Nikko Co., Ltd.

Fiscal Year 2023 (Ended March 31, 2024) Financial Results Briefing Session

June 17, 2024

[Company name] Nikko Co., Ltd.

[Company ID] 6306

[Language for the event] JPN

[Event type] Financial results briefing session

[Event name] Fiscal Year 2023 (Ended March 31, 2024) Financial Results Briefing Session

[Date] June 17, 2024

[Number of pages] 36

[Speakers] Masaru Tsuji, Representative Director and President (hereinafter referred to as “Tsuji”)
Hiroshi Fujii, Representative Director and Vice President/General Manager of Administrative Division (hereinafter referred to as “Fujii”)

[Company website] https://www.nikko-net.co.jp/

[URL of video] https://www.youtube.com/watch?v=21zfORuqpZ0

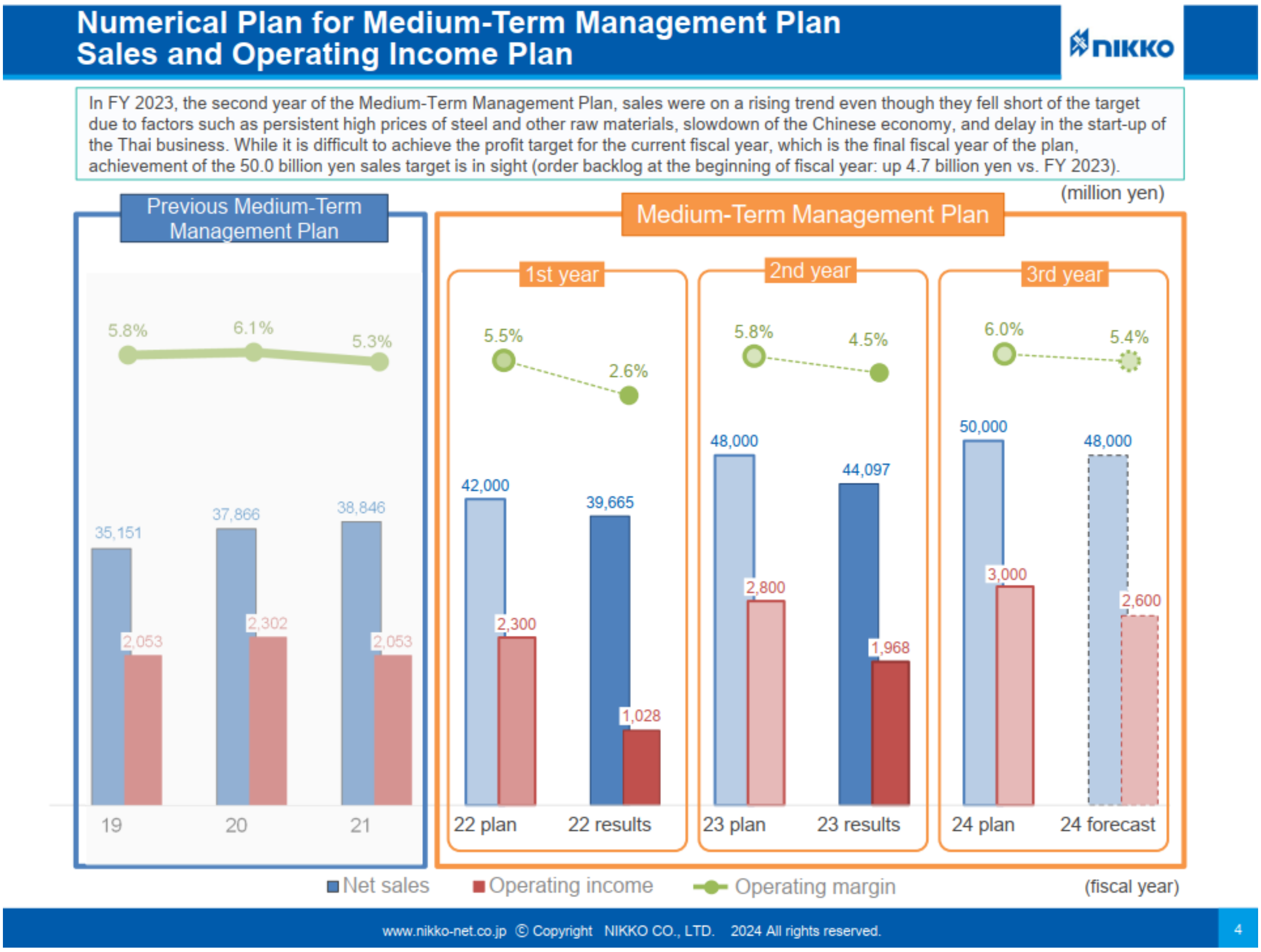
[Integrated report] https://www.nikko-net.co.jp/

Contents

2nd Year Progress Report of FY 2022-2024 Medium-Term Management Plan

* The last digit of the figures in this document may differ from those in the Quarterly Report due to the treatment of fractions less than unit.

www.nikko-net.co.jp © Copyright NIKKO CO.,LTD. 2024 All rights reserved



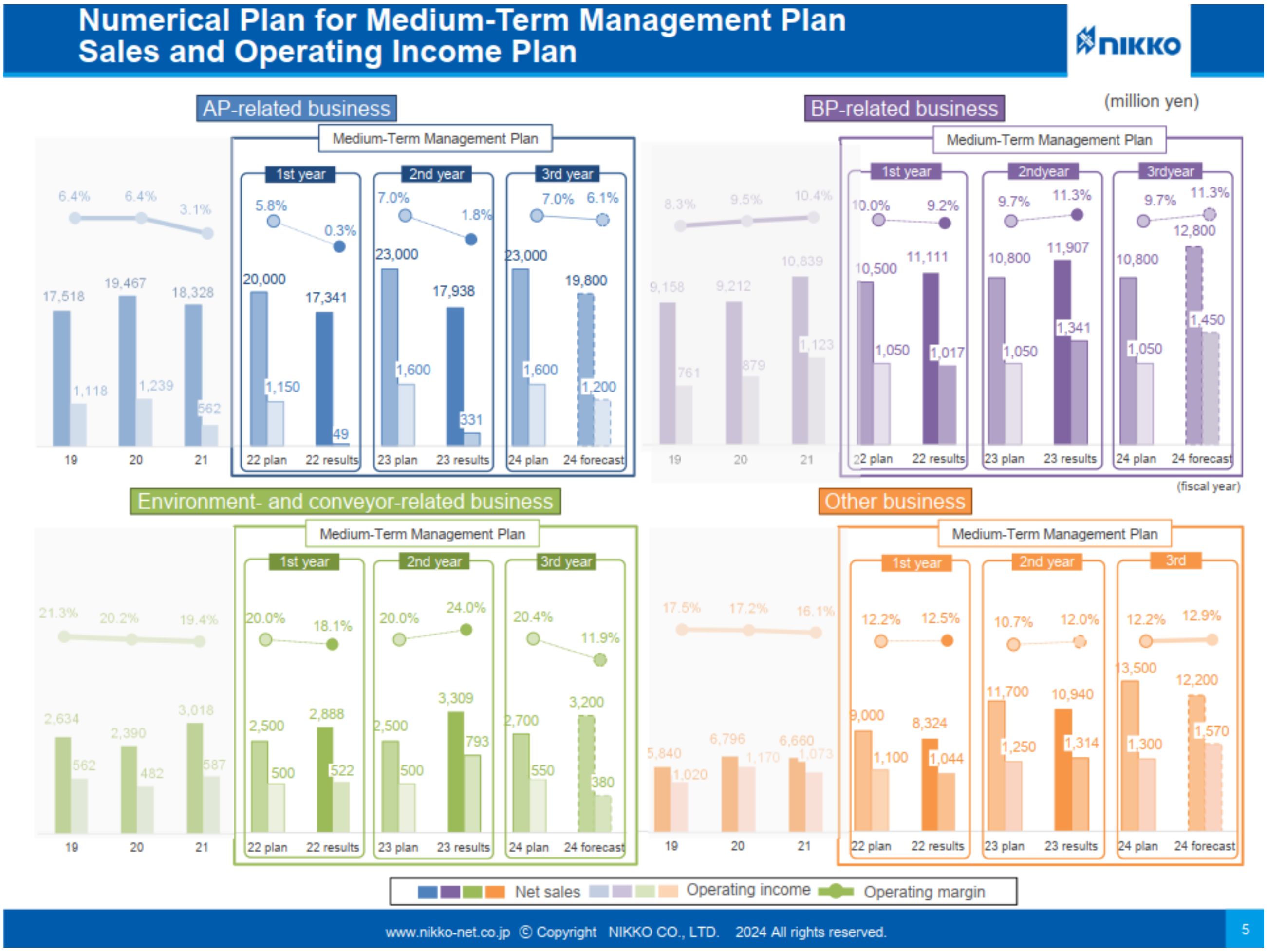
Tsuji: I am Tsuji, and I would like to report on the progress in the Medium-Term Management Plan.

The plan and results of the Medium-Term Management Plan are shown in there graphs here.

In the previous fiscal year, business performance of Nikko Shanghai, our Chinese subsidiary, worsened sharply due to soaring raw material prices and stalling of the local economy. While delays in the start-up of the Thai business also was a negative factor in terms of figures, orders have been firm and are showing a rising trend. In the three years of the previous Medium-Term Management Plan, the impact of Covid-19 was the largest negative factor, but we gradually expanded the business size. In the first year of the Medium-Term Management Plan, Russia's invasion of Ukraine and the Israel-Palestinian conflict caused material prices to soar.

The sales plan for the previous fiscal year was 48.0 billion yen but the actual sales were 44.0 billion yen and we could not achieve the target. Nevertheless, our consolidated sales exceeded 40 billion yen for the first time and we feel that we were able to break down one wall. There is a major discrepancy in terms of profits. Improving profits is an issue also in the current fiscal year and onwards.

For the current fiscal year, we are expecting 48.0 billion yen compared with the 50.0 billion yen target, and 2.6 billion yen in profits compared with the 3.0 billion yen target, and both are expected to fall short of the targets. We will strive towards achieving the targets without giving up.



I am going to explain the sales trend of main business items.

Asphalt plants, shown in the blue graph, fell significantly short of the target. Sales were about 18.0 billion yen compared with the 23.0 billion yen target. Profits were weak, but in the current fiscal year, we are expecting 20.0 billion yen in sales and 1.2 billion yen in operating income. There was the impact from curbing of capital investment due to the soaring raw material prices in the previous fiscal year, but it is showing a recovery trend in the current fiscal year.

In particular, the sudden slowdown in China and delays in the progress of the business in Thailand were negative factors. However, the business in Japan is showing a certain level of recovery.

The BP-related business has been successful in passing on the cost increases to product prices and both sales and profits were satisfactory. We can see a rising trend also in the current fiscal year.

There is no major improvement in the environment- and conveyor-related business, which has been focusing on development of recycling technology.

The other business has been thriving. The main factor is the great leap made by the mobile crusher and mobile plant businesses and another factor is the steady growth of the waterproof board business of a group company. It is expected to continue to grow significantly this term too due to these two main factors.

Numerical Plan for Medium-Term Management Plan Growth Investment

*The figures in parentheses denote the previous Medium-Term Management Plan

Item	Investment (cumulative for three years)	FY 2022 – FY 2024 Three-year plan	FY 2022 – FY 2023 Results
Human resource enhancement	**Nikko non-consolidated up 145 (up 69)**	AP-related business field 59 BP-related business field 20 Environment and conveyor field 12 Overseas 6 Development 12 Mobile plants 11 Other 25	AP-related business field BP-related business field Environment and conveyor field Overseas Development Mobile plants Other up 86
R&D	**2.53 bil. yen (1.19 bil. yen)**	AP-related business field Environmentally friendly products Remote and automated support BP-related business field Plant support center Product improvement System development Environment and conveyor field Product development Investment in IT incl. EC Overseas Development of standard models	AP-related business field (including overseas) BP-related business field Environment and conveyor field Other business 1.18 bil. yen
Capital investment	**6.0 bil. yen (6.3 bil. yen)**	Construction of a new factory in Hyogo Prefecture (0.5 bil. yen) Construction of a development and testing center (1.0 bil. yen)	AP-related business (FY 2022 Shanghai, Thailand, etc.) Machinery, equipment (FY 2022) Construction of warehouses for AP- and BP-related businesses (FY 2023) Construction of new factories, machinery, equipment (FY 2022, FY 2023) Software, etc. Other business Total of 4.52 bil. yen

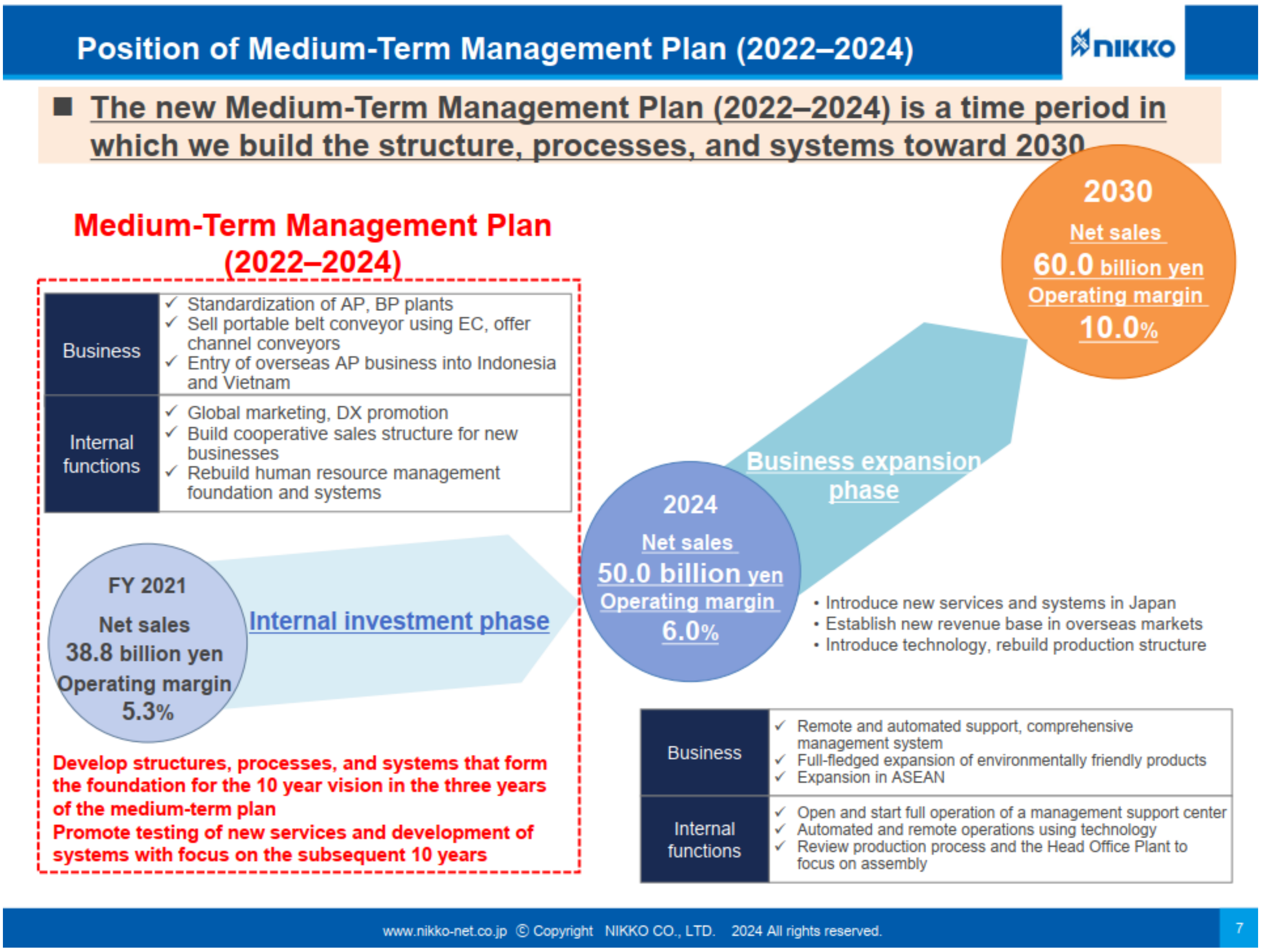
6

In the current Medium-Term Management Plan, we are highlighting internal investment items and working on them as growth investment.

For human resource enhancement, we plan to add 145 employees for business expansion and growth. There was an increase of 69 people in the previous plan. This time we are adding 86 people. We will move closer to the target including hiring of new graduates, mid-career hires, etc.

In research and development, we have invested 1.19 billion yen for new product introduction in the previous plan. We are planning 2.5 billion yen this time, but so far our investment has been limited to 1.18 billion yen. There are many joint development projects and there are delays, but we will accelerate the progress by working together with customers.

For capital investment, we allotted 6.3 billion yen in the previous plan and are planning 6.0 billion yen in the current plan. We have spent 4.5 billion yen so far. We will continue with capital investment and improve the structure.

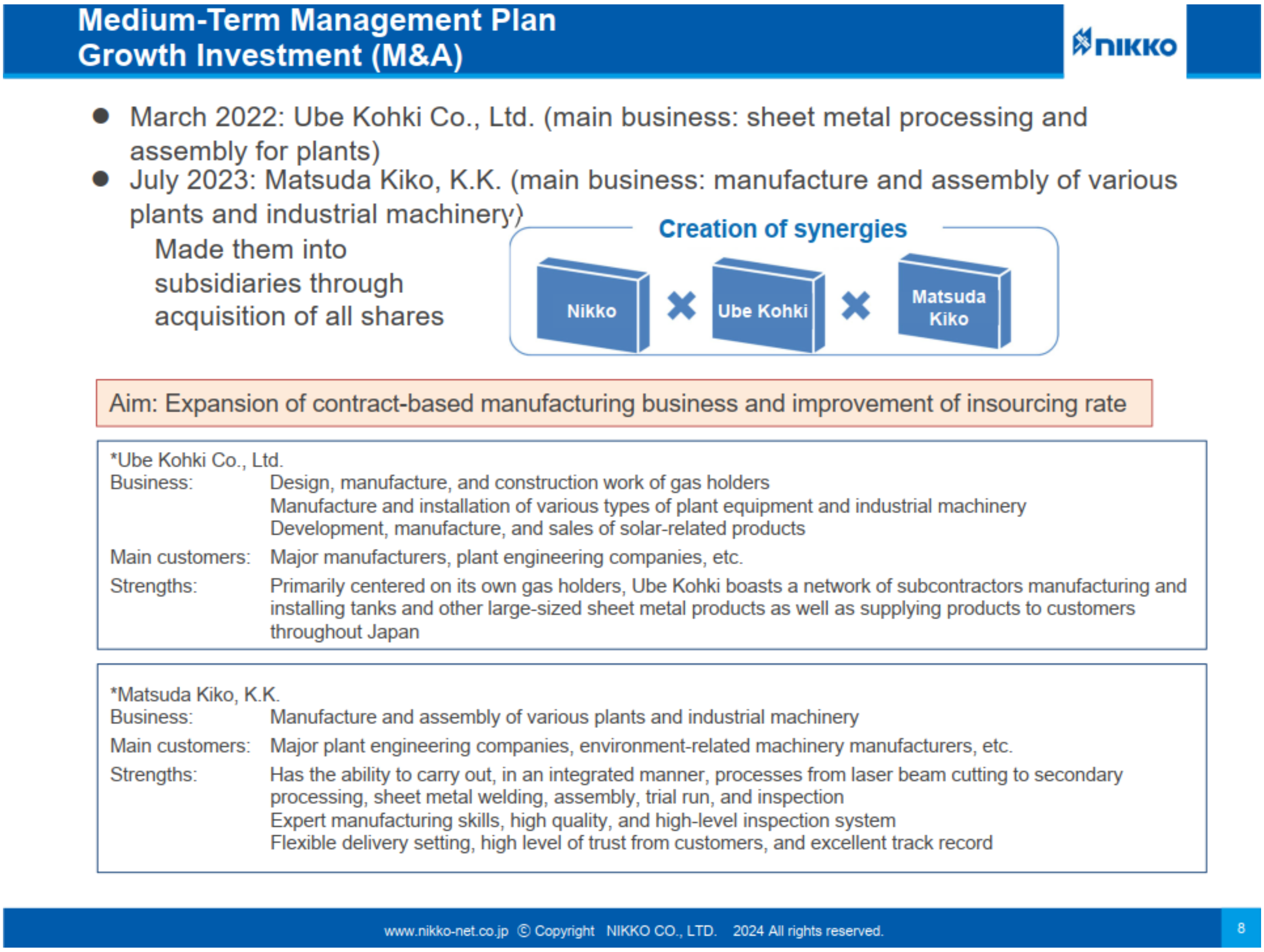


These tables show the themes and goals of businesses and internal functions.

The current Medium-Term Management Plan from 2022 to 2024 is in progress and in the internal investment phase. Sales were 38.8 billion yen in 2021 and 44.0 billion yen in the previous fiscal year. The target for the current fiscal year is 48.0 billion yen. We will pursue the initial target of 50.0 billion yen without giving up. We set forth a sales target of 50.0 billion yen in 2030 when we launched the previous Medium-Term Management Plan during which we celebrated the 100th anniversary, but we revised it upwards to 60.0 billion yen at the start of the current Medium-Term Management Plan.

As the target for the current fiscal year is 50.0 billion yen, we need to revise the 2030 target further upward.

This year, which is the final year of the Medium-Term Management Plan, is the year in which we draft the next Medium-Term Management Plan, and we are considering revising the 2030 targets upwards.



I am going to explain M&As we carried out recently outside the existing businesses.

We acquired Ube Kohki in March 2022 and Matsuda Kiko in July last year. Both companies are engaged in manufacture and assembly for plants and they are continuing with their respective businesses and making capital investments.

Going forward, we would like to implement initiatives that generate synergies for the Nikko Group. Our in-house manufacturing ratio is high and we are striving to strengthen our production structure even in this situation where we cannot find a company to outsource so as to maintain superiority over competitors.

Medium-Term Management Plan
Internal Enhancement

NIKKO

● FY 2022 Formulated Nikko Group CI

MISSION Mission Nikko must fulfill in daily operations	**Update the social infrastructure by leveraging engineering that is one step ahead of others.**
VISION The future we want to realize	**Making the world a resilient and gentle place.**
VALUE Values we offer	**Set forth 5 values**
SPIRIT Spirit we treasure	**Set forth 12 spirits**

● Human capital enhancement

● Along with increasing human resources, we are taking measures aimed at improving the stability of our employees' daily lives and their engagement.

★ Three consecutive years of pay increase

FY 2022: Across-the-board 30,000 yen pay increase
FY 2023: 5% pay increase
FY 2024: 5.03% pay increase

★ Introduction of a system to award the company's shares to new employees, those eligible for continued service award, and high achieving employees

★Grant 100 shares to all employees to commemorate achievement of 40.0 billion yen in sales (plan)

● New personnel system

Purpose: Promote growth and active participation of human resources who support realization of Vision

Content: Clarified employee treatment reflecting employees' duties and roles
System being administered in such a way as to enable each employee to independently choose their career paths

Here I will explain internal enhancement.

The Nikko Group set forth the new Mission, Vision, Value, and Spirit in FY 2022 in a bid to establish its corporate identity and it has gradually been succeeding in it.

In human capital enhancement, we are striving to reduce the turnover rate of employees and to improve the stability of their daily lives and engagement. We carried out pay increases for three consecutive years: 30,000 yen increase across the board in FY 2022 and 5% pay raise in 2023 and 2024. Moreover, we are granting our shares to new employees and high-achieving employees. We plan to grant 100 shares each to all employees to commemorate the achievement of 44.0 billion yen this year.

We also introduced a new personnel system, with which we are strengthening meritocracy and performance-oriented approach to promote autonomous career choices.

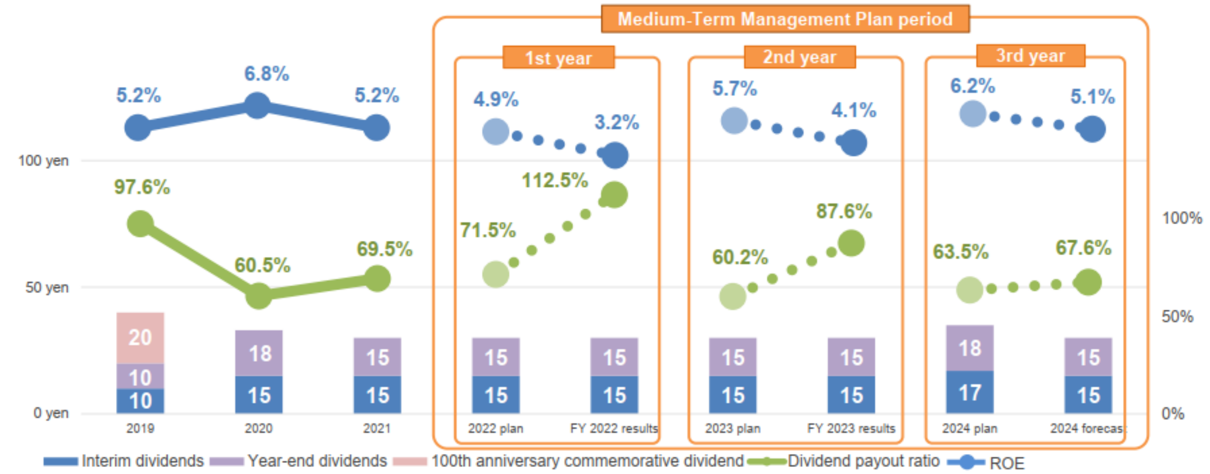
Medium-Term Management Plan
Shareholder Returns

NIKKO

(million yen)

	Previous Medium-Term Management Plan			Medium-Term Management Plan					
	FY 2019 results	FY 2020 results	FY 2021 results	FY 2022 plan	FY 2022 results	FY 2023 plan	FY 2023 results	FY 2024 plan	FY 2024 forecast
Sales	35,151	37,866	38,846	42,000	39,665	48,000	44,097	50,000	48,000
Operating income	2,053	2,302	2,053	2,300	1,028	2,800	1,968	3,000	2,600
Net income attributable to owners of parent	1,588	2,082	1,649	1,600	1,020	1,900	1,312	2,100	1,700
Dividend per share (yen)	40	33	30	30	30	30	30	35	30
Total dividend	1,550	1,260	1,146	1,144	1,147	1,144	1,149	1,334	1,149
Dividend payout ratio	97.6%	60.5%	69.5%	71.5%	112.5%	60.2%	87.6%	63.5%	67.6%
Net assets	30,293	31,451	32,050	32,506	31,604	33,262	33,086	34,028	33,637
ROE	5.2%	6.8%	5.2%	4.9%	3.2%	5.7%	4.1%	6.2%	5.1%

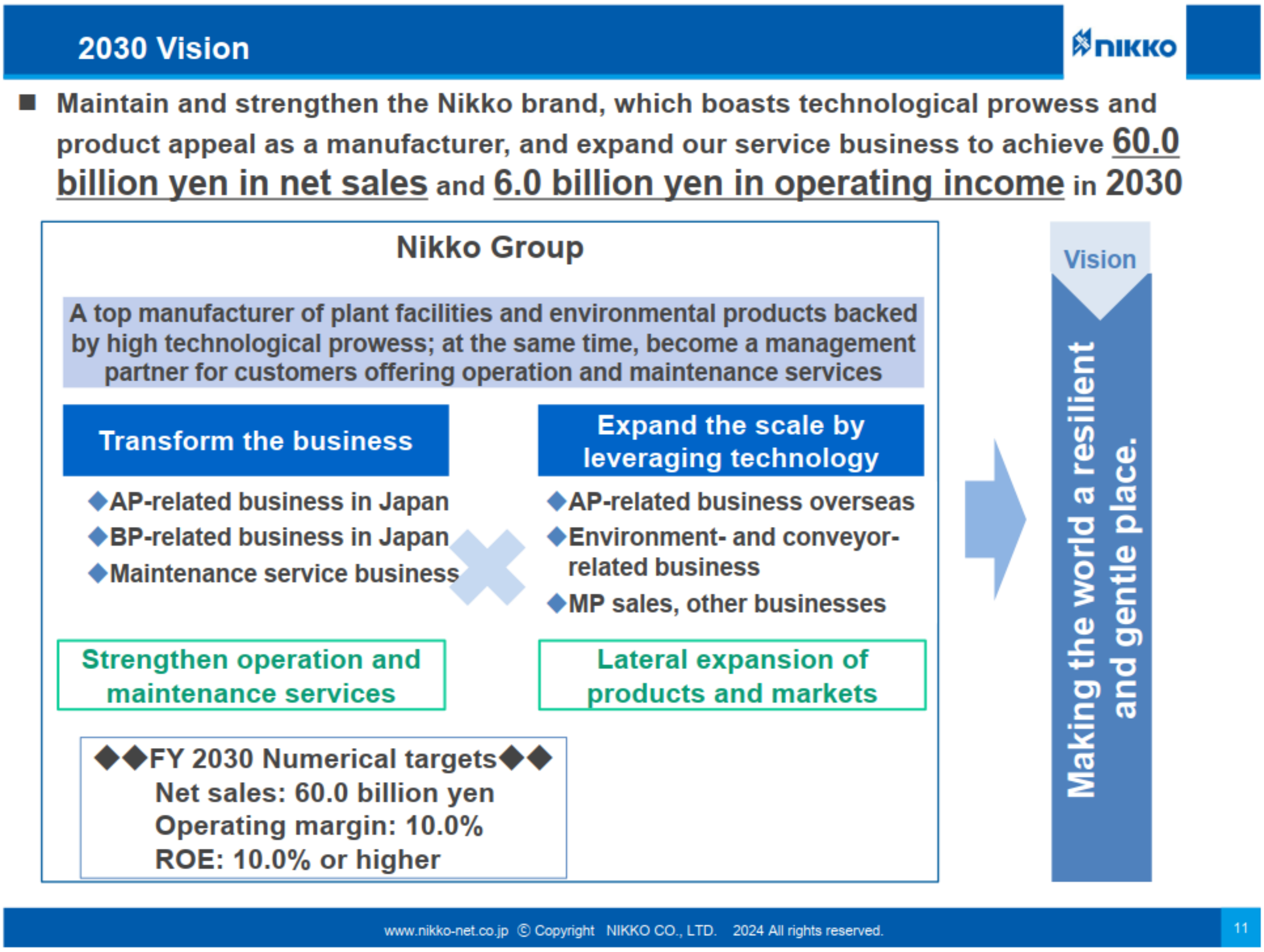
Dividend payout ratio of 60% or higher



★The Company carried out a one-to-five split of shares in its common stock effective October 1, 2019, and the amount of dividends has been adjusted to the value after the split.

10

This is the report on shareholder returns. We realized a dividend payout ratio of 60% in the medium-term plan. While the payout ratio is rising due to stagnant profit growth, we established a 60% payout ratio with the aim of maintaining dividend of 30 yen per share. In the 2024 plan, we were aiming to increase the dividend, but it remained at 30 yen per share because the profits fell short of the plan. We will continue to promote business activities to increase dividends.



To achieve the next target, we will focus on expansion of the business scale and aim for 60.0 billion yen in sales and 6.0 billion yen in operating income by 2030.

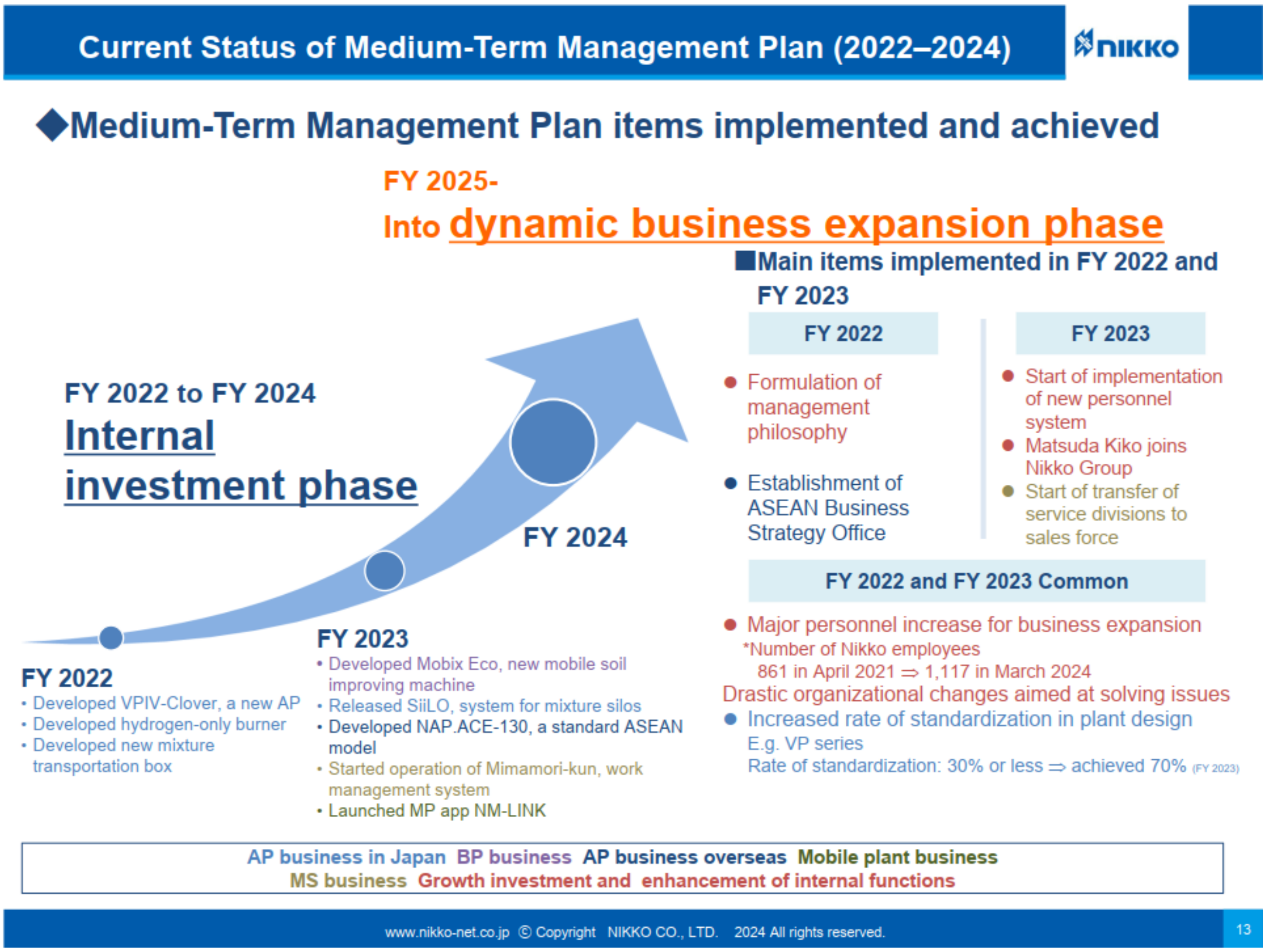
Basic Policy of New Medium-Term Management Plan (2022–2024)

- **For each businesses, we will actively invest in launching new products and services for business structure reform under the 2030 vision and in enhancing necessary organizational abilities**

AP in Japan	✓ Develop environmental products by leveraging the development capability as a top manufacturer ✓ As a solution partner, support the plant operation of customers
BP	✓ Carry out comprehensive management of ready-mixed concrete plants ✓ Develop products that satisfy the industry’s high quality requirements of precast concrete
AP overseas	✓ Design and launch standard model products that are competitive in overseas markets ✓ Build an organizational structure for expansion into the ASEAN market
Conveyors	✓ Offer convenience and efficiency that goes beyond the manufacturer’s framework by leveraging the engineering of conveyor line, while realizing short delivery time and low price through further modularization ✓ Develop web-based services and design structure and build a foundation for delivering new products and services

This describes the basic policy of the Medium-Term Management Plan.

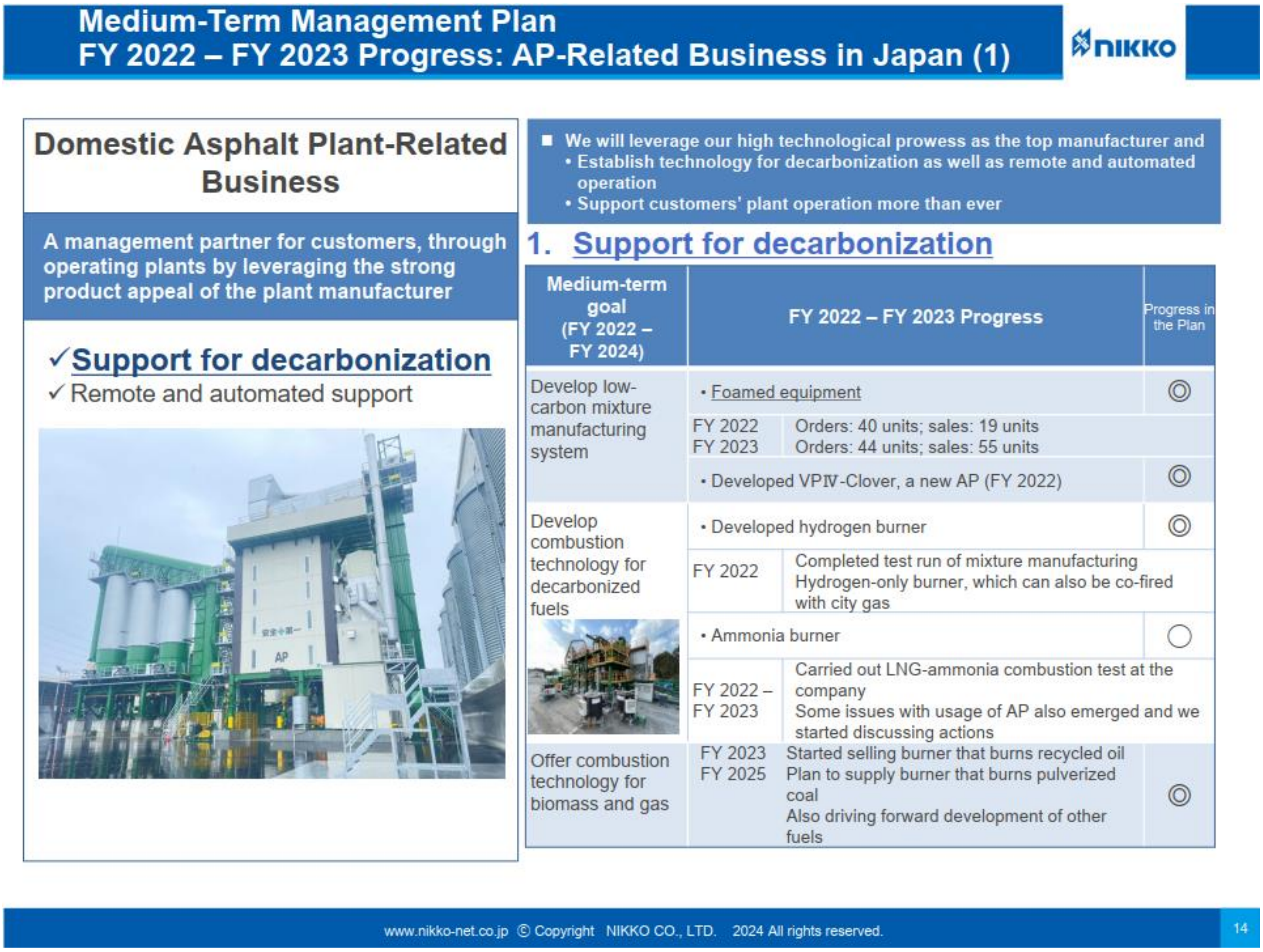
Please go through it later at your convenience.



This is also a similar graph. This is a graph that shows how we complete the internal investment phase and then transition to the business expansion phase. We have formulated the Management Philosophy and are close to establishing it. We launched the new personnel system and are strengthening activities to generate synergies with companies that joined the group. We will strengthen the service divisions, which are the source of revenue, and implement activities to raise operational efficiency and revenues.

The number of employees has increased from 861 in April 2021 to 1,117 in March 2024. We are promoting a plan to further increase the number of employees and are enhancing education of new employees.

In terms of technology, the standardization rate of VP series improved from below 30% to more than 70%. We will build a base for improving quality and reducing complaints through standardization. We have started seeing clear-cut improvement in quality in figures. We will continue to focus our efforts in this direction.



This slide explains asphalt plants and decarbonization.

We received orders for 40 units of foamed equipment and sold 19 units in FY 2022, and sales increased to 55 units in FY 2023. This equipment is part of decarbonization through retrofit. It maintains asphalt in a condition suitable for work by mixing small amount of water and foaming it to improve bearing effect. It has been able to contribute to sales as one of the starting equipment for decarbonization activities.

Currently the mainstream fuel is heavy oil and we are developing equipment that can burn alternative fuels such as hydrogen, ammonia, recycled oil, and pulverized coal.

Medium-Term Management Plan
FY 2022–FY 2023 Progress: AP-Related Business in Japan (1)

NIKKO

Domestic Asphalt Plant-Related Business

A management partner for customers, through operating plants by leveraging the strong product appeal of the plant manufacturer

✓ **Support for decarbonization**
✓ Remote and automated support

- We will leverage our high technological prowess as the top manufacturer and
  - Establish technology for decarbonization as well as remote and automated operation
  - Support customers' plant operation more than ever

1. Support for decarbonization

Medium-term goal (FY 2022 – FY 2024)	FY 2022 – FY 2023 Progress		Progress in the Plan
Other	FY 2023	**VP series selected for advanced equipment subsidy by the Ministry of Economy, Trade and Industry***	
	The new AP model Value Pack was selected for the subsidy program of the Energy-Saving Investment Promotion & Demand Structure Transformation Support Project under the FY2023 supplementary budget. **As much as 1.5 billion yen in subsidy is available for introducing a VP series plant** Upon introducing VP series, up to two thirds of design, facility, and installation work expenses will be covered by subsidies for SMEs and up to half for large companies. *1 https://prtimes.jp/main/html/rd/p/000000045.000081441.html		

*1 In the range of 1 mil. yen/fiscal year to 1.5 bil. yen/fiscal year (2.0 bil. yen/fiscal year for non-fossil fuel)

The VP series is a plant series that combines asphalt plant and recycling facility, which were separate facilities till then, given the increased circulation of recycled asphalt mixture.
It is a next-generation plant with improved safety and environmental friendliness whose compact design helps in curbing energy consumption.

This is the case of an asphalt plant, where subsidies from the Ministry of Economy, Trade and Industry to introduce new equipment are being used substantially. We are hoping that this will be a trigger for investment.

Medium-Term Management Plan
FY 2022–FY 2023 Progress: AP-Related Business in Japan (2)

NIKKO

Domestic Asphalt Plant-Related Business

A management partner for customers, through operating plants by leveraging the strong product appeal as the plant manufacturer

✓ Support for decarbonization
✓ **Remote and automated support**

- We will leverage our high technological prowess as the top manufacturer and
  - Establish technology for decarbonization as well as remote and automated operation
  - Support customers' plant operation more than ever

2. Remote and automated support

Medium-term goal (FY 2022– FY 2024)	FY 2022 – FY 2023 Progress		Progress in the Plan
Offer partially remote shipment system	FY 2023	Released SiiLO, remote shipment system for mixture silos	◎
	Considering refining and incorporating it as a standard based on requests for improvement from users		
Remote and automated support of plant operations	FY 2022 – FY 2023	Identified issues and risks and completed listing up most (around 95%) of facilities and equipment required for automatic operations.	○
		Aim to start it in the next medium-term plan including establishment of an operation center, as it requires a subscription contract at the time of replacement (SB) as well as personnel with experience of operating plants	△
Accumulate plant operation data based on expansion of the number of contracts for maintenance service subscription	By FY 2023	We have concluded nine contracts Further proposals in progress	△

Next is remote and automated support.

As a countermeasure to labor shortage, we have been successful with a system that remotely controls multiple mixture silos. Also, subscription-based maintenance and asset management has been producing results as business reforms that improve efficiency while reducing costs.

Medium-Term Management Plan
FY 2022 – FY 2023 Progress: BP-Related Business in Japan (1)

NIKKO

Concrete plant-related business

A top manufacturer by far as well as an environmentally friendly manufacturer that implements total management of ready-mixed concrete plants

- ✓ **Comprehensive concrete plant management system**
- ✓ **Plant support center**
- ✓ Mobile plants
- ✓ Environmentally friendly products

- **Aim to become a top manufacturer by offering comprehensive management of ready-mixed concrete plants and by developing products that cater to the high quality requirements of precast concrete as well as being an environmentally friendly manufacturer**

1. **Development and expansion of in-house control panels**

Medium-term goal (FY 2022 – FY 2024)	FY 2022 – FY 2023 Progress		Progress in the Plan
Promote standardization of plants by increasing control panel developed in-house and accumulating plant operation information of customers	FY 2023	Formulated Nikko Open Platform Concept that manage all data related to concrete manufacturing in a comprehensive manner Built DX plant management system Completed prototype of waste water treatment package => Start expanding sales in 2024 FY 2025: Start working towards minor upgrade of control panel Concrete initiatives for standardizing plants	○
Introduce service to support operation of customer plants	Total through FY 2023	Concluded 28 subscription contracts	○
	FY 2024	Developed DX facility ledger functions for expanding the functions of DX plant operations (material management and overall plant monitoring)	○

This is concrete plant-related business.

We are offering a system that helps customers through subscription contracts also in BP. We currently have 28 contracts, and we plan to shift all contracts to subscription and annual maintenance contracts.

Medium-Term Management Plan
FY 2022 – FY 2023 Progress: BP-Related Business in Japan (2)

Concrete plant-related business

A top manufacturer by far as well as an environmentally friendly manufacturer that implements total management of ready-mixed concrete plants

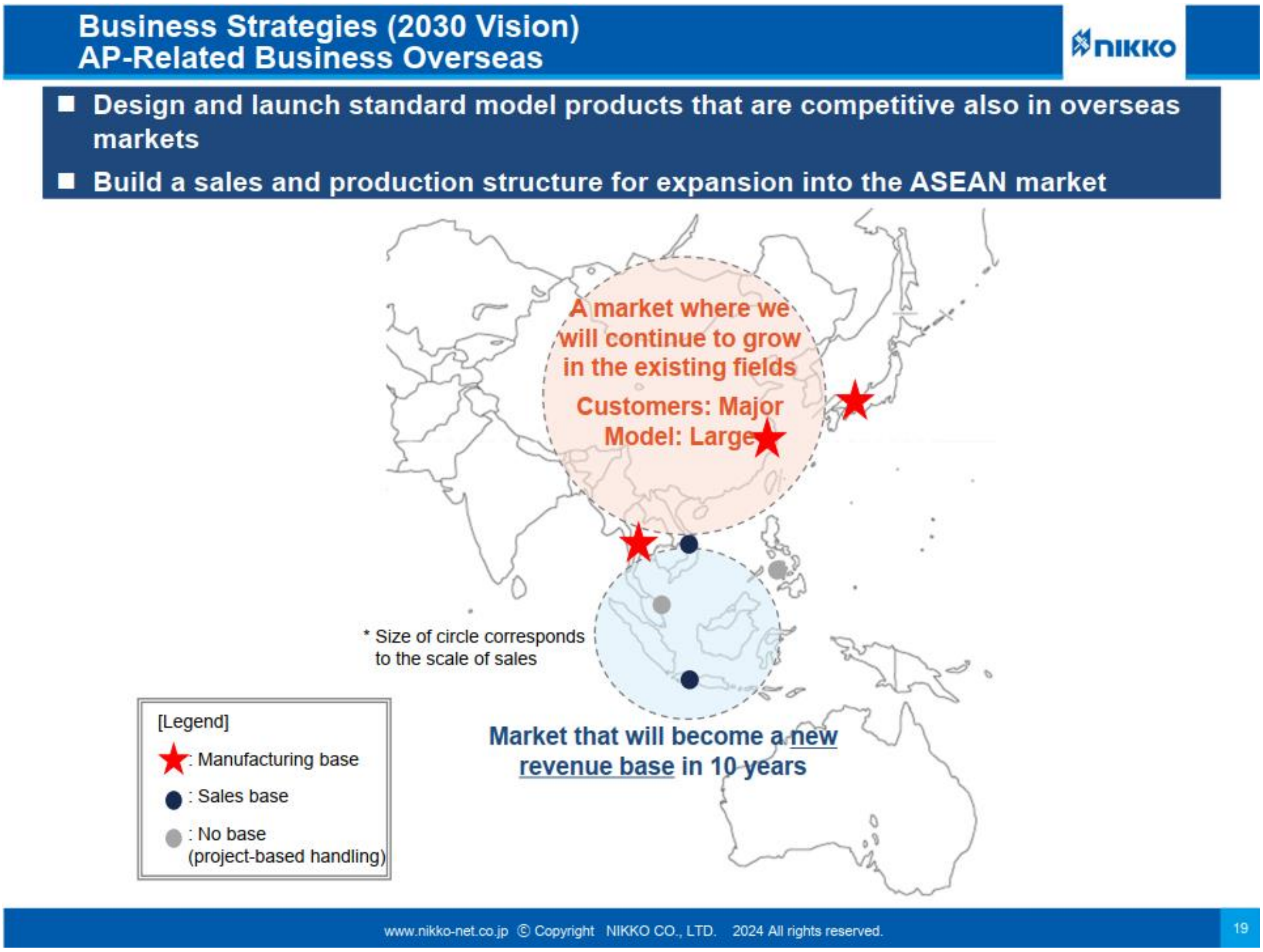
- ✓ Comprehensive concrete plant management system
- ✓ Plant support center
- ✓ **Mobile plants**
- ✓ **Environmentally friendly products**

- **Aim to become a top manufacturer by offering comprehensive management of ready-mixed concrete plants and by developing products that cater to the high quality requirements of precast concrete as well as being an environmentally friendly manufacturer**

Medium-term goal (FY 2022 – FY 2024)	FY 2022 – FY 2023 Progress		Progress in the Plan
Expand mobile plants into areas which are no longer reachable due to consolidation of plants	FY 2022	Delivered to users of precast concrete for projects We are obtaining sales leads for disaster restoration and special concrete demand FY 2024 Budgeted one unit Started considering design, mixer shape, ancillary equipment, etc. corresponding to usages for further sales expansion	△
Develop and expand products in response to customers' environmental needs such as CO2 emissions reduction	FY 2022	Constructed a demonstration plant by participating in a GI fund project for the development of manufacturing technology for concrete, etc. using CO_2, started research on methods to reduce electric power consumption in concrete manufacturing	○
	FY 2022 – FY 2023	Proposed manufacturing equipment such as Eco Tankaru to precast concrete users Delivered equipment for two projects and received inquiries for 12 projects	◎
	FY 2022 – FY 2023	Established cooperative structure with Mitsubishi Corporation for introduction of Carbon Cure technology (Canada) Concluded contracts for one ready-mixed plant and one precast concrete plan Received multiple inquiries	○

Mobile BP has been utilized in areas where the number of plants has declined and in areas with supply difficulties. It is highly adaptable at a wide range of locations.

We have been studying the technology to sequester CO2 using concrete for 15 years. We are close to introducing it in actual plants and I am looking forward to that.



This shows the areas we are planning to develop, and those where we plan to expand business.

In addition to China, we will focus on the ASEAN region shown in blue and strive to make it a revenue base.

Business Strategies
FY 2022 – FY 2023 Progress: AP-Related Business Overseas (1)

NIKKO

Overseas Asphalt Plant-Related Business

Global asphalt plant manufacturer

✓ **Expansion in ASEAN**
✓ Global standard products

■ • Early start-up of the Thailand production base
• Establishment of sales structures in Indonesia and Vietnam

1. Develop a structure for entering into new markets

Medium-term goal (FY 2022– FY 2024)	FY 2022 – FY 2023 Progress		Progress in the Plan
Newly enter the Indonesian and Vietnamese markets	FY 2023	Concluded a distributor agreement with a construction machinery dealer (VITRAC) in Vietnam	○
	FY 2023	Sold one AP made in China (Vietnam) In business negotiations for one AP made in Thailand (Vietnam)	△
	We will decide on distributors in Indonesia by observing the trend in the ASEAN market		
Establish cooperation structures with local distributors	FY 2023	Carried out sales promotion with a Thai agent and orders increased from four units in FY 2022 to 10 units FY 2023 Continue to promote sales also in FY 2024 [FY 2024 estimates] Expected sales: 1,771 million yen Expected orders: 17 units Expected sales: 21 units Expected orders remaining at the end of the fiscal year: four units	◎

 20

This is about the Thai business.

Its progress had been delayed due to Covid-19 and other reasons since the fiscal year before the previous one, but it has been slowly transitioning towards a revenue-making structure. Orders increase from four units in FY 2022 to 10 units in FY 2023, our outlook for the current fiscal year is orders for 17 units and sales of 21 units and they are growing rapidly. Production has not caught up after more than two years since the start-up of the factory and we are working on reinforcing the manufacturing structure.

Overseas Asphalt Plant-Related Business

Global asphalt plant manufacturer

✓ Expansion in ASEAN
✓ **Global standard products**

■ • Early start-up of the Thailand production base
• Establishment of sales structures in Indonesia and Vietnam

2. Design plants standardized for overseas

Medium-term goal (FY 2022 – FY 2024)	FY 2022 – FY 2023 Progress		Progress in the Plan
Design standardized plants that are cost competitive and catering to the needs of overseas markets through the introduction of local supplies, etc.	FY 2023	Developed a standard ASEAN model, NAP.ACE-130 and received an order ▸ Plan to deliver it in FY 2024	◎

The standard ASEAN model NAP.ACE-130

We reviewed the design and seismic standards from the perspective of global standards and reduced costs of the model by designing the frame anew and downgrading the parts used.
Regarding the plant layout, we took into account the local location for development, leading to a compact layout that can also address future recycling demand.
We used local manufacturers for supplies and enabled local procurement.

Currently we are developing and introducing plants for the ASEAN region. We introduced new technologies to global standard products, and initiatives for business growth and turning the business profitable are making progress.

We will continue to expand it and aim to increase revenue.

FY 2024 Performance Forecast (1)

NIKKO

Record figures are expected for both new orders received and sales.
⇨ p. 30 FY 2024 Outlook (1), p. 34 Trends in New Orders Received (Cumulative), p. 61 Trend in Key Financial Data

AP-related business (Japan): Capital investment and facility maintenance costs, which were stagnant, are expected to recover as profits at road pavement companies improve. Sales and operating income are expected to recover along with expansion of investment for decarbonization
⇨ pp. 31–32 FY 2024 Outlook (2), p. 37 AP-Related Business

BP-related business: Positive order backlog year on year. Cost increases have been passed on appropriately in the ready-mixed concrete plant market and stable demand is expected to continue reflecting stable market
⇨ pp. 31–32 FY 2024 Outlook (2), p. 39 BP-Related Business

Crusher-related business: Ukraine-related special demand fell off, and both sales and profits of the mobile plant business are expected to decline.
However, the sales base is expected to expand reflecting replacement of ageing facilities in Japan, expansion of facilities, and maintenance service for existing customers
⇨ pp. 31–32 FY 2024 Outlook (2), p. 41 Other Business

Contract-based manufacturing business: Both sales and profits are expected to grow on the back of strong orders in FY 2023 and high order backlog level at the beginning of FY 2024.
New orders are expected to increase slightly compared with a year ago, when the order level was high, and sales and profits are likely to grow as various plant projects, which have been postponed, get implemented
⇨ pp. 31–32 FY 2024 Outlook (2), p. 41 Other Business

 25

Fujii: The outlook for FY 2024 is 48.0 billion yen in sales and 2.6 billion yen in operating income. If we can steadily deliver the order backlog, we are sure to achieve the targets. We could possibly achieve 50.0 billion yen in sales and 3.0 billion yen in operating income. There are almost no negative factors that would cause us to underperform the previous fiscal year in any segment. Particularly, revenue in Japan is improving, road pavement companies are making capital investment, and our order backlog is also rising.

In China, sales and profits worsened. In the current fiscal year, it is expected to slightly improve. However, the outlook is unclear and it is a cause for concern.

The BP-related business is expected to continue with high sales and orders. It can achieve the budgeted figures if it completes delivery of the initial order backlog.

Although sales of crushers are likely to decline by about 800 to 900 million yen as the special Ukraine-related demand declines, this can be complemented by strengthening the base in Japan.

We are expecting they will contribute to profits in the future as the sales volume increases and maintenance sales rise.

The contract-based manufacturing business has had a steady start with two companies joining the group through M&As. The business is expected to see increases in both sales and profits again in the current fiscal year.

 NIKKO

FY 2024 Outlook (1)

NIKKO

(million yen)

	1H			2H			Full year		
	FY 2023 results	FY 2024 forecast	YoY change	FY 2023 results	FY 2024 forecast	YoY change	FY 2023 results	FY 2024 forecast	YoY change
Net sales	16,982	23,000	+6,018 +35.4%	27,115	25,000	(2,115) (7.8%)	44,097	48,000	+3,903 +8.9%
Operating income	269	1,300	+1,031 +383.3%	1,699	1,300	(399) (23.5%)	1,968	2,600	+632 +32.1%
Operating margin	1.6%	5.7%	+4.1pt	6.3%	5.2%	(1.1 pp)	4.5%	5.4%	+0.9pt
Ordinary income	455	1,300	+845 +185.7%	1,689	1,300	(389) (23.0%)	2,144	2,600	+456 +21.3%
Net income attributable to owners of parent	348	850	+502 +144.3%	964	850	(114) (11.8%)	1,312	1,700	+388 +29.6%
New orders received	25,128	21,500	(3,628) (14.4%)	23,621	23,750	+129 +0.5%	48,749	45,250	(3,499) (7.1%)
Order backlog	25,986	24,008	(1,978) (7.6%)	22,371	20,500	(1,871) (8.3%)	22,371	20,500	(1,871) (8.4%)

I am going to explain the forecast figures in the current fiscal year.

The sales forecast for FY 2024 is as follows: full-year sales forecast is 48.0 billion yen with 23.0 billion yen for the first half and 25.0 billion yen for the second half. As sales will be leveled, we are forecasting the same amounts of operating income and ordinary income for the first half and second half.

NIKKO

FY 2024 Outlook (2)

(million yen)

Segment	Item	1H FY 2023 results	1H FY 2024 forecast	1H YoY change	2H FY 2023 results	2H FY 2024 forecast	2H YoY change	Full year FY 2023 results	Full year FY 2024 forecast	Full year YoY change
AP-related business	Net sales	7,114	10,000	+2,886 +40.6%	10,824	9,800	(1,024) (9.5%)	17,938	19,800	+1,862 +10.4%
	Operating income	29	880	+851 +2,934.5%	302	320	+18 +6.0%	331	1,200	+869 +262.5%
	Operating margin	0.4%	8.8%	+8.4pt	2.8%	3.3%	+0.5pt	1.8%	6.1%	+4.3pt
BP-related business	Net sales	5,049	6,300	+1,251 +24.8%	6,858	6,500	(358) (5.2%)	11,907	12,800	+893 +7.5%
	Operating income	504	750	+246 +48.8%	837	700	(137) (16.4%)	1,341	1,450	+109 +8.1%
	Operating margin	10.0%	11.9%	+1.9pt	12.2%	10.8%	(1.4 pp)	11.3%	11.3%	+0.0pt
Environment - and conveyor-related business	Net sales	1,450	1,400	(50) (3.4%)	1,859	1,800	(59) (3.2%)	3,309	3,200	(109) (3.3%)
	Operating income	332	140	(192) (57.8%)	461	240	(221) (47.9%)	793	380	(413) (52.1%)
	Operating margin	22.9%	10.0%	(12.9 pp)	24.8%	13.3%	(11.5 pp)	24.0%	11.9%	(12.1 pp)
Other business (breakdown in the following page)	Net sales	3,367	5,300	+1,933 +57.4%	7,573	6,900	(673) (8.9%)	10,940	12,200	+1,260 +11.5%
	Operating income	215	530	+315 +146.5%	1,098	1,040	(58) (5.3%)	1,314	1,570	+256 +19.5%
	Operating margin	6.4%	10.0%	+3.6pt	14.5%	15.1%	+0.6pt	12.0%	12.9%	+0.4pt

- ▶ AP-related business: Net sales and profits are expected to recover owing to improvement in capital investment and maintenance costs as earnings of road pavement companies improve and as decarbonization-related investment rise
- ▶ BP-related business: Both sales and profits are expected to increase as the market stabilizes thanks to spread of higher prices of ready-mixed concrete
- ▶ Environment- and conveyor-related business: There are many large-scale projects such as the World Expo in Osaka, IR-related projects, and liquification treatment plants.
  Orders, sales, profits, etc. are expected to recover. Orders for conveyor-related projects have been strong

This is forecast by segment.

The AP-related business is expecting 20.0 billion yen in sales and 1.2 billion yen in operating income, showing increases for both sales and profits. The business in Japan is particularly strong. The Thai business had a loss exceeding 0.5 billion yen and is expecting a small loss again in the current fiscal year, but it is showing a recovering trend.

The forecast for the BP-related business is based on the initial order backlog.

Profit ratio of the environment- and conveyor-related business is expected to decline this year.

The other business is expected to post 12.2 billion yen in sales and 1.57 billion yen in operating income.

FY 2024 Outlook (2)

NIKKO

(million yen)

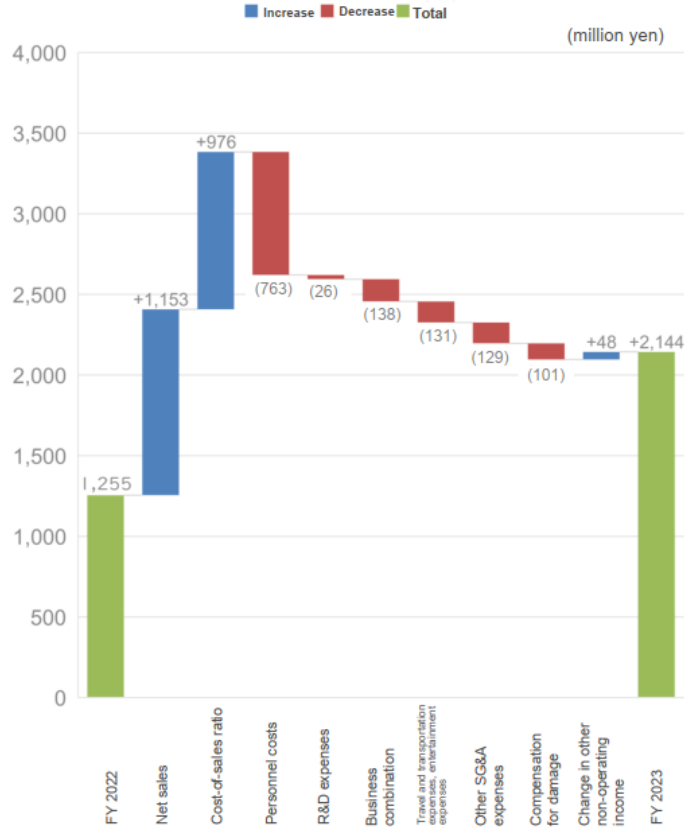
		1H			2H			Full year		
		FY 2023 results	FY 2024 forecast	YoY change	FY 2023 results	FY 2024 forecast	YoY change	FY 2023 results	FY 2024 forecast	YoY change
Crusher-related business	Net sales	1,078	1,800	+722 +67.0%	2,120	1,100	(1,020) (48.1%)	3,198	2,900	(298) (9.3%)
	Operating income	56	180	+124 +221.4%	218	20	(198) (90.8%)	274	200	(74) (27.0%)
	Operating margin	5.2%	10.0%	+4.8pt	10.3%	1.8%	(8.5 pp)	8.6%	6.9%	(1.7 pp)
Contract-based manufacturing business	Net sales	369	1,000	+631 +171.0%	2,703	2,300	(403) (14.9%)	3,072	3,300	+228 +7.4%
	Operating income	(32)	60	+92 +287.5%	302	220	(82) (27.2%)	270	280	+10 +3.7%
	Operating margin	(8.7%)	6.0%	+14.7pt	11.2%	9.6%	(1.6 pp)	8.8%	8.5%	(0.3 pp)
Other business	Net sales	1,919	2,500	+581 +30.3%	2,751	3,500	+749 +27.2%	4,670	6,000	+1,330 +28.5%
	Operating income	191	290	+99 +51.8%	578	800	+222 +38.4%	769	1,090	+321 +41.7%
	Operating margin	10.0%	11.6%	+1.6pt	21.0%	22.9%	+1.9pt	16.5%	18.2%	+1.7pt

- Crusher-related business:
  [Mobile plants] Sales and profits are expected to decline as special export demand ends. Domestic demand is expected to be firm thanks to replacement due to ageing of the facilities and facility expansion
  [Maekawa] Sales and profits are expected to grow reflecting strong orders primarily of recycling products
- Contract-based manufacturing business: Sales and profits are expected to increase given strong orders in FY 2023 and high level of order backlog at the end of the fiscal year against the backdrop of high manufacturing skills

In others, we categorized crushers and contract-based manufacturing as new separate segments from the previous year. We have projected good figures for these two segments too for the current fiscal year.

NIKKO

Factor Analysis of Changes in Ordinary Income for FY 2023



(million yen)

Item	Impact	Content
Net sales	+1,153	Increase in net sales 4,432 mil. yen
Cost-of-sales ratio	+976	Improvement in cost-of-sales ratio (excluding labor costs) 74.0%→72.5%
Personnel costs	(763)	Increases in number of employees and base pay
R&D expenses	(26)	Increase in development expenses
Business combination	(138)	SG&A expenses of Matsuda Kiko and expenses related to share acquisition
Travel and transportation expenses, entertainment expenses	(131)	End of the pandemic, increases in business travels and entertaining
Other SG&A expenses	(129)	Increases in office expenses, etc.
Compensation for damage	(101)	Increase in compensation for damage
Change in other non-operating income	+48	

This is the analysis of the factors contributing to the changes in ordinary income for FY 2023, the term that ended.

Ordinary income for FY 2023 was 2,144 million yen, up about 900 million yen year on year.

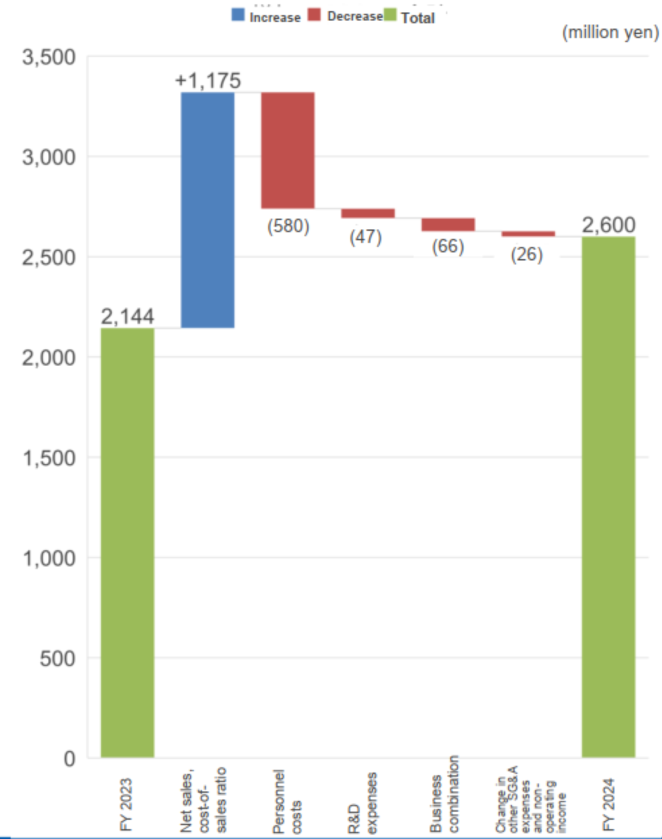
Main factors for the increase in profits are increased sales (4,400 million yen) and an increase of more than 2,000 million yen in profit from improvement in cost-of-sales ratio.

At the same time, labor costs went up by 760 million yen due to increases in number of employees and wages.

Moreover, there were also various SG&A expenses such as R&D expenses, SG&A expenses of newly consolidated subsidiaries, a rise in share acquisition-related expenses, and increased post-pandemic sales activities.

Factor Analysis of Changes in Ordinary Income for FY 2024 (Forecast)

NIKKO



(million yen)

Item	Impact	Content
Net sales, cost-of-sales ratio	+1,175	Increase in net sales 3,903 million yen
Personnel costs	(580)	Increase in wage (240) Increase in number of employees (300) Sales 40.0 bil. RS (40)
R&D expenses	(47)	Increase in development expenses
Business combination	(66)	Include Nishinihon Fudosan in income statement from the 162nd business year
Change in other SG&A expenses and non-operating income	(26)	

 44

This is the forecast of the analysis of the factors contributing to the changes in ordinary income for FY 2024, the current fiscal year.

The full-year forecast for ordinary income for FY 2024 is 2,600 million yen, up 456 million yen year on year.

We expect ordinary income to get a boost of 1,175 million yen from higher sales.

Cost-of-sales ratio is about the same level as last year, while personnel costs will rise by about 600 million yen.

Ordinary income is expected to increase by 456 million yen year on year due to R&D expenses and business combinations.

June 17, 2024

Tokyo Stock Exchange Code: 6306

Nikko Co., Ltd.

FY 2023 Results Briefing: Gist of Questions and Answers Session

MC [M]: We would like to start the question and answer session now.

Questioner [Q]: What is behind the order recovery in Thailand? Please explain, chronologically, whether it would continue into the future and also what kind of profitability they have.

Tsuji [A]: The plant has been operating for more than two years and orders are increasing. Thailand set forth a national policy to use recycled materials for road pavement, and construction projects are now being awarded to companies with recycling facilities.

Currently, of the orders for about 20 plants, half are for recycling plants, and our technology has been giving us great advantage. Japan's recycling technology is the best in the world, and we will continue to aim for the top share in the market.

Questioner [Q]: In page 8, what synergies do you expect to have respectively with Ube Kohki and Matsuda Kiko?

Tsuji [A]: Matsuda Kiko and Ube Kohki possess high level of expertise and are contributing to our business expansion. Plans are underway for capital investment and plant expansion.

The next sentence has been shortened while retaining the figures:

When we think of pursuing efficiency in *monozukuri* of our products, outsourcing some of it is also efficient from the management perspective to enable efficient production in our factories. Ideally, we would like to assemble some of Nikko products at Matsuda Kiko and Ube Kohki at some point of time. Further, we are also thinking of collaborating with Nikko's Shanghai Factory and Thai Factory to build a production structure that would contribute to production efficiency and profitability.

Questioner [Q]: In page 5 of the material, you have decrease in both sales and profits for environment- and conveyor-related businesses. What are the factors?

Fujii [A]: We foresee a slight decline in sales this fiscal year compared to the previous fiscal year. Main factor is the low profit margin of environment-related products, and it is being affected by projects that are in red. At the same time, there is also the rebound from the strong sales of soil processing products related to the World Expo in Osaka we had in the previous fiscal year.

Questioner [Q]: How certain are you about achieving the projected operating income for the first half for the AP-related business? On the other hand, I feel you are being conservative about the projected operating income for the BP-related business for the second half. Please explain that too.

Tsuji [A]: In the asphalt plant business, our Thai business is reducing its losses and has taken a positive turn towards profitability.

China had rapidly slowed down last year but now we have scope for securing business scale there.

In particular, in domestic road-related business, price rise in raw materials will be reflected in selling prices and the slowdown in capital investment will be over. The subsidies from the government is expected to promote purchase and replacement of plants.

2030 is the first hurdle that companies have to clear with focus on CO2 reduction and halving of emissions, and investments for that are increasing. We are also carrying out efficient sales activities for securing staff and profits.

As for BP, the market conditions are good and earnings are improving, so companies are also making capital investments, and we have expectations on securing profits in batcher plants as well as business expansion.

Questioner [Q]: What are your thoughts on shareholder return measures such as share buyback, share disposal, or dividend increase to address the issue of PBR being below 1?

Fujii [A]: We have to increase profits to raise the PBR to more than 1. While sales have been increasing from FY 2023, there is still room for improvement in profit margin. The profit margin for FY 2024 is projected to improve significantly compared to previous year. Capital investment, human resources investment, and success of M&As are behind this improvement.

As for whether to maintain net assets or improve ROE with share buyback/disposal, in the next medium-term plan, our policy is to actively continue with growth investment. However, if we feel that it has come a full circle, we will consider those as means for improving capital efficiency and ROE.

If the profits exceed the projections, we will consider returns corresponding to the pledged payout ratio.

Questioner [Q]: Please tell us about your balance sheet. In page 45, cash and deposits and interest-bearing liabilities increased by approximately the same amount in the previous year. On the other hand, net assets have increased by more than 10 billion yen. What is the significance of this?

Fujii [A]: The balance sheet at the end of March is somewhat disproportionate compared to the previous year. There may be operations where the increased portion of loans remains as cash. Currently, amid significant rise in sales, we are generating increased working capital. We are also planning on capital investment, and as a result of increasing the loan balance at the end of the period after taking into account payment of taxes and bonuses, we expect cash and deposits to gradually decline from April onwards.

As of the end of March, total net assets have increased, of which 5.0 billion yen are loans and cash and deposits that have increased by the same amount. We are in the process of transferring it into capital investment and working capital, and hope to resolve it in April or later.

Questioner [Q]: There was a comment that operating income could be 3.0 billion yen this fiscal year. Where do you see upside factors?

Fujii [A]: Overseas business, especially the business in Thailand, is expected to post a loss this term. The start-up of the factory was delayed compared to the plan, and we do not foresee any reduction in production cost. We are aiming for recovery through plant sales. Right now, it is about 100 million yen in red, but once things turn around, we can aim for breakeven.

The second point is China. We are expecting sales to increase by more than a billion yen and operating income to break even.

In the environment- and conveyor-related business, the difference in profit of the environmental products is a major factor, and we are pursuing price rise in conveyors, in particular. If price rise spreads, there is possibility of rise in profits too.

Based on these three points, there may be a possibility of some more upsides versus the operating income forecast of 2.6 billion yen, which was the reason for that comment.

Thank you very much for attending the briefing today.

[End]

Note: This script 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.