



**Nikko Co., Ltd.**

# **Financial Results Briefing**

Third Quarter of the Fiscal Year 2024  
(Ending March 31, 2025)

March 13, 2025

# Event Overview

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**Company Name:** Nikko Co., Ltd.

**Company ID:** 6306

**Event Language:** JPN

**Event Type:** Financial Results Briefing Session

**Event Name:** Financial Results Briefing  
Third Quarter of the Fiscal Year 2024 (Ending March 31, 2024)

**Fiscal Quarter:** 3Q of Fiscal Year 2024

**Date:** March 13, 2025

**Speaker:** Hiroshi Fujii, Director & Vice President  
(hereafter, referred to as Fujii)

**Website:** <https://www.nikko-net.co.jp/>



**Video URL:** [https://www.youtube.com/watch?v=yTMR79QAG\\_4](https://www.youtube.com/watch?v=yTMR79QAG_4)



**Corporate Report:** <https://www.nikko-net.co.jp/ir/library/corporate-report.html>



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**Fujii:** Hello, everyone. This is Fujii from Nikko Co., Ltd. Thank you for joining our third-quarter financial results briefing. I will present for about 30 minutes first, and then I hope you will ask as many questions as you can.

## FY2024 3Q Business Environment



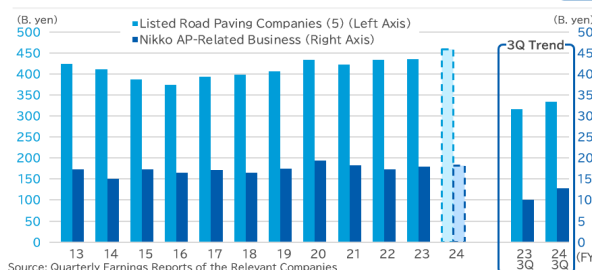
### FY2024 3Q Results

(million yen)

3Q (Apr. – Dec.)	Results	YoY Change	YoY Change (%)
Net Sales	33,070	+5,451	+19.7%
Operating Income	1,547	+828	+115.5%
Quarterly Net Income Attributable to Owners of Parent	1,144	+550	+92.6%
Order Intake	37,281	+1,676	+4.7%

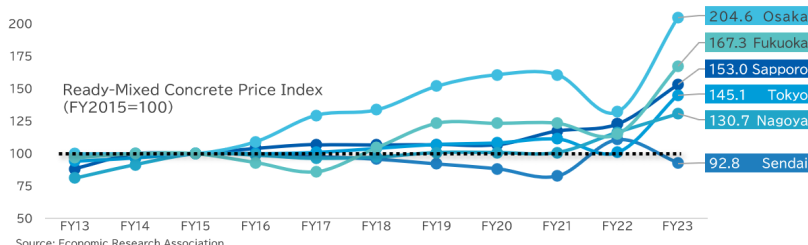
### Listed Road Paving Companies (5) Sales Trend

AP



### Ready-Mixed Concrete Price Index in Major Cities

BP



#### ◆ AP-Related Business:

- Sales of 5 listed road paving companies are recovering.
- Profit recovery varies by company.
- Overseas operations remain unstable.

#### ◆ BP-Related Business:

- Ready-mix concrete shipment volume declines.
- However, prices remain stable, and users maintain strong interest in capital investment.

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As for the current fiscal year, I would say that our business performance has been relatively strong since the first quarter. As of the end of the third quarter, net sales and profits, especially profits, were strong, with the operating income doubling compared to last year. Order intake is also on pace to exceed last year's results.

In terms of costs, there were no significant changes in the business environment of our core AP Business and BP Business compared to the second quarter.

In the AP Business, our customers, road paving companies' sales are recovering, leading to an increase in both our net sales and profits compared to last fiscal year. On the other hand, our overseas business, focused on China and ASEAN, continues to be unstable.

Regarding BP, the price index of ready-mixed concrete increased compared to the past, and the total shipment volume of ready-mixed concrete showed a slight declining trend. Nevertheless, our customers' proactive capital investments continue.





AP-Related Business (Domestic): The Road Paving Company's profit remains unrecovered due to high raw material costs. Despite a year-over-year decline in net sales, strong maintenance and partial replacement performance boosted order intake, sales, and profits.  
▶ pp.11–12 AP-Related Business, AP-Related Business (Domestic vs. Overseas)



BP-Related Business: Strong investment appetite continues due to favorable business conditions in the ready-mixed concrete industry, driving growth not only in order intake, sales and profits, but also keeping projects concentrated in the second half of this fiscal year on schedule.  
▶ p.13 BP-Related Business



Contract-Based Manufacturing Business: Both order intake and net sales increased compared to the same quarter last fiscal year, maintaining strong performance.  
▶ pp.15–16 Former Other Business (Crusher + Contract-Based Manufacturing + Other Business), Other Business (New Segmentation)



Other Business: Due to labor shortages in the construction industry and the growing importance of safety measures, sales of original aluminum temporary construction equipment increased by 181 million yen compared to the same quarter last fiscal year.  
▶ pp.15–16 Former Other Business (Crusher + Contract-Based Manufacturing + Other Business), Other Business (New Segmentation)



Crusher-Related Business: Last year's strong ODA project performance was not repeated this year, resulting in weaker results due to order delays. However, domestic market conditions remain strong, with a focus on securing early orders. Inquiries for the new soil improvement machine are also increasing.  
▶ pp.15–16 Former Other Business (Crusher + Contract-Based Manufacturing + Other Business), Other Business (New Segmentation)

Here are the highlights of our performance through the third quarter of this fiscal year. Overall, results were solid, but some areas were underperforming. I will explain separately.

First, in the domestic AP-Related Business, product and maintenance net sales increased compared to last fiscal year and profits were also strong.

BP also continuing to outperform last year's results.

The Contract-Based Manufacturing Business was in a good situation in terms of order intake, net sales, and profits, similar to the second quarter.

Regarding Other Business, due to labor shortages in the construction industry and the growing importance of safety measures, sales of original aluminum temporary construction equipment increased by approximately 200 million yen compared to the same quarter last fiscal year.

On the other hand, regarding the Crusher-Related Business, the ODA projects for Ukraine boosted last year's numbers but for this current fiscal year, domestic sales and order intake are sluggish.

## FY2024 3Q Performance Highlights ②



- ◆ Net sales: AP +2.6 B. yen; BP +1.2 B. yen; Env. & Conveying +78 mil. yen; Crusher -1.1 B. yen; Contract Manufacturing +2.2 B. yen; Other +0.3 B. yen.
- ◆ Operating Income: Growth was driven by increased domestic maintenance in the AP business, sustained strong performance in the BP business, and favorable conditions at the manufacturing subcontracting subsidiaries. Margins also improved.
- ◆ Ordinary Income: Increased due to higher operating income.
- ◆ Order Intake: AP +0.3 B. yen; BP +1.5 B. yen; Env. & Conveying -0.2 B. yen; Crusher -1.1 B. yen; Contract Manufacturing +0.9 B. yen; Other +0.1 B. yen.
- ◆ Order Backlog: AP -1.3 B. yen; BP +2.7 B. yen; Env. & Conveying +0.1 B. yen; Crusher -0.2 B. yen; Contract Manufacturing -0.6 B. yen; Other -0.2 B. yen.

(million yen)	FY2023		FY2024					
	3Q Results	9 Months Results	3Q Results	YoY Change	9 Months Results	YoY Change	FY Forecast Progress Rate	FY Forecast
Net Sales	10,637	27,619	10,436	-201 98.1%	All-time Record 33,070	5,451 119.7%	68.9%	48,000
Operating Income	449	718	267	-182 59.5%	All-time Record 1,547	829 215.5%	57.3%	All-time Record 2,700
Operating Margin	4.2%	2.6%	2.6%	-1.6pp	4.7%	2.1pp	—	5.6%
Ordinary Income	520	975	403	-117 77.5%	1,871	896 191.9%	64.5%	2,900
Quarterly Net Income Attributable to Owners of Parent	246	594	263	17 106.9%	1,144	550 192.6%	57.2%	2,000
Order Intake	10,477	35,605	10,392	-85 99.2%	37,281	1,676 104.7%	76.9%	48,500
Order Backlog	25,642	25,642	26,582	940 103.7%	26,582	940 103.7%	—	22,871

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Next, I would like to explain the numbers. This is the three-month performance of the third quarter of fiscal year 2024. Looking at the results of the third quarter, both net sales and profits were down compared to the same quarter last fiscal year. Net sales slightly decreased from 10.6 billion yen to 10.4 billion yen and operating income decreased from 449 million to 267 million yen.

On the other hand, for the cumulative nine months, net sales amounted to 33 billion yen, and operating income was 1.5 billion yen, representing all-time records as of the third quarter.

The full-year forecast is displayed on the right, with projected figures of 8 billion yen for net sales, 2 billion yen for operating income, and 2 billion yen for net income.

By the end of the third quarter, our net sales and operating income progress rates were 68.9% and 57.3%, respectively, below the typical 75%. However, with sales and profits concentrated in Q4, this year aligns with our full-year forecast.

Sales progress improved from 62% to 68% this quarter, and profits have risen from 36% to 57%. I think this year's performance is favorable when adjusted for special factors.

## FY2024 3Q Performance Highlights ③



(million yen)		FY2023			FY2024				
		3Q Results	9 Months Results	FY Results	3Q Results	YoY Change	9 Months Results	YoY Change	FY Forecast
AP-Related Business	Net Sales	2,965	10,080	17,938	3,783	818	12,762	2,682	18,200
	Operating Income	(366)	(337)	331	(214)	152	—	621	840
	Operating Margin	—	—	1.8%	—	—	2.2%	—	4.6%
BP-Related Business	Net Sales	2,837	7,886	11,907	2,957	120	9,099	1,213	13,700
	Operating Income	401	905	1,341	357	(44)	1,105	200	1,720
	Operating Margin	14.1%	11.5%	11.3%	12.1%	89.0%	12.1%	122.1%	12.6%
Environment- and Conveyor-Related Business	Net Sales	836	2,286	3,309	931	95	2,364	78	3,200
	Operating Income	208	540	793	285	77	611	71	700
	Operating Margin	24.9%	23.6%	24.0%	30.6%	137.0%	25.8%	113.1%	21.9%
Crusher-Related Business	Net Sales	1,667	2,745	3,198	293	(1,374)	1,606	(1,139)	2,820
	Operating Income	244	300	274	(92)	17.6%	4	58.5%	30
	Operating Margin	14.6%	10.9%	8.6%	—	(336)	0.2%	(10.7pp)	1.1%
Contract-Based Manufacturing Business	Net Sales	1,297	1,667	3,072	1,300	3	3,893	2,226	4,640
	Operating Income	239	207	270	241	2	610	403	620
	Operating Margin	18.4%	12.5%	8.8%	18.5%	100.2%	15.7%	294.7%	13.4%
Other	Net Sales	1,034	2,953	4,670	1,173	139	3,344	391	5,440
	Operating Income	138	329	769	166	28	392	63	750
	Operating Margin	13.3%	11.1%	16.5%	14.2%	120.3%	11.7%	119.1%	13.8%

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Moving on to the segment-specific figures, let's examine the results for the third quarter of this fiscal year, spanning three months. In this period, the AP and Crusher-Related Business segments incurred losses.

Last year, AP had a 214 million yen operating loss in the third quarter, while the Crusher-Related Business was outstanding profitable. This year, the Crusher-Related Business turned into a loss due to significantly reduced net sales.

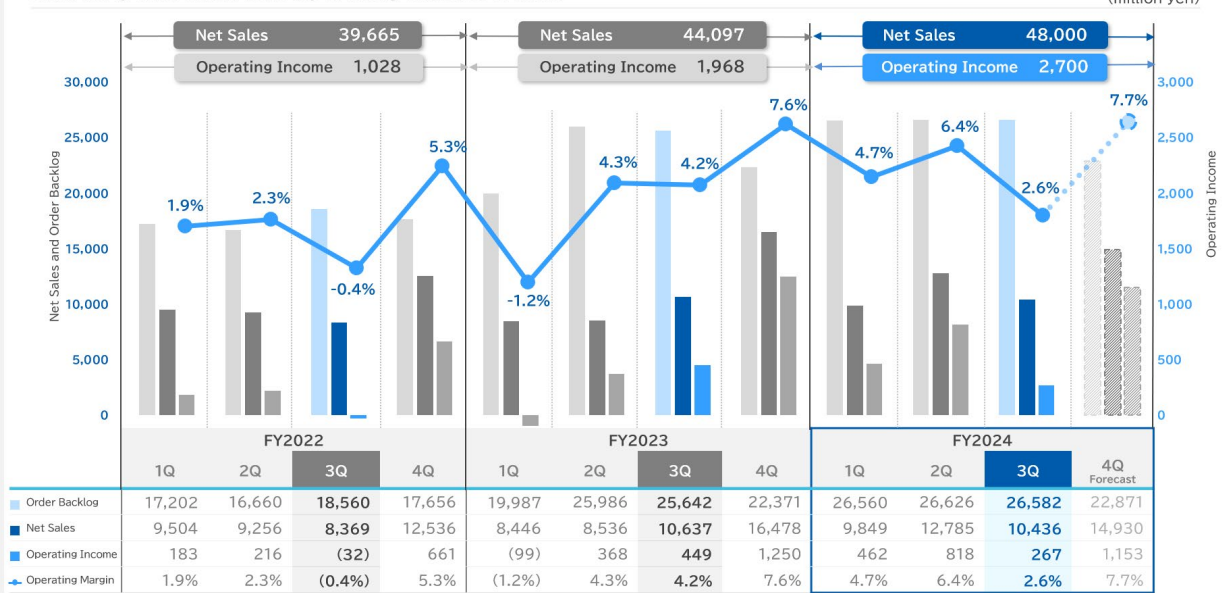
Regarding the cumulative figures for the past 9 months, I think the progress of each segment is good compared to the full-year forecast, and I believe there will be no significant fluctuations.

This term, BP is performing well and has recorded an all-time record in net sales. As of the third quarter, net sales were approximately 10 billion yen, and the operating income was 1.1 billion yen. BP is progressing very smoothly.

## FY2024 Quarterly Performance Trend



Quarterly Net Sales and Operating Income Trends



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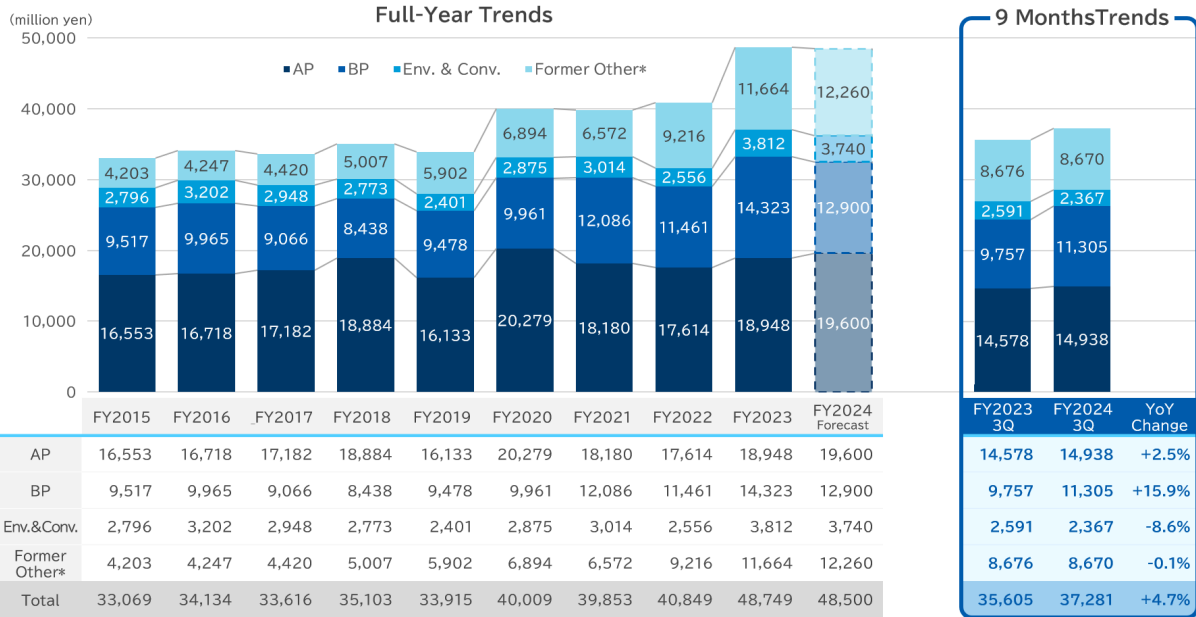
Next, we have created a similar table each time and show you the trend of the numbers for each quarter.

Please take a look at the order backlog, net sales, operating income, and operating margin for the third quarter of this period. This period surpassed the previous period in order backlog and exceeded the previous period in all aspects.

Net sales for the fourth quarter are expected to be approximately 14.9 billion yen, with an operating income of 1.4 billion yen. Some may wonder if these figures can be achieved within the fourth quarter, but last year's results were net sales of 16.4 billion yen, and operating income of 1.2 billion yen. This year's forecasts are slightly lower than last year, so we believe the target for this period can be achieved without any issues.



## Order Intake Trends (Cumulative)



\* 'Former Other' category includes the crusher business, contract-based manufacturing business, and other business.

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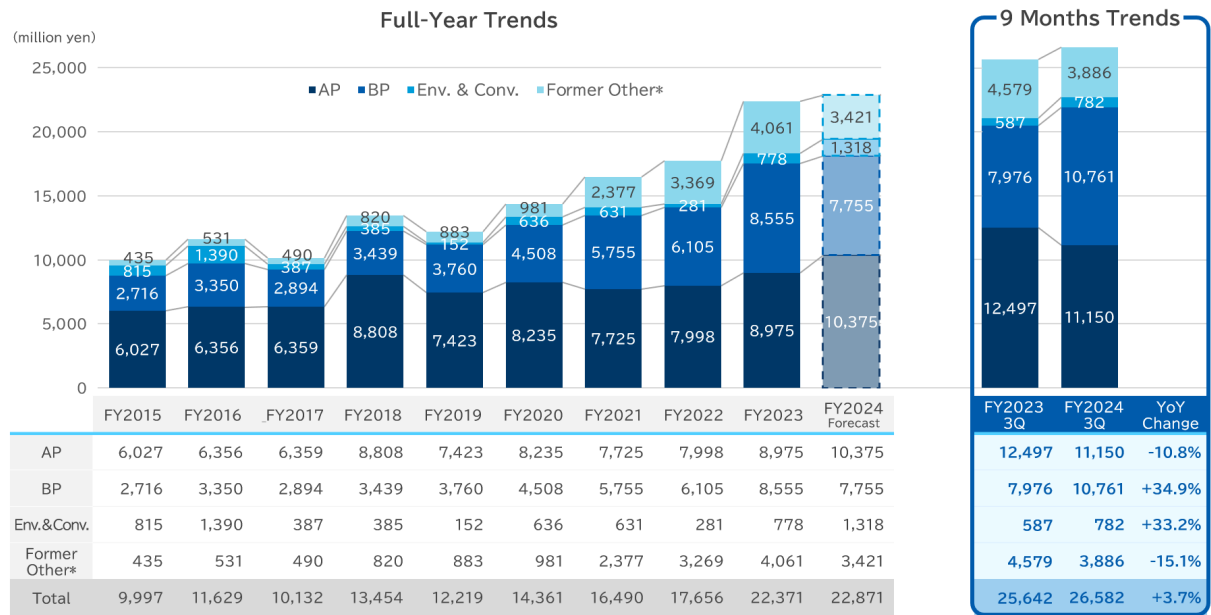
Next, we present the trend in order intake over the past 10 years using a bar graph. The full-year forecast for this fiscal year is 48.5 billion yen, which represents a decrease of 0.2 billion yen compared to last year's 48.7 billion yen. However, we consider this year's results to be nearly flat to last year's.

In the past, our order intake hovered around 40 billion yen. Last year, it reached 48.7 billion yen, marking a more than 20% increase from the previous year. For this fiscal year, we expect to achieve a similar level of order intake, with a forecast of 48.5 billion yen.

Next to that is the order intake situation by segment for the third quarter and the overall order intake situation. BP's order intake increased by 15%, AP's by 2.5%, but the Environment- and Conveyor segment decreased by 8% compared to the same quarter last year.



## End-of-period Order Backlog Trends



\* 'Former Other' category includes the crusher business, contract-based manufacturing business, and other business.

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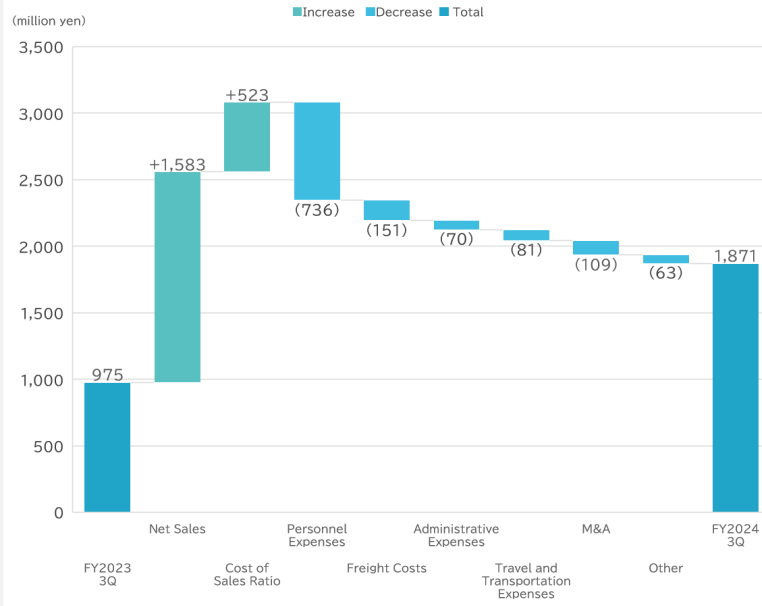
Next, let's talk about the order backlog. When making forecasts for the next fiscal year, the end-of-period order backlog is crucial.

We expect the order backlog at the end of fiscal year 2024 to be 22.8 billion yen. This is a slight increase of about 500 million yen compared to the previous year's end of 22.3 billion yen. I believe we can start the next fiscal year with this figure.

As of the end of the third quarter, it increased by 3.7% compared to the same period last year, mostly seen in BP and Environment and Conveyor segment. On the other hand, AP decreased by about 10%.

Next, I'll skip from page 10 to page 15 and proceed directly to page 16.

## FY2024 3Q Analysis of Factors Affecting Changes in Ordinary Income



(million yen)

Items	Impact	Content
Net Sales	+1,583	Increase in net sales +5,451 mil. yen
Cost of Sales Ratio	+523	Improvement in cost-of-sales ratio 71.0% → 70.2%
Personnel Expenses	(736)	Increase in number of employees and base-pay; Increase in bonuses due to strong business performance.
Freight Costs	(151)	Increase Driven by higher sales.
Administrative Expenses	(70)	Increase in system usage fees and outsourcing costs.
Travel and Transportation Expenses	(81)	Increase in business trips.
M&A	(109)	Matsuda Kiko (P/L included from FY23 3Q) Nishinihon Real Estate (P/L included from FY24)
Other	(63)	Acquisition-Related Costs +54 Rent expenses (52) Various fees (49) Etc.

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This page compares the ordinary income for this fiscal year to last year's and analyzes the key factors influencing the changes. The ordinary income for this year's third quarter was 1,871 million yen, an increase of about 900 million yen from last year's result of 975 million yen.

The biggest factor was a 5.4 billion yen rise in net sales. Next was the improvement of about 1 percentage point in cost of sales ratio, leading to an increase of about 500 million yen.

Expenses, which included personnel expenses, freight costs, administrative expenses, and travel and transportation also increased significantly. Moreover, SG&A expenses of Matsuda Kiko and Nishinihon Real Estate were also added via M&A activities, resulting in a decrease of 109 million yen year-over-year.

## Balance Sheet Trends



(million yen)		End of FY2023	FY2024 3Q	Change	Main Factors
Assets	Current Assets	41,033	42,014	+ 981	Increase: Work in process +2,900 mil. yen Merchandise inventories/Finished goods +1,518 mil. yen Other +680 mil. yen Decrease: Accounts receivable - trade -3,359 mil. yen Electronically Recorded Monetary Claims -460 mil. yen
	Tangible Assets	13,247	14,990	+ 1,742	Increase: Buildings and structures +1,836 mil. yen Land +410 mil. yen Machinery, equipment and vehicles +164 mil. yen
	Intangible Assets	1,208	1,186	- 22	Decrease: Construction in progress -735 mil. yen
	Investments and Other Assets	6,740	6,798	+ 57	
	<b>Total Assets</b>	<b>62,229</b>	<b>64,989</b>	<b>+ 2,759</b>	
Liabilities	Current Liabilities	21,743	23,814	+ 2,070	Increase: Contract liabilities +1,760 mil. yen Accounts payable-factoring +512 mil. yen Short-term borrowings +491 mil. yen Long-term borrowings +244 mil. yen
	Long-term Liabilities	7,399	7,869	+ 470	Decrease: Income taxes payable -554 mil. yen Provision for bonuses -402 mil. yen Provision for retirement benefits for directors (and other officers) -85 mil. yen
	<b>Total Net Assets</b>	<b>33,086</b>	<b>33,305</b>	<b>+ 218</b>	Increase: Foreign currency translation adjustment +300 mil. yen Decrease: Remeasurements of defined benefit plans -47 mil. yen
Net assets per share (yen)		861.74	866.16	+ 4.42	

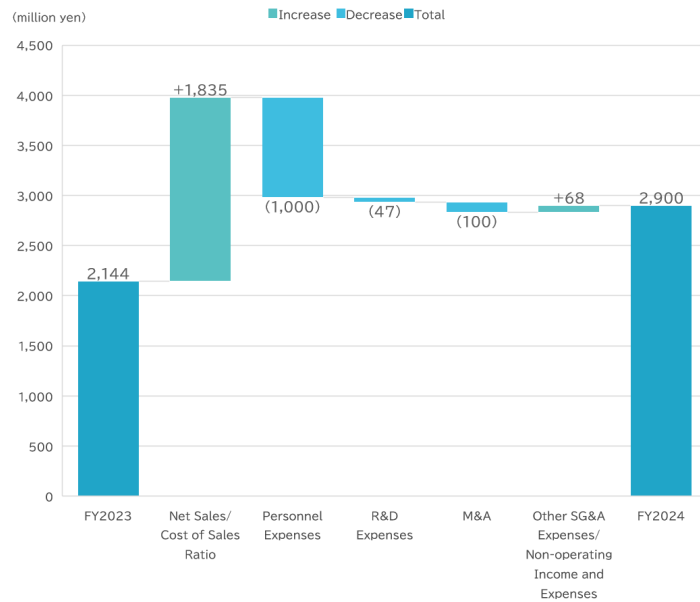
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Next, I would like to briefly explain the balance sheet. Total assets reached 64,989 million yen, an increase of 2.7 billion yen from the end of the previous fiscal year. This growth was due to changes of approximately 1 billion yen in current assets, 1.7 billion yen in tangible fixed assets, 22 million yen in intangible fixed assets, and 57 million yen in investments and other assets.

Regarding liabilities, current liabilities increased by 2.0 billion yen and non-current liabilities increased by 470 million yen. Net assets increased by 218 million yen, bringing net assets per share to 866 yen.

The main factors for impact are listed to the right, but none are specific to this quarter. Non-current assets increased due to continued active capital investment.

## FY2024 Full-Year Analysis of Factors Affecting Changes in Ordinary Income (Forecast)



(million yen)

Items	Impact	Content
Net Sales/ Cost of Sales Ratio	+1,835	Increase in Sales; Improvement in Cost Ratio (Excluding Labor Costs)
Personnel Expenses	(1,000)	Increase in wage (660) Increase in number of employees (300) 40 B. yen sales with restricted stock allocation (40)
R&D Expenses	(47)	Increase in R&D Expenses
M&A	(100)	Matsuda Kiko (P/L included from FY23 2Q) Nishinohon Real Estate (P/L included from FY24)
Other SG&A Expenses/ Non- operating Income and Expenses	+68	Acquisition-Related Costs +86 Etc.

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This section analyzes the impact factors on full-year profits. We anticipate an ordinary income of 2.9 billion yen this fiscal year, up approximately 750 million yen from last year. The primary factors of this profit growth will be increases in sales and improvements in the cost of sales ratio.

Annual personnel expenses are expected to increase by approximately 1 billion yen. Other expenses are also increased by the third quarter, resulting in a considerable overall increase.

This concludes with our financial results for the third quarter of this fiscal year. Next, I would like to talk about this quarter's topics.



Liquefied Soil Treatment Plant

Widely applicable for disaster recovery and confined construction sites

### Mobile Batching Plant



Developing based on Mobile BP

### Liquefied Treated Soil

- ▶ A flowable material, similar to fresh concrete, made by mixing cement or other solidifying agents with mud-like soil without gravel.
- ▶ It is poured into excavated areas during infrastructure work, flowing into gaps and solidifying without the need for compaction, thus improving strength and workability.

- ✓ Inquiries have increased due to the push for infrastructure renewal (e.g., water and sewage systems).
- ✓ As of FY24 Q3, 4 business discussions have taken place.
- ✓ Available to accommodate with our BP modifications.

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First, I would like to talk about our Surplus Soil Fluidized Treatment Facility. This equipment is not new, but due to the recent increase in inquiries, I would like to introduce it.

Surplus soil has gained value and is now in demand, partly due to increased awareness following the road cave-in accident in Yashio City, Saitama Prefecture.

The demand for surplus soil used in rehabilitation of infrastructure such as water supply network and sewage system has been pointed out even before the accident in Yashio City. Therefore, efforts are still being made to promote the fluidization of surplus soil for effective utilization as a valuable resource.

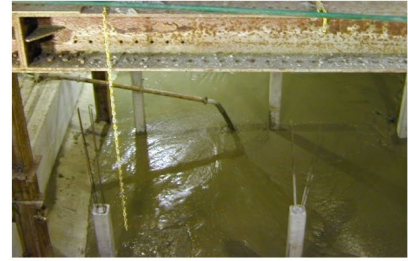
We create highly fluid fresh concrete by combining water and solidifying agents like cement with surplus soil and muddy earth, which is used for backfilling roads. This mixture is easily poured into excavated areas during infrastructure development, effectively filling gaps and offering a user-friendly solution.

This plant's structure is similar to our batching plant and is not our newly developed equipment.

There is also a growing demand for mobile batching plants, as shown at the top right of this slide, over traditional stationary plants, particularly during disaster recovery efforts and in tight construction sites. We would like to highlight this trend as well.



Liquefied Treated Soil

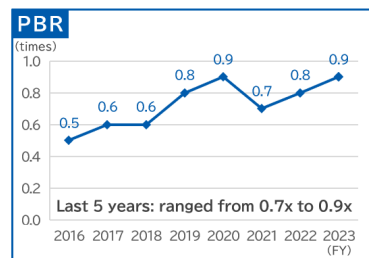


Placing/Pouring Progress

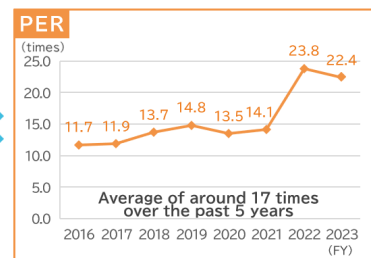
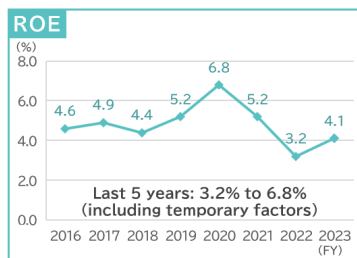
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This is an illustration of the Surplus Soil Fluidized Treatment Facility's operation, along with an example of liquefied treatment soil on the right and a photo of the actual pouring process below.

## PBR, ROE, and PER Performance Trends



Source: Nikko Corporate Report 2024



## Trends Over the Past 5 Years:

- ◆ PBR (Price-to-Book Ratio): Ranged from 0.7x to 0.9x
- ◆ PER (Price-to-Earnings Ratio): Averaged around 17x
- ◆ ROE (Return on Equity): Ranged from 3.2% to 6.8%

To improve the PBR in the medium term, it is necessary to enhance ROE.

To achieve a **PBR of 1** with a **PER of 17**,  
an **ROE of over 6%** is required.

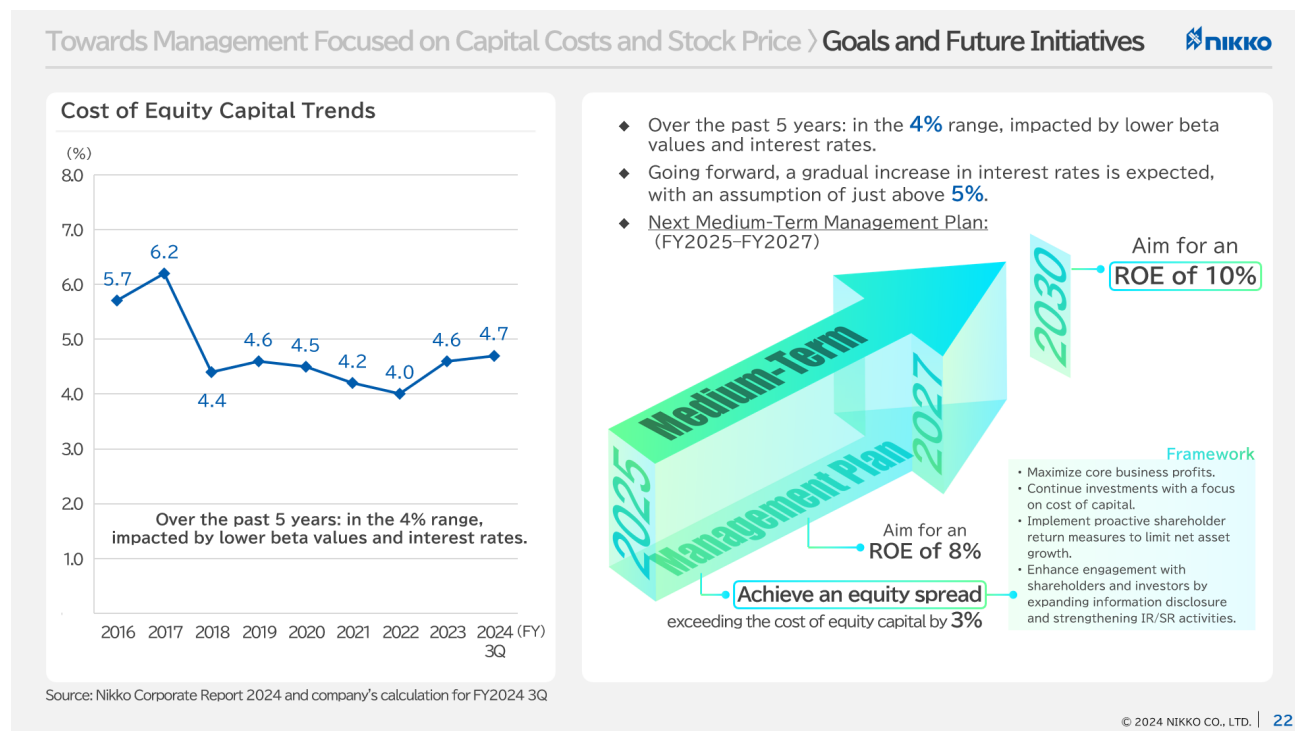
FY2024's Forecast ROE **5.8%**

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Next, I will discuss our current analysis and outlook on achieving management that is conscious of capital costs and stock price.

This document was introduced at the previous briefing. This time, we updated our ROE forecast for this fiscal year to around 5.8%.

Compared to the past two years, where ROE was 4.1% and then 3.2%, it had dipped slightly below 3.2%. However, we anticipate it will increase to approximately 5.8% this fiscal year, though not reaching 6.8%.



Next is the cost of equity. Looking at past figures, our cost of equity has been relatively low, hovering around the 4% range.

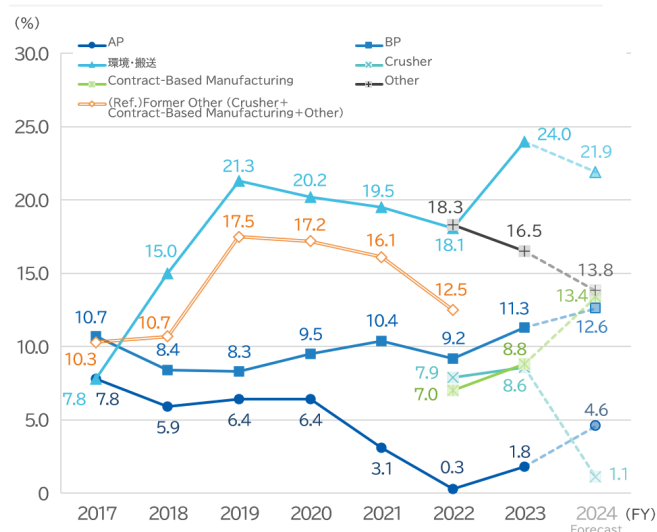
Interest rates are rising, and we expect them to exceed 5% in the future. In this context, it is crucial for us to enhance our ROE and determine how much we can surpass the cost of equity capital by 5%. I believe that the key will be to widen the equity spread.

This fiscal year marks the conclusion of our current Medium-Term Management Plan. The next Medium-Term Plan is also scheduled for three years, with a target of at least 8% in the final year of fiscal year 2027. After that, we aim to achieve 10% by the fiscal year 2030.

As a key initiative, we believe it is crucial for our company to focus on maximizing not only our earning potential but also the profitability of our core business.



## Operating Profit Margin Trends by Business Segment



Source: Nikko Corporate Report 2024 and company's calculation for FY2024 Forecast

## ① Maximize operating profit

- Profit improvement in heritage businesses such as AP and BP-related business.
- Growth in new opportunities in crushing machines, contract-based manufacturing, and other business.
- Transformation of the business model through price adjustments and expansion of asset management services.
- Enhancement of the mobile plant business and development of new products.
- Expansion of the business through M&A activities.
- Profitability improvement in maintenance services.
- Profit enhancement in Thai operations.
- Increased production capacity in contract manufacturing.
- Expansion into the environmental recycling sector.

## ② Financial Capital Policy

- Continuation of a dividend payout ratio of 60% or more.
- Flexible share buybacks.
- Estimated net assets of approximately 35.5 billion yen by fiscal year-end 2027 (33.1 billion yen as of fiscal year-end 2023).
- Maintenance of a capital ratio above 50%.
- Reduction of policy-related shareholdings, targeting below 10% of net assets in the medium term.

## ③ Engagement and Communication with Shareholders and Investors

- Enhancement of information disclosure in quarterly earnings presentations and annual Corporate Report.
- Various measures to support individual investors, such as improving the home page.

Next, I will provide specific items on maximizing operating income.

Our strategy involves improving the profitability of our core AP and BP-related Business while growing new ventures like Crushers-Related and Contract-Based Manufacturing Business. We will achieve this transformation by adjusting pricing strategies and broadening our asset management services.

We will focus on improving the profitability of our maintenance business and enhancing the earnings of our struggling Thai operations, aiming to expand our operating income.

Under our current Medium-Term Management Plan, we maintain a dividend payout ratio of 60%. Although the next plan has not been finalized, we do not intend to make significant changes to this ratio.

We will conduct share buybacks flexibly, but at present, we do not plan to aggressively purchase a large number of our own shares.

We expect our net assets to be approximately 35.5 billion yen by the end of fiscal year 2027. If we maintain the current dividend payout ratio of 60%, our net assets will not increase significantly. However, considering the stability of our management, we aim to maintain an equity ratio of around 50%.

Currently, our cross-held shares exceed 15% of our net assets. Although we have not acquired new shares, the increase in stock prices has raised this ratio above 15%. In the next medium term, we aim to reduce this ratio to below 10%.

We will continue to hold quarterly earnings briefings for shareholders and investors. Additionally, we have been publishing an integrated report since about five to six years ago, and we plan to further enrich the information disclosed in this report.

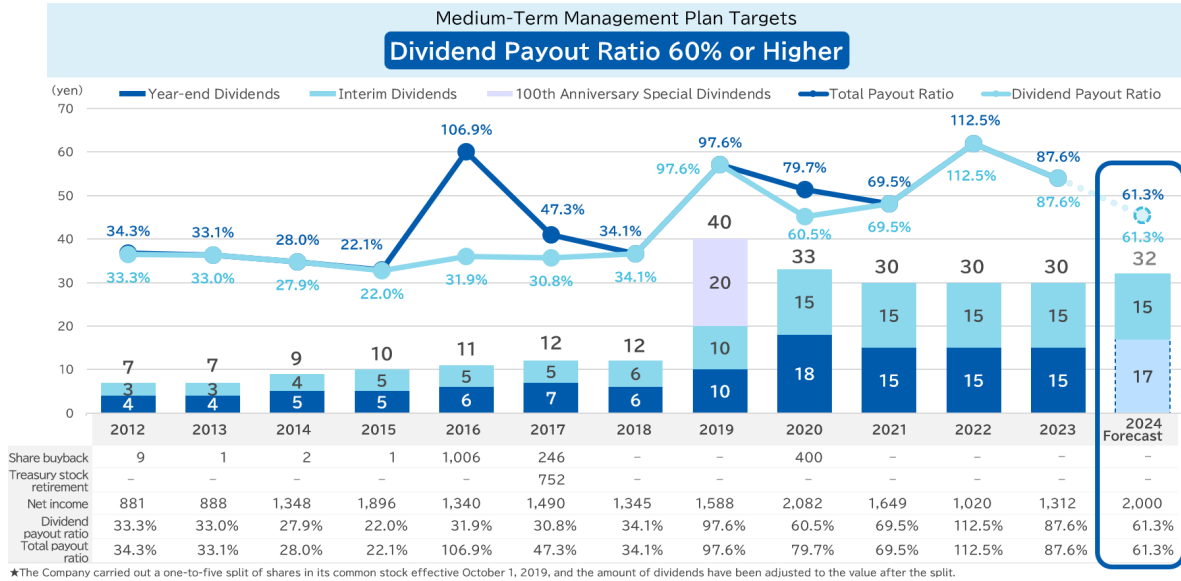
Recently, we have seen an increase in individual investors, which is a positive trend. Therefore, we will provide more information tailored to individual investors, aiming to help them understand our company better and encourage them to remain long-term shareholders.



## Shareholder Returns



■ Forecasted Dividend for Fiscal Year 2024: 32 yen (Interim 15 yen, Year-End 17 yen, Dividend Payout Ratio 61.3%)



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Once again, I would like to discuss our Shareholder Return Policy. For this fiscal year, we implemented an interim dividend of 15 yen. The year-end dividend has been set at 17 yen, an increase of 2 yen from the initial forecast of 15 yen. As a result, the annual dividend will be 32 yen, with a dividend payout ratio expected to be 61.3%.

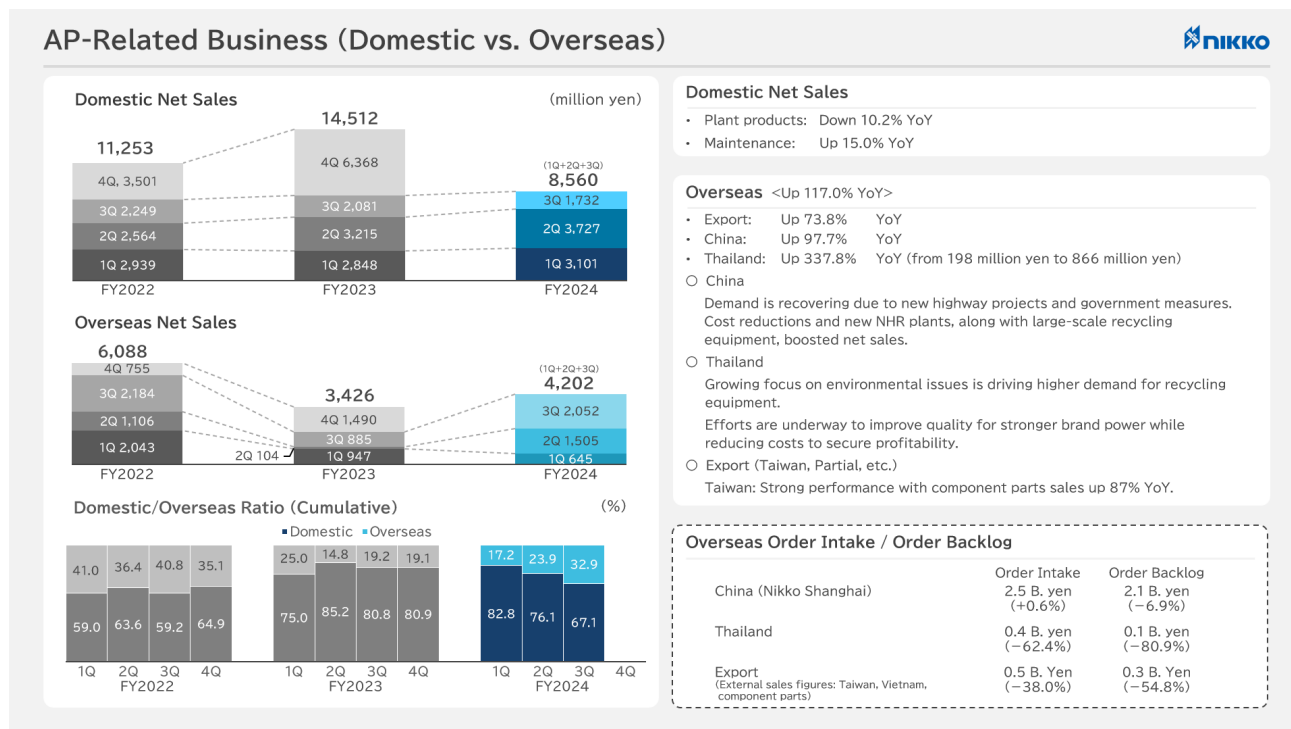
In the fiscal year 2019, we paid a dividend of 40 yen, which included a commemorative dividend for our 100th anniversary, resulting in a payout ratio of 97.6%. However, this cannot be directly compared to the current situation due to the special nature of that dividend. Although the 32 yen dividend for fiscal year 2024 is comparable to the 2019 level, we are not satisfied with this and aim to increase profits and expand our dividend plan in future years.

This is the end of my presentation.



## Questions with Written Responses

**[Q]:** I would like to ask about AP's operations in Thailand. Although the order intake and backlog have decreased compared to the previous year, could you provide your outlook for performance in the next fiscal year?



**[A]:** Regarding Thailand, the order intake and order backlog for fiscal year 2024 have decreased compared to fiscal year 2023.

Regarding future prospects, in fiscal year 2023, we received more orders than anticipated due to penetration of our plants in Thailand compared to the start of business in fiscal year 2022. This is also attributable to aggressive sales activities. However, in fiscal year 2024, the order backlog is expected to decrease.

Currently, prices are being affected by China, leading to sluggish order intake. Not only construction machinery but many products are experiencing oversupply in China, resulting in stagnant demand. Consequently, many export products from China are entering the Southeast Asian market, particularly Thailand, disrupting the supply and demand balance.

Asphalt plant demand is affected by China's reduced domestic demand, and we're struggling with pricing, leading to decreased orders compared to fiscal year 2023.

**[Q]:** The order backlog at the end of fiscal year 2024 is expected to increase slightly compared to the end of fiscal year 2023. What is your view of the direction of business performance for the next fiscal year?

**[A]:** Regarding the direction of performance for the next fiscal year, we have not yet announced our performance forecast for the upcoming fiscal year, and it has not been officially decided within the company. Therefore, I would like to only discuss the general direction at this time.

As you noted, the order backlog for the next fiscal year is slightly higher than it was a year ago. We believe that it will increase further in the future. In any case, we believe we can start at a high level.

As for the results of the next fiscal year, our AP and BP production will be almost going with order intake. Therefore, it is possible to predict business performance from the order backlog of initial. We expect the figures for Domestic APs and BPs to be higher than the previous year.

There are no significant negative factors for other businesses aside from our two main businesses in the next fiscal year. Therefore, we anticipate that domestic operations will see an increase in both net sales and profits compared to the current fiscal year.

Uncertainties include overseas, especially the China and Southeast Asian markets. Regarding China, we were in lost last fiscal year, but we have turned into a surplus this fiscal year. However, compared to the past, net sales and profits have declined significantly. We cannot expect a significant improvement in the situation in China in the next fiscal year, but on the contrary, we do not expect it to deteriorate significantly.

What I am most concerned about is the business in ASEAN, especially Thailand. Since the order intake situation is not good and there are few backlogs, I am worried about the start of fiscal year. We are concerned about this. That's all.

**[Q]:** Last week at the All People's Congress, China increased its capital investment subsidies, do you think this will make the outlook for AP more bullish?

**[A]:** The announcement of an increase in investment subsidies is good news, but it is difficult to predict how much it will impact our plant.

In China, the economic downturn caused by the real estate slump has significantly reduced infrastructure investments in fiscal year 2023. However, there is a prospect of slight recovery in fiscal year 2024. The Chinese government aims for economic growth exceeding 5%. Additionally, due to tariff issues with the U.S., there is a possibility that U.S.-China trade may decrease in the future. In this context, the Chinese government is considering expanding domestic demand.

Infrastructure investments have a significant impact on the economy, so we can expect fiscal spending on infrastructure in addition to subsidies for equipment investments. Our plant sales depend on road budgets, so for the next fiscal year (starting April 2025), we currently see few negative factors.

**[Q]:** Ceasefire negotiations in Ukraine are underway, do you think the demand for crushers will increase with the reconstruction assistance of the Japan government?

**[A]:** We provided Mobile Crushers to Ukraine last fiscal year at the Japanese government's request. If the ceasefire advances, Japan is likely to actively support Ukraine's reconstruction. The crushers we supplied were limited in processing debris, but as rebuilding progresses, demand for debris handling will rise. Mobile Crushers are practical and will likely be in demand.

We cannot comment on the specifics of government support, but we see potential opportunities. Roads and concrete structures may be damaged, and if our asphalt and concrete plants are involved in reconstruction, we note that there are few domestic manufacturers in these areas. As a top manufacturer, we believe we can contribute to Ukraine's rebuilding efforts. However, the ceasefire's progress and Japan's support areas are uncertain, so this remains speculative.

**[Q]:** Cumulative Operating income for the third quarter was about 1.5 billion yen, which is 57% of the full-year plan of 2.7 billion yen. What is your assessment of the internal plan? Could you also tell us about progress by segment?

**[A]:** Regarding our internal plan, our current progress is almost on budget. The upside is not great, but we are progressing on schedule.

Regarding progress by segment, I think progress in BP is good. On the other hand, the Crusher-Related Business, which is mainly Mobile Crushers, is a little behind budget.

This means that there is no significant upside or downside in terms of budgets between segments. That's all.

**[Q]:** Recently, BP has been leading in performance, but I believe AP will take the lead in the next 2-3 years. Could you provide a comment on the improvement of the operating income margin for the AP Business? Is it difficult to secure an operating income margin of 10%?

**[A]:** This is a question we often receive during earnings briefings, and in our one-on-one discussions with investors, we frequently hear feedback about whether we can further increase the profit margins for AP, as a top manufacturer in the domestic AP market. I believe we received a similar question this time as well.

As you mentioned, there is indeed potential. We occupy 70% to 80% of the domestic market. Typically, as a price leader, we are expected to raise prices; however, due to the decrease in overall demand in Japan compared to the past, I think it is not easy to raise prices.

We are focusing on our unit-type VP series. We strive to provide ease of use for our customers while also working to reduce manufacturing costs.

In addition to securing consistent profits, companies that have been doing their own maintenance will find it more difficult to do so in the future due to the labor shortage. As a result, more and more maintenance will be requested from manufacturers.

The maintenance business has a high profit margin and the potential to increase sales. There have been opportunities in the past, but it has been challenging to allocate sufficient personnel to this field.

Although we have been facing a labor shortage, we have actively hired new graduates and mid-career professionals over the past two years. While it takes time for new employees to become fully productive, we believe that with an increase in human resources by around three years from now, we will be able to secure work as we did in the past.

It is challenging to increase product profit margins, but if sales of high-margin maintenance services increase, we believe there is a good possibility of achieving a domestic AP operating income margin of 10% within 2 to 3 years. That is all.

**[Q]:** There have been news about road cave-in accidents. Are there any favorable trends for your domestic business as a result?

**[A]:** There hasn't been a significant impact on our domestic business from the news about road cave-in accidents, especially after the accident in Yashio City, Saitama Prefecture. As I mentioned earlier, there is a possibility of such accidents occurring in the future. However, at present, there is no major effect on our AP and BP Business or other operations.

**[Q]:** Mr. Fujii, I believe this will be your final presentation. Considering we aim for a market capitalization of 50 billion yen, do you have any advice regarding what remains to be done?

**[A]:** I have received farewell comments from those who have long supported our company. Currently, our market capitalization is around 28 to 30 billion yen, with a stock price fluctuating around 700 yen. Honestly, it is difficult for me to leave this position under these circumstances.

In the past, I have stated that reaching a market capitalization of 50 billion yen is not particularly something to boast about.

As a manufacturer, I aim for at least 100 billion yen in sales and a market capitalization of 100 billion yen. However, achieving this is still a bit in the future.

Although we did not reach the 50 billion yen goal, we have significantly expanded our sales from around 30 billion yen to approximately 48 billion yen over the three years of our current Medium-Term Management Plan. Our sales have more than doubled from the era when they were stagnant at 30 billion yen.

Our employee count has not doubled over the past three years, but it has increased by about 1.5 times compared to ten years ago. In this sense, it is crucial to increase the number of necessary personnel, expand our business domains, and increase our sales. If we do not expand our top line, increasing profits will not lead to company growth. Therefore, I have invested management resources to grow our top line.

In the past, our equity ratio exceeded 70%. To advance investments, we conducted several M&A activities. Although our business has not fully grown yet, we have made significant progress in ASEAN and have a clear direction for our future overseas strategy.

First and foremost, we need to increase sales and human capital. I believe we have achieved this to some extent.

Over the next three years, I expect profits to increase, and I anticipate further sales growth. I hope we can become a company with 100 billion yen in sales and a market capitalization of 100 billion yen soon.

End

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**Note:** This script is provided to offer information to those who did not attend the financial results briefing. Please be aware that some parts of the content have been added or modified to enhance clarity.