**Nikko Co., Ltd.**

# Financial Results Briefing

Fiscal Year 2024

(Ended March 31, 2025)

June 17, 2025

# Event Overview

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

**Company ID:** 6306

**Event Language:** JPN

**Event Type:** Financial Results Briefing Session

**Event Name:** Fiscal Year 2024 (Ending March 31, 2025) Financial Results Briefing

**Date:** June 17, 2025

**Speaker:** Tomomi Nakayama, Representative Director and President
(hereafter, referred to as Nakayama)
Koichi Kawakami, Director and Director of Administrative Division
(hereafter, referred to as Kawakami)

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

**Video URL:** https: //www.youtube.com/watch?v=tiFOXUsFWtg

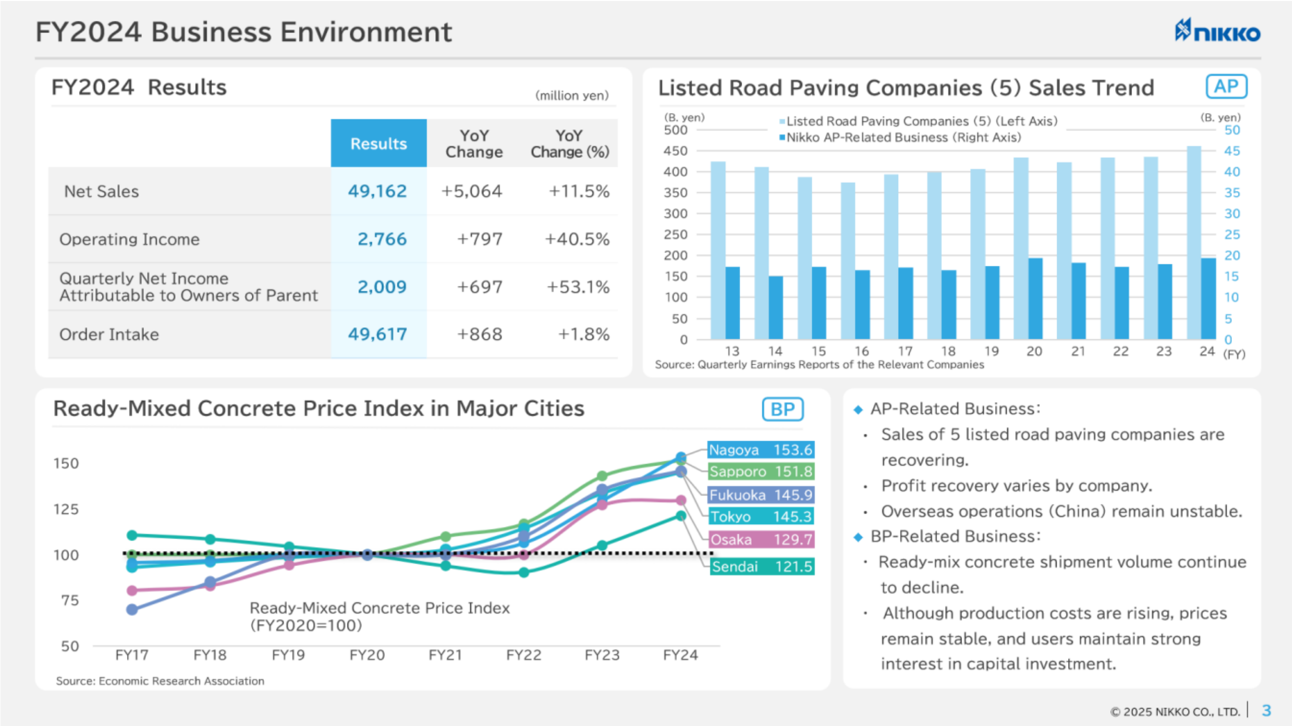
**Corporate Report:** https: //www.nikko-net.co.jp/ir/library/corporate-report.html

**Disclaimer:** This English version is a machine translation of the Japanese original, provided for reference only. In case of discrepancies, the Japanese text shall prevail. No guarantees are made regarding the accuracy or completeness of this translation.

**Kawakami:** Thank you very much for joining us today. My name is Kawakami from Nikko Corporation.

I will explain the financial results for the fiscal year 2024 ended March 31, 2025, and provide an outlook for the fiscal year 2025 ending March 31, 2026.

Since this is my first time speaking with all of you, I am a bit nervous, but I will do my best to provide clear and courteous explanations. Thank you very much for your attention.




First, I would like to provide an overview of the business environment in fiscal year 2024 and its outcomes.

Fiscal year 2024 ended March 31, 2025, was the final year of the previous medium-term management plan.

At the outset, we set our targets at sales of 50 billion yen, operating profit of 3 billion yen, operating profit margin of 6%, and ROE of 6.2%.

As a result, although we achieved record highs in net sales, operating profit, and ordinary profit, we fell slightly short of our targets, with net sales of 49.1 billion yen, operating profit of 2.7 billion yen, an operating profit margin of 5.6%, and ROE of 5.8%.

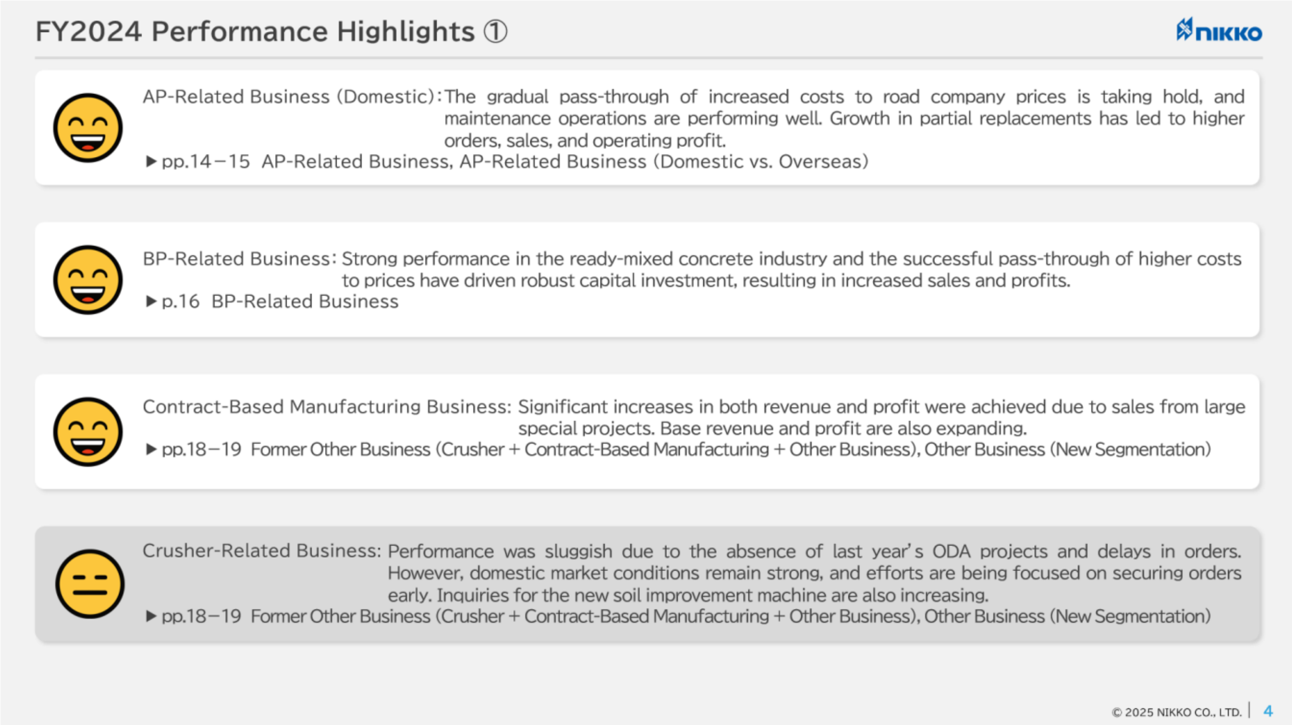
However, due to the special impact of the stock dividend issued four years ago, we believe we were also able to achieve a record-high profit in fiscal year 2024.

I would like to discuss the market environment in fiscal year 2024.

In the asphalt plant-related business, major road paving companies showed signs of recovery, but this did not result in large-scale capital investment. Instead, they focused on maintenance and equipment upgrades to drive performance.

In the concrete plant-related business, the unit price of ready-mixed concrete remained stable, and with strong equipment demand and ongoing equipment renewals, orders steadily increased, and sales also rose.

As a result, in this business, both segment sales and operating profit reached record highs.

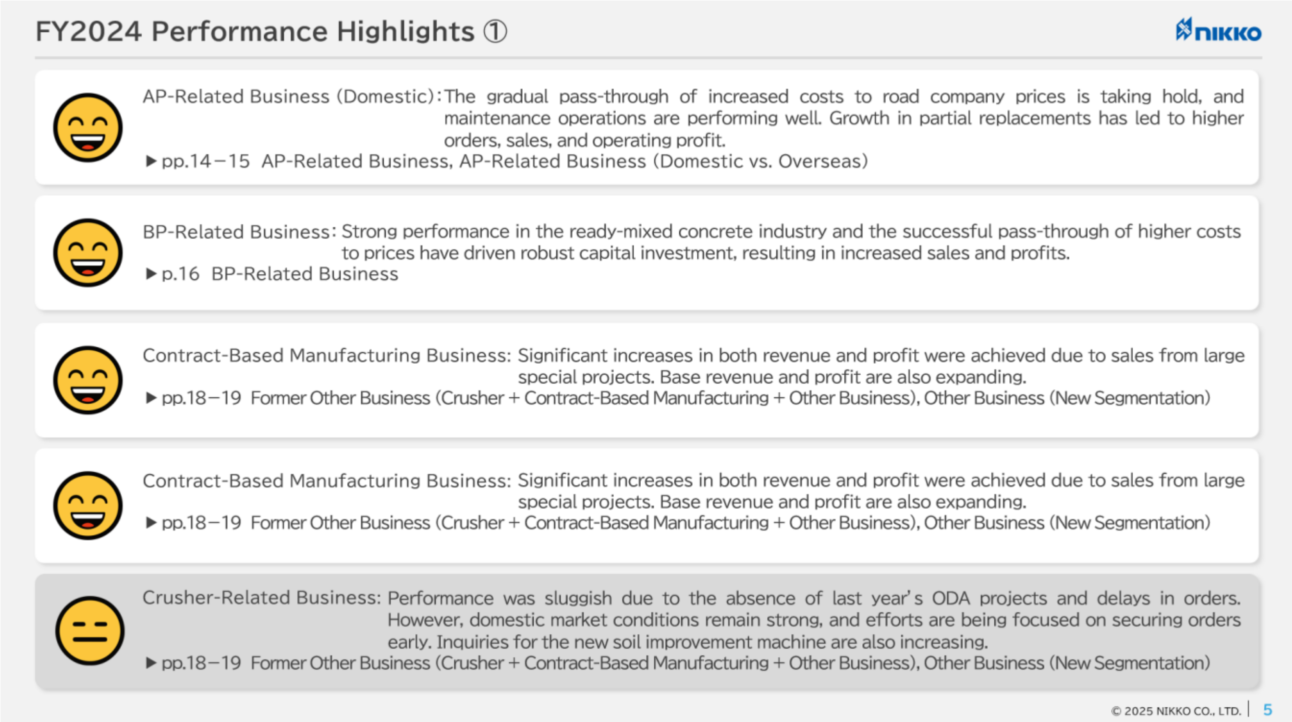



As I mentioned earlier, I would like to once again highlight our business performance. Regarding the asphalt plant (AP) and batching plant (BP), as previously explained, the market has continued to perform steadily, resulting in increases in both net sales and operating profit.

In the manufacturing sector, Ube Kohki and Matsuda Kiko, two companies that newly joined our group during the previous medium-term management plan period, secured large-scale special projects, which significantly drove the overall business performance, resulting in a substantial increase in both revenue and profit.

On the other hand, the crusher-related business has been performing well so far; however, in fiscal year 2024, due to the decline in ODA projects for Ukraine, business performance turned slightly downward, and the target was not achieved.

These are the main performance highlights.




Next, I would like to explain our forecast for fiscal year 2025.

By segment, both the asphalt plant (AP) and batching plant (BP) have started the current fiscal year with a large order backlog and are expected to continue to perform well.

In the environment- and conveyor-related business, order intake and net sales for large-scale projects are expected, and we believe that this business will remain resilient.

Regarding the crusher-related business, which was somewhat sluggish last fiscal year, the domestic market remains strong, and inquiries for the new soil improvement machine "MobixEco" are also increasing. Therefore, the company aims to recover its performance in the current fiscal year.

On the other hand, in the contract-based manufacturing business, both Ube Kohki and Matsuda Kiko have maintained strong and high levels of order backlogs. However, due to the impact of order trends from major engineering company clients, the momentum is not expected to match that of the previous fiscal year, and both sales and profits are forecast to decline.

## FY2024 Performance Highlights ②

NIKKO

- Net sales: **AP** +1.5 B. yen; **BP** +2.3 B. yen; **Env. & Conveying** -55 mil. yen; **Crusher** -0.9 B. yen; **Contract Manufacturing** +1.7 B. yen; **Other** +0.4 B. yen.
- Operating Income: In the AP business, domestic maintenance and unit replacements increased. The BP business continued to perform steadily, and the number of subsidiaries in the contract manufacturing business also grew. Profit margins also increased.
- Ordinary Income: Increased due to higher operating income.
- Order Intake: **AP** +0.5 B. yen; **BP** +0.9 B. yen; **Env. & Conveying** -77 mil. yen; **Crusher** -1.7 B. yen; **Contract Manufacturing** +0.7 B. yen; **Other** +0.4 B. yen.
- Order Backlog: **AP** +31 mil. yen; **BP** +0.9 B. yen; **Env. & Conveying** +0.4 B. yen; **Crusher** -0.5 B. yen; **Contract Manufacturing** -0.4 B. yen; **Other** -28 mil. yen.

| (million yen) | FY2023 Results | FY2024 Forecast | FY2024 Results | YoY Change (Amount) | YoY Change (Rate) |
|---|---|---|---|---|---|
| Net Sales | 44,097 | 48,000 | All-time Record 49,162 | +5,065 | + 11.5 % |
| Operating Income | 1,968 | 2,700 | All-time Record 2,766 | + 798 | + 40.5 % |
| Operating Margin | 4.5 % | 5.6 % | 5.6 % | − | + 1.1 pp |
| Ordinary Income | 2,144 | 2,900 | All-time Record 3,071 | + 927 | + 43.2 % |
| Quarterly Net Income Attributable to Owners of Parent | 1,312 | 2,000 | 2,009 | + 697 | + 53.1 % |
| Order Intake | 48,749 | 48,500 | 49,617 | + 868 | + 1.8 % |
| Order Backlog | 22,371 | 22,871 | 22,826 | + 455 | + 2.0 % |

The business results for fiscal 2024 (the previous fiscal year) achieved record highs in net sales, operating profit, and ordinary profit.
In addition, as I mentioned earlier, net income also reached an all-time record.

## FY2024 Performance Highlights ③

NIKKO

| (million yen) | | FY2023 Results | FY2024 Forecast | FY2024 Results | YoY Change (Amount) | YoY Change (Rate) |
|---|---|---|---|---|---|---|
| AP-Related Business | Net Sales | 17,938 | 18,200 | 19,480 | + 1,542 | + 8.6 % |
| | Operating Income | 331 | 840 | 976 | + 645 | + 194.9 % |
| | Operating Margin | 1.8 % | 4.6 % | 5.0 % | − | + 3.2 pp |
| BP-Related Business | Net Sales | 11,907 | 13,700 | All-time Record 14,266 | + 2,359 | + 19.8 % |
| | Operating Income | 1,341 | 1,720 | All-time Record 1,724 | + 383 | + 28.6 % |
| | Operating Margin | 11.3 % | 12.6 % | 12.1 % | − | + 0.8 pp |
| Environment- and Conveyor-Related Business | Net Sales | 3,309 | 3,200 | 3,254 | − 55 | − 1.7 % |
| | Operating Income | 793 | 700 | 847 | + 54 | + 6.8 % |
| | Operating Margin | 24.0 % | 21.9% | 26.0 % | − | + 2.0 pp |
| Crusher-Related Business | Net Sales | 3,198 | 2,820 | 2,256 | − 942 | − 29.5 % |
| | Operating Income | 274 | 30 | 40 | − 234 | − 85.4 % |
| | Operating Margin | 8.6 % | 1.1 % | 1.8 % | − | − 6.8 pp |
| Contract-Based Manufacturing Business | Net Sales | 3,072 | 4,640 | 4,802 | + 1,730 | + 56.3 % |
| | Operating Income | 270 | 620 | 645 | + 375 | + 138.9 % |
| | Operating Margin | 8.8 % | 13.4 % | 13.4 % | − | + 4.6 pp |
| Other Business | Net Sales | 4,670 | 5,440 | 5,101 | + 431 | + 9.2 % |
| | Operating Income | 769 | 750 | 716 | − 53 | − 6.9 % |
| | Operating Margin | 16.5 % | 13.8 % | 14.0 % | − | − 2.5 pp |

## FY2025 Forecast ①

| (million yen) | First Half (1H) FY24 Results | First Half (1H) FY25 Forecast | First Half (1H) YoY | Second Half (2H) FY24 Results | Second Half (2H) FY25 Forecast | Second Half (2H) YoY | Full year FY24 Results | Full year FY25 Forecast | Full year YoY |
|---|---|---|---|---|---|---|---|---|---|
| Net Sales | 22,634 | 22,700 | + 66<br>+ 0.3 % | 26,528 | 28,300 | + 1,772<br>+ 6.7 % | 49,162 | 51,000 | + 1,838<br>+ 3.7 % |
| Operating Income | 1,280 | 1,150 | − 130<br>− 10.2 % | 1,486 | 1,850 | + 364<br>+ 24.5 % | 2,766 | 3,000 | + 234<br>+ 8.5 % |
| Operating Margin | 5.7% | 5.1% | − 0.6 pp | 5.6% | 6.5% | + 0.9 pp | 5.6% | 5.9% | + 0.3 pp |
| Ordinary Income | 1,468 | 1,250 | − 218<br>− 14.9 % | 1,603 | 1,850 | + 247<br>+ 15.4 % | 3,071 | 3,100 | + 29<br>+ 0.9 % |
| Quarterly Net Income Attributable to Owners of Parent | 881 | 700 | − 181<br>− 20.5 % | 1,128 | 1,400 | + 272<br>+ 24.1 % | 2,009 | 2,100 | + 91<br>+ 4.5 % |
| Order Intake | 26,889 | 26,600 | − 289<br>− 1.1 % | 22,728 | 26,600 | + 3,872<br>+ 17.0 % | 49,617 | 53,200 | + 3,583<br>+ 7.2 % |
| Order Backlog | 26,626 | 26,726 | + 100<br>+ 0.4 % | 22,826 | 25,026 | + 2,200<br>+ 9.6 % | 22,826 | 25,026 | + 2,200<br>+ 9.6 % |

I will provide a detailed explanation regarding the business outlook for fiscal year 2025.

First, in the AP-Related Business, both products and services are expected to increase year-on-year, as the domestic market is on a recovery trend and demand for plant renewal using energy-saving subsidies is expected.

Looking at overseas markets, although there are signs of bottoming out in China due to the effects of economic stimulus measures, a full-scale recovery has yet to be achieved, and we will continue to closely monitor the situation going forward. In the Thai market, demand for upgrades and new installations of high-performance, environmentally friendly recycling equipment is progressing somewhat more slowly than initially expected. In addition, the ongoing price offensive from Chinese manufacturers since last year is also having an impact, and we anticipate that the challenging business environment will continue this term as well.

Amidst these circumstances, we are actively working on cost structure reforms, including the reduction of fixed costs, with the aim of lowering the break-even point, and are striving to achieve profitability in our business as soon as possible.

As for the Other business segment, as mentioned earlier, we are working toward our targets for fiscal 2025: net sales of 51 billion yen, operating income of 3 billion yen, an operating margin of 5.9%, and an ROE of 6%.

## FY2025 Forecast ②

| (million yen) | | First Half (1H) | | | Second Half (2H) | | | Full-year | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | FY24 Results | FY25 Forecast | YoY | FY24 Results | FY25 Forecast | YoY | FY24 Results | FY25 Forecast | YoY |
| AP-Related Business | Net Sales | 8,979 | 8,500 | − 479<br>− 5.3 % | 10,501 | 11,000 | + 499<br>+ 4.8 % | 19,480 | 19,500 | + 20<br>+ 0.1 % |
| | Operating Income | 498 | 500 | + 2<br>+ 0.4 % | 478 | 500 | + 22<br>+ 4.6 % | 976 | 1,000 | + 24<br>+ 2.5 % |
| | Operating Margin | 5.5 % | 5.9 % | + 0.4 pp | 4.6 % | 4.5 % | − 0.1 pp | 5.0 % | 5.1 % | + 0.1 pp |
| BP-Related Business | Net Sales | 6,142 | 7,500 | + 1,358<br>+ 22.1 % | 8,124 | 7,300 | − 824<br>− 10.1 % | 14,266 | 14,800 | + 534<br>+ 3.7 % |
| | Operating Income | 748 | 1,000 | + 252<br>+ 33.7 % | 976 | 900 | − 76<br>− 7.8 % | 1,724 | 1,900 | + 176<br>+ 10.2 % |
| | Operating Margin | 12.2 % | 13.3 % | + 1.1 pp | 12.0 % | 12.3 % | + 0.3 pp | 12.1 % | 12.8 % | + 0.7 pp |
| Environment- and Conveyor-Related Business | Net Sales | 1,433 | 1,700 | + 267<br>+ 18.6 % | 1,821 | 2,400 | + 579<br>+ 31.8 % | 3,254 | 4,100 | + 846<br>+ 26.0 % |
| | Operating Income | 326 | 350 | + 24<br>+ 7.4 % | 521 | 500 | − 21<br>− 4.0 % | 847 | 850 | + 3<br>+ 0.4 % |
| | Operating Margin | 22.7 % | 20.6 % | − 2.1 pp | 28.6 % | 20.8 % | − 7.8 pp | 26.0 % | 20.7 % | − 5.3 pp |
| Crusher-Related Business | Net Sales | 1,313 | 900 | − 413<br>− 31.5 % | 943 | 2,100 | + 1,157<br>+ 122.7 % | 2,256 | 3,000 | + 744<br>+ 33.0 % |
| | Operating Income | 96 | 0 | − 96<br>− 99.9 % | (56 | 150 | + 206<br>− 367.9 % | 40 | 150 | + 110<br>+ 275.0 % |
| | Operating Margin | 7.3 % | 0.1 % | − 7.2 pp | ― | 7.1 % | + 13.0 pp | 1.8 % | 5.0 % | + 3.2 pp |
| Contract-Based Manufacturing Business | Net Sales | 2,593 | 1,700 | − 893<br>− 34.4 % | 2,209 | 1,900 | − 309<br>− 14.0 % | 4,802 | 3,600 | − 1,202<br>− 25.0 % |
| | Operating Income | 369 | 180 | − 189<br>− 51.2 % | 276 | 220 | − 56<br>− 20.3 % | 645 | 400 | − 245<br>− 38.0 % |
| | Operating Margin | 14.2 % | 10.6 % | − 3.6 pp | 12.5 % | 11.6 % | − 0.9 pp | 13.4 % | 11.1 % | − 2.3 pp |
| Other Business | Net Sales | 2,171 | 2,400 | + 229<br>+ 10.5 % | 2,930 | 3,600 | + 670<br>+ 22.9 % | 5,101 | 6,000 | + 889<br>+ 17.6 % |
| | Operating Income | 226 | 220 | − 6<br>− 2.7 % | 490 | 680 | + 190<br>+ 38.8 % | 716 | 900 | + 184<br>+ 25.7 % |
| | Operating Margin | 10.4 % | 9.2 % | − 1.2 pp | 16.7 % | 18.9 % | + 2.2 pp | 14.0% % | 15.0 % | + 1.0 pp |

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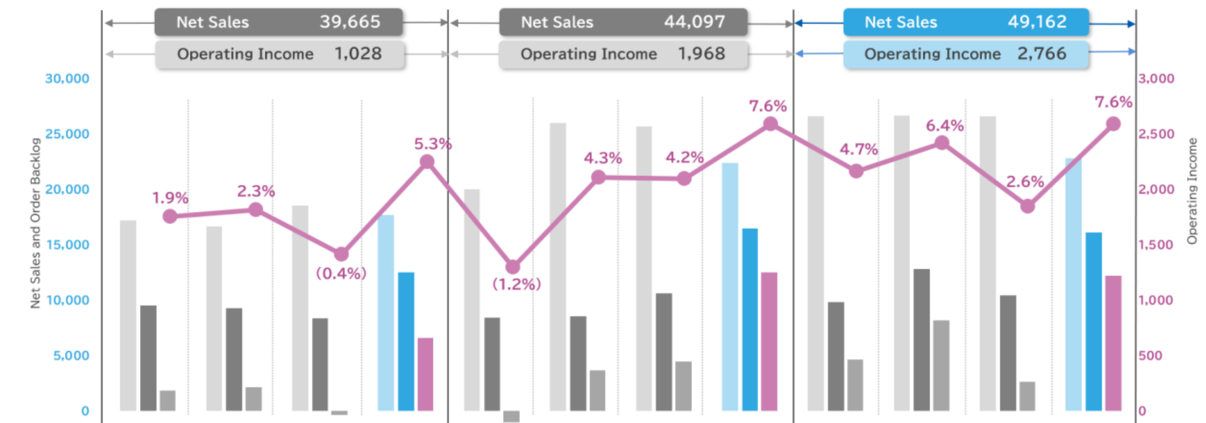
As for the balance of business performance between the first and second half of the fiscal year, we expect the usual trend to continue, with a significant increase in performance in the second half. We also anticipate that order intake will remain steady.

## FY2024 Performance Trend

### Net Sales and Operating Income Trends

(million yen)




| | FY2022 | | | | FY2023 | | | | FY2024 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Order Backlog | 17,202 | 16,660 | 18,560 | 17,656 | 19,987 | 25,986 | 25,642 | 22,371 | 26,560 | 26,626 | 26,582 | 22,826 |
| Net Sales | 9,504 | 9,256 | 8,369 | 12,536 | 8,446 | 8,536 | 10,637 | 16,478 | 9,849 | 12,785 | 10,436 | 16,092 |
| Operating Income | 183 | 216 | (32) | 661 | (99) | 368 | 449 | 1,250 | 462 | 818 | 267 | 1,219 |
| Operating Margin | 1.9% | 2.3% | (0.4%) | 5.3% | (1.2%) | 4.3% | 4.2% | 7.6% | 4.7% | 6.4% | 2.6% | 7.6% |

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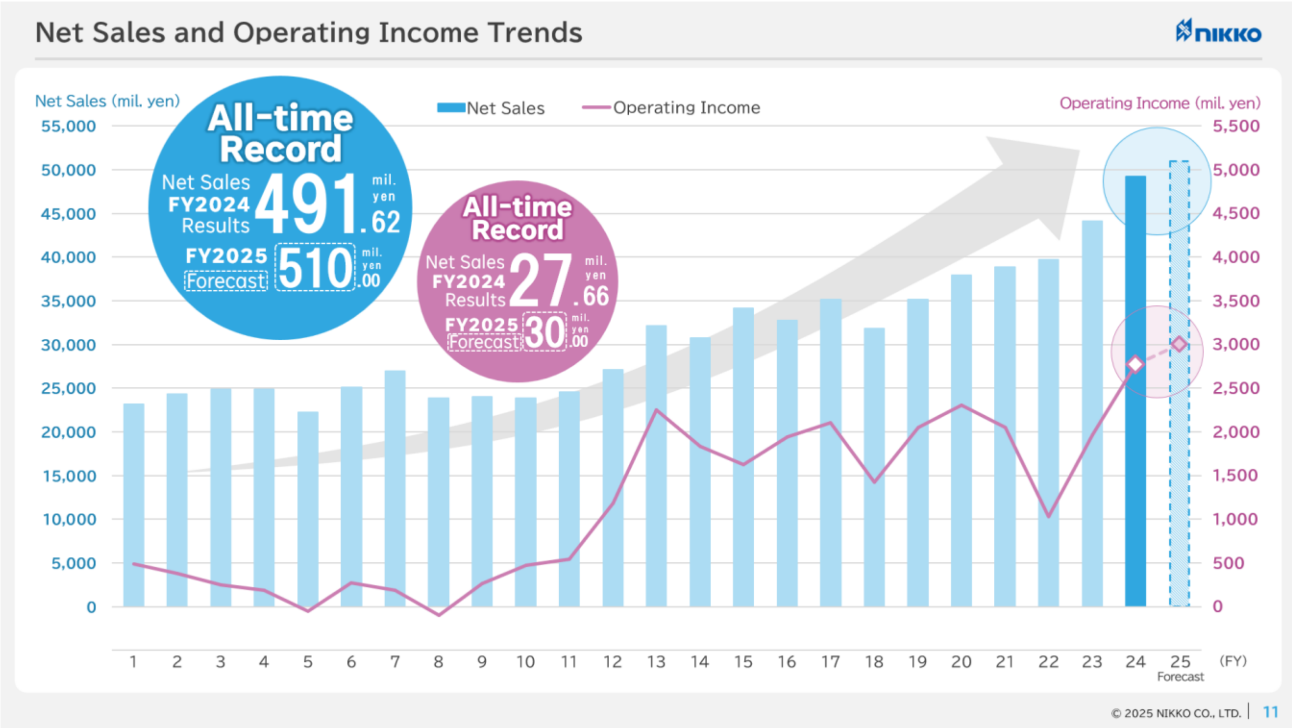
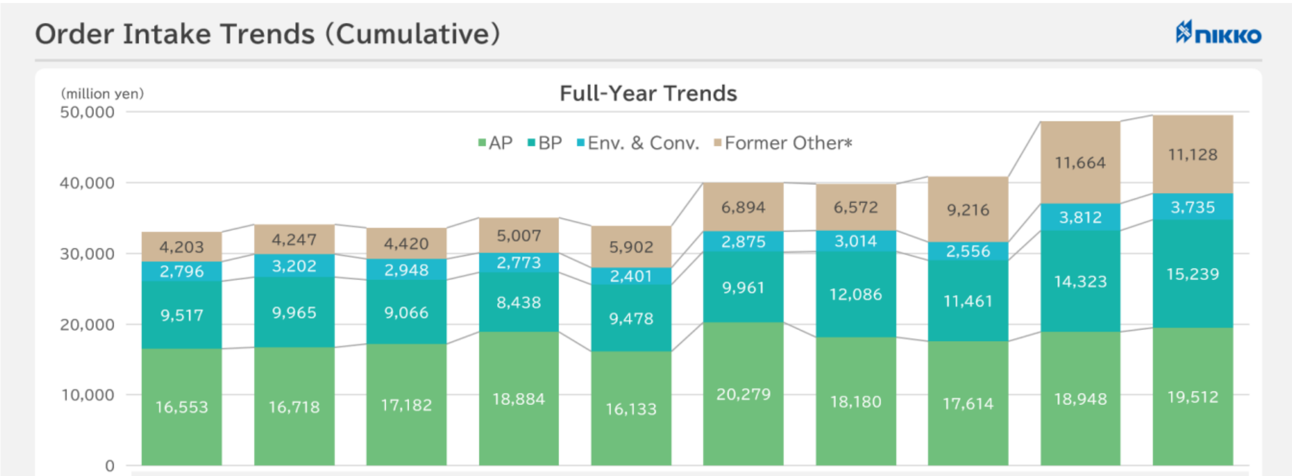
In fiscal year 2024, order backlogs remained relatively stable across all quarters; however, sales and operating profit were concentrated in the second half. This trend is expected to continue in fiscal year 2025 ending March 31, 2026.




This graph shows the trends in net sales and operating profit. As highlighted by the “All-time Record” label, we believe fiscal 2025 marked an exceptionally strong performance.

However, as we fell just short of our target, we would like to address our challenges, including improving our operating margin, and aim for further growth this fiscal year.




| | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| AP | 16,553 | 16,718 | 17,182 | 18,884 | 16,133 | 20,279 | 18,180 | 17,614 | 18,948 | 19,512 |
| BP | 9,517 | 9,965 | 9,066 | 8,438 | 9,478 | 9,961 | 12,086 | 11,461 | 14,323 | 15,239 |
| Env.&Conv. | 2,796 | 3,202 | 2,948 | 2,773 | 2,401 | 2,875 | 3,014 | 2,556 | 3,812 | 3,735 |
| Former Other* | 4,203 | 4,247 | 4,420 | 5,007 | 5,902 | 6,894 | 6,572 | 9,216 | 11,664 | 11,128 |
| Total | 33,069 | 34,134 | 33,616 | 35,103 | 33,915 | 40,009 | 39,853 | 40,849 | 48,749 | 49,617 |

* ‘Former Other’ category includes the Crusher-Related business, Contract-Based Manufacturing Business, and Other Business.

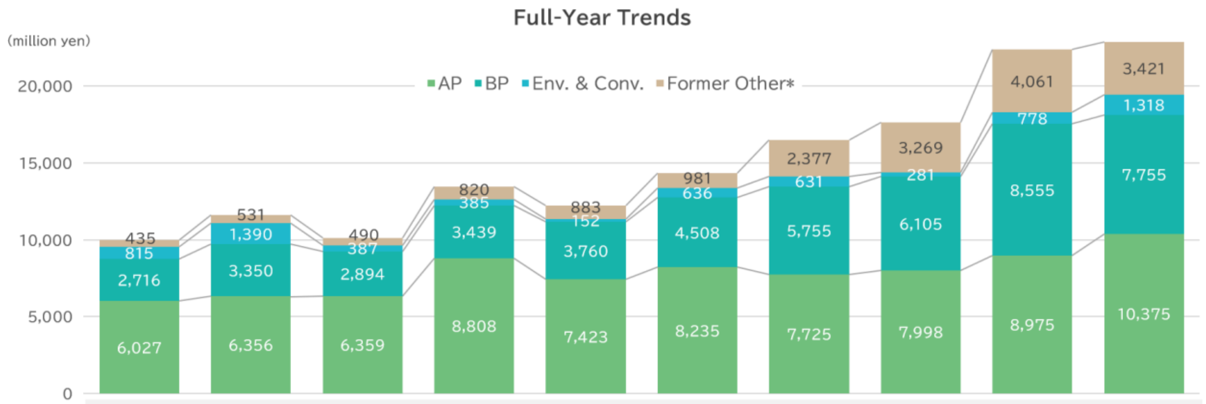


We would like to report on order intake. Both the order intake and the order backlog at the end of the period have remained relatively firm.

In the AP segment, order intake has remained steady as the business performance of various road paving companies is on a recovery trend.

Additionally, order intake for BP segment has been expanding due to the stabilization of ready-mixed concrete prices in recent years, and we expect the year-end balance for this fiscal year to continue to show a favorable trend.

## End-of-period Order Backlog Trends




| | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| AP | 6,027 | 6,356 | 6,359 | 8,808 | 7,423 | 8,235 | 7,725 | 7,998 | 8,975 | 9,006 |
| BP | 2,716 | 3,350 | 2,894 | 3,439 | 3,760 | 4,508 | 5,755 | 6,105 | 8,555 | 9,528 |
| Env.&Conv. | 815 | 1,390 | 387 | 385 | 152 | 636 | 631 | 281 | 778 | 1,259 |
| Former Other* | 435 | 531 | 490 | 820 | 883 | 981 | 2,377 | 3,269 | 4,061 | 3,029 |
| Total | 9,997 | 11,629 | 10,132 | 13,454 | 12,219 | 14,361 | 16,490 | 17,656 | 22,371 | 22,826 |

* 'Former Other' category includes the Crusher-Related business, Contract-Based Manufacturing Business, and Other Business.

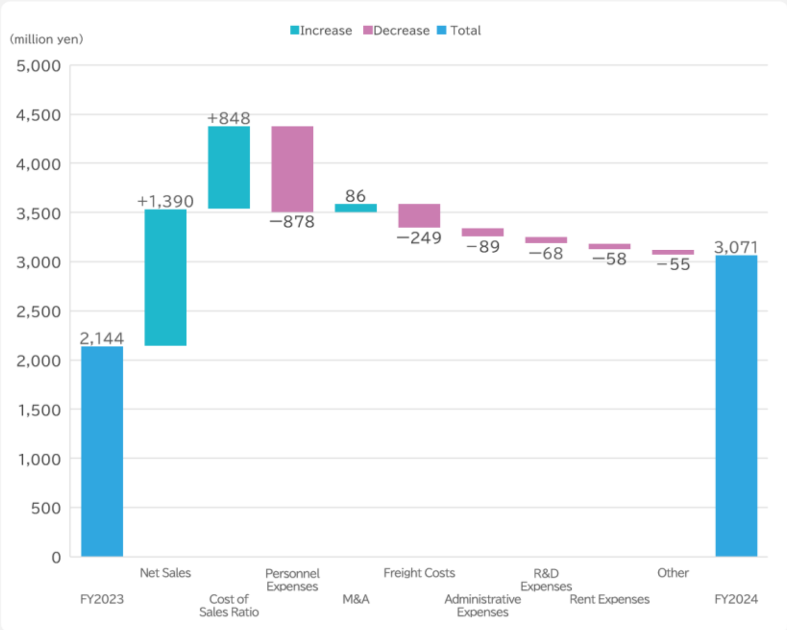
Next, I'll explain the balance of orders at the end of the fiscal year. Since fiscal 2023, the balance of orders at the end of the fiscal year has remained at a very stable and high level, exceeding 20 billion yen.

We will continue to strive to maintain this level during the current fiscal year and throughout the current medium-term management plan.

As for the detailed breakdown by segment from pages 14 to 20, we have provided the figures for each field as explained earlier, so we will omit them for today.

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




(million yen)

| Items | Impact | Content | |
|---|---|---|---|
| Net Sales/ Cost of Sales Ratio | +2,238 | Increase in Net Sales<br>Improvement in Cost of Sales Ratio (Except Personnel Expenses) | |
| Personnel Expenses | −878 | Increase in number of employees and base-pay;<br>Increase in bonuses due to strong business performance. | |
| M&A | +86 | Matsuda Kiko<br>Nishinihon Real Estate | +54<br>+32 |
| Freight Costs | −249 | Increase driven by higher sales. | |
| Administrative Expenses | −89 | Increases in System usage fees and Outsourcing costs. | |
| R&D Expenses | −68 | Increase in Development costs | |
| Rent Expenses | −58 | Increases in Personnel and Lease renewal fees | |
| Other | −55 | Depreciation<br>Travel and Transportation Expenses<br>Dividend income | −54<br>−52<br>+49<br>Etc. |

Next, I would like to explain the factors behind the impact on ordinary profit for fiscal year 2024.

First, ordinary profit for fiscal year 2023 starts at 2.144 billion yen.

The increase in sales contributed a positive factor of 1.39 billion yen, and the improvement in the cost of sales ratio added approximately 850 million yen. On the other hand, an increase in personnel expenses—due to a rise in headcount and higher unit labor costs—resulted in a cash outflow of about 880 million yen.
As for the impact of M&A, in the previous fiscal year (2023), we incurred costs and asset acquisitions related to the addition of Matsuda Kiko and Nishinihon Real Estate

to the Group. However, since these costs were not present this fiscal year, there was a positive impact of 86 million yen.

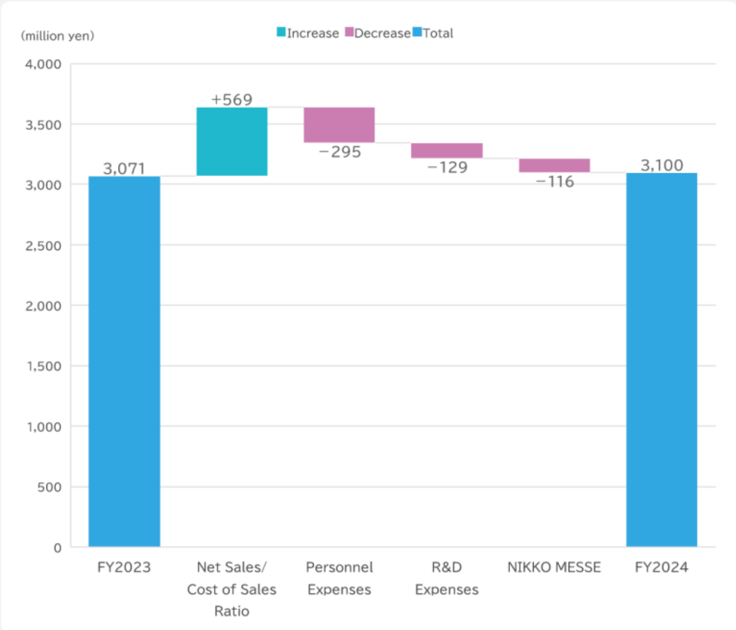
Negative factors include an increase of approximately 250 million yen in freight costs, due to the impact of increased net sales, as plant deliveries are spread throughout Japan from Hokkaido to Okinawa.

Additionally, expenses such as administrative expenses, R&D expenses, and rent expenses also had a negative impact as R&D expenses exceeded its budget and made additional investments.

As a result, the ordinary profit for fiscal year 2024 amounted to 3,071 million yen. This concludes our report.

## FY2025 Full-Year Analysis of Factors Affecting Changes in Ordinary Income (Forecast)




(million yen)

| Items | Impact | Content |
|---|---|---|
| Net Sales/ Cost of Sales Ratio | +569 | Increase in Net Sales; Improvement in Cost Ratio (Excluding Labor Costs) |
| Personnel Expenses | −295 | Increases in Wages and Bonuses |
| R&D Expenses | −129 | Increase in R&D Expenses |
| NIKKO MESSE | −116 | Organizing an exhibition |

For the fiscal year 2025 (the current term), we are starting from an operating profit of 3,071 million yen recorded last year. This term, we are also expecting an increase in sales and an improvement in the cost ratio due to higher sales, with the resulting profit increase estimated at approximately 570 million yen.

Regarding personnel expenses, we expect a cash outflow of approximately 300 million yen, due to continued increased hiring, regular salary increases, base salary increases, and other expenses. In addition, we expect a cash outflow of approximately 130 million yen compared to the previous year due to ongoing R&D activities.

As a topic, we would like to introduce the "Nikko Messe." Our company regularly holds an in-house exhibition called "Nikko Messe." Since 2000, construction machinery exhibitions have rarely been held in Japan. As it is difficult to fully convey the image of our group’s products to customers through catalogs and drawings alone, we have constructed a plant on the premises of our head office factory in Akashi City, Hyogo Prefecture, where we exhibit new products and product categories with an eye toward the future.

This exhibition is held every three to five years, not only as a business meeting for product negotiations but also as an opportunity for customers to see our vision for the future. "Messe" means "trade fair" in German, and at our company, we refer to it as the "Nikko Messe."

This year marks the start of our new medium-term management plan, so we are planning to hold the "Nikko Messe" around the end of October and have allocated approximately 120 million yen for related expenses.

## Balance Sheet Trends

| (million yen) | | End of FY2023 | FY2024 | Change | Main Factors |
|---|---|---|---|---|---|
| Assets | Current Assets | 41,033 | 40,126 | − 907 | Increase: Accounts receivable-trade +1,177 mil. yen<br>Raw materials and supplies +720 mil. yen<br>Decrease: Cash and deposits −1,512 mil. yen<br>Notes receivable-trade −505 mil. yen<br>Merchandise and finished goods −411 mil. yen |
| | Tangible Assets | 13,247 | 15,305 | + 2,058 | Increase: Buildings and structures +2,104 mil. yen<br>Land +423 mil. yen<br>Machinery, equipment and vehicles +375 mil. Yen<br>Decrease: Construction in progress −943 mil. yen |
| | Intangible Assets | 1,208 | 1,198 | − 10 | |
| | Investments and Other Assets | 6,740 | 7,094 | + 354 | |
| Total Assets | | 62,229 | 63,725 | + 1,496 | |
| Liabilities | Current Liabilities | 21,743 | 21,515 | − 228 | Increase: Contract liabilities +466 mil. yen<br>Accounts payable-factoring +261 mil. yen<br>Long-term borrowings +210 mil. yen<br>Decrease: Short-term borrowings −676 mil. yen<br>Notes and accounts payable-trade −323 mil. yen |
| | Long-term Liabilities | 7,399 | 7,649 | + 250 | |
| Total Net Assets | | 33,086 | 34,560 | + 1,474 | Increase: Retained earnings +856 mil. yen<br>Foreign currency translation adjustment +287 mil. yen<br>Valuation difference on available-for-sale securities +274 mil. yen |
| Net assets per share (yen) | | 861.74 | 897.73 | + 35.99 | |

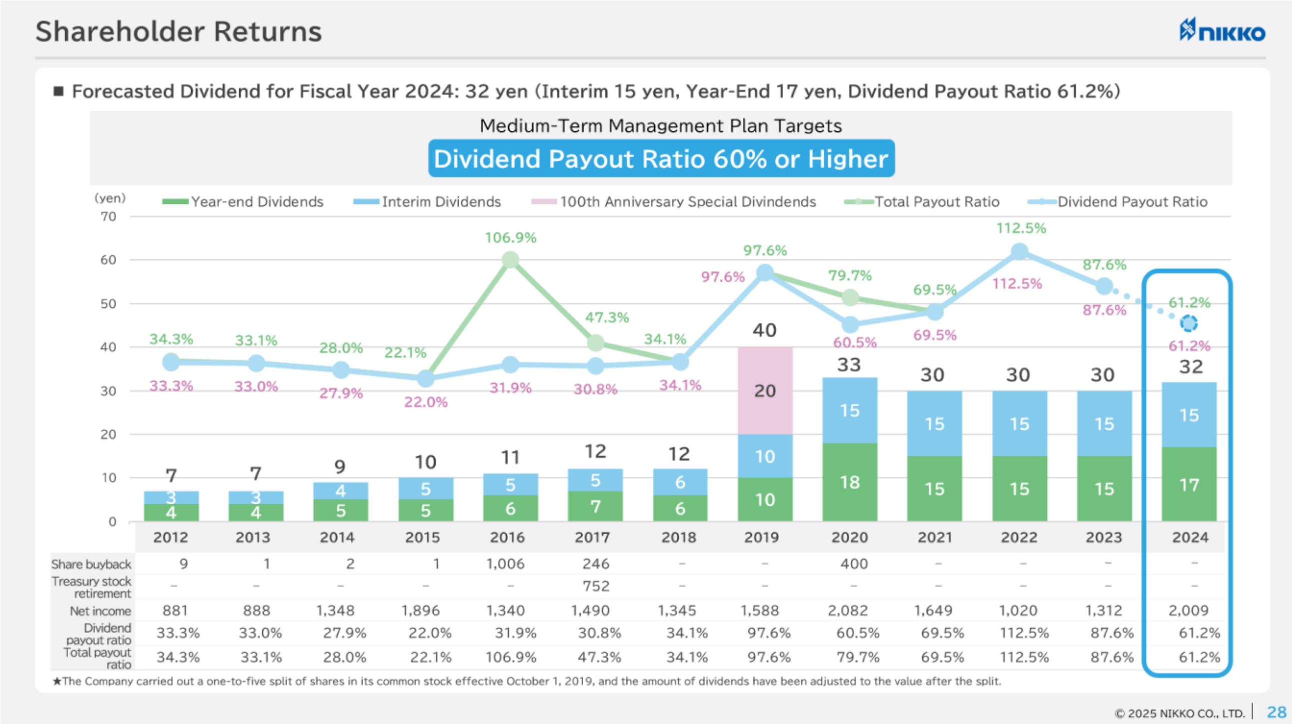
 

Let me explain about the balance sheet. Our company has continued to pursue both "growth" and "robustness" since the previous medium-term management plan. In the final year, we have maintained our policy of actively utilizing funds for growth investments while striving to maximize shareholder returns, all while keeping total net assets as restrained as possible.

As a result, the net asset value per share as of the end of 2024 was 897.73 yen, an increase of 35.99 yen compared to the end of the previous year.

Regarding the details of the balance sheet, we will omit them from this explanation.

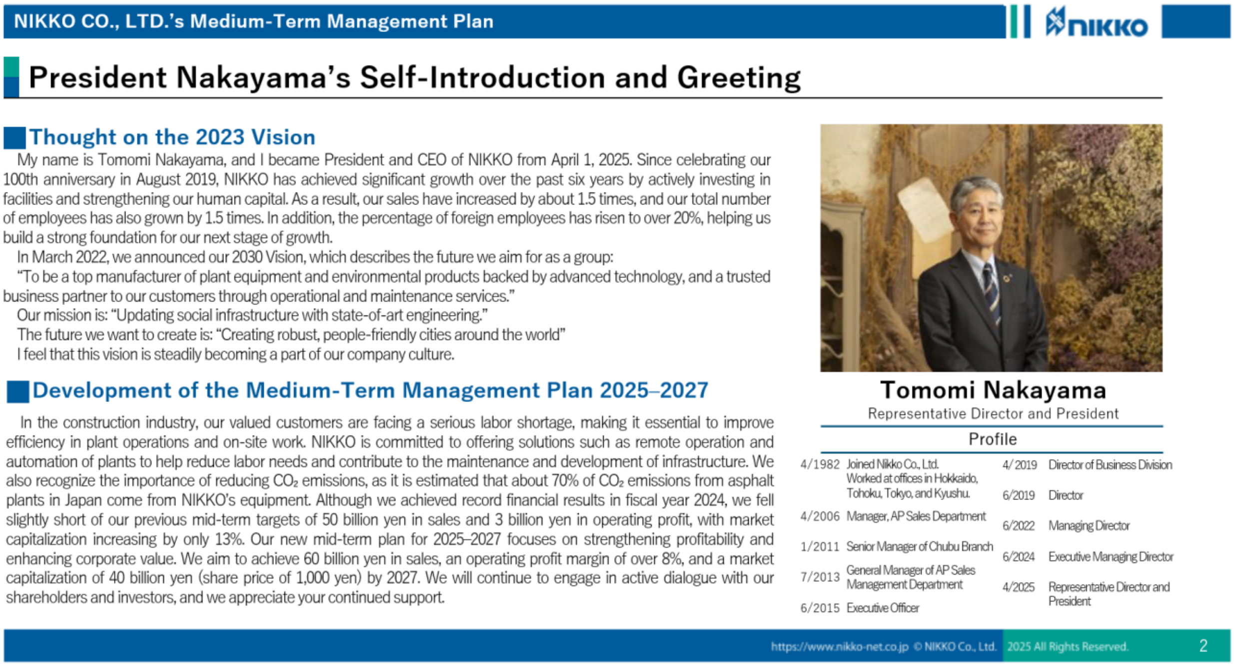



| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Share buyback | 9 | 1 | 2 | 1 | 1,006 | 246 | – | – | 400 | – | – | – | – |
| Treasury stock retirement | – | – | – | – | – | 752 | – | – | – | – | – | – | – |
| Net income | 881 | 888 | 1,348 | 1,896 | 1,340 | 1,490 | 1,345 | 1,588 | 2,082 | 1,649 | 1,020 | 1,312 | 2,009 |
| Dividend payout ratio | 33.3% | 33.0% | 27.9% | 22.0% | 31.9% | 30.8% | 34.1% | 97.6% | 60.5% | 69.5% | 112.5% | 87.6% | 61.2% |
| Total payout ratio | 34.3% | 33.1% | 28.0% | 22.1% | 106.9% | 47.3% | 34.1% | 97.6% | 79.7% | 69.5% | 112.5% | 87.6% | 61.2% |

Finally, I would like to explain shareholder returns. As already announced in our dividend forecast, we will submit a proposal at the Annual General Meeting of Shareholders scheduled for June 25 to set the year-end dividend at 17 yen.

In the new medium-term management plan as well, we intend to continue striving to maintain a dividend payout ratio of 60% or higher, and we kindly ask for your continued support.
That concludes my explanation of fiscal year 2024's financial results and outlook for fiscal year 2025.

Next, Mr. Nakayama, our new president, will explain our new medium-term management plan.




**Nakayama:** Good morning. My name is Tomomi Nakayama, and I assumed the position of President and Representative Director in April of this year. I sincerely look forward to your continued support and cooperation.

Since joining the company, I have worked in the sales field and have been assigned to offices from Hokkaido to Kyushu. For many years, I have been engaged in communication at the front lines closest to our customers, taking charge of the sales department. Since 2006, I have mainly been responsible for the sales division of asphalt plants, and since 2019, I have served as the Director of the Business Division.

Our company celebrated its 100th anniversary in 2019, and since then, through proactive capital investments and M&A activities, we have succeeded in increasing our sales by approximately 1.5 times. As mentioned in the earlier report, our performance in the previous fiscal year reached a record high.

On the occasion of our 100th anniversary, in 2022 we set forth our vision for 2030—"Creating robust, people-friendly cities around the world."—and have been advancing our initiatives accordingly.

In the new medium-term management plan starting this fiscal year, we have set the enhancement of profitability as our basic policy. By the final year of 2027, we aim to achieve consolidated net sales of 60 billion yen, an operating profit margin of over 8%, an ROE of 8%, and a market capitalization of 40 billion yen—equivalent to a share price of 1,000 yen—through strengthened shareholder returns.

We kindly ask for your understanding and continued support as we remain committed to engaging in active dialogue moving forward.

NIKKO CO., LTD.'s Medium-Term Management Plan

## Key Messages

**Evaluation of Previous Medium-Term Management Plan:**
Although we fell slightly short of our numerical targets due to a challenging external environment, we implemented growth initiatives and proactive shareholder returns aimed at realizing our Vision for 2030.
**Goals of the New Medium-term Plan:**
With a focus on enhancing profitability, we are targeting consolidated net sales of 60 billion yen, an operating profit margin of over 8%, ROE of 8%, and a market capitalization of 40 billion yen (equivalent to a share price of 1,000 yen).
**Positioning of the New Medium-term Plan:**
The previous plan was positioned as an "internal investment phase," during which we focused on building the foundation for our 2030 Vision through investments in human resources, organizational structure, processes, and systems. The new plan is positioned as a "robust business expansion phase," with the next three years dedicated to achieving consecutive record-high results, recovering investments, improving profitability, and building our target business portfolio.
**Share Price and Shareholder Returns:**
We aim to achieve ROE of 8% in the final year of the plan, and to realize a share price of 1,000 yen, based on a PER of 13 times and an expected PBR of 1. We will maintain a dividend payout ratio of over 60%, with annual dividends per share planned at 34 yen for FY2025 (an increase of 2 yen from the previous year), 40 yen for FY2026, and 50 yen for FY2027 (corresponding to a dividend yield of 7.2% based on the closing price on June 9).

 3

I would like to touch upon the points I wish to convey as I explain this medium-term management plan.

The previous medium-term management plan was positioned as a phase of internal investment. We have been actively investing in human resources. Unfortunately, due to the economic stagnation overseas, China, Thailand, and other areas, we fell slightly short of our numerical targets. However, as I said earlier, I would like to reiterate that we have been able to update all-time record's financial results.

Because PBR stayed below 1.0, we made active efforts to return value to shareholders in the previous medium-term plan.

In the new medium-term plan starting this fiscal year, we see this as a phase to expand our robust business. We aim to continue achieving record-high profits, as we did in the previous fiscal year.
I may sound repetitive, but we remain firmly committed to achieving a market capitalization of 40 billion yen and a share price of 1,000 yen by 2027, the final year of this medium-term management plan, with a target of 60 billion yen in net sales.

Furthermore, regarding the final dividend, we intend to maintain a payout ratio of 60% to our shareholders. For this fiscal year, we plan to pay a dividend of 34 yen per share, 40 yen per share in the next fiscal year (fiscal year 2026), and 50 yen per share in the final year (fiscal year 2027). We are committed to maximizing value for our shareholders.

NIKKO CO., LTD.'s Medium-Term Management Plan

## Review of the Previous Medium-Term Management Plan 2022–2024: Quantitative Results

Although the results for the previous medium-term plan fell short of targets, we achieved all-time record sales and operating profit, and implemented proactive shareholder returns.

**Operating Results**

(million yen)

| | FY2022 Results | FY2023 Results | FY2024 Results ① | FY2024 Mid-term Plan ② | Plan vs. Actual ①-② | Evaluation | Review |
|---|---|---|---|---|---|---|---|
| Order Intake | 40,849 | 48,749 | 49,617 | – | – | | Both order intake and net sales showed steady growth; however, results fell slightly short of the plan due to a slowdown in the Asian market and delayed recovery in the domestic AP business. Although we worked to revise sales prices, operating profit was affected by proactive investments in human resources and underperformance at our Asian subsidiaries. |
| Net Sales | 39,665 | 44,097 | 49,162 | 50,000 | -838 | | |
| Operating Income | 1,028 | 1,968 | 2,766 | 3,000 | -234 | | |
| Operating Margin | 2.6% | 4.5% | 5.6% | 6.0% | -0.4pt | | |
| Profit | 1,020 | 1,312 | 2,009 | 2,100 | -91 | | |

**Capital Strategy / Shareholder Returns**

| | FY2022 Results | FY2023 Results | FY2024 Results ① | FY2024 Mid-term Plan ② | Plan vs. Actual ①-② | Evaluation | Review |
|---|---|---|---|---|---|---|---|
| ROE | 3.2% | 4.0% | 5.8% | 6.2% | -0.4pt | | Although ROE fell slightly short of the target, we achieved our shareholder return goal, with the three-year average dividend payout ratio reaching 87%, meeting our target of 60% or higher. |
| Equity Ratio | 60.7% | 53.1% | 54.2% | – | – | | |
| Debt-to-Equity Ratio (times) | 0.18 | 0.32 | 0.30 | – | – | | |
| Dividend Payout Ratio | 112.6% | 87.6% | 61.3% | 63.5% | -0.4pt | | |
| Total Payout Ratio | 112.6% | 87.6% | 61.3% | 63.5% | -0.4pt | | |
| Share Buyback | 0 | 0 | 0 | – | – | | |
| Sale of Cross-shareholdings | 4 | 13 | 130 | – | – | | |

 4

Next, I would like to report on a quantitative review of our medium-term management plan. As you can see, although we did not reach the planned targets, each indicator showed an upward trend, and we were ultimately able to achieve all-time record's financial results. We would like to continue this success into the current fiscal year and beyond.

NIKKO CO., LTD.'s Medium-Term Management Plan

## Review of the Previous Medium-Term Management Plan 2022–2024: Quantitative Results

| Long-term Policy Toward FY2030 | Initiatives Implemented During the Previous Medium-term Plan (Internal Investment Phase) |
|---|---|
| Strengthening Domestic Earnings Base | • Maintenance service operations transferred; front office operations introduced at 9 domestic locations (as of April 2025)<br>• Workforce expansion (net increase of 123 employees at Nikko Corporation)<br>• Expanded SFA application areas (service and quality management)<br>• Equipment installation and factory reorganization (continuing in FY2025)<br>• Strengthened quality department (establishment of Design Quality Management Section) |
| Establishing Overseas Sales | • Collaboration between Okinawa Branch and Taiwan (AP, BP)<br>• Establishment of ASEAN Business Strategy Office<br>• Introduction of new AP model to the Chinese market<br>• Development of new AP model for the ASEAN market |
| Promoting New Businesses (Mobile) | • Establishment of Mobile Plant Maintenance Services<br>• Model change for Mobix soil improvement machine<br>• Release of Mobile Plant Maintenance Manual (NM-LINK) |
| Workstyle Reform | • Introduction of Hourly annual paid leave and Staggered working hours system<br>• Introduction of a New personnel system<br>• Four consecutive years of salary increases |
| *Entry into New Growth Areas | Completed two M&A transactions (Matsuda Kiko, Nishinihon Real Estate) |

**Review of the Previous Medium-term Plan Period** (million yen)

| Key Items | FY2022 | FY2023 | FY2024 |
|---|---|---|---|
| 1.Strengthening Domestic Earnings Base (Domestic Operating Profit Margin) | 2.6% | 4.5% | 5.6% |
| 2.Establishing Overseas Sales (Expansion of Overseas Sales) | 6,154 | 3,467 | 4,326 |
| 3.Promotion of New Businesses (including M&A) (Mobile Plant Business) | 1,795 | 2,907 | 1,896 |
| 4.2030 Market Capitalization Target (Over 50 billion yen) | 24,280 | 25,360 | 27,440 |
| FY2024 ROE Target (6.2%) | 3.2% | 4.1% | 5.9% |

**Entry into New Business Areas through M&A**

| (million yen) | | FY2021 | FY2022 | FY2023 | FY2024 |
|---|---|---|---|---|---|
| M&A Track Record | | Ube Kohki (Contract-based Manufacturing) | | Matsuda Kiko (Contract-based Manufacturing) | Nishinihon Real Estate (Real Estate) |

| (million yen) | | FY2021 | FY2022 | FY2023 | FY2024 |
|---|---|---|---|---|---|
| Contract-based Manufacturing | Net Sales | - | 2,216 | 3,072 | 4,802 |
| | Operating Income | - | 156 | 270 | 645 |
| Crusher-Related | Net Sales | - | 2,217 | 3,198 | 2,256 |
| | Operating Income | - | 175 | 274 | 40 |
| Other | Net Sales | 6,660 | 3,891 | 4,862 | 5,101 |
| | Operating Income | 1,073 | 711 | 769 | 716 |
| Total | Net Sales | 6,660 | 8,324 | 11,132 | 12,339 |
| | Operating Income | 1,073 | 1,042 | 1,313 | 1,401 |

 5

Let me explain the qualitative aspects. We have implemented various measures based on our five long-term policies.

In addition, we acquired Matsuda Kiko in fiscal 2023 and Nishinihon Real Estate in fiscal 2024. Through these M&As, we are pursuing revenue and synergy effects while promoting growth initiatives.

NIKKO CO., LTD.'s Medium-Term Management Plan

## Segment Performance of the Previous Medium-term Plan (FY2022–FY2024)

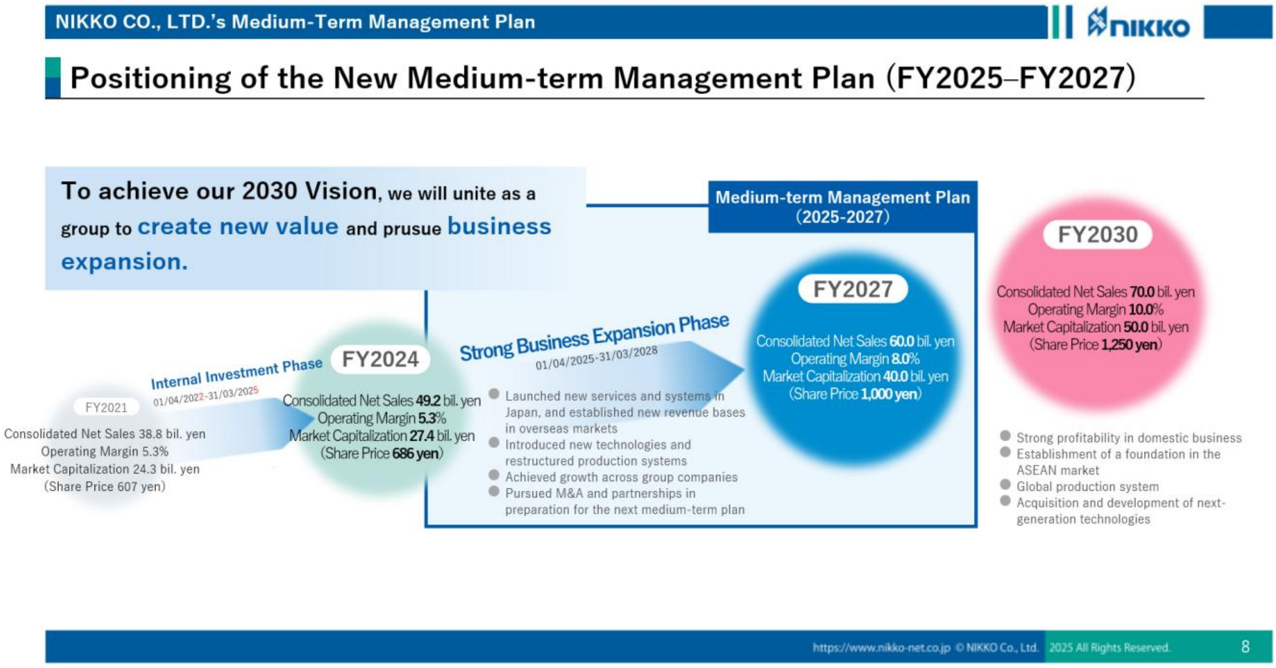
| (million yen) | | FY2024 Results① | FY2024 Mid-term Plan ② | Plan vs. Actual ①-② | Evaluation | Review |
|---|---|---|---|---|---|---|
| AP-Related Business | Net Sales | 19,480 | 23,000 | -3,520 | ☂ | In Japan, the MS business remained stable, but capital investment by road paving companies was limited due to rising raw material costs. In China, demand showed signs of recovery, leading to higher revenue and a return to profitability in FY2024. In Thailand, although sales are recovering, the business has been slow to move out of the red. |
| | Operating Income | 977 | 1,600 | -623 | ☂ | |
| | Operating Margin | 5.0% | 7.0% | -2.0pt | ☂ | |
| BP-Related Business | Net Sales | 14,266 | 10,800 | 3,466 | ☀ | In the ready-mixed concrete industry, our customers have been able to pass increased costs, such as higher raw material prices, onto their selling prices. As a result of improved business performance, there has been a trend toward more active capital investment. |
| | Operating Income | 1,724 | 1,050 | 674 | ☀ | |
| | Operating Margin | 12.1% | 9.7% | +2.4pt | ☀ | |
| Environment- and Conveyor-Related Business | Net Sales | 3,254 | 2,700 | 554 | ☀ | Stricter recycling regulations for waste plastics have led to strong demand for conveyors from recycling companies. In addition to securing large orders, such as those for the Osaka-Kansai Expo, raising product prices has also contributed to improved results. |
| | Operating Income | 847 | 550 | 297 | ☀ | |
| | Operating Margin | 26.0% | 20.4% | +5.6pt | ☀ | |
| Other Business | Net Sales | 12,159 | 13,500 | -1,341 | ☂ | Starting in FY2024, we divided the "Other Business" category into three segments—Crusher-Related Business, Contract-Based Manufacturing Business, and Other Business—to improve business transparency. |
| | Operating Income | 1,402 | 1,300 | 102 | ☁ | |
| | Operating Margin | 11.5% | 9.6% | +1.9pt | ☁ | |
| (Crusher-Related Business) | Net Sales | 2,256 | — | | ☂ | Although the weaker yen has increased procurement costs for imported equipment, we are working to strengthen profitability by expanding into new domestic customers and fields, and by focusing on maintenance services supported by a higher number of units delivered. We are also actively seeking to capture demand related to Ukraine's reconstruction. |
| | Operating Income | 40 | — | | ☂ | |
| | Operating Margin | 1.8% | — | | ☂ | |
| (Contract-Based Manufacturing Business) | Net Sales | 4,802 | — | | ☁ | Ube Kohki Co., Ltd. and Matsuda Kiko Co., Ltd., which joined the Nikko Group through M&A, have contributed to business expansion. Going forward, we will strengthen collaboration among these three companies, including Nikko, to further improve profitability and achieve stable growth. |
| | Operating Income | 646 | — | | ☁ | |
| | Operating Margin | 13.5% | — | | ☀ | |
| (Other Business) | Net Sales | 5,101 | — | | ☁ | Steady business growth continues in the waterproof boards and floodgates, temporary equipment, and rental and renovation segments. By further strengthening our focus on disaster prevention and mitigation, we aim to enhance profitability and achieve stable growth across these businesses. |
| | Operating Income | 716 | — | | ☁ | |
| | Operating Margin | 14.0% | — | | ☀ | |

 6

Let me explain the situation for each segment. As you can see, there were clear differences in performance. Among them, the asphalt plant-related business (AP-related) showed the weakest results, which was particularly disappointing.

However, on the other hand, if the AP segment begins to recover, we believe it will become a major driving force for growth in our current medium-term management plan.


As part of our vision for 2030, set in 2022, we aim to achieve net sales of 70 billion yen, an operating margin of 10%, a market capitalization of 50 billion yen, and a stock price of 1,250 yen by that year.




We are now in the period of our new medium-term management plan. In the previous plan, we moved from a defensive approach to actively investing in our business, setting the stage for our long-term goal of 70 billion yen in net sales by 2030.

With that foundation in place, the current plan focuses on entering a growth phase.

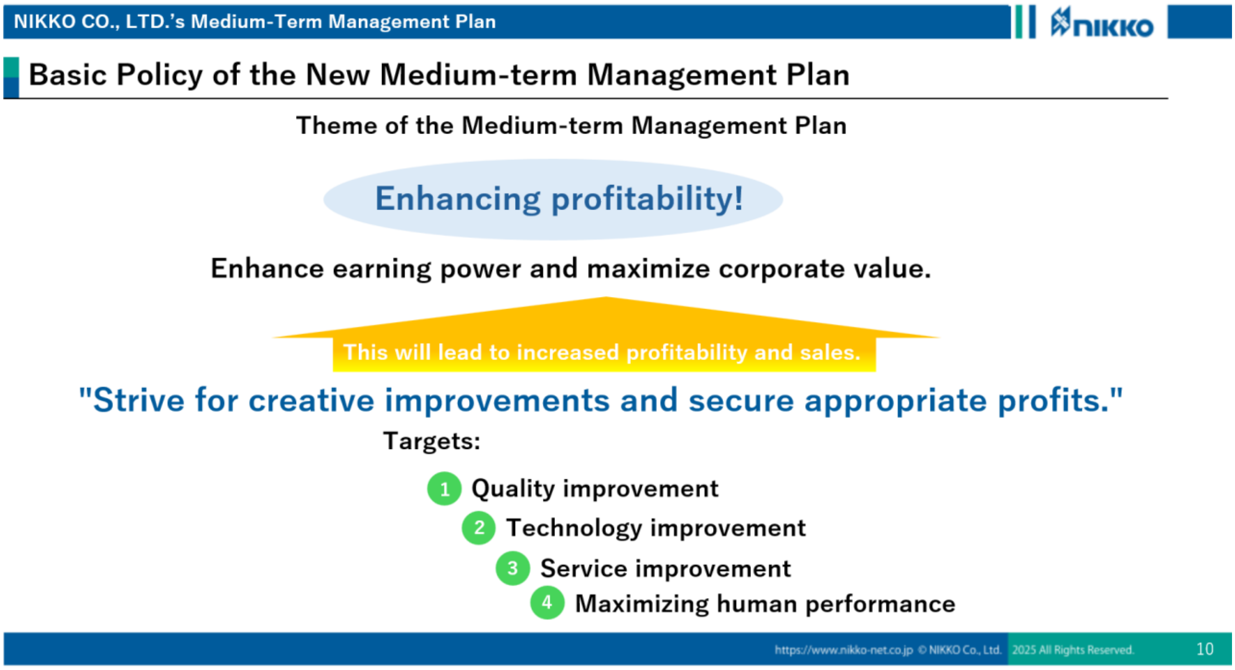
Our targets for fiscal 2027 are net sales of 60 billion yen, an operating margin of 8%, and a market capitalization of 40 billion yen.


| | Materiality | Contributing SDGs | What the Group aspired to be and how it is related | KPI | Results for the FY2022–FY2024 Medium-term Management Plan Period |
|---|---|---|---|---|---|
| 社会のサステナビリティ | Realization of carbon neutrality | 7, 13 | About 70% of CO2 emissions from mixture plants in Japan (approx. 1.15 million tons a year) is estimated to be emitted by Nikko plants. While it will become a major risk if Nikko is late to respond to this, the Group believes that it also offers opportunities from various aspects including low carbon mixture manufacturing equipment and fuel transition, as it is also an important social issue. | ●$CO_2$ Emissions (Scope 1, 2 & 3) FY2030: 650,000 tons (50% reduction compared to FY2013) FY2050: Net zero ●Sales of Decarbonization/Low-carbon Related Products: FY2030: 2.7 bil. yen | ●$CO_2$ Emissions :763,885 tons (42% reduction compared to FY2013) ●Sales of Decarbonization/Low-carbon Related Products: 1.2 bil. yen (FY2023) ●Expansion of sales for medium-temperature asphalt mixture production equipment ●Development of hydrogen-fueled burners and expansion into general industrial fields ●Successful demonstration of on-site hydrogen utilization converted from ammonia |
| 社会のサステナビリティ | Establishment of recycling-oriented society | 12 | The four core technologies Nikko owns are indispensable for the establishment of the recycling-oriented society to come. We will further expand recycling of civil engineering materials through recycling facilities for asphalt paving materials and concrete waste, which have already been contributing considerably to material recycling, and offer machinery that enables the higher quality recycling required in the future. | ●Expansion of the market for gypsum board recycling equipment ●Expansion of the market for concrete sludge recycling equipment | ●Delivery of waste gypsum recycling plants ●Delivery of concrete sludge recycling plants ●Improvement and implementation of self-propelled soil improvement machines |
| 日工のサステナビリティ | Creation of new customer values | 3, 9, 12 | In its 2030 Vision, Nikko Group aims to become a "customers' management partner through operation and maintenance service." The Group will not only improve customer satisfaction by leveraging DX and AI but also pursue subscription contracts of maintenance service. | ●Creating new value through DX ●Expanding plant management services through asset management | ●Deployment of a DX total management platform for concrete production ●Deployment of subscription-based services ●Development and implementation of AI-powered image sorting machines ●Mobile Plant Information Integration App (NM-LINK) Released |
| 日工のサステナビリティ | Human resource development and improvement in job satisfaction | 5, 8 | The importance of leveraging human capital increases further upon solving material matters. For Nikko to achieve the 2030 Vision, it is necessary to have human resources based on diversity and inclusion, and improving motivation by nurturing them, as well as improving their work-life balance and well-being also assuming importance. | FY2030 ●Percentage of female managers: 7% ●Training hours and expenses per employee: 10 hours, 50,000 yen ●Childcare leave utilization rate: 100% for women, 75% for men ●Turnover rate within three years of joining: 7% | ●Percentage of female managers: 1% (FY2024) ●Training hours and expenses per employee: 15.3 hours, 88,000 yen ●Childcare leave utilization rate: 100% for women, 61.9% for men (FY2024) ●Turnover rate within three years of joining: 15.6% |



In sustainability management, we have established four materialities and set KPIs for addressing each of their respective challenges. We will continue to enhance the effectiveness of these KPIs going forward.

For more details, please refer to the corporate report.




The main theme of this medium-term management plan is, without a doubt, the enhancement of profitability. As was the case in the previous fiscal year, a review of the operating performance by segment shows that four out of the six segments have already achieved an operating profit margin of over 10%. By focusing on improving the profitability of the remaining two segments, we believe we can steadily progress toward achieving the goals set out in the current medium-term management plan, as well as our targets for 2030.

What is important for improving profitability is enhancing quality, strengthening technological capabilities, and improving service quality. By promoting these initiatives, we aim to further expand our revenue.

NIKKO CO., LTD.'s Medium-Term Management Plan

## The Six Key Pillars of the New Medium-term Management Plan

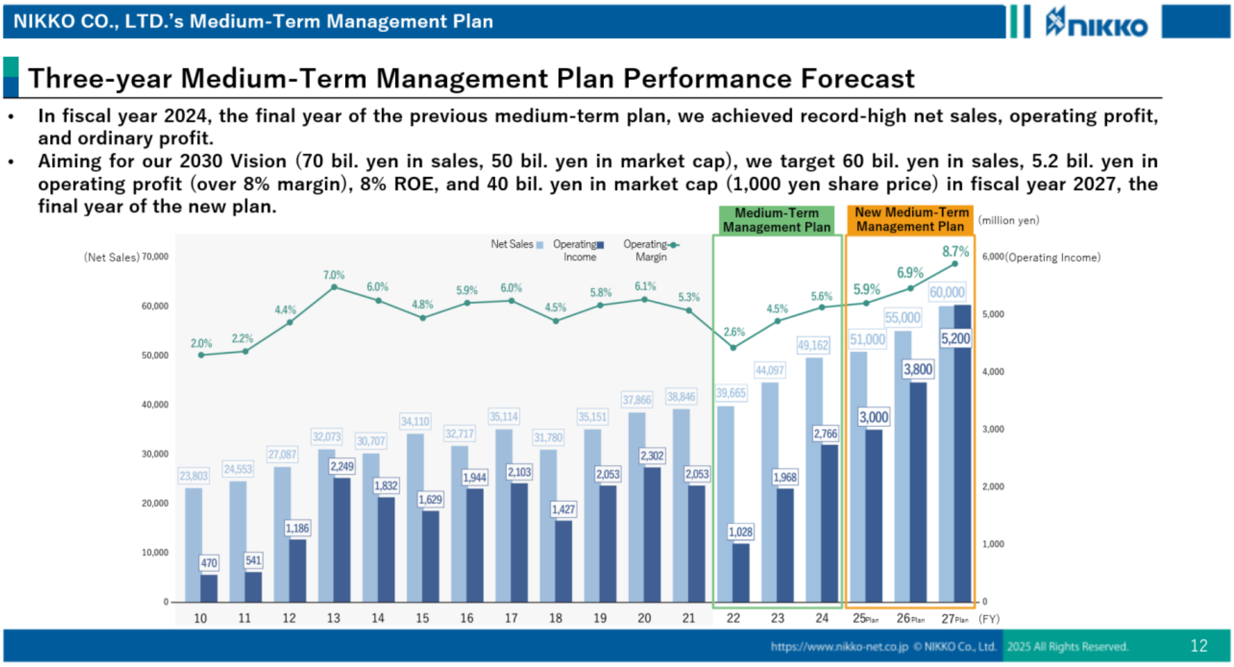
**The new medium-term plan sets out six key pillars, with strategies for each segment tied to both financial and non-financial impacts.**

| The Six Key Pillars | Strategy for Execution | Related Segments | Expected Financial and Non-financial Impact |
|---|---|---|---|
| 1. Establishment of a sustainable profit structure | ・Improving profit margins through strengthened pricing policies and high value-added proposals<br>・Promoting preventive maintenance and securing stable revenue through expansion of subscription-based services<br>・Company-wide cost improvement through manufacturing and sales efficiency | AP, BP | Expansion of sales<br>Improvement of profitability |
| 2. Contribution to an environmental and recycling-oriented society | ・Development of innovative environmental products such as AI sorting machines and lithium battery removal equipment<br>・Advancement of conveying, crushing, and sorting systems for waste recycling<br>・Social implementation of environmental projects in collaboration with local governments and private companies | Environment- and Conveyor | Expansion of sales |
| 3. Acceleration of global expansion, with a focus on the ASEAN region | ・Enhancement of global bases centered on ASEAN, China, and Taiwan<br>・Establishment of product supply, technical support, and service systems tailored to each country's market needs<br>・Establishment of responsible procurement and quality standards as a global company | AP | Expansion of sales |
| 4. Product evolution and quality improvement | ・Product development centered on automation, labor-saving, and remote support<br>・Quality improvement through utilization of quality manuals and trouble databases<br>・Providing products and services that support customer safety, security, and satisfaction | Company-wide | Improvement of profitability |
| 5. Human resource development and service quality improvement through co-creation with partners | ・Strengthening recruitment and development of young talent and skills transfer programs<br>・Supply chain stabilization through co-development and safety support with partner companies<br>・Development of workplace environments that support diverse working styles | Company-wide | Improvement of workplace comfort and job satisfaction |
| 6. Management transparency and strengthening of governance | ・Information visualization and rapid management decision-making through utilization of ERP systems<br>・Pursuit of overall optimization through collaboration with group companies<br>・Construction of management foundations emphasizing sustainability | Company-wide | Enhancement of sustainability |

The new medium-term management plan has six main components. First, we aim to establish the revenue system in terms of technology. Second, we will actively work to contribute to the environment and recycling society. Another important pillar of our plan is to accelerate our global expansion, particularly in ASEAN countries. Furthermore, we will pursue product evolution and quality improvement and improve service quality through human resource development and co-creation with our partners. Finally, we will also focus on strengthening management transparency and governance.




This graph shows the forecast for the three years of the new medium-term management plan. To reiterate, we achieved an all-time record in fiscal year 2024.

We aim to maintain this momentum and continue achieving record-high profits in fiscal year 2025 as well. Furthermore, in fiscal year 2027, which is the final year of the current medium-term management plan, we are targeting to surpass 50 billion yen in sales and achieve 60 billion yen.

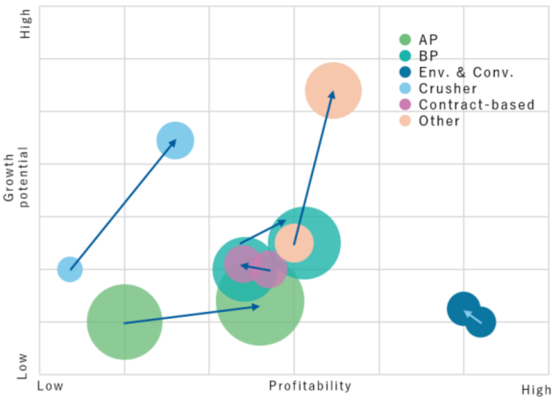
Regarding operating income, this is the area we are focusing on the most. In this medium-term management plan, we are aiming to achieve an operating profit of 3 billion yen for the current fiscal year and 5.2 billion yen in the final year.

NIKKO CO., LTD.'s Medium-Term Management Plan

## Target Business Portfolio and Strategy

**To achieve our 2030 targets of 70 billion yen in sales and 7 billion yen in operating profit, we will expand and improve profitability in existing domestic businesses through transformation, scale up overseas and new businesses using our unique technologies, and pursue new growth through M&A and partnerships.**

■Target Business Portfolio for 2030




**Segment-specific Issues, Goals, and Strategic Direction**

| Segments | Issues/ Goals | Strategic Direction |
|---|---|---|
| AP-Related Business | Profitability | With domestic demand expected to recover, aiming to double the operating profit margin compared to FY2024. |
| | Business Transformation | |
| BP-Related Business | Sales Growth | Enhance profitability in a continued favorable business environment |
| | Business Transformation | |
| Environment- and Conveyor-Related Business | Sales Growth / Profitability | Aim to maintain a highly profitable structure through improved operational efficiency |
| | Business Transformation | |
| Crusher-Related Business | Sales Growth | Strengthen growth strategies for top-line expansion with improved profitability |
| | Product Market Lateral Expansion | |
| Contract-Based Manufacturing Business | Sales Growth | Aim for stable growth and securing double-digit operating margins |
| | Product Market Lateral Expansion | |
| Other Business | Sales Growth | Achieve sales growth while maintaining high profitability |
| | Product Market Lateral Expansion | |
| Maintenance Service | Operation and Maintenance Services | Labor-saving services such as remote management |
| | Business Transformation | Operation and maintenance services |
| New Growth Areas | M&A | Exploring new growth areas |
| | Partnership | |

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Specifically, the portfolio of targeted businesses is presented using a bubble chart. As you can see from the bubble chart, it clearly distinguishes between fields with high potential for significant growth and those aiming for steady growth while maintaining the current status.

In particular, with regard to other areas, we are considering options such as M&A, and after thoroughly examining our business activities, we anticipate potential for growth.

NIKKO CO., LTD.'s Medium-Term Management Plan

## Segment-specific Performance Targets

**We aim to enhance profitability across all segments and achieve consecutive record-high performance results.**

| (million yen) | | FY2024 Results | FY2025 Plan | FY2026 Plan | FY2027 Plan | Assumptions and Initiatives During the New Medium-Term Plan Period |
|---|---|---|---|---|---|---|
| AP-Related Business | Net Sales | 19,480 | 19,500 | 21,600 | 23,000 | ・Domestic market expects a recovery in capital investment, driven by improved performance of road companies.<br>・Expecting visible demand for asphalt plant upgrades through the use of energy-saving subsidies<br>・Operating profit will be driven by both revenue growth and improved earnings from overseas subsidiaries. |
| | Operating Income | 976 | 1,000 | 1,600 | 2,350 | |
| | Operating Margin | 5.0% | 5.1% | 7.4% | 10.2% | |
| BP-Related Business | Net Sales | 14,266 | 14,800 | 15,300 | 15,300 | ・Ready-mixed concrete prices are expected to remain high, with customers continuing to invest in upgrades, leading to sustained high sales and operating profit. |
| | Operating Income | 1,724 | 1,900 | 2,000 | 2,000 | |
| | Operating Margin | 12.1% | 12.8% | 13.1% | 13.1% | |
| Environment- and Conveyor-Related Business | Net Sales | 3,254 | 4,100 | 3,300 | 3,500 | ・Following projects for the Osaka-Kansai Expo, new demand is anticipated from IR-related projects. Aiming to improve operational efficiency by focusing on profitability and updating core systems. |
| | Operating Income | 847 | 850 | 730 | 800 | |
| | Operating Margin | 26.0% | 20.7% | 22.1% | 22.9% | |
| Other Business | Net Sales | 2,256 | 3,000 | 3,700 | 4,300 | ・Business expansion will be pursued through the growth of sales channels.<br>・The lineup of in-house developed products will be strengthened.<br>・Profitability will be improved by expanding maintenance service sales. |
| | Operating Income | 40 | 150 | 220 | 300 | |
| | Operating Margin | 1.8% | 5.0% | 5.9% | 7.0% | |
| (Crusher-Related Business) | Net Sales | 4,802 | 3,600 | 3,800 | 4,200 | ・Profitability will be maintained and improved through new customer acquisition, workforce expansion, and increased equipment capacity. |
| | Operating Income | 645 | 400 | 450 | 500 | |
| | Operating Margin | 13.5% | 11.1% | 11.8% | 11.9% | |
| (Contract-Based Manufacturing Business) | Net Sales | 5,101 | 6,000 | 7,300 | 9,700 | ・Continued revenue and profit growth are expected, with expanded sales channels and production/sales bases, focusing on disaster prevention and mitigation themes. |
| | Operating Income | 716 | 900 | 1,100 | 1,650 | |
| | Operating Margin | 14.0% | 15.0% | 15.1% | 17.0% | |
| | Adjustments | -2,183 | -2,200 | -2,300 | -2,400 | |
| Consolidated Net Sales | | 49,162 | 51,000 | 55,000 | 60,000 | ・The company aims for consecutive record-high consolidated sales and operating profit. |
| Consolidated Operating Income | | 2,766 | 3,000 | 3,800 | 5,200 | |
| Operating Margin | | 5.6% | 5.9% | 6.9% | 8.7% | |

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I will now explain the performance targets for each segment. Although it is a minor detail, the asphalt plant business is currently experiencing a very strong tailwind. As major paving contractors are seeing

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improved earnings, their willingness to invest in equipment is slightly increasing, and they are also receiving significant support in the form of subsidies for energy conservation.

Riding this favorable wind, we aim to improve our earnings and secure sales and orders.

However, there are still challenges in improving the profitability of the asphalt plant and crusher-related businesses within this segment. In particular, the crusher business remains highly susceptible to the effects of exchange rate fluctuations.

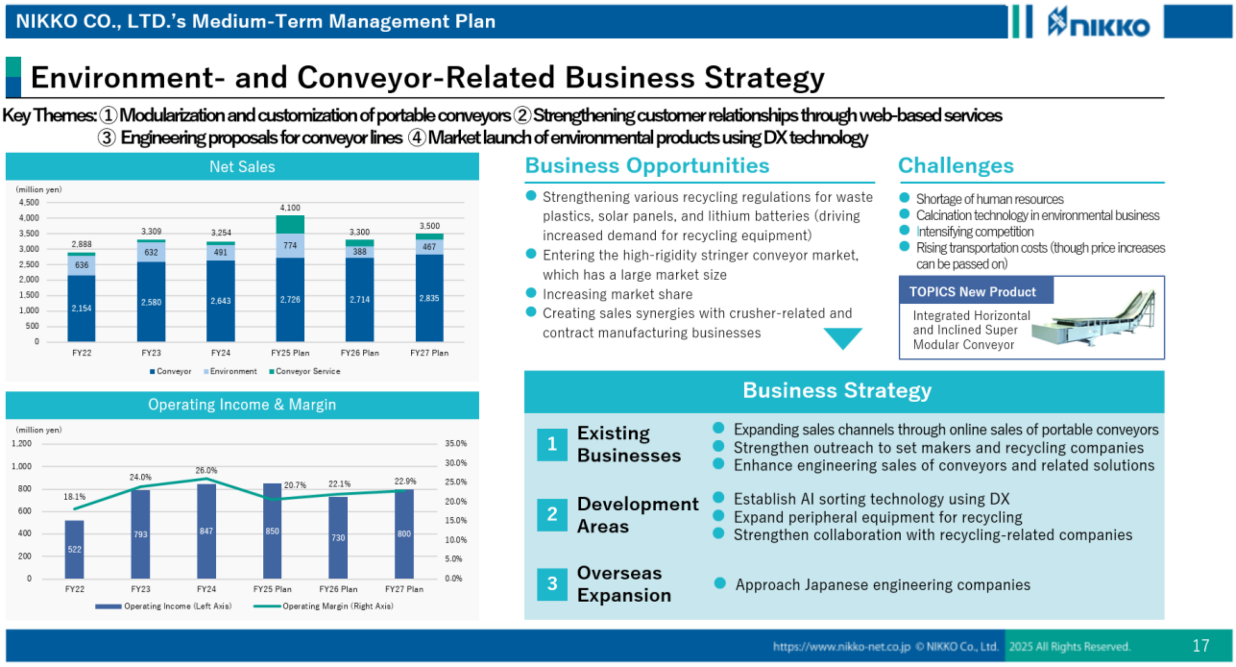
We plan to improve our profitability by increasing the proportion of our in-house products in the future.


I will explain by business segment. For the AP-related business segment, especially the asphalt plant business, we have set forth four key themes, including "decarbonization."

The biggest theme, as I mentioned earlier, is the significant tailwind provided by subsidies for energy conservation. As a result, substantial growth is expected in the field of product sales through fiscal year 2027.

The revenue graph starts from 2022 and, after hitting a low point, appears to show a V-shaped recovery. Meanwhile, sales and maintenance have remained steady. In addition, the company aims to improve its profit margin through expanding product sales.


The BP-related sectors are extremely robust and reliable areas. The market is stable, and as our customers' profits remain steady, planned capital investments are expected in these sectors.




Next is the environment- and conveyor-related business. Although significant growth is not expected in this segment, the market itself remains very robust. Revenues are also solid, and a stable situation continues.

In the medium-term management plan, we have set a modest profit target, and taking into account such a conservative outlook, we do not expect any significant changes to the plan.

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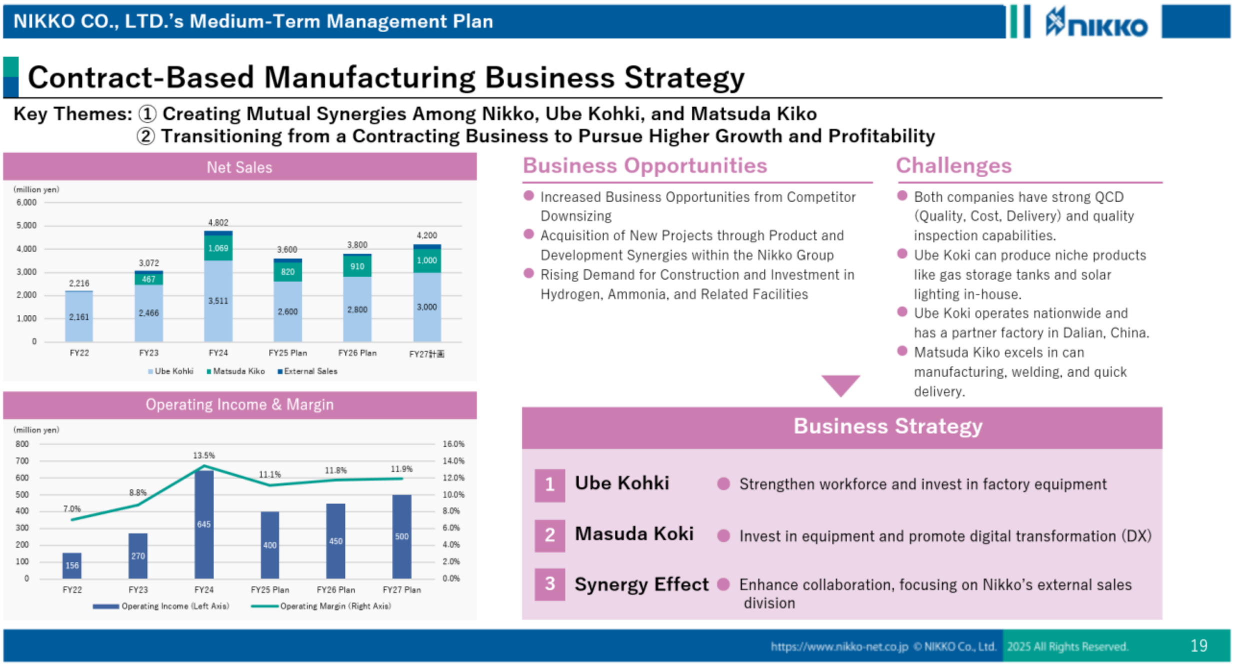
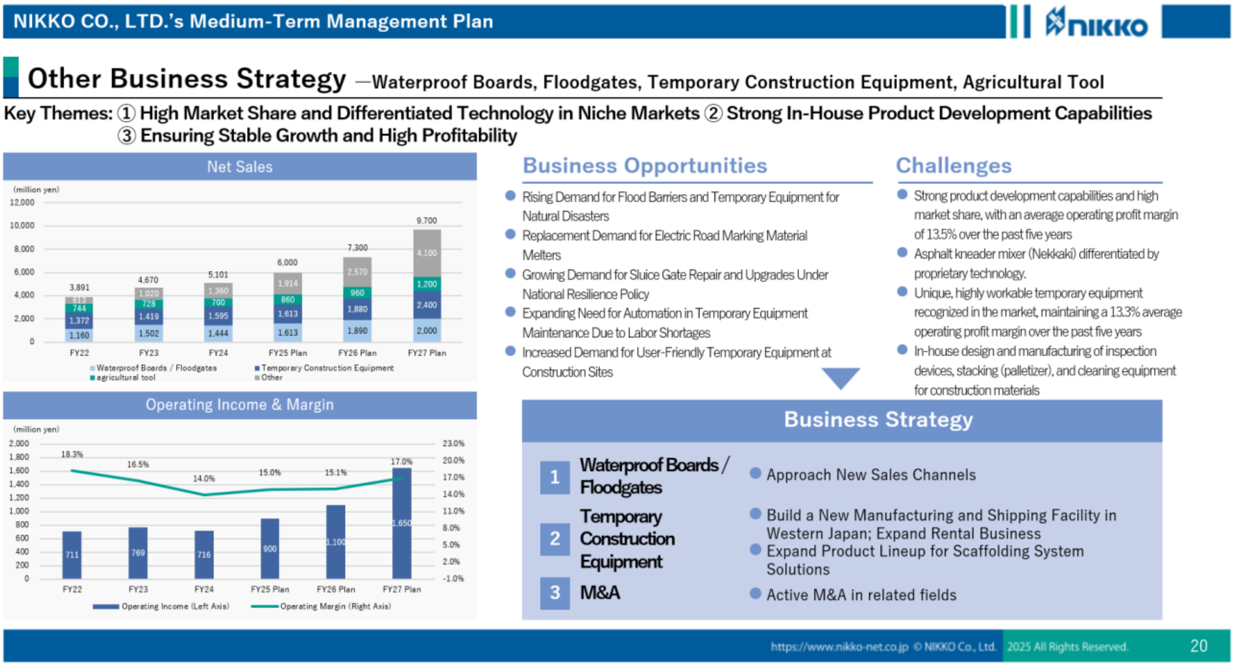
In the crusher-related business, products imported from Germany account for a large proportion, but we have recently added a new soil improvement machine developed in-house to our lineup. This soil improvement machine is an original product unique to Nikko, and we hope to reduce the risk of exchange rate fluctuations by expanding this product line in the future.




I would like to explain our contract-based manufacturing business. It is a very solid and stable segment, mainly consisting of two companies, Ube Kohki and Matsuda Kiko, which joined the Group through M&A. We expect to be able to maintain the current performance in the future.




We will explain our other business activities. We are mainly engaged in businesses such as waterproof boards, floodgates, and temporary construction equipment. In recent years, due to the increasing severity of natural disasters, there has been growing attention on waterproof boards and temporary construction equipment.

Against this backdrop, the performance in the relevant field is expected to remain steady. Furthermore, M&A deals are anticipated in fiscal year 2027, and we aim for further business expansion going forward.



## Human Resources Strategy

**To realize our vision, "Creating robust, people-friendly cities around the world," the Nikko Group will focus on developing talent defined as "people who drive future reforms," "people who take on challenges without fear of failure," and "people who respect and collaborate with diverse colleagues." In particular, we will prioritize cultivating proactive individuals who autonomously pursue reform and challenges. We will set key themes and initiatives, along with KGIs and KPIs, to guide these efforts.**

| | Priority Theme | Key Initiatives | KGI | KPI |
|---|---|---|---|---|
| **Strengthen Talent Acquisition** | Strengthen recruitment across all departments to ensure a talent pool sufficient to achieve our vision. | • Develop recruitment plans by attribute (annual hiring numbers: new graduates, mid-career).<br>• Implement measures to increase applicants by attribute, such as science/engineering talent and women. | • Number of hires by 2030 (total and by category) | • Number of Applicants<br>• Application Rate<br>• Final Interview Arrival Rate<br>• Number of Final Interviewees<br>• Number of Job Offers<br>• Number of Hires |
| **Develop Autonomous Talent** | Increase the number of More employees take initiative and serve as leaders in each department. | • Extract the most important elements for realizing the management vision from "innovation actions," "external networking actions," and "career development actions," and consider and implement measures to encourage specific employee behaviors. | • Proactive talent score | • Number of Shared Success Stories<br>• Participation in External Networking Events (Training)<br>• Number of Actual Job Rotations |
| **Cultivate Global Talent** | Strengthen the development of global talent to drive overseas business growth and ensure stable staffing at all international locations. | • Establish and implement recruitment and development programs for global talent<br>• Foster an organizational culture that considers career development from a global perspective | • Number of global talent | • Number of Foreign Hires<br>• Ratio of Employees Seeking Global Career Development<br>• Number of Overseas Trainees Dispatched / Number of Employees with Overseas Work Experience<br>• Number of Participants in Global Talent Development Programs |
| **Promote DE&I** | Each employee embraces diversity, recognizes one another, and leverages diverse abilities to achieve the vision, driving organizational and talent growth. | • Consider and implement measures to promote the recruitment, development, and retention of female employees<br>• Rebuild recruitment channels for foreign nationals and strengthen post-hire support systems<br>• Build an organizational foundation where each employee with disabilities can demonstrate diverse abilities and excel in their areas of strength | • Ratio of female employees; ratio of female managers<br>• Number of foreign nationals in management positions<br>• Employment rate of people with disabilities | • Participation Rate in Female Management Training for Managers<br>• Participation Rate in In-house Seminars for Developing Female Managers<br>• Ratio of Employees Who Wish to Become Managers If Given the Opportunity<br>• Female Hiring Ratio and Ratio of Female Management Candidates<br>• Creation of Communication Opportunities Among Foreign Employees<br>• Implementation Rate of Cross-cultural Understanding Themes in New Employee Training<br>• Three-year Retention Rate for Foreign Employees<br>• Implementation Rate of Interviews with Employees with Disabilities<br>• Number of Study Sessions Held for Supervisors |

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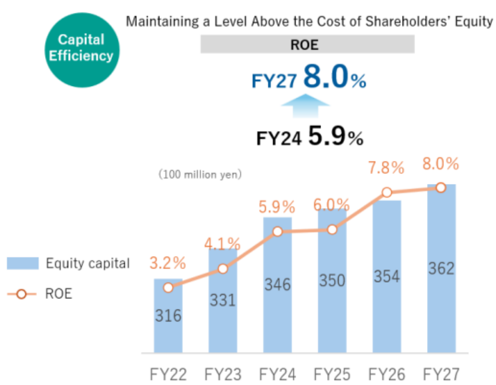
I will explain our human resources strategy. We believe that the most important factor in promoting these initiatives is our human resources.

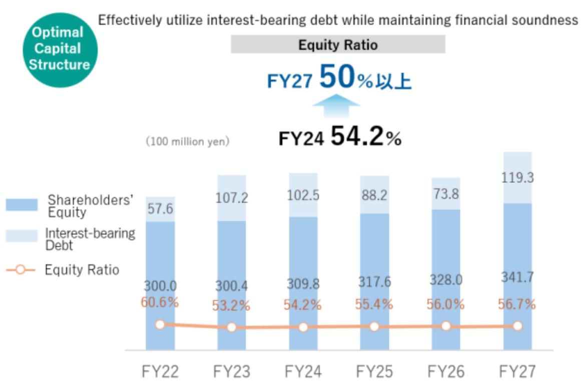
From now on, we will steadily promote our human resources strategy by appropriately combining important themes, specific initiatives, as well as KGI (Key Goal Indicator) and KPI (Key Performance Indicator).

NIKKO CO., LTD.'s Medium-Term Management Plan

## B/S Strategy

- **Set a target ROE of 8% for the final year of the medium-term plan (FY2027).**
- **Plan to reduce policy shareholdings to below 10% of net assets over the medium term.**
- **Aim for net assets of 36 billion yen and maintain a capital adequacy ratio of 50% or higher in FY2027, while ensuring efficient balance sheet management.**

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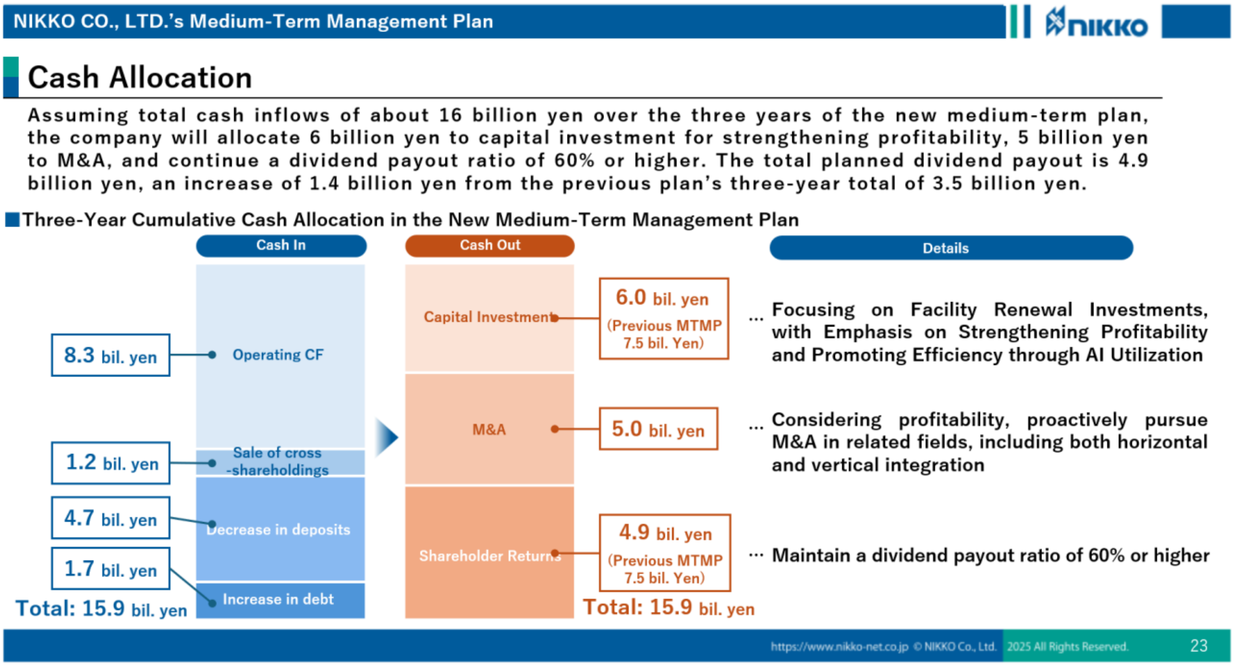
I will explain the balance sheet. Regarding our financial structure, we place importance on discipline and aim to maintain an equity ratio of over 50%.

We aim to achieve our target ROE of 8% by striking a balance between improving profitability and reducing policy shareholding.

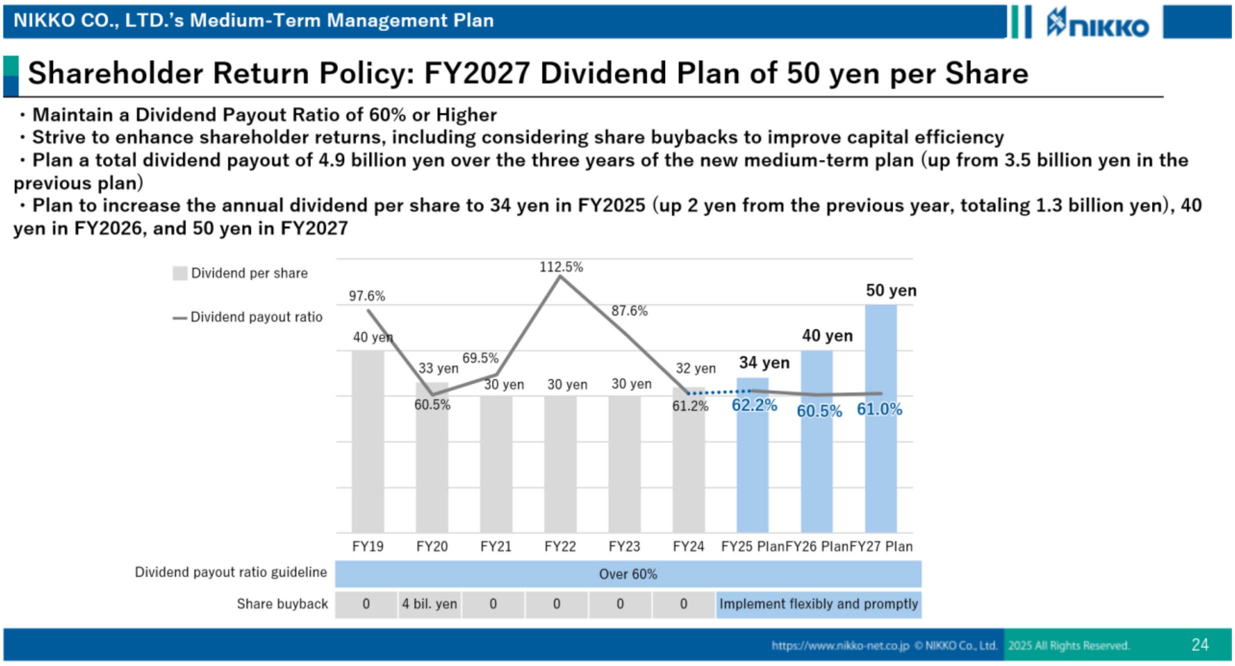



Now, I would like to explain our cash allocation. We expect to have a total cash inflow of 15.9 billion yen over the next three years.

The Breakdown of the cash outflow is planned to be 6 billion yen for capital investments, 5 billion yen for M&A-related costs, and 4.9 billion yen for shareholder returns.

Aiming for more efficient and profitable fund management, we plan to actively pursue M&A activities with a focus on improving profitability and creating synergistic effects.

Regarding dividends, we plan to increase the amount by 1.4 billion yen, from 3.5 billion yen in the previous medium-term management plan to 4.9 billion yen.

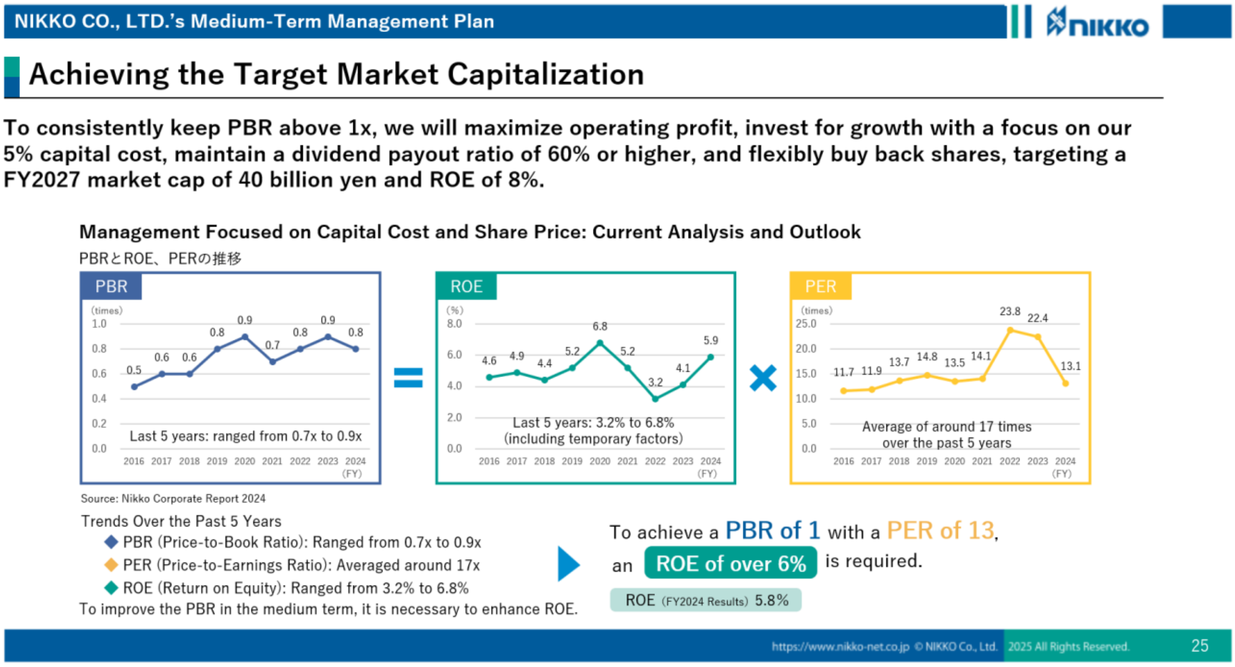



I would like to explain our shareholder return policy. We will continue to promote stable and proactive shareholder returns, with a target dividend payout ratio of 60% or more.

This fiscal year, the company plans to increase its dividend by 2 yen per share to 34 yen, and based on the current share price, the dividend yield is expected to be around 5%.

For the next fiscal year, we plan to increase the dividend to 40 yen per share, and further to 50 yen in fiscal 2027. Based on the current share price, the dividend yield will exceed 7%.

In addition, we have set targets of a market capitalization of 40 billion yen and a share price of 1,000 yen for fiscal year 2027, aiming to maximize shareholder value through profit growth and proactive shareholder returns.




Finally, I will explain the story toward achieving our target market capitalization. Going forward, we will promote management with a strong focus on "earning power" and "stock price," aiming to achieve the target figures outlined in our medium-term management plan.

We will steadily work to strengthen our earning power and enhance shareholder value, aiming to achieve a market capitalization of 40 billion yen and a share price of approximately 1,000 yen.

Although my explanation may have been insufficient, this concludes my presentation regarding the medium-term management plan.

# Q&A

**[Q]**: President Nakayama, I understand you just assumed the role in April, so I appreciate you taking the time. As president, the view of the company must look quite different from before. Could you share with us your renewed perspective on the strengths and challenges of the NIKKO Group, and your vision for the company moving forward?

Also, while the company's performance has surpassed all-time records, its stock price has fallen below all-time records. Could you please comment on what is lacking in that regard as well?

**[A]**: Please understand that I am still in the process of making courtesy visits and have yet to fully grasp the overall picture of the company, so my response is based on my current impressions.

At this stage, I recognize that Nikko itself is conducting business in a very steady and reliable manner, and I feel that we have earned strong trust from our customers.

On the other hand, when looking at the Group as a whole, I sense that the potential synergies and collaboration between group companies, as well as with Nikko itself, have not yet been fully realized.

While development activities at Nikko are progressing steadily, I believe it is important for each group company to also step up its efforts in this area. I would like to see new product development actively driven across the group, with a focus on leveraging Nikko’s technological capabilities together with the expertise of each group company to create new value.

In addition, our stock price remains below its historical peak. To become a more attractive company, I recognize that our current level of profitability is not yet sufficient. Moving forward, we aim to further enhance our capabilities and profitability so that the value we generate as a high-performing company is properly reflected in our share price.

**[Q]**: What are your plans to turn around the struggling business in Thailand?

**[A]**: Unfortunately, the performance of our Thailand business has significantly diverged from our initial expectations. We had anticipated rapid growth in the recycling business, but progress has been slower than expected.

Moving forward, we plan to focus on the renewal business, leveraging the strong trust the Nikko brand holds in the Thai market. Currently, about 200 to 300 Nikko-brand machines are in operation in Thailand, and we intend to actively promote renewal projects for these units.

**[Q]**: Could you explain what will drive the significant improvement in profitability for the AP business under the new medium-term management plan?

**[A]**: The asphalt plant (AP) business accounts for a large share of our overall operations. Improving profitability in both product sales and maintenance services is key.

Overseas, profitability improvement in China and Thailand remains a challenge. While the Chinese market is gradually recovering, in Thailand, we aim to revitalize the business by increasing factory utilization and launching new products.

In Japan, long-term capital investment plans are progressing, supported by energy-saving subsidies. We are actively engaged in many discussions, including projects scheduled for renewal in fiscal year 2027.

By providing guidance on subsidies and supporting our customers' investment planning, we are moving away from traditional price-based competition and shifting to a model where Nikko leads and drives these projects. These efforts will help us further improve profitability while offering optimal proposals to our customers.

**[Q]**: If the U.S.–Ukraine natural resources agreement progresses, do you expect to be involved in ODA-related projects?

**[A]**: We have already received some inquiries regarding ODA (Official Development Assistance) in Ukraine, but full-scale reconstruction has yet to begin.

Should the conflict end—possibly through greater U.S. involvement—support for Ukraine is expected to expand. We've already delivered our first batch of crushers, and we believe there will be growing opportunities for us in infrastructure projects such as asphalt and batch plants.

**[Q]**: The nationwide inspection and renewal of 5,000 kilometers of sewer pipes is expected to increase asphalt demand and stimulate demand for precast products. How is this factored into your medium-term management plan forecast?

**[A]**: Following the recent road collapse in Yashio City, there has been a major shift in how water and sewage infrastructure is viewed.

During sewer renewal and inspection work, existing pavement must be temporarily removed and then restored, meaning paving will be done twice. This is expected to increase asphalt demand to some extent.

However, overall asphalt production in Japan is around 35 million tons per year and has been declining by about 3% annually. Even with the added demand from sewer projects, we've heard from major paving companies that the overall market is likely to remain flat or see only a slight increase.

Therefore, we do not expect this to lead to significant capital investment. However, it should positively impact the utilization and maintenance of existing asphalt plants. At this point, we have not incorporated a major increase in demand into our business forecast.

**[Q]**: What were the operating losses for Thailand and China last fiscal year, and how are they reflected in this year's forecast?

**[A]**: This is a difficult question, but I'll do my best to explain.

In China, we recorded an operating loss two years ago. However, through cost reductions and improved sales, we returned to break-even last fiscal year.

In Thailand, combining manufacturing and sales, the operating loss was roughly between 200 million and 250 million yen.

For this fiscal year, we've implemented various measures in both markets, but we have incorporated performance figures roughly in line with the previous year into our forecasts.

**[Q]**: Thank you for the strong dividend forecast, which shows your commitment to increasing the share price. However, the cash allocation plan doesn't include share buybacks, and 5 billion yen is allocated to M&A. If the M&A does not proceed, is there a possibility that those funds will be used for share buybacks?

**[A]**: While this is purely a numerical response, we are currently considering several M&A candidates to strengthen our business foundation, both horizontally and vertically.

That said, M&A depends on timing and opportunity. If the funds are not used, it doesn’t mean the full amount will remain unused, but we will consider other investment options, including share buybacks.

**[Q]**: Based on the explanation and numbers given, it appears that M&A in the "Other" segment will begin contributing in fiscal 2027. Can you share any details about the industries or areas you're targeting? Also, are there M&A opportunities outside the "Other" segment?

**[A]**: Unfortunately, we are not at the stage where we can share specifics. In terms of industry focus, we are currently in contact with several companies in the environmental field.

We are not looking to expand into areas unrelated to our core operations. Instead, we are focusing on industries with a connection to our business, especially the environmental sector.

While our main business is in construction-related fields such as asphalt and batch plants, we are also paying attention to the material handling and environmental recycling sectors. These areas are slightly outside the traditional construction space but offer promising potential.

**[Q]**: On page 22, the ROE forecast for fiscal 2027 is 8%, which seems low compared to the 5.2 billion yen in operating profit. Are you expecting any special losses?

**[A]**: We are not specifically expecting special losses. However, depending on M&A activity, there may be gains or losses associated with increased fixed or other assets.

While it's true that, under normal conditions, ROE could reach 8.2% or 8.3%, we’ve made a conservative estimate considering the uncertainty that comes with M&A.

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.