

March 5, 2024

Tokyo Stock Exchange Code: 6306
Nikko Co., Ltd.

FY 2023 3Q Results Briefing: Gist of Questions and Answers Session

Questioner [Q]: Orders in Thailand have been strong. What is driving it, is it expected to continue, and what are the details of the profitability of the orders?

Fujii [A]: Orders in Thailand have been growing smoothly and our market development is bearing fruits. In particular, the demand for recycling plants have been growing more than expected. We plan to sell 15 to 20 plants and promote the popularization of the Nikko brand to ensure continuity. In addition to Thailand, we are planning to enter into Vietnam and Indonesia. Regarding the profitability of orders, we used to give priority to popularizing our brand but our priority now is ensuring that gross profit margin from 10% to 20% in order backlog and sales for the next fiscal year.

Questioner [Q]: Orders for AP in Japan have been strong. What is your view on operating margin at the time of order?

Fujii [A]: As to how we view the operating margin at the time of order, I understand this question is related to the fact that we should be able to get a higher operating margin in Japan. This is something that you have all been pointing out over the years.

Profit ratio at the time of order has not particularly improved. Raw materials costs have increased and we need to implement measures such as cost reduction through the standardization of plants and offering values to customers. Orders in FY 2023 have been good but profitability remaining unchanged is an issue.

Questioner [Q]: What are the reasons for dividing the other business at the time of the third quarter results? Also, what is the company's view on the optimum portfolio and what are the lateral synergies through each business?

Fujii [A]: The reason why we divided the other business during the third quarter results is to make it easier for investors to understand, given that the profit of the other business accounts for 10% or more of the total. In addition, as overall sales of the other business were growing rapidly, we divided

it into two to increase transparency. As an optimum portfolio, we want to expand the overseas sales of the AP-related business and grow the market share of the BP-related business. We cannot expect growth from conveyors and environment, and we are focusing on environment-related plants. We can expect stable increase in sales of the other business but we are not likely to see any major growth. In terms of synergies between the businesses, we can offer new products in mobile crushers to existing customers and the contract-based manufacturing business will be jointly utilized to identify the optimum production bases.

Questioner [Q]: What kind of outcome, financial impact, and motivation have pay increases and introduction of the new personnel system brought about? What are the issues, if any?

Fujii [A]: Pay increases have raised motivation of all the employees and we are also actively making investment for human resource development. However, we have not seen any clear financial impact from this yet. Employees have been voicing positive opinions regarding the new personnel system for its fair, performance-based evaluations. We have not seen any notable issues at this moment.

Questioner [Q]: As for the outline of operating income for the next fiscal year, if it is up 600 million yen year on year for the overseas AP-related business, the business overall can envision 2,500 million yen in operating income. Would it be difficult to renew the record profit of 2,700 million yen posted in the fiscal year ended November 1990?

Fujii [A]: The operating profit forecast for the current fiscal year is 1,900 million yen and it is 2,500 million yen when the difference including overseas profit is added. We see no negative factors in Japan and there is a possibility to achieve the best-ever figure. Having said so, it is unclear how the bottoming-out in China would show in figures. Orders in Thailand are strong but there are concerns regarding delivery delays in manufacturing.

Fujii [M]: Thank you very much for attending the briefing today.

Note: This summary of the question and answer session was created in part to provide information to those who did not attend the results briefing. Please note that parts of the text have been edited to improve clarity and enhance understanding.

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