upon its completion

- 1966** • Starts manufacture of fully automated concrete plants  
• Starts manufacture of belt conveyor system

- 1968** • Company renamed to Nikko Co., Ltd.  
• Completes first crushing plant

- 1969** • Opens operator training center  
• Announces company mission statement  
• Marks the 50th foundation anniversary with ceremony



Nikko's first belt conveyor system

1980~

- 1980** • Develops twin-shaft Spiral Flow mixer

- 1981** • Conducts first BP operator training  
• Develops recycling unit

- 1983** • Establishes Nikko Gate Co., Ltd.  
• Completes BonD (Bag-filter on Dryer) series  
• Develops WISE series of concrete plants

- 1988** • Issues convertible bonds denominated in Swiss franc  
• Opens Taiwan liaison office

- 1989** • Nikko Trading-Partner Shareholding Association established

- Buys shares in Nikko Seisakusho\*  
\*Predecessor to present Nikko Machinery Co., Ltd.

- Marks the 70th foundation anniversary with events



Develops space- and energy-saving BonD series



A WISE series of concrete plant



DASH-200N mixer

2000~

- 2000** • Develops soil decontaminating plant

- 2001** • Establishes Nikko (Shanghai) Construction Machinery Co., Ltd.

- 2002** • Signs asset purchase agreement with Niigata Engineering Co., Ltd.

- 2004** • Holds completion ceremony for Jiading Plant of Nikko (Shanghai) Construction Machinery Co., Ltd.

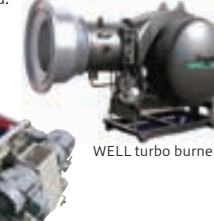
- 2005** • Develops WELL turbo burner (NTB burner) and concrete/recycled aggregate manufacturing device using new rubbing-massaging technique.

- Completes Nikko Shanghai NBD1

- 2007** • Establishes Nikko group corporate charter

- 2008** • Acquire ownership of Maekawa Kogyosho Co., Ltd.

- 2009** • Completes new plant to take over functions existing one at Nikko (Shanghai) Construction Machinery Co., Ltd.



WELL turbo burner

2010~

- 2011** • Major earthquake and tsunami disaster hits northeastern Japan; Nikko launches emergency headquarters

- 2012** • Launches quake-disaster recovery project  
• Develops large soil decontaminating plant

- 2013** • Develops plant especially for quake-disaster recovery

- 2014** • Develops MBD series for recycled mixtures  
• Develops DASH-Hyper mixer

- 2015** • Develops VP series asphalt plants using new design

- 2018** • Builds Techno Center on Akashi head-office property  
• Opens showroom on the first floor of the Head Office; strengthens CSC

- Opens Tokyo mobile center  
• Mobile Plant Business starts operating in earnest

- Holds Nikko Messe 2018 marking 100th foundation anniversary

- 2019** • Marks the 100th foundation anniversary



Develops VP series asphalt plants using new design

## A century of providing “machines that build cities,” helping to create recycling-oriented society

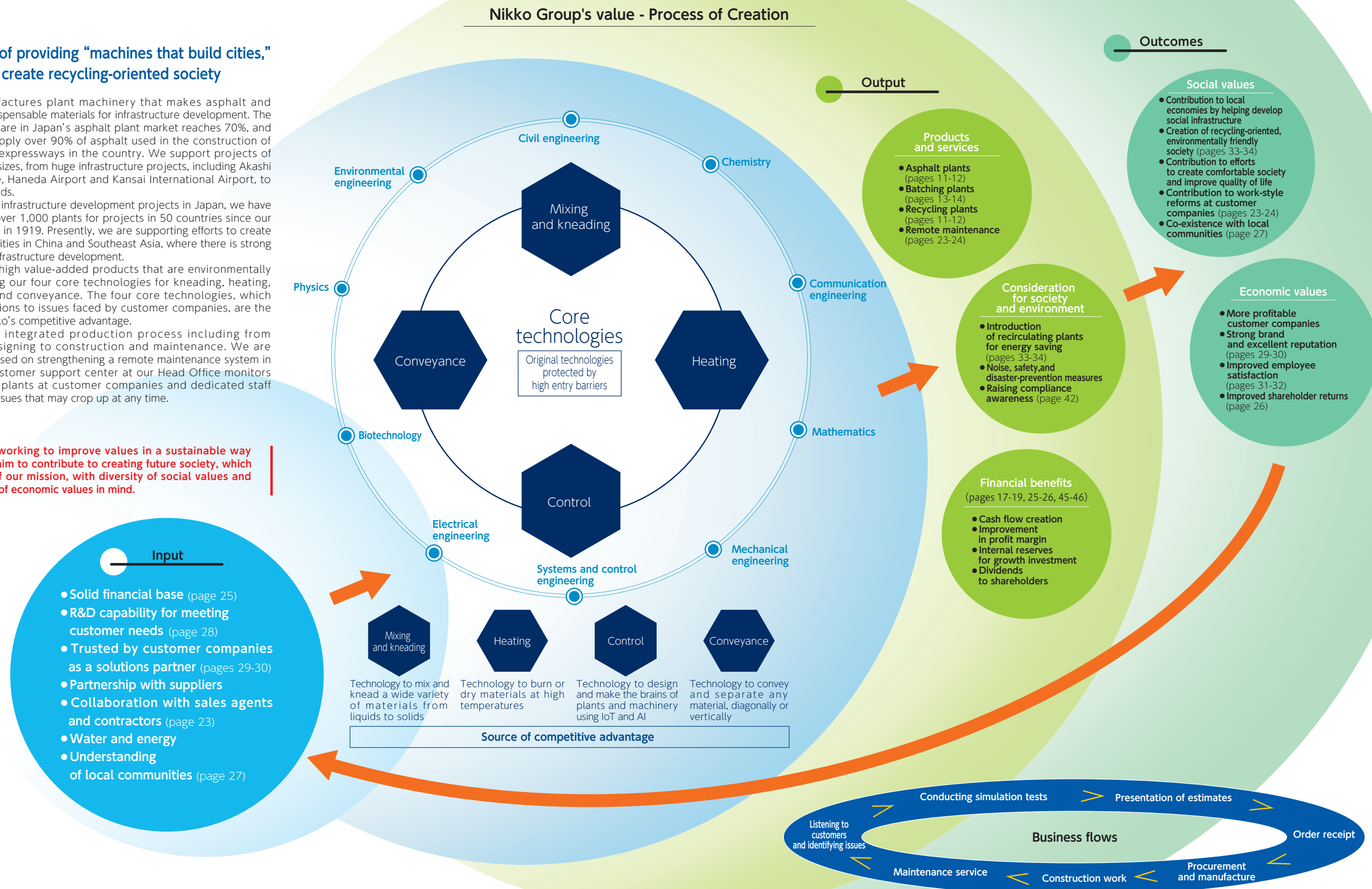
Nikko manufactures plant machinery that makes asphalt and concrete, indispensable materials for infrastructure development. The company's share in Japan's asphalt plant market reaches 70%, and our plants supply over 90% of asphalt used in the construction of airports and expressways in the country. We support projects of wide-ranging sizes, from huge infrastructure projects, including Akashi Kaikyo Bridge, Haneda Airport and Kansai International Airport, to residential roads.

In addition to infrastructure development projects in Japan, we have constructed over 1,000 plants for projects in 50 countries since our establishment in 1919. Presently, we are supporting efforts to create comfortable cities in China and Southeast Asia, where there is strong demand for infrastructure development.

We develop high value-added products that are environmentally friendly, using our four core technologies for kneading, heating, controlling and conveyance. The four core technologies, which provide solutions to issues faced by customer companies, are the source of Nikko's competitive advantage.

We have an integrated production process including from planning/designing to construction and maintenance. We are currently focused on strengthening a remote maintenance system in which the customer support center at our Head Office monitors operation of plants at customer companies and dedicated staff address any issues that may crop up at any time.

We are working to improve values in a sustainable way with an aim to contribute to creating future society, which is part of our mission, with diversity of social values and creation of economic values in mind.





"We aim to increase the combined share of the strategic AP products, including VP and MBD, to 50% of the overall unit domestic plant sales by the end of FY2021 and implement work process reforms in order to improve profitability. In overseas operations, we aim to boost growth through an initiative to develop offices in ASEAN countries, especially Thailand, where we see strong growth potential. We also plan to aggressively seek growth in new business areas. For example, we aim to expand sales of new crushing plants which have great potential to achieve synergy with AP and MS."

Director and  
General Manager of Business Division **Tomomi Nakayama**



## SWOT of AP -related business

### Strength

Overwhelming share in domestic market; advantage in product development capacity and delivery turnaround times

### Weakness

Weakness in price negotiations

### Opportunity

Potential for improved AP productivity attributed to work-style reforms by users

### Threat

Potential decline in public works budgets

## Key macroeconomic indicators of AP-Related Business performance

Nominal construction investment

Public works budgets

Asphalt mixture output volume

## Business development and future outlook

We started manufacturing asphalt plants in 1962 and supported a past period of rapid land development, introducing the first domestically manufactured AP for expressway projects in 1965, when demand for larger APs surged. After about a decade-long beginning period since we first identified demand for recycling plant in 1977, we saw a significant growth in APs with heat-recycling equipment following the 1993 introduction of the TOP series. In 2002, our share in the Japanese market exceeded 70%, driven in part by a business purchase from Niigata Engineering. More recently, this has led us to develop new plants that use recycled mixtures, including the VP and MBD series. About 80% of the customers of our asphalt plants are large road

paving companies. Asphalt mixture output, which has direct bearing on earnings of road paving companies, fell slightly below 40 million tons in FY2018. We expect the figure to remain in a range between 3 million tons above and below the current levels for a medium term, accounting for a slow growth in public works spending. Demand for asphalt plants in Japan will remain on a plateau for a foreseeable future, considering the expected impact of update projects that have been postponed. As a result, we expect the growth driver will be overseas markets, including China, where we have Nikko Shanghai, and the ASEAN countries, especially Thailand and Indonesia. In particular, we aim to focus on Thailand, where many second-hand asphalt plants by Nikko is in operation.



**VP**  
APs that mainly use recycled materials

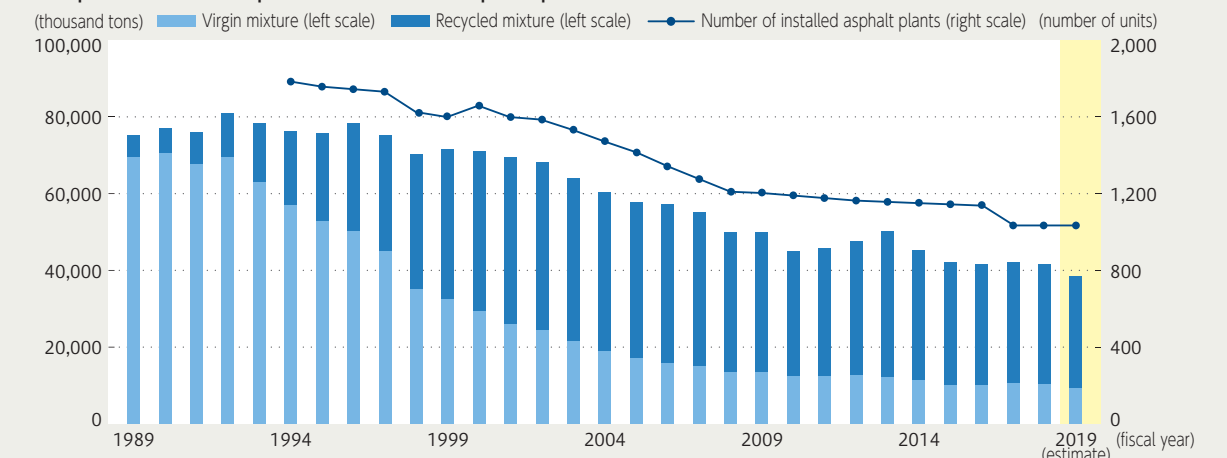


**MBD**  
APs that mainly use recycled materials (medium to large sizes)



**Burners**  
New burner with higher combustion efficiency

## Asphalt mixture output and number of asphalt plants installed



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

## Advantages of Asphalt Plant Business

The strengths of our APs lie in the broad range of products that are backed by our technology and development capacity, in-house production of key devices, including control panels and burners, and strong maintenance service capability. In overseas operation, we plan to focus

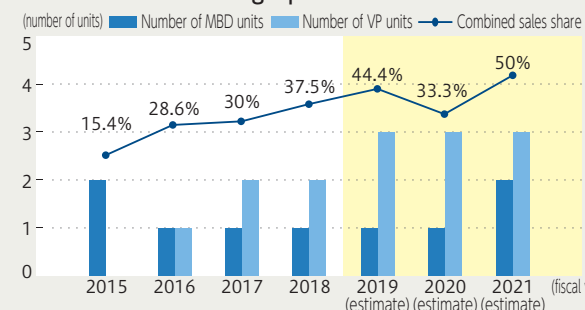
on high-end areas in China, which we see as the centerpiece of our overseas strategy. We expect business chances will emerge in China, as there is a growing demand for environmental technologies we have developed in Japan, including recycling and deodorizing technologies.

## Measures under the New Medium-Term Management Plan

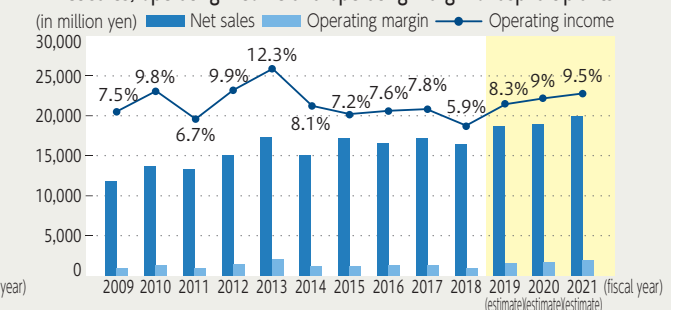
We target net sales of 20.0 billion yen for AP-related business in FY2021, the final year of the New Medium-Term Management Plan (vs. 16.4 billion yen in FY2018). As we expect only a small increase in Japan for AP, growth in overseas business is the key. For new crushing plants, we target 0.5 billion yen in FY2021. The KPI target for the AP business is to improve margin by expanding the combined sales share of VP and MBD, our strategic products, to over 50% from the FY2018 level of 37.5% by the end of FY2021. We estimate the market size for our new crushing plants is about 10.0 billion per year. It is an area we see a significant

potential for synergy with APs and MS. In order to narrow the gap in price competitiveness with top rivals, we plan to start internally manufacturing the existing medium-grade impact crusher models and expand our scope to include high and low grade models, for a total sales target of crushing plants of 3.0 billion yen, a half of which will be from maintenance service. In addition, we plan to introduce new products to follow VP and MBD, and expand maintenance service by taking advantage of expected growth in energy-conserving products and introduction of work-style reforms.

## Sales share of strategic products



## Net sales, operating income and operating margin of asphalt plants



## Issues for AP business

A key issue for the AP business is our weak position in price negotiations with our customers, who are large road-paving companies, which has led to small margins. We regard expansion of sales of VP and MBD, our strategic products, as the key. We aim to achieve synergy between crushing plants

and asphalt plants by starting to internally manufacture impact crusher series products, which are key devices. In overseas markets, we plan to work out plans for setting up a local office and starting local production in Thailand, where 180 secondhand units are in operation.

"We expect a decrease in domestic ready-mixed concrete plants amid consolidation moves, but aim to boost the dynamic unit share to 50% by the end of FY2021, by focusing on the new BP DASH-Progress. We aim to utilize all available resources in this area, including sales expansion in the precast concrete industry, where work-style reforms and i-construction are expected to boost demand, and differentiation measures through introduction of new products that use IoT and AI, and the positive impact from the new Customer Support Center. We also address environmental issues, including the increasingly serious issues associated with returned concrete and sludge water treatment."

Executive Officer in Charge of Business Department  
Manager, Industrial Machinery Sales Management Department **Morie Okaaki**



## SWOT of BP -related business

### Strength

Coordination between  
manufacture and sales;  
in-house maintenance  
service structure

### Weakness

Relatively  
high fixed cost ratio

### Opportunity

Increasing introduction  
of precast concrete in  
construction materials

### Threat

Decrease and  
consolidation of  
ready-mixed  
concrete plants  
in operation

## Key macroeconomic indicators of BP-Related Business performance

Nominal construction investment

Cement shipment volume

Number of ready-mixed concrete  
plants and their shipment volume

## Business development and future outlook

We started to develop concrete mixers, which form our core technology, in 1951, and announced the SF double-spindle mixer in 1980. The DSF mixer, introduced in 1998, played a key role in expanding our market. The model had the mixer capacity of 100 times per hour, compared to the 60 times per hour of existing products. Needs for batching plants subsequently shifted to manufacture of high-strength concrete and simplified maintenance, which led to the 2014 development of the DASH-Hyper mixer that addresses both these needs. Other key batching plant products include DASH-Progress and Cyber Advance.

Majority of batching plant customers are construction companies. However, percentage of concrete secondary products, including construction materials, segments and piles, in the products for precast concrete (PC) is gradually

rising (13.6% in FY2018), and we expect this trend to remain over the medium to long term.

The number of Japan's concrete plants totaled 3,298 at the end of March 2019, continuing a decreasing trend since the end of March 2013, when it totaled 3,456. We think consolidation of plants could accelerate after a demand surge driven by large projects ahead of the 2020 Tokyo Olympics runs its course.



**DASH-Hyper mixer**  
Mixer for ultra-strong concrete,  
with improved ease of maintenance



**Cyber Advance**  
New control panel that can be operated  
from a tablet device



**DASH-Progress**  
New batching plant  
with improved ease of maintenance

## Ready-mixed concrete: shipment volume and number of plants in Japan



## Advantages of Batching Plant Business

The key advantage of our batching plants is our Customer Support Center, which can reduce downtime for plants of our uses by remotely monitoring their operation. Since we manufacture control panels in-house, we aim to replace

those manufactured by other companies with ours to help boost BP update orders in the future. Our share in the control panel market has exceeded 50%, higher than the share of the main batching plants, which is slightly over 40%.

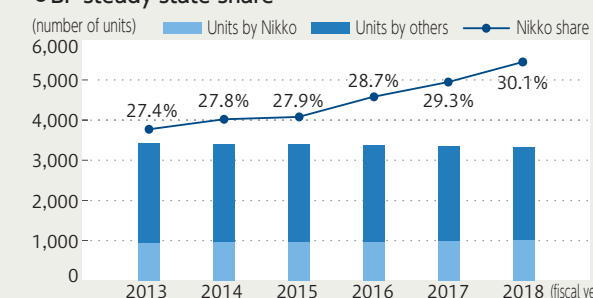
## Measures under the New Medium-Term Management Plan

We target 9.4 billion yen in sales for BP-related area in FY2021, the final year of the New Medium-Term Management Plan (vs. 7.9 billion yen in FY2018). Japan Construction Equipment Manufacturers Association estimates the value of batching plant shipment, including maintenance fees, will decrease to 20.0 billion yen in FY2021 from 22.0 billion yen in FY2018, but we aim to increase our industry share to 47% in FY2021 from 35% in FY2018. As a KPI target for the batching plant business, we aim to achieve a unit share of over 50% by FY2021.

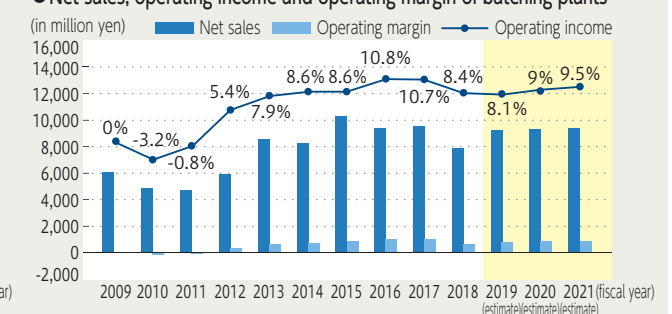
In order to boost our share, key measures will be to: (1)

steadily capture repeat demand and (2) expand sales to concrete secondary product plants. We aim to expand repeat customers by efforts through the new Customer Support Center and strengthen measures to increase replace orders for control panels by other companies, to tide over the difficult period of plant consolidation moves. Amid the progress of work-style reforms and introduction of i-Construction, we need to expand the increase of precast concrete. We aim to focus efforts on segment, construction materials, piles and anti-disaster product industry.

## BP steady-state share



## Net sales, operating income and operating margin of batching plants



## Issues for BP business

A key issue for the batching plant business is a relatively high fixed costs due partly to our operating manufacture, sales and maintenance service function in-house. A key theme over the medium to long term is to expand business areas with growth potential. Specifically, we aim to expand granular material and coordinate efforts with the mobile

business (crushers and soil improvers).

In the area of environmental conservation, we aim to introduce measures for crushing of returned waste concrete and processing of sludge water from concrete truck mixers, while closely monitoring developments leading to JIS revisions.



"We aim to shorten delivery turnaround time for the mainstay modular conveyors as the key theme of the conveyor-related business, while seeking to create a high quality and low-cost production structure. We also aim to eliminate the risk of having prolonged turnaround time on custom orders, one of our weaknesses. In the environment business, we aim to reduce emissions of greenhouse gas by producing carbonated fuel from dust coal burner under development for small- to medium-sized garbage processing facilities, and use it for asphalt plant fuel."

Business Division  
Manager, Industrial Machinery Sales Department **Tokuhiro Mitsumune**



## SWOT of Conveyor-Related Business

|  |  |                                 |                                       |
|--|--|---------------------------------|---------------------------------------|
| <b>S</b> trength   | <b>W</b> eakness   | <b>O</b> ppportunity            | <b>T</b> hreat                        |
| Capable of meeting customer need for short turnaround time | Risk of prolonged turnaround time when accepting custom orders | Demand in industry remains flat | Increasing import of cheaper products |

## Development and advantages of Conveyor-Related Business

Conveyor-Related Business started selling modular belt conveyors, our mainstay product, in 1979, and subsequently introduced the super modular conveyor products. Our share was the largest in the portable conveyor product industry at 62% in 2018. One prominent characteristic of the Conveyor-Related Business in sales aspects is that we sell products to machinery traders and plant makers as components, rather than directly to final users.

Our advantage is in our ability to establish mass-production structure through modular configuration, which allows manufacture of high-quality, low-cost products in short period. In the market for ship bottom-shaped BC, demand has shrunk to about 5,000 units currently, from slightly less than 5,800 units in FY2013 and from 25,000 units in FY1989, with rival companies decreasing in number.

## Conveyor-Related Business outlook and issues

We aim to shorten delivery turnaround time to about 10 days from the current figure of about two weeks as a way to improve profitability as demand remains flat in the conveyor-related business. Specifically, we set the target industry share of 60% in FY2021 (vs. 62% in FY2018) and sales of 3,000 units. We

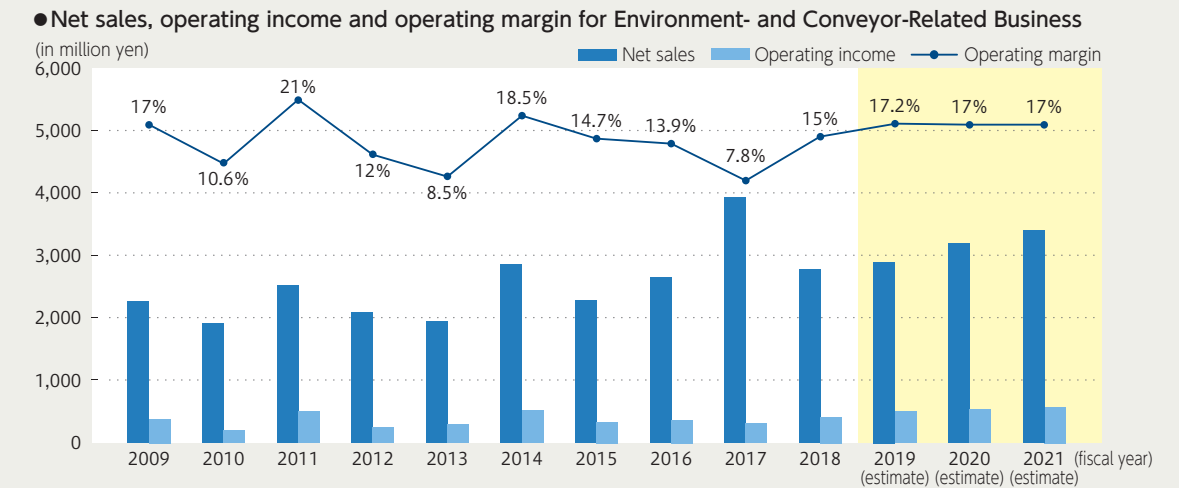
target 2.3 billion yen in sales for Conveyor-Related Business in FY2021, the final year of the New Medium-Term Management Plan (vs. 2.13 billion yen in FY2018), and improve gross margin by 5 points from the level in FY2018. A key issue is for our delivery turnaround to become prolonged for custom orders, which affects profitability.



**Modular belt conveyor**  
Conveyor using pipe frames whose lengths can be adjusted in increments of 10cm



**Super modular conveyor**  
A sealed-type conveyor that ensures higher safety



## SWOT of Environment-Related Business

|   |   |   |   |
|---|---|---|---|
| <b>S</b> trength  | <b>W</b> eakness  | <b>O</b> ppportunity  | <b>T</b> hreat  |
| Integrated operation of design, manufacture, sales and after-sales service<br>Accumulated core technologies | Trials-and-errors may happen due to frequent need to develop new technologies | Expansion of legal requirements related to FIT system and use of waste plastics | Speed at which legal measures change and failure to catchup with them |

## Development and advantages of Environment-Related Business

Environment-Related Business started in 2006 with a purpose to take advantage of Nikko's core technologies, including conveyance, mixing and kneading and heating, in an effort to expand business into various areas. Its key customers include large steelmakers, power utilities and industrial waste processing companies. We have won customer trust by conducting realistic tests using demo units

and performance evaluation. Net sales in FY2018 was 0.5 billion yen. The strength for the Environment-Related Business is in its integrated processes to AS, by utilizing our core technologies. We are seeing customers in industries other than asphalt plants or batching plants, leading us to believe there is strong potential for further growth.

## Environment-Related Business outlook and issues

We think the industry climate for the Environment-Related Business will remain solid in the medium to long term as new regulations, including FIT, have been introduced as part of effort to create a recycling-oriented society and a growing need for resolving climate change issues, including reduction in CO<sub>2</sub> emissions. We have had booths at trade shows and ran promotions on the website and ads, and impact of these efforts started to be felt since a few years ago. Specifically, we have high expectations for growth in the areas of recycling, including recycling of waste plasterboards and drink bottles, CO<sub>2</sub> emission reduction, including reuse of biomass energy, and soil decontamination. For the mainstay multi-dryer, we aim to strengthen sales of a new product that improves on the existing product. We also focus our effort on technology to turn waste plastics, cattle manure and chaff into subfuels and environment-related products aimed at reducing CO<sub>2</sub> emissions. We aim for an Environment-Related Business net sale of 1.1 billion yen in FY2021, the final year of the New Medium-Term

Management Plan. A key issue for us is the difficulty to have clear outlook due to the long time it takes to conduct tests, examines outcomes and then decide specifications. We also need to take measures for many deals that require continued servicing due to developed No.1 unit products.



**Multi-dryer**  
A dryer that can be used for a wide variety of purposes

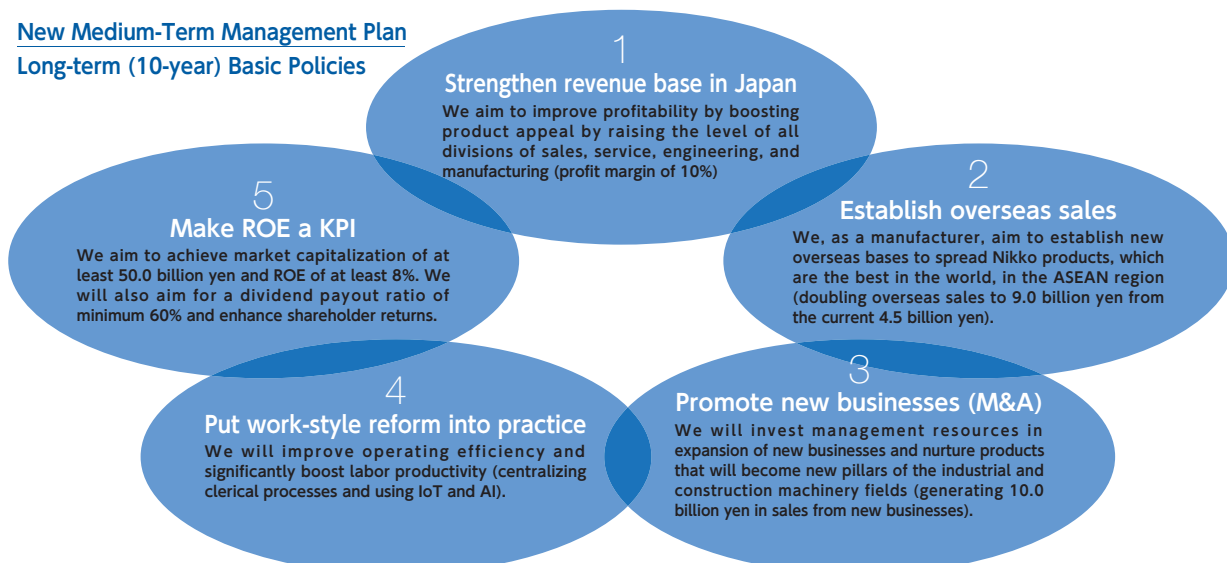
## Five Basic Policies established for the next 100 years

### Long-term Basic Policies in New Medium-Term Management Plan

Nikko has established the New Medium-Term Management Plan covering a period from FY2019 to FY2021. The New Medium-Term Management Plan is different from the past medium-term management plans in that we first painted a vision of what the Nikko Group wants to be in 10 years and then set numerical targets that need to be achieved in the first three years. Specifically, we aim to increase net sales by about 50% from the current level to 50.0 billion yen in 10

years. The New Medium-Term Management Plan has five long-term Basic Policies. Specifically, they are: **(1) Strengthen revenue base in Japan;** **(2) Establish overseas sales;** **(3) Promote new businesses (M&A);** **(4) Carry out work-style reforms;** and **(5) Include ROE in our KPIs.** In addition, we will strengthen corporate governance and implement business management that is highly transparent and vibrant (see pages 3-6).

#### New Medium-Term Management Plan Long-term (10-year) Basic Policies

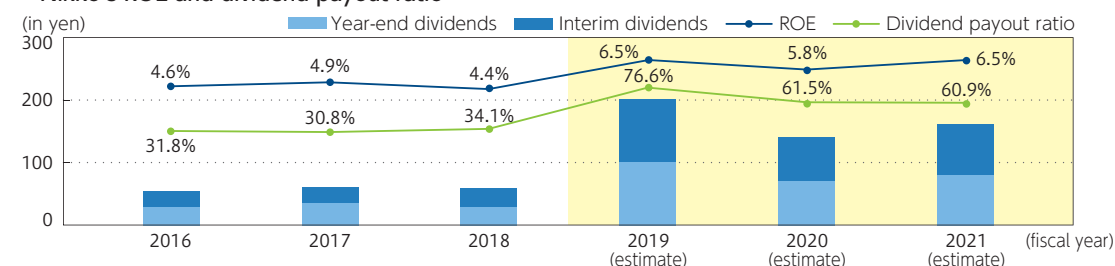


Setting these five policy items at the center, we will strengthen corporate governance and implement business management that is highly transparent and vibrant.

In terms of key performance indicators in the New Medium-Term Management Plan, we aim for ROE of at least 8% in the long term. Furthermore, we pledge a dividend payout ratio of at least 60%, aiming to enhance shareholder returns (vs. 4.4% ROE and 34.1% dividend payout ratio in

FY2018). The ROE target in FY2021, the final year of the New Medium-Term Management Plan, is 6.5%, still short of 8%, but we aim to further improve the figure by controlling increases in net assets and keep capital costs in mind in making management decisions (see pages 25-26).

#### ● Nikko's ROE and dividend payout ratio



### Review of previous Medium-Term Management Plan

During the period covered by the previous Medium-Term Management Plan (FY2016-FY2018), shipment volumes of asphalt mixture and concrete remained on a gradual downward trend in Japan, but the capital expenditure appetite of road-paving and ready-mixed concrete companies, our key customers, remained strong, driven in part by a surge in update demand. Average net sales of 32.0 billion yen and average operating income of 7.0% were targeted over the three years covered by the previous medium-term management plan, and the actual figures were 33.2 billion yen and 5.7%, respectively.

Net sales remained solid mainly in the existing business areas, but results from the new, development areas, including ASEAN- and mobile-related businesses, fell significantly short of targets. However, we were able to confirm strong interest in our products, especially VP, an asphalt plant that mainly produce recycled mixture, at NIKKO Messe 2018 product exhibition held at the head office plant in October 2018. This led us to form positive outlook on the earnings in FY2019 and beyond.

### Key aspects and specific measures of the New Medium-Term Management Plan

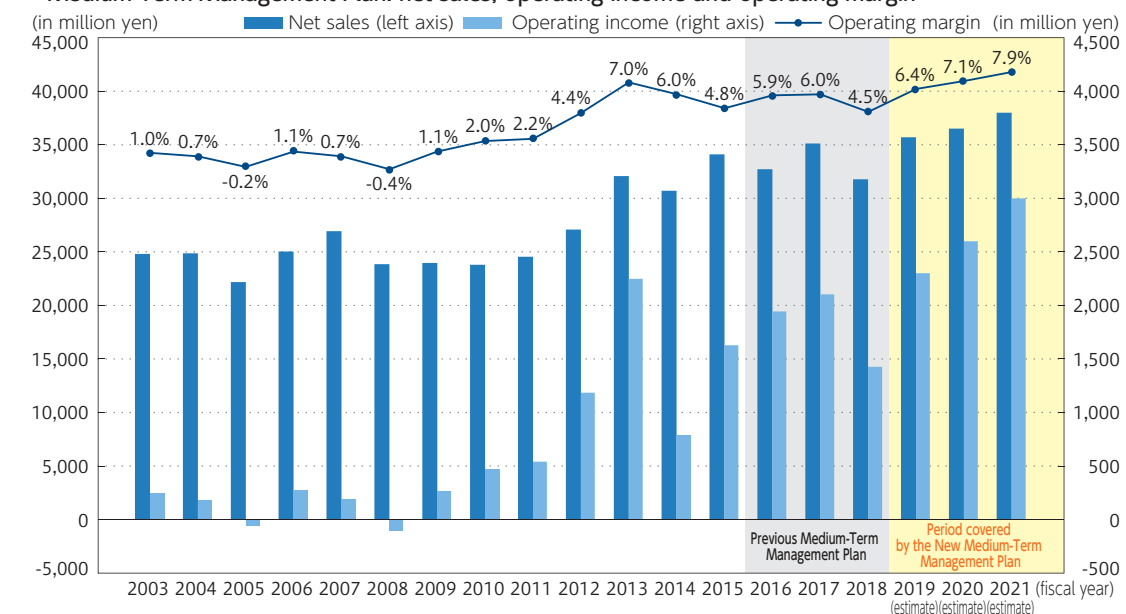
Let us explain the KPI targets we set for the five Basic Policies of the New Medium-Term Management Plan and measures to achieve them.

In terms of measures to bolster the domestic revenue base, we aim to achieve 10% in operating margin. This requires us to enhance the functions of sales, service, technology and manufacturing, as well as make our products more appealing. In the mainstay AP-Related Business, we expect a gradual downtrend in shipment volume of asphalt mixture to remain, but see a major business chance in the expected arrival of update demand for asphalt plants that were installed in large numbers in 1994 and before. Taking advantage of this opportunity, we aim to improve profitability by raising the combined share of MBD and VP, our new AP models that

mainly produce recycled mixtures, to over 50% of the overall domestic plant sales (FY2021). We also aim to boost sales of crushing plants, a new business area (see pages 11-12).

In batching plant business, we expect a drop in the number of ready-mixed concrete plants due to consolidation, but see the possibility that this may lead to a renewed appetite for capital spending as consolidation runs its course to optimum levels. As we expect demand for batching plants to remain flat, we aim to take advantage of the DASH brand's strength to boost the market share to 50% from the current 40%. We also aim to boost sale of concrete secondary products, including precast concrete, for which demand is increasing, by differentiating our products by developing and the new, high-performance mixer that forms the core of our BP products (see pages 13-14).

#### ● Medium-Term Management Plan: net sales, operating income and operating margin

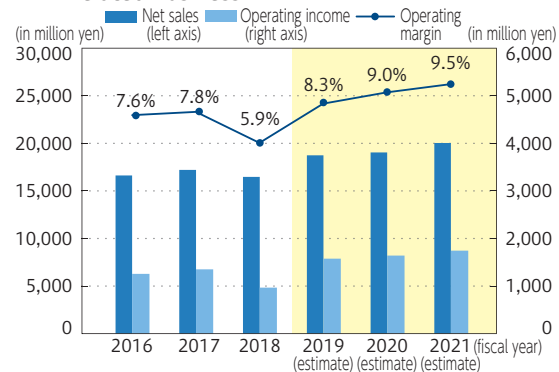




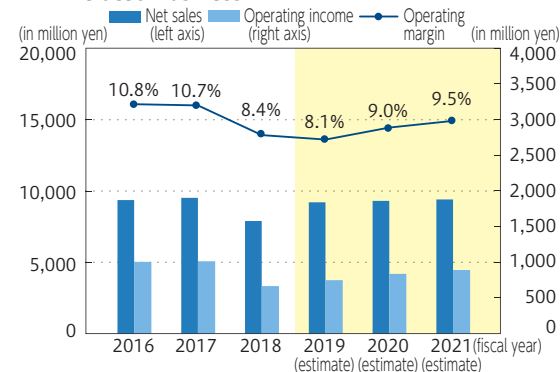
In Maintenance Services Business, we aim to introduce a wide variety of measures to achieve a future shift to a business model centered on asset management, paying attention to work-style reforms at customers and our company. We aim to encourage replacement to our manpower-saving, maintenance saving products, reform our methods of inspections by introducing the IoT technologies,

including the use of wearable sensors, and enhance our maintenance service by shifting from the current method of addressing issues after occurrences to what we call "before maintenance" in which maintenance work is performed based on results of diagnosis for signs of potential issues. We also plan to strengthen back-up structure for the Customer Support Center (see pages 23-24).

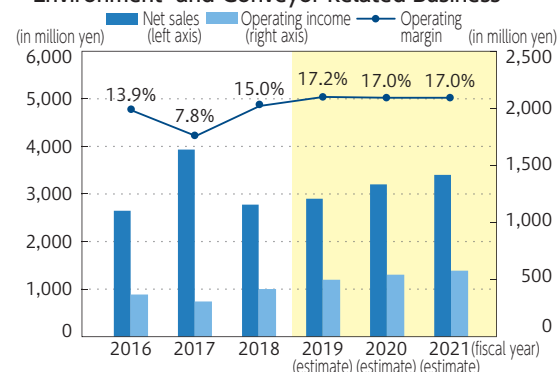
#### ●AP-Related Business



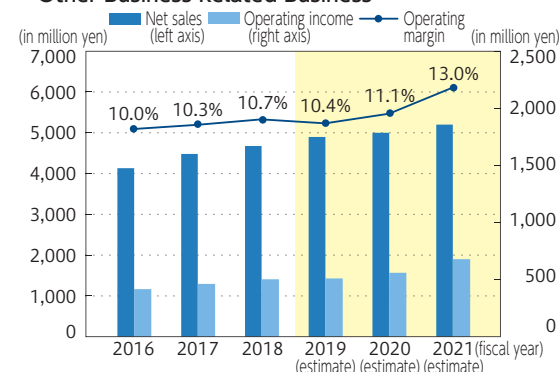
#### ●BP-Related Business



#### ●Environment- and Conveyor-Related Business



#### ●Other Business-Related Business



We aim to achieve 9.0 billion yen in net sales, one of the KPIs, from the 4.5 billion yen currently, for the overseas business. Nikko Shanghai in China, the centerpiece of our overseas strategy, is expected to remain in positive business environment for a foreseeable future, thanks to tighter environmental regulations in the country. Asphalt plants in China have so far been mainly for mobile systems for expressway construction, but demand for statistic systems is expected to increase, as in Japan. We also expect the share of recycled mixtures will increase in terms of both usage and amount mixed in. We expect this is positive for Nikko Shanghai. One concern is that Nikko Shanghai's AP output ability has come close to its capacity at 25 units per year, which has led us to expect only a slight increase to 3.6 billion yen in net sales in FY2021, the final year of New Medium-Term Management Plan period. We thus aim to expand margins by increasing added value of the plants. If more large, static APs are installed, it will create opportunity for us to increase the ratio of maintenance service, which has remained a little over 10% (see pages 21-22).

For ASEAN countries, including Indonesia and Thailand, which represent much of operations other than China, we aim to increase net sales to 2.5 billion yen in FY2021 from the 0.6 billion yen in FY2018. In particular, we boost sales in Thailand, where 180 units of used Nikko-made asphalt plants are in operation, by opening a new local subsidiary and starting used product business. In new business areas (including M&A), we aim to achieve a 10.0 billion yen in long-term net sales, a key performance indicator. For this, Mobile Plant Business is expected to play a key role. In Mobile Plant Business, Kleemann's mobile crusher is the mainstay. We aim to achieve net sales of 1.3 billion yen in FY2021, the final year of the New Medium-Term Management Plan (vs. 0.12 billion-yen FY2018) by combining the know-how we acquired through existing businesses and new product strategies, sales strategies and maintenance service strategies. Customer crushing plant companies in Japan are experiencing aging of their equipment, which has led us to expect an increased demand for mobile plants to replace aged ones (see page 20).



"In Mobile Plant Business, which is a new business area, we aim to achieve the top industry share and profitability in five years under a strategy centered on mobile crushers by Kleemann, which has high global sales share and superior performance."

Executive Officer, Business Division  
Manager, Mobile Plant Business Department

Takeshi Sone

## History of business development and features of products

Mobile Plant Business started in 2015 when we signed a contract for a distributorship in Japan with Kleemann, a German company whose mobile crusher commands the second largest global share. We launched a department specializing in the business in April 1, 2018. Our lineup also includes mobile belt conveyors by Northern Ireland's TrackStack, with which we have a Japanese distributorship contract, and small mobile crushers by Britain's Redrhino, in addition to Mobix, our mobile soil improver. In October 2018, we opened a Mobile Center in Yoshikawa, Saitama Prefecture, where we hold stocks and perform maintenance service. Main customers of Mobile Plant Business are stone crusher companies, companies recycling aggregates and steelmakers. According to the Japan Construction Equipment Manufacturers Association, the market size of mobile crushers was annual 120 units, increasing 20% from a year earlier, in FY2018 and it is expected to further expand, driven by the superior efficiency they provide. Nikko

currently has about 1% to 2% of the market, but aims to expand it to 33% over the next five years. Our rivals in Japan include Komatsu, Nakayama Iron Works, Ube Industries and Kurimoto.

The advantage of Kleemann's mobile crushers lies in their superior performance, including their sturdy construction, high crushing efficiency and low fuel efficiency (a half to one-third of rival product levels) thanks to the use of a direct engine driven mechanism that allows for minimal loss in energy conversion. We can sell them in combination with TrackStack's belt conveyors. Redrhino's products are offered customers needing small mobile crushers. However, our weaknesses of this business include our relatively low recognition in the domestic market due to us being a latecomer and relatively high pricing compared to rivals. We also need to enhance our service so that we can better perform maintenance work on engine and hydraulic components.

## Plans and Measures under the New Medium-Term Management Plan

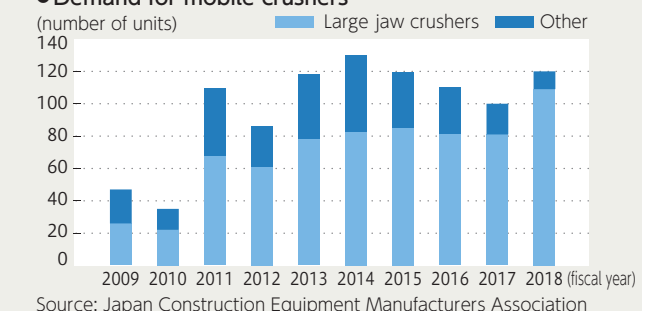
We set the target of 1.3 billion yen in sales of mobile products by the end of FY2021, the final year of the New Medium-Term Management Plan (vs. 0.12 billion yen achieved in FY2018). Crushing plants in Japan, our main target, are experiencing aging of equipment noticeably,

leading us to expect an increase in demand for mobile plants. Going forward, we plan to carry out measures including: (1) strengthening sales forces and build up service structure; (2) enhancing management and backup structures; and (3) enhancing functions of Mobile Center.



Kleemann products

#### ●Demand for mobile crushers



POINT  
2

## Strong appetite in China and ASEAN Overseas AP-Related Business capturing infrastructure demand

"We aim to contribute to road infrastructure development by addressing the needs of overseas customers using the technologies and know-how we accumulated over the 60 years of manufacturing asphalt plants."

AP Sales Department, Business Division  
Manager, Overseas Sales Department  
**Masahiro Ohashi**

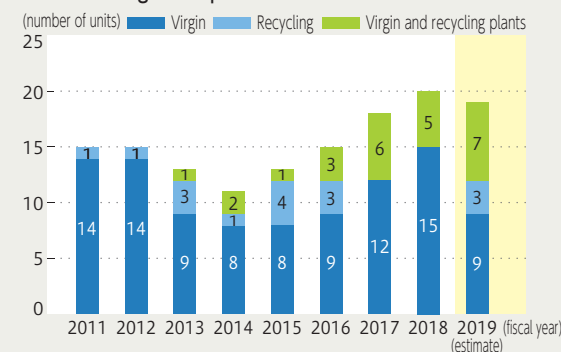


### Fact and future

Overseas business represents 12.1% of Nikko's net sales in FY2018, after growing rapidly over the past few years. Nikko Shanghai, our Chinese subsidiary established in 2001 and the key driver of the business, completed the Shanghai Jiading Factory in 2004 and opened the Shanghai office in 2006.

In China, which represents 88% of our overseas sales, we are focused on high-end asphalt plants as a strategy to differentiate from local rivals. Due to the growing need to address tighter local environmental regulations, there is an increased demand for recycling plants. We also recognize a shift from mobile to static systems. ASEAN and Russian Far East operations, the remaining part of overseas business, represented only 12% of overseas sales in FY2018. The New Medium-Term Management Plan aims to boost this figure significantly.

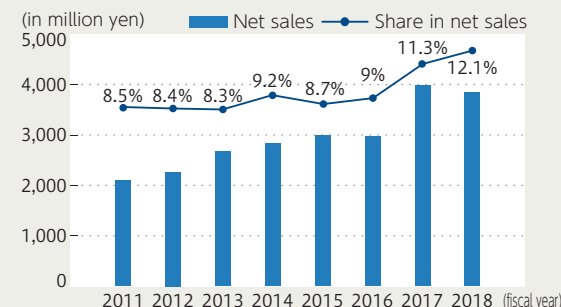
● Nikko Shanghai: shipment unit volume and breakdown



### Medium-term outlook on overseas business net sales

We aim to increase overseas net sales to 6.1 billion yen in FY2021, the final year of New Medium-Term Management Plan, from the 3.8 billion yen in FY2018. We expect only a slight increase in net sales to 3.6 billion yen at Nikko Shanghai (vs. 3.5 billion yen achieved in FY2018), accounting for the output nearing its full production capacity. But we aim for an increase to 2.5 billion yen in net sales from the ASEAN operations, led by Thailand (vs. 0.6 billion yen achieved in FY2018). In order to ensure the sales boost in the ASEAN region, we are planning to open a new local office. In Thailand, 180 secondhand units of Nikko asphalt plants, aged over 30 years, are in operation. We thus aim to step up sales effort to capture the opportunity when these units are replaced with new ones. We also plan to launch a secondhand product business.

● Overseas business: net sales and share in net sales



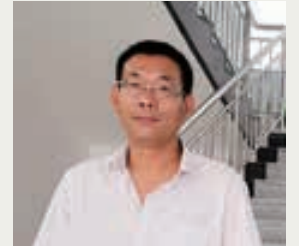
VOICE

#### Visit to local customer

"We chose Nikko Shanghai as we wanted to build an asphalt plant that has the best environmental performance in China."

We manufacture paving materials for expressway construction in Shandong Province. When we built a plant here, our focus was environmental, recycling and energy-saving features, and that is why we chose a Nikko Shanghai product. This is a composite plant that has 320 tons of virgin mixture and 120 tons of recycled mixture, and it is working without a problem now, after two years since it was installed. It in particular excels in energy conserving performance, and it has highly regarded for its output that meets the catalog performance. As the Chinese government requires high environmental performance, we want Nikko Shanghai to work to improve their products especially in the area of dust control.

CEO, Shandong Hi-Speed **Lu Bin**



### Asphalt plant demand in Thailand holds key to overseas business expansion

Nikko's overseas business started with the start of asphalt plant export to Thailand in 1967. Since then, we signed a tie-up deal with South Korea's Dong Ah Construction Industrial and a technology tie-up on burners with Germany's Benninghoven. Our overseas business centered on deals mediated by trading companies through the 1990s, but shifted to deals through the local office in China in the 2000s. We set up International Business Department in 2001, and opened the Beijing office and set up Nikko Shanghai in 2002. Outside China, sales to Thailand, Indonesia, Taiwan and Far East Russia are growing. For overseas business excluding China, we target 1.14 billion yen in net sales in FY2019 and 2.0 billion yen in FY2021, the final year of the New Medium-Term Management Plan,

compared to 0.6 billion yen achieved in FY2018. Over a longer term, we aim for 6.0 billion yen in FY2029. We think growth of Thai business and increase in used units are essential for achieving this target.

In particular, sales growth in Thailand is important as we expect a demand increase in the country as local customers currently using 180 used units of Nikko-made asphalt plants start to replace them with new models. We are thinking of setting up a local subsidiary in Thailand to take advantage of the expected demand growth, with a target to increase sales to 10 units per year, from current levels of two to three units per year. Demand in Thailand is mainly for standard products in medium sizes, with no special options.

### Characteristics of China's asphalt plant industry and Nikko Shanghai's strategy

China's asphalt plant users are mainly comprised of state-owned construction companies. There are no private-sector road paving companies. These companies mainly use NBD320 and 400, asphalt plants designed for urban projects, and TOPα120 and 160 recycling plants. There is an observed tendency for them to use larger units. They also seek better outward appearance.

Share of recycled mixtures used in China is estimated at 10% to 20% in China, compared to 75% in Japan, and the ratio of recycled mixtures mixed in is estimated at 20% to 30% in China, compared to 50% in Japan. We expect the use of recycled mixture to increase, driven by the difficulty to obtain virgin mixtures and the need to reduce production

costs. As environmental regulations are expected to be tightened and this includes tighter odor control, we expect demand for deodorizing equipment will increase, a positive factor for Nikko Shanghai's earnings. We also aim to boost sales from maintenance service, which currently represent about 10% of Nikko Shanghai's sales.

Nikko's strength in the Chinese market include our ability to provide viable environmental measures and achieve catalog performance, low occurrence of troubles, product durability, high fuel efficiency and easy-to-service designs. Our issues include the need to improve brand recognition, find new subcontractors, and hire more talents.



**CBD100AWD**

Standard asphalt plant model designed for Indonesian market, first delivered in 2016



**NBD120MBD-AR**

Asphalt plant for adding heat-recycling function targeted at Thai market, first delivered in 2016



## Maintenance Service Business that supports solid customer base

"We take advantage of our 30 years of experience to provide new values in addressing maintenance needs that change with times and performance improvement in devices."

Senior Executive Officer, Business Division  
Manager, Service Planning Department  
**Minoru Tanaka**

Customer Support Center

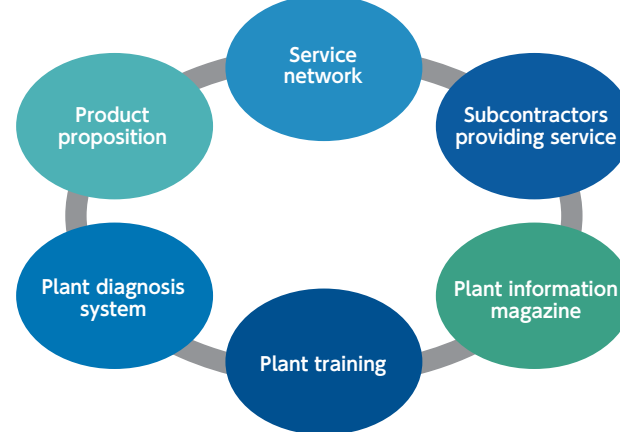
### Fact and future

Maintenance service (MS) business represents about 60% of combined sales of AP and BP businesses. It works to improve plant management at our customers.

Our maintenance service is provided through our service network consisting of 180 staffs in 17 locations nationwide as well as "Akitsu," an organization comprised of 200 subcontractors nationwide. In October last year, we set up a new Customer Support Center (CSC) on the first floor of our Head Office where we aim to establish a "Nikko One CRM Platform" under a variety of initiatives over a medium to long term.

The advantages of MS are its high flexibility, which is supported by Akitsu, and wide-ranging information on plants in operation, collected at CSC, while its weakness is declining skills due to a generational change of staffs engaging in maintenance service.

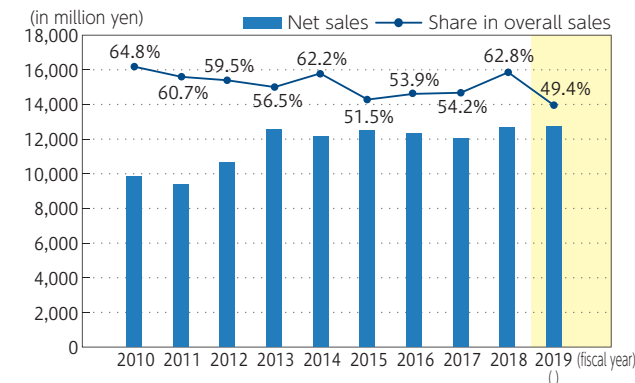
#### ● Service solution



### Maintenance service: Net sales and medium-term forecasts

Sales of MS reached 12.6 billion yen in FY2018, but growth has remained slow since FY2013. We target sales of 11.5 billion yen to 11.8 billion yen in the period covered by the New Medium-Term Management Plan (FY2019-FY2021), and do not expect net sales to increase. The major reason for this is a relative decrease in budget for maintenance and service as we plan to focus more on capturing strong user demand Nikko expects for plant equipment, led by asphalt plants. Maintenance of components and various repairs represent a combined 66% in the sales of MS. But we expect no sales from this area due to construction of new plants.

#### ● Maintenance Service: net sales and sales share

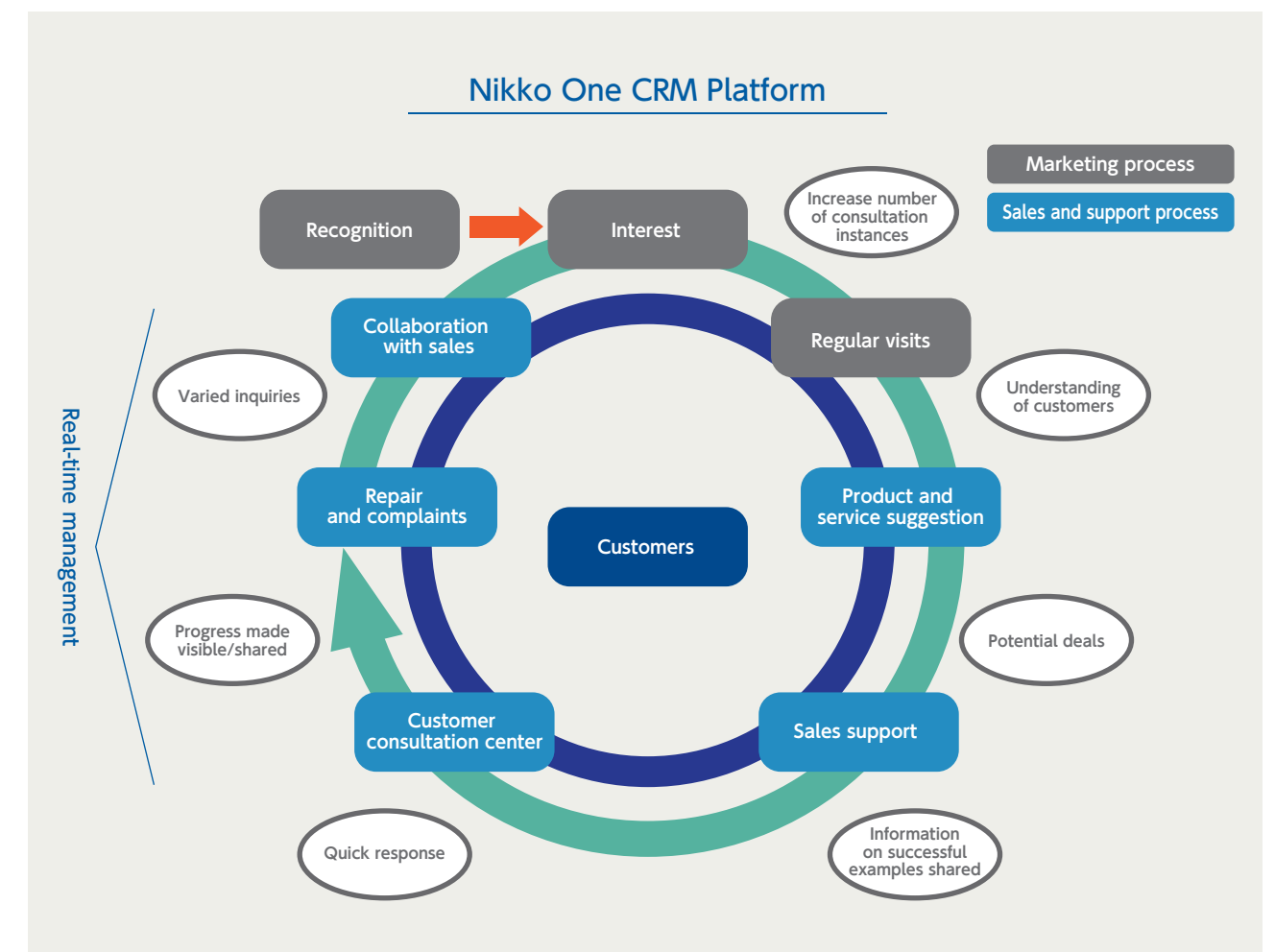


### Nikko's Strategy for MS

Under the circumstances, Nikko is implementing a new strategy in the MS business. Specifically, we are introducing what we call a "Nikko One CRM Platform," under which we aim to establish a new business model for the maintenance service business by connecting with customers and equipment. In this concept, "One" reflects views and philosophy for Nikko as a whole. We aim to look at customers from all angles on a customer relationship management (CRM) platform.

To achieve this, we aim to centrally manage information required for our service activity and share it among divisions

within the company and introduce a remote support system using wearable devices and an online conferencing system in the company. The final target vision for Nikko's CRM is work-style reforms that take advantage of systems, which will include creation of a free call center and customer portal site, customer equipment maintenance system, parts order center, "before" maintenance using AI, voice recognition and automated translation, robotic processing of formulaic work processes. It is necessary to respond to a trend where customers outsource maintenance.



### Issues for Maintenance Service

We expect profitability of MS to improve during the New Medium-Term Management Plan period. For this to happen, a shift from the current "after," or "after-the-fact" maintenance to "before," or preemptive, maintenance regime is essential. For the expansion of "before" maintenance regime, we think it is necessary to increase

remote maintenance contracts with customers by, for example, expanding sales of new control panels and boost skills of all service personnel. Including a shift to asset management, we aim to boost Nikko's net sales, which currently represent only 50% of customer MS, to 70% to 100% (= expansion of MS territory).



"We aim to simultaneously work to increase growth investment and shareholder returns, with the next 100 years in mind. We set ROE as a financial KPI, actively seek to sell strategic shareholdings and improve cash conversion cycle, and target an ROE of 6.3% in the New Medium-Term Management Plan."

Managing Director  
and General Manager of Financial Division  
**Hiroshi Fujii**

## Let me discuss four points from my capacity as CFO.

### We aim to focus on growth strategies centered on new business areas and overseas development.

We target net sales of 38.0 billion yen and operating income of 3.0 billion yen in FY2021, the final year of the New Medium-Term Management Plan, and net sales of 50.0 billion yen and ROE of at least 8% in 10 years. These are not the figures we came up with through extrapolation of the current levels of these indicators. Instead, we aim to achieve these ambitious targets by seeking growth in new business

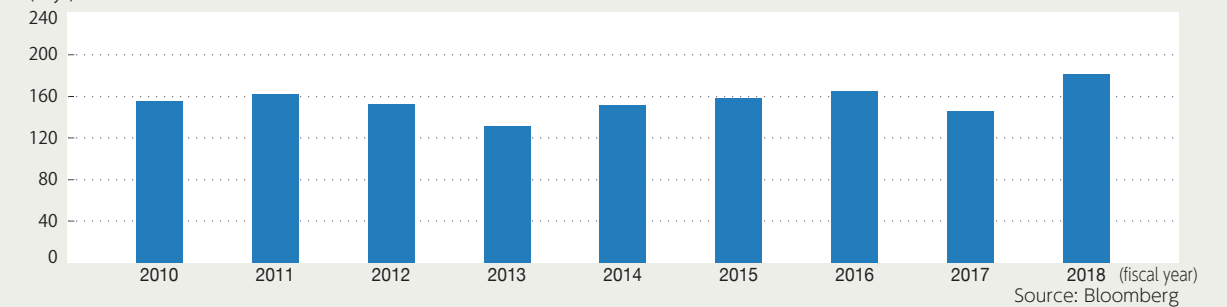
areas and overseas markets. In other words, these targets are our message that we have decided to focus on growth strategies with the next 100 years in mind, on the occasion of our 100th foundation anniversary, even if that means we must take some risks. I am determined to support financial aspects of these growth strategies.

### Capital + financial strategy: We will liquidate assets lying dormant on balance sheet into cash.

Nikko currently has assets totaling 44.0 billion yen, net assets totaling 30.0 billion yen and cash and deposits totaling 11.0 billion yen, meaning it has ample capacity to continue making investments. But there are still dormant assets on our balance sheet, and we are going to dig into them. Specifically, we aim to squeeze out cash of about 2.0 billion yen by selling strategic shareholdings and about 3.0 billion yen by improving cash conversion cycle (CCC). The policy for the sale of strategic shareholdings is to sell all shares in business partners with whom we do not have strong relationship. We believe we can improve CCC by asking customers, in principle, to make down payment when we receive orders for plants and eliminating bills whose repayment deadlines exceed 120 days.

As explained above, we are ready to carry out new investment of about 10.0 billion yen without taking out loans or raising capital. If we find an opportunity to acquire a business that will help our growth, we aim to actively pursue such opportunity even if the purchase price was as large as 10.0 billion yen, although, of course, we will examine the risk and opportunity before doing so. We will also aggressively take on opportunities for investment that we regard as leading to our growth by considering use of loans, if our existing funds are short. We do not see any cause for concern about our financial position, considering the about 30.0 billion yen in net assets we currently have.

●Cash conversion cycle  
(days)



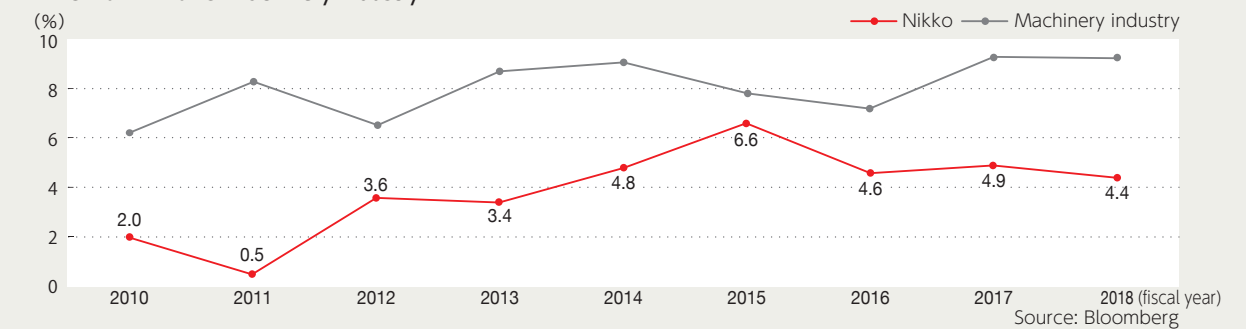
### Increasing both growth investment and shareholder returns: We set ROI as financial KPI

In terms of shareholder returns, we targeted a dividend payout ratio of around 30% until FY2018. In the period under the New Medium-Term Management Plan through FY2021, however, we aim for at least 60%. Our dividend payout target of 200 yen per share in FY2019 translates to an estimated 76%, 100 yen of which is a commemorative dividend. As we said above, we will be aggressive in pursuing growth investment opportunities, but as we have a high level of retained earnings currently, we will seek to increase both growth investment and shareholder returns

at the same time.

In terms of financial KPI, we aim to focus on ROE. ROE remained above 4% during the period of the previous medium-term management plan, but we aim for an average 6.3% for the three-year period of the New Medium-Term Management Plan. We aim to achieve ROE of at least 8% in 10 years, and for this, we think it is essential to make profit in the new business areas. We aim to use our funds actively on investments that can lead to making profits.

●ROE of Nikko vs. machinery industry



### IR and SR policy: We aim to enhance information disclosure and commit further to dialog with shareholders.

Finally, I am going to discuss IR. As we operate on a BtoB business model, our recognition among individual investors is low. Our shares have had low liquidity on the stock market due partly to a large percentage of strategically held shares. Recognizing that active information disclosure and active engagement with shareholders are a key part of investor relations, we aim to bolster information disclosure and dialog with shareholders starting in FY2018. Specifically, we started to hold telephone conferencing in the first and second fiscal quarters, in addition to results briefings which have been held twice each fiscal year. At NIKKO Messe 2018 held at the end of October last year, we also provided

an opportunity for individual and institutional investors and analysts to visit our plants and see new products. Furthermore, we have started to disclose summary of our presentations and question and answer sessions at results briefings and telephone conferences, as part of efforts to provide a variety of information to institutional and individual investors in a timely manner. These down-to-earth initiatives, we believe, have led to a significant improvement in our shares' liquidity in the current fiscal year. We are determined to keep these improvements going and commit further to improving information disclosure and maintaining dialog with shareholders.





The Nikko Group's business is deeply connected with society and the environment. We consider it essential to provide solutions for social issues, satisfy our customers and employees, and co-exist with local communities, for the Nikko Group to continue improving our corporate value.

Managing Director and General Manager of Corporate Planning Division  
**Hiroyuki Sakurai**

To achieve our mission, "future creation that starts from an *"n"* (contribute to future society through corporate activities), it is essential that we co-exist with society and have a harmonious relationship with the environment.

We identify the following four themes as key items in our efforts to achieve sustainability based on the interest society has and the level of their importance for the corporate value of the Nikko Group.

## 1 Provide solutions for social issues and pursue business opportunities.

### SDG 11

Make cities and human settlements inclusive, safe, resilient, and sustainable



### SDG 12

Ensure sustainable consumption and production patterns



### SDG 13

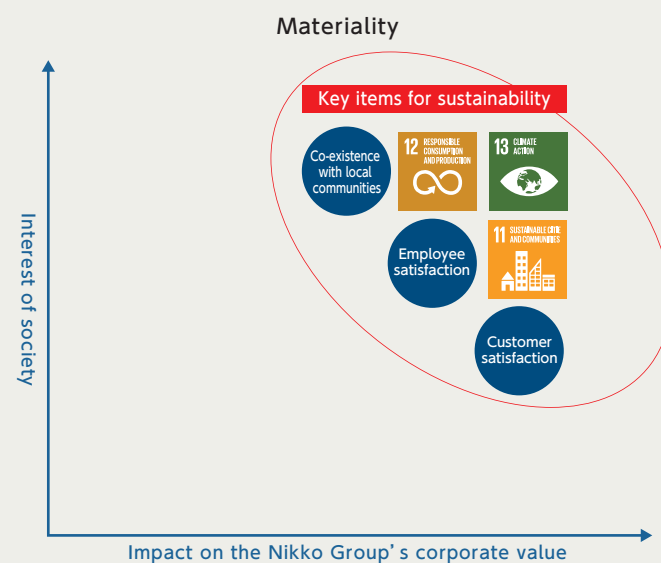
Take urgent action to combat climate change and its impacts



## 2 Pursue customer satisfaction

## 3 Pursue employee satisfaction

## 4 Co-exist with local communities



## Co-existence with local communities

Our Head Office is located in Akashi City, Hyogo Prefecture—the place our factory was located when the company was established. In addition to our involvement in regional revitalization projects implemented by Hyogo Prefecture and Akashi City, the Nikko Business Foundation has been offering grant scholarships for 30 years since 1989 to domestic and overseas students enrolled in the universities and institutes of technology offering a five-year program specializing in technology/engineering in Hyogo Prefecture and students from Hyogo Prefecture.

Furthermore, the Foundation provides research grants to researchers (supervisors) who conduct research on technology development in the research laboratories of the universities and technology/engineering colleges in Hyogo Prefecture or researchers who reside in Hyogo Prefecture and work for universities or other similar institutes. The Foundation was established in the 70th anniversary of Nikko Co., Ltd. with the aim of contributing to the local communities through the development of technologies and competent human resources.

# R&D Framework Underpinning Customer Satisfaction

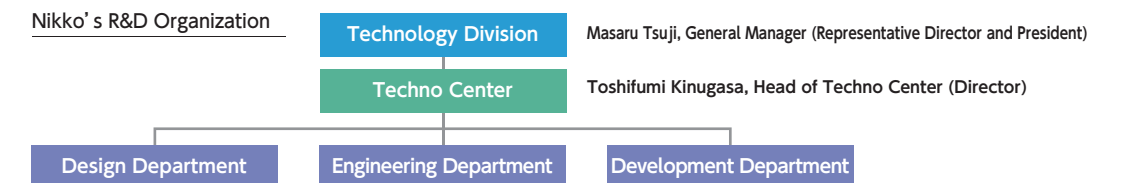


Utilizing the unique technological know-how of the Group, we work with our customers to find solutions for challenges they face and provide products and services that they appreciate and choose to use.

Director and Head of Techno Center, Technology Division  
**Toshifumi Kinugasa**



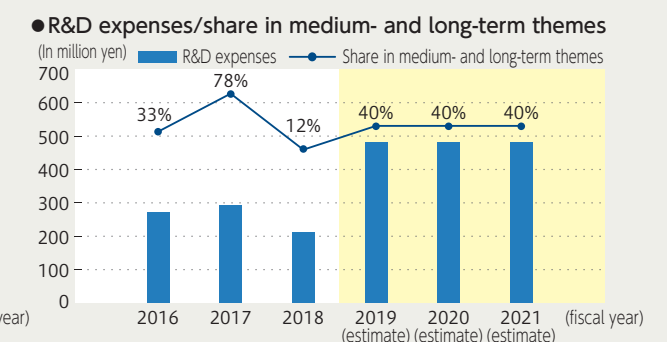
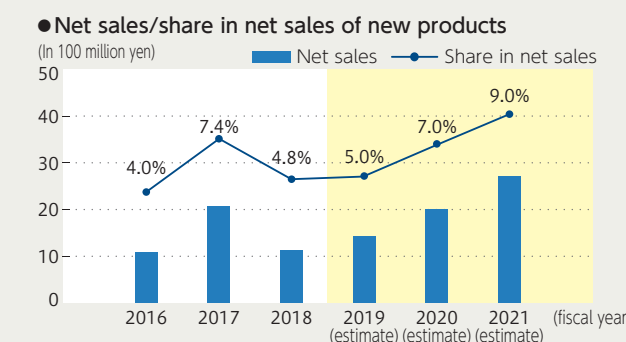
## Nikko's R&D Organization



## Improve R&D Management Know-how and Expedite Product Development

The Development Department is at the core of Nikko's technologies. The New Medium-Term Management Plan identified the following as the important goals of the Development Department: (1) develop products in the existing areas; (2) cultivate new businesses; (3) expedite development;

and (4) overseas strategy. As its KPIs, the Development Department aims to achieve a 9.0% share in net sales of new products in the fiscal year ending March 2022 (compared to 4.8% in FY2018) and to maintain a 40% share in the medium-term themes in the R&D budget (compared to 12% in FY2018).



To achieve these KPIs, it is essential that we develop human resources for the Development Department. Under the New Medium-Term Management Plan, we consider it necessary to not only improve our technological know-how through four core technologies (heating, mixing and kneading, machinery, control) but also enhance management skills to make adjustments across different areas depending on development themes. For further development of the core technologies, we will create a roadmap for the development of each core technology, clarify priorities, and concentrate resources in priority areas. We will also actively facilitate joint development with other industries and companies to make up for what is lacking in our company. To expedite product development, it is

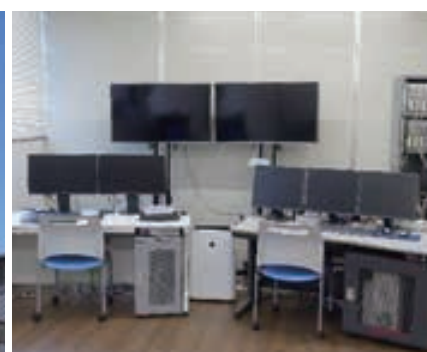
important that we raise the efficiency of testing and experiments. At the same time, we will promote the digitalization of operations and the systematization and visualization of the existing technologies. Of the 102 staff members in the Technology Division, 26 are assigned to the Development Department (as of March 31, 2019), which comprises five teams specializing in AP, BP, plant engineering, control, and intellectual properties. The Development Department and Engineering Department, which used to be in different locations, moved to the same office when Techno Center was built on the site of the Head Office in September 2018. This led to the strengthening of their collaboration for product development.



We regularly offer operator training programs to provide managers and engineers of our corporate customers with training on the operation of machines and technologies used in their plants.



New training center



Since its opening in 1969 which coincided with the 50th anniversary of Nikko, the operator training center has been providing two-week training programs for 50 years to Nikko's AP/BP plant users throughout Japan for the safe use of our products. The program consists of 38 hours of lectures and 38 hours of practical training and is designed to improve the operating skills of plants and to provide advanced knowledge on machinery and electric control.

We have so far offered over 200 operator training programs for a cumulative total of more than 5,000 participants. The past participants of this operator training program have become senior managers and often recommend junior staff or younger colleagues to take part in the program. The program has also provided networking opportunities for customers who have participated from their workplaces throughout Japan. It has become a main pillar for our *pursuit of customer satisfaction*.



Lecture



Practical session using a burner



Practical session on conveyor maintenance

## Customer's Voice | 1

### Showa Hodou K.K.

Showa Hodou K.K. upgraded their aggregate supply unit, virgin dryer, back wash bag filter, top-drum recycling unit AS tank, and heavy oil tank in 2016 and replaced their asphalt plant and skip elevator in May 2019.



#### Q&A

**Q:**Can you explain why your company upgraded your plant facilities?

**A:**Our old plant was purchased in 1992 when our company was established and was 27 years old. We decided that it was time we upgraded the aged plant to a plant that would care about the surrounding environment so that we could broadly supply high-quality asphalt mixtures.

**Q:**Was there anything that you particularly found difficult, needed to be careful, or place importance when rebuilding your plant?

**A:**Because our site is extremely small and the land is sloping, we decided to use the top-drum recycling unit and the BonD type which has a bag filter on top of the virgin dryer to achieve a very compact layout. We also re-planned the circulation flow in the site. By reviewing the traffic line of dump trucks and the waiting position of tanker trucks, we tried to improve the safety and efficiency of plant operation.

**Q:**What kind of improvements have been made compared to the previous plant? How do you evaluate the new products?

**A:**The previous plant was installed in 1992. It used the dual motor dryer (DMD) manufactured by Niigata Tekko. Replacing it with the direct heating recycling unit has raised the production of recycled materials with less time and increased the mix rate of recycled mixtures. Furthermore, the back-wash bag filter we purchased at the same time was not a pulse-type. As it uses a blower to remove dust, it only produces a very small noise and does not blow off much dust. We are happy with it. The new burner is also fuel efficient and low noise, which is better for nearby residents. Despite the compact layout, there is a large maintenance space and wide paths for each equipment. Feeders with fins to stop spillage is also well received within the plant.

**Q:**Finally, can you give us a brief message?

**A:**We greatly appreciate Nikko Co., Ltd. and others involved in the building of our plant for their efforts to safely complete the building of the plant as scheduled without any accident in a site with a limited space. We will appreciate your support for many years to come.

## Customer's Voice | 2

### Ozawa Corporation

Ozawa Corporation, a group member company of the Kanto Ube Concrete Corporate, introduced a batching plant equipped with Nikko's latest-model 2.75 cubic meter mixer (DASH-Hyper) and the latest-model network console (Cyber advance) in 2018.



#### Q&A

**Q:**What was the key point when your company decided to upgrade your plant?

**A:**The main reason was the ageing of the plant. Our plant was built in the Showa era (except for the mixer and scale which were renewed in 2002). We were spending a sizeable sum on the maintenance and repair for its facilities. In addition, we aimed to achieve consistency in quality through the upgrading to the latest model.

**Q:**How do you feel now that the upgrade work was completed?

**A:**The defects of machinery have reduced dramatically. We are now able to supply ready-mixed concrete with consistent quality. The mixer also achieves high performance in mixing high-strength, high-flow concrete with less mixing time, which allows us to ship products efficiently.

**Q:**How do you find Cyber advance, which is the latest-model console equipped with a tablet?

**A:**We were initially puzzled by it because the layout of buttons differs from that of our previous console. But once

we have got used to it, it was easy to use and learn it. We normally use the tablet as a display monitor for slump testing. When maintenance work is taking place, we bring the tablet into the plant and use it to operate machinery from there. We find it very useful because one person can now safely manage the work that used to be done by two or more people.

**Q:**Lastly, can you tell me if you have any opinion on or request to Nikko?

**A:**We want Nikko to develop even better products that consider the ease of use for end users. We especially hope them to create products that focus on the ease of maintenance such as daily cleaning. We are already using remote maintenance and other services and look forward to further advance in trouble prevention technologies.



# Pursuit of Employee Satisfaction



Participants in the Roundtable Talk

|   |  |  |  |  |   |
|---|--|--|--|--|---|
| <b>Rie Imada</b><br>Cost Management<br>Department<br>(Joined Nikko in 2015) | <b>Sayoko Taketsugi</b><br>Legal Section,<br>Financial Division<br>(Joined Nikko in 2019<br>as a mid-career recruit) | <b>Daiki Sawaguchi</b><br>Production Control Office,<br>Manufacturing Division<br>(Joined Nikko in 2012) | <b>Tetsuya Higuchi</b><br>Quality Assurance<br>Office, Manufacturing<br>Division<br>(Joined Nikko in 2016) | <b>Yuki Tachiki</b><br>General Affairs<br>Office<br>(Joined Nikko in 2013) | <b>Toshiyuki Kitazume</b><br>Techno Center<br>Design Department<br>(Joined Nikko in 2015) |
|---|--|--|--|--|---|

●The sections the participants belong to were as of the date of the talk (July 2, 2019).

**All employees are the most valuable asset for Nikko. The workplace environment where each person is able to unleash their abilities to the maximum and to endeavor to improve the quality of life is a source that creates new values. Six people of the Millennials generation who drive the next generation of Nikko have come together to discuss workstyles and a sense of fulfillment gained from work. Although the participants were initially a little shy, they gradually got to know each other and started revealing their true feelings.**

## Reality and challenges of workstyle reform

**Tachiki:** This is the seventh year since I joined Nikko. I am currently responsible for recruitment in the General Affairs Office. Workstyle reform is an important management theme. We launched a system reform project in April this year and are currently examining specific measures that are unique to Nikko and will go further than simply complying with laws and ordinances. Can you tell me what changes are occurring in your workplace?

**Higuchi:** This is my fourth year in Nikko and I belong to the Quality Assurance Office. There is a strong awareness about promoting the use of annual leave entitlements and there is an atmosphere to come up with ideas to enable everyone to take ten days of annual leave each year.

**Sawaguchi:** This is my eighth year in Nikko and I work in the Production Control Office. We used to sometimes work until 9 or 10 o'clock at night, but currently, we are working on reducing after-work hours and are encouraged to take one day of annual leave a month.

**Kitazume:** This is my fifth year in Nikko and I work on designing conveyors in Techno Center Design Department. In the Techno Center Design Department, there is a stronger awareness about leaving work early. But there has been no change to our workload. This means we need to change the way we work. We are currently working on standardizing drawings and reducing the number of drawings we prepare. This, however, makes it harder for the manufacturing section to understand the drawings. We need an understanding and cooperation from different departments.

**Taketsugi:** It has been three months since I joined Nikko. I moved to Kansai after my marriage and joined Nikko as a mid-career recruit. I currently work for the Legal Section in the Financial Division. We are strongly encouraged to leave office on time. To do this, we are making efforts such as clearly prioritizing our duties and setting a deadline for each task and writing it down in our schedule.

**Imada:** This is my fifth year in Nikko. I prepare quotes for asphalt plants (AP) in the Cost Management Department. I returned to work this April after taking maternity leave. Because we have more members in our team, I am well supported even when I have to suddenly take a day off due to my child's illness or other reasons. Quote preparation for AP is standardized to a certain extent. I myself try to support other staff members when I have time so that specific people do not shoulder an excessive share of the workload.

**Kitazume:** Designing relies heavily on individual work and it is currently difficult to share work within a team. In many cases, a person in charge of a certain job is the only person who can answer inquiries about it. It would be better if we can make each person's work more visible.

## Workstyle and efficiency

**Tachiki:** Each workplace seems to have different challenges. If you are doing anything to work efficiently within the stipulated work hours, can you share it with us?

**Higuchi:** Quality Assurance receives many requests from relevant sections. If I am not sure whether a particular request falls under the scope of our duties, I will seek advice from my supervisor. When I first joined Nikko, I just doggedly did whatever work I was given, partly because I did not understand the scope of our duties well. But I now feel it is necessary to be brave enough to say "No" when a lot of high-priority tasks are waiting to be processed.

**Sawaguchi:** Production Control is also an indirect section for the production site and handles a wide range of work. As I have some experience now, I can prioritize tasks from the viewpoint of how it will contribute to improving the efficiency of the entire plant.

**Kitazume:** The Techno Center Design Department is asking sales sections to provide supplementary information when they give us design requests. If we are asked to do a task urgently without any information, we cannot judge whether

we should prioritize their request or the work that we are doing at the moment. This will suddenly increase our workload and force us to work long hours.

**Taketsugi:** The Legal Section is working on preparing manuals for what we do so that we do not depend on particular individuals for certain work. We are recording the work we have done and organizing manuals so that other staff members can handle it without stress.

**Tachiki:** Information technology is essential for raising operational efficiency. Are you doing something about this?

**Higuchi:** Quality Assurance is working on the digitalization of the inspection result report. We believe that being able to search inspection records as data will raise efficiency.

**Imada:** We are looking into upgrading the quotation system. We are hoping that digital processing of data will make input operation unnecessary, reduce errors, and dramatically improve efficiency.

**Kitazume:** Design is working on the introduction of 3D CAD. When we prepare drawings using the existing 2D CAD, subtle discrepancies often arise between the drawings and customer needs. We then have to revise the drawings. With 3D CAD, we can show a 3D image while we are designing. This will make it easier for sales staff to talk about products with customers and we expect that there will be less do-over work like this. Having said that, we are concerned that using 3D CAD may lower our operation efficiency in a short term because we are not used to using it. It will be of a great help if there is a specialized support team that helps us from the introduction of a new system to training.

**Sawaguchi:** I totally agree! Please make an IT support team that dedicates itself to raise operational efficiency (laugh).

## Motivation and a sense of fulfillment gained from work

**Tachiki:** We have heard various opinions about how to make your work easier. What do you think is needed to give you a greater sense of fulfillment from work?

**Sawaguchi:** In Production Control, we look at figures such as an output of each project or profit margins. Recently, we received an award in the company for our achievement in an operation improvement process. I felt that we were rewarded for our efforts. I was very happy to hear words of encouragement and praise from my supervisors.

**Imada:** When we prepare quotes, we do not necessarily get contracts; as a result, we do not feel a sense of achievement often. But when I can produce a quote in a shorter time using my experience, I feel that I have grown. I think a simple word of "Thank you!" from people in sales sections will raise my motivation even higher (laugh).

**Sawaguchi:** It will be great to have opportunities for employees and their families to get together to make communication at workplace easier. It is said that people in my generation tend to avoid participating in drinking sessions with bosses or colleagues or events organized by the company. But personally, I want more opportunities to talk with people in my workplace in a more casual atmosphere. I would appreciate support for leisure activities of each workplace.

**Higuchi:** I am still single, but I support family events! (Laugh)

**Imada:** I am working shorter hours after returning to work from maternity leave and will be happy to see more options in terms of work hours and career paths. Nikko has a strong image as a conservative, male-centered, building machinery manufacturer. If we can communicate that women are working in Nikko with various options, I think we can change that image slightly.

**Taketsugi:** If we have a flexible human resources system with many options such as flexible work hours, it will be much easier for women to work. It may be difficult to introduce this to the manufacturing site, but there seems a scope for maneuvering.

**Imada:** I was able to imagine that I would be able to continue working after childbirth because there was an option of working shorter hours as long as I worked six hours a day. I hope that there are structures that allow not only women but also employees who have some restrictions to continue working and that many people use them.

**Tachiki:** I value your input as we are having an uphill battle recruiting new female graduates. Thank you for sharing valuable opinions on workstyle and a sense of fulfillment from work today. I would like to create an opportunity like this again and deliver the honest voice of younger employees to our management. I appreciate your participation in today's talk.





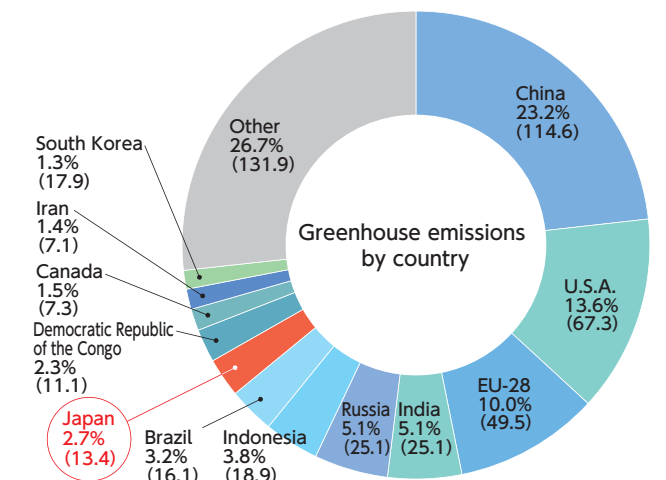
To reduce greenhouse gas emissions from asphalt plants, Nikko is mobilizing its technological knowhow

Nikko's environmental initiatives began in the 1970s when we took on the challenge of recycling asphalt pavement waste, which was a social issue at the time. In 1977, Nikko commercialized a new plant that would recycle asphalt pavement waste. We have contributed to building a recycling-oriented society as almost all of such waste are currently recycled. One of the major for modern society is to reduce greenhouse gas emissions to address climate change risks. The Paris Agreement which took effect in 2016 as a new

framework for combating global warming requires efforts to keep a global temperature rise well below 2 degrees Celsius compared to pre-industrial levels. Japan is one of the countries that have ratified the Agreement and aims to reduce emissions by 26% by 2030 compared to 2013. Japan produces 1.34 billion tons of greenhouse gases, accounting for 2.7% of the global emissions. (Actual figures in 2016) Asphalt plants (AP) all over Japan produce approximately 1 million tons of greenhouse gases a year. We recognize that

and accelerating the development of new products.

contributing to the creation of a low-carbon society by reducing their emissions is a major challenge Nikko faces. As alternative fuels that will replace heavy oil, we use various types of biomass fuels (e.g. wood chips produced from the debris left by earthquakes and carbonized fuels generated in garbage processing facilities) in the combustion system of APs to achieve both high combustion efficiency and greenhouse emission reductions.



Source: Website of the Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry  
(The figures are actual results for 2016, percentages are shares in total emissions, and the figures in the brackets are the volume of emissions in 100 million tons.)

Nikko's efforts in combating climate change challenges using environmental technologies

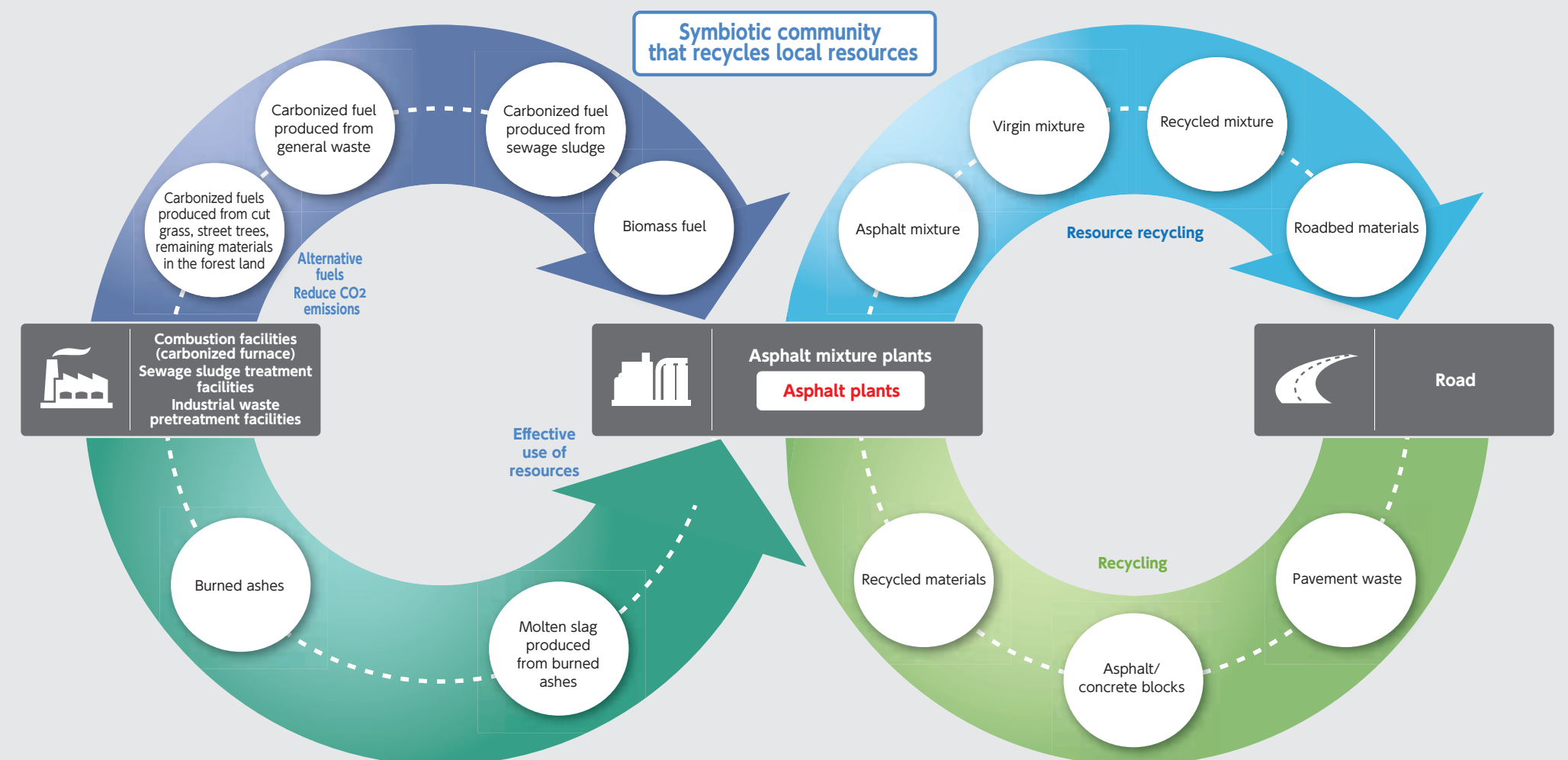
## Reduce carbon dioxide (CO<sub>2</sub>) emissions from asphalt plants using

The reduction of environmental stress caused by diesel engines used in mining and construction machinery, including reduction in greenhouse gas emissions, has been rapidly progressing due to the tighter global emission control. In this situation, asphalt plants produce over 40 million tons of mixtures in Japan and use 10 liters of fuel (heavy oil) to produce 1 tons of asphalt mixtures. The emission volume of CO<sub>2</sub>, which is one of greenhouse gases, from asphalt plants is estimated at 1 million tons a year. Of construction machinery, asphalt plants are the largest CO<sub>2</sub> emitters. While road paving companies are trying to reduce CO<sub>2</sub> emissions by reducing a plant's heating temperature, this has not produced a satisfying outcome. Nikko, together with Kawasaki Heavy Industries, Ltd., is working on the "evaluation project of pioneering waste management systems, etc. in small- and medium-sized waste management facilities" sponsored by the Ministry of Environment, under a three-year plan covering FY2018 to FY2020. The project aims to develop "carbonized fuel burner" to burn carbonized fuel (harmless fuel created from garbage) generated in garbage processing facilities (whose processing volume is 100 tons or less a day) of local governments spread in Japan. Using this carbonized fuel burner through this project, we aim to reduce CO<sub>2</sub> emissions of asphalt plants located in approximately 1,100 places throughout Japan.

If asphalt plants using carbonized fuel produced from garbage can be introduced for practical use, road paving companies that use it can cut fuel costs and reduce CO<sub>2</sub> emissions at the same time. Furthermore, turning fly ashes and bottom ashes produced in garbage processing units into molten slag and effectively using it as aggregates for road paving will contribute to the building of a recycling-based society.

**Nikko's environmental equipment is enhancing its ability to address climate change risks by incorporating core technologies of drying, heating, mixing and kneading, and control, in a cross-sectoral manner.**

## carbonized fuels generated in garbage incineration facilities







**Masaru Tsuji** **VS** **Tsutomu Yuasa / Noriaki Nagahara**  
Representative Director and President (Chair of the Board of Directors) Outside Director (Independent Director) Outside Director (Independent Director)

**President Tsuji** (Chair of the Board of Directors) **and two Outside Directors** (Independent Directors) **spoke about enhancing governance, which is a foundation for Nikko's sustainable growth.** (The talk took place in a meeting room in the Head Office on July 22, 2019.)



## Discussion points in the Board of Directors

“The lack of aggressiveness might reflect the shortage of human resources.” ..... **Yuasa**

“Learning from the mistakes made in the past management decisions is also important.” ..... **Nagahara**

“I am aware that human resources development is a management theme we need to urgently deal with.” ..... **Tsuji**

**Tsuji** The Board of Directors wants to discuss *now for the future*. In other words, we want to clarify Nikko's vision in ten years' time and what we should do in the short- and medium-term to approach this vision. Your perspectives and advice as Outside Directors are very helpful because you set the course of the Board's discussions right, which tend to be rather skewed if we only rely on the internal perspectives.

**Yuasa** I believe I express honest opinions based on my experience in managing listed companies including a home appliance maker and ready-made food producer. In-house directors sincerely listen to my opinions. I feel there is an open atmosphere that makes it easy to express different views. However, if I may give one scrupulous opinion, I feel that there is a lack of speed when implementing what the Board has decided to do.

**Nagahara** I utilize my experience as a lawyer to actively voice my opinions on governance required by law. I am also endeavoring to respect the position of minor shareholders. I also feel that Nikko's Board respects opinions of outsiders.

**Tsuji** When the Board was discussing the contents of the Medium-Term Management Plan, which would start afresh this term, I felt that we somewhat lacked the gumption to

boldly take risks to achieve growth.

**Yuasa** I think the lack of aggressiveness might reflect the shortage of human resources. In my previous workplace, I was taught to *create people before making things*. I think Nikko urgently needs to enhance the development of internal human resources and recruit from outside.

**Tsuji** As you pointed out, it is true that we tend to lack personnel who can oversee the whole, partly due to the segmentation of the operation process for productivity improvement. Even if we do M&A, our problem will be who we should dispatch as management. I am aware that human resources development is a management theme we need to urgently deal with.

**Nagahara** Aiming to achieve growth through M&A is a major management challenge. With respect to M&A, however, learning from the mistakes made in the past management decisions may also be important. I think Nikko has the past cases that it should reflect on.

**Yuasa** When we conduct M&As in overseas markets, we need to overcome racial and cultural differences. We need to work on the diversification of our human resources together with human resource development.



**Masaru Tsuji**

1985 Joined Hitachi Zosen Corporation.  
1987 Joined Nikko Co., Ltd.  
2007 Executive Officer, Nikko Co., Ltd.  
2008 Director, Nikko Co., Ltd.  
2011 Managing Director, Nikko Co., Ltd.  
2015 Senior Managing Director, Nikko Co., Ltd.  
2019 Representative Director and President, Nikko Co., Ltd. (current)



**Tsutomu Yuasa**

1970 Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation).  
2002 Joined Rock Field Co., Ltd.; appointed as Director.  
2005 Managing Director, Rock Field Co., Ltd.  
2008 Senior Representative Managing Director, Rock Field Co., Ltd.  
2014 Vice-Chairman, Board of Directors, Rock Field Co., Ltd.  
2016 Outside Director, Nikko Co., Ltd. (current)



**Noriaki Nagahara**

1984 Registered as attorney. Joined Harada Law Office.  
2007 Established Kobe Jugobankan Law Firm; appointed as Director (current)  
2015 Outside Director, Nikko Co., Ltd. (current)



## Board of Directors' Independence

“Nikko should organize a structure from the level of Executive Officer candidates so that Outside Directors can be involved in the selection of the next generation of management staff.” ..... **Nagahara**

“I believe we are not allergic to changing ourselves into a structure that can increase effectiveness.” ..... **Tsuji**

“We need to reconstruct the personnel evaluation system for successor candidates.” ..... **Yuasa**

**Tsuji** We currently have two Outside Directors. We have also appointed two new Outside Corporate Auditors, who are Independent Directors. In total, four out of twelve, i.e. one-third of the Board, are Independent Directors. I have followed the precedents and became the Chairman of the Board when I became the President. However, I believe we are not allergic to changing ourselves into a structure that can increase the effectiveness of the Board of Directors by listening to the opinions of Independent Directors.

**Yuasa** We need to reconstruct the personnel evaluation system for successor candidates to allow Outside Directors to get involved in the selection process. Unless we have objective numbers at the individual level, for instance, the degree of one's contribution to achieving the management plan, it may be difficult to make an accurate decision from the position of outsiders.

**Nagahara** Nikko should organize a structure from the level of Executive Officer candidates so that Outside Directors can be involved in the selection of the next generation of management staff. In addition to objective, quantitative assessment, I would like opportunities to get to know officer

candidates as people. We should have more in-depth discussions on this issue together with the establishment of the voluntary nomination committee and remuneration committee, which are currently earmarked as the issue to explore.

**Tsuji** Our Board of Directors comprises internal personnel who are well conversed with sales, technology, manufacturing, administration, and overseas business plus Outside Directors in order to make accurate management decisions. In terms of the skills, knowledge, and experience of the Board members, I believe we have secured a certain level of diversity. Having said that, I am aware that we need to make more efforts given that the Board does not include any female or non-Japanese member.

**Nagahara** The Board also does not have a younger person in their 40s. I want to see diversity in terms of age in addition to gender and nationality. However, I think it is an issue that we should work on patiently through, for instance, expanding the scope of candidates for the Board members, while valuing the characteristics of Nikko, instead of rushing into it to simply make it appear better.

the culture of *gaining profits as the consequence of services to society* is embedded in the organization.

**Tsuji** As our efforts to combat climate change, we are accelerating our efforts to develop technologies and commercialize products for significantly reducing greenhouse gas emissions from asphalt plants. Asphalt plants largely rely on fossil fuel for their operation and produce approximately 1 million tons of greenhouse gases a year. We want to develop alternative fuels that will significantly reduce greenhouse gas emissions and produce plants that can be operated with alternative fuels as soon as possible to contribute to the building of a low-carbon society.

**Yuasa** I think it is important that each employee can feel that their daily work leads to the creation of social values.

**Tsuji** You are right. If we just prepare drawings in the Head Office, we tend to become insensitive to the demands of society. To sincerely face social issues that our customers have, we transferred five staff members from the technology section in the Head Office to our Tokyo office. They work with their customers to provide solutions for their problems by directly listening to their customers' concerns and challenges and discuss them as engineers.

**Yuasa** That is a very good attempt. There are always social demands behind customers. Thinking about them together will make Nikko employees more confident and raise their motivation if they can feel that their work helps society.

**Tsuji** We uphold *customer-first policy* as our corporate philosophy. We aim to gain their trust and become their solution partners. One of the challenges facing our customers is *Workstyle reform*. They are working on improving the work environment for operators working in asphalt or concrete plants. If the accuracy of the remote maintenance service Nikko offers increases, it can reduce the burden on operators. Going forward, we have our sights set on the introduction of unmanned plants. The introduction of unmanned plants that can completely guarantee safety will significantly reduce our customers'

personnel and repair expenses. I think this will literally lead to a win-win relationship.

**Yuasa** *Workstyle reform* is a major management theme for Nikko as well.

**Tsuji** I think *investing in people* is most important. *Workstyle reform* is synonymous to operation reform. We need to fundamentally review how we work and create an environment where workers can exercise their independence. We have launched a project related to operation reforms. We will invest where we should make investment to achieve results. As a company whose mission is to serve society, I believe we are gutsy enough to think that we cannot contribute to society if we can't even give back to our employees.

**Yuasa** I will say something that may sound a little harsh. Isn't it true that simply hoarding money cannot be called management? It is important that funds are circulated through investments in growth areas in Japan and overseas and investments in human resources. I understand the urge to accumulate cash to prepare for the time when the management environment becomes tough. However, I think money should be used where it should be used including M&As for future growth.

**Nagahara** There is no doubt that a solid financial foundation is an important management resource. I disagree with taking risks recklessly following the prevailing trend. There have been numerous examples of M&As that have gone wrong. To reward Nikko's shareholders who expect stable growth, I think we should have exhaustive discussions on this issue.

**Tsuji** All our Directors are well aware that our shareholders expect a return that exceeds the cost of capital. Under the Medium-Management Plan that starts from this fiscal year, we have introduced new indicators on the rate of return, capital productivity, and shareholder return. We will endeavor to empathize with our stakeholders more and meet the mandate given by our shareholders, while listening to the honest opinions of Outside Directors.

## Sustainability Initiatives

“I believe we are gutsy enough to think that we cannot contribute to society if we can't even give back to our employees.” ..... **Tsuji**

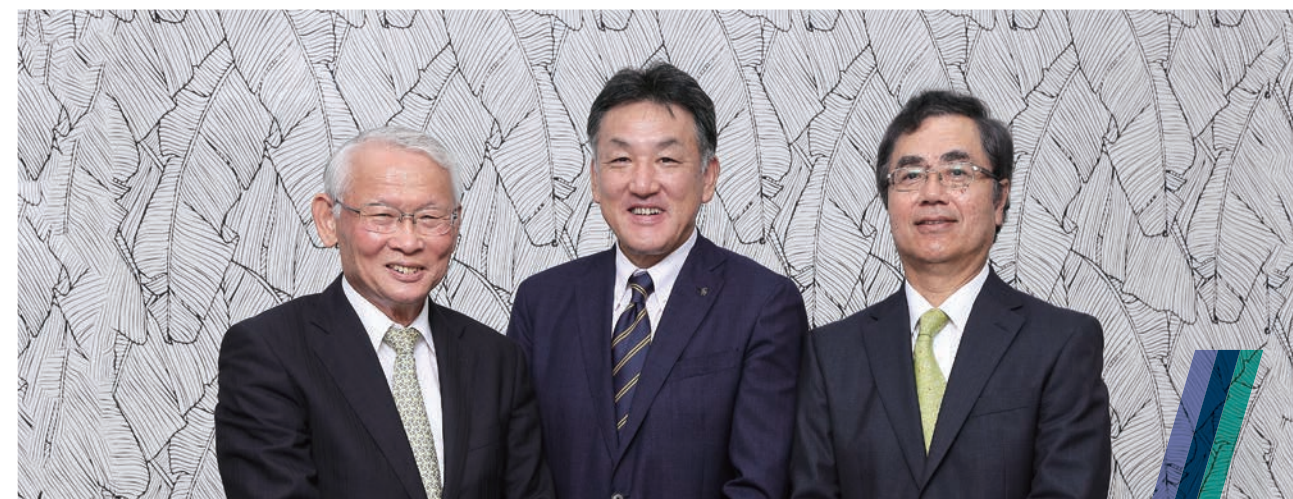
“Simply hoarding money cannot be called management.” ..... **Yuasa**

“I feel that the culture of *gaining profits as the consequence of services to society* is embedded in the organization.” ..... **Nagahara**

**Tsuji** One of Nikko's company mottos is *to serve society through business*. This still resonates deeply with my heart even at my age. For Nikko to survive, it is essential that society needs us. The first thing we need for disaster rehabilitation efforts is our plants. In addition, asphalt mixtures are almost fully recycled through our long years of

efforts to reduce environmental burdens and build a recycling-oriented society.

**Nagahara** Nikko's business purpose is deeply related to society and the environment. I think we are in a privileged position when it comes to sustainability because we have no choice but to move together with society. As an outsider, I feel that







<Back row, left to right> Director and General Manager of Business Division **Tomomi Nakayama** Director/ Director of Techno Center **Toshifumi Kinugasa** Managing Director/ General Manager of Financial Division **Hiroshi Fujii** Managing Director/ General Manager of Corporate Planning Division **Hiroyuki Sakurai** Representative Director/ Chairman **Takahisa Nishikawa**

<Front row, left to right> Director [outside] **Tsutomu Yuasa** Representative Director and President **Masaru Tsuji** Director [outside] **Noriaki Nagahara**

<Left to right> Corporate Auditor [outside] **Shigeru Sadakari** Corporate Auditor [outside] **Naoki Ota** Corporate Auditor [outside] **Tsuyoshi Fukui** Full-time Corporate Auditor **Nobutaka Yasuda**



## Directors

## Takahisa Nishikawa

Born on March 31, 1959

**April 1982** Joined Nikko Co., Ltd.  
**June 2007** Executive Officer, Nikko Co., Ltd.  
**June 2008** Director, Nikko Co., Ltd.  
**June 2011** Managing Director, Nikko Co., Ltd.  
**June 2012** Representative Director and President, Nikko Co., Ltd.  
**June 2012** Internal control in-charge and General Manager of Technology Division, Nikko Co., Ltd.  
**April 2019** Representative Director and Chairman, Nikko Co., Ltd. (current)  
**April 2019** Affiliates in-charge and General Manager of Manufacturing Division, Nikko Co., Ltd. (current)

Shareholding in the Company: 20,800 shares

## Masaru Tsuji

Born on June 4, 1960

**September 1987** Joined Nikko Co., Ltd.  
**June 2007** Executive Officer, Nikko Co., Ltd.  
**June 2008** Director, Nikko Co., Ltd.  
**June 2011** Managing Director, Nikko Co., Ltd.  
**April 2015** General Manager of Business Division and President of the Tokyo Head Office, Nikko Co., Ltd.  
**June 2015** Senior Managing Director, Nikko Co., Ltd.  
**April 2016** General Manager, Business Division, Nikko Co., Ltd.  
**April 2019** Representative Director and President, Nikko Co., Ltd. (current)  
**April 2019** Internal control in-charge and General Manager of Technology Division, Nikko Co., Ltd. (current)

Shareholding in the Company: 16,900 shares

## Hiroyuki Sakurai

Born on September 27, 1961

**April 1985** Joined Nikko Co., Ltd.  
**June 2007** Executive Officer, Nikko Co., Ltd.  
**June 2008** Director, Nikko Co., Ltd.  
**June 2013** Manager, Corporate Planning Department and General Affairs Department, Nikko Co., Ltd.  
**June 2015** Managing Director, Nikko Co., Ltd. (current)  
**June 2015** Deputy General Manager, Business Division (in charge of overseas), Manager, International Business Department and General Manager, Operations Division, Nikko Co., Ltd.  
**April 2016** Deputy General Manager, Business Division, Manager, International Business Department and corporate planning and general affairs in-charge, Nikko Co., Ltd.  
**April 2018** Corporate planning and general affairs in-charge, Nikko Co., Ltd.  
**June 2018** General Manager, Corporate Planning Division, Nikko Co., Ltd. (current)

<Important concurrent position>  
Chairman, Nikko (Shanghai) Construction Machinery Co., Ltd.  
Shareholding in the Company: 14,700 shares

## Hiroshi Fujii

Born on January 16, 1959

**April 1982** Joined Taiyo Kobe Bank, Limited (currently, Sumitomo Mitsui Banking Corporation)  
**June 2003** Manager, Corporate Business Office, Tsukiji Branch, SMBC  
**April 2009** Manager, Kansai Corporate Solution Sales Department, SMBC Consulting Co., Ltd.  
**June 2011** Director, Nikko Co., Ltd.  
**June 2011** Manager, Financial Department, Nikko Co., Ltd.  
**June 2013** Manager, Financial Department and Information Center in-charge, Nikko Co., Ltd.  
**June 2015** Manager, Financial Department and legal affairs in-charge, Nikko Co., Ltd.  
**June 2018** Managing Director, Nikko Co., Ltd. (current)  
**June 2018** General Manager, Financial Division, Nikko Co., Ltd. (current)

Shareholding in the Company: 9,800 shares

## Toshifumi Kinugasa

Born on October 26, 1960

**April 1984** Joined Nikko Co., Ltd.  
**June 2007** Executive Officer, Nikko Co., Ltd.  
**October 2008** Manager, Engineering Department, Nikko Co., Ltd.  
**April 2010** Manager, Design Department, Technology Division, Nikko Co., Ltd.  
**June 2012** Director, Nikko (current)  
**June 2012** General Manager, Manufacturing Division and Head Office Plant Manager, Nikko Co., Ltd.  
**April 2013** General Manager, Manufacturing Division, Nikko Co., Ltd.  
**April 2019** Director, Techno Center, Nikko Co., Ltd. (current)

<Important concurrent position>  
Representative Director and President, Tombo Industry Co., Ltd.  
Shareholding in the Company: 11,800 shares

## Noriaki Nagahara

(Outside/Independent Director)

Born on July 18, 1951

**April 1984** Certified as attorney  
**April 1984** Joined Harada Law Office  
**October 1988** Succeeded Harada Law Office  
**January 2007** Established Kobe Jugobankan Law Firm and became Director (current)  
**June 2007** Outside Corporate Auditor, Nikko Co., Ltd.  
**June 2015** Outside Director, Nikko Co., Ltd. (current)

<Important concurrent position>  
Director, Kobe Jugobankan Law Firm  
Shareholding in the Company: None

## Tsutomu Yuasa

(Outside/Independent Director)

Born on June 27, 1946

**April 1970** Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation)  
**April 2002** Joined Rock Field Co., Ltd.  
**July 2002** Director, Rock Field Co., Ltd.  
**July 2005** Managing Director, Rock Field Co., Ltd.  
**July 2014** Senior Representative Managing Director, Rock Field Co., Ltd.  
**July 2014** Vice-Chairman of the Board of Directors, Rock Field Co., Ltd.  
**June 2016** Outside Director, Nikko Co., Ltd. (current)

Shareholding in the Company: 1,000 shares

## Tomomi Nakayama

Born on January 10, 1963

**April 1982** Joined Nikko Co., Ltd.  
**January 2011** Branch Manager, Chubu Branch, Nikko Co., Ltd.  
**April 2013** Manager, AP Sales Department, Tokyo Head Office, Nikko Co., Ltd.  
**June 2013** Manager, Asphalt Plant Sales Management Department, Tokyo Head Office, Nikko Co., Ltd.  
**June 2015** Executive Officer, Nikko Co., Ltd. (current)  
**June 2015** Manager, Business Planning Department, Business Division and Manager, Asphalt Plant Sales Management Department, Tokyo Head Office, Nikko Co., Ltd.  
**April 2016** Manager, Business Planning Department, Business Division, Manager, Asphalt Plant Sales Management Department, Director, AP Technology Center, Nikko Co., Ltd.  
**April 2018** Manager, Business Planning Department, Business Division, Manager, Asphalt Plant Sales Management Department, Director, AP Technology Center, and Manager, Mobile Plant Business Department, Nikko Co., Ltd.  
**April 2019** General Manager, Business Division, Manager, Business Planning Department, and Manager, Asphalt Plant Sales Management Department, Nikko Co., Ltd. (current)

Shareholding in the Company: 5,752 shares

## Corporate Auditors

## Shigeru Sadakari

(Outside Corporate Auditor)

Born on September 22, 1957

**April 1980** Joined Nikko Co., Ltd. (currently, Sumitomo Mitsui Banking Corporation)  
**April 2010** Executive Officer and Manager, Internal Audit Department, Sumitomo Mitsui Banking Corporation  
**May 2011** Managing Executive Officer, The Minato Bank, Ltd.  
**April 2013** Senior Representative Managing Director and Senior Managing Executive Officer, The Minato Bank, Ltd.  
**June 2015** Representative Director and Vice President, Kobe Tochi Tatemono Co., Ltd.  
**June 2016** Representative Director and President, Kobe Maintenance of Building Co., Ltd. (current)

Shareholding in the Company: None

## Naoki Ota

(Outside Corporate Auditor)

Born on March 1, 1955

**April 1979** Joined NITTOSEIKO CO., LTD.  
**February 2009** Representative Director and President, Wacoh Corporation  
**March 2011** Executive Officer, NITTOSEIKO CO., LTD.  
**March 2013** Director and Manager of Fasteners Business Department, NITTOSEIKO CO., LTD.  
**March 2016** Full-time Auditor, NITTOSEIKO CO., LTD. (current)

<Important concurrent position>  
Full-time Auditor, NITTOSEIKO CO., LTD.  
Shareholding in the Company: None

## Tsuyoshi Fukui

(Outside Corporate Auditor)

Born on July 24, 1965

**October 1991** Joined the Kobe Office of Century Audit Corporation (currently Ernst & Young ShinNihon LLC).  
**August 1995** Certified as Certified Public Accountant of Japan.  
**April 2018** Joined the Kobe Office of RSM Seiya (current).

Shareholding in the Company: None

## Nobutaka Yasuda

(full-time)

Born on September 27, 1959

**April 1982** Joined Nikko Co., Ltd.  
**June 2011** Executive Officer, Nikko Co., Ltd.  
**January 2012** Manager, Batching Plant (BP) Business Department, Nikko Co., Ltd.  
**June 2013** Manager, Business Department, Nikko Co., Ltd.  
**April 2014** Manager, Tokyo Head Office and Manager, Business Planning Department  
**April 2016** Internal control in-charge  
**June 2016** Corporate Auditor (current)

Shareholding in the Company: 6,800 shares

## Executive Officer

## Minoru Tanaka

Senior Executive Officer

Born on December 18, 1960

**April 1981** Joined Nikko Co., Ltd.  
**October 2007** Branch Manager, Tohoku Branch, Nikko Co., Ltd.  
**April 2010** Director, Tokyo Service Center, Nikko Co., Ltd.  
**January 2011** Director, Tokyo Service Center, Leader, Planning Group, and Leader, Parts Group, Nikko Co., Ltd.  
**June 2012** Executive Officer and Manager, Service Planning Department, Nikko Co., Ltd.  
**October 2012** Executive Officer, Manager, Service Planning Department, Director, Customer Support Center, and Leader, Solution Team, Nikko Co., Ltd.  
**April 2013** Executive Officer, Manager, Service Planning Department, and Director, Customer Support Center, Nikko Co., Ltd.  
**April 2018** Executive Officer and Manager, Service Planning Department, Nikko Co., Ltd.  
**June 2019** Senior Executive Officer & Manager, Service Planning Department, Nikko Co., Ltd. (current)

## Masao Natori

Executive Officer

Born on May 22, 1961

**November 2007** Joined Nikko Co., Ltd.  
**June 2008** Director, R&D Center, Nikko Co., Ltd.  
**April 2010** Executive Officer and Manager, Engineering Department, Nikko Co., Ltd.  
**April 2012** Manager, Engineering Department and Manager, Cost Management Department, Nikko Co., Ltd.  
**June 2012** Executive Officer, Deputy General Manager, Technology Division, and Manager, Technology Department, Nikko Co., Ltd.  
**April 2016** Executive Officer, Manager, Corporate Planning Department, Manager, General Affairs Department, and Manager, Cost Management Department, Nikko Co., Ltd.  
**June 2019** Senior Executive Officer, Manager, General Affairs Department, and Manager, Cost Management Department (current)

## Morie Okaaki

Executive Officer

Born on November 2, 1963

**April 1986** Joined Nikko Co., Ltd.  
**April 2004** Manager, Kitakanto Sales Office, Nikko Co., Ltd.  
**January 2007** Manager, BP Business Department, Nikko Co., Ltd.  
**April 2009** Manager, BP Business Department and Business Expansion Promotion Team, Nikko Co., Ltd.  
**April 2010** Manager, BP Business Department, and Conveyance & Environmental Business Department, Special Environment Sales Section, Conveyance Sales Department  
**July 2013** Manager, BP Sales Management Department, Nikko Co., Ltd.  
**April 2016** Manager, BP Sales Management Department, Manager, Industrial Machinery Sales Management Department, and Director, Industrial Machinery Technology Center, Nikko Co., Ltd.  
**June 2016** Executive Officer, Manager, BP Sales Management Department, Manager, Industrial Machinery Sales Management Department, and Director, Industrial Machinery Technology Center, Nikko Co., Ltd.  
**April 2017** Executive Officer, Manager, BP Sales Management Department and Director, Industrial Machinery Technology Center, Nikko Co., Ltd.  
**April 2019** Executive Officer and Manager, Industrial Machinery Sales Management Department (current)

## Takeshi Sone

Executive Officer

Born on February 25, 1970

**April 1990** Joined Nikko Co., Ltd.  
**June 2012** Director, Tokyo Service Center, Nikko Co., Ltd.  
**October 2013** Director, Tokyo Service Center and Director, Wangan Service Station, Nikko Co., Ltd.  
**April 2015** Deputy Manager, Service Planning Department and Director, TSC Center, Nikko Co., Ltd.  
**April 2016** Branch Manager, Chubu Branch, Nikko Co., Ltd.  
**April 2018** Kanto Branch Manager, Nikko Co., Ltd.  
**April 2019** Kanto Branch Manager and Mobile Plant Business Department Manager, Nikko Co., Ltd.  
**June 2019** Executive Officer, Kanto Branch Manager, and Mobile Plant Business Department Manager, Nikko Co., Ltd. (current)

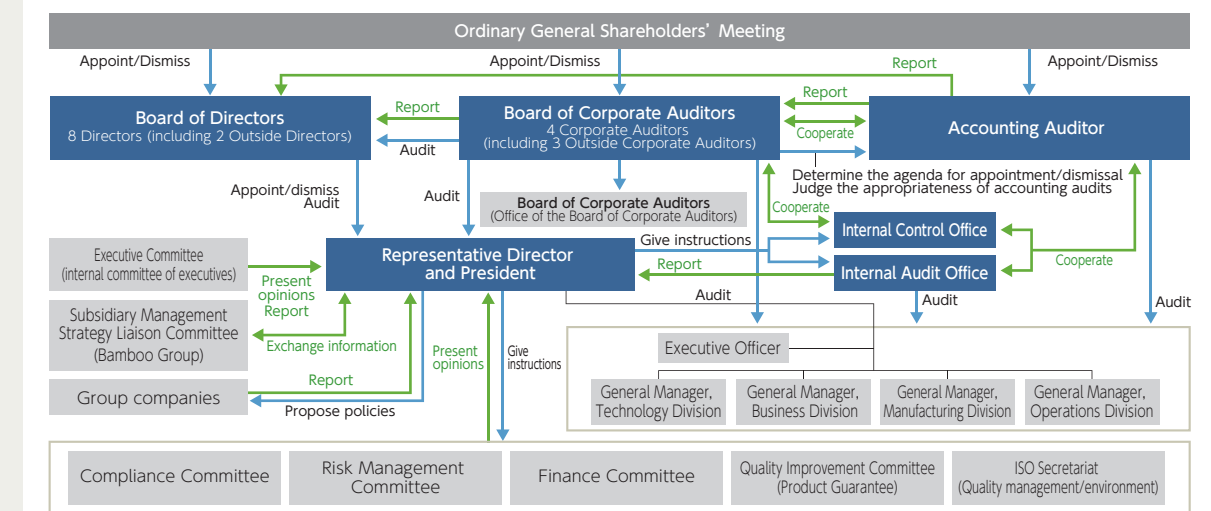
## Basic Approach to Corporate Governance

Nikko positions corporate governance as the *management governance function for maximizing corporate value for our shareholders and other stakeholders*. Under the Executive Officer system built upon the Board of Directors and the Board of

Corporate Auditors, we endeavor to clarify management accountability, speed up business execution, increase the transparency of management decision-making, and strengthen compliance in order to ensure sound business management.

## Overview of the Governance Framework

Nikko is a company with the Board of Corporate Auditors. To smoothly execute business, we have a committee of internal executives and other various committees as consultative organs for the President. Full-time Corporate Auditors and relevant staff members in the Internal Control Office and Internal Audit Office attend the meetings of these committees.



## Organization Status of Internal Control System

Our basic approach to internal control system is to flexibly plan for and implement the organization of rules and employee education and first ensure its effectiveness

in order to achieve appropriate and efficient business execution and to maintain a structure that enables oversight and audits.

|           |  |              |  |
|-----------|--|--------------|--|
| May 2006  | Adopted the "Basic Policy on Internal Controls".   | March 2008   | Added internal controls concerning financial reporting and guidelines on preventing damage from antisocial forces to the "Basic Policy on Internal Controls".              |
| June 2006 | Restructured the Audit Office into the Internal Audit Office to enhance the audit structure. In addition, established compliance rules and basic risk management rules and created the Compliance Committee and Risk Management Committee. | October 2008 | Separated the Internal Audit Office to the Internal Control Office and Internal Audit Office to facilitate internal controls and clearly separate the evaluation function. |

## Status of reducing strategically-held shares

The Board of Directors annually examines whether or not to continue holding strategically-held shares and facilitates the gradual sales of the shares if it determines that there is no rationale to keep holding them. To make this decision, the Board looks into the purpose of holding the shares, their risks, Nikko's relationship with the issuers, and the balance vis-a-vis their capital cost. In the last three years, we sold a cumulative total of 18 issues at the total value of 792 million yen. We aim to further sell shares worth approximately 2.0 billion yen in the next three years.

## Status of reducing strategically-held shares (In million yen)

|                  | FY2016 | FY2017 | FY2018 |
|------------------|--------|--------|--------|
| Number of issues | 5      | 7      | 6      |
| Amount sold      | 193    | 405    | 194    |
| Book value       | 132    | 221    | 106    |
| Sales gain       | 61     | 184    | 88     |

## Dialogues with Shareholders and Investors

We position the building of long-term, trusting relationships with our shareholders and investors as an important management issue. We proactively work on improving constructive dialogues through the appropriate information disclosure in both Japanese and English and regular information dissemination by our management staff. The opinions of our Japanese and overseas shareholders and investors we have learned through meetings with them are reported to the Board of Directors and shared with relevant sections to reflect them in our management decisions and IR activities.

## Shareholder/investor dialogues (FY2018)

| Events   | Number of times | Number of participants                                |
|--|-----------------|---|
| Financial Results Briefing Session                     | 4               | 58  |
| Individual meetings                                    | 12              | 15  |
| Nikko Messe (exhibition)                               | 1               | 93  |
| Small-cap conference organized by securities companies | 1               | 6   |
| Ordinary General Shareholders' Meeting                 | 1               | 48 (attendance in person)/713 (attendance in writing) |



## FY2018 Profit and Loss Situation

In FY2018, the global economy slowed down in some parts due to concerns on the overseas business conditions including the US-China trade war. The Japanese economy remained on a gradual recovery track as corporate earnings and the employment and income environment improved, supported by the government and the Bank of Japan's ongoing reflationary policies.

Under such circumstances, the construction-related industry, which has strong bearing on our group business, remained on a solid ground, with construction investment in the private sector increasing significantly. We note, however, the construction-related industry remains in uncertainty as it faces a prolonged labor shortage and higher material prices. Asphalt Plant-Related Business, our mainstay, suffered a net sales fall of 4.3% compared with the previous year. This was attributed to a decrease in asphalt mixture shipment volume, affected by a fall in orders for road-related public works across Japan and a major road paving company being suspended from operating for a period after it was found to have violated the Anti-Monopoly Act. On the other hand, new orders and order backlog for the Asphalt Plant-Related Business increased sharply compared with the previous year. This was attributed to a more active spending on upgrades of large asphalt mixture plants in urban areas and a strong popularity of the VP series, our strategic products designed to improve productivity of recycled mixtures.

Net sales of the Concrete Plant-Related Business decreased by 17.1% year on year. This was due to a low order backlog at the beginning of the fiscal year. The

business' order backlog, however, increased at the end of the fiscal year. We expect user appetite for capital expenditure will remain strong, driven by higher ready-mixed concrete prices and a wave of large projects related to the World Expo in Osaka and redevelopment in the Tokyo metropolitan area, which are expected to continue beyond the Tokyo Olympics and Paralympics.

Overseas, net sales for the Asphalt Plant-Related Business in China was supported by active infrastructure investment from the Chinese government and tighter environmental regulations to exceed the figure in the previous year, which had increased significantly. In contrast to what we achieved in China, our business in Thailand and Indonesia fell short of expectations despite our focused effort in the ASEAN countries, which we positioned as a key market in our strategy.

The net result was a 4.4% increase in new orders received to 35.103 billion yen, a 9.5% decrease in net sales to 31.78 billion yen, a 32.1% decrease in operating income to 1.427 billion yen, a 9.7% fall in net profit attributable to the parent to 1.345 billion yen, all compared with the previous year. We note, however, that net sales and operating income grew by 3.6% and 24.2% year on year respectively in the fourth quarter of the fiscal year.

## Financial Situation and Free Cash Flow

In terms of current assets on the balance sheet at the end of FY 2018, a notable change in current assets was a 0.9 billion yen increase in inventories year on year. Property and equipment increased by 1.226 billion yen due to capital investment totaling 1.889 billion yen for construction of a

techno center and acquisition of a mobile center, in addition to spending to update production equipment. In terms of investments and other assets, investment securities decreased by 1.09 billion yen from the previous year due partly to aggressive sale of cross-held shares. In liabilities, notes and accounts payable-trade, a current liabilities item, decreased by 1.008 billion yen year on year.

The net result of the above was a negative free cash flow (FCF) of 1.239 billion yen.

The cash conversion cycle (CCC) was 178 days, significantly deteriorating from 145 days in FY2017. This was attributed to an increase in inventories due to a sales decline and delays in some deals. We aim to improve CCC going forward.

## FY 2019 Estimated Profit and Loss

In FY 2019, uncertainties linger in the global economy, but for the construction-related industry, a key business area for our group, is expected to be driven by solid construction investment from the government and businesses as various projects will continue be carried out beyond the Tokyo Olympics and Paralympics. Overseas, there is a risk that infrastructure investment may slow in China, our key market. But still, we see the country as a market where we can take advantage of the technologies we have developed over the years in Japan, as environmental regulations have been tightened and recycled mixtures are starting to be used more widely in China.

In the growing market of the ASEAN region, we aim to start a new round of in-depth market research and develop

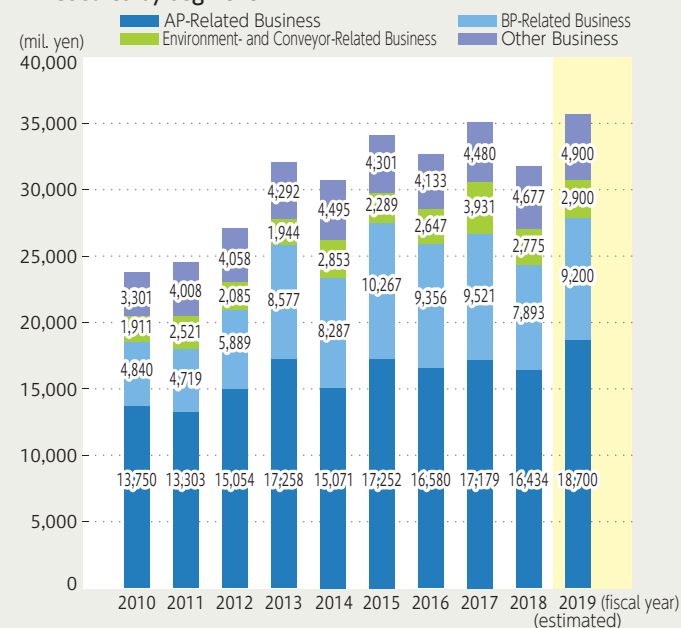
products suited to local user needs and consider options for setting up local offices.

For the full fiscal year, we expect net sales of 35.7 billion yen, up 12.3% year on year, operating income of 2.3 billion yen, up 61.2% year on year, and a 48.7% increase in net income attributable to owners of parent to 2.0 billion yen. We plan to pay out dividends of 200 yen, including a 100th anniversary dividend of 100 yen, for a payout ratio of 76.6%, for the full fiscal year. Going forward, we aim to further enhance shareholder returns and information disclosure.

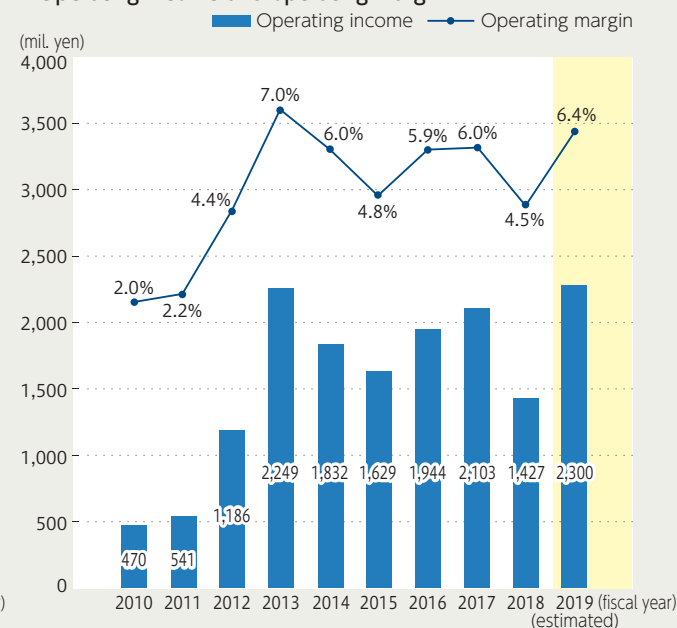
## Outlook for Each Segment

In FY 2019, we expect the Asphalt Plant-Related Business' net sales and operating income to increase by 13.8% and 63.0% respectively year on year. The favorable estimates are based on an ample order backlog of 8.808 billion yen at the beginning of the fiscal year, which had grown by 2.449 billion yen year on year, and the impact from large, unprofitable deals in FY 2018 running its course. For the Concrete Plant-Related Business, we expect net sales to grow by 16.6% year on year to 9.2 billion yen and operating income to increase by 12.6% year on year to 750 million yen. Operating income for the Environment- and Conveyor-Related Business is expected to increase by 19.9% to 500 million yen, and the Other Business is expected to book an operating income of 510 million yen, up 1.6% year on year. We thus expect all four business segments to see an increase in both net sales and operating income.

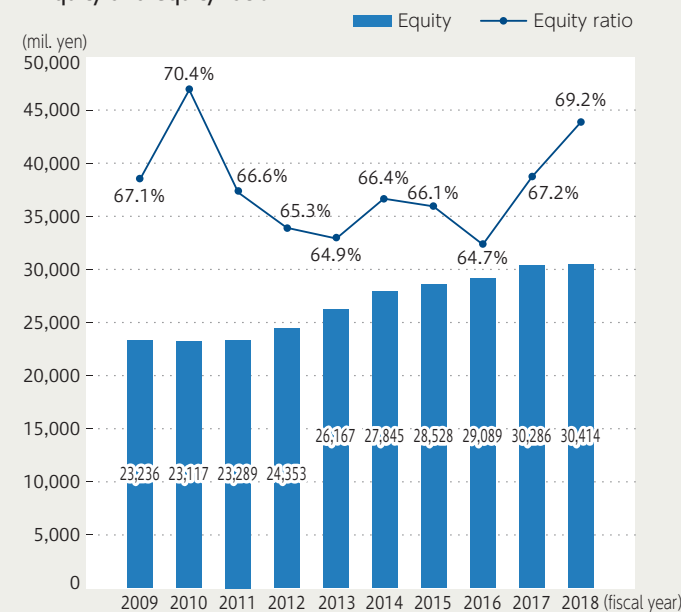
### Net sales by segment



### Operating income and operating margin



### Equity and equity ratio



### Free cash flow



|                          |  | 2009   | 2010   | 2011   | 2012   | 2013    | 2014    | 2015    | 2016    | 2017    | 2018 (fiscal year) |
|--------------------------|--|--------|--------|--------|--------|---------|---------|---------|---------|---------|--------------------|
| Key results              | Net sales (mil. yen)   | 23,971 | 23,803 | 24,553 | 27,087 | 32,073  | 30,707  | 34,110  | 32,717  | 35,114  | 31,780             |
|                          | Cost of sales (mil. yen)   | 18,090 | 17,976 | 18,590 | 20,175 | 23,736  | 22,683  | 25,825  | 24,131  | 26,301  | 23,485             |
|                          | Gross profit (mil. yen)  | 5,881  | 5,827  | 5,962  | 6,911  | 8,337   | 8,024   | 8,285   | 8,586   | 8,812   | 8,295              |
|                          | Selling, general and administrative expenses (mil. yen)              | 5,615  | 5,356  | 5,420  | 5,725  | 6,087   | 6,192   | 6,655   | 6,641   | 6,708   | 6,868              |
|                          | Operating income (mil. yen)  | 265    | 470    | 541    | 1,186  | 2,249   | 1,832   | 1,629   | 1,944   | 2,103   | 1,427              |
|                          | Ordinary income (mil. yen)   | 899    | 812    | 621    | 1,108  | 1,982   | 1,582   | 1,648   | 1,993   | 2,239   | 1,576              |
|                          | Net income before income taxes (mil. yen)                            | 363    | 817    | 542    | 1,228  | 1,987   | 1,800   | 2,940   | 1,878   | 2,299   | 1,933              |
|                          | Net income attributable to owners of parent (mil. yen)               | 124    | 461    | 122    | 881    | 888     | 1,348   | 1,896   | 1,340   | 1,490   | 1,345              |
|                          | Net income per share* (yen)  | 2.96   | 10.99  | 2.92   | 21.01  | 21.18   | 32.17   | 45.24   | 171.52  | 193.77  | 175.58             |
|                          | Number of consolidated subsidiaries                                  | 9      | 9      | 9      | 8      | 8       | 8       | 8       | 8       | 8       | 8                  |
|                          | Number of affiliates accounted for using equity method               | 1      | 1      | 2      | 2      | 2       | 1       | —       | —       | —       | —                  |
| Profitability            | Operating margin (%)   | 1.1    | 2.0    | 2.2    | 4.4    | 7.0     | 6.0     | 4.8     | 5.9     | 6.0     | 4.5                |
|                          | ROA (%)  | 0.4    | 1.4    | 0.3    | 2.4    | 2.2     | 3.2     | 4.4     | 3.0     | 3.3     | 3.1                |
|                          | ROE (%)  | 0.5    | 2.0    | 0.5    | 3.6    | 3.4     | 4.8     | 6.6     | 4.6     | 4.9     | 4.4                |
| Segment results          | Japan (mil. yen)   | 21,933 | 21,169 | 22,464 | 24,823 | 29,403  | 27,881  | 31,130  | 29,761  | 31,148  | 27,941             |
|                          | Overseas (mil. yen)  | 2,038  | 2,633  | 2,088  | 2,263  | 2,669   | 2,825   | 2,980   | 2,956   | 3,965   | 3,838              |
|                          | China (mil. yen)   | —      | 1,892  | 1,812  | 1,752  | 1,684   | 2,072   | 2,220   | 2,026   | 3,389   | 3,357              |
|                          | Other (mil. yen)   | —      | 740    | 276    | 510    | 984     | 753     | 760     | 930     | 576     | 481                |
|                          | Ratio of net sales outside Japan (%)                                 | 8.5    | 11.1   | 8.5    | 8.4    | 8.3     | 9.2     | 8.7     | 9.0     | 11.3    | 12.1               |
|                          | Net sales by segment   |        |        |        |        |         |         |         |         |         |                    |
|                          | Asphalt Plant-Related Business (mil. yen)                            | 11,787 | 13,750 | 13,303 | 15,054 | 17,258  | 15,071  | 17,252  | 16,580  | 17,179  | 16,434             |
|                          | Concrete Plant-Related Business (mil. yen)                           | 6,086  | 4,840  | 4,719  | 5,889  | 8,577   | 8,287   | 10,267  | 9,356   | 9,521   | 7,893              |
|                          | Environment- and Conveyor-Related Business (mil. yen)                | 2,267  | 1,911  | 2,521  | 2,085  | 1,944   | 2,853   | 2,289   | 2,647   | 3,931   | 2,775              |
|                          | Other Business (mil. yen)  | 3,830  | 3,301  | 4,008  | 4,058  | 4,292   | 4,495   | 4,301   | 4,133   | 4,480   | 4,677              |
|                          | Operating income (loss)  |        |        |        |        |         |         |         |         |         |                    |
|                          | Asphalt Plant-Related Business (mil. yen)                            | 888    | 1,354  | 896    | 1,492  | 2,125   | 1,214   | 1,234   | 1,253   | 1,348   | 963                |
|                          | Concrete Plant-Related Business (mil. yen)                           | 3      | (156)  | (39)   | 317    | 678     | 712     | 878     | 1,006   | 1,015   | 666                |
|                          | Environment- and Conveyor-Related Business (mil. yen)                | 385    | 203    | 530    | 250    | 166     | 527     | 337     | 369     | 308     | 417                |
|                          | Other Business (mil. yen)  | (58)   | (2)    | (7)    | 59     | 388     | 451     | 277     | 417     | 462     | 502                |
|                          | Amount after elimination of transactions between segments (mil. yen) | (217)  | (193)  | —      | —      | —       | —       | —       | —       | —       | —                  |
|                          | Corporate expenses (mil. yen)  | (736)  | (734)  | (838)  | (933)  | (1,109) | (1,074) | (1,097) | (1,102) | (1,031) | (1,122)            |
| Orders                   | Total new orders received (mil. yen)                                 | 25,541 | 22,743 | 26,169 | 26,564 | 33,915  | 34,500  | 33,284  | 34,134  | 33,616  | 35,103             |
|                          | Total order backlog (mil. yen)                                       | 5,376  | 4,316  | 5,933  | 5,410  | 7,246   | 11,039  | 10,212  | 11,629  | 10,132  | 13,454             |
| Financial position       | Total assets (mil. yen)  | 34,613 | 32,858 | 34,989 | 37,278 | 40,348  | 41,964  | 43,189  | 44,976  | 44,876  | 43,969             |
|                          | Equity (mil. yen)  | 23,236 | 23,117 | 23,289 | 24,353 | 26,167  | 27,845  | 28,528  | 29,089  | 30,286  | 30,414             |
|                          | Interest-bearing debts (mil. yen)                                    | 3,096  | 2,948  | 2,840  | 2,849  | 2,212   | 2,206   | 2,362   | 1,987   | 1,799   | 1,718              |
|                          | Equity ratio (%)   | 67.1   | 70.4   | 66.6   | 65.3   | 64.9    | 66.4    | 66.1    | 64.7    | 67.2    | 69.2               |
|                          | Net assets per share* (yen)  | 553.61 | 550.87 | 555.16 | 580.88 | 624.23  | 664.35  | 680.71  | 3746.35 | 3955.78 | 3968.79            |
| Dividends                | Dividend per share (yen)   | 30     | 30     | 30     | 35     | 35      | 45      | 50      | 55      | 60      | 60                 |
|                          | Total dividend (mil. yen)  | 251    | 251    | 251    | 293    | 293     | 376     | 418     | 426     | 458     | 459                |
|                          | Dividend payout ratio (%)  | 202.6  | 54.6   | 205.4  | 33.3   | 33.1    | 27.9    | 22.0    | 31.9    | 30.8    | 34.2               |
|                          | Dividend on equity (%)   | 1.1    | 1.1    | 1.1    | 1.2    | 1.1     | 1.4     | 1.5     | 1.5     | 1.5     | 1.5                |
| Capital investment, etc. | Capital investment (mil. yen)  | 569    | 492    | 292    | 335    | 844     | 815     | 877     | 1,261   | 550     | 1,889              |
|                          | Depreciation and amortization (mil. yen)                             | 590    | 486    | 432    | 389    | 392     | 419     | 483     | 478     | 468     | 508                |
|                          | R&D expenses (mil. yen)  | 251    | 211    | 239    | 256    | 295     | 276     | 227     | 271     | 291     | 211                |
|                          | R&D expenses to net sales (%)  | 1.05   | 0.89   | 0.97   | 0.95   | 0.92    | 0.90    | 0.67    | 0.83    | 0.83    | 0.66               |
| Cash flows               | Cash flow from operating activities (mil. yen)                       | 1,452  | 890    | 574    | 2,457  | 2,641   | 1,001   | (1,040) | 5,064   | 274     | (218)              |
|                          | Cash flow from investing activities (mil. yen)                       | 235    | (895)  | 299    | (954)  | (936)   | (305)   | 2,142   | (316)   | 41      | (1,021)            |
|                          | Free cash flow (mil. yen)  | 1,687  | (5)    | 873    | 1,503  | 1,705   | 696     | 1,102   | 4,748   | 315     | (1,239)            |
|                          | Term-end balance of cash and cash equivalents (mil. yen)             | 6,550  | 6,078  | 6,618  | 7,839  | 8,506   | 8,796   | 9,630   | 12,622  | 12,110  | 10,300             |

\*The Company conducted a one-for-five reverse stock split of common shares effective October 1, 2016. Net assets per share and net income per share are calculated based on the assumption that the reverse stock split was executed at the beginning of FY 2016.



# Nonfinancial Performance Indicators

## ● Employee data

| (fiscal year)   | 2011      | 2012      | 2013      | 2014      | 2015      | 2016      | 2017      | 2018      |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Number of employees</b><br>(consolidated)                  | 775       | 763       | 767       | 796       | 803       | 797       | 807       | 799       |
| <b>Average age of employees</b><br>(non-consolidated)         | 44.2      | 44.7      | 43.3      | 43.1      | 42.2      | 42.3      | 42.2      | 40.9      |
| <b>Average years of service</b><br>(non-consolidated)         | 21.5      | 21.2      | 20        | 19.3      | 18.2      | 18.5      | 18.3      | 16.0      |
| <b>Number of female employees</b><br>(non-consolidated)       | 28        | 31        | 31        | 33        | 39        | 42        | 42        | 45        |
| <b>Number of new-graduate hires</b><br>(non-consolidated)     | 13        | 15        | 21        | 21        | 30        | 17        | 19        | 15        |
| <b>Number of foreign-national employees</b><br>(consolidated) | 92        | 90        | 91        | 95        | 94        | 93        | 101       | 98        |
| <b>Average annual salary</b><br>(non-consolidated) (yen)      | 6,371,446 | 6,443,280 | 6,928,098 | 6,770,199 | 6,692,305 | 6,853,058 | 6,722,077 | 6,704,340 |

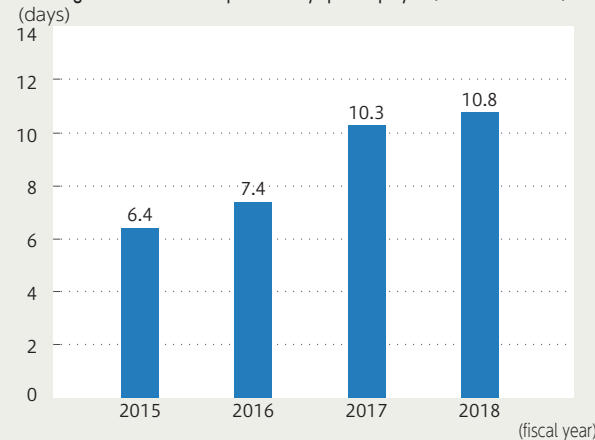
## ● Voluntary turnover rate (non-consolidated)



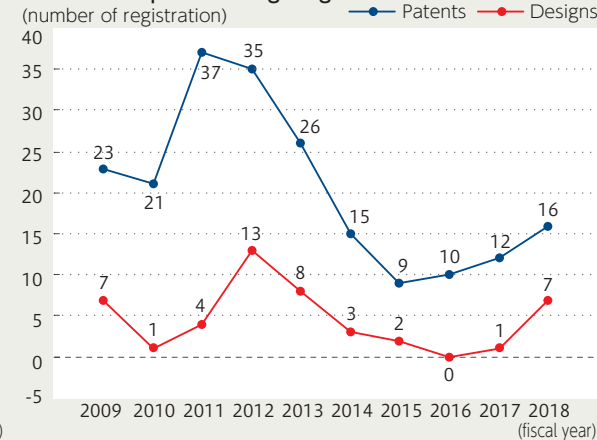
## ● Employment rate for persons with disabilities (non-consolidated)



## ● Average number of annual paid holidays per employee (non-consolidated)



## ● Number of patent/design registrations



# Stock Information

## Stock overview (as of March 31, 2019)

|   |   |
|---|---|
| <b>Stock listing</b>                          | Tokyo Stock Exchange (first section)  |
| <b>TSE code</b>                               | 6306  |
| <b>State of issuance</b>                      | Total number of shares authorized for issuance: 30,000,000<br>Total number of outstanding shares: 8,000,000 (including 336,569 treasury shares) |
| <b>Number of share units</b>                  | 100   |
| <b>Number of shareholders</b>                 | 2,606   |
| <b>Shareholder registry administrator</b>     | Mitsubishi UFJ Trust and Banking Corporation<br>4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212   |
| <b>Fiscal year</b>                            | From April 1 to March 31  |
| <b>Annual General Meeting of Shareholders</b> | June  |

Registration deadline for year-end dividend payment: March 31

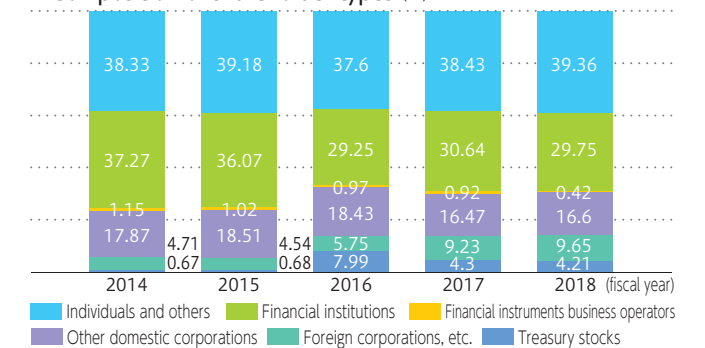
Registration deadline for interim dividend payment: September 30

## Major shareholders (top 10)

| Name   | Number of shares held (in thousands) | Shareholding ratio (%) |
|--|--------------------------------------|------------------------|
| Nikko Trading-Partner Shareholding Association       | 1,072                                | 13.99                  |
| The Master Trust Bank of Japan, Ltd. (trust account) | 462                                  | 6.03                   |
| Nikko Employees' Shareholding Association            | 360                                  | 4.71                   |
| Sumitomo Mitsui Banking Corporation                  | 240                                  | 3.14                   |
| Japan Trustee Services Bank, Ltd. (trust account)    | 235                                  | 3.08                   |
| MSCO Customer Securities                             | 216                                  | 2.83                   |
| Nippon Life Insurance Company                        | 170                                  | 2.23                   |
| Yasumitsu Shigeta                                    | 157                                  | 2.06                   |
| Sumitomo Life Insurance Company                      | 149                                  | 1.94                   |
| MSIP Client Securities                               | 140                                  | 1.83                   |

Notes: 1. Numbers of shares are rounded down to the nearest 1,000 shares.  
2. Nikko holds treasury shares totaling 336,569, but is excluded from the above major shareholders.  
3. Shareholding ratios are the number of shares held divided by the total number of outstanding shares less the number of treasury shares, rounded off to two decimal places.

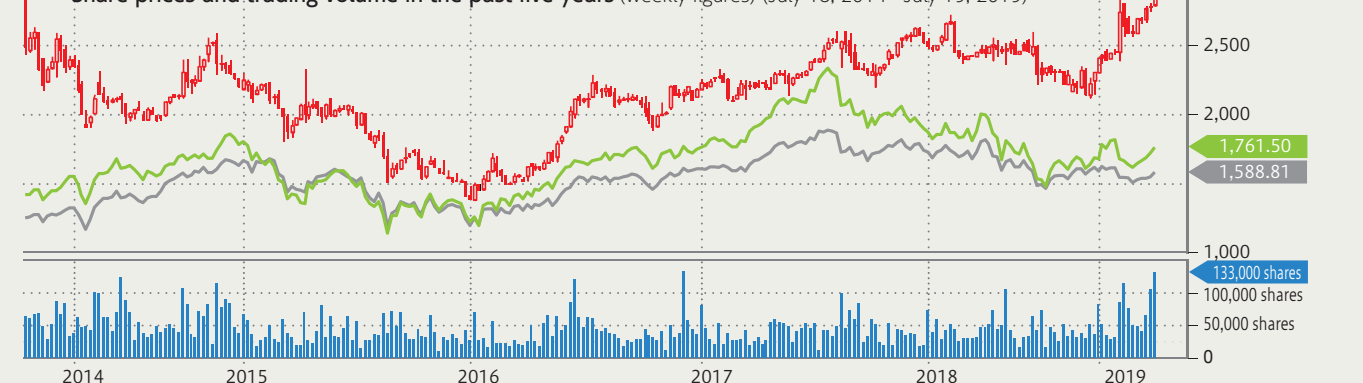
## ● Composition of shareholder types (%)



## ● Stock performance

| Period held            | 1 year (4/18-3/19) | 3 years (4/16-3/19) | 5 years (4/14-3/19) |
|------------------------|--------------------|---------------------|---------------------|
| <b>Nikko</b>           | <b>+5%</b>         | <b>+56%</b>         | <b>+5%</b>          |
| <b>TOPIX</b>           | -7%                | +24%                | +31%                |
| <b>Machinery index</b> | -13%               | +33%                | +24%                |

## ● Share prices and trading volume in the past five years (weekly figures) (July 18, 2014 - July 19, 2019)



## Company Overview (as of March 31, 2019)

**Japanese name** 日工株式会社

**English name** Nikko Co., Ltd.

**Head office address** 1013-1, Eigashima, Okubo-cho, Akashi, Hyogo Prefecture 674-8585

**Tel.** +81-78-947-3131

**Representative** Masaru Tsuji, President and Representative Director

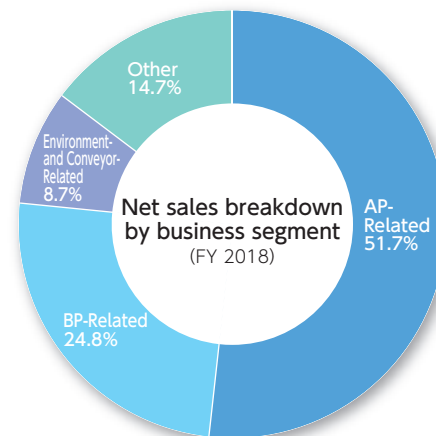
**Established** August 13, 1919

**Capital** 9,197 mil. yen (as of March 31, 2019)

**Number of employees** 799 (as of March 31, 2019)  
(consolidated)

**Number of factories** 7 (including 1 overseas)

**Business segments** Asphalt Plant-Related, Concrete Plant-Related, Environment- and Conveyor-Related, Other



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



### Branches and sales offices

Akashi head office  
Hokkaido branch  
Tohoku branch  
Hoku-shinetsu branch  
Kanto branch  
Chubu branch  
Osaka branch  
Chu-shikoku branch  
Kyushu branch  
Okinawa branch  
Yokohama sales office  
Shikoku sales office  
Minami-kyushu sales office  
Taipei branch

### Service centers/stations

Tokyo service center  
Akashi service center  
Tokyo mobile center  
Morioka service station  
Wangan service station  
Hokuriku service station  
Akashi service station  
Okayama service station

### Factories

Head office factory  
Tokyo factory  
Satte factory  
Kakogawa factory  
Fukusaki factory

### Group companies

Nikko Electronics Co., Ltd.  
Nikko Machinery Co., Ltd.  
Maekawa Kogyosho Co., Ltd.  
Nikko Sec Co., Ltd.  
Tombo Industry Co., Ltd.  
Nikko Kosan Co., Ltd.  
Nikko (Shanghai)  
Construction Machinery Co., Ltd.  
Nikko Baumaschinen GmbH

Taipei branch

## Nikko Electronics Co., Ltd.

Manufacture and sale of control systems, covering processes from circuit designing to manufacturing of control panels, switchboards and monitoring panels.

|           | FY2016 | FY2017 | FY2018 |
|-----------|--------|--------|--------|
| Net sales | 1,650  | 1,795  | 1,669  |

|  |       |
|--|-------|
| Number of Directors                              | 5     |
| Number of individuals holding position at parent | 3     |
| Number of employees                              | 85    |
| Percentage of sales to Nikko in FY2018           | 80.3% |

## Nikko Machinery Co., Ltd.

Manufacture and sale of construction equipment and flooding preventive equipment, including floodgates and waterproof boards

|           | FY2016 | FY2017 | FY2018 |
|-----------|--------|--------|--------|
| Net sales | 1,747  | 1,765  | 1,765  |

|  |       |
|--|-------|
| Number of Directors                              | 5     |
| Number of individuals holding position at parent | 2     |
| Number of employees                              | 58    |
| Percentage of sales to Nikko in FY2018           | 43.6% |

## Nikko Sec Co., Ltd.

Manufacture and sale of temporary equipment and machinery for construction work, material handling machines, and computer-related equipment

|           | FY2016 | FY2017 | FY2018 |
|-----------|--------|--------|--------|
| Net sales | 1,566  | 1,510  | 1,519  |

|  |      |
|--|------|
| Number of Directors                              | 5    |
| Number of individuals holding position at parent | 2    |
| Number of employees                              | 37   |
| Percentage of sales to Nikko in FY2018           | 0.2% |

## Tombo Industry Co., Ltd.

Manufacture and sale of soil farming tools and gardening supplies, including shovels and scoops, and concrete mixers for mixing and kneading.

|           | FY2016 | FY2017 | FY2018 |
|-----------|--------|--------|--------|
| Net sales | 715    | 722    | 688    |

|  |      |
|--|------|
| Number of Directors                              | 5    |
| Number of individuals holding position at parent | 3    |
| Number of employees                              | 18   |
| Percentage of sales to Nikko in FY2018           | 0.3% |

## Maekawa Kogyosho Co., Ltd.

Manufacture and sale of crushing plant/equipment, grinders, etc.

|           | FY2016 | FY2017 | FY2018 |
|-----------|--------|--------|--------|
| Net sales | 390    | 415    | 439    |

|  |      |
|--|------|
| Number of Directors                              | 5    |
| Number of individuals holding position at parent | 3    |
| Number of employees                              | 16   |
| Percentage of sales to Nikko in FY2018           | 0.5% |

## Nikko Kosan Co., Ltd.

Services related to home remodeling, property damage insurance agency, life insurance agent and real estate

|           | FY2016 | FY2017 | FY2018 |
|-----------|--------|--------|--------|
| Net sales | 324    | 323    | 471    |

|  |       |
|--|-------|
| Number of Directors                              | 4     |
| Number of individuals holding position at parent | 2     |
| Number of employees                              | 14    |
| Percentage of sales to Nikko in FY2018           | 57.5% |

## Nikko (Shanghai) Construction Machinery Co., Ltd.

Manufacture and sale of asphalt/recycling plants and anti-pollution devices

|           | FY2016 | FY2017 | FY2018 |
|-----------|--------|--------|--------|
| Net sales | 2,131  | 3,299  | 3,468  |

|  |      |
|--|------|
| Number of Directors                              | 6    |
| Number of individuals holding position at parent | 3    |
| Number of employees                              | 98   |
| Percentage of sales to Nikko in FY2018           | 2.7% |





For inquiries about this report, please contact:

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September 2019

