In this briefing session material, “AP” denotes asphalt plants and “BP” denotes concrete plants of our business.
Our president, Masaru Tsuji, will explain the progress in the 10-year long-term plan and in the final year of the Medium-Term Management Plan, and our initiatives to promote sustainability. Our senior managing director, Hiroshi Fujii, will then explain the financial results.

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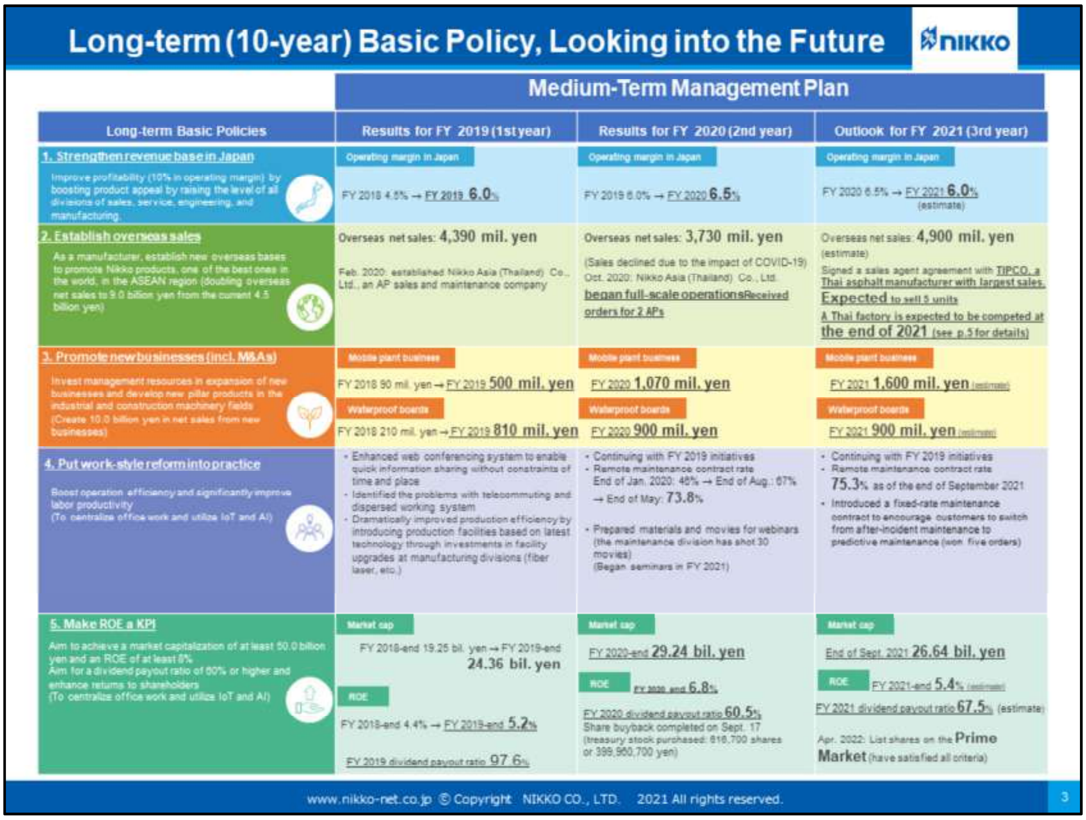


Let me explain the progress in the Medium-Term Management Plan and the 10-year long-term plan.

We summarized it in the table. In 2019, when we marked our 100th anniversary, we formulated Long-term Basic Policies for 10 years, and in order to ensure its steady implementation, we launched the Medium-Term Management Plan, which is into its third and final year.

Let me review the medium-term plan including the progress in Long-term (10 years) Basic Policies and outlook for the current fiscal year.

☐1. Strengthen revenue base in Japan

Our plan is to achieve 10% in operating margin in 10 years.

For the current fiscal year, it is expected to be 6.0%.

It was 6.0% in FY 2019 compared with 4.5% a year earlier. It was 6.5% in FY 2020, and is expected to be 6.0% for the current fiscal year. There are various factors and I will explain them later.

☐2. Establish overseas sales

We want to spread our technologies not only in the domestic market but also overseas, and we are implementing initiatives to spread them especially in the ASEAN region.

The target is to double overseas sales, from the current 4.5 billion yen to 9.6 billion yen.

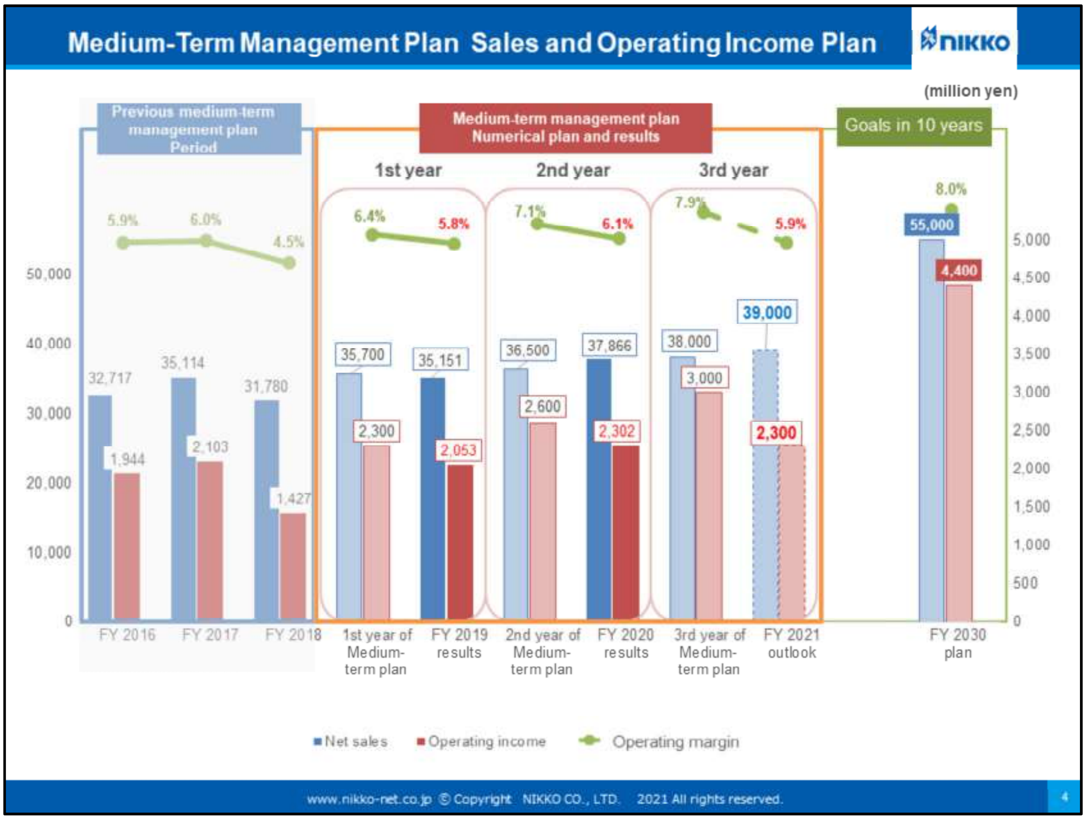
Net sales in FY 2019 were 4.39 billion yen, while it was 3.73 billion yen in FY 2020. The

outlook for the current fiscal year is 4.9 billion yen. We were unable to properly carry out our activities overseas due to COVID-19 and our Shanghai Factory could not operate for one month, which together affected sales.
In Thailand in particular, we signed a sales agent agreement with TIPCO, a Thai company that is top in asphalt sales, and we are expecting sales of five APs in the current fiscal year. We are also currently building a Thai factory, which will be completed in December. We would like to drive forward production activities there from next year.
☐3. Promote new businesses (including M&A)
It means we will take on new businesses, allocate management resources, and create a base of new products in the fields of industrial machinery and construction machinery. We aim to generate 10 billion yen in sales in these new business fields. Specifically, we have mentioned the mobile plant business and waterproof board business, which have just begun to grow. The mobile plant business, led by mobile crushers, had sales of 90 million yen in FY 2018. Sales were 500 million yen in FY 2019, exceeded 1,000 million yen last year, and are doing very well in the current fiscal year with a forecast of 1,600 million yen.
Waterproof boards are products that prevent damage from floods, such as those caused by the recent guerilla rainstorms. Sales, which were 210 million yen in FY 2018, exceeded 800 million yen in FY 2019, reached 900 million yen last year, and we expect 900 million yen in sales again in the current fiscal year. We believe the business still has room for large growth.

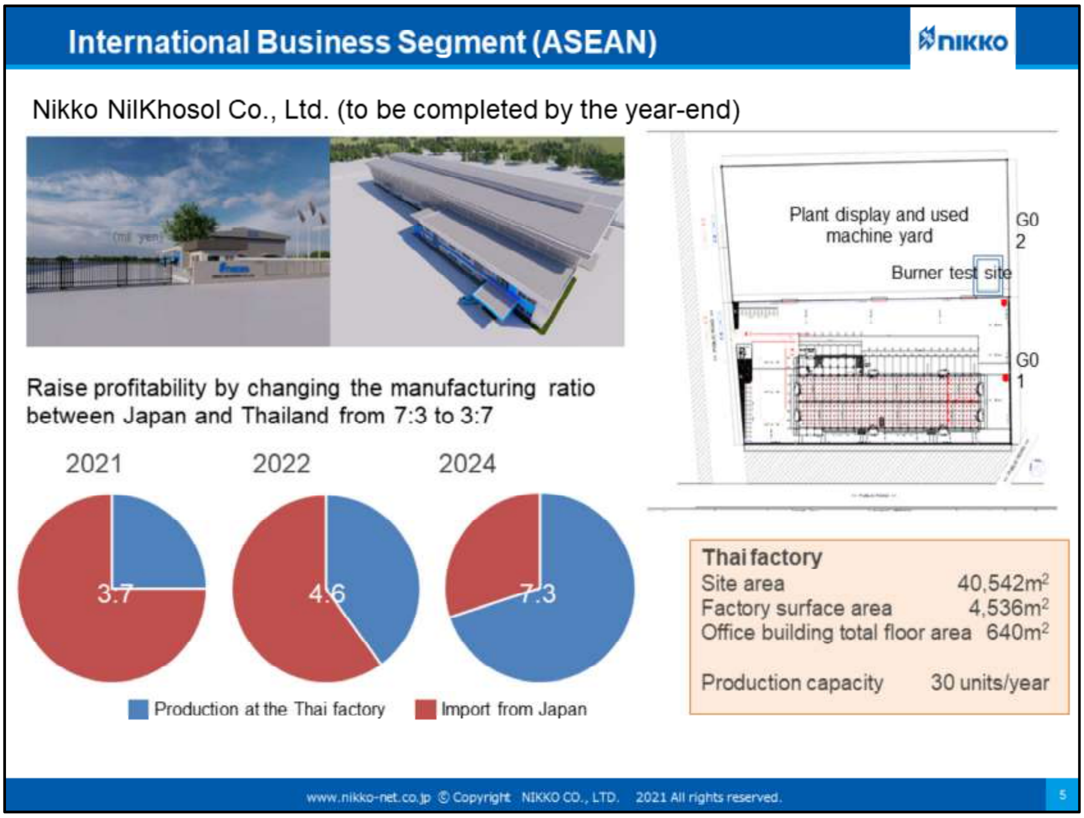
☐4. Put work-style reform into practice
This item is to improve the efficiency of our operations and productivity, and we are promoting the centralization of office work and the utilization of IoT and AI.
We are promoting speedy information sharing that is not restricted by time as well as business improvement utilizing the internet, and have made tremendous progress in improving our operations, partly pressed by COVID-19.
Remote maintenance service is worthy of special mention. This is a business where we offer plant maintenance service remotely to our customers, and have been doing this for almost 20 years. The contract rate of remote maintenance, which was 46% as of the end of January 2020, rose to 67% in August and to 73.8% as of the end of May 2021, and currently more than 75% of the customers have signed the contract. With the ratio of customers who have signed for the service rising, we believe that we are shifting from after-incident maintenance to predictive maintenance and then to preventive maintenance. Instead of acting after a failure, we are promoting a fixed annual rate maintenance contract to take measures based on prediction before a failure occurs. Currently we have received orders for five plants, and we can further improve the business efficiency of maintenance services as well as customer satisfaction by expanding this business.

☐5. Make ROE a KPI
It means we are aiming for 50.0 billion yen or more in market capitalization and ROE of 8% or more. It is also an initiative to offer returns to our shareholders by setting the payout ratio at 60% or more.
Market capitalization was 19.25 billion yen as of the end of FY 2018, 24.3 billion yen as of the end of FY 2019, 29.2 billion yen as of the end of FY 2020, and 26.6 billion yen as of

the end of September 2021. Our ROE is stagnating after reaching 5.2%, but we expect to see some scope for improvement. The figure has been unexpectedly sluggish due to the sudden rise in price of supplies, partly due to COVID-19, but we believe that there is enough room for taking measures.
As for listing our shares on the Prime Market in April 2022, we have fulfilled all criteria and would like to shift to activities on the Prime Market.

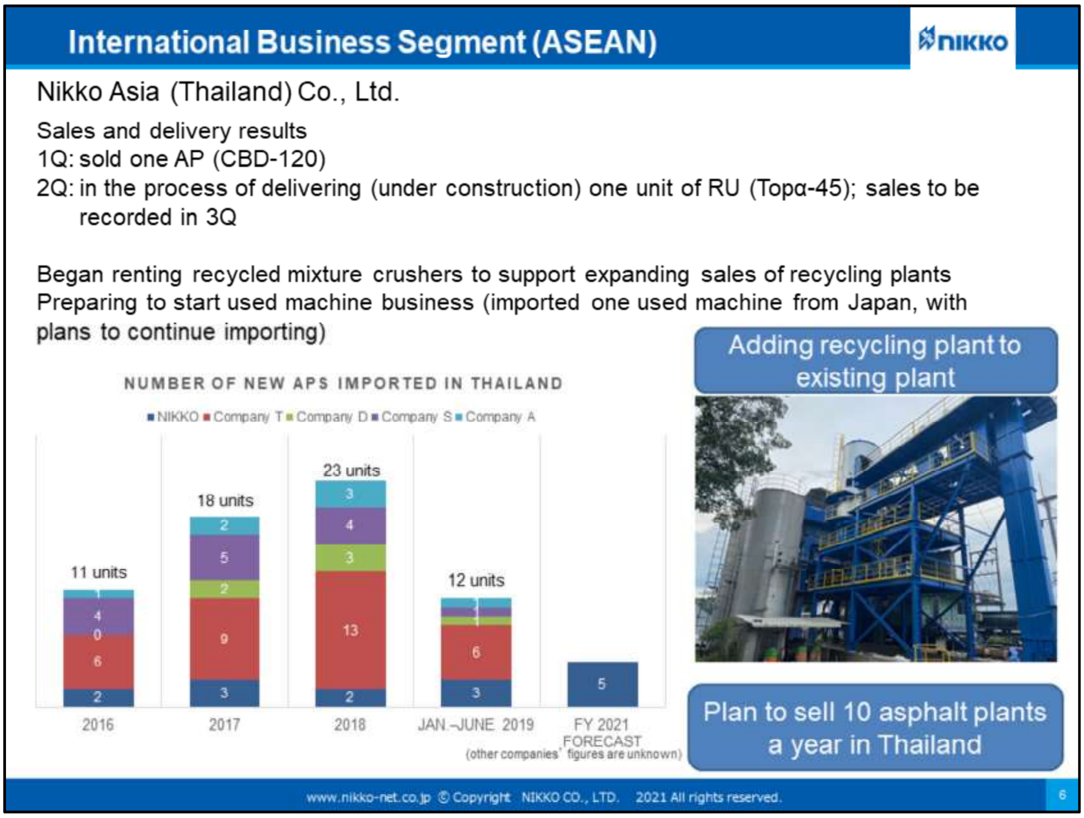


☐This is a graph that incorporates what I have explained till now.
Our 10-year market capitalization target is 50.0 billion yen and our initial net sales target was also 50.0 billion yen. We are in the process of establishing a structure to achieve these targets and expect to raise the 10-year sales target to 55.0 billion yen, reflecting the progress in the three years of the medium-term plan.



☐The Thai factory is expected to be completed this year with a completion ceremony scheduled for December 16.

We want to strengthen our local competitiveness, lowering costs by raising the ratio of local production with this factory. The plan is to increase local production to 70% by FY 2024, compared to approx. 30% in FY 2021, in order to improve our cost competitiveness. The site area of the Thai factory is 40,000 m^2 and its production capacity is planned to be 30 units per year. We are planning to have an annual production above 30 units by building a structure that would include this factory and local outsourcing. We are expecting to sell the 30 units a year in Thailand, and would also like to use the plant as a production base for the ASEAN region, including Indonesia and Vietnam where we have sold our products.



☐As for the sales and delivery record of Nikko Asia (Thailand), it has sold one new asphalt plant. In the second quarter, it delivered one recycling unit and will record the sale in the third quarter. The bottom right is a picture showing its current status. We would like to introduce plants like these throughout Thailand. When we look at the number of plants imported by Thailand and Nikko's sales, there were two plants supplied in 2016 and three in the first half of 2019, and we are expecting to supply five in the current fiscal year. At present, we have launched an initiative to sell at least 10 or more units per year. Having a production base with a production capacity of 30 units or more signifies our determination to not just being content with our existing record, but to further popularize our products.

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Information Disclosure: Nikko Corporate Report 2021 Published (in Japanese and English)

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See the investor relations page of Nikko website:
https://www.nikko-net.co.jp/ir/

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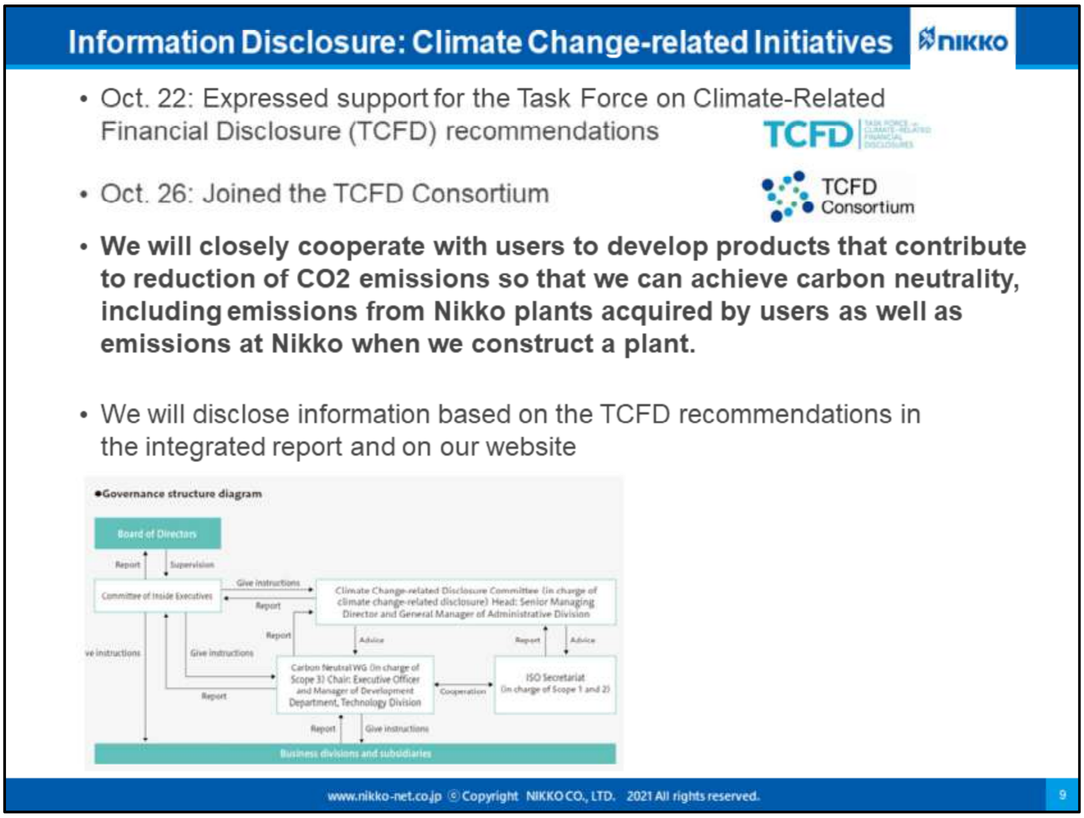
☐We publish the integrated report of Nikko Group.
It is already available on our website. The brochure will also be completed soon.

スライド 8

A1 統合レポートから流用
作成者, 2021/12/01



As an initiative related to climate change, Nikko on October 22 expressed its support for the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations. Subsequently, we joined the TCFD Consortium on October 26.
This is not only our whole approach but also a declaration that we will attach importance to combat climate change and focus on it.

We will closely cooperate with customers to develop products that contribute to the reduction of CO2 emissions so that we can achieve carbon neutrality, including emissions from Nikko plants acquired by customers as well as emissions at Nikko, when we construct a plant. We will disclose information based on the TCFD recommendations in the integrated report, and on our website as necessary.

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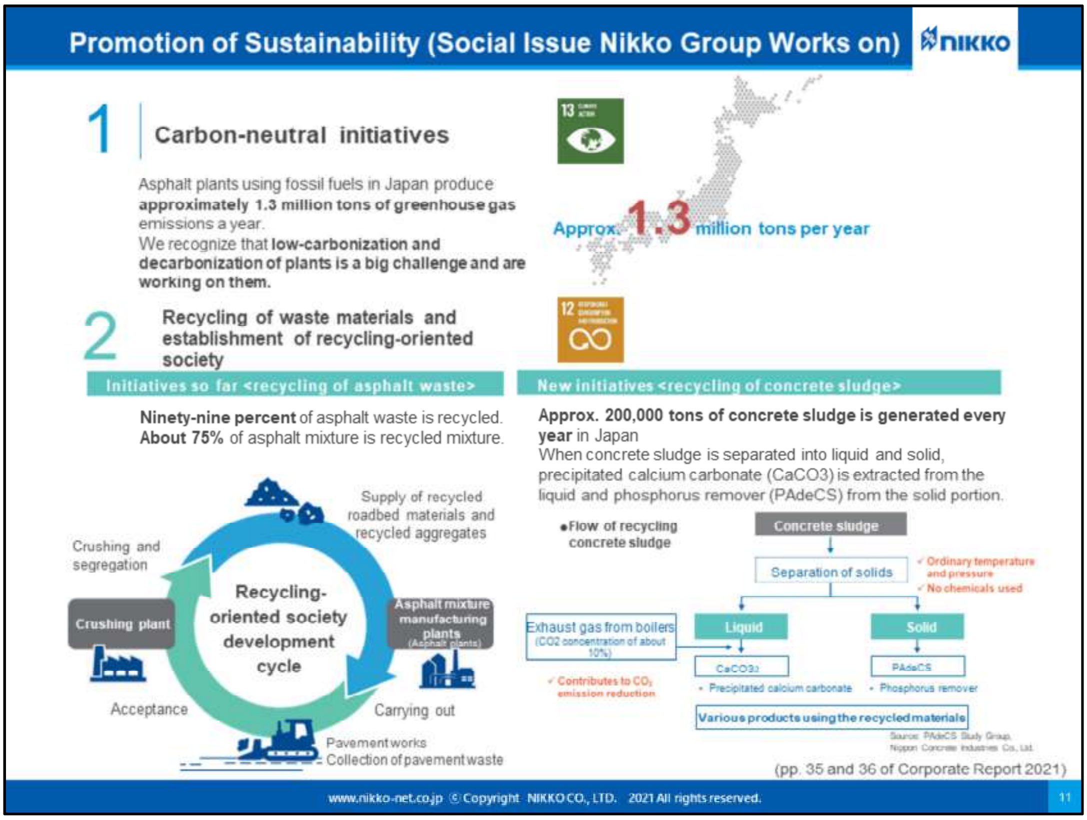
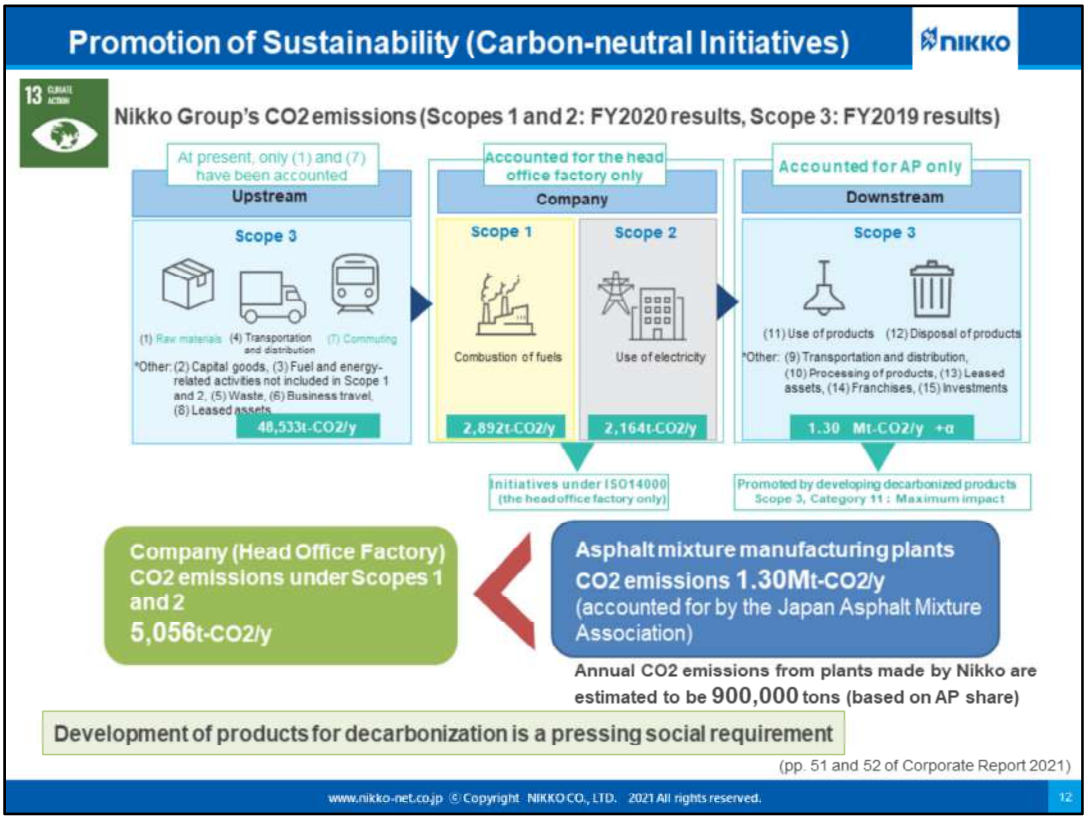


Promotion of sustainability

☐It is a fact that APs use fossil fuels and produce approximately 1.3 million tons of greenhouse gas emissions per year in Japan. We own a 70% share of the plants, which means that 900,000 tons of CO2 is emitted from our products. In light of this fact, we recognize decarbonization as a major issue and will work to reduce emissions.

☐In terms of recycling waste materials and the establishment of recycling-oriented society, 99% of asphalt manufactured using APs, our mainstay business, is recycled and returned to roads, making it an honors student of recycling. Seventy-five percent of asphalt mixture consists of recycled materials. We would like to drive development forward so that our products can contribute to the recycling of materials and ensure this structure does not fail.

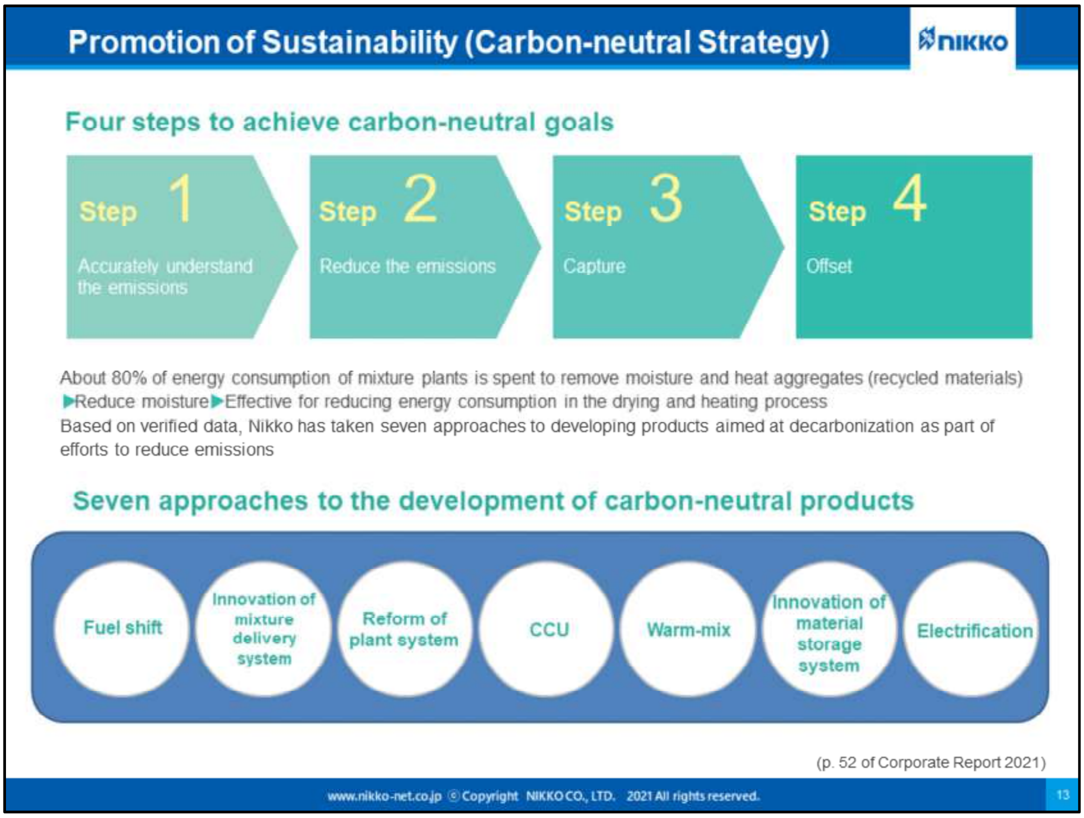
☐As part of new initiatives, plants that manufacture ready-mixed concrete are also our mainstay business, but the process of manufacturing cement emits large amounts of CO2. We are jointly working on an initiative with Nippon Concrete Industries Co., Ltd. to use the concrete sludge, produced in manufacturing concrete, to absorb CO2 by leveraging the property of manufactured concrete and concrete sludge to absorb CO2. Details are explained on the website of Nippon Concrete Industries, but briefly, calcium carbonate is obtained by making the calcium contained in the sludge react with CO2. Nippon Concrete Industries, Nikko, and the University of Tokyo have been jointly developing the technology to absorb CO2 in a visible manner. This has recently come into the spotlight. Not limited to this technology, we will continue to focus on other measures to absorb CO2 in the processes related to concrete manufacturing.



Carbon-neutral initiatives

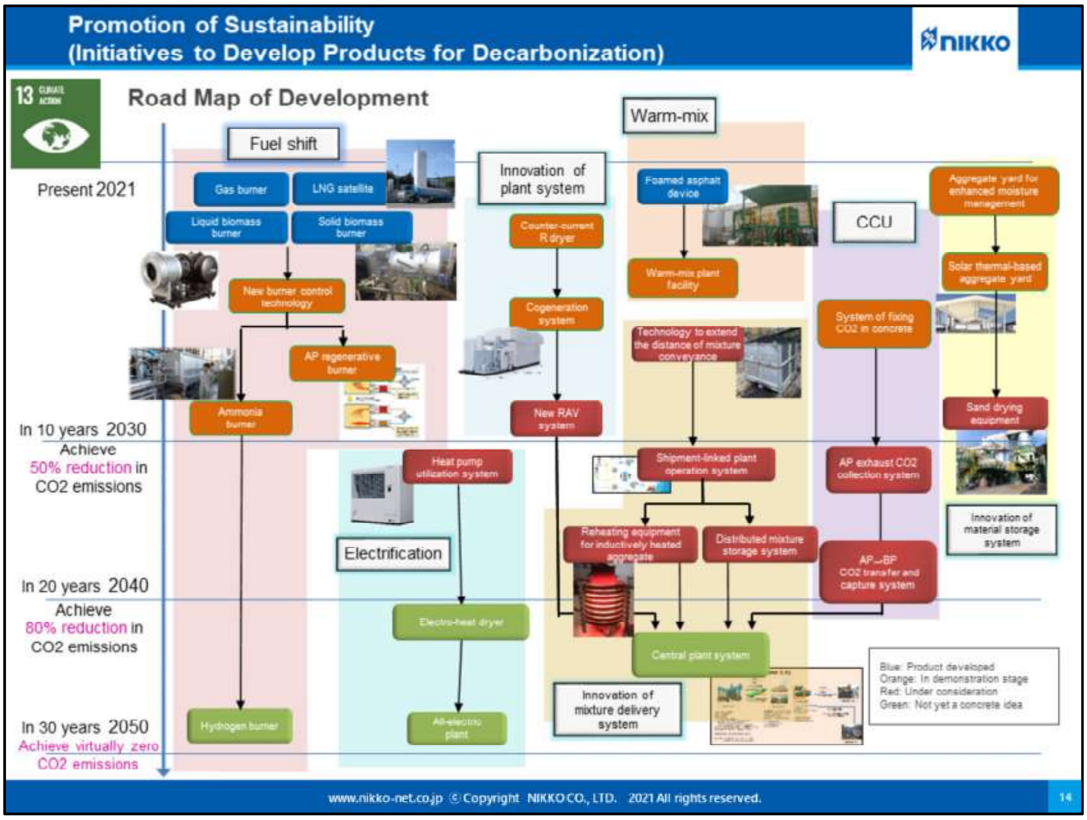
☐These are initiatives to clarify the current status of CO2 emissions of the Nikko Group estimated in terms of Scope1, 2, and 3 and to strive for its reduction.

☐The amount of CO2 emitted in the manufacturing process at our factories is about 5,000 tons per year, but take it seriously that 900,000 tons of CO2 are emitted every year from AP, and intend to focus on achieving carbon neutrality. We consider development of products to decarbonize as the most important management issue.



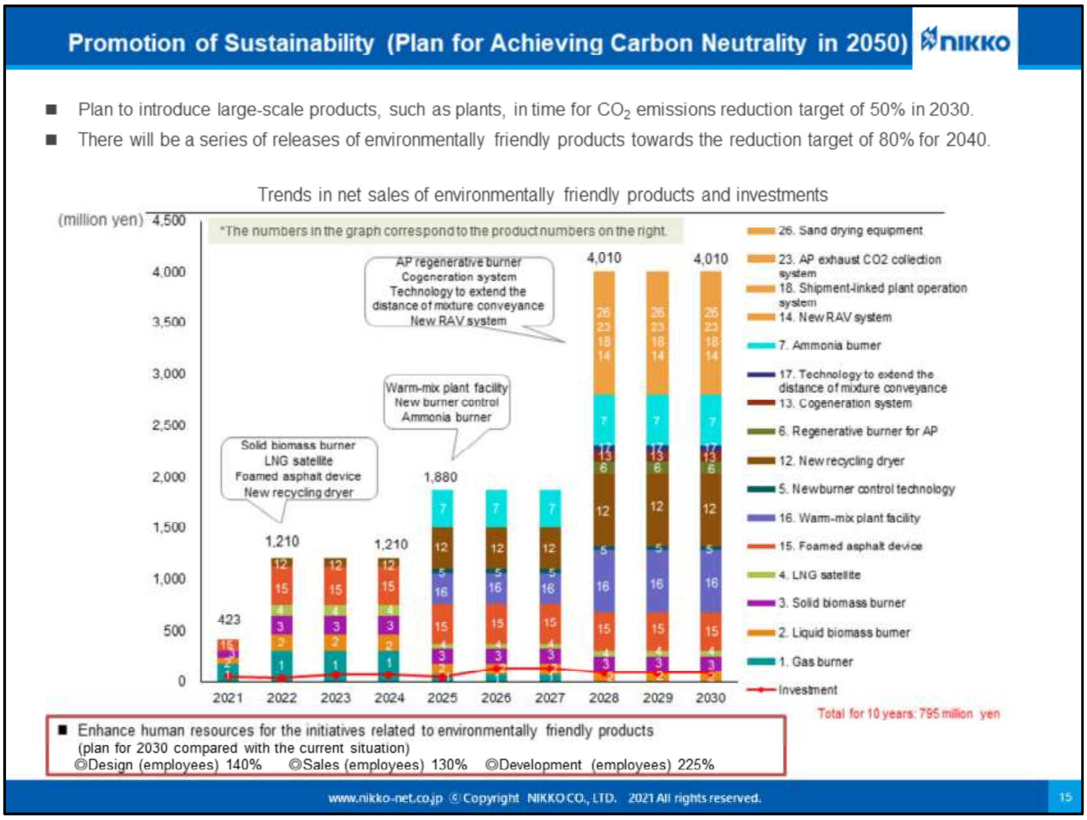
☐The strategy for achieving carbon neutrality is to first recognize the emissions and then reduce, recover, and offset them in steps.

Seven approaches we would like to incorporate into the initiatives are: fuel shift; innovation of mixture delivery system; reform of plant system; CCU, which is a technology to absorb and solidify CO2; use of warm-mix, which helps to maintain the quality of the asphalt mixture at low temperatures when it is manufactured; innovation of material storage system that enables moisture removal; and electrification as part of a dry heating system.



We put together our product-related initiatives in a time-series table and categorized them using colors.

The ones that have already been completed and commercialized are blue. Those in the validation phase are orange, those being considered are red, and the ones in green do not have any concrete form yet. We would like to reduce emissions from our products by 50% in 2030. We will work on development with the aim of offering products that allow us to achieve 80% emission reductions by 2040 and carbon neutrality of virtually zero emissions by 2050.



☐This graph shows how much impact decarbonization initiatives are expected to have on our business.

We will introduce products that will allow us to reduce CO2 emissions 50% and 80% by 2030 and 2040 respectively. As a result, products that can contribute about 4.0 billion yen in sales to our business would be introduced by 2030.

To achieve this, as per our analysis, the most essential and largest factor of course is to solidify our business. We would like to focus on staffing, as it is necessary for us to enhance human resources at divisions engaged in initiatives related to environmentally friendly products, which when compared to current staffing levels will require 140% in the design division, 130% in the sales division, and 225% in the development division in 2030.

Shareholder Returns

NIKKO

Enhancement of shareholder returns

☐ Forecast of 30.00 yen per share in dividend payment in FY 2021 (15.00 yen per share as interim dividends and 15.00 yen per share as year-end dividends) (dividend payout ratio of 67.5%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 estimate
Share buyback	1	4	9	1	2	1	1,006	246	–	–	400	–
Treasury stock retirement	–	–	–	–	–	–	–	752	–	–	–	–
*Net income	461	122	881	888	1,348	1,896	1,340	1,490	1,345	1,588	2,082	1,700
Dividend payout ratio	54.2%	204.9%	33.3%	32.9%	27.9%	22.0%	31.9%	30.8%	34.1%	97.6%	60.5%	67.5%
Total return ratio	54.4%	208.2%	34.2%	33.0%	28.0%	22.1%	106.9%	47.3%	34.1%	97.6%	79.7%	67.5%

★ The Company carried out a one-to-five split of its common stock effective on October 1, 2019, and the dividend figures have been adjusted to take the split into account.

*Net income = Net income attributable to owners of parent (mil. yen)

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☐In terms of enhancing shareholder returns, we expect to pay 30 yen per share in annual dividend, 15 yen in interim dividend and 15 yen in year-end dividend, for the fiscal year ending March 31, 2022, and we expect a payout ratio of 67.5%.
In our Medium-Term Management Plan, we have a policy of 60% or more in dividend payout. We would like to push forward in such a way as to achieve this without fail.
We will strive to maintain this payout ratio figure in the new Medium-Term Management Plan starting in the next fiscal year partly because in the 10-year plan launched in 2019 we aim for a business operation where the course can be corrected upwards but not downwards.

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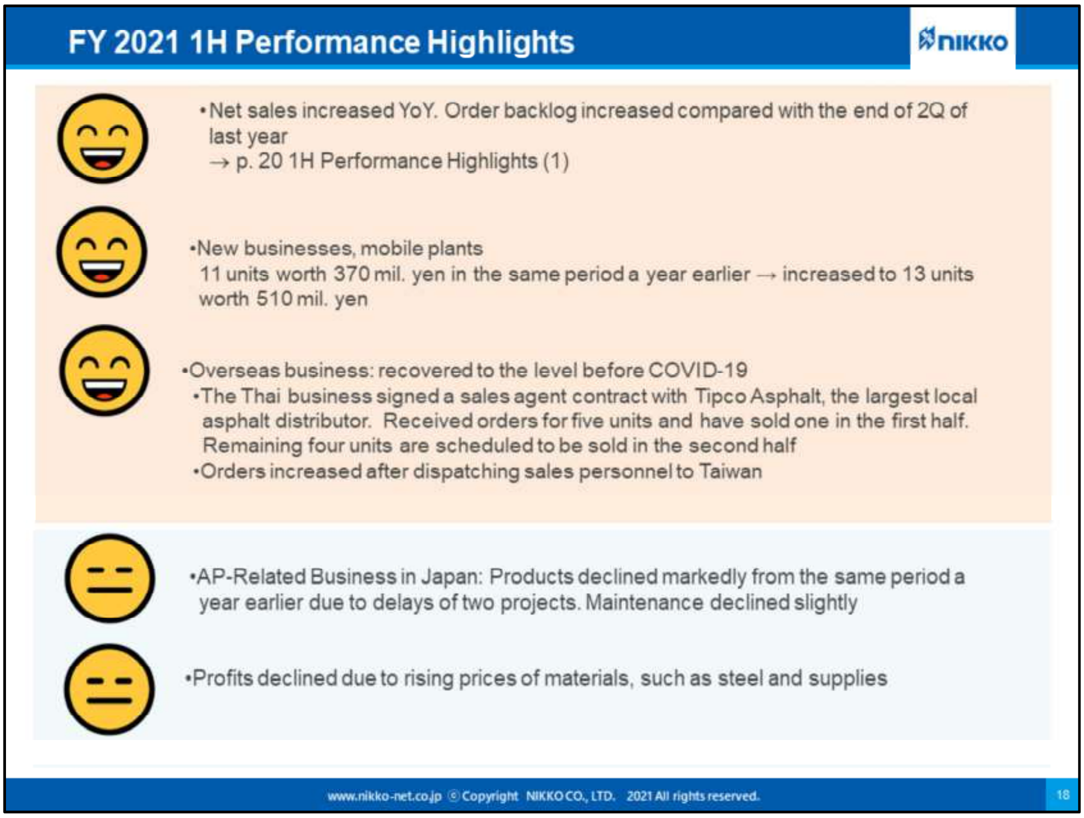

Here are the highlights of the financial results for the first half.
☐Sales increased while profits declined.
As for factors behind profit decline, since the beginning of the fiscal year we were expecting a certain level of cost increase in raw materials such as steel, but the costs rose faster than we had anticipated. The impact was more than expected, and consequently operating income was also lower than the forecast figure.

Business Climate of FY 2021 2Q

NIKKO

FY2021 1H business results

(mil. yen)

1H (Apr.-Sept.)	Results	YoY change (amount)	YoY change (%)
Net sales	19,008	+783	+4.3%
Operating income	968	(31)	(3.2)%
Quarterly net income attributable to owners of parent	867	(231)	(21.0)%
New orders received	18,802	(234)	(1.2)%

- Sales of the AP-related business: A major decline in plant sales in Japan while maintenance services slightly declined. The overseas business increased significantly but declined 3.5% YoY
- Sales of BP-related business: Increased 13.6% YoY as product sales and maintenance services in Japan rose

Business Climate

AP-related business

FY 2021 1H (Apr.–Sept.)	Results (x 10,000 tons)	YoY change
Mixture output	1,723	100.3%
Virgin mixture	454	101.7%
Recycled mixture	1,269	99.8%

Share of recycled mixture	73.6%

Source: Japan Asphalt Mixture Association

BP-related business

FY 2021 1H (Apr.–Sept.)	Results (x 10,000m3)	YoY change
Ready-mixed concrete shipment	3,760	97.9%

Source: ZENNAMA (National Federation of Ready-Mixed Concrete Industrial Associations and National Federation of Ready-Mixed Concrete Cooperatives Association)

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Here I will explain the key figures.

☐Sales came to 19,008 million yen. They were up 4.3% year on year.
However, operating income declined compared with the previous fiscal year.
Investors are probably paying attention to the current order status. New orders received were almost unchanged. Regrettably, it fell slightly compared with the first half of the previous year, but on no account does it mean that the business environment is bad or has especially worsened.
To indicate the business environment we have listed the mixture shipment volume for AP and ready-mixed concrete shipment volume for BP. The figure for the mixture for AP was 100.3%, which is a slight increase from the previous year. Ready-mixed concrete was 97.9%, a slight decline.

FY 2021 1H Performance Highlights (1)

NIKKO

YoY change of results

- Sales: AP products in Japan (down 1,280 million yen), BP products (up 470 million yen), Nikko Shanghai (up 550 million yen), exports (up 590 million yen), Thailand (up 70 million yen), conveyor (down 100 million yen), other business (down 70 million yen)
- Operating income: Declined due to rises in cost of steel and prices of supplies (up approx. 100 million yen)
- Ordinary income: Absence of special dividend (Last year, there was a special dividend of 340 million yen from Maeda Road Construction Co., Ltd.)
- Orders: AP-related business (down 780 million yen), BP-related business (up 820 million yen), environment- and conveyor-related business (down 80 million yen), other business (down 180 million yen)
- Order backlog: AP-related business (up 360 million yen), BP-related business (up 900 million yen), environment- and conveyor-related business (down 120 million yen), other business (down 10 million yen)

(mil. yen)

	FY 2020		FY 2021				
	1H actual	Full year actual	1H actual	YoY change	Progress made in full-year forecast	1H forecast	Full year forecast
Net sales	18,225	37,866	19,008	+783 +4.3%	48.7%	19,000	39,000
Operating income	100	2,302	968	(31) (3.1)%	42.1%	1,100	2,300
Operating margin	5.5%	6.0%	5.1%	(0.4) pp	86.4%	5.7%	5.9%
Ordinary income	1,588	2,973	1,105	(483) (30.4)%	44.2%	1,300	2,500
Net income attributable to owners of parent	1,099	2,082	867	(231) (21.0)%	51.1%	850	1,700
New orders received	19,036	40,009	18,802	(234) (1.2)%	45.9%	20,500	41,000
Order backlog	13,030	14,361	14,155	+1,125 +8.6%	86.5%	15,861	16,361

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☐Our initial forecast for sales was 19,000 million yen and the result came roughly in line with it at 19,008 million yen.

☐Profit came to 968 million yen compared with the forecast of 1,100 million yen. The biggest factor was the cost increase in raw materials, such as steel. That had an impact of about 100 million yen. This, in our calculation, has resulted in the decline of operating income. The operating margin was 5.1%. It is hypothetical, but if 100 million yen is removed from raw material costs, the operating margin would be around 5.6%, close to the planned 5.7%.

☐Regarding ordinary income came to declined 483 million yen year on year compared to the 31 million yen decline of operating income. Last year, we had a special factor of special dividends from Maeda Road Construction, which recorded about 340 million yen in the first half of the previous year. The year-on-year decline was large due to this impact.

☐New orders received declined slightly from a year earlier. We were expecting orders to exceed 20,000 million yen, but they came to 18,800 million yen. Order backlog was 14,155 million yen, which was also below the forecast. However, it was 13,030 million yen in the same period a year earlier, so the level of order backlog rose more than 1,000 million yen compared with a year ago.

FY 2021 1H Performance Highlights (2)

NIKKO

(mil. yen)

		FY 2020		FY 2021				
		1H actual	Full year actual	1H actual	YoY change	Progress made in full-year forecast	1H forecast	Full year forecast
AP-related business	Net sales	9,527	19,467	9,189	(338) (3.5)%	45.9%	10,100	20,000
	Operating income	640	1,239	388	(252) (39.4)%	31.0%	680	1,250
	Operating margin	6.7%	6.4%	4.2%	(2.5) pp	—	6.7%	6.3%
BP-related business	Net sales	4,918	9,212	5,589	+671 +13.6%	58.2%	5,170	9,600
	Operating income	486	879	609	+123 +25.3%	71.6%	490	850
	Operating margin	9.9%	9.5%	10.9%	+1.0pt	—	9.5%	8.9%
Environment- and conveyor-related business	Net sales	1,059	2,390	1,581	+522 +49.3%	65.9%	1,190	2,400
	Operating income	192	482	243	+51 +26.6%	54.0%	220	450
	Operating margin	18.1%	20.2%	15.4%	(2.7) pp	—	18.5%	18.8%
Other business	Net sales	2,719	6,790	2,647	(72) (2.7)%	37.8%	2,980	700
	Operating income	377	1,170	317	(60) (15.9)%	27.6%	590	1,150
	Operating margin	13.9%	17.2%	12.0%	(1.9) pp	—	19.8%	16.4%
Corporate expenses		(696)	(1,469)	(589)	+107		(700)	(1,400)

- Net sales of AP-related business: down 38.3% from a year earlier in Japan, up 71.1% from a year earlier overseas.
- Net sales of BP-related business: In plant products, net sales were up 16.8% from a year earlier, while maintenance services were up 10.0%
- Net sales of environment- and conveyor-related business: Environmental products increased significantly from a year earlier and conveyor products rose 10.6%
- Net sales of other business: Mobile plants were up 37.8% from a year earlier, waterproof boards down 19.1%, temporary construction materials down 14.9%, and crushers down 34.7%

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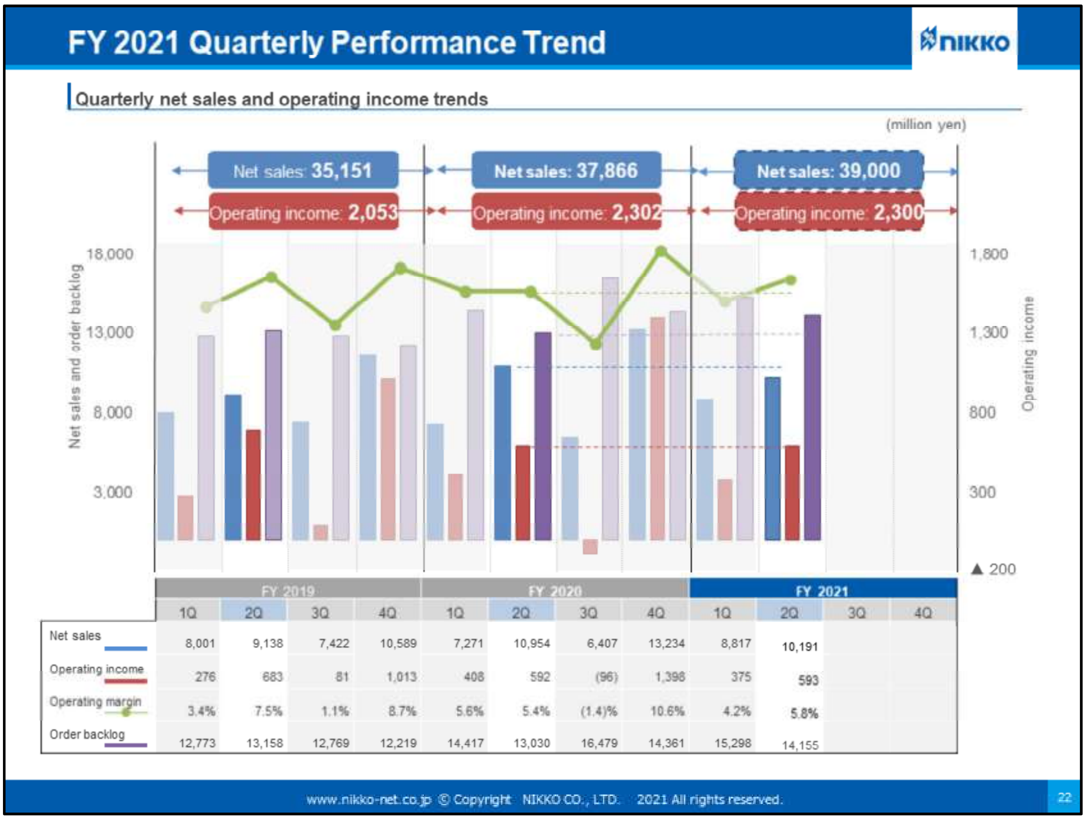
Next is about segments.

☐In the first half, AP-related business performed slightly poorly in terms of figures. Meanwhile, BP-related business did well, even when compared with the previous year, with results exceeding the forecast made at the beginning of the fiscal year. The environment- and conveyor-related business could carry out almost no sales activities in the last fiscal year due to the impact of COVID-19 and it deteriorated significantly in the first half, but it has recovered. There were some areas in the other business which experienced slight sluggishness. In particular, temporary construction materials, waterproof boards, and crushers fell slightly short of the targets.

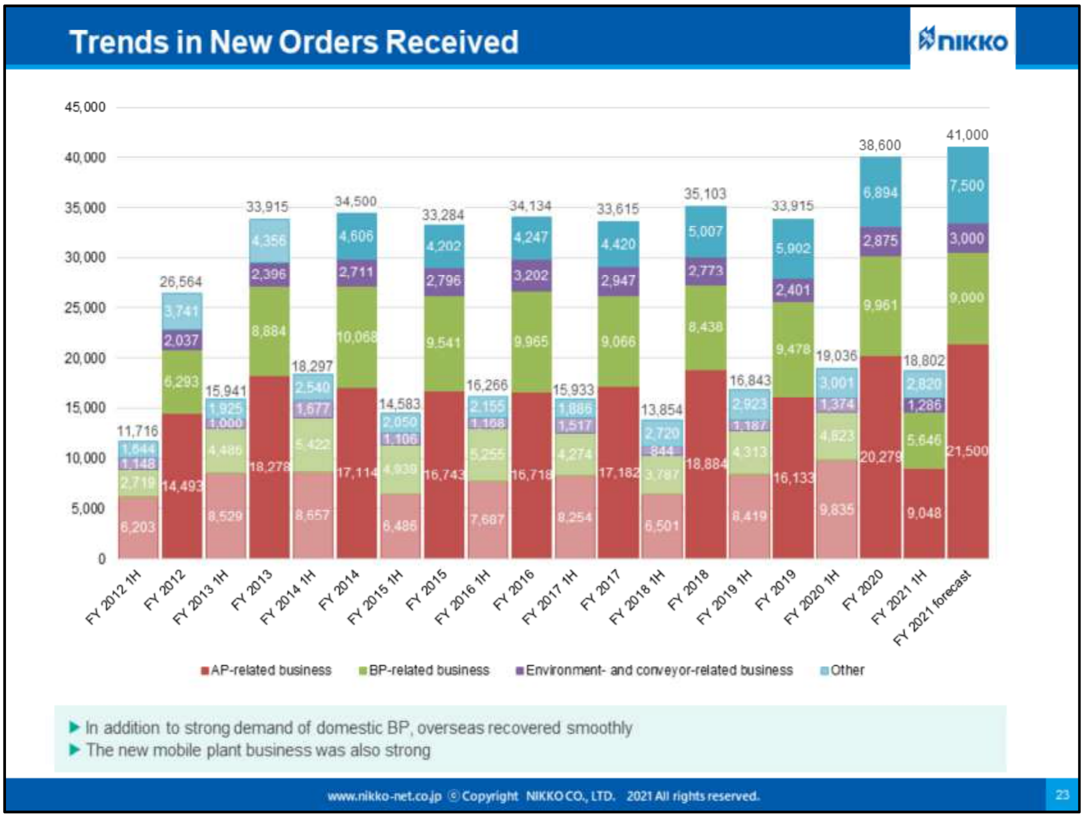


	FY 2019				FY 2020				FY 2021			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	8,001	9,138	7,422	10,589	7,271	10,954	6,407	13,234	8,817	10,191		
Operating income	276	683	81	1,013	408	592	(96)	1,398	375	593		
Operating margin	3.4%	7.5%	1.1%	8.7%	5.6%	5.4%	(1.4)%	10.6%	4.2%	5.8%		
Order backlog	12,773	13,158	12,769	12,219	14,417	13,030	16,479	14,361	15,298	14,155		

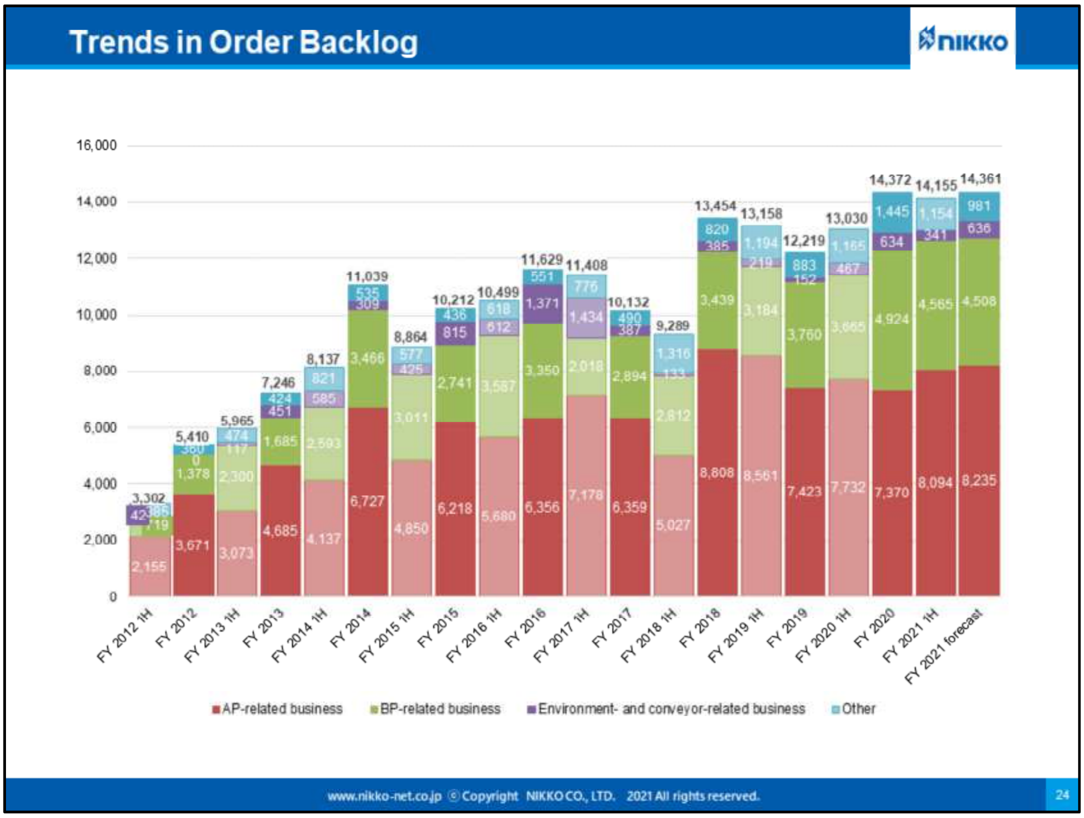
This shows sales and operating income by quarter.

☐Our sales vary significantly every quarter.

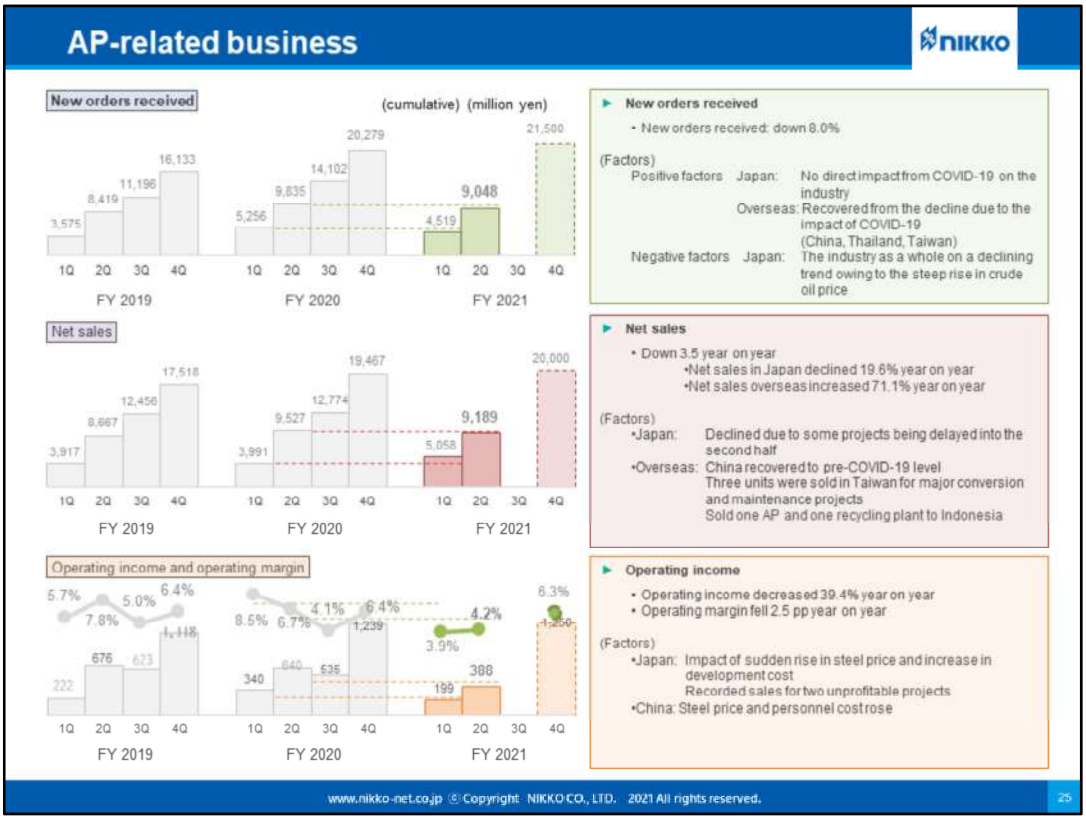
Every year, sales and profits are concentrated in the second and fourth quarters, while they are low in first and third quarters. In the current fiscal year, FY 2021, sales were rather high in the first quarter compared with a regular year but profits were not so high, and sales in the second quarter were in line with a regular year and came to 10,000 million yen. When we look at the plan for the full year, the figures for the third quarter are likely to decline as in a regular year. By contrast, they are quite concentrated in the fourth quarter. We will explain this a little more in detail later, however we currently have no plan to change our full-year forecast.



This shows the changes in new orders received over the past 10 years.
☐You can probably see that new orders have basically been growing constantly although there were some variation.
The 18,800 million yen figure for the current fiscal year is slightly worse than last year but is the second highest in 10 years. Regarding the trends by segment, the AP-related business has been growing at a good rate reflecting the gradual increase in overseas sales. The BP-related business had quite high figures from 2014 to 2016, but fell slightly after that. The figures have since recovered from the FY 2020 and are also progressing in quite good shape in the current fiscal year. The environment- and conveyor-related business has been more or less unchanged, while the other business steadily doubled in the 10 years as it includes new businesses.



Similarly, these figures show the trend in the order backlog over the past 10 years. Orders have been increasing and order backlog naturally has been expanding.

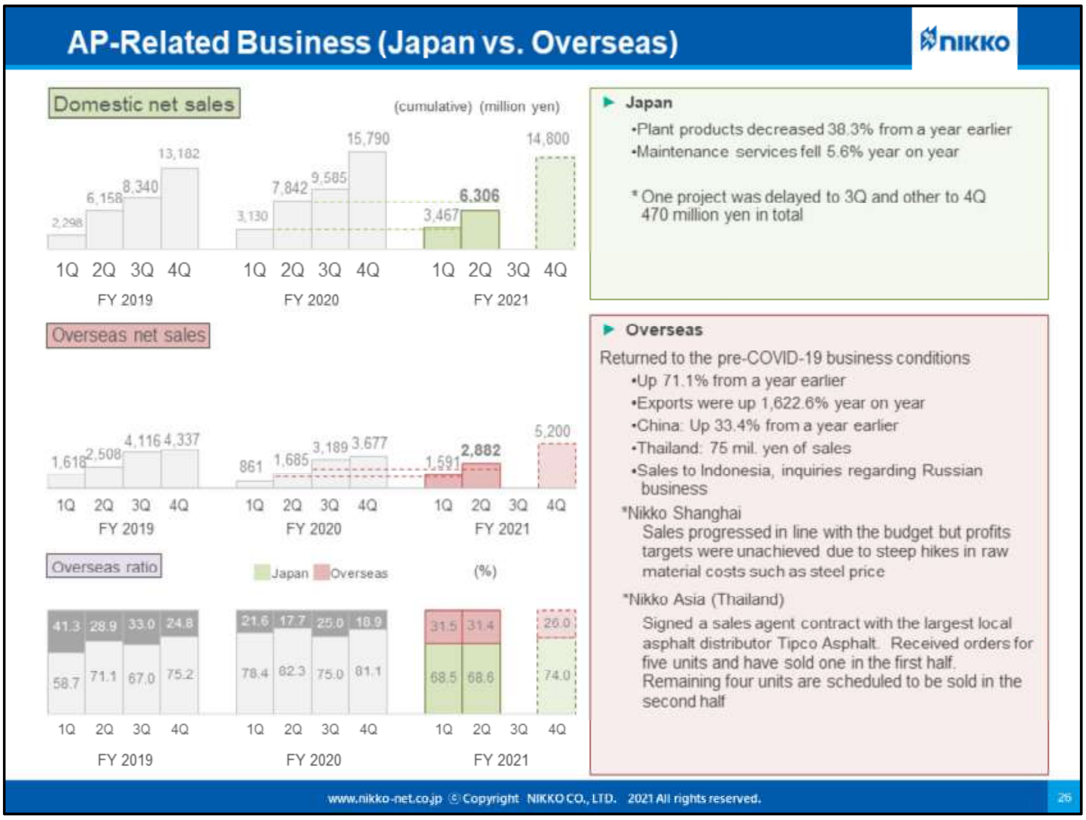


I would like to explain the performance of each segment in more detail.

☐Both sales and orders have declined for AP-related business. Road paving companies, who are our customers, individually face profit declines due to the impact of high crude oil prices.

This may have some negative impact on their future investment activities, but so far there has been no clear sign of investments going down. As for the 8% decline in new orders received compared with the previous year, orders that were expected in the first half were shifted to the second half, and it does not particularly suggest a declining trend.

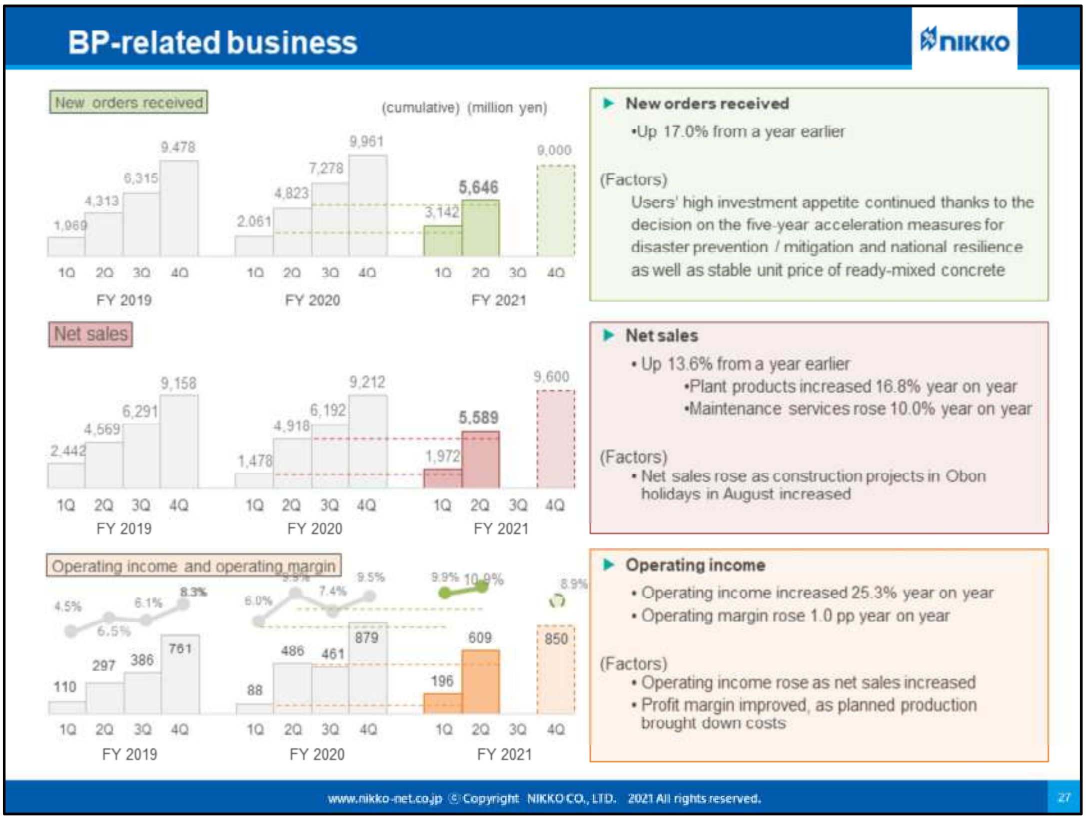
Operating profits, unfortunately, declined about 40% compared with a year earlier.



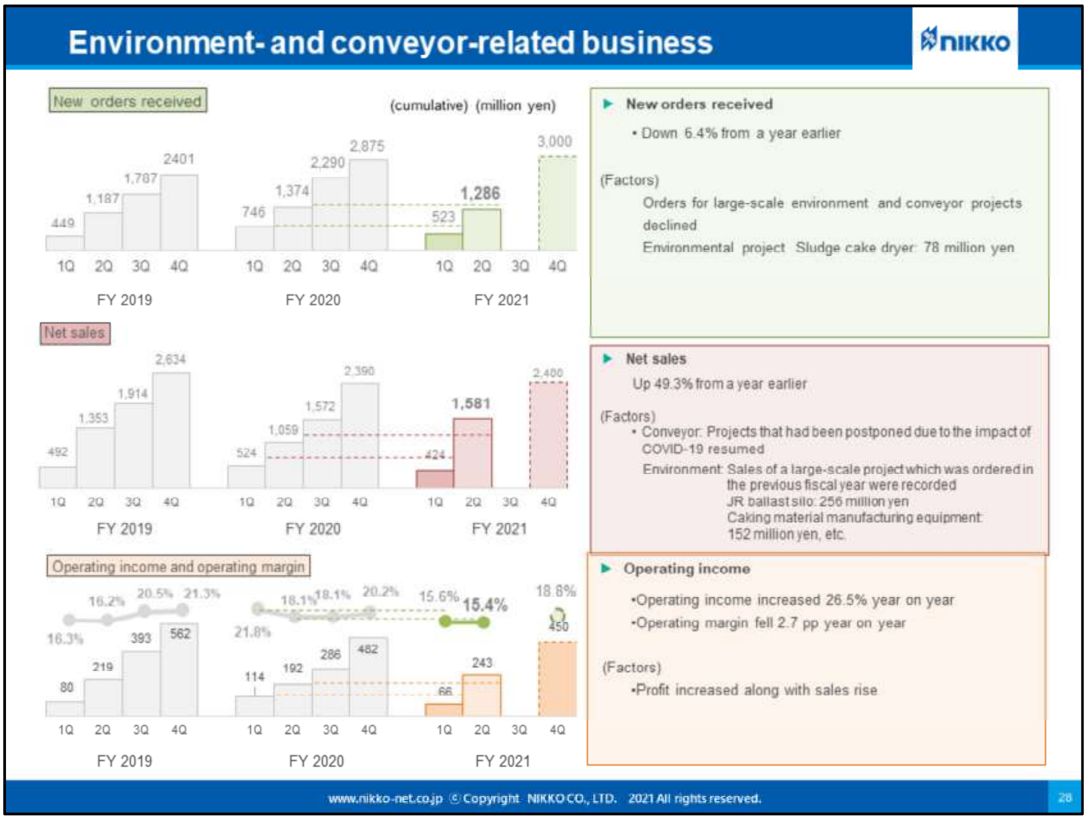
This is AP-related business in Japan and abroad.

☐The AP-related business in Japan is as I explained earlier. We feel that the overseas business has recovered almost to levels before COVID-19.

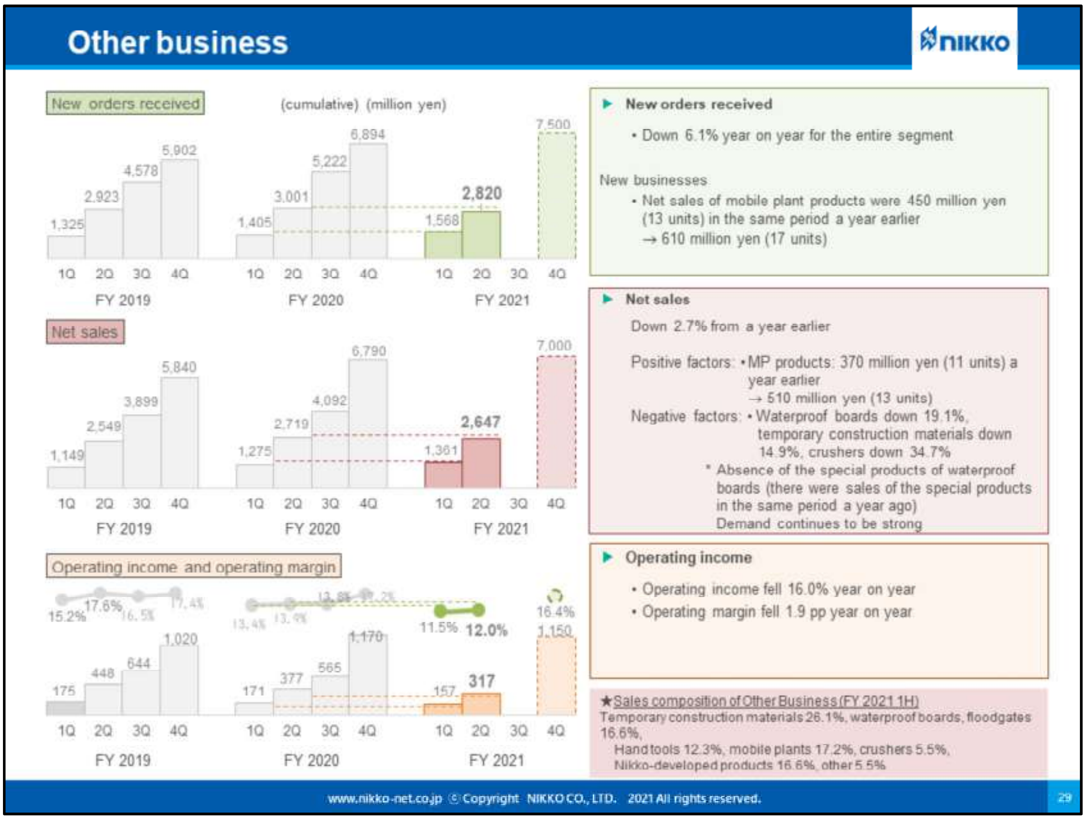
In numbers, net sales increased 71% year on year. Exports rose 1,623%. This is because it was almost zero last year. Net sales in China also increased 33%. The business in Thailand, which just started this year, also recorded 75 million yen in sales. This year, there are sales for Indonesia and Taiwan, where we had no sales in the previous fiscal year.



This is about BP-related business.
☐As discussed earlier, BP-related business is currently performing very strongly.
The Five-Year Fundamental Plan for National Resilience might also have an impact, but there is no change in the situation where customer appetite for capital investment is strong as the unit price of ready-mixed concrete has been stable.

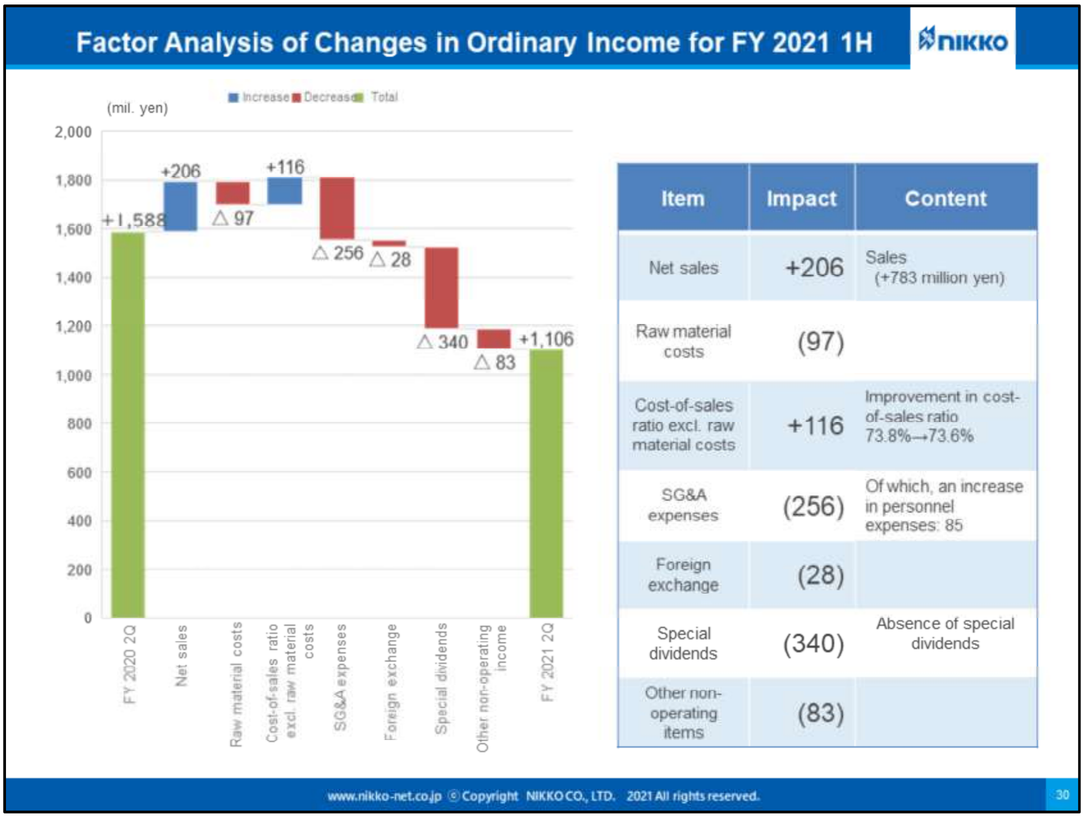


This is regarding the environment- and conveyor-related business.
☐New orders received were down 6.4% year on year but sales were up 49% year on year. As sales increased, operating income also rose 26%.



This is the other business.

☐New orders received declined 6.1% year on year. Orders for mobile plants, on which we are focusing, have been increasing steadily, and rose to 610 million yen in the first half of the current fiscal year from 450 million yen in the same period a year earlier. Net sales declined 2.7% as a whole. Temporary construction materials, waterproof boards, and crushers were businesses that declined when compared with the same period of the previous fiscal year.



This is the analysis of factors contributing to the changes in ordinary income.

☐Ordinary income for the first half of FY 2021 came to 1,105 million yen, a decline of more than 400 million yen compared with the 1,588 million yen reported in the same period last year. Sales increased approx. 800 million yen, contributing about 200 million yen to profit increase. The negative impact of the sudden rise in raw material costs was 97 million yen. Meanwhile, cost-of-sales ratio excluding raw material costs improved and contributed 116 million yen to profit increase. SG&A expenses increased 256 million yen in total. What increased greatly were personnel expenses and R&D expenses. As I explained earlier, there were special dividends of 340 million yen from Maeda Road Construction last year.

Balance Sheet Trends

NIKKO

(mil. yen)

		FY 2020 2Q	FY 2021 2Q	Change	Main factors in year-on-year change
Assets	Current assets	30,569	32,082	+1,512	Increase: Cash and cash equivalents +1,742 million yen Merchandise and finished goods +889 million yen Work in process and partly-finished construction +405 million yen Other +200 million yen Decrease: Notes and accounts receivable-trade (1,078) million yen Electronically recorded monetary claims (686) million yen
	Property, plant and equipment	8,295	9,770	+1,475	Increase: Buildings and structures +692 million yen Machinery, equipment and vehicles +128 million yen Land +226 million yen Goodwill +113 million yen Other +224 million yen Decreases: Investment securities (312) million yen Deferred tax assets (123) million yen
	Intangible assets	471	809	+338	
	Investments and other assets	6,549	6,099	(449)	
Total assets		45,885	48,762	+2,876	
Liabilities	Current liabilities	12,533	14,285	+1,752	Increases: Notes and accounts payable-trade +140 million yen Accounts payable-factoring +133 million yen Short-term loans payable +677 million yen Accounts payable-other +1,119 million yen Advances received +2,345 million yen Decreases: Electronically recorded obligations (415) million yen Other (1,034) million yen
	Non-current liabilities	2,939	2,801	+175	
Total net assets		30,413	31,674	(422)	Increase: Retained earnings +591 million yen Foreign currency translation adjustment +202 million yen Valuation difference on available-for-sale securities +267 million yen Accumulated retirement benefit-related adjustment +115 million yen
Net assets per share (yen)		795.75		+0.50	

This is the comparison of the balance sheets as of the same month of the last year.
☐As we are proactively making investments, property, plant and equipment increased approx. 1,500 million yen.
Total assets increased 2,800 million yen. Net assets increased 1,200 million yen, and as a result of active investing activities, total assets increased approx. 3,000 million yen, or about 7%, from a year earlier.

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FY 2021 Full-year Earnings Forecast (1)

NIKKO

No change to full-year forecast

(mil. yen)

	FY 2020		FY 2021		
	2H actual	Full year actual	2H forecast (new)	**2H (initial)**	Full-year forecast (initial)
Net sales	19,641	37,866	19,992	20,000	39,000
Operating income	1,302	2,302	1,332	1,200	2,300
Operating margin	6.6%	6.0%	6.7%	6.0%	5.9%
Ordinary income	1,385	2,973	1,395	1,200	2,500
Net income attributable to owners of parent	983	2,082	833	850	1,700
New orders received	20,973	40,009	22,198	20,500	41,000
Order backlog	14,361	14,361	16,361	16,361	16,361

Finally, this is the full-year forecast.
We did not change the overall full-year forecast.

FY 2021 Full-year Earnings Forecast (2)

NIKKO

Reviewed forecast for each business segment

(mil. yen)

		FY 2020		FY 2021				
		2H actual	Full year actual	1H actual	2H forecast (new)	Full year forecast (new)	2H forecast (initial)	Full-year forecast (initial)
AP-related business	Net sales	9,940	19,467	9,189	10,000	19,189	9,900	20,000
	Operating income	599	1,239	388	608	996	570	1,250
	Operating margin	6.0%	6.4%	4.2%	6.1%	5.2%	5.8%	6.3%
BP-related business	Net sales	4,294	9,212	5,589	5,000	10,589	4,430	9,600
	Operating income	393	879	609	500	1,109	360	850
	Operating margin	9.1%	9.5%	10.9%	10.0%	10.5%	8.1%	8.9%
Environment- and conveyor-related business	Net sales	1,331	2,390	1,581	1,300	2,881	1,210	2,400
	Operating income	290	482	243	221	464	230	450
	Operating margin	21.70%	20.20%	15.4%	17.0%	16.1%	19.0%	18.8%
Other business	Net sales	4,071	6,790	2,647	3,692	6,339	4,020	700
	Operating income	793	1,170	317	683	100	560	1,150
	Operating margin	19.0%	17.2%	12.0%	18.5%	15.8%	13.9%	16.4%
Corporate expenses		(773)	(1,469)	(589)	(680)	(1,269)	(730)	(1,400)

We slightly revised some segment figures.

☐Regarding AP-related business, we revised sales for the second half to 10,000 million yen. The initial forecast was 9,200 million yen, so the AP sales estimate for the second half did not change much from the initial forecast. Operating income also is almost unchanged at 608 million yen. In the second half, we will not be able to make up the portion we could not achieve in the first half, but the plan is for BP and other segments to offset the initially planned portion of AP that could not be achieved.

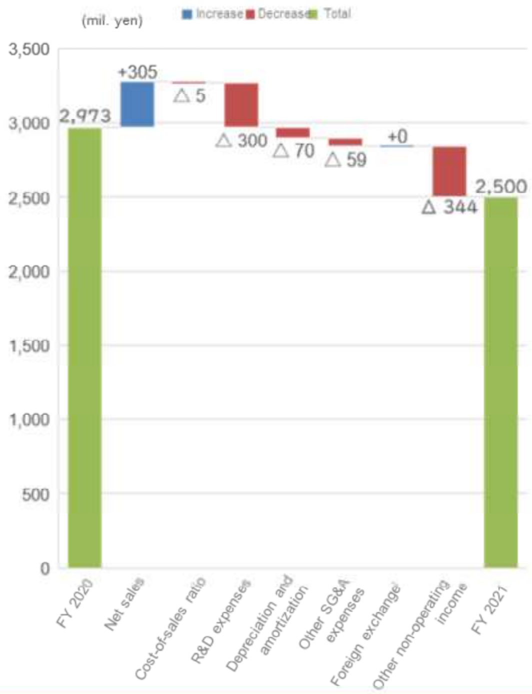
☐Regarding BP-related business, we significantly raised the sales and profit forecast for the second half compared with the initial figures.

☐We increased the sales forecast of the environment- and conveyor-related business by about 100 million yen, while the planned profits would slightly fall.

☐We revised the sales forecast of the other business to 3,600 million yen for the second half compared with the initial forecast of 4,000 million yen. We revised the segment's operating income forecast for the second half to 683 million yen from 560 million yen, as crushers and waterproof boards, which have high profitability, contribute more to sales in the second half.

Factor Analysis of Changes in Ordinary Income for FY 2021 (forecast)

NIKKO



(mil. yen)

Item	Impact	Content
Net sales	+305	Increase in net sales +1,134
Cost-of-sales ratio	(5)	Rise in cost-of-sales ratio: 73.09% → 73.10%
R&D expenses	(300)	
Depreciation and amortization	(70)	
Other SG&A expenses	(63)	
Other non-operating items (Dividends income)	(344)	Absence of special dividends of 344

 35

This is the analysis of factors contributing to changes in ordinary income for the full year.
☐There are still some unforeseeable factors, but what we can say at this point is that sales will certainly increase over the full year and we can expect profit to increase from that. Meanwhile, we had forecast R&D expenses of 300 million yen initially, but they may not reach that level, while there is an increase in personnel expenses. At this point, there is no change to the forecast we announced at the beginning of the fiscal year, as BP can sufficiently offset AP’s shortfall compared with the initial forecast.

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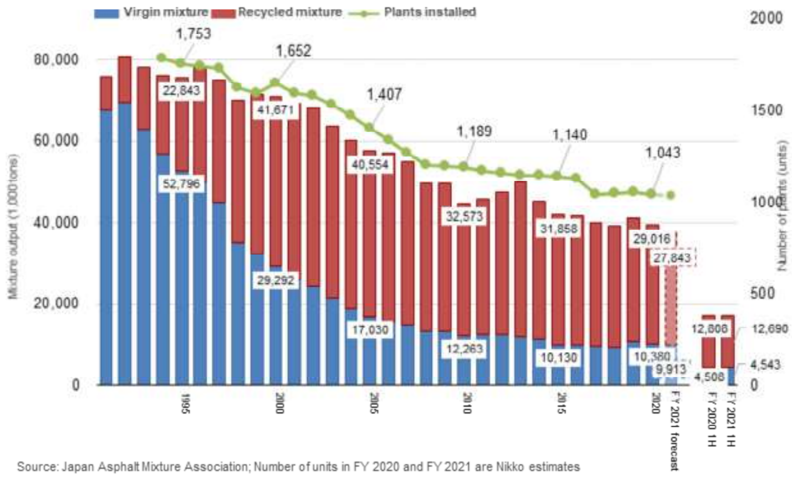
AP-Related Business Climate and Outlook

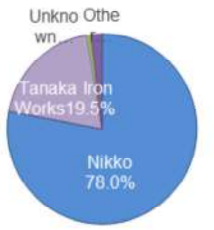
NIKKO

Asphalt mixture output and number of asphalt plants installed



Source: Japan Asphalt Mixture Association; Number of units in FY 2020 and FY 2021 are Nikko estimates

AP steady-state share

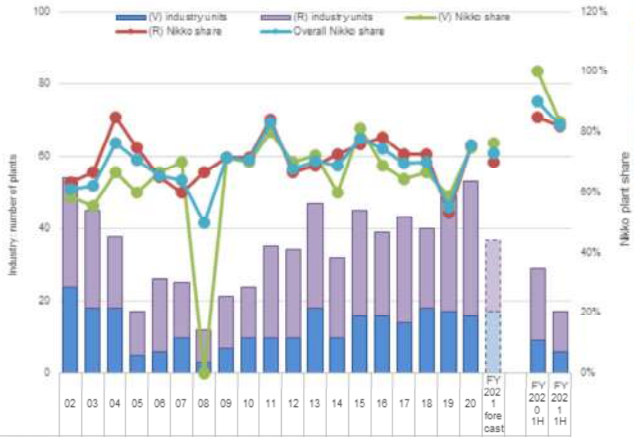


FY 2020 Nikko survey

- Prices of asphalt, the raw material, and heavy oil, which is the fuel, soared reflecting the recent sudden rise in the crude oil price and profits are on a declining trend for the industry as a whole.
  Concerns regarding deteriorating appetite for capital investment
- Shipment of mixture is expected to increase in the Osaka area in the future as the 2025 World Exposition approaches

AP-Related Business Details and Strategy for the Future (2)

AP demand and Nikko share



	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	FY 2021 forecast	FY 2020 1H	FY 2021 1H
(R) industry units	30	27	20	12	20	15	9	14	14	25	24	29	22	29	23	29	22	32	37	20	20	11
(V) industry units	24	18	18	5	6	10	3	7	10	10	10	18	10	16	16	14	18	17	16	17	9	6
(V) Nikko share	58%	56%	67%	60%	67%	70%	0%	71%	70%	80%	70%	72%	60%	81%	69%	64%	67%	69%	75%	78%	100%	83%
(R) Nikko share	63%	67%	85%	75%	65%	60%	67%	71%	71%	84%	67%	69%	73%	76%	78%	72%	73%	63%	76%	70%	85%	82%
Overall Nikko share	61%	62%	76%	71%	65%	64%	50%	71%	71%	83%	68%	70%	69%	78%	74%	70%	70%	55%	75%	73%	90%	82%

Source: Nikko

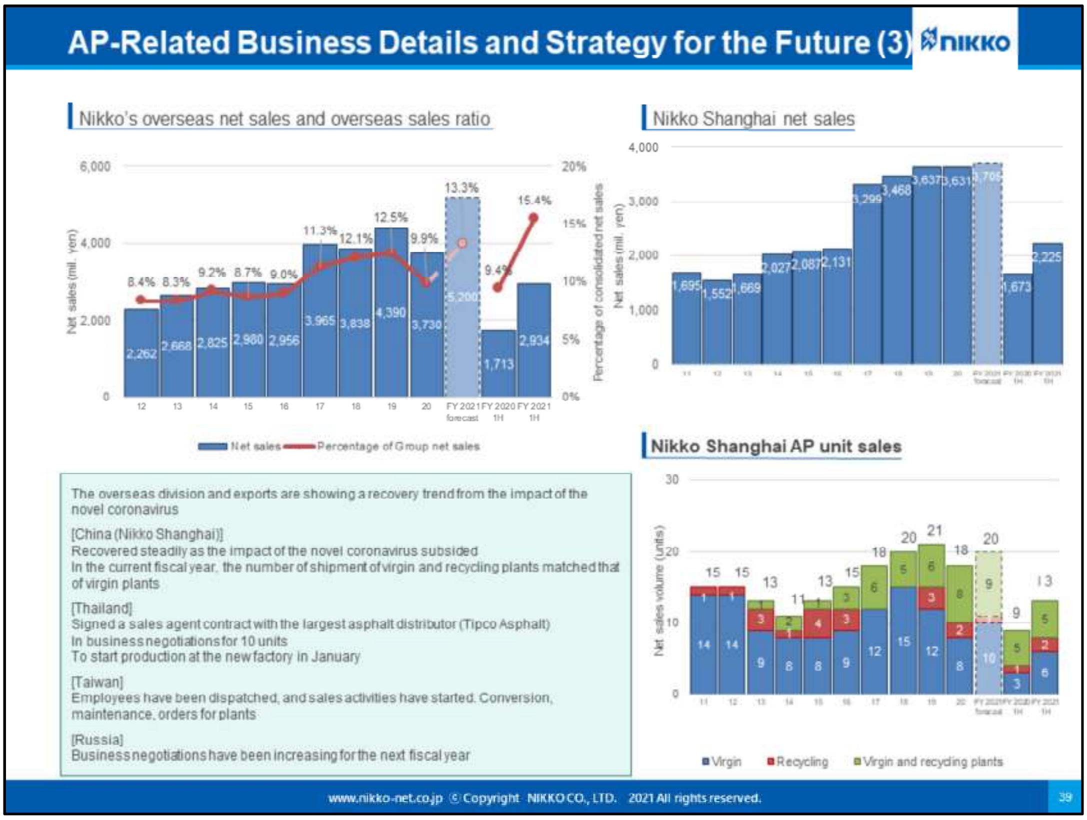
V: Virgin mixtures
R: Recycled materials

New product performance in AP-related business

(units)

	15	16	17	18	19	20	FY 2021 forecast	FY 2021 1H
VP units	0	1	2	2	4	2	4	1
Midship units	2	1	1	1	1	0	1	1
Crushing plant units	1	0	1	0	2	2	3	0

- Aim to complete development of VP-IV, an improved version of large model VP-II within FY 2022 so as to improve profit
- Aggressively work to reduce CO2 emissions to 50% in 2030 and 0% in 2050



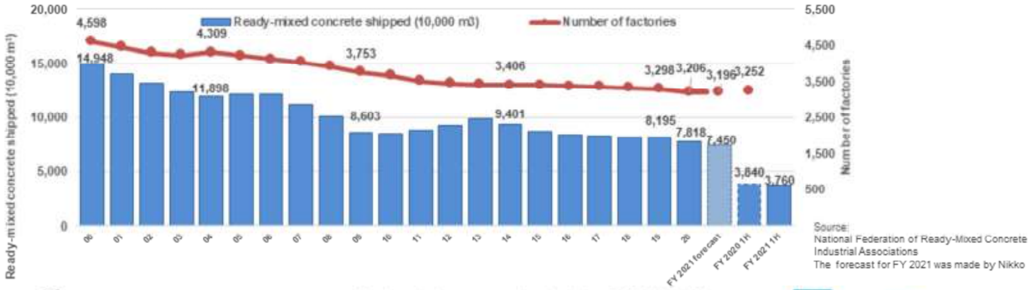
Finally, I would like to explain some points in the reference materials.
This is Nikko's overseas net sales.

Our forecast for fiscal year 2021 is 5.2 billion yen.
The graphs on the right show Nikko Shanghai's figures. The sales estimate for Nikko Shanghai for the current fiscal year is 3.7 billion yen, which is a slight increase from a year earlier but not so different. There are two factors behind the increase. One is Thailand.
The other is exports. The order backlog at the end of the previous fiscal year includes two projects in Taiwan and we expect an increase because of that.
The right bottom graph shows some increases in plants for recycled materials in China.
In 2011, there was only one plant for recycled materials among the 15 plants we shipped.
In fiscal year 2021, however, one half of the 20 total plants are for recycled materials, with nine plants for both virgin and recycled materials and one for recycled materials only.
In China, an increase in the ratio of plants for recycled materials means a very good business environment for us from the perspective of differentiation with local manufacturers.

BP-Related Business Climate and Outlook

NIKKO

Trends in ready-mixed concrete shipments, price, and number of factories



- Ready-mixed concrete shipment volume in the first half of FY 2021 declined 2.1% from a year earlier to 37.607 million m³. It was the fourth consecutive first-half decline and is a record low. Affected by the deterioration of private investment due to manpower shortage and the impact of the COVID-19 pandemic and prolonged rains in July.

  Cargo movements have been gradually gaining ground in urban areas and leading indicators of private demand have changed for the better. Therefore, there is a possibility that the recovery trend in demand will improve in the second half on.

BP-Related Business Details and Strategy for the Future (2)

NIKKO

Total BP demand (value and number of units)

BP steady-state share trends

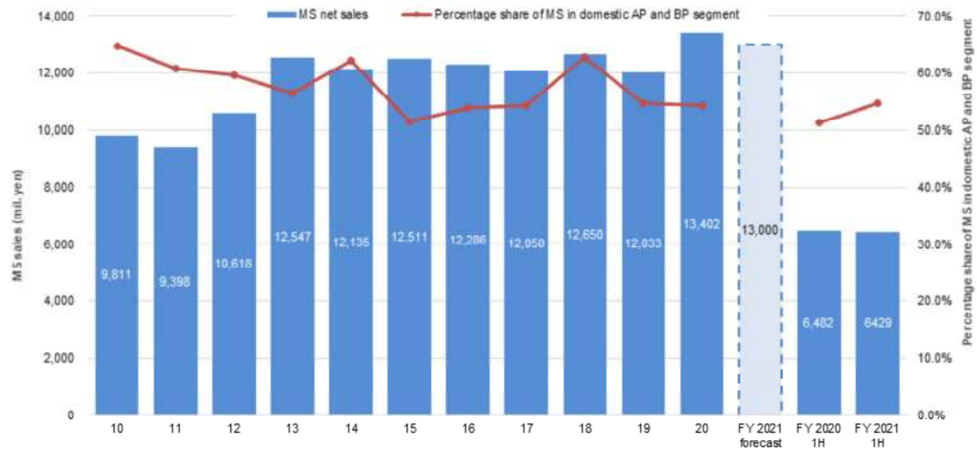
Source:
Japan Construction Equipment Manufacturers Association's BP Subcommittee
(Maintenance services included in demand amount)

- As for ready-mixed concrete in 2021, the demand for disaster recovery-related applications is expected to remain strong partly due to the five year extension of measures for disaster prevention and mitigation as well as for national resilience approved by the Cabinet in December 2020, while there are regions that will face a volume decline as special demand ends. Amid concerns over the impact of the novel coronavirus, ready-mixed concrete industrial associations around the country are expected to further step up measures against market shrink given demand decline and further rises in transportation and raw material costs
- Increase market share by launching new differentiated products to meet new demand, which arises from sales expansion to precast industry, where demand continues to grow, as well as from ready-mixed concrete industry consolidation.

Maintenance Service Business Net Sales Level and Share

NIKKO

AP and BP maintenance service: Net Sales Level and Share



▶ Work to improve efficiency of maintenance services and further expand margins

Trends in Net Sales, Profit, Cash Flows, and Other Indicators

NIKKO

(mil. yen)

	FY 2019				FY 2020				FY 2021			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	8,001	9,139	7,422	10,589	7,271	10,954	6,407	13,234	8,817	10,191		
AP-related business	3,917	4,750	3,789	5,062	3,991	5,536	3,247	6,693	5,058	4,131		
BP-related business	2,442	2,127	1,722	2,867	1,478	3,440	1,274	3,020	1,972	3,617		
Environment- and conveyor-related business	492	861	561	720	524	535	513	818	424	1,157		
Other business	1,149	1,400	1,350	1,941	1,275	1,444	1,373	2,698	1,361	1,286		
Operating income	276	683	81	1,013	408	592	(96)	1,398	375	593		
AP-related business	222	454	(53)	495	340	300	(105)	704	199	189		
BP-related business	110	187	89	375	88	398	(25)	418	196	413		
Environment- and conveyor-related business	80	139	174	169	114	78	94	196	66	177		
Other business	175	273	196	376	171	206	188	605	157	160		
Corporate expenses	(313)	(370)	(322)	-404	(305)	(391)	(248)	(525)	(244)	-345		
Ordinary income	361	673	129	979	979	609	(89)	1,474	519	586		
Net income attributable to owners of parent	270	733	(33)	618	746	353	(133)	1,116	378	489		

Cash flow from operating activities	3,809				2,784							
Cash flow from investing activities	(609)				(1,867)							
Total dividend	229	–	775	–	775	–	572	–				
Share buyback	0				400							

Trends in New Orders Received and Order Backlog per Business Segment (Cumulative)

NIKKO

(mil. yen)

New orders received (cumulative)	FY 2019				FY 2020				FY 2021			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
AP-related business	3,575	8,419	11,196	16,133	5,256	9,835	14,102	20,279	4,519	9,048		
BP-related business	1,969	4,313	6,315	9,478	2,061	4,823	7,278	9,961	3,142	5,646		
Environment- and conveyor-related business	449	1,187	1,787	2,401	746	1,374	2,290	2,875	523	1,286		
Other	1,325	2,923	4,578	5,902	1,405	3,001	5,222	6,894	1,568	2,820		
Total	7,320	16,843	23,877	33,915	9,469	19,036	28,893	40,009	9,753	18,802		

End-of-term order backlog	FY 2019				FY 2020				FY 2021			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
AP-related business	8,466	8,561	7,548	7,424	8,688	7,732	8,751	8,235	7,696	8,094		
BP-related business	2,967	3,184	3,464	3,760	4,342	3,665	4,845	4,508	5,678	4,565		
Environment- and conveyor-related business	342	219	258	152	373	467	869	636	734	341		
Other	997	1,194	1,498	883	1,013	1,165	1,553	981	1,187	1,154		
Total	12,773	13,158	12,769	12,219	14,417	13,030	16,479	14,361	15,298	14,155		

Trends in Capital Investment, Depreciation and Amortization, R&D Expenses, and Nonfinancial Data

NIKKO

(mil. yen)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Capital investment	292	335	844	815	877	1,261	550	1,889	1,483	2,748
Depreciation and amortization	432	389	395	422	487	482	472	508	611	677
R&D expenses	239	256	295	276	227	271	291	211	379	392

(persons, years old, or years)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Number of employees (consolidated)	775	763	767	796	803	797	807	799	838	861
Average age of employees (non-consolidated)	44.2	44.7	43.3	43.1	42.2	42.3	42.2	40.9	41.1	41.1
Average years of service (non-consolidated)	21.5	21.2	20	19.3	18.2	18.5	18.3	16.0	15.8	15.4
Female employees (non-consolidated)	28	31	31	33	39	42	42	45	51	55
Number of new-graduate hires (non-consolidated)	13	15	21	21	30	17	19	15	14	29
Number of female new-graduate hires (non-consolidated)	1	0	1	3	1	2	0	0	0	3
Percentage of female hires (non-consolidated)	7.6%	0%	4.7%	14.2%	3.3%	11.7%	0%	0%	0%	10.3
Number of foreign-national hires (non-consolidated)	1	0	6	0	0	0	1	1	0	1
Number of foreign-national employees (non-consolidated)	2	2	8	6	6	6	7	8	5	5
Foreign national employees (consolidated)	92	90	91	95	94	93	101	98	116	116
Overseas employees (consolidated)	92	90	91	95	92	91	101	98	123	121

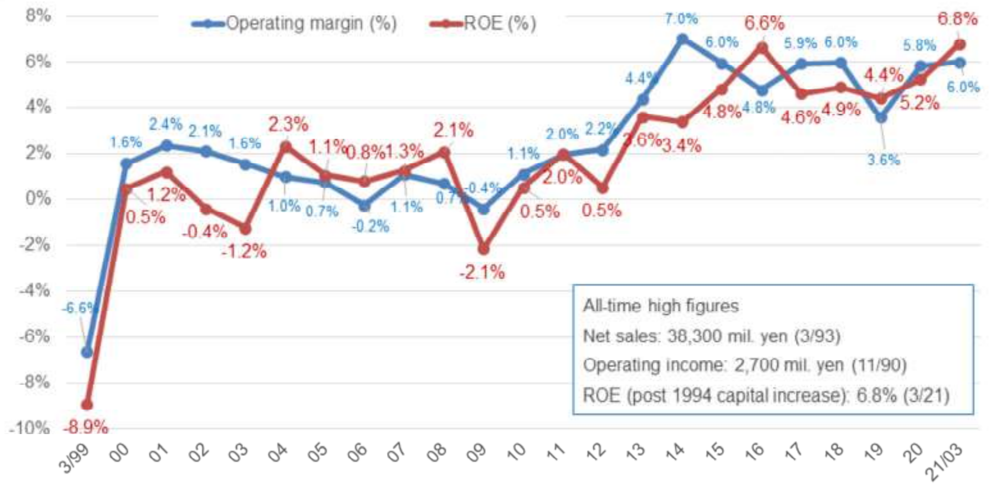
New products for reducing environmental impact

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
New products	[Sand dryer] [High-temperature preheating burner]	[NTB-II burner]	[Newly designed bag filter]	[VP Series APs]	–	[Foamed asphalt manufacturing equipment]
Features reducing environmental impact	• Higher plant production efficiency • Energy saving	• Energy saving • Higher combustion efficiency in combustion range	• Space saving • Energy saving • Exhaust gas reduction • Low noise	• Preventing diffusion of recycled material odorous gas	–	• Support for manufacture of warm-mix asphalt

Trend in Key Financial Data

NIKKO

Operating margin and ROE



(mil. yen)

	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20/03	21/03
Net sales	22,157	22,695	23,170	24,307	24,812	24,864	22,175	25,035	26,942	23,856	23,971	23,903	24,553	27,087	32,073	30,707	34,110	32,717	35,114	31,780	35,151	37,866
Operating income (loss)	352	536	492	379	248	185	(55)	271	189	(98)	265	470	541	1,186	2,249	1,832	1,629	1,944	2,103	1,427	2,053	2,302
Ordinary income	201	846	664	688	492	537	350	699	545	482	899	812	621	1,108	1,982	1,582	1,648	1,993	2,239	1,576	2,142	2,973
Net income (loss)	121	298	(93)	(284)	567	265	203	315	513	(499)	124	461	122	881	888	1,348	1,896	1,340	1,490	1,345	1,588	2,082

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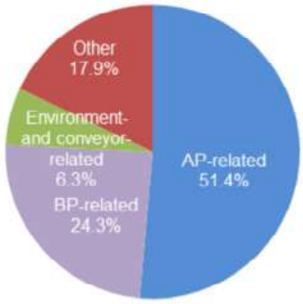
Company Overview

Japanese name	Nikko Co., Ltd.	
Head office	1013-1, Eigashima, Okubo-cho, Akashi, Hyogo Prefecture	
Established	August 13, 1919	
Capital	9,197 mil. yen	(as of March 31, 2021)
Consolidated net sales	37,866 million yen	(Fiscal year ended March 31, 2021)
Consolidated operating income	2,302 million yen	(Fiscal year ended March 31, 2021)
Ratio of net sales outside Japan	9.9%	(Fiscal year ended March 31, 2021)
Subsidiaries	10 companies	(Fiscal year ended March 31, 2021)
Number of employees (consolidated)	861	(as of March 31, 2021)
Governance structure:	Company with Board of Corporate Auditors Directors: 7, of which 2 are outside directors Corporate Auditors: 4, including 3 outside auditors (as of March 31, 2021)	

Net sales breakdown by business segment (FY 2020)



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

Management Philosophy

Adopting a customer-first policy, the Nikko Group provides customers with truly satisfactory products and services, while continually promoting self-reform aimed at winning broad trust and fulfilling our mission as a solutions partner evolving with customers.

Representative Director and President 辻 勝

History

NIKKO

Products

1919	Established TOMBO brand farming tools
1951	Concrete mixers and winches
1956	Ready-mixed concrete plant
1958	Asphalt plants
1962	Telescopic steel props
1963	Pipe scaffolding
1966	Conveyor system
1983	Floodgates
2000	System for cleaning oil-polluted soil
2001	Waste plastic treatment system
2007	Concrete pumps
2015	Crusher (import and sales)

Production Sites

1919	Head Office Plant
1938	Industrial machinery factory
1968	Tokyo factory
1994	Satte factory
2004	Shanghai Jiading factory
2014	Kakogawa factory
2016	Fukusaki factory

Overseas Expansion

1994	Nikko Baumaschinen (Germany)
1997	Taipei branch (Taiwan)
2001	Nikko (Shanghai) Construction Machinery
2010	Shangtui Chutian Construction Machinery
2020	Nikko Asia (Thailand) Co., Ltd.
2020	Nikko Nilkhosol Co., Ltd. (Thailand)

Group Expansion in Japan (including acquisitions and transfer of business)

1968	Ichiishi Kogyosho (M&A)
1971	Nikko Electronics Co., Ltd. established
1983	Nikko Machinery Co., Ltd. established
1994	Tombo Industry Co., Ltd. established
1995	Nikko Sec Co., Ltd. established
2002	Niigata Engineering (transfer of business)
2006	Mitsubishi Heavy Industries (transfer of business)
2008	Maekawa Kogyosho (M&A)

Nikko Group Business Vision

NIKKO

Nikko Group Business Vision

n からはじまる未来創造

We strive to remain the leading company of asphalt and batching plants.

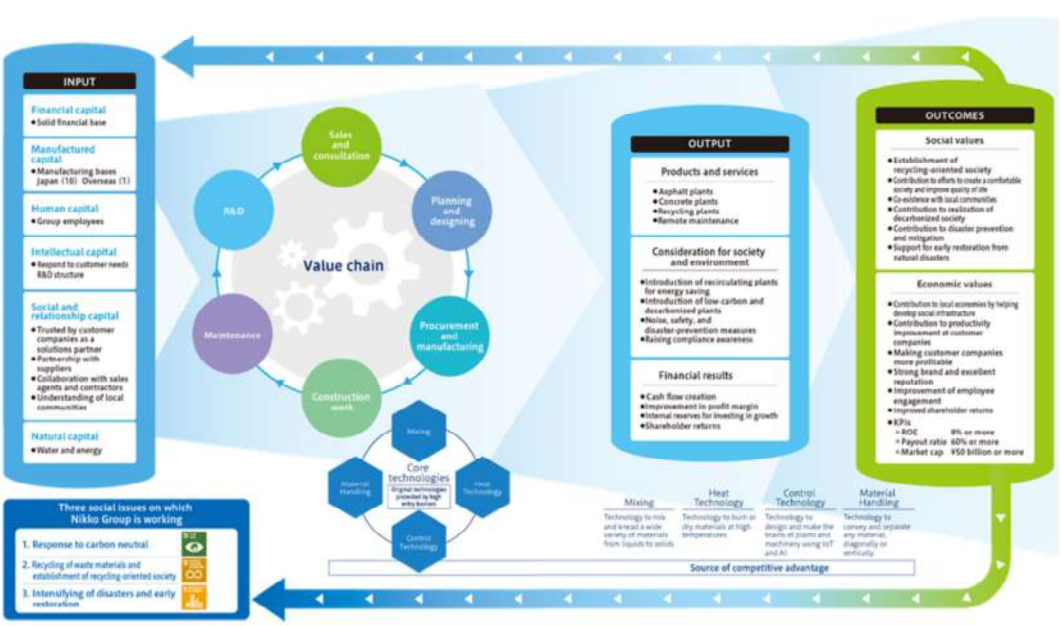
We aim to expand our overseas business and become the top manufacturer in the Asian market.

We will brush up our core technologies of heating, mixing and kneading, material handling, and control to expand our business.

We will strive to remain a future-creating company ready to contribute to society.

Representative Director and President 辻 勝

Nikko's Business Model



nからはじまる未来創造

Please feel free to contact us if you desire a meeting or have other requests.

(Online meetings and meetings in Tokyo also can be arranged.)

Tel: +81-78-947-3141　　E-mail: IR-nikko@nikko-net.co.jp

Contact: Hachiken, Finance Department, Nikko Co., Ltd.

- Future projections and other forward-looking statements in this material were prepared based on information currently available to the management.
- These statements contain risks and uncertainties, such as changes in performance outlook due to the financial situation for the Company in Japan and abroad, industry trends, product demand and supply, advances in new technology, and other factors. Accordingly, investment decisions should not be made based only on the forward-looking statements in this material.
- Note also that forward-looking statements in this material are subject to change without prior notice, except where procedures are required by law.