

“Create the future with *n*”



Fiscal Year 2023 (Ending March 31, 2024) 1st Quarter Financial Results Briefing Session Materials

Tokyo Stock Exchange Code: 6306

Nikko Co., Ltd.

Hiroshi Fujii, Representative Director and Vice President

September 5, 2023

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

July 6: Purchased all shares in Matsuda Kiko K.K. and made it a wholly owned subsidiary.

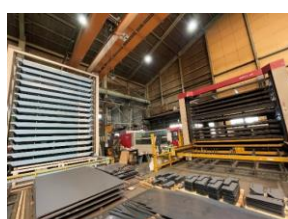
Matsuda Kiko K.K.

Established: September 1987
Capital: 10 million yen

Business: Manufacture and assembly of various plants, industrial machinery, etc.

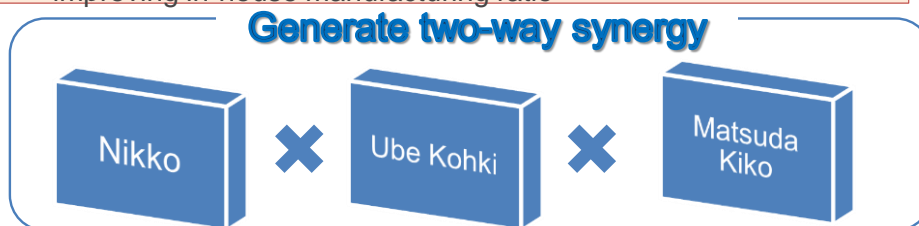
Main customers: Major plant engineering companies, environment-related machinery manufacturers, etc.

Strengths: Carries out the entire manufacturing process from laser cutting to secondary processing, canning welding, assembly, test run, and inspection
Expert manufacturing skills, high quality, and inspection system
Flexible deliveries, high customer trust and track record



Before starting on the overview of the first quarter business results, I would like to inform you that we have acquired Matsuda Kiko K.K. on July 6 this year. Matsuda Kiko was established in 1987 and has a capital of 10.0 million yen. Its main business is manufacturing and assembling of plants and industrial machinery. The company's average annual sales for the past three years were 670.0 million yen and operating income was 125.0 million yen. It had an operating margin of around 18%. It can carry out an entire manufacturing process in-house, from laser cutting to test run and inspection, and has been highly rated for its high technical capability and flexible deliveries.

Aim: Expansion of contract-based manufacturing business and improving in-house manufacturing ratio



- Matsuda Kiko's main customers do not overlap with those of Ube Kohki Co., Ltd. (main business: canning welding and assembly for plants), which was made into a wholly owned subsidiary in March 2022, or Nikko divisions engaged in manufacturing and external sales, which enables mutual cooperation.
- We will build a mutual cooperation structure by supplementing facilities with Nikko and Ube Kohki

*Ube Kohki Co., Ltd. (<http://ubekohki.co.jp/> [Japanese])
 Business: Design, manufacture, and construction of gas holders
 Manufacture and installation of various types of plant facilities and industrial machinery
 Development, manufacture, and sales of solar-related products
 Main customers: Major manufacturers, plant engineering companies, etc.
 Strengths: It manufactures and constructs tanks and large-sized can products led by in-house manufactured gas holders.
 It has a large network of contractors and supplies its products throughout the country.

In March 2022, we purchased Ube Kohki, a company based in Yamaguchi Prefecture. Ube Kohki manufactures plants and industrial machinery and its business is more or less the same as Matsuda Kiko.

Our main aim is to utilize the manufacturing capacities of the two companies, since using Nikko plants (which are specialized for manufacturing APs and BPs) for expanding the environment and recycling business would increase costs.

The contract-based manufacture business of Ube Kohki and Matsuda Kiko has been stable and has high profitability. We purchased them on the expectation that they would generate stable revenue every year even as independent business divisions. Their goodwill (corporate valuation) is about 50.0 million yen and its burden is not so large given their earning capability.

FY 2023 1Q results

(million yen)

1Q (Apr-Jun)	Results	YoY change (amount)	Change (%)
Net sales	8,446	(1,058)	(11.1%)
Operating income	(99)	(282)	–
Quarterly net income attributable to owners of parent	27	(113)	(80.5%)

- ▶ Sales of AP-related business: Sales of products in Japan increased and those of maintenance fell. Overseas sales declined greatly (exports fell significantly, sales in China halved, and sales in Thailand declined).
- ▶ Sales of BP-related business: Sales of products in Japan declined, while those of maintenance increased.
- ▶ New orders received in AP slightly increased while those of BP declined.

Business climate

AP-related business

FY 2023 1Q (Apr-Jun)	Results (10,000 tons)	YoY change
Mixture output	738	(5.1%)
Virgin mixture	183	(8.6%)
Recycled mixture	554	(3.9)%

Source: Japan Asphalt Mixture Association

Share of recycled mixture	75.1%
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BP-related business

FY 2023 1Q (Apr-Jun)	Results (10,000 m ³)	YoY change
Ready-mixed concrete shipment	1,735	(5.0%)

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

Sales in the first quarter declined about 1,000 million yen from a year earlier and we posted a operating loss of 100 million yen. Though we maintained profit with a net income of 27.0 million yen, we are not satisfied with the results. We tend to have more sales in the second half. Sales in the first half were slightly lower than the budget. If we steadily work on the current order backlog, I think we will be able to achieve the annual target. The business environment in the first quarter was severe and manufacturing volume of asphalt mixture and shipment volume of ready-mixed concrete declined compared with the previous year.

FY 2023 1Q Performance Highlights (1)



AP-related business: Orders for AP rose 21.7% year on year in Japan.
→ p. 11 AP-Related Business



Environment- and conveyor-related business: Orders rose 71.0% from a year earlier.
→ p. 14 Environment- and Conveyor-Related Business



Order backlog continued to remain flat.
→ p. 21 Trends in New Orders Received and Order Backlog per Business Segment (Cumulative)



Mobile plants: Orders rose from 110 million yen for 3 units in FY 2022 to 290 million yen for 5 units in FY 2023
Sales rose from 144 million yen for 4 units in FY 2022 to 498 million yen for 10 units in FY 2023
→ p. 15 Other Business



AP-related business: While plant sales in Japan rose 40.1% year on year, sales of maintenance services declined 22.6%.



AP-related business: Orders and sales in China halved, falling 47.8% and 48.4% respectively.
→ pp. 11–12 AP-Related Business

The slide shows the business performance highlights in the first quarter.

In the AP-related business, orders for plants increased more than 20% in Japan, and orders for the environment- and conveyor-related business rose 71%.

Order backlog reached a record high due to the prolonged delivery time of procured parts. The time period starting from order to manufacturing, shipment, inspection, and sales have become longer.

The mobile plant business was strong and we received orders for 5 units and approx. 500 million yen in sales in the three months. Annual sales are expected to exceed 2,500 million yen.

Sales of maintenance services within the AP-related business declined 22.6% from a year earlier and had a negative impact on profits. The economic situation in China worsened and the deterioration in the real estate market affected the business. There is a vicious circle of severe financial situation in rural areas suppressing capital investment, and new orders and sales for the first quarter halved year on year.

FY 2023 1Q Performance Highlights (2)



YoY change of results

- ▶ Sales: AP products in Japan (up 360 million yen), BP products (down 290 million yen), overseas sales (down 1,090 million yen), environment and conveyor (unchanged), and other business (up 190 million yen)
- ▶ Operating income, quarterly net income: Declined as sales in China, AP maintenance services, and BP products fell
- ▶ Orders: AP-related business (up 130 million yen), BP-related business (down 290 million yen), environment- and conveyor-related business (up 410 million yen), other business (up 320 million yen)
- ▶ Order backlog: AP-related business (up 1,590 million yen), BP-related business (up 120 million yen), environment- and conveyor-related business (down 30 million yen), other business (up 1,120 million yen)

(million yen)

	FY 2022			FY 2023					
	1Q actual	1H actual	Full year actual	1Q actual	YoY change	Progress in full	1H forecast	1H forecast	Full-year forecast
Net sales	9,504	18,760	39,665	8,446	(1058) (11.1%)	19.2%	17,000	19,000	44,000
Operating income	183	399	1,028	(99)	(282) -	-	50	400	1,900
Operating margin	1.9%	2.1%	2.6%	(1.2%)	-	-	0.3%	2.1%	4.3%
Ordinary income	326	548	1,255	67	(259) (79.4%)	3.5%	190	400	1,900
Net income attributable to owners of parent	140	259	1,020	27	(113) (80.7%)	2.3%	60	200	1,200
New orders received	10,217	18,949	40,849	10,777	+560 +5.5%	25.0%	20,442	19,452	43,038
Order backlog	17,202	16,660	17,656	19,987	+2,785 +16.2%	-	21,098	18,108	16,694

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Net sales and operating income for the first quarter of the current fiscal year are as described earlier.

The net sales and operating income forecasts for the first half have been revised down. We left the full-year forecasts unchanged, as sales that had been planned for the first half were delayed to the second half. New orders slightly increased and order backlog reached about 20,000 million yen, up 2,700 million yen from a year earlier.

FY 2023 1Q Performance Highlights (3)



(million yen)

		FY 2022			FY 2023					
		1Q actual	1H actual	Full year actual	1Q actual	YoY change	Progress in full year	1H forecast	1H forecast	Full-year forecast
AP-related business	Net sales	4,982	8,652	17,341	3,796	(1186) (23.8%)	19.5%	7,500	9,500	19,500
	Operating income	139	132	49	(92)	(231) (166.2%)	–	(50)	300	600
	Operating margin	2.8%	1.5%	0.3%	(2.4%)	–	–	(0.7%)	3.2%	3.1%
BP-related business	Net sales	2,381	5,314	11,111	2,313	(68) (2.9%)	20.1%	4,500	4,500	11,500
	Operating income	211	505	1,017	169	(42) (19.9%)	14.1%	500	500	1,200
	Operating margin	8.9%	9.5%	9.2%	7.3%	(1.6pt)	–	11.1%	11.1%	10.4%
Environment- and conveyor-related business	Net sales	640	1,222	2,888	644	+4 +0.6%	21.5%	1,350	1,350	3,000
	Operating income	147	236	522	126	(21) (14.3%)	25.2%	200	200	500
	Operating margin	23.0%	19.3%	18.1%	19.6%	(3.4pt)	–	14.8%	14.8%	16.7%
Other business	Net sales	1,501	3,571	8,324	1,693	+192 +12.8%	16.9%	3,650	3,650	10,000
	Operating income	31	253	1,044	104	+73 +235.5%	8.3%	200	200	1,250
	Operating margin	2.1%	7.1%	12.5%	6.1%	+4.0pt	–	5.5%	5.5%	12.5%

- ▶ Net sales of AP-related business: down 3.1% from a year earlier in Japan, down 53.7% from a year earlier overseas
- ▶ Net sales of BP-related business: down 2.9% from a year earlier
- ▶ Net sales of environment- and conveyor-related business: up 0.6% from a year earlier
- ▶ Net sales of other business: up 24.9% from a year earlier

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The AP segment posted loss and operating income significantly declined compared with a year earlier owing primarily to a decline in sales of maintenance services in Japan.

Breakdown of the AP segment: Approx. 125.0 million yen in loss in Japan and 50.0 million yen in loss in Thailand. While sales declined in China, the decline in profit was small, resulting in 80.0 million yen in profit.

Sales of the BP segment were 2,300 million yen, which is at a similar level as the previous year. Profit slightly declined to 169.0 million yen.

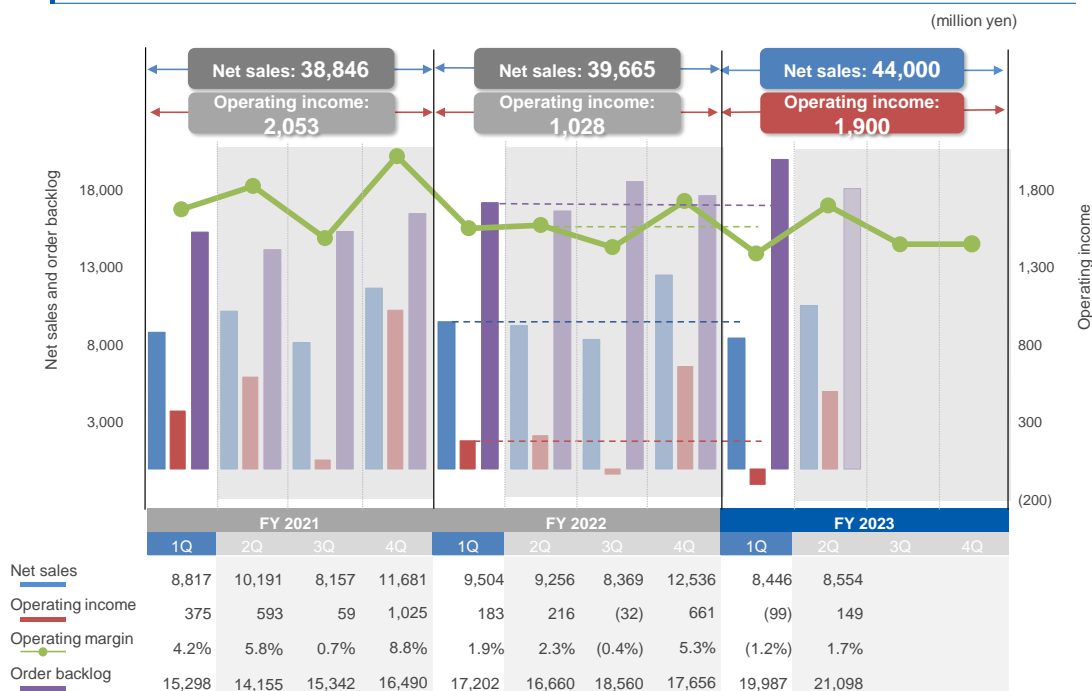
Sales of the environment- and conveyor-related business slightly increased to 644.0 million yen while its profit slightly declined to 126.0 million yen.

Both sales and profit of the other business increased thanks to the strong mobile business, with sales rising approx. 200 million yen from a year earlier and profit also growing.

FY 2023 Quarterly Performance Trend



Quarterly net sales and operating income trends



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Net sales for the first quarter of the current fiscal year were 8,446.0 million yen, which are a decline from the previous fiscal year but are almost the same level as the fiscal year before last. However, operating income considerably declined from the 375.0 million yen in the fiscal year before the previous fiscal year. The main cause is the impact of the Thailand business, which was not there two years ago.

The current fiscal year is the second year of the Medium-Term Management Plan, and we consider the current medium-term plan period as an investment period towards achieving 60.0 billion yen in net sales and operating margin of 10% in 2030. Depreciation, R&D expenses, and personnel costs increased due to this reason, and profit declined significantly even though sales did not fall much.

While it takes time for investment to bear fruits, order backlog is showing an increasing trend with 19,987 million yen as of the end of the first quarter and 21,000 million yen for the end of the second quarter, which is more than 5,000 million yen higher than the fiscal year before last.

Business conditions in FY 2023

- Sales of foamed equipment (warm-mix asphalt manufacturing equipment) have been strong.
- We are delivering plants for which orders had been received and recording their sales.
- Recovery in plant maintenance demand, which was suppressed last year, from the second half along with profit improvement from price hikes of construction work by the road pavement industry.
- The BP market has been stable and high demand continued.
- The environment- and conveyor-related business expects orders and sales from the World Expo in Osaka and IR-related projects.

FY 2023 outlook (initial)

Net sales

1H 19,000 mil. yen (up 240 mil. yen YoY)

Full year 44,000 mil. yen (up 4,330 mil. yen YoY)

Operating income

1H 400 mil. yen (+up 0 mil. yen YoY)

Full year 1,900 mil. yen (up 870 mil. yen YoY)

FY 2023 outlook (revised)

Net sales

1H 17,000 mil. yen (down 1,760 mil. yen YoY)

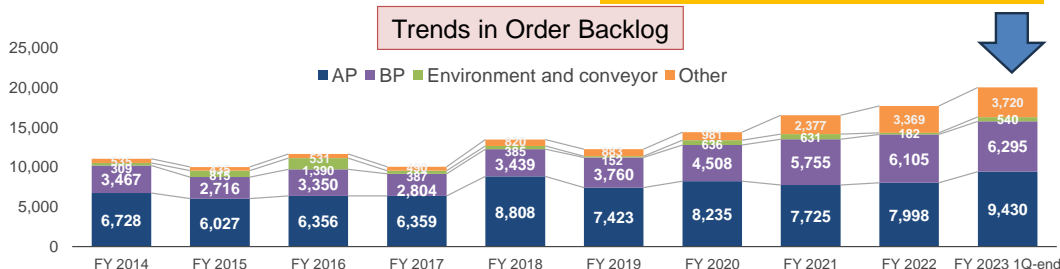
Full year 44,000 mil. yen (up 4,330 mil. yen YoY)

Operating income

1H 50 mil. yen (down 340 mil. yen YoY)

Full year 1,900 mil. yen (up 870 mil. yen YoY)

★No change to full-year outlook



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In the outlook for the current fiscal year, sales of foamed equipment, which is a product that contributes to the reduction of CO2 emissions, have been strong. We expect sales of 60 units for around 1,000 million yen.

Plant orders have been making progress in line with the plan and we are not expecting deliveries that will be delayed into the next fiscal year.

Investment for maintenance has been postponed as the road pavement industry was not able to respond to the soaring asphalt price. However, requests for maintenance works are increasing as the business environment improves. We are expecting orders will grow at a pace similar to when there is special demand.

Sales of maintenance services for asphalt plants started to grow in July and are expected to increase in August.

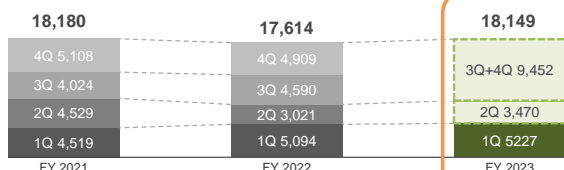
The market of the BP segment has been stable and demand is expected to continue to be high through the year, so there is a possibility of sales and profits reaching favorable levels.

In the environment- and conveyor-related business, we are expecting orders and sales from the World Expo in Osaka and IR-related projects.

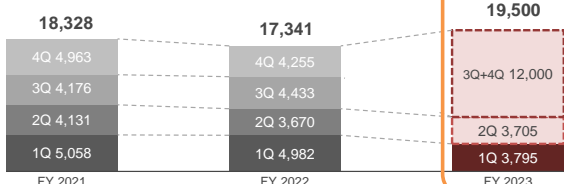
For the FY 2023 outlook, we revised down the first-half forecast, while leaving the full-year forecast unchanged.

New orders received

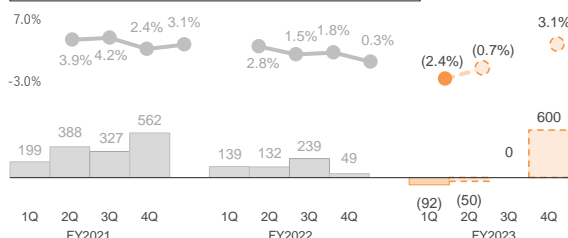
(million yen)



Net sales



Operating income and operating margin(cumulative)



New orders received

• Up 2.6% YoY
 (Factors)
 Positive factors: [Thailand] Orders increased thanks to promotion sales strategy
 Negative factors: [China] Demand plummeted due to slowdown in the Chinese economy
 ★ There were delays in large-scale projects in Japan. In maintenance services, orders increased 10.4% year on year, although customers' hesitation for capital investment continued due to higher costs

Net sales

Positive factors:
 [Japan] Sales of foamed equipment, which controls CO2 emissions of asphalt plants, steadily expanded (11 units)
 Negative factors:
 [Overseas: China] Lull in large-scale highway construction projects. Demand for new plants for construction declined. Delivery of stationary plants has been delayed due to application-related matters, etc.
 [Thailand] Sales declined due to delays in construction orders owing to political reforms

Operating income

Negative factors
 [Japan] Impact of sudden rise in steel and supply prices. Sales of maintenance services continued to decline as there were delays in passing on soaring costs to selling prices due to worsening business results of the industry
 [China] Operating income significantly fell due to sales decline, even while prices of steel and supplies stabilized
 [Thailand] Currently implementing investment for improving plant facilities and measures to reduce costs

As for the AP segment, order activities were weak in the Thailand market given the stiff competition with a Chinese competitor. We strived to sell out the stock by slightly reducing the selling price, and order backlog rose to around 700 million yen as of the end of June.

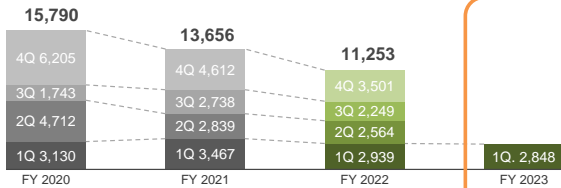
In the Chinese market, the slump in the real estate market has led customers to hold back capital investment but gross margin improved as we succeeded in reviewing material procurement and reducing costs. Restrictions on environment and recycling have become stricter in China and sales of environment-friendly plants and recycling plants are increasing. We expect to demonstrate our competitive advantage further in the future.

The market condition right now is tough, but if this is temporary, we have hopes that there is opportunity to demonstrate our competitiveness further and grow in the Chinese market in the medium to long term.

AP-Related Business (Japan vs. Overseas)



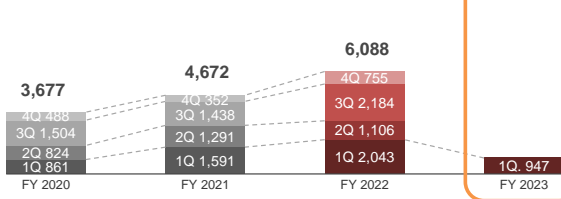
Domestic net sales



Japan

- Plant products rose 40.1% YoY
- Maintenance services fell 22.6% YoY

Overseas net sales



Overseas

- Down 53.7% YoY
 - Exports: Down 80.2% YoY
 - China: Down 48.4% YoY
 - Thailand: Down 98.4% YoY

China

Investment in infrastructure drastically declined as financial conditions of local governments worsened despite expectations for economic recovery following the end of the zero-COVID policy. There is a wait-and-see trend for capital investment. Recovery within 2023 is unlikely.

Struggling to secure profit due to sales decline and intensifying price competition, even as prices of raw materials such as steel stabilized. We will focus on further cost reduction.

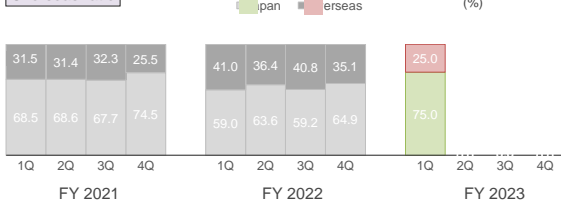
Thailand

Expecting to sell 0 unit in 1H and 10 units in 2H.
5 AP units in the sales promotion project for the second half.
Expecting 2 units outside the promotion and 2 recycling plants (1 unit of backlog is remaining from the previous fiscal year.)

Exports (Taiwan, overseas operations)

Both products and parts were strong in Taiwan

Overseas ratio



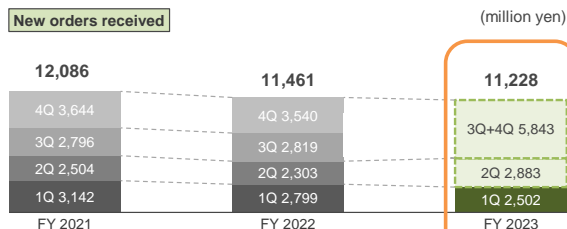
New overseas orders received and order backlog

	New orders	Order backlog
China (Nikko Shanghai)	970 mil. yen (-47.8%)	1,500 mil. yen (-53.8%)
Thailand (NAT)	640 mil. yen (+2,369.2%)	680 mil. yen (+157.3%)
Exports	430 mil. yen	500 mil. yen

Continuing with AP, here we have the figures for domestic net sales, overseas net sales, and overseas sales ratio. At the very bottom are the figures for new export orders and order backlog for China and Thailand.

New orders halved in China, with order backlog also falling by half. In Thailand's case, order backlog is 680 million yen, or almost 700 million yen. Export order backlog is about 500 million yen. Though this is not exactly high in terms of absolute amount, we are steadily winning orders in the current fiscal year.

New orders received

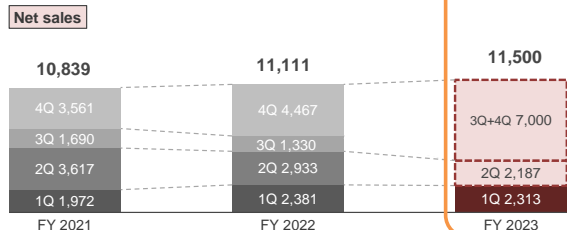


New orders received

- Down 10.6% YoY

(Factors)
Negative factors: Orders fell due to a decline in major projects

Net sales



Net sales

- Down 2.9% YoY
- Plant products decreased 22.8% YoY
- Maintenance services rose 24.6% YoY

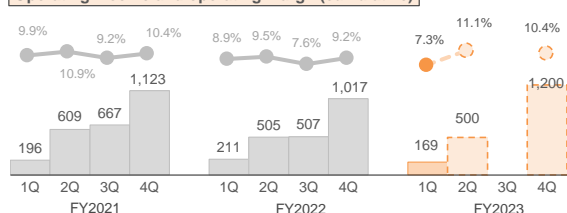
(Factors)
Negative factors: Net sales of plant products decreased due to the decline in number of large-scale projects as well as decline in works during Golden Week in May

Operating income

- Operating income decreased 14.3% YoY
- Operating margin fell 1.6 pp YoY

(Factors)
Negative factors: Profit declined as some projects among unit products had low margin due to the soaring raw material prices

Operating income and operating margin(cumulative)



FY 2023 estimates

Started the fiscal year with positive order backlog from the end of FY 2022

- The market of ready-mixed concrete industry stabilized as cost increases in electric power, raw materials, and transportation costs were appropriately passed on to selling prices and they were also reflected in the prices listed in commodity price materials

Stable demand is expected to continue

Next is BP.

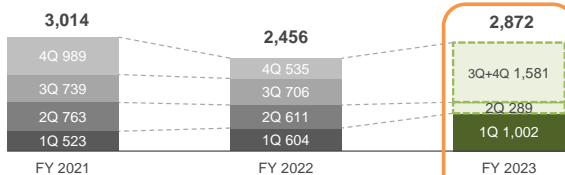
With respect to BP, the performance has been quite steady and at a high level for the last three to four years, and that situation has continued this fiscal year too.

New orders in the first quarter were slightly less compared to the previous fiscal year and the fiscal year before that, but for the full year we anticipate orders of 11,200 million yen, more or less same as last year. Net sales for the full year are expected to slightly exceed the previous year's figures. Profit will rise slightly.

Environment- and conveyor-related business



New orders received (million yen)



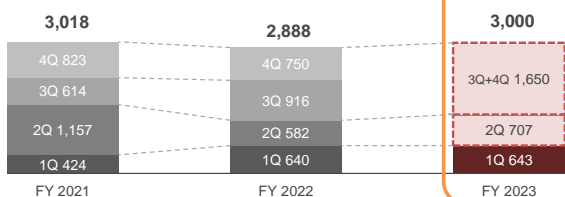
► New orders received

- Up 71.0% YoY

(Factors)

Positive factors: Up 199% YoY, as we received orders for 2 large-scale projects for disposal of removed soil in the environmental division

Net sales



► Net sales

- Up 0.6% YoY
(Environment: Down 5.0%; Conveyor: Up 1.6%)

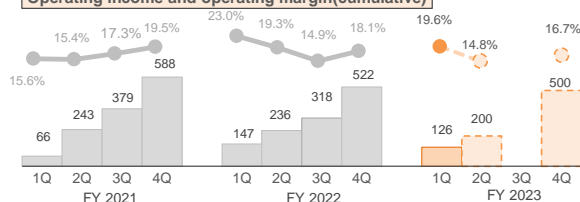
► Operating income

- Operating income decreased 14.3% YoY
- Operating margin fell 3.4 pp YoY

(Factors)

Negative factors: There were no high-margin environmental projects like last year.

Operating income and operating margin(cumulative)



FY 2023 estimates

Environment-related business:

Expect increased sales as there are many business negotiations for large-scale projects such as the World Expo in Osaka and IR-related projects. A large number of projects to dispose removed soil.

As the number of business negotiations related to the disposal of removed soil increased, the number of business negotiations regarding plaster-based solidification material manufacturing facilities showed a rising trend.

Conveyor business:

Sales are increasing as the number of customer visits increased as the pandemic subsided.

In the environment- and conveyor-related business, there was no major changes in the conveyor-related business.

Orders were relatively strong in the environment-related plants and products in the first quarter, and they were up 199% year on year. Specifically, we received orders for two large projects for disposing removed soil in the environment-related business.

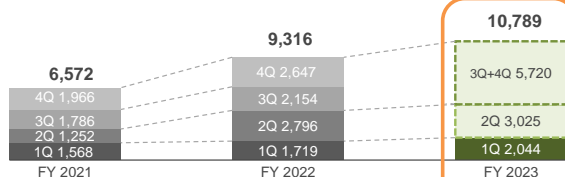
We are expecting 3,000 million yen in net sales for the full year, as of now. With respect to profit, there are a few environment-friendly products with slightly low operating margin, due to which we are expecting a profit of 500 million yen, a small decline compared to the previous year.

Other business



New orders received

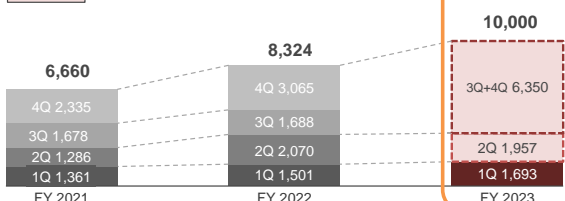
(million yen)



New orders received

- Up 18.9% YoY for the entire segment
- Ube Kohki: Up 183 mil. yen YoY
- Mobile plant (MP) business: Orders increased YoY in the first quarter
 - FY 2022 110 mil. yen (3 units)
 - FY 2023 290 mil. yen (5 units)

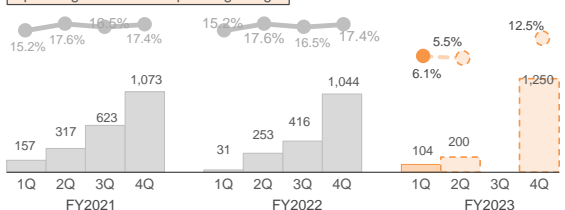
Net sales



Net sales

- Up 12.8% YoY
- Positive factors: Net sales of MP products were 144 mil. yen (4 units) in the previous fiscal year → 498 mil. yen (10 units)
A year on year increase, as ODA projects to support Ukraine's recovery were added to strong sales for crushing and recycling purposes
- Negative factors: Sales of Ube Kohki were down 60.6% YoY
Sales of hand tools (shovels and scoops) and crushers declined YoY

Operating income and operating margin



Operating income

- Operating income rose 235.5% YoY
- Operating margin rose 4.0 pp YoY

★Sales composition of Other Business

Temporary construction materials 20.3%, waterproof boards and floodgates 10.1%, hand tools 10.8%, mobile plants 29.5%, crushers 3.2%, Nikko-developed products and external sales 7.9%, Ube Kohki 10.3%, other 7.8%

Next is the other business.

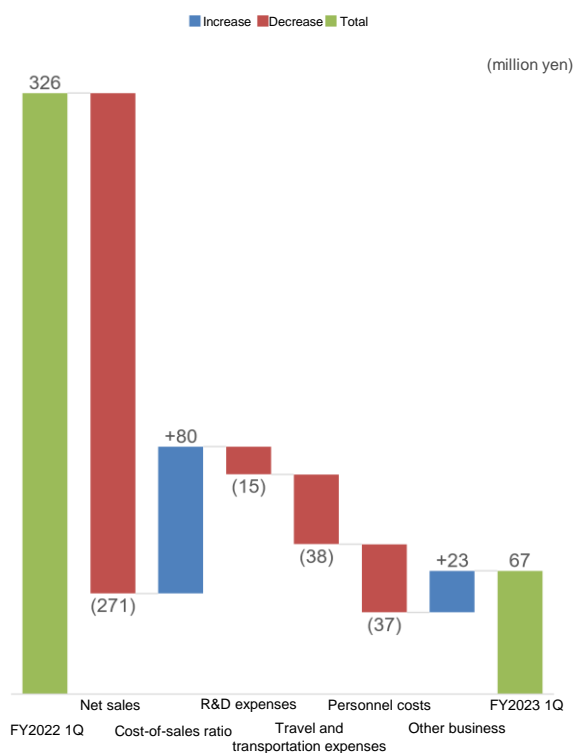
The other business has been on an upswing during the last few years, and the rate of growth has also been very high. Of course, Ube Kohki, which became a consolidated subsidiary through M&A, is also a factor. Ube Kohki has been included in the consolidated figures since FY 2022.

New orders for the first quarter came to 2,000 million yen, which is a 300 million yen increase compared to the 1,700 million yen of the previous year. We expect the full-year figures to be 10,700 million yen, about 1,400 million higher than last year.

Regarding Matsuda Kiko, which I talked about at the beginning, the company had sales of about 600 million yen and the impact is only for half of the year. So, it is not included in the performance forecast.

Net sales for the other business in the first quarter rose about 10% compared to the previous year. As a result, operating income is also growing strong. As of now, we are expecting the other business to post operating income of 1,250 million for the full year.

Analysis of Factors Contributing to Changes in Ordinary Income in 1Q FY 2023



Item	Impact	Content
Contribution from net sales	(271)	Decline in net sales 1,059 million yen
Cost-of-sales ratio	+80	Improvement in cost-of-sales ratio 74.4%→73.4%
R&D expenses	(15)	Increase in development expenses
Travel and transportation expenses	(38)	COVID-19 subsided and business travels increased
Personnel costs	(37)	Increase in number of employees, base salary raise
Other business	+23	Dividends income 24 million yen

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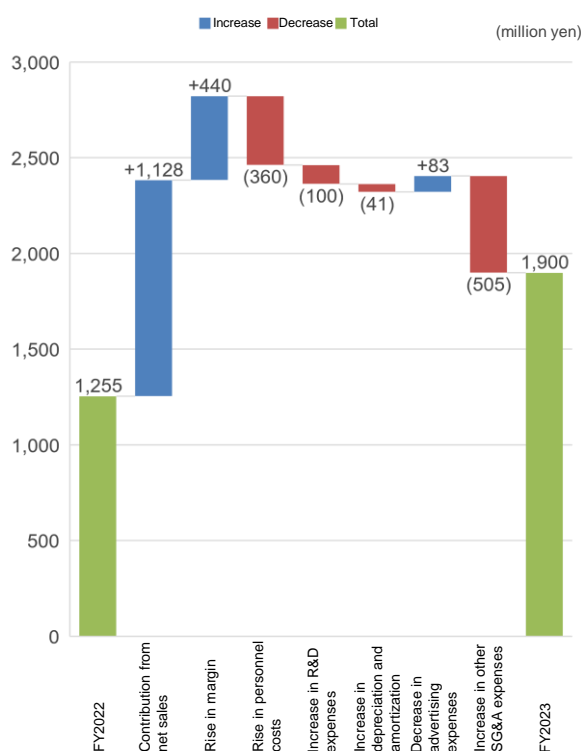
In this slide we analyzed the factors contributing to the year-on-year changes in ordinary income in the first quarter.

Ordinary income for the same period of the previous year was 326 million yen and it is 67 million yen for the current fiscal year, so it is down 259 million yen.

The major factor behind the decline is the fall in sales. We were able to reduce cost of sales ratio by about 1%. Meanwhile, expenses such as R&D expenses, travel and transportation expenses, and personnel costs have been increasing.

In the current fiscal year, a decline in sales primarily in the AP service, has had the biggest impact in terms of income.

Factor Analysis of Changes in Ordinary Income for FY 2023 (Forecast)



Item	Impact	Content
Contribution from net sales	+1,128	Increase in net sales +3,154
Rise in margin	+440	1% improvement from price increase
Rise in personnel costs	(360)	Increase in wage (200) Increase in number of employees (160)
R&D expenses	(100)	
Depreciation and amortization	(41)	
Decrease in advertising expenses	+83	Absence of Nikko Messe portion seen in FY 2022
Increase in other SG&A expenses	(505)	

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Annual ordinary income for the previous year was 1,255 million yen. This year we are expecting 1,900 million yen, or about 650 million yen increase year on year.

Major factors behind the increase in income are growth in net sales and improved margin. Though net sales declined in the first quarter, we expect significant increase in the full year.

Price increase has contributed to the rise in margin, and we expect an increase of approx. 440 million yen.

At the same time, we are expecting personnel costs, R&D expenses, and depreciation and amortization to increase.

In FY 2022, a special factor related to exhibition led to about 100 million yen in expenses. In the current fiscal year, however, we expect an impact from the decline in advertising expenses, etc. However, we expect an increase of approx. 500 million yen in other SG&A expenses.

Balance Sheet Trends



(million yen)

		End of FY 2022	FY 2023 1Q	Change	Main factors in year-on-year change
Assets	Current assets	33,723	33,209	(513)	Increase: Cash and cash equivalents +1,480 mil. yen Decrease: Work in process +1,079 mil. yen Notes and accounts receivable-trade (2,320 mil. yen) Electronically recorded monetary claims (144 mil. yen) Other (639 mil. yen)
	Property and equipment	11,839	12,384	+544	Increase: Land +161 mil. yen Construction in progress +539 mil. yen
	Intangible assets	1,020	994	(25)	Increase: Investment securities +912 mil. yen
	Investments and other assets	5,544	6,223	+679	Decrease: Machinery, equipment and vehicles (171 mil. yen) Deferred tax assets (233 mil. yen)
	Total assets	52,127	52,812	+684	
Liabilities	Current liabilities	15,338	15,147	(191)	Increase: Accounts payable-other +380 mil. yen Contract liabilities +614 mil. yen Other +115 mil. yen Long-term loans payable +736 mil. yen Decrease: Notes and accounts payable-trade (746 mil. yen)
	Long-term liabilities	5,184	5,897	+712	Income taxes payable (190 mil. yen) Provision for bonuses (261 mil. yen) Provision for loss on order received (104 mil. yen)
Total net assets		31,604	31,766	+162	Increase: Valuation difference on available-for-sale securities +631 mil. yen Decrease: Retained earnings (546 mil. yen)
Net assets per share (yen)		826.73	831.51	(4.78)	

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Current Assets: Compared to the end of FY 2022 three months ago, current assets have decreased by more than 500 million yen due to significant decline in accounts receivable-trade.

Property and equipment: Increased by 500 million yen.

Investments and other assets: Risen by more than 600 million yen with investment securities increasing in particular. This is related to higher stock prices.

Liabilities: There has been no major changes in liabilities. Contract liabilities (advance received) have increased. Receipt ratio of advances received have improved, which is expected to have a favorable impact on cash flow.

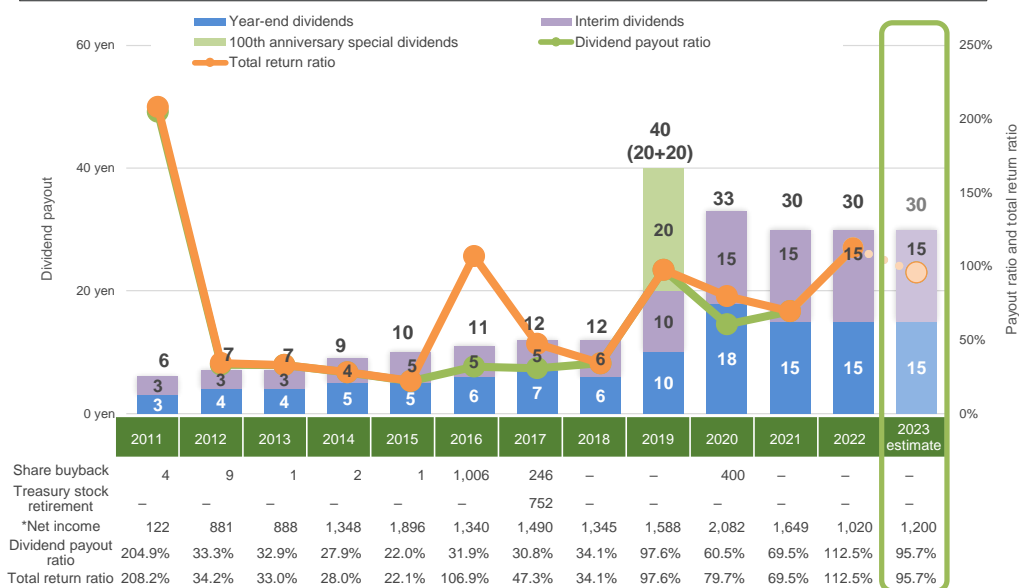
Net assets increased by 162 million yen compared to the end of the previous fiscal year, with net assets per share reaching 831 yen.

Shareholder Returns



Forecast of 30.00 yen per share in dividend payment for FY 2023 (15.00 yen per share as interim dividends and 15.00 yen per share as year-end dividends; dividend payout ratio of 95.7%)

Policy that sets **the payout ratio at 60% or more** under the Medium-Term Management Plan



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

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

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Finally, we look at our policy of shareholder returns.

We have announced a dividend forecast of 30 yen per share for the current fiscal year. The payout ratio is set at 60% or higher for the Medium-Term Management Plan period.

The net income forecast for the current fiscal year is 1,200 million yen, and therefore the annual dividend of 30 yen will result in a payout ratio of 95.7%. In FY 2022, the final net income declined significantly, and payout ratio ended up above 100%. In the current fiscal year, the progress is not so favorable in the first half, but we think we will be able to sufficiently achieve the figures announced at the beginning of the term if we can work on the current order backlog.

This completes my presentation.

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



(million yen)

	FY 21				FY 22				FY 23			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	8,817	10,191	8,157	11,681	9,504	9,256	8,369	12,536	8,446			
AP-related business	5,058	4,131	4,176	4,963	4,982	3,670	4,433	4,256	3,795			
BP-related business	1,972	3,617	1,690	3,561	2,381	2,933	1,330	4,467	2,313			
Environment- and conveyor-related business	424	1,157	614	823	640	582	916	750	643			
Other business	1,361	1,286	1,678	2,335	1,501	2,070	1,688	3,065	1,693			
Operating income	375	593	59	1,026	183	216	(32)	661	(99)			
AP-related business	199	189	(61)	235	139	(7)	107	(190)	(92)			
BP-related business	196	413	58	456	211	294	2	510	169			
Environment- and conveyor-related business	66	177	136	209	147	89	82	204	126			
Other business	157	160	306	450	31	222	163	628	104			
Corporate expenses	(244)	(345)	(382)	(322)	(345)	(382)	(388)	(490)	(407)			
Ordinary income	519	586	89	1,079	326	222	(19)	726	67			
Net income attributable to owners of parent	378	489	838	(59)	140	119	(35)	796	27			
Cash flow from operating activities	2,224				(1,644)				-			
Cash flow from investing activities	(2,165)				(1,226)				-			
Total dividend	683	-	573	-	573	-	574	-	574	-	-	-
Share buyback	0				0				-			

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



(million yen)

New orders received (cumulative)	FY 21				FY 22				FY 23			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
AP-related business	4,519	9,048	13,072	18,180	5,094	8,115	12,705	17,614	5,227			
BP-related business	3,142	5,646	8,442	12,086	2,799	5,102	7,921	11,461	2,502			
Environment- and conveyor-related business	523	1,286	2,025	3,014	604	1,215	1,921	2,456	1,002			
Other business	1,568	2,820	4,606	6,572	1,719	4,515	6,669	9,316	2,044			
Total	9,753	18,802	28,146	39,853	10,217	18,949	29,217	40,849	10,777			

End-of-term order backlog	FY 21				FY 22				FY 23			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
AP-related business	7,696	8,094	7,942	7,725	7,837	7,188	7,344	7,998	9,430			
BP-related business	5,678	4,565	5,672	5,755	6,173	5,544	7,032	6,105	6,295			
Environment- and conveyor-related business	734	341	466	631	596	606	396	182	540			
Other business	1,187	1,154	1,261	2,377	2,595	3,321	3,787	3,369	3,720			
Total	15,298	14,155	15,342	16,490	17,202	16,660	18,560	17,656	19,987			

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



(million yen)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Capital investment	844	815	877	1,261	550	1,889	1,483	2,748	1,907	2,214
Depreciation and amortization	395	422	487	482	472	508	611	677	759	990
R&D expenses	295	276	227	271	291	211	379	392	449	576

(persons, years old, or years)

Number of employees (consolidated)	767	796	803	797	807	799	838	861	1,038	1,064
Average age of employees (non-consolidated)	43.3	43.1	42.2	42.3	42.2	40.9	41.1	41.1	40.8	40.3
Average years of service (non-consolidated)	20	19.3	18.2	18.5	18.3	16.0	15.8	15.4	15.3	14.7
Female employees (non-consolidated)	31	33	39	42	42	45	51	55	59	69
Number of new-graduate hires (non-consolidated)	21	21	30	17	19	15	14	13	29	32
Number of female new-graduate hires (non-consolidated)	1	3	1	2	0	0	0	0	3	6
Percentage of female hires (non-consolidated)	4.7%	14.2%	3.3%	11.7%	0%	0%	0%	0%	10.3%	18.8%
Number of foreign-national hires (non-consolidated)	6	0	0	0	1	1	0	1	0	8
Number of foreign-national employees (non-consolidated)	8	6	6	6	7	8	5	5	6	13
Foreign national employees (consolidated)	91	95	94	93	101	98	116	116	194	205
Overseas employees (consolidated)	91	95	92	91	101	98	123	121	197	214

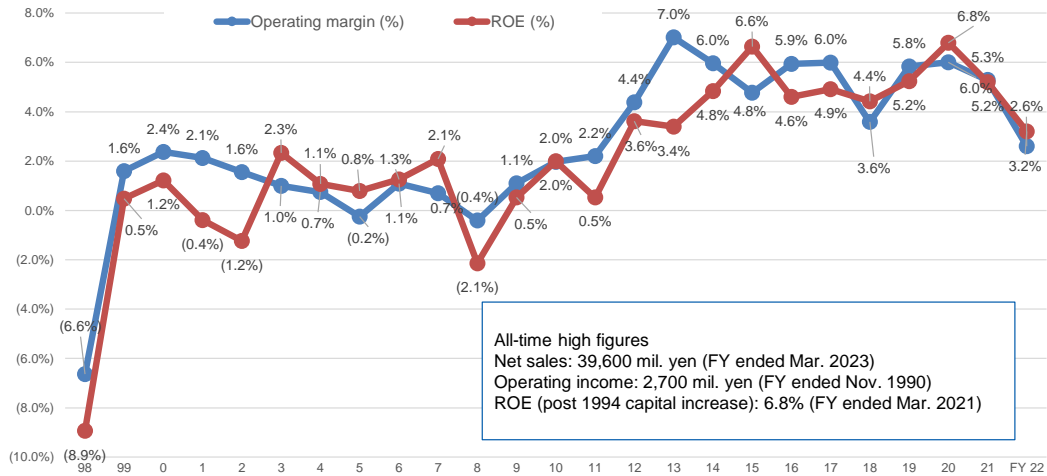
New products for reducing environmental impact

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2022
New products	[Sand dryer] [High-temperature preheating burner]	[NTB-II burner]	[Newly designed bag filter]	[VP Series APs]	–	[Foamed asphalt manufacturing equipment]	[Powdered fuel burner]
Features reducing environmental impact	<ul style="list-style-type: none"> Higher plant production efficiency Energy saving 	<ul style="list-style-type: none"> Energy saving Higher combustion efficiency in combustion range 	<ul style="list-style-type: none"> Space saving Energy saving Exhaust gas reduction Low noise 	<ul style="list-style-type: none"> Preventing diffusion of recycled material odorous gas 	–	<ul style="list-style-type: none"> Support for manufacture of warm-mix asphalt 	<ul style="list-style-type: none"> Aimed at burning powdered biomass fuels Reduce CO₂ emissions from burners

Trend in Key Financial Data



Operating margin and ROE



All-time high figures
 Net sales: 39,600 mil. yen (FY ended Mar. 2023)
 Operating income: 2,700 mil. yen (FY ended Nov. 1990)
 ROE (post 1994 capital increase): 6.8% (FY ended Mar. 2021)

(million yen)

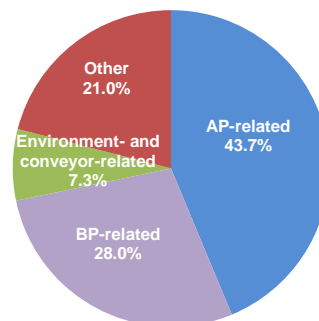
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	FY 22
Net sales	22,595	23,170	24,307	24,812	24,864	22,175	25,035	26,942	23,856	23,971	23,803	24,553	27,087	32,073	30,707	34,110	32,717	35,114	31,780	35,151	37,866	38,846	39,665
Operating income (loss)	536	492	379	248	185	(55)	271	189	(98)	265	470	541	1,186	2,249	1,832	1,629	1,944	2,103	1,427	2,053	2,302	2,053	1,028
Ordinary income	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	2,274	1,255
Net income (loss)	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	1,649	1,020

Company Overview



Company 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, 2023)
Consolidated net sales	39,665 mil. yen	(FY 2022)
Consolidated operating income	1,028 mil. yen	(FY 2022)
Ratio of net sales outside Japan	14.7%	(FY 2022)
Subsidiaries	11 companies	(FY 2022)
Number of employees (consolidated)	1,064	(as of March 31, 2023)
Governance structure:	Company with Audit & Supervisory Board Directors: 9, of which 4 are outside directors Audit & Supervisory Board Members: 4, including 3 outside auditors (as of March 31, 2023)	

Net sales breakdown by business segment (FY 2022)



* 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

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Business Segments



AP-Related Business	BP-Related Business	Environment- and Conveyor-Related Business	Other Business																																																																																																																
<p>Main products</p> <ul style="list-style-type: none"> Asphalt plants Recycling plants Crushing plant Mixture silos Electronic control devices, plant management system <p>ABO Made-to-order AP models that can handle diverse needs</p> <p>VP II Ecological model AP, primary for recycling</p> <p>CBD EcoStar model AP for Thailand and Southeast Asia markets</p>	<p>Main products</p> <ul style="list-style-type: none"> Concrete plants Compact concrete plants Concrete pumps Electronic control devices, plant management system Concrete manufacturing plant facilities, etc. <p>DASH-H275E-UV Twin-ADV Ultra-strong concrete plants</p> <p>DASH-H167 ProceST Large-scale precast concrete plant</p> <p>ONZEMIX-T50 Mobile BP</p>	<p>Main products</p> <ul style="list-style-type: none"> Belt conveyors, conveyors for facilities, beverage container recycling plants Soil remediation plant, plastic recycling plant <p>Modular conveyor Conveyor using pipe frames whose lengths can be adjusted in increments of 10cm</p> <p>A plaster-based solidification material manufacturing facility It manufactures gypsum hemihydrate by drying gypsum powder. The facility manufactures solidification material by blending with cement and lime.</p> <p>Super modular conveyor Simple sealed-type conveyor using steel plate frames that ensures higher safety</p>	<p>Main products</p> <ul style="list-style-type: none"> Pipe scaffolding, steel gangplanks Temporary aluminum staircases Shovels, spades Small-sized concrete mixers, mortar mixers Foldables, waterproof boards, crushers Real estate leasing, construction machinery product leasing Sales of housing renovation <p>Hammer crusher Particle size can be adjusted with grate size and the desired particle size can be obtained with a single crushing.</p> <p>Mobile plant One set of crusher line (crushers, screens, belt conveyors, etc.)</p> <p>Waterproof board Waterproof board, which is effective against water damage (internal facing), suavity, global wining</p>																																																																																																																
<p>Thailand business 11.0%</p> <p>China business 29.0%</p> <p>Maintenance service 45.0%</p> <p>Exports 3.8%</p> <p>Pilot sales 25.5%</p> <p>Nikko share 69%</p>	<p>Concrete pumps 1.8%</p> <p>Nikko Shanghai pumps 8.4%</p> <p>Exports 0.3%</p> <p>International service 39.1%</p> <p>Plant sales 58.4%</p> <p>Nikko share 32.9%</p>	<p>Conveyor service 3.2%</p> <p>International products 23.5%</p> <p>Conveyor products 73.1%</p> <p>Portable conveyor (Nikko share) 60%</p>	<p>Other 5.8%</p> <p>Crushers 5.1%</p> <p>Nikko-developed products 19.4%</p> <p>Hammer crusher 9.4%</p> <p>Waterproof boards, foldables 24.1%</p> <p>Mobile plants 21.7%</p> <p>Hand tools 10.9%</p> <p>Mobile crushers and screens 23%</p>																																																																																																																
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Operating income	308	417	562	482	558	500																																																																																																													
Operating margin	10.2%	15.0%	21.3%	20.2%	18.5%	20.0%																																																																																																													
Year	2017	2018	2019	2020	2021	2022 (estimate)																																																																																																													
Net sales	4,480	4,877	5,840	6,760	6,860	8,000																																																																																																													
Operating income	442	202	1,020	1,170	1,073	853																																																																																																													
Operating margin	10.3%	4.1%	17.5%	17.2%	15.6%	10.7%																																																																																																													

History



Products		Production Sites	Overseas Expansion	Group Expansion in Japan (including acquisitions and transfer of business)
1919	Established TOMBO brand farming tools	1919 Head Office Plant	1994 Nikko Baumaschinen (Germany)	1968 Ichiishi Kogyosho (M&A)
1951	Concrete mixers and winches	1938 Industrial machinery factory	1997 Taipei branch (Taiwan)	1971 Nikko Electronics Co., Ltd. established
1956	Ready-mixed concrete plant	1968 Tokyo factory	2001 Nikko (Shanghai) Construction Machinery	1983 Nikko Machinery Co., Ltd. established
1958	Asphalt plants	1994 Satte factory	2020 Nikko Asia (Thailand) Co., Ltd.	1994 Tombo Industry Co., Ltd. established
1962	Telescopic steel props	2004 Shanghai Jiading factory	2020 Nikko Nilkhol Co., Ltd. (Thailand)	1995 Nikko Sec Co., Ltd. established
1963	Pipe scaffolding	2014 Kakogawa factory		2002 Niigata Engineering (transfer of business)
1966	Conveyor system	2016 Fukusaki factory		2006 Mitsubishi Heavy Industries, Ltd. (transfer of business)
1983	Floodgates			2008 Maekawa Kogyosho (M&A)
2000	System for cleaning oil-polluted soil			2022 Ube Kohki (M&A)
2001	Waste plastic treatment system			2023 Matsuda Kiko (M&A)
2007	Concrete pumps			
2010	Waterproof boards			
2015	Crusher (import and sales)			



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 work to brush up on our core technologies in “heating,” “mixing,” “material handling” and “control” as we expand business.

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

Representative Director and President



Nikko Group's Value Creation Process

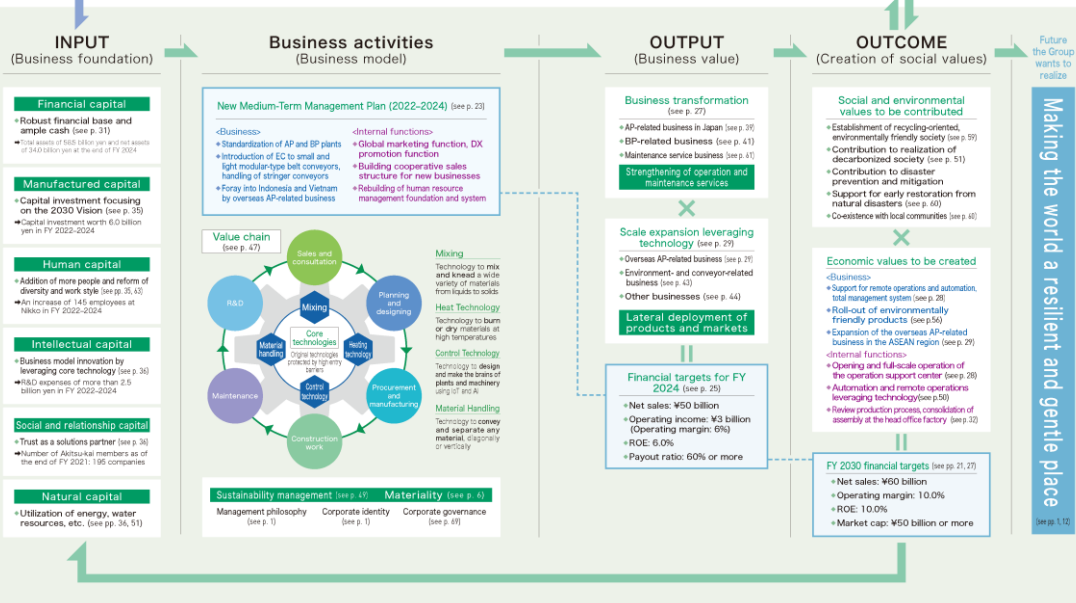


Social issues and changes in the industry (risks and opportunities) (see p. 48)

- Carbon-neutral initiatives
- Acceleration of digitization
- Declining birthrate and aging population, declining workforce
- recycling of waste materials and establishment of recycling-oriented society
- Intensification of disasters and early restoration
- Rising ESG awareness

Nikko Group 2030 Vision (see p. 9)

The top manufacturer of plant facilities and environmental products underpinned by advanced technology and customers' management partner through operation and maintenance service





Update the social infrastructure by leveraging engineering that is one step ahead of others.

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.)

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

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- 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.