

Nikko Corporate Report 2025

Fiscal year ended
March 31, 2025

Nikko

Corporate Report 2025

Updating social infrastructure
with state-of-the-art engineering

Our Values and What We Aspire to Be

Based on the company creed, which is its basic principles, the Nikko Corporate Identity stipulates Our Vision on the future axis, The Values We Provide on the customer axis, and Our Spirit on the employee axis, with Our Mission describing Nikko must fulfill in daily operations, at the core.

Corporate slogan

Create the future with *n*

Our Mission (The Mission We Strive To Fulfill)

Updating social infrastructure
with state-of-the-art engineering.

Our Vision (The Future We Aspire To Realize)

Creating robust, people-friendly cities around the world.

The Values We Provide (The Values and Strength We Provide)

1. We pursue safety and security with all of our products and services.
2. We comprehend substantial issues and make proposals from a customer's perspective.
3. We look ahead to refine technologies for society and the times.
4. We connect with our customers and provide support into the future.
5. We combine our engineering strengths to exceed expectations.

Our Spirit (The Spirit We Value)

- | | |
|---|---|
| 1. Make work fun. | 8. Cooperate with, and inspire each other. |
| 2. Be conscious about goals. | 9. Learn extensively from within and without. |
| 3. Create ideas. | 10. Be honest and sincere. |
| 4. Fearlessly take on new challenges. | 11. Have emotional and physical leeway. |
| 5. Push through to the end. | 12. Always put safety first. |
| 6. Cherish time. | |
| 7. Be considerate when talking to others. | |



On the Publication of Nikko Corporate Report 2025

Director and Director of
Administrative Division

Koichi Kawakami



Based in Akashi, Hyogo Prefecture, Nikko Group is a company with a market capitalization of over 30.0 billion yen. You may not be familiar with our markets, yet we serve an important role as a player that supports Japan's infrastructure. Since 2019, we have been publishing corporate reports to facilitate our investors', and all our stakeholders', understanding of the day-to-day work we engage in to enhance our social and economic value.

We made a more conscious effort than ever to design Nikko Corporate Report 2025 in such a way that will reflect positively on our stock price. We aspire to convey to stakeholders our growth strategy to accomplish the 2030 Vision and a market capitalization of 50.0 billion yen, along with the story of the strategy, in addition to the management capital and business models the Nikko Group has.

As the director responsible for the publication of this corporate report, I work to ensure the accuracy of what the report presents, and to establish the processes of setting materiality and other details as well as relevance to our businesses. We intend to make effective use of this report as an opportunity to facilitate constructive conversations with you so that we will truthfully incorporate your feedback and requests into our business management. In doing so, we aim to further enhance our corporate value.

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- **Target readers** This Report is targeted for all stakeholders involved with the Nikko Group.
- **Reporting period** The Report mainly covers FY2024 (April 1, 2024 to March 31, 2025), but also includes information before and after this period.
- **Reporting scope** The Report covers the Nikko Group, comprising Nikko Co., Ltd. and its subsidiaries (all of which are consolidated subsidiaries).

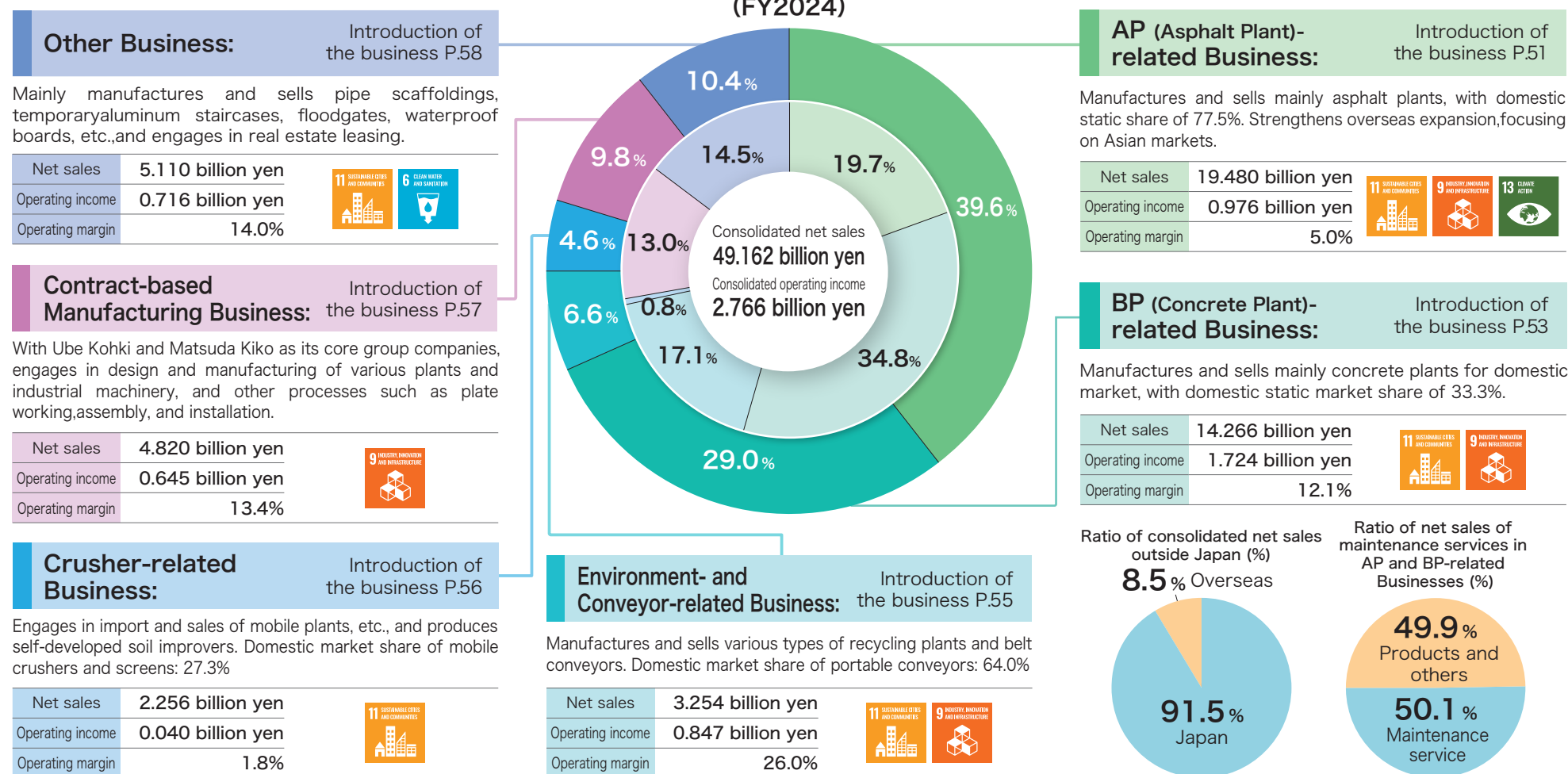
- **Company name** "Nikko" and the "Company" refer to Nikko Co., Ltd. The "Nikko Group" and the "Group" refer to the Nikko Group, including consolidated subsidiaries.
- **Note on forward-looking information** This Report includes statements on future outlook. We appreciate your understanding that actual performance may differ from the Company's projections.

Introduction of Nikko Group

Six Business Segments supporting the Nikko Group

Previously, our business was classified into four business segments: AP (Asphalt Plant)-related Business, BP (Concrete Plant)-related Business, Environment- and conveyors-related Business, and Other Business. However, starting from FY2023 (fiscal year ended March 31, 2024), the Company has classified its Other Business into three Crusher-related business, Contract-based Manufacturing Business, and Other Business, and has changed the number of its business segments to six: AP-related Business, BP-related Business, Environment- and Conveyor-related Business, Crusher-related Business, Contract-based Manufacturing Business, and Other Business.

Sales breakdown by business segment
(FY2024)



Note: Operating income and operating margin for each business segment represent operating income before deduction of corporate expenses.

Where the Nikko Group products are used

Introduction



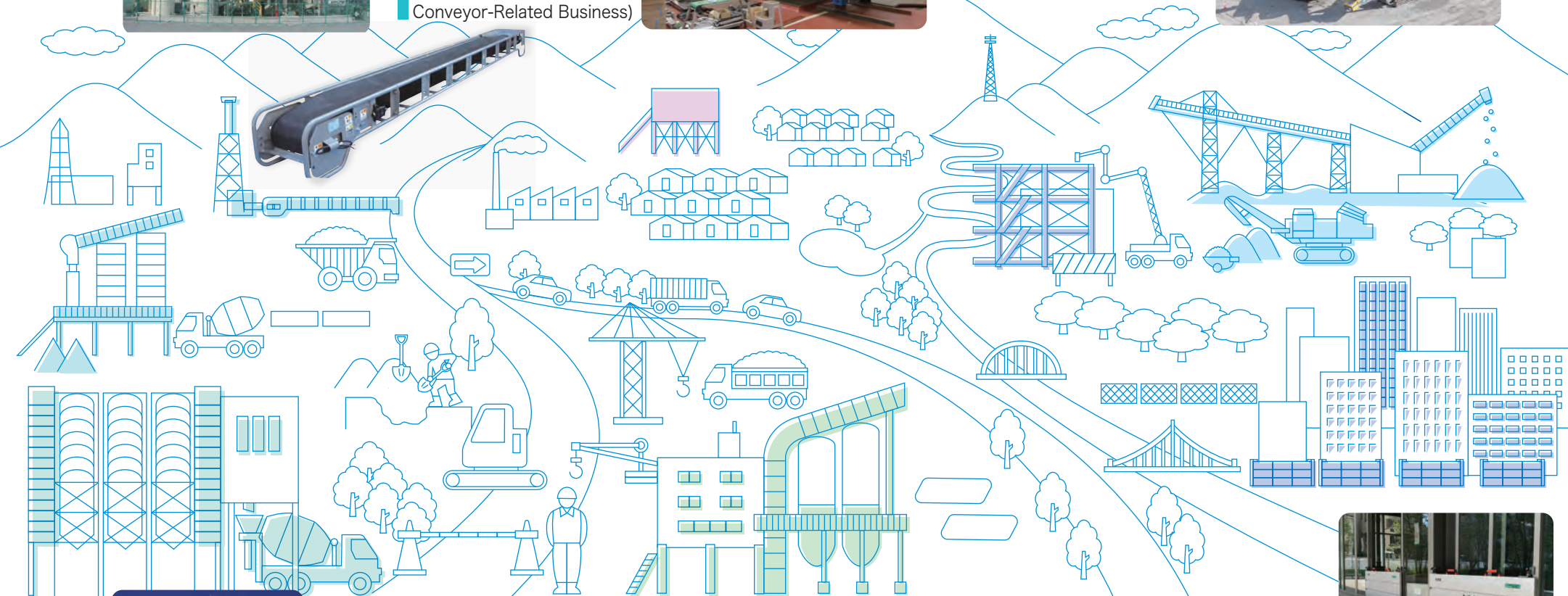
Soil remediation plant
(Environment- and
Conveyor-Related Business)

Conveyor
(Environment- and
Conveyor-Related Business)



Mobile crusher
(Crusher-Related Business)

Plate working for plant
equipment (Contract-Based
Manufacturing Business)



Concrete plant
(BP-Related Business)



Asphalt plant (AP-Related Business)



Temporary construction
equipment (Other Business)



Floodgate (Other Business)



Waterproof board
(Other Business)

Established 1919

History of Value Creation in the Nikko Group

Nikko Group, which began manufacturing and selling shovels, spades, pickaxes, and construction hardware in 1919, celebrated its 106th anniversary in August 2025. Under the new president Tomomi Nakayama, FY2025 has marked the start of our new Medium-Term Management Plan (FY2025—FY2027). To achieve the target net sales of 70.0 billion yen, target operating margin of 10.0%, and target market cap of 50.0 billion yen that are set out in our 2030 Vision, we aspire to create new value and expand our businesses.



Head office factory at the time of founding



Eigashima factory

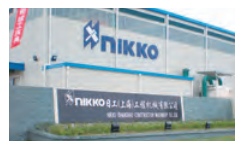
Since 1990

Promotion of diversification and strengthening of group management

- 1991 ● Established Development Technology Center
- 1994 ● Completed Satte Plant
- 2000 ● Established Overseas Business Department
- 2001 ● Established Nikko (Shanghai) Construction Machinery Co., Ltd.
- 2002 ● Acquired the asphalt plant business from Niigata Engineering Co., Ltd.
- 2004 ● Completed Jiading Plant, the first overseas production base of Nikko (Shanghai) Construction Machinery Co., Ltd.,
- 2006 ● Established Nikko (Thailand) Co., Ltd.
- 2006 ● Acquired the concrete pump business from Mitsubishi Heavy Industries, Ltd.'s Shimonoseki Shipyard & Machinery Works.
- 2008 ● Made Maekawa Kogyosho Co., Ltd. a group company

External environment: Growing need for environmentally friendly products

- 1994 ● Kansai International Airport opened
- 1995 ● The Great Hanshin-Awaji Earthquake
- 1997 ● Kyoto Protocol adopted
- 2006 ● Kobe Airport and Kitakyushu Airport opened
- 2008 ● Global financial crisis (Lehman Shock)



Nikko Shanghai

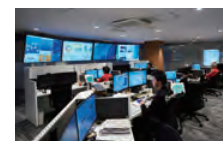
Since 2010

Switch to aggressive management approach

- 2011 ● Completed the New Wuhan plant of Shantui Nikko Construction Machinery Co., Ltd.
- 2012 ● Appointed Takahisa Nishikawa Representative Director and President
- 2012 ● Dissolved Nikko (Thailand) Co., Ltd.
- 2015 ● Started activities as the sole Japanese agent for Kleemann of Germany
- 2015 ● Closed Shantui Nikko Construction Machinery Co., Ltd.
- 2018 ● Established Techno Center (Akashi)
- 2018 ● Started Mobile Plant Business Department (currently Crushers-Related Business)
- 2019 ● Appointed Masaru Tsuji Representative Director and President
- 2019 ● 100th Anniversary

External environment: Exacerbation of various disasters

- 2010 ● Expo 2010 Shanghai, China
- 2011 ● The Great East Japan Earthquake
- 2012 ● Tokyo Skytree opened
- 2015 ● Hokuriku Shinkansen (Tokyo– Kanazawa) started operation
- 2015 ● UN rules on SDGs



CSC (Customer Support Center)

Since 2022

Towards achieving the current Medium-Term Management Plan and What the Group aspires to be in 2030

- 2020 ● Established Nikko Asia (Thailand) Co., Ltd.
- 2020 ● Established NIKKO NILKHOSOL CO.,LTD. (currently NikkoGlobal Manufacturing (Thailand) Co.,Ltd. (abbreviation: GMT))
- 2022 ● Made Ube Kohki Co., Ltd. a group company
- 2023 ● Made Matsuda Kiko K.K. a group company
- 2024 ● Made Nishinoh Real Estate Co., Ltd. a group company
- 2025 ● Appointed Tomomi Nakayama Representative Director and President
- 2025 ● Announced New Medium-Term Management Plan (FY2025—FY2027)
- 2025 ● Made Nikko Fujiwara Electric Corp. a group company (Current: Nikko Fujiwara Electric Corp.)
- 2030 ● Set 2030 Vision (target net sales of 70 billion yen, operating margin of 10% and market cap of 50 billion yen)

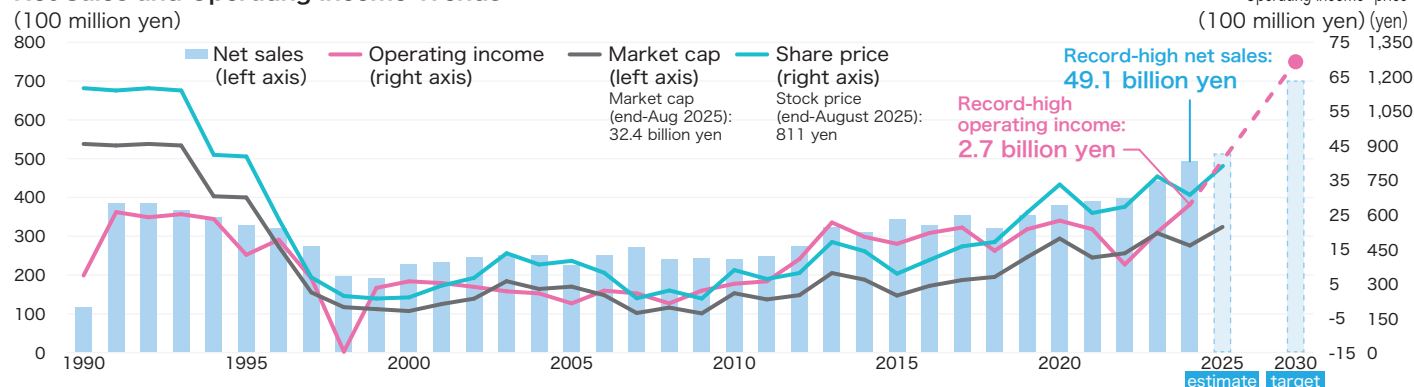
External environment: Post-COVID era

- 2020 ● COVID-19 pandemic
- 2021 ● Olympic Games Tokyo held
- 2022 ● Russia's invasion of Ukraine
- 2023 ● COVID-19 moved to Category 5
- 2025 ● Takanawa Gateway City to opened
- 2025 ● Expo 2025 Osaka, Kansai



GMT

Net Sales and Operating Income Trends



Guided by the slogan “Creating the Future Beginning with *ni*,” we have upheld long-standing values since our founding and are committed to our mission of “Updating social infrastructure with state-of-the-art engineering.” Through technological development and commercialization, we strive to contribute to solving challenges faced by our customers and society.

Since ► the establishment

Postwar reconstruction and entry into the construction machinery field

When the Company was founded, it was engaged in the manufacturing and selling of shovels, shovels, etc. In 1951, it entered the construction machinery field, including transverse conveyors, winches, and concrete mixers. Later, in preparation for postwar reconstruction, the company began production of batcher plant in 1956 and asphalt plant in 1958.



Produced the first shovel(1920)



Entered the construction machinery field, including transverse conveyors (1951)



Nikko's first asphalt plant(1958)

Since 1970 ►

Larger machines and rising need for pollution prevention

As the economy grew, plants became larger and more sophisticated, and the need to address increasingly serious pollution arose. By promoting the introduction of technology from overseas, we have been providing products that address anti-pollution measures, automation, etc.



Developed a 240t/h asphalt plant (1972, remains one of the largest in Japan)



Developed recycling plants (1977)



Developed u-type concrete plants (1970)



Developed compact concrete plants (1979)

Since 1990 ►

Rise of earthquake response needs and entry into the environmental field

Following the Great Hanshin-Awaji Earthquake in 1995, the need for earthquake response and high-quality concrete products arose. We entered the environmental field on the back of growing interest in environmental issues.



Beverage container separator crusher “Recycle 4” (1998)



Developed DASH-200N mixer (2007)



Developed of space-saving Euro-type asphalt plant (2009)



Developed WELL-turbo burner (2005)



Developed double hot bin plant (2009)

Since 2010 ►

Environment-related fields using core technologies strengthened in addition to developing overseas markets

In 2011, the factory of Shantui Nikko Construction Machinery Co., Ltd. in China started operation, and the Company made progress in developing overseas markets. Against the backdrop of growing needs for decarbonization and other factors, we strengthened our lineup of environmentally friendly products and concluded an exclusive domestic sales contract for KLEEMANN's mobile crushers.



Developed new asphalt plant Value Pack series (2016)



Developed BP operation panel Cyber Advance (2018)



Developed plants especially for quake-disaster recovery (2013)



Started handling KLEEMANNmobile crusher (2015)



Started handling the mobile conveyor Trackstack (2018)



Developed the MBD series, mainly made of recycled mixtures (2014)

2022 ► current

Strengthen development of burners for new fuels

In addition to developing technologies to realize a decarbonized society, we are strengthening product development to solve customer issues such as automation and manpower saving through using AI and remote technologies.



Developed a separating system using AI image recognition (2022)



Completed Japan's first remote shipment of asphalt mixture (2023)



Manufactured asphalt mixtures using a hydrogen burner and conducted trial paving (2023)



Started development of the world's first asphalt plant equipped with a hydrogen burner using hydrogen converted from ammonia (2022)

KPIs for Our Medium-Term Management Strategy and Market Capitalization

It is essential for the Nikko Group to turn its value creation story into a reality in order to fulfill its vision of “Creating robust, people-friendly cities around the world” based on the Group’s raison d’être and mission of “Updating social infrastructure with state-of-the-art engineering.” We are committed to creating social and environmental values. To this end, we will accurately understand social issues and industrial changes and implement our Medium-Term Management Plan by leveraging our advantageous management resources.

Nikko Group’s Medium-Term Management Plan, KPIs, and Business Strategies over a Decade

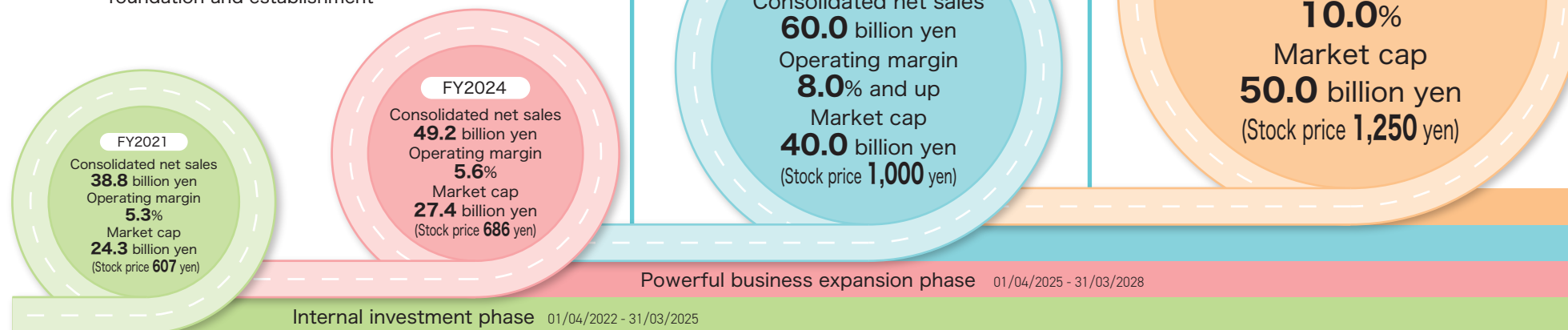
To attain the **2030 Vision**, the Group works as one team toward **new value creation** and **business expansion**

2025 – 2027
Medium-Term
Management Plan

- Plant (AP and BP) standardization
- Introduction of e-commerce for portable conveyors (modular belt conveyors) and start of the sale of stringer conveyors
- Expansion of overseas APs in ASEAN market
- Global marketing function, DX promotion function
- Building cooperative sales structure for new businesses
- Rebuilding of human resource management foundation and establishment

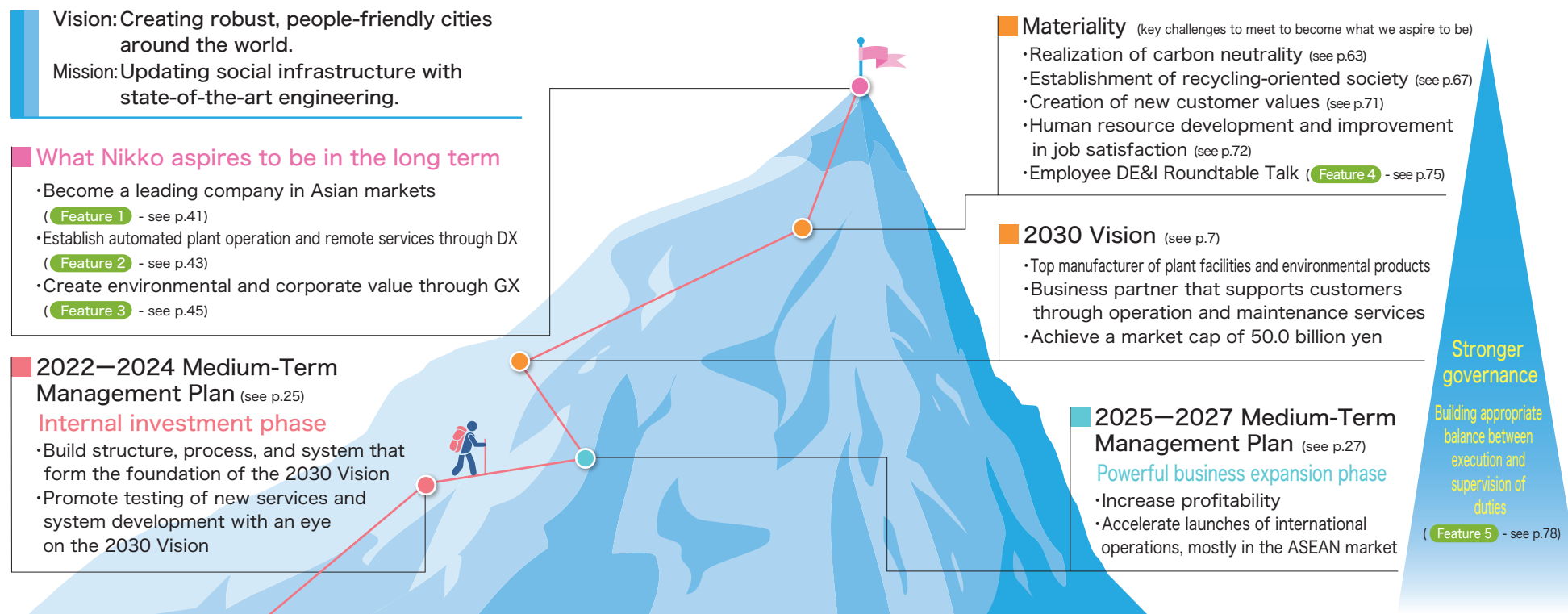
- Launches of new services and systems in Japan to establish new revenue bases in overseas markets
- Introduction of technologies (e.g., AI), rebuilding of production structures
- Growth of group companies
- M&A and alliances for the next medium-term plan

- Domestic businesses with high profitability
- Business foundation established in the ASEAN market
- Global production
- Next-generation technology acquisition and development



What the Nikko Group pursues goes beyond environmental and social consciousness. We advance sustainability management geared to enhancing our medium- to long-term corporate value and resolving social issues. To realize the vision “Creating robust, people-friendly cities around the world,” we aim to maintain our sustainable competitiveness and earn public trust. To do this, we place our sustainability strategy beyond the dichotomy between profit and social contribution at the core of our business management to create value. We are fully committed to implementing this strategy as we believe that it will serve as the driving force behind our work to gain solid trust from society and maintain sustainable competitiveness.

Integration of Management Strategy and Sustainability Strategy at the Nikko Group



Message to Stakeholders



[View the message video](#)

You can't change the world overnight. But you can, little by little. You can't change the world alone. But you can, if we work together. Each of us can do only tiny things. What we can do together is still small. Nevertheless, we have brought our wisdom and technologies together, little by little, to fly forward, like dragonflies that never fly backward. We have supported Japan's social infrastructure over 100 years. From now onward, we aspire to go beyond just offering support. Our next mission is “Updating social infrastructure with state-of-the-art engineering.” We are Nikko. We create robust, people-friendly cities around the world.

Nikko Messe 2025 Designs for a Future Society that Stays One Step Ahead of Its Time

With the vision "Creating robust, people-friendly cities around the world," the Nikko Group contributes to the development of infrastructure and urban planning that support people's daily life through its asphalt plant (AP) and concrete plant (BP) related-businesses, among others.

Nikko Messe is a trade show that is held every three years. At Nikko Messe 2025, under the theme of "Designs for a Future Society that Stays One Step Ahead of Its Time," we presented products and technologies geared to meet challenges facing society, including workstyle reform, digital transformation (DX), and carbon neutrality.

Many new products designed to resolve social issues were exhibited, representing our commitment to realizing the 2030 Vision as well as our hope that they will drive the Group's growth going forward. To list some featured products, we have developed ONZEMIX, a mobile batcher plant designed for use at post-disaster reconstruction sites as well as confined construction sites; LIQUISOIL, which gives fluid and self-hardening properties to soil and sludge generated at construction sites to recycle these

substances into civil engineering material that does not require compaction; and a thermal mixture container ("Okamochi") geared to resolve issues facing the road pavement industry, including decline in shipments of mixtures and numbers of plants, labor shortages, and hazardous tasks in high temperatures or high places. The research conducted by the Ministry of Land, Infrastructure, Transport and Tourism found that 4,739 parts of national roads have an underground cavity, and 119 of them have a high risk of causing sinkholes and are currently under repair. Work like this can lead to increased demand for LIQUISOIL in the medium to long term.

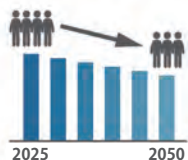
Taco-Lab, our test center, is used as a site for a variety of technological development based on our core technologies. Efforts we are making at Taco-Lab include research into burners fueled by alternatives to heavy oil, and technological innovation for mixing. These efforts also represent the new concept of our plants as next-generation APs and BPs.



Plants of the Future

Future envisaged by 2050

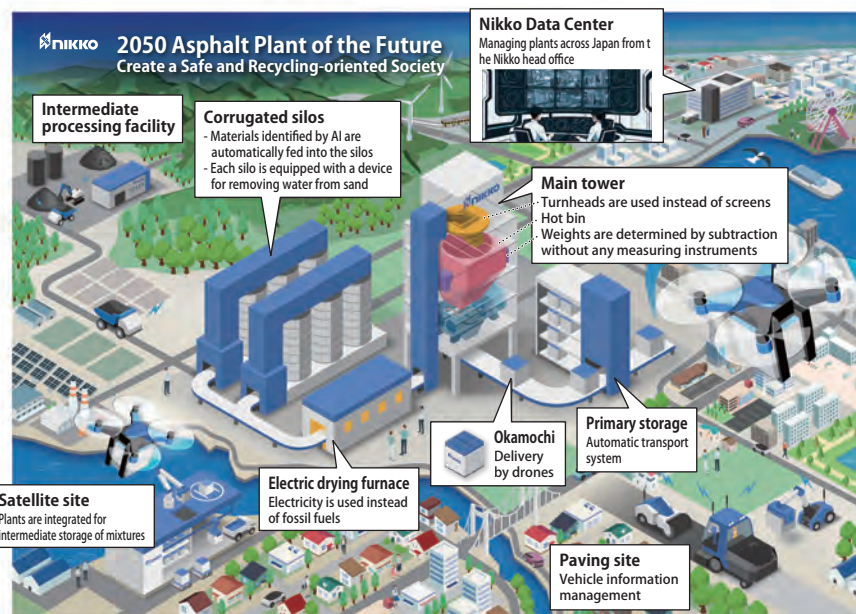
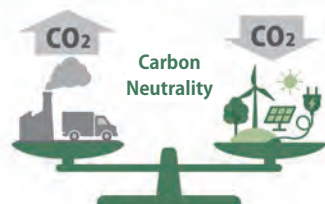
Japan's population is
25% smaller



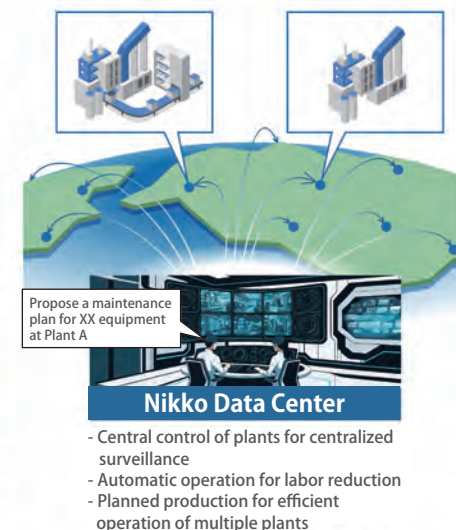
Drone is commonly used
for logistics services



Carbon neutrality achieved 2050



Automatic remote operation



The Future Envisaged in the Novel "Tomorrow's Asphalt"

In the spring of 2024, we launched the SF Prototyping Project as our internal enterprise.

In today's risk society, businesses need to be capable of quickly responding to change. With generative AI now in common use, technology is advancing at a faster pace, making it essential to adopt global and long-term points of view to a greater extent than ever.

For this reason, with help from the SF strategy consultant Dohjin Miyamoto (Representative Director of SF Implementation Lab.), Nikko worked on future co-creation using the "SF prototyping" approach.

In this project, employees from technology, sales, administrative, and various other departments, as well as group companies, joined workshops to discuss the unconventional roads and plants they envisioned for the future. We thought outside the box to create a new vision with the aim of creating a society that allows everyone to recreate the future rather than a society that allows only a few people to monopolize it. The series of discussions also served as opportunities for us to renew our awareness of how important each employee's individuality and creativity are.

The fruit of this enterprise is the novel "Tomorrow's Asphalt" set in Akashi in 2058. This story depicts unique futuristic scenes born out of unrestrained imagination, such as an amusement park as a reincarnation of an asphalt plant, and a sport of swimming in piping hot asphalt. Beyond these imaginative ideas in the story emerges a sight of a disaster-resistant, caring society where anyone can join and enjoy the creation of their town.

With this story as the starting point, the Nikko Group remains committed to working toward the sustainable and creative future we envisage in order to realize our vision "Creating robust, people-friendly cities around the world."

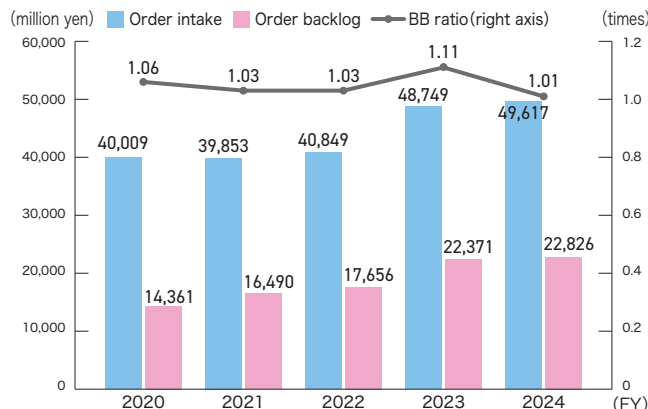


Artwork by Jun Kosaka

Financial and Sustainability Highlights

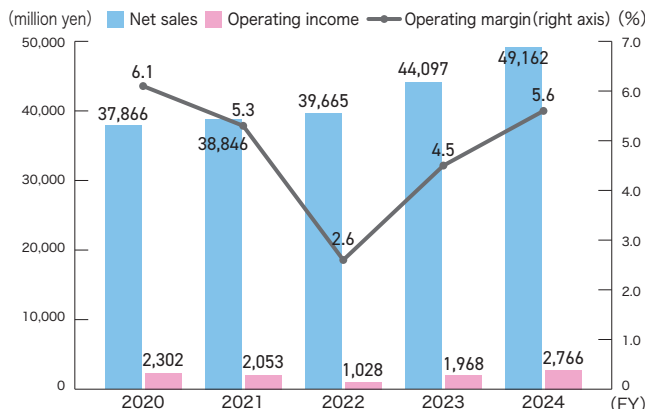
Financial Highlights

◆ Order intake, Order backlog and BB ratio



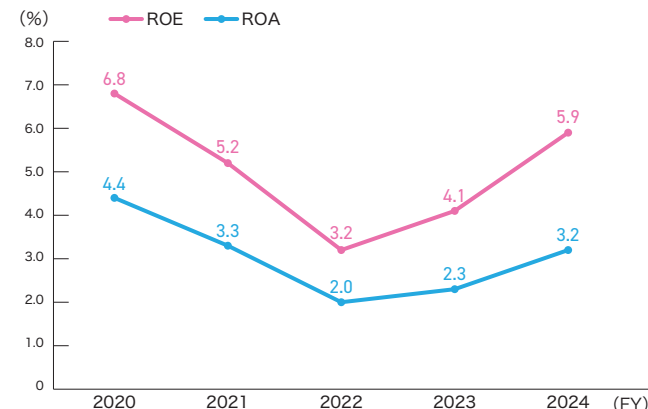
Order intake for FY2024 was 49.6 billion yen, up 1.8% year on year; and the order backlog at the end of the fiscal year was 22.8 billion yen, up 2.0% year on year. The BP-related business' order backlog significantly increased, while that of the AP-related business remained at almost the same level.

◆ Net sales, Operating income and Operating margin



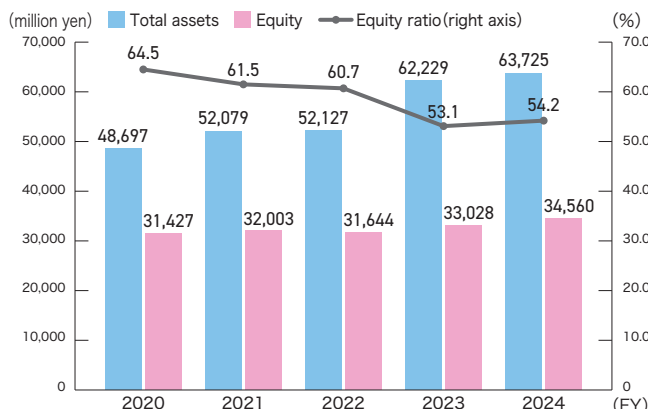
Net sales for FY2024 increased 11.5% year on year to 49.2 billion yen, and operating income increased 40.5% year on year to 2.77 billion yen, both marking new record highs. The operating margin improved by 1.1 pp to 5.6%.

◆ ROE and ROA



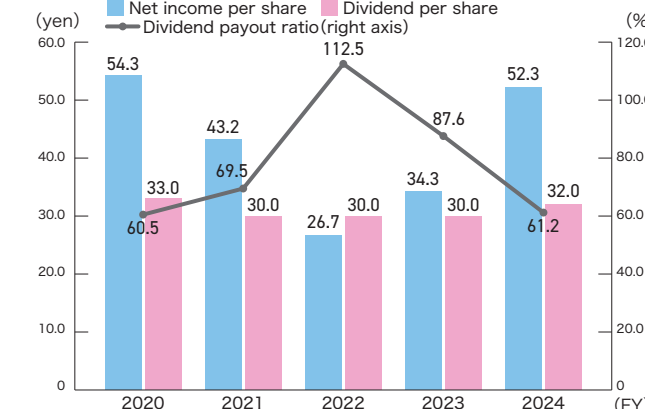
Return on equity (ROE) for FY2024 improved by 1.8 pp year on year to 5.9%. While net assets increased only 4.5% year on year, the improvement in operating income made a significant contribution.

◆ Total assets, Equity and Equity ratio



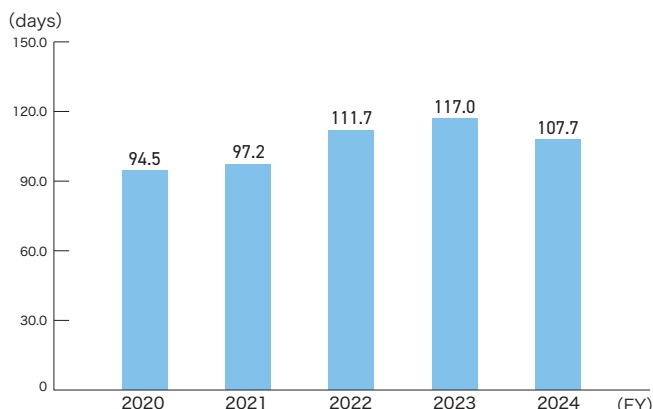
Equity ratio for FY2024 increased 1.1 pp year on year to 54.2%. In addition to retained earnings, an increase in valuation difference on available-for-sale securities and foreign currency translation adjustment each contributed to the higher ratio.

◆ Net income per share, Dividend per share and Dividend payout ratio



The dividend per share for FY2024 increased 2 yen year on year to 32 yen, and the dividend payout ratio was 61.2%. The Company has the shareholder return policy of a dividend payout ratio above 60%. We will continue to pursue greater returns.

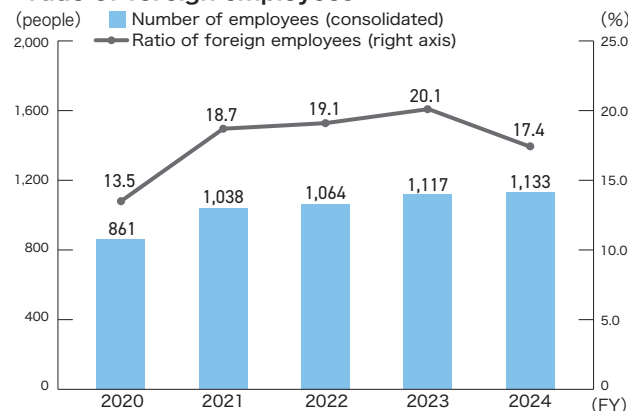
◆ Cash conversion cycle



CCC (inventory turnover days + accounts receivable turnover days - accounts payable turnover days) for FY2024 was reduced by about 9.3 days year on year. The contributor was an increase in contract liabilities, an equivalent to down payments.

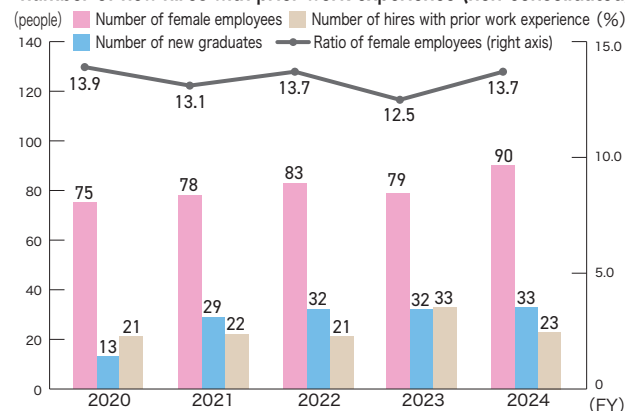
Sustainability Information Highlights

◆ Number of consolidated employees, ratio of foreign employees



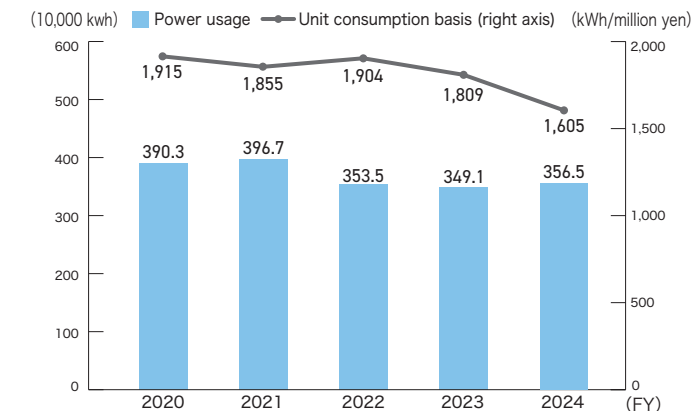
The number of employees (consolidated) at the end of FY2024 was 1,133, an increase of 16 from the end of the previous fiscal year. The ratio of foreign employees decreased to 17.4% due to the streamlining of the manufacturing plant in Thailand.

◆ Number of female employees, number of new-graduate hires, number of new hires with prior work experience (non-consolidated)



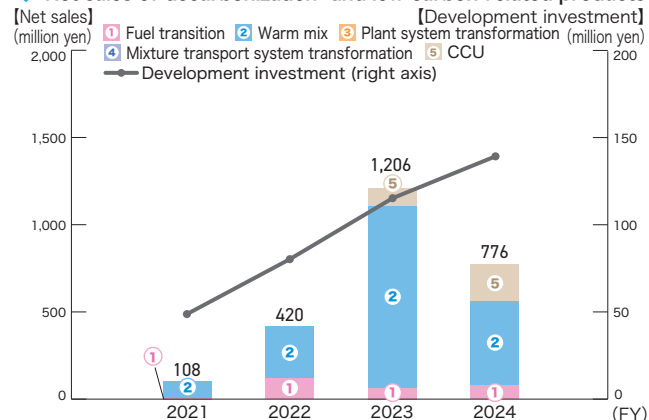
The number of female employees on a non-consolidated basis at the end of FY2024 was 90, an increase of 11 from the end of the previous fiscal year. The number of new graduates stood at 33, remaining at a high level. The number of new hires was 56, with new graduates and mid-career professionals combined.

◆ Power usage and per-unit output (non-consolidated)



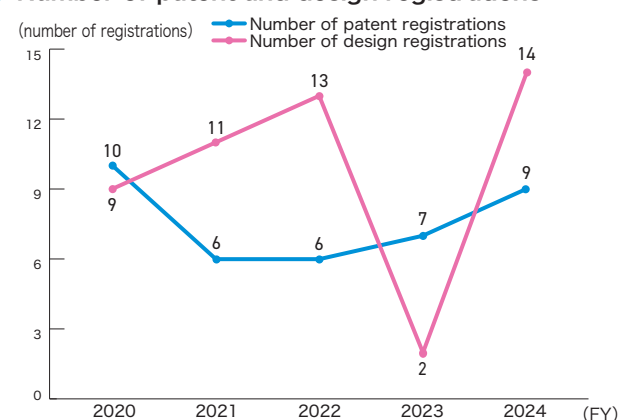
Power usage in FY2024 was 3,565 million kWh, up 2% year on year. Power usage on a unit consumption basis divided by production output decreased by 11% year on year, indicating continuous reduction.

◆ Net sales of decarbonization- and low-carbon-related products



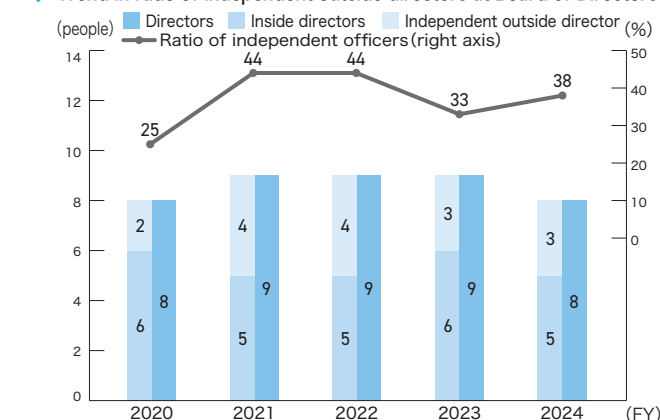
With the realization of carbon neutrality as one of our material matters, we use net sales of decarbonization- and low-carbon-related products as a KPI. In FY2024, we recorded the sales of slightly under 0.8 billion yen, as special demand for warm mix equipment came full circle.

◆ Number of patent and design registrations



The number of patents in FY2024 increased by two year on year to nine, and the number of design registrations increased by 12 year on year to 14. We will continue to put more effort into patent acquisition and design registration geared to new product development.

◆ Trend in ratio of independent outside directors at Board of Directors



We had eight directors in FY2024. Three of them were independent outside directors comprising 38% of the board. We will remain committed to establishing stronger governance.

We will foster a corporate culture in which each and every employee can feel the growth of the Nikko Group and **act autonomously**.

To this end, we will **hone our maintenance service capabilities** — a core strength of our business model — and **enhance the visibility of our technologies** that drive profitability.

Representative Director
and President

中山 知巳

Tomomi Nakayama

■ Career history

April 1982: Joined Nikko. Works at business offices in Hokkaido, Tohoku, Tokyo, and Kyushu.

April 2006: General Manager, AP Sales Department

January 2011: Senior Manager, Chubu Branch

July 2013: General Manager, AP Sales Management Department

June 2015: Executive Officer

April 2019: Director, Business Division

June 2019: Director

June 2022: Managing Director

June 2024: Executive Managing Director

April 2025: Representative Director and President



Session. 1

~Values, responsibilities, and mission of the top management

Q What is your impression of Nikko? What are its corporate culture and management philosophy features? What is your responsibility as top management?

I am Tomomi Nakayama, who was appointed Representative Director and President on April 1, 2025. More than 40 years have passed since I joined Nikko, and my impression has been that it is a sincere and straightforward company. The attitude of sincerely trying to respond to customers' requests is deeply rooted in the Company, and I feel it is something that personifies part of our corporate culture. We have many business relationships with major corporations in the construction and civil engineering industries, including road pavement companies, and have developed our business through relationships with limited industries like these. In this context, we have consistently pursued a user-first policy, which has probably nurtured such a corporate culture.

There are times when others consider this user-first attitude as being too close to customers. Some take it in a positive sense from a sales perspective. However, I sometimes wonder if we are being too accommodating. Simultaneously, I see our staff rush to customers and work to restore machinery with all their might even on weekends when they receive a call regarding machine trouble. I am always touched by this determination, and I am certain that these sincere actions are alive and well in Nikko's DNA.

Another distinctive aspect of our corporate culture is an emphasis on completing tasks in-house. The idea of undertaking as much work as possible internally without depending on external resources has taken root, and a philosophy of first taking on

challenges independently in design and development has been passed down. The customer needs picked up by the sales division are precisely conveyed to design and development, which leads to the final product. The repetition of this spontaneous cycle is a major strength unique to Nikko in my view.

However, a culture of attempting to handle everything internally can at times impede the efficient use of time and human resources. I believe that we need to review this by focusing on selection and concentration from the manager's perspective. I am confident that I can correctly distinguish between what is truly essential and what is not based on my experience in the field outside the head office over the years. It is my responsibility as a manager and an important mission to achieve more sustainable growth for Nikko by optimizing its resources and incorporating new perspectives into the Company.

Q What activities are you planning to allot your time to in pursuing the mission?

For a start, I will increase the time spent visiting customers and sites in the year ahead. Until now, there were few opportunities for the President to go on field sales. Such occasions were often limited to courtesy visits for special order intakes or inauguration ceremonies. However, I would like to actively expand my external engagement, including social gatherings with branch members and opportunities to interact with customers.

If I accompany sales staff, it will make it easier for them to establish contact with customers whom they could not easily meet, create opportunities for conversation, and facilitate relationship building. It will also increase opportunities for me to talk to employees one on one, allowing me to convey my ideas and passion for the business. On the sales side, if I, as president, can provide convincing explanations on price and technology, it might prompt customers to come to a decision earlier than planned. Even if it does not result in an order intake immediately, we can

produce results through the sales staff's thorough follow-up efforts. What is most important is to ensure that I clearly convey my message both internally and externally and create meaningful connections.

Q What are your thoughts on management that is conscious of capital cost and stock price?

The stock price is an assessment of a company, and I am keenly aware of it at all times. As long as the Tokyo Stock Exchange requires evaluation based on capital cost and market capitalization, we should follow the standards required by the capital market and make efforts to ensure that we are appropriately evaluated. We aim to boost our stock price beyond 1,000 yen by FY2027 and to $\geq 1,250$ yen in FY2030. To this end, we must ensure that the market recognizes Nikko's growth potential.

I feel that there is much to learn from specialists in the financial and stock price-related fields. I would like to proactively seek the opinions of investors and securities analysts. I want to accurately convey Nikko's future vision and corporate values by repeatedly engaging in two-way dialogue with investors rather than answering questions unilaterally as in a media interview.

I would like to further increase such dialogue with investors, through which we share the corporate value and stock price rating with the capital markets, and steadily move closer to achieving our goals.



Honing our maintenance service capabilities will elevate the value of our core technologies and strengthen profitability.

Session.2

~Features of the business model and core competence

Q What are the business model and core competence of the Nikko Group? What initiatives do you plan to focus on for future business development?

The core technologies of the Nikko Group are mixing and kneading, heating, material handling, and control. The concept of the four core technologies is something we have been continuing with for almost 20 years. Among them, heating, which uses fire, is highly versatile and offers a large amount of room for future growth. However, objectively speaking, the biggest strength that differentiates us from other companies lies in our maintenance service capabilities. There are numerous production facility manufacturers, and winning a price war with products alone is not easy. However, Nikko has already established a nationwide setup to offer maintenance services and a mechanism to offer customers a sense of security. The quality of products is

definitely important, but the sustainability and maintenance service structure of the manufacturer are major factors influencing the decisions of the management of our customers. Honing our maintenance service capabilities will increase the value of our core technologies, thereby directly boosting our profitability.

We will also establish the development test center, a long-held dream, during the current Medium-Term Management Plan period. It is important that we present something that is close to the actual outcome and is convincing to the customers so that they can adopt new technologies or products. Nevertheless, until now, customers had to try our products at their plants. Our own facilities did not offer much freedom either. Therefore, we were unable to conduct sufficient demonstration. In the future, we will develop an environment where our customers can visit and directly experience the outcome while operating the actual machinery. Technologies using fire, in particular, had a low degree of freedom in demos until now, but it is an area where we can deliver considerable value with the development test center. We will strengthen our ability to demonstrate our heating technologies, in addition to mixing and kneading technologies, so as to directly produce results in our business.

Furthermore, I feel that we have not been successful in fully instilling the perspective of operating as a group. Some subsidiaries, such as Nikko Electronics, have strong ties with the parent Nikko, but others have not been able to fully utilize the Company's resources. We would like to share development activities and sales channels within the Group and further strengthen our involvement with subsidiaries. It is easier for the parent Nikko to hire and retain human resources who engage in development. We will enhance the competitiveness of the entire Group by using such personnel to supplement the resources that are difficult for subsidiaries to hire and by sharing the subsidiaries' on-site information and customer needs. For example, Nikko will play a role in securing dedicated development staff for Nikko Machinery, which finds it difficult to have its own such staff because of its small size. We will create synergies with contract-based manufacturing companies, such as Ube Kohki and Matsuda Kiko, to pursue efficiency. We will position these initiatives as a medium-term theme and further improve group management effectiveness.

Q How do you plan to focus on the maintenance service business?

The maintenance service business is supported not only by our employees but also by our contractors. We have hundreds of contractors across the country, and we cannot offer maintenance services without these companies. However, with the aging of society in recent years, passing on skills has become difficult. We are deeply concerned that an increasing number of companies will be unable to maintain their organizational structure if the issue goes unaddressed.

Considering this situation, I want to develop a mechanism that enables us to offer work stably to those at the contractors. For example, we will have contractors' employees conduct servicing as part of various Nikko Group companies. This would level out the workload that tends to concentrate on weekends and enable us to attend to projects on weekdays. This will lead to the stabilization of management at contractors and eventually to the hiring and nurturing of young workers. Consequently, contractors will continue to survive, and we can ensure safety and pass on techniques. We would like to build a structure where our reliable contractors will perform high-quality servicing with due consideration to safety if a customer requests Nikko for maintenance services. This value should be shared throughout the Group. We will develop a structure that allows us to appropriately showcase this value by drawing up business plans with contractors and leveraging digital mechanisms to convince our customers of the value.

Session.3 ~Outcome and issues of the Medium-Term Management Plan and key areas of focus

Q How did you rate the previous Medium-Term Management Plan, which ended in FY2024?

The previous Medium-Term Management Plan was positioned as a plan for improving the business foundation and expanding revenue. The largest achievement of all is human capital

investment. We enhanced our hiring efforts and personnel evaluation system. This grew individual employees' aspirations and led to an improvement across the entire organization. In the maintenance service business, we also drove forward work style reform and shifted from the existing multi-work style to a system based on the division of labor. Previously, one employee performed everything from estimate preparation and billing to on-site responses. Now that the roles are divided, the time spent by employees with customers has increased, leading to increased customer satisfaction. Particularly, service sales increased in the Osaka region, where the front office operations team is functioning well and is following up important customers more closely. This division of labor not only improves efficiency but also leads to increased contact with customers and has been remarkably contributing to the expansion of maintenance service revenue.

We need to develop a structure for the maintenance service business jointly with contractors so that it can be appropriately promoted.



The results of the previous Medium-Term Management Plan as a whole were roughly in line with the plan from the quantitative aspect. However, we were unable to secure sufficient profitability in the overseas business, especially in Thailand and in the asphalt plant (AP)-related business, and this issue has been carried forward into the current medium-term plan. Excluding this, I can generally give high marks.

Q What fields should Nikko focus on in the 2025–2027 Medium-Term Management Plan?

The new Medium-Term Management Plan sets forth six key pillars: (1) Establishment of a sustainable profit structure; (2) Contribution to an environmental and recycling-oriented society; (3) Acceleration of global expansion, with a focus on the ASEAN region; (4) Product evolution and quality improvement; (5) Human resource development and service quality improvement through co-creation with partners; and (6) Management transparency and strengthening of governance. The premises of the business environment are that a high level of demand will continue for the batcher plant (BP)-related business and that the AP-related business will recover over the latter half of the period partly because of the effect of subsidies.

Technology is something that I want to focus on to achieve the pillars. Technology to maintain high quality and improve it further is imperative for raising profitability. Having technology is not enough. Rather, how we improve and convey the value of that technology is important. I realize that occasionally our superior technology is not sufficiently communicated to the market.

We, therefore, would like to drive forward technology visualization and develop a mechanism where our high quality will be appropriately recognized. More specifically, we will consider holding technology showcase events with limited themes at shorter intervals in addition to Nikko Messe, which is a large-scale trade show that we hold once in three years. For example, these

We will develop a mechanism that accurately conveys the value of technology to our customers and enables them to recognize high quality.

events can focus on the ready-mixed concrete industry or a certain product category to limit the number of participants. This will enable us to accurately convey our technology to targeted customers. We would like to effectively communicate the value of technology to individual customers by addressing their needs—promoting quality-related technology to customers who value quality and production efficiency-related technology to customers who value cost performance.

The improvement of profitability is another key issue to be addressed in the new medium-term plan. An operating margin of 8.7% is an improvement of 3 pp compared with that of FY2024,

and its achievement will lead to the 2030 Vision, which is the corporate value we envision. Several factors put pressure on profitability, such as an increase in outsourcing costs due to manpower shortage, inefficiency stemming from the large variety of products we offer, and broad-ranging development themes. We offer many variations of asphalt plants, which are the mainstay products of Nikko Group. This is because of our history of responding to each and every customer request. However, we need to integrate and standardize the products from now on to improve design and manufacturing efficiency and boost profitability. It is a major challenge for design and development,



but we cannot avoid addressing this issue if we are to improve profitability.

Moreover, improving the accuracy of demand forecasting and optimizing inventory management are important. Excess inventory strains operating cash flow and leads to a decline in return on invested capital, so it is necessary to precisely manage the supply-demand balance. Therefore, we will further strengthen data analysis and IT utilization. In the design and manufacturing floor, we must also shift our mindset from the conventional attitude of placing priority on supplying products to achieving customer satisfaction while securing profit. To this end, we will work on both reforming the mindset on the floor and developing a mechanism, and I will decisively demonstrate my leadership in this endeavor.

Q What are the concrete initiatives for the areas of focus and technological strategy?

Nikko Group has been developing its business primarily with infrastructure-related products, such as AP and BP. From now on, we will strengthen the maintenance service business and focus on new technology fields, such as remote monitoring and unmanned plant operation. For instance, the development of technologies that add new values to products is required. These include a remote monitoring system that allows customers to grasp operation status without being on site and an unmanned plant operation technology that enables operations to be automated. Measures to reduce CO₂ emissions are also an important theme for us. We will also consider the introduction of heating methods with lower environmental burden and alternative fuels, such as ammonia and hydrogen. These initiatives can be a means to differentiate us rather than becoming factors for cost increase, and are attracting interest from customers with each passing year. In pursuing the development of these technologies, we must not only create something new but also have an in-depth understanding of how customers use our products in the field and

what issues they face. To address this, we will strengthen the collaboration between sales and maintenance service divisions and create a structure to deliver the voices from the sites to the technology division without fail.

Nikko has been growing mainly through the make-to-order business in response to customer needs as a major business direction. Going forward, however, we must have the perspective of proactively creating markets. We will build a pillar that supports the next growth by capturing customers' issues in advance and offering solutions using technologies instead of waiting for the needs to emerge. We will achieve technology-centered sustainable growth by accurately grasping the voices of the market and customers.

Session.4 ~Sustainability initiatives and top management's commitment

Q What is your approach toward sustainability, and what are the future initiatives?

Themes that are unavoidable to sustainably grow corporate value are responses to sustainability and decarbonization. As a company that supports social infrastructure, Nikko bears the responsibility to earnestly strive to reduce environmental burden. As part of this, we are promoting development of carbon-neutral products and investment in facilities with high energy efficiency. In particular, we have already embarked on the development of environmentally friendly technologies, such as switching burner fuel to LNG and hydrogen and introducing energy-saving technologies, including heat pumps. Our vision is to increase sales of decarbonization- and low-carbon-related products to 3.3 billion yen in FY2030 compared with 0.8 billion yen in FY2024.

We are also promoting initiatives such as reducing energy use,

introducing solar power generation, and switching to green electricity at business entities. These are not merely limited to cost reduction. Instead, we recognize them as important factors for avoiding regulatory risks in the future, securing the trust of customers, and bringing about a direct effect on our corporate value. We need to incorporate these sustainability initiatives in all fields across the company, such as technology development, products, and business operation, and establish them as the core of the management. As a company that contributes to a sustainable society, we would like to steadily implement future-oriented measures with our stakeholders.

Q What are your expectations on employees? How do you plan to develop the organizational culture?

I would like to develop a self-propelled corporate culture in which employees think and act independently. However, leaving the decision to the field is different from just letting them do whatever they like. It is important that we thoroughly share the policy first and then develop an environment where individual employees can make their own decisions and act with confidence. To achieve this, we must clarify our goal as a company and share it with all employees. The employees in the field will be at a loss if the direction we are taking remains vague. We will nurture an autonomous corporate culture by sharing the direction and leaving specific tasks to divisions and individuals.

In this process, it is indispensable that I, as the top management, clearly indicate what has priority. Especially when resources are limited, there is a risk of not achieving anything unless we specify the area we are focusing on. It is, therefore, important to share the priorities within the company and mobilize the power of all employees in the same direction. This requires a work environment where each employee can demonstrate their creativity.

Toward that end, we will emphasize energizing communications within the company and creating open workplaces. There will be no

autonomy or ingenuity if we do not have an environment where employees can freely express their views. I am certain that a corporate culture that fosters open dialogues irrespective of the age or title of the employee is essential for the Nikko Group's future growth.

Q In conclusion, please describe your determination with regarding future management.

In March 2022, the Nikko Group announced the 2030 Vision, which presents what the Group aspires to be—a top manufacturer of plant facilities and environmental products backed by high technological capability, and a business partner that supports customers through operation and maintenance service. It sets forth “updating social infrastructure with state-of-the-art engineering” as the mission and “creating robust, people-friendly cities around the world” as the future it wants to realize, and I feel that these are being instilled in our employees.

From now on, what is important for management is the ability to adapt to changes. We need to pursue business and organization concepts that are in tune with the new era, without being bound by conventional methods or past successful experiences. Nikko is a company with a history exceeding 100 years. However, instead of being content with the past, we must constantly ask ourselves how we can evolve for the next 100 years. I aim to create a self-propelling organization where we keep asking ourselves how Nikko can leverage its technology and insights and how it will contribute to society despite the remarkable changes in society and customer needs.

Contributions from each and every employee are imperative for fulfilling this objective. My vital role is to develop an environment where all employees will have a positive mindset of making Nikko better and continue taking on challenges. I am keenly aware of my responsibility as a management member to open the path to the Company's future. We will stay ahead of the times while valuing

our tradition and build a Nikko Group that flexibly and boldly takes on challenges with our stakeholders.

We will pursue the ability to adapt to changes without being bound by conventional methods or successful past experiences.





Nikko Integrated Report

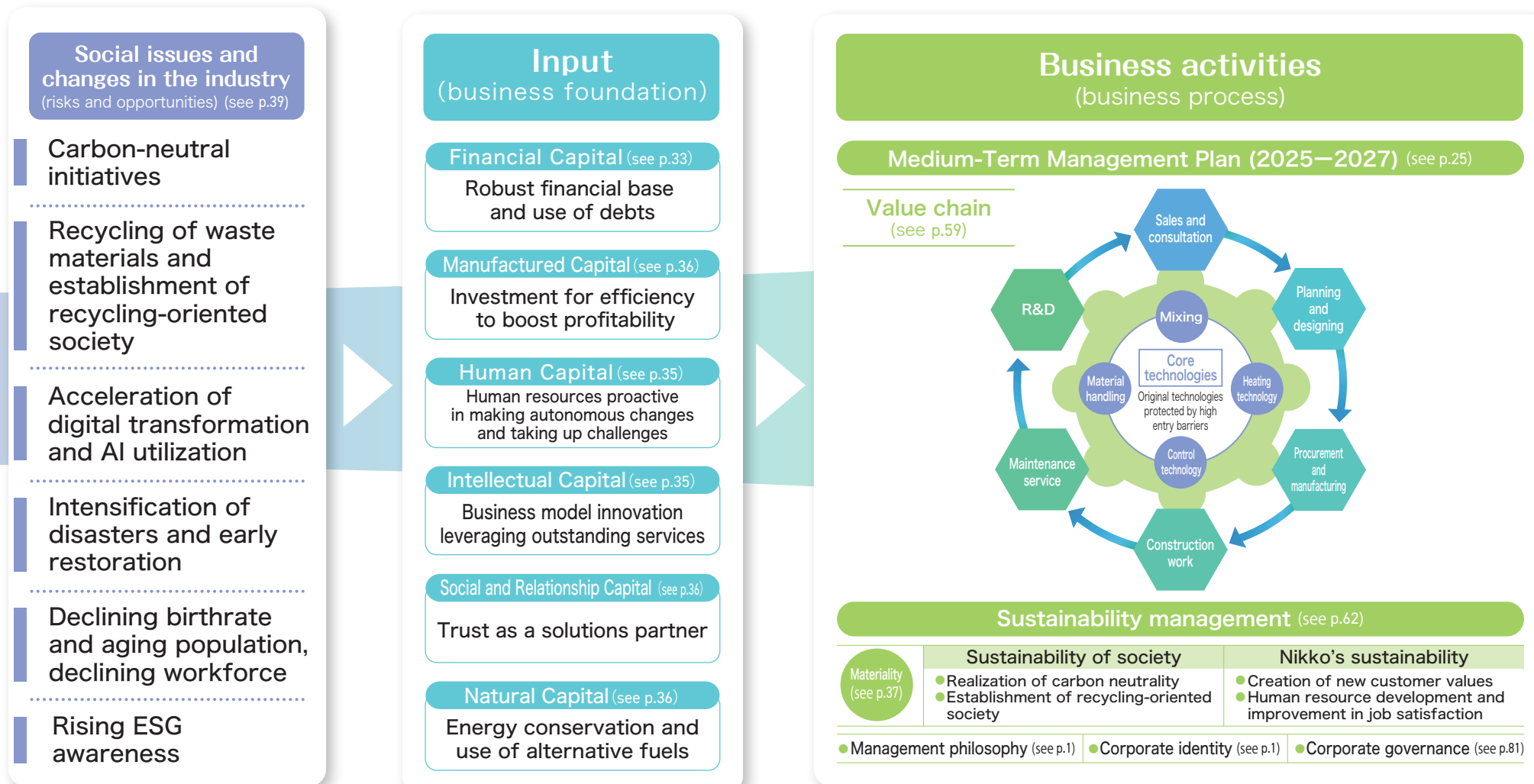
Nikko Group's Growth Strategy

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Process of Value Creation

Nikko Group aims for sustainable growth through business activities conscious of materiality across the value chain by leveraging the assets it owns.

We will achieve the vision and improve our corporate value through realization of the values (outcomes) created in this process.



Nikko Group's mission (raison d'être)

Updating social infrastructure with state-of-the-art engineering.

Output

(business value)

Business transformation

- AP-related business in Japan (see p.51)
- BP-related business in Japan (see p.53)
- Maintenance service business (see p.51~58)

Strengthening of operation and maintenance services

**Scale expansion leveraging technology**

- Overseas AP-related business (see p.51)
- Environment- and conveyor-related business (see p.55)
- Crusher-related business, Contract-based manufacturing business, Other (developing business) (see p.56~58)

Lateral expansion of products and markets

Outcome
(creation of social values)**Social and environmental values to be contributed**

- Establishment of recycling-oriented, environmentally friendly society (see p.67)
- Contribution to realization of decarbonized society (see p.63)
- Contribution to disaster prevention and mitigation, maintenance and enhancement of social infrastructure (see p.69)
- Growth and success of human resources who support realization of 2030 Vision (see p.72)

- Support for early restoration from natural disasters (see p.69)
- Co-existence with local communities (see p.70)

Economic values to be created**Financial targets for FY2027**

- Net sales **¥60.0 billion**
- Operating margin **8% or more**
- ROE **8.0%**
- Dividend payout ratio **Maintain 60% or higher**
- Market cap **¥40.0 billion**

Financial targets for FY2030

- Net sales **¥70.0 billion**
- Operating margin **10.0%**
- ROE **10.0%**
- Market cap **¥50.0 billion**

Joint Value Creation With Stakeholders**Shareholders, investors**

- Achieve ROE above the cost of capital and raise our stock price
- Return generated profits

Employees

- Achieve well-being and improve the quality of life
- Facilitate success of diverse human resources

Customers

- Ensure high quality of products and establish service systems
- Offer environmentally conscious technologies and products

Business partners

- Establish sustainable and robust supply chains
- Engage in ESG-conscious business activities

Local community, future generation

- Reduce CO₂ and create a recycling-oriented society
- Contribute to local communities and future society




Creating robust, peoplefriendly cities around the world.

Future the Group wants to realize (see p.1)

Achievement of 2030 Vision (see p.7)

Key Points of Value Creation Process

Management Capital Related to Value Creation

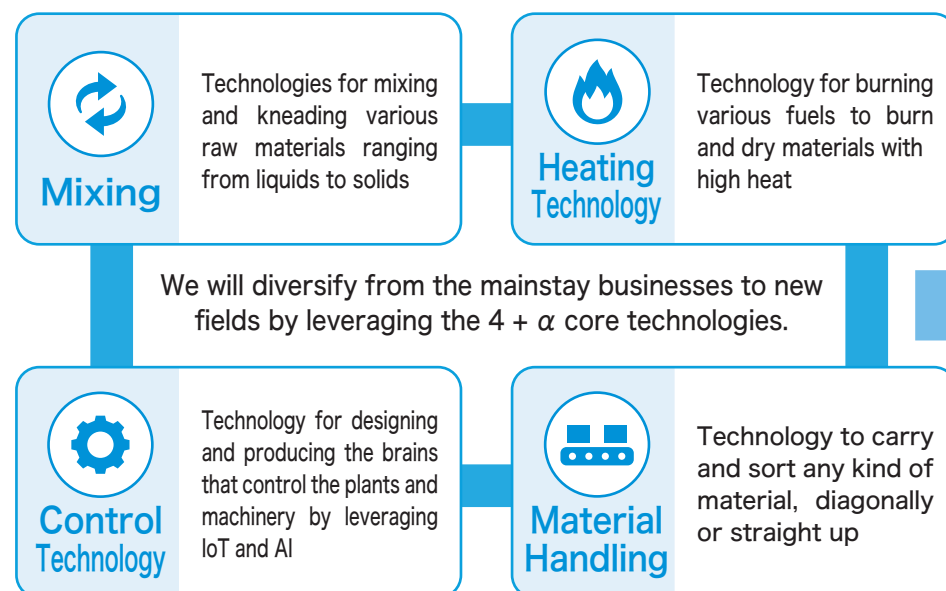
	Input items (FY2024)	Closely related material matters	Outcome items (FY2024)	Joint value creation with stakeholders	What we aspire to be in 2030 Vision	Reference
 Financial capital	<ul style="list-style-type: none"> Total assets of 63.7 billion yen, equity ratio of 54.2%, interest-bearing debts of 10.2 billion yen 	<ul style="list-style-type: none"> Realization of carbon neutrality, human resource development and improvement in job satisfaction 	<ul style="list-style-type: none"> ROE of 5.9% (equity spread of 1.1 pp), dividend payout ratio of 61.2% 	<ul style="list-style-type: none"> Shareholders, investors Employees 	<ul style="list-style-type: none"> Net sales of 70.0 billion yen, operating margin of 10%, ROE of 10% Achieve a market cap of 50.0 billion yen 	▶ p.33
 Manufactured capital	<ul style="list-style-type: none"> Capital investment worth 3.0 billion yen, the ratio of property, plant and equipment to total assets of 24.0% 	<ul style="list-style-type: none"> Creation of new customer values, development of human resources and improvement in job satisfaction 	<ul style="list-style-type: none"> Property, plant and equipment of 15.3 billion yen, up 2.1 billion yen 	<ul style="list-style-type: none"> Employees Customers 	<ul style="list-style-type: none"> Continue with high-level capital investment, boost capacity through leveling of operations and collaboration with group companies 	▶ p.36
 Human capital	<ul style="list-style-type: none"> Number of employees: 1,133 (including 197 foreign nationals) 	<ul style="list-style-type: none"> Creation of new customer values, development of human resources and improvement in job satisfaction 	<ul style="list-style-type: none"> Female manager ratio of 1.0%, attrition rate (within 3 years) of 15.6% 	<ul style="list-style-type: none"> Employees Local community, future generation 	<ul style="list-style-type: none"> Reform of organizational culture and contribution to profits through promotion of DE&I Ratio of female managers: 7.0% 	▶ p.35
 Intellectual capital	<ul style="list-style-type: none"> R&D expenses of 0.7 billion yen, 193 patents obtained 	<ul style="list-style-type: none"> Creation of new customer values, realization of carbon neutrality 	<ul style="list-style-type: none"> Number of patents acquired: 9 (up 2); design registrations: 14 (up 12) 	<ul style="list-style-type: none"> Employees Customers 	<ul style="list-style-type: none"> Concrete proposals for decarbonization and establishment of recycle-based society from the perspective of the top manufacturer 	▶ p.35
 Social and relationship capital	<ul style="list-style-type: none"> Tombo-kai (sales agents) has 122 companies; Akitsu-kai (contractors) has 206 companies 	<ul style="list-style-type: none"> Creation of new customer values 	<ul style="list-style-type: none"> Strong relationship of trust with business partners, contribution to local community 	<ul style="list-style-type: none"> Business partners Local community, future generation 	<ul style="list-style-type: none"> Passing down of techniques and skills in collaboration with suppliers, co-existence and co-creation with local community 	▶ p.36
 Natural capital	<ul style="list-style-type: none"> Power usage (non-consolidated): 3.565 million kWh 	<ul style="list-style-type: none"> Realization of carbon neutrality, establishment of recycling-oriented society 	<ul style="list-style-type: none"> Scope 1, 2, and 3 CO₂ emission reduction by 43% vs. FY2013 Net sales of decarbonization- and low-carbon-related products: 0.8 billion yen 	<ul style="list-style-type: none"> Local community, future generation 	<ul style="list-style-type: none"> Reduction of Scope 1, 2, and 3 CO₂ emissions in FY2030 by about 50% vs. FY2021 Net sales of decarbonization- and low-carbon-related products: 3.2 billion yen 	▶ p.36








Key Points of Business Activities and Value Chain

The Nikko Group's businesses are mostly B-to-B, and our key customers are road pavement companies, infrastructure-related businesses, and construction-related businesses. Our business segments are: (1) AP (asphalt plant)-related; (2) BP (concrete plant)-related; (3) Environment- and conveyor-related; (4) Crusher-related; (5) Contract-based manufacturing; and (6) Other business. Sales outside Japan are mostly in China and ASEAN states, making up 8.5%.

Each business department has its production, sales, and engineering functions, and we receive orders either directly from customers or through sales agents. Most of these received orders are preceded by meetings with the customers. A series of these meetings begins with the presentation of our estimate and moves on to the signing of a contract, followed by the process that spans design, production, procurement, construction work, delivery, billing collection, and maintenance services. This whole project forms one value chain. Nikko's value chain has safety and security, quality, and compliance included as standards, and we combine them with our unique business activities to offer values to customers.

Core Technologies



Goals in 2030	
 R&D	<ul style="list-style-type: none"> Full-scale installation of low-carbon and environmentally friendly products Installation of automated products leveraging AI and IoT technologies Product development contributing to all group companies Ratio of net sales of new products 10%
 Sales and consultation	<ul style="list-style-type: none"> Next-generation green solutions on offer Teleoperation systems in place through digital innovation Front runner in the plant industries across the ASEAN market Engineering solution company
 Planning and designing	<ul style="list-style-type: none"> Plant solution provider Proposals that create values at both customers and society Comprehensive support of remote operation, automation, saving manpower Overseas expansion of global standard products
 Procurement	<ul style="list-style-type: none"> Achievement of both stable procurement and cost optimization Information sharing with suppliers and favorable relationship of trust with them Enhanced communication on purchasing with Nikko Group companies and generation of synergies
 Manufacturing	<ul style="list-style-type: none"> Productivity up 10% Promotion of flexible delivery of a wide variety of products in short delivery time Achievement of both quality improvement and manufacturing cost reduction Improved productivity of Thai subsidiary Manufacturing collaboration within the Nikko Group and generation of synergies
 Construction work	<ul style="list-style-type: none"> Operation engineers (plan): 60 (up 10 from existing level) Reinforcement of field management engineers and chief engineers for all sorts of plant installation work Digitization of work plans, safety documents, etc. for their greater availability Area expansion to eastern and western bases from the head office (from 2025 onwards)
 Maintenance	<ul style="list-style-type: none"> Start of plant management and operation services through asset management Global operation of customer support

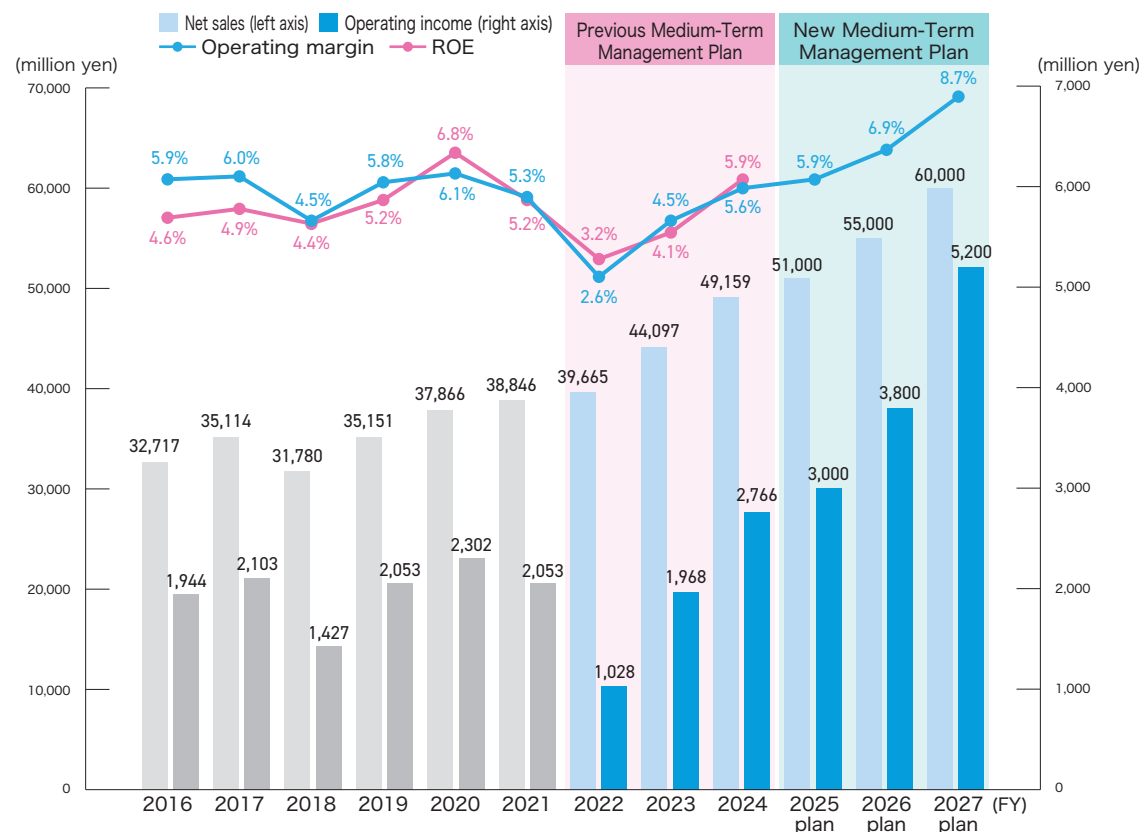
More robust foundation for value creation to increase profitability!

Medium-Term Management Plan

Outcomes of the 2022–2024 Medium-Term Management Plan and Challenges

We defined the 2022–2024 Medium-Term Management Plan as the internal investment phase to complete as we move toward the 2030 Vision. The plan focused on the enhancement of human capital, R&D, and capital investment. Although the quantitative results were slightly below the forecasts in the medium-term plan, net sales and operating income reached record highs. We also actively offered shareholder returns. The long-term policies we set out to move toward 2030 were: (1) Development of a stronger revenue base in Japan; (2) Net sales secured outside Japan; (3) Pursuit of new businesses (mobile); (4) Workstyle reforms; and (5) Entry into new growth fields. Of these policies, workstyle reforms and entry into new growth fields steadily yielded successful results. As for results by segment, the BP-related and environment- and conveyor-related businesses achieved significantly greater figures than planned. Other businesses saw largely the same results as the planned figures. The AP-related business faced challenges to meet as road pavement companies curbed their capital investments and our business in Thailand continued to report a loss.

Net sales, operating income, operating margin, and ROE over the years



Quantitative results of the 2022–2024 Medium-Term Management Plan

Performance figures

(million yen)

	2022–2024 Medium-Term Management Plan	FY2024 results	Rating	Review
Order intake	—	49,617	☁	Order intake and net sales steadily grew, yet the results were slightly below the planned figures because of a slowdown in Asian markets and a slow recovery of the AP-related business in Japan. Operating income was affected by active human resource investment costs and underperformance by subsidiaries in other Asian countries, despite our efforts to revise selling prices.
Net sales	50,000	49,162	☁	
Operating income	3,000	2,766	☁	
Operating margin	6.0%	5.6%	☁	
Net income	2,100	2,009	☁	

Capital strategy and shareholder returns

ROE	6.2%	5.9%	☁	ROE was a little short of the target. Yet, as for shareholder returns, the average dividend payout ratio over three years was 87%, which was greater than the target of 60% or higher we had set.
Equity ratio	—	54.2%	☀	
D/E ratio	—	0.30 times	☁	
Dividend payout ratio	63.5%	61.3%	☀	
Total return ratio	63.5%	61.3%	☀	
Share buyback	—	—	☁	
Sales of strategically held shares	—	130	☁	

Implemented measures in review

(million yen)

Key items	FY2024
1. Development of a stronger revenue base in Japan (operating margin in Japan)	5.6%
2. Net sales secured outside Japan (net sales growth overseas)	4,326
3. Pursuit of new businesses, including M&A (mobile plant business)	1,896
4. Target market capitalization in 2030 (50.0 billion and up)	27,440
5. Target ROE in FY2024 (6.2%)	5.9%

Entry into new business fields through M&A

	FY2021	FY2023	FY2024
M&A completed	Ube Kohki (contract-based manufacturing)	Matsuda Kiko (contract-based manufacturing)	Nishi-nihon Real Estate (real estate)

Results of the 2022—2024 Medium-Term Management Plan by segment

The results of the previous medium-term management plan by segment are as follows. The BP-related and environment- and conveyor-related businesses fared well, yet their results were not strong enough to make up for the shortfalls that faced the AP-related business, whose sales and profit were somewhat below the planned figures.

(million yen)

		FY2024 results [1]	2022—2024 Medium-Term Management Plan [2]	Compared to the Plan [1] - [2]	Rating	Review
AP-related Business 	Net sales	19,480	23,000	-3,520		The MS business remained stable in Japan. However, the AP-related business fell under the impact of curbed capital investments by road pavement companies due to rising prices of raw materials. In China, demand apparently touched bottom, and we achieved increased revenue and a surplus in FY2024. In Thailand, net sales are recovering, yet the business is slow in going out of the red.
	Operating income	976	1,600	-623		
	Operating margin	5.0%	7.0%	-2.0pt		
BP-related Business 	Net sales	14,266	10,800	3,466		Ready-mixed concrete businesses, who are our customers, went ahead with cost pass-through as raw material prices rose and their burdens grew. With their performance picking up, they began to actively make capital investments.
	Operating income	1,724	1,050	674		
	Operating margin	12.1%	9.7%	+2.4pt		
Environment- and Conveyor-related Business 	Net sales	3,254	2,700	554		With recycling laws on waste plastic more rigorously enforced, demand for conveyors targeted at recycling services dramatically grew. In addition to large projects (e.g., for Expo 2025 Osaka, Kansai), raised product prices led to the successful results.
	Operating income	847	550	297		
	Operating margin	26.0%	20.4%	+5.6pt		
Other Business 	Net sales	12,159	13,500	-1,341		In FY2024, the other business was split into three businesses, namely the crusher-related, contract-based manufacturing-related, and other business, so that what the business consisted of would be visible.
	Operating income	1,401	1,300	102		
	Operating margin	11.5%	9.6%	+1.9pt		
(Crusher-related Business) 	Net sales	2,256	—	—		The weaker yen pushed up the costs of buying imported machinery. Nevertheless, we acquired new customers in Japan and explored new fields. We also put more effort into the maintenance service field built upon an increasing number of machines delivered in an attempt to boost profitability. We also focused on winning orders geared toward the reconstruction of Ukraine.
	Operating income	40	—	—		
	Operating margin	1.8%	—	—		
(Contract-based Manufacturing-related Business) 	Net sales	4,802	—	—		Ube Kohki Co., Ltd. and Matsuda Kiko K.K., which joined the Nikko Group through M&A, contributed to our business expansion. Nikko will work more closely with them for a three-company partnership to further increase its profitability and achieve stable growth.
	Operating income	645	—	—		
	Operating margin	13.5%	—	—		
(Other Business) 	Net sales	5,101	—	—		The waterproof board and floodgate, temporary construction equipment, and leasing and renovation businesses continue to enjoy steady growth. We aim to strengthen these businesses' profitability and achieve their stable growth by continuing to put more effort into the disaster prevention and mitigation areas.
	Operating income	716	—	—		
	Operating margin	14.0%	—	—		

2025—2027 Medium-Term Management Plan

We have defined the 2025—2027 Medium-Term Management Plan as the powerful business expansion phase, in which our focus is to increase profitability. We aim to achieve an operating margin of 8.7% in FY2027 (up 3 pp from 5.6% in FY2024), along with an 8.0% ROE, to establish profitability that is significantly greater than the cost of equity. We have also set out that we will achieve a market capitalization of 40.0 billion yen. The new medium-term plan centers around six essential features. We will implement business strategies for the segments linked with financial and non-financial impacts. We have set the target of a 10.2% operating margin for the AP-related business, and the target of a 17.0% operating margin for other business, with the intention of strengthening ties between the Group companies. With M&A for establishing a stronger foundation in view, the whole of the Nikko Group will be committed to the further enhancement of its corporate value.

Basic policies for the new Medium-Term Management Plan

Theme of the Medium-Term Management Plan

Increase profitability!

Enhance earning power to maximize our corporate value

All this leads to increase revenue and net sales

“Produce appropriate profits through original ideas and improvement efforts”

- ① Higher quality
- ② Enhanced technology
- ③ Enhanced service
- ④ Maximized employee performance

Our Goals!

Six essential features set out in the new Medium-Term Management Plan



With the six essential features set out in the new medium-term plan, we will implement business strategies for the segments linked with financial and non-financial impacts.

Six essential features	Strategy for execution	Related segment	Anticipated financial/non-financial impact
1. Establishment of sustained revenue streams	<ul style="list-style-type: none"> Developing more solid pricing policies and proposals of high value-added products to increase profit margin Expanding subscription services to advance preventive maintenance and secure steady revenue Making company-wide improvements on prime costs through greater production and sales efficiency 	AP-related BP-related	Net sales growth and profitability improvement
2. Contributions to the environment and recycling-based societies	<ul style="list-style-type: none"> Developing innovative environmental products such as AI-driven sorting machines and lithium battery removal devices Developing advanced systems for material handling, crushing, and segregation geared to waste recycling Working collaboratively with municipalities and private businesses on the social implementation of the environment business 	Environment- and conveyor-related Contract-based manufacturing-related	Net sales growth
3. Faster launch of global operations mostly in the ASEAN market	<ul style="list-style-type: none"> Establishing international offices mostly in ASEAN, China, and Taiwan Building systems for product supply, technical support, and services that suit each country's market needs Establishing standards for responsible procurement and quality as a global enterprise 	AP-related	Net sales growth
4. Product evolution and quality enhancement	<ul style="list-style-type: none"> Developing products designed chiefly for automation, labor reduction, and remote operation Making effective use of quality guidelines and problem databases to improve quality Offering products and services designed to bolster customers' safety, sense of reassurance, and satisfaction 	Company-wide	Profitability improvement
5. Human resource development and co-creation with partners to enhance the quality of services	<ul style="list-style-type: none"> Hiring and training young human resources and enhancing skill transfer programs Stabilizing supply chains through joint training and safety assistance with contractors Providing work environments designed to support diverse workstyles 	Company-wide	Employees feeling more comfortable working in their offices and more rewarded for their work
6. Management transparency and stronger governance	<ul style="list-style-type: none"> Making effective use of ERP and other tools to visualize information and speeding up management decision-making Working collaboratively with Group companies to pursue total optimization Establishing a management foundation that prioritizes sustainability 	Company-wide	Greater sustainability

2025—2027 Medium-Term Management Plan: Quantitative targets, business forecasting, and measures by segment

Each of the segments will work to increase profitability, so that we will achieve new record highs for the second consecutive medium-term. The growth of the AP-related business' (including M&A) and other business' operating income in particular holds the key.

(million yen)

		FY2024 results	FY2025 plan	FY2026 plan	FY2027 plan	Predicted trends and planned measures during the new medium-term plan period	Related page
<div>AP-related Business</div> <div></div>	Net sales	19,480	19,500	21,600	23,000	<ul style="list-style-type: none">● In Japan, we envisage a recovery in capital investment as road pavement companies' performance picks up.● Subsidies for energy conservation may boost demand for renovation of asphalt plants.● In addition to the effect of increased net sales, overseas subsidiaries' improved revenue will drive operating income.	p.51
	Operating income	977	1,000	1,600	2,350		
	Operating margin	5.0%	5.1%	7.4%	10.2%		
<div>BP-related Business</div> <div></div>	Net sales	14,266	14,800	15,300	15,300	<ul style="list-style-type: none">● We envisage that the price of ready-mixed concrete will remain high, and that our customers will continue to invest in renovation. With this forecast, we expect that our net sales and operating income will continue to be at high levels.	p.53
	Operating income	1,724	1,900	2,000	2,000		
	Operating margin	12.1%	12.8%	13.1%	13.1%		
<div>Environment- and Conveyor-related Business</div> <div></div>	Net sales	3,254	4,100	3,300	3,500	<ul style="list-style-type: none">● Following Expo 2025 Osaka, Kansai, IR projects are expected to generate new demand. We aim to improve operational efficiency by prioritizing profitability and updating the core system.	p.55
	Operating income	847	850	730	800		
	Operating margin	26.0%	20.7%	22.1%	22.9%		
<div>Crusher-related Business</div> <div></div>	Net sales	2,256	3,000	3,700	4,300	<ul style="list-style-type: none">● Increase sales channels to expand businesses.● Boost Nikko-developed product lines.● Increase net sales of maintenance services to boost profitability.	p.56
	Operating income	40	150	220	300		
	Operating margin	1.8%	5.0%	5.9%	7.0%		
<div>Contract-based Manufacturing-related Business</div> <div></div>	Net sales	4,802	3,600	3,800	4,200	<ul style="list-style-type: none">● In addition to acquiring new customers, increase the number and quality of employees and facilities to maintain and increase profitability.	p.57
	Operating income	645	400	450	500		
	Operating margin	13.5%	11.1%	11.8%	11.9%		
<div>Other Business</div> <div></div>	Net sales	5,101	6,000	7,300	9,700	<ul style="list-style-type: none">● We expect that revenue and profit connected to disaster prevention and mitigation will continue to increase, while we work to expand our sales channels and enhance our production and marketing bases.	p.58
	Operating income	716	900	1,100	1,650		
	Operating margin	14.0%	15.0%	15.1%	17.0%		
(adjustments)		-2,183	-2,200	-2,300	-2,400		
Consolidated net sales		49,162	51,000	55,000	60,000	<ul style="list-style-type: none">● Work toward new record-high consolidated net sales and operating income for the second consecutive medium-term.	
Consolidated operating income		2,766	3,000	3,800	5,200		
Operating margin		5.6%	5.9%	6.9%	8.7%		

My biggest mission is to increase the earning power during the medium-term plan period to quantitatively show, both within and outside the Company, that the 2030 Vision is **achievable**.

Director and Director of Administrative Division **Koichi Kawakami**



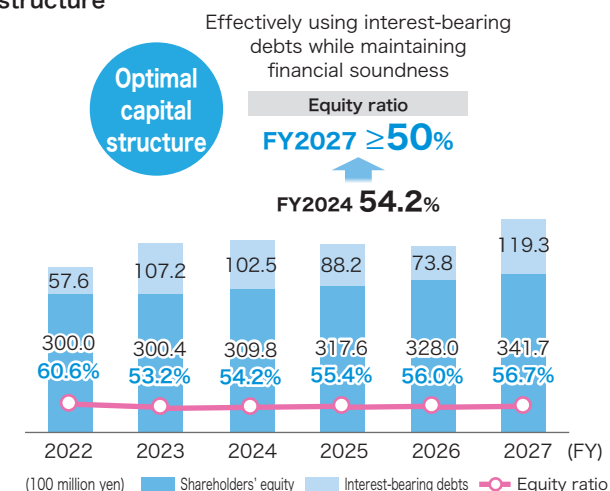
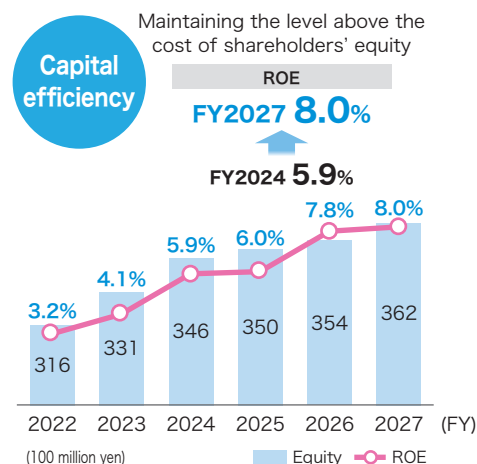
Q First of all, what are your roles and mission as the person in charge of financial affairs at the Nikko Group? What are the Group's basic financial and capital policies?

My mission as the person in charge of financial affairs is to take the initiative in maximizing corporate value from a financial aspect. It is my role to take the helm of financial and capital policies and support management in both offense and defense to achieve the Nikko Group's sustainable growth and value creation. Specifically, I will emphasize realizing the 2030 Vision while striking a right balance between aggressive measures, such as growth investment and fund supply, and defensive measures, such as maintaining financial soundness and creditworthiness.

Regarding the basic financial and capital policies, first of all, I attach importance to ensuring the Company's financial soundness and maintenance of optimal capital structure. On the basis of this, we will strategically optimize fund procurement and investment allocation to achieve sustainable growth and improve our corporate value. Furthermore, I believe that it is my duty to build a trusting relationship with stakeholders by promoting management conscious of capital cost and through appropriate information disclosure.

Through these initiatives, I will support the Nikko Group's transformation from a financial aspect and powerfully promote sustainable corporate value maximization.

● Capital efficiency and optimal capital structure



Q What indicators do you attach importance to when measuring corporate value? What are the financial and capital strategies for improving corporate value?

When I evaluate corporate value from the CFO's perspective, I consider multiple aspects rather than stock price and profits.

For example, in addition to enterprise value (EV), I use layers of quantitative indicators, such as the relationship between return on equity (ROE) and cost of equity, evaluation using discounted cash flow (CF) derived by discounting free CF, and gap analysis between market and intrinsic values.

The financial and capital strategies for improving corporate value have three pillars. The first pillar is to maximize capital efficiency to maintain a situation where ROE constantly exceeds cost of equity. This includes the optimization of invested capital, setting of KPIs related to asset turnover and margins, and ROE-based management of business segments. The second pillar is optimum capital distribution in anticipation of future value-conscious growth investment. In addition to investment for overseas expansion, we will promote digital transformation (DX), development of new businesses, review of dormant assets and unprofitable businesses, and M&A and alliances based on quantitative assessment, such as net present value and internal rate of return. The third pillar is the stable generation of CF and a flexible capital policy based on it. We are designing shareholder returns conscious of the cost of capital while improving the quality and continuity of operating CF.

I am playing the role of leading value creation from a financial aspect by planning strategy at the Board of Directors meetings, promoting KPI management, and holding constructive dialogues with the capital market. We will also work on consolidating funds and upgrading CF management, developing a fund procurement structure, and strengthening the hedging policy for foreign exchange, interest, and credit risks to ensure financial soundness and flexibility for improving corporate value. The Nikko Group will achieve medium to long-term sustainable improvement in corporate value through these measures.

Q What are the achievements and issues in the FY2024 financial results and the financial and capital policies for the previous three-year Medium-Term Management Plan?

Looking back at the previous Medium-Term Management Plan and the FY2024 financial results, we made a certain level of progress in enhancing the financial structure. However, improving capital

efficiency remains a key task for the future. As for achievements, we made improvements toward establishing a sound financial foundation, such as record financial results, stabilized operating CF, and enhanced shareholder returns. In particular, a stable CF indicates the strength of a business portfolio, which has led to confidence in supporting future growth strategies. In contrast, capital efficiency indicators, such as ROE and price-to-book ratio (PBR), did not reach the targets. I believe that the pace of growth investment and capital use as well as asset management efficiency can still be improved.

Q What are the key points of financial and capital policies of the 2025-2027 Medium-Term Management Plan? What is the point you attach the utmost importance to for realizing 2030 Vision as the person in charge of financial matters?

In the 2025—2027 Medium-Term Management Plan, the most important theme is to maintain ROE at a level that exceeds the cost of equity and conduct capital distribution that enables the sustainable generation of free CF. Whether we can invest the limited capital at our disposal in growth businesses at an appropriate time holds the key for the 3 years, and we consider this period to be extremely important for the realization of 2030 Vision.

First, we will focus on increasing the operating margin to improve ROE. We will selectively invest capital in highly profitable businesses, such as turning the business profitable in the ASEAN region, upgrading maintenance services, and expanding the contract-based manufacturing business, in addition to growing the sales of high value-added products, including decarbonized equipment, automated and manpower-saving systems, and AI-based separating systems. Through these measures, we aim to achieve an operating income of 5.2 billion yen and ROE of 8%.

To improve total asset turnover, we will prevent capital from stagnating and redistribute it to fields that generate value by optimizing working capital, using dormant assets, and selling strategically held shares. We will ensure more efficient management of inventory and accounts receivable-trade by introducing ERP and improving the collection process. We plan to raise the asset turnover to 1.1 times from the current 1.0. We will strategically use cash and cash equivalents in growth investments, M&As, and shareholder returns.

We have the option of buying back shares by closely observing the market, along with reducing strategically held shares (to ≤10% of net assets), from the perspective of capital efficiency and shareholder returns.

Furthermore, we will review the capital structure to optimize financial leverage. Our equity ratio was 54.2% in FY2024 and interest-bearing debts were approximately 10.0 billion yen (debt-to-equity ratio = 0.3 times). Moreover, bearing in mind an aggressive scenario of raising the debt-to-equity ratio to 0.5 times depending on future growth opportunity, we will steadily work toward achieving 10% ROE as stated in the 2030 Vision while maintaining the equity ratio at approximately 50%. To raise the employees' awareness of capital efficiency, we will introduce business administration based on KPIs primarily of ROE and other capital efficiency indicators with the aim of building a management system that ties numerical targets with on-site execution capability.

My biggest mission as CFO is to steadily increase the earning power during the medium-term plan period to quantitatively show, both within and outside the Company, that the 2030 Vision is achievable. We will constantly monitor whether we are receiving returns exceeding the cost of equity, review capital distribution as necessary, and give our all to improve corporate value.

Q Please explain the business portfolio strategy. What are the main initiatives for improving the profitability of existing businesses (asphalt plant [AP]- and batcher plant [BP]-related businesses) and growing new businesses?

With our mainstay AP and BP-related businesses, we are steadily growing despite declines in shipments of asphalt mixture and ready-mixed concrete in Japan, and I feel that this has not been accurately communicated to the capital market. The domestic shipments of these construction materials are actually on a declining trend, which leaves a strong impression that the market is maturing. However, we offer not construction materials but a system that supports the operation and infrastructure of the companies that manufacture such materials. Our essential value should not be limited to the manufacture and sales of plants but should lie in supporting the overall operation of plants, including maintenance service for stable operation, remotely operated or automated labor-saving plants, and maintenance subscription service considering customer plants as assets. These initiatives have been highly recognized as concrete solutions for addressing issues faced by the construction industry, such as manpower shortage and work style reform.

I believe that as the only Japanese manufacturer offering both AP and BP, we will grow and evolve by continuously meeting customer expectations. Our maintenance servicing staff have

been trained as all-rounders capable of independently handling all operations, and it has taken 5–7 years to nurture such personnel. Gong forward, we will subdivide the work and prepare manuals for each operation to support employees who are relatively new to the Company. This will improve their engagement and shorten the time it takes for them to become full-fledged service staff. Thereby, we can improve customer satisfaction and enhance earning power early on.

In the 2025–2027 medium-term plan, we will also focus on creating new growth areas and deepening existing businesses in Japan. The ASEAN market, in particular, is a tough market that requires time and track record to establish trust and brand. For us, turning the Thai subsidiary profitable is the key to medium- to long-term growth. In new areas such as crusher and contract-based manufacturing, we will enhance profitability and differentiation through synergies with existing businesses. To do this, we will leverage the Nikko Group's comprehensive strengths in handling everything from engineering design, manufacturing, and installation to maintenance, in addition to the capabilities of individual products.

We are determined to constantly optimize the business portfolio that the Nikko Group should pursue by incorporating both inside and outside opinions. We will also follow up on each business division through the medium-term plan progress meeting held every quarter.

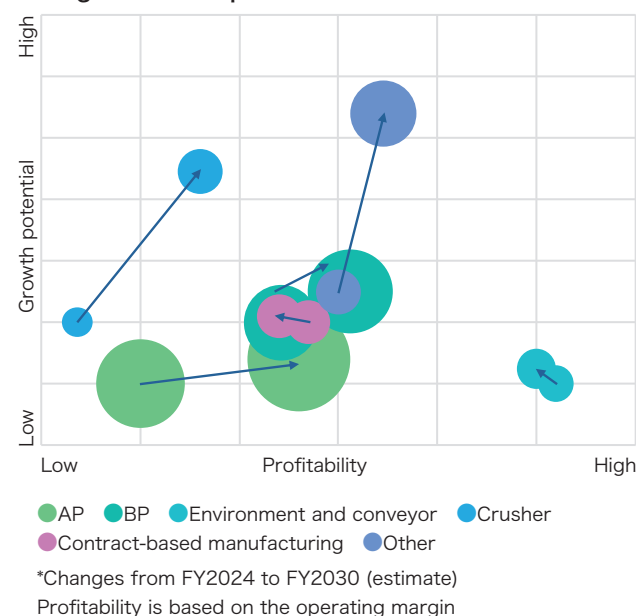
Q What are the initiatives for operating CF generation? Also, what is the policy for improving the balance sheet efficiency, including the sale of strategically held shares?

In the 2025–2027 medium-term plan, we plan to create 8.3 billion yen in operating CF. At its core is the steady accumulation of operating income through the improvement of the AP-related business' earning power and the expansion of highly profitable businesses. In specific terms, we expect contributions to cash generation from the expansion of the maintenance services business, firm sales growth in the BP-related business, and enhanced sales of Nikko-made mobile plants.

Overseas, we expect the Thai business to become profitable in FY2027, which will reinforce the worldwide revenue base. Businesses, such as contract-based manufacturing, temporary construction equipment, and waterproof boards, will also steadily generate revenue and support overall cash generation.

In addition to operating income, we will focus on improving balance sheet efficiency. We will use excess cash and cash equivalents in

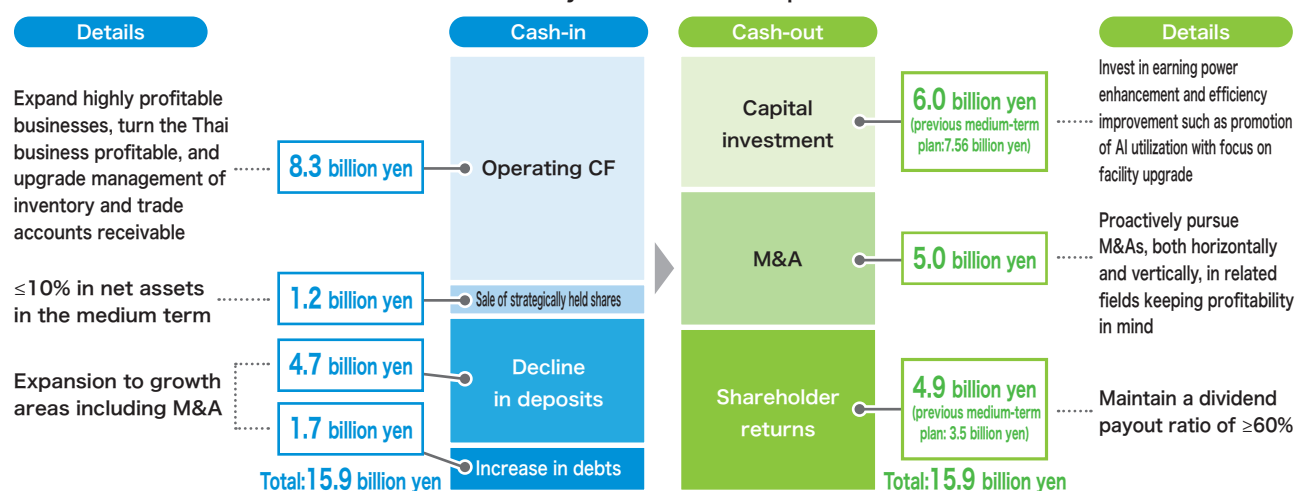
Target business portfolio for 2030



Issues, goals, and strategic direction by segment

Segment	Issues and goals	Strategic direction
AP-related business	Profitability Business transformation	Focus on profitability improvement given expected recovery in domestic demand
BP-related business	Sales growth Business transformation	Improve profitability amid a continued positive business environment
Environment- and conveyor-related business	Sales growth, profitability Business transformation	Aim to maintain a highly profitable structure through improvement of operational efficiency
Crusher-related business	Sales growth Lateral expansion of the product market	Strengthen growth strategies for top-line expansion with improved profitability
Contract-based manufacturing business	Sales growth Lateral expansion of the product market	Aim for stable growth and securing a double-digit operating margin
Other business	Sales growth Lateral expansion of the product market	Achieve sales growth while maintaining high profitability
Maintenance services	Operation and maintenance service Business transformation	Labor-saving services such as remote management Operation and maintenance services
New growth areas	M&A Partnerships	Explore new growth areas

Cumulative cash allocation for the new three-year medium-term plan



growth investment and shareholder returns. We will also introduce ERP, review the billing and collection process, and upgrade the management of inventory and trade accounts receivable to reduce working capital. We also plan to raise asset turnover through initiatives such as the utilization of dormant assets and the reduction of strategically held shares to a certain extent. We will ensure the achievement of 8.3 billion yen in operating CF under the medium-term plan by driving forward both operating income growth and balance sheet efficiency improvement.

Nikko has been working on selling strategically held shares. In the past 5 years, we have sold all shares in 12 of the sold stocks, which has resulted in the sale of 26 stocks in total, worth approximately 2.3 billion yen. We must continue working cautiously on selling shares by paying attention to the relationship with business partners. Reviewing strategically held shares is an unavoidable but important theme for improving balance sheet efficiency. Going forward, we aim to reduce the level of strategically held shares to $\leq 10\%$ of net assets.

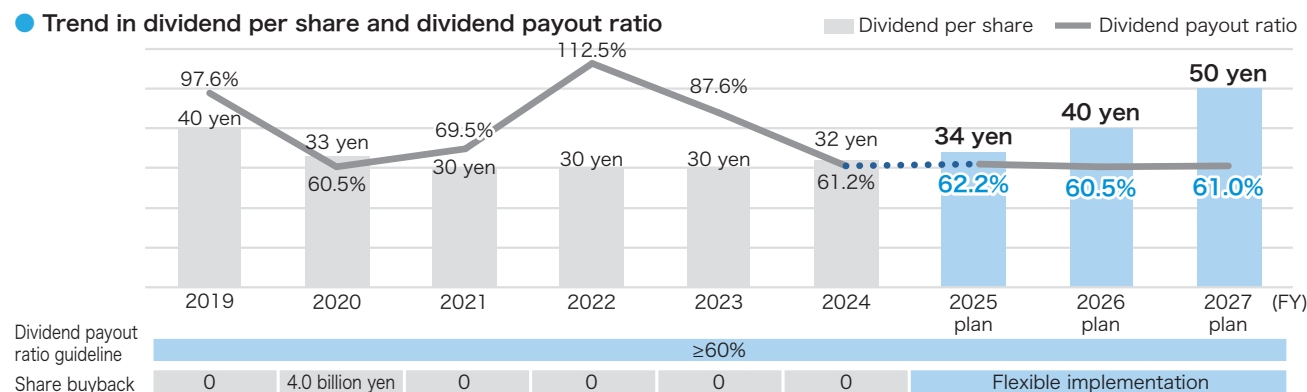
Q What is the breakdown of 6.0 billion yen in capital investment? Please explain specific investment projects for strengthening earning power and AI utilization, the policy for 5.0 billion yen M&A investment (projects, profitability guidelines, and target areas), and the shareholder returns policy.

We are expecting 6.0 billion yen in capital investment during the 2025—2027 medium-term plan period. The core of this investment is strategic investment for increasing the Group's earning power. Construction of a development test center in the head office premises began in FY2024, and it is expected to be completed by the end of FY2025. Factory E, which is new and the fifth factory, was completed in FY2024. They are all part of infrastructure development aimed at enhancing the development capability and production structure.

During the 2025—2027 medium-term plan, we plan to invest in raising the production capacity of Ube Kohki and Matsuda Kiko and also invest in the Nikko Sec rental base in the Kansai region. We will also actively promote improvement in business efficiency using AI. For example, we will develop a structure for various divisions to boldly take on the challenges of improving operations or efficiency by setting themes, such as introducing AI for operation of customer support centers or to prevent the recurrence of frequent mistakes, and improving quality at design divisions.

Regarding M&A, we acquired two companies in the contract-based manufacturing field during the previous medium-term plan period.

● Trend in dividend per share and dividend payout ratio



In the 2025—2027 medium-term plan, we have set aside as much as 5.0 billion yen for investment and aim to pursue M&A even more actively by seizing the timing when the capital investment completes a cycle. The main M&A targets are companies that bring additional technological value and growth to our products. Several candidate companies are currently being studied. We are especially interested in suppliers in peripheral areas and aim to expand the business domain and strengthen the earning power.

As for the guideline for deciding investment, M&A criteria are 1.0–5.0 billion yen per project and 0.3–0.5 billion yen in earnings before interest and taxes. At the moment, we are primarily considering Japanese companies for M&A and are not considering foreign companies. As for fund procurement for this purpose, we plan to mainly use operating CF and flexibly leverage external procurement depending on the project's characteristics and situation. We will steadily implement this initiative to build a future growth foundation as we repeatedly study strategies carefully.

Under the 2025—2027 medium-term plan, we plan to raise the total amount of shareholder returns to 4.9 billion yen, which is a considerable increase compared with the 3.5 billion yen under the previous medium-term plan. There has been no change in the basic shareholder returns policy to maintain a dividend payout ratio of $\geq 60\%$ and use steady profit growth as the source. For share buyback, our policy is to make flexible decisions without specifying any schedule or amount of money but by considering the revenue situation and capital accumulation as well as the balance with a future investment strategy. As part of the capital policy, we will take appropriate actions by comprehensively determining the market environment and financial standings.

Q In conclusion, how do you rate 0.8 in PBR? What are the IR and engagement policies for improving corporate value?

The current PBR of the Company's stock is below 1. This reflects our current situation of not being fully valued by the capital market, and I am taking it seriously. We attach the utmost importance to maintaining ROE above capital cost. To achieve this, we must improve earning power by steadily accumulating operating income. In the 2025—2027 medium-term plan, we aim to achieve consolidated net sales of 60.0 billion yen, operating income of 5.2 billion yen, and ROE of 8%. If the achievement of these goals becomes likely, achieving a PBR exceeding 1 and a market capitalization of 40.0 billion yen (1,000 yen in stock price) also becomes more realistic.

The fundamental premise of improving corporate value is to communicate these initiatives to shareholders and investors in a timely manner. I, for one, will hold online financial results meetings four times a year starting FY2025 based on this approach and use that as an opportunity to expound our stance as a corporation. I will make sure to convey what Nikko Group is working on and where it is heading, as well as its actual situation and passion, by proactively creating opportunities for investor and shareholder relations.

Communicating financial strategies and a growth story in our own words and building a lasting relationship of trust with shareholders and investors—I firmly believe that this is the most steadfast way to boost corporate value.

For realization of management conscious of cost of capital and stock price

To achieve the targets set out in our vision for 2030 (net sales of 70.0 billion yen, 10% operating margin, 10.0% ROE, and a market capitalization of 50.0 billion yen), the 2025–2027 Medium-Term Management Plan, prepared around the theme “Increase profitability!”, is geared to reach a net sales of 60.0 billion yen, an operating margin of above 8.0%, 8.0% ROE, and a market capitalization of 40.0 billion yen. Here, to boost earning power and maximize our corporate value, we have set four priority themes, namely (1) Higher quality, (2) Enhanced technology, (3) Enhanced service, and (4) Maximized employee performance.

To achieve all this, with a view to building a business portfolio that represents our aspirations, the existing businesses (the AP-, BP-, and environment- and conveyor-related businesses in Japan) will work toward greater net sales and profitability through the transformation of what the businesses entail. The overseas AP, crusher, contract-based manufacturing, and other business will work to expand their scales, leveraging the Nikko Group’s four core technologies. We will also continue to create new growth fields through M&A. We will be accurately communicating these initiatives through dialogues and engagements with shareholders and investors.

Output (FY2024)

- Net sales of **49.2** billion yen, operating income of **2.77** billion yen,
- Dividend of **32** yen per share
- Operating CF of **3.0** billion yen

Outcome

- Attractive dividend yield (**5.2%**)
- High financial stability (equity ratio of **54.2%**)
- Equity spread earned (+**1.1** pp)

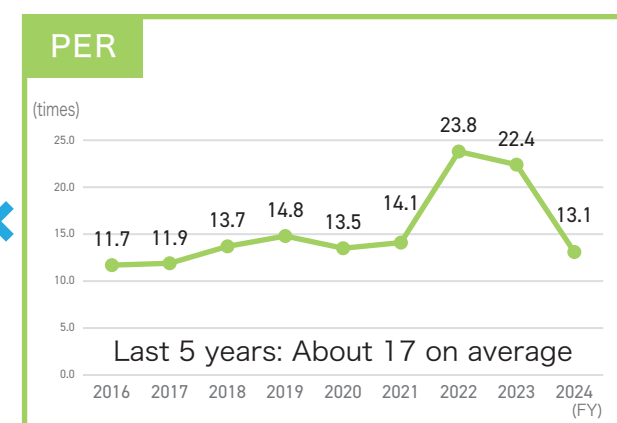
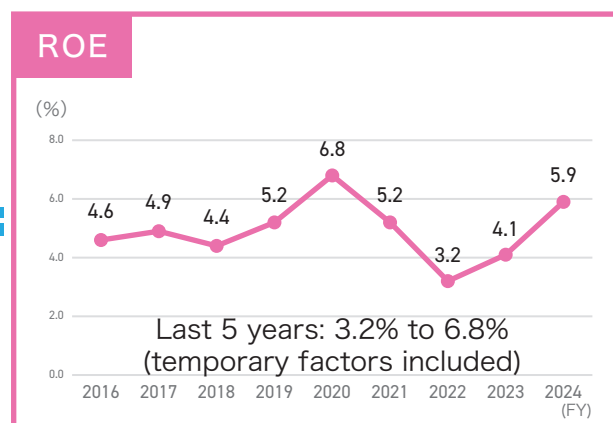
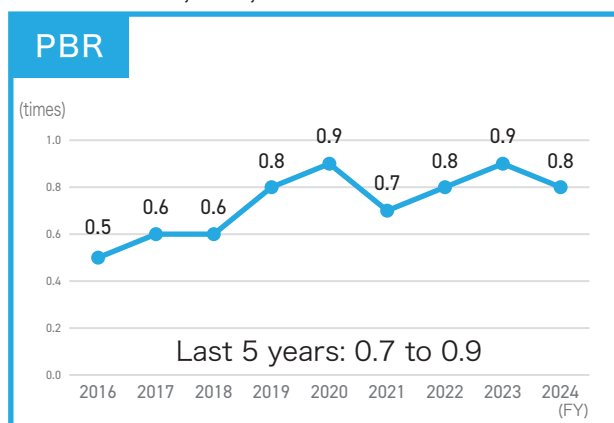
Analysis of current status and outlook

The Company’s price-to-book ratio (PBR) has been hovering between 0.7 and 0.9 over the last five years, remaining below 1. Although we have been holding down any increase in net assets by focusing on shareholder returns, the profitability of our main business remains low. Operating margin for FY2024 was only 5.6%, and return on equity (ROE) 5.9%. This percentage of ROE is above 4.8% shareholders’ equity in FY2024. However, the equity spread

is barely positive. Our ROE over the last five years has been fluctuating in the 3.2% to 6.8% range (temporary factors included), and our price-to-earning ratio (PER) has been 17 on average. While our PER is at a relatively high level compared to other construction machinery companies in the same business category as we are, our ROE is at a relatively low level. Improving our operating margin is a challenge we must meet to enhance our corporate value, and

raise our stock price, which will come with greater corporate value. We have set the goal of achieving a PBR of 1 (a stock price of 1,000 yen) in the 2025–2027 Medium-Term Management Plan as part of our efforts toward the 2030 Vision. To reach this goal, we envisage that approximately an 8% ROE and a PER of 13 will be needed. We are working toward an 8% operating margin in order to achieve an 8% ROE.

Trends in PBR, ROE, and PER



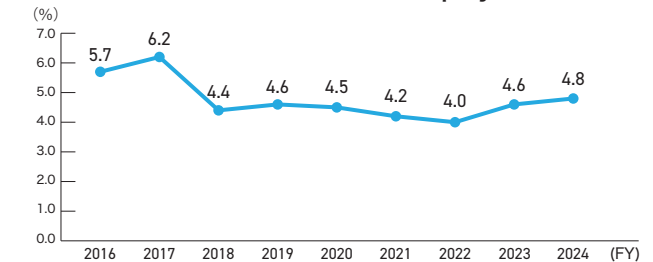
Over the last few years, our cost of shareholders' equity has been in the 4% range owing to lower beta values induced by an increase in the number of individual shareholders and low interest rates. The number of individual shareholders reached 21,907 at the end of FY 2024. We expect that there will be a gradual increase in the coming years.

On the other hand, Japan's policy interest rate is on the increase and expected to gradually keep rising. Given this factor, we project that the cost of shareholders' equity will reach slightly over 5%

during the 2025–2027 Medium-Term Management Plan period, and around 6% as part of the 2030 Vision.

To expand our equity spread, we will be committed to boosting profitability by increasing operating income mostly from the AP-related business, continuing capital cost-conscious investments, selling strategically held shares, ensuring shareholder returns geared to curb an increase in net assets, and holding constructive dialogues with shareholders and investors through information disclosure and more engaging IR/SR activities.

Trends in cost of shareholders' equity



Targets and future initiatives

(1) Expansion of operating income

With the 2025–2027 Medium-Term Management Plan, we aim to achieve an operating income of 5.2 billion yen (8.7% operating margin). The operating income for FY2024 was 2.77 billion yen (5.6% operating margin), and thus operating margin will be up about 3 percentage points when this target is reached. The pillars of growth are two of our segments, namely the AP-related business (from 0.98 billion yen to 2.35 billion yen) and other business (from 0.72 billion yen to 1.65 billion yen). The AP-related business plans to increase its profitability by meeting demand for renovation of plants in Japan to which subsidies for energy conservation is available, expanding high value-added product lines, and boosting organizational abilities to provide maintenance services, among

(2) Financial and capital policies

As for our financial and capital policies, we continue with a dividend payout ratio of 60% or higher for the 2025–2027 Medium-Term Management Plan period, and plan a substantial increase in our dividend to 50 yen for FY2027 (32 yen for FY2024). We will also flexibly buy back our shares, with increased capital efficiency in view.

With these measures, net assets at the end of FY2027 is projected at 36.2 billion yen (34.6 billion yen at the end of FY2024). We plan to maintain an equity ratio of 50% or higher (54.2% at the end of FY2024). We will also make effective use of interest-bearing debts while ensuring that we remain financially sound.

The reduction of strategically held shares is also defined as a key measure to enhance our capital efficiency. We aim to reduce the ratio of those shares to net assets to 10% or lower during the medium-term plan period.

For dialogues with shareholders and investors, we hold quarterly financial results briefing session where our financial officer presents the Company's medium- to

others. In overseas locations, we will work to balance profit and loss of our Thai business, and to improve profit of our Chinese business.

For other business, we will expand the fields to enter for growth, including waterproof board and temporary construction equipment markets where demand is rising, and the market that is growing with the transition to electric equipment for melting white lining material (an estimated market size is 6.0 billion to 7.0 billion yen). We will also move into a wider range of business fields through M&A.

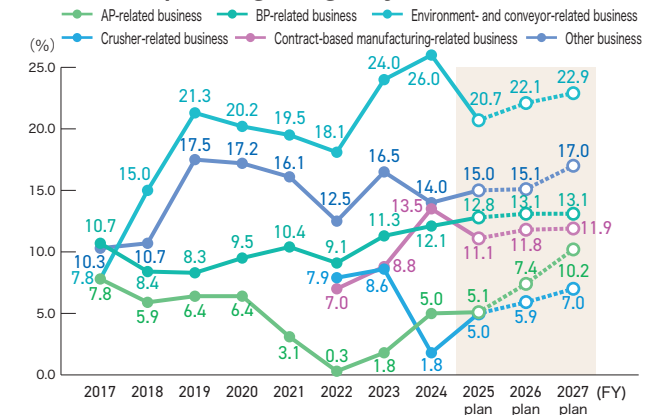
Moreover, we will present the business portfolio we aspire to have in 2030 and monitor the progress, thereby ensuring that our strategies will be part of every action our businesses take as one team.

long-term views, in addition to short-term performance. We will continue these sessions. We also plan to further develop the contents of our corporate report, which has been published since FY2019, to incorporate more of investors' perspective.

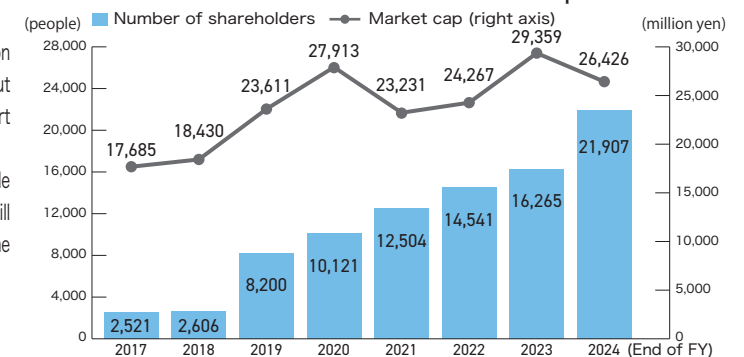
Furthermore, given changes in our shareholder composition, we will focus more on individual investors. More specifically, we will publish more detailed information about a wider range of topics on our website and issue Sponsored Research Report (planned) to boost the quality and quantity of publicly available information.

In addition, we invite shareholders and investors to the Nikko Messe, a large-scale trade show scheduled to be held in October 2025. We hope that the trade show will serve as an opportunity for them to have an even deeper understanding of the Company's products and businesses.

Trends in operating margin by business



Trends in number of shareholders and market capitalization



Strategies for Management Resources Aligned with Management Strategies

The Nikko Group sets out the theme “Increase profitability” in the 2025–2027 Medium-Term Management Plan. “Creation of new customer values,” which is one of our material matters, is the key to increasing profitability, and it also leads to the Nikko Group’s greater sustainability. The KPIs to measure the creation of new customer values are the creation of new values through DX and the plant management services on offer using asset management. Relevant management resources include human capital, intellectual capital, manufactured capital, and social and relationship capital. When optimally combined, these resources lead directly to higher corporate value. The 2030 Vision sets out that we will become a “business partner that supports customers through operation and maintenance services.” We are committed to delivering to our customers safe and stable plant operation through DX- and AI-driven labor reduction and automation.



Human Capital

Basic policies

All employees are the most valuable management capital for the Nikko Group. We are engaged in building an organization capable of making sustainable contribution to society and nurturing our human resources while quickly responding to all changes surrounding our business. We have defined our ideal human resource as human resource that reinvents for the future, human resource that takes on challenges without fear of failure, and human resource that respects and collaborates with diverse coworkers, and along with developing a rewarding work environment and investing actively in human resources. We are also raising effectiveness by setting metrics and targets. We aim to become a professional group that will contribute to a sustainable society towards realizing our future vision of “Creating robust, people-friendly cities around the world.”

Results of management resource expansion (FY2020 → FY2024)

- Number of employees (consolidated): 861 → **1,133**
- Ratio of foreign employees: 13.5% → **17.4%**

Message from management

- Create a self-driven corporate culture that allows all employees to think and act for themselves.
- Inject energy to internal communication to create an open atmosphere in each work environment.
- Each employee should aspire to make Nikko an even greater company.

Strategy for realizing the 2030 Vision

We are rebuilding the human resources management platform and system and carrying out active investments in human resources towards enhancing our human capital. The long-term (10-year) basic policy looking into the future lists the implementation of workstyle reforms for the employees and aims to significantly raise labor productivity. We are adding staff especially to the maintenance business and technology development divisions, and we expect to see the impact of this in the realization of the long-term vision.

We will aim to realize the vision through vitalization of the organization and improvement of job satisfaction while continuing to raise wages.



Intellectual Capital

Basic policies

Adding measurement technology to the four core technologies (mixing and kneading, heating, control, and material handling) of the Nikko Group, we will accelerate the development of differentiated technology and the commercialization of resulting products ahead of other companies. Our basic policy is to contribute towards solving the decarbonization, labor shortage, environmental, and other issues faced by our customers by strengthening our maintenance service business such as remote monitoring and operation of plants leveraging data analysis, IoT, AI, and other technologies. Pursuing, now more than ever, R&D based on the approach to offer what customers want, we will aim for operational management focused on profitability. The Nikko Group is planning to make R&D investment worth 2.9 billion yen in the three years of the current medium-term plan.

Results of management resource expansion (FY2020 → FY2024)

- R&D expenses: 0.392 billion yen → **0.671 billion yen**
- Number of patent registrations: 9 → **14**

Message from management

- Visualize our technologies in such a way that we will be recognized for excellence in quality.
- Establish a test center to earn greater customer trust.
- Explore the possibility of holding technology presentation sessions on customer-focused themes.

Strategy for realizing the 2030 Vision

Currently, we are speeding up the initiatives aimed at commercialization of environmentally friendly products and their social implementation focused on decarbonized society in the short- to medium-term in accordance with the technological and product development roadmap through 2050. The Nikko Group is leveraging DX and AI to respond to the serious manpower shortage in the construction industry, while strengthening development of technology for improving efficiency and labor saving, such as remote operation of plants that ensures safety and preventive maintenance.

In addition, we plan to work with Group companies in making effective use of our management resources to make active proposals.



Manufactured Capital

Basic policies

We have an integrated production structure where we manufacture everything in-house from the plant to the control panels. Our basic policy is to manufacture high quality products efficiently and deliver them to customers through collaboration with our business partners. Also, we take all possible measures to ensure safety and quality while meeting delivery deadlines. These include measures such as carrying out appropriate construction of plants and machinery depending on the environment and location in addition to checking the operation of the plants using digital twins.

We strengthened our Customer Support Center (CSC) in 2018 and are focusing on maintenance services for customers' facility assets, including preventive maintenance and other support. During the period of the current medium-term plan, we will be making a capital investment of 6.0 billion yen over the three years to boost profitability and invest in the enhancement of efficiency.

Results of management resource expansion (FY2020 → FY2024)

- Capital investment: 2.748 billion yen → **3.042 billion yen**
- Property, plant and equipment: 9.383 billion yen → **15.305 billion yen**

Message from management

- Re-examine the culture in which being a self-contained business is a priority; selection and concentration.
- Transition from a business that is centered on orders received to an enterprise that actively creates markets.
- Achieve synergy between the contract-based manufacturing business, Ube Kohki, and Matsuda Kiko.

Strategy for realizing the 2030 Vision

The Nikko Group plans to make a cumulative capital investment of 6.0 billion yen during the three-year period of the current medium-term plan (cumulative 7.56 billion yen in the previous three-year medium-term plan period), which includes the construction of a development test center (1.0 billion yen).

We are considering using the head office factory for AP, BP, and recycling plants and relocating the belt conveyor factory to another location in the future. We are planning to invite customers so that they can observe how the plant operates at the development center to showcase our technologies as well as to use the center as a forum for business negotiations.



Social and Relationship Capital

Basic policies

As a solution partner, the Nikko Group aims to strengthen the maintenance service business in order to enable labor saving and automation of plants, which are issues faced by our customers. We are transforming the model of the maintenance service business into an asset management service, in which Nikko manages plants owned by customers, by using Nikko's unique contractor network Akitsu-kai, which currently has 206 member companies, as the base.

Toward solution of decarbonization and other social issues, we will develop an ecosystem with other companies including our customers, a process where collaboration and cooperation are indispensable.

Results of management resource expansion (FY2021 → FY2024)

- Tombo-kai (sales agents): 123 → **122 companies**
- Akitsu-kai (contractors): 195 → **206 companies**

Message from management

- Establish business management geared to the cost of capital and stock price through engagement in dialogues.
- Establish a structure that enables us to steadily offer jobs to contractors in the maintenance service business.
- Work with stakeholders to pursue future-oriented projects.

Strategy for realizing the 2030 Vision

Companies in the construction industry are our customers, who urgently need to save and reduce labor when they take a long-term perspective. Nikko aims to solve these social issues by strengthening the maintenance service business (e.g., human capital), where we have a competitive edge, and by transforming our business model.

Also, we are considering addressing decarbonization, including carbon neutrality, from a broad perspective by building an ecosystem involving customers and business partners without just relying on our technology alone.



Natural Capital

Basic policies

Climate change caused by greenhouse gas (GHG) emission has an enormous impact on society and economy, and Nikko Group recognizes that it is one of the pressing social issues the Group should work on. In this context, we not only need to reduce GHG emissions from our own business activities but also reduce CO₂ emissions from Nikko-made plants owned by our customers.

The Nikko Group will develop related technologies for reducing CO₂ emissions and offer products and services for enabling carbon neutrality in order to contribute to the realization of a sustainable society.

Results of management resource expansion

- Decarbonization and low-carbon products: 0.108 billion yen (FY2021) → **0.776 billion yen** (FY2024)
- CO₂ emissions (Scopes 1, 2, and 3: 1,305,056 tons (FY2013) → **736,607 tons** (FY2024)

Message from management

- Develop products geared to carbon neutrality and make capital investments for high energy efficiency.
- Incorporate efforts toward sustainability wherever possible, including technological development, products, and business operation.

Strategy for realizing the 2030 Vision













CO₂ emissions from Nikko plants are estimated to make up about 70% of the whole of CO₂ emissions from asphalt plants in Japan (approx. 1.15 million tons a year), and we will swiftly address this issue. Specifically, we will prepare a product roadmap for 2050 and will implement it in four steps and through seven approaches. For fuel transition, which comes first, we are promoting utilization of city gas and LNG in place of heavy oil as well as research and development of ammonia and hydrogen burners. We aim for net sales of 3.2 billion yen from decarbonization and low-carbon products in FY2030.

The Nikko Group recognizes that recent changes in the external environment bring about various risks and opportunities for the Group. Specifically, the initiatives addressing the following have become indispensable for sustainability management: increasing geopolitical risks, supply chain instability, etc., in the political and economic fields; carbon neutrality, material recycling, biodiversity, etc., in the environmental and energy fields; and diversity, equity, and inclusion (DE&I), diverse workstyles, employee engagement, human rights and demands on corporate ethics, etc., in the social field.

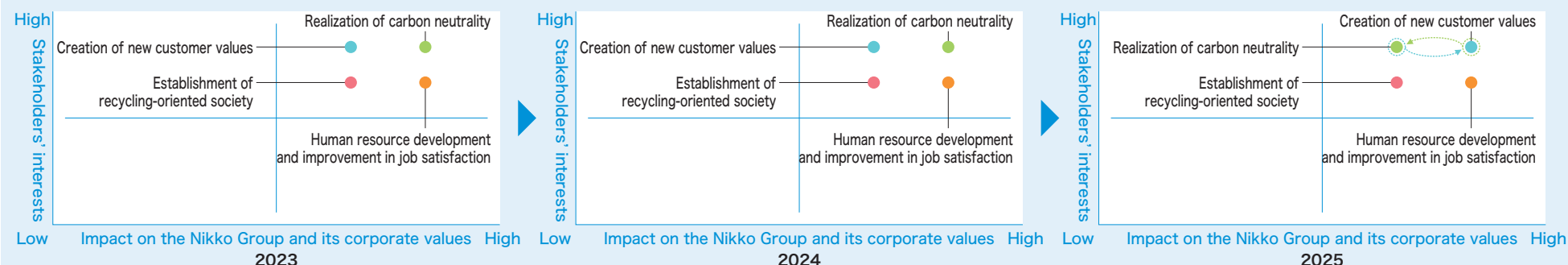
In order for the Nikko Group to achieve the 2030 Vision, we need to maximize our corporate value by appropriately grasping changes in these external and industrial environments and solving various issues (material matters) identified from these changes after considering the impact on stakeholders and sustainability.

The Nikko Group has set forth the following four items as material matters: (1) Realization of carbon neutrality, (2) Establishment of recycling-oriented society, (3) Creation of new customer values, and (4) Human resource development and improvement in job satisfaction. (1) and (2) are related to the sustainability of society, while (3) and (4) are related to Nikko's sustainability. We believe that transformation geared to synchronize these two types of sustainability is the key. In regard to the 2025 materiality map, given that increasing profitability has priority in the 2025-2027 Medium-Term Management Plan, we intend to organically expand our core businesses that revolve around the maintenance service business, which is our strength. For this reason, "Creation of new customer values" and "Realization of carbon neutrality" as priority material matters have been transposed.

◆ Relationship between materiality and sustainability; KPI and SDGs to which they contribute

		Materiality	SDGs to which the Group contributes	What the Group aspires to be and how it is related
Sustainability of society		Realization of carbon neutrality	 	About 70% of CO ₂ emissions from mixture plants in Japan (approx. 1.30 million tons a year) is estimated to be emitted by Nikko plants. Although these emissions make up only a small percentage of all CO ₂ emissions in Japan (approx. 1.0 billion tons), we believe that reducing CO ₂ emissions from the mixture plants is our mission. We have set the target of net-zero CO ₂ emissions.
		Establishment of recycling-oriented society		The four core technologies the Nikko Group owns are indispensable for the establishment of the recycling-oriented society. We recycle about 99% of asphalt paving material. We will also expand the cyclical use of concrete waste and deliver more industrial waste recycling plants (e.g., waste from gypsum/urban mining). With these efforts in place, we will remain committed to preserving the global environment.
Nikko's sustainability		Creation of new customer values	  	In its 2030 Vision, the Nikko Group announced its goal of becoming "a business partner that supports customers through operation and maintenance services." We will achieve DX- and AI-driven labor savings and automation at plants, thereby delivering safe and stable plant operation to our customers.
		Human resource development and improvement in job satisfaction	 	The Nikko Group is aware that human capital is the key to sustainability management. For Nikko to achieve the 2030 Vision, it is necessary to have human resources based on diversity and inclusion, and it is vital to increase their motivation by nurturing them and improving their work-life balance and well-being.

Changes in the Nikko Group's materiality map



KPIs	FY2024 results	Future action plan	Reference
<ul style="list-style-type: none"> CO₂ emissions (Scopes 1, 2, and 3) FY2030: 650,000 tons (down 50% compared to FY2013) FY2050: Net-zero Net sales of decarbonization-and low-carbon-related products FY2030: 3.2 billion yen 	<ul style="list-style-type: none"> CO₂ emissions: 763,885 t (down 42% compared to FY2013) Net sales of decarbonization- and low-carbon- related products: 0.8 billion yen (FY2024) Expanded sales of warm mixture manufacturing equipment Hydrogen-fueled burners developed; the use of the burners expanded into general industry fields Demonstration tests done successfully using hydrogen converted onsite from ammonia 	<ul style="list-style-type: none"> Promote switch to green electricity throughout the group Strengthen promotion of development and proposal of combustion technology for decarbonized fuels Develop mechanism for using decarbonized fuels in collaboration with business partners to whom we supply fuels 	▶ p.63
<ul style="list-style-type: none"> Expansion of markets for plasterboard recycling facilities Expansion of markets for concrete sludge recycling facilities 	<ul style="list-style-type: none"> A gypsum waste recycling plant delivered A concrete sludge recycling plants delivered Self-propelled soil improvers improved and installed 	<ul style="list-style-type: none"> Promote the installation of material recycling plants (enhance proposals to repeating customers) Take part in initiatives (e.g., CUCO) for recycling concrete waste (turning it into decarbonized material) 	▶ p.67
<ul style="list-style-type: none"> Creation of new values through DX Plant management services offered through asset management 	<ul style="list-style-type: none"> An integrated digital management platform offered for concrete manufacturing Flat-rate service offered A separator using AI image recognition developed and installed A mobile plant maintenance manual published 	<ul style="list-style-type: none"> In its 2030 Vision, the Nikko Group announced its goal of becoming "a business partner that supports customers through operation and maintenance services." We are promoting the development of products and services leveraging DX and AI to solve customers' issues. We are also promoting flat- rate maintenance service (subscription) contracts aimed at contributing to improving customers' productivity and cost performance. 	▶ p.71
<p>FY2030</p> <ul style="list-style-type: none"> Ratio of female managers: 7% Training duration and expenses per person: 20 hours, 100,000 yen Ratio of employees taking childcare leave:100% for female and 50% for male Attrition rate: 7% over three years after joining the company 	<ul style="list-style-type: none"> Ratio of female managers: 1% Training duration and expenses per person: 15.3 hours, 88,000 yen Ratio of employees taking childcare leave:100% for female and 61.9% for male Attrition rate: 15.6% over three years after joining the company 	<ul style="list-style-type: none"> We will collect employees' opinions and aim to improve employee engagement and employee-friendliness to create a more comfortable workplace. We will introduce e-learning programs so that employees each can proactively choose what they want to study to improve their knowledge and develop an environment where they can work on reskilling. We will continue to actively hire foreign employees. We aim to build a system that allows employees to work in a flexible manner that suits the individual employee's situation. 	▶ p.72

Risks and Opportunities

Nikko identifies risks that could significantly impact the business activities in the future and pursues the development of a corporate culture resilient to crisis by grasping and managing those risks. The key risks currently recognized by the management as likely to significantly impact the consolidated companies' financial status, operation results, and cash flow are listed below. By recognizing these risks, we believe that it is necessary for us to strive to avoid the occurrence of such situations, and respond to them if they occur.

Related risks and opportunities			Details of risks and opportunities	
1	Risks related to the asphalt plant (AP)-related business in Japan	Risk of insufficient differentiation with competitors	Risk	The asphalt plant market in Japan is an oligopoly where two companies, Nikko and another company, account together for almost 100% of the market. Nikko's market share exceeds 70% and our position as the top manufacturer has not changed for longtime. However, our ability to showcase our differentiation to customers may weaken if we fail to carry out sufficient product development or if the other company develops a meticulous maintenance structure equivalent to ours.
		Risk of overseas manufacturers entering the Japanese market	Opportunity	The Company will pursue differentiation by developing new products that contribute to realizing carbon-neutral society and CO ₂ reduction and through business model reform of the maintenance service business as well as provision of support for remote operation and automation to secure our position as the overwhelming top manufacturer.
		Risk of shrinking market due to reorganization of road pavement industry	Risk	In recent years, no foreign manufacturer has entered the asphalt plant market in Japan, but Chinese and Korean manufacturers are gradually acquiring technical prowess and they may be planning to enter into the Japanese market. If foreign manufacturers enter into the Japanese market, the competition among manufacturers may intensify.
	Risk related to Nikko's technological innovation not catching up with the initiatives for reducing environmental burden		Opportunity	It is difficult for overseas manufacturers lacking a sufficient maintenance system to successfully enter the Japanese market. Accordingly, if customers who have purchased such products recognize the strength of our comprehensive after-sales service framework, their evaluation of our company is expected to rise.
			Risk	Major road builders are going through active reorganization, which may develop into reorganization of the road pavement industry in the future. If integration of asphalt plants advances due to the industry reorganization, the market may shrink.
			Opportunity	Through consolidation, higher operating rates per plant are expected to lead to improved profitability, enabling further capital investment and more efficient facility operations.
2	Risk related to Nikko's technological innovation not catching up with the initiatives for reducing environmental burden		Risk	Asphalt plants primarily use fossil fuels as energy source. About 1.30 million tons of CO ₂ are estimated to be emitted annually in Japan for manufacturing asphalt mixture, and 70% of the emissions are thought to be from Nikko-manufactured plants based on the market share. If the push towards reducing environmental burden globally advances faster than expected, there is a possibility that our technological innovation cannot keep pace with it.
			Opportunity	In close collaboration with road pavement companies, who are the customers, Nikko is working on early social implementation of technological innovations such as combustion efficiency improvement and shifting of heat source at asphalt plants (carbon-neutral fuels, electrical heating technology, etc.), improvement of transportation efficiency through innovation of mixture transportation method, collection of CO ₂ emitted by asphalt plants, and CO ₂ absorption using ready-mixed concrete.
	Risks related to the overseas business	Risk of intensifying competition in the high-end AP market in China	Risk	In the asphalt plant market in China, Nikko has secured a certain position in the high-end model category and we are steadily recording sales and profits every year. In recent years, however, Chinese companies in general have gained technological capability and there is a possibility of many Chinese manufacturers entering the high-end model market in the future leading to intensified competition.
		Risk of sales plan underachievement in the ASEAN market	Opportunity	So far, the rivals in the high-end market are two European companies and one or two top Chinese companies, and the competition is not very tough. In the future, environmental restrictions and promotion of recycling will be strengthened also in China, which would lead to expansion of the high-end model market, and the Company expects to expand its share by leveraging the technologies it has developed in Japan.
3	Risks related to the overseas business	Risk of sales plan underachievement in the ASEAN market	Risk	As part of the growth strategy, we established a manufacturing subsidiary in Thailand in FY2020 and invested more than 1.0 billion yen in the factory. The premise of this investment is that we can stably sell asphalt plants every year in Thailand and other ASEAN countries. However, if our plants are not able to sufficiently gain the trust of customers in Thailand and other ASEAN countries contrary to the plan and sales volume falls short of the plan, the factory would post loss, resulting in risk of impairment of the factory.
			Opportunity	Nikko is the only international AP manufacturer that has production bases in the ASEAN market. With our capability to meet high expectations, we will likely have dominance also in the field of maintenance that will pose a major challenge to customers.

Related risks and opportunities	Details of risks and opportunities
4 Risk of reduction in public investment budget	<p>Risk In the past, when the Democratic Party of Japan replaced the Liberal Democratic Party, "from concrete to people" became a slogan and many of our customers shifted to limit capital investment. As a result, our sales declined significantly. In the future, if a party that holds up a policy to reduce public investment forms the government, our customers may shift to curb investment like they did during the previous Democratic Party of Japan regime.</p> <p>Opportunity The Fundamental Plan for National Resilience received a budget of 15 trillion yen for five years and there is little possibility of customers rushing to curb investment and we can rather expect expansion of investment.</p>
5 Risk regarding securing of human resources to engage in on-site operations	<p>Risk With our business model, we carry out the entire process from plant manufacture to installation on site and offering of maintenance service all in-house. In recent years, manpower shortages have made it difficult to hire on-site workers such as maintenance service staff and construction work staff. If we are unable to hire the required number of on-site workers, it may become difficult to maintain a competitive edge with our business model.</p> <p>Opportunity In maintenance service, we can solve the issue of securing human resources by promoting labor saving through systemization of maintenance services using IoT, etc.</p>
6 Risks related to increases in material prices	<p>Risk Inflationary pressures and concerns over rising prices remain high. If this trend continues, there is a possibility that the prices of materials we purchase will also increase, potentially impacting the profitability of the Company. Further, the impact of rising prices on our customers may cause them to postpone or suspend their capital investment plans, which may result in a decline in the Company's net sales.</p> <p>Opportunity The majority of our products are made-to-order, which makes it easy to pass on increases as we make each estimate. We believe that the impact of rising prices on our future revenue is limited.</p>
7 Risk of increasing and intensifying regional conflicts	<p>Risk There is a possibility of capital investment plans at Nikko's customers getting affected by the increases in crude oil prices and the changes in the global economy as more regional conflicts have arisen and intensified (e.g., in Russia and Ukraine; the Middle East).</p> <p>Opportunity We have been responding to requests for cooperation through official development assistance (ODA) in restoring buildings and infrastructure that have been lost because of conflicts. Our mobile crushers in particular have been used to help Ukraine as they can be directly carried onto the worksite. These machines are capable of quickly responding to demand that arises during an early stage of restoration.</p>
8 Risks related to exchange rate fluctuations	<p>Risk In our mobile plant business, our main products are imported from Europe and sold in Japan. If foreign exchange hedging is not in place, we may be exposed to exchange rate fluctuation risks. In the event of yen depreciation, the price competitiveness of our products could decline.</p> <p>Opportunity We have been hedging risks related to foreign exchange fluctuations by purchasing foreign currencies or arranging exchange contracts in advance, and therefore such impacts are expected to be negligible.</p>

Roundtable Talk

Building a Market Presence in Thailand While Establishing a Business Model in Asia

The Nikko Group has identified “Acceleration of global expansion, with a focus on the ASEAN region” as one of the key pillars of its new Medium-Term Management Plan, which was launched in FY2025. In this online roundtable connecting Japan with our local offices in Thailand, the General Manager of the Overseas Business Strategy Office and the heads of our sales and production subsidiaries in Thailand discussed the trends and challenges in the Thai and broader Asian markets and the Group’s business strategies and business model for the markets.

Participants

Toshimasa Miyake General Manager of Corporate Strategy Department and Overseas Business Strategy Office

Hayato Tanaka Representative Director and President, Nikko Asia (Thailand) Co., Ltd.

Eiichi Nagatani Representative Director and President, Nikko Global Manufacturing (Thailand) Co., Ltd.

Date: June 10, 2025 Location: Conference Room, Nikko Head Office



Q How do you view the Thai government’s road infrastructure policy and the market trends there?

Tanaka: The national government’s infrastructure development policy greatly expands business opportunities for us. Even with the change of government in 2024, the policy of advancing infrastructure development has remained intact. A total of 5.1 trillion baht is slated for investment in road infrastructure projects through 2036. Specifically, the projects call for the construction or extension of 10 routes spanning three major north-south motorways. Approximately 70% of the total budget will be allocated to these primary motorways, with the remaining 30% being dedicated to local roads. By application, 70% of the total budget will be allocated to new

road construction and 30% will be allocated to the maintenance and improvement of existing roads, indicating that the market will likely see steady long-term growth. In line with environmental preservation and resource recycling efforts, Nikko is accelerating the wiser use of recycled mixtures. If environmental regulations tighten further and the use of recycled materials becomes mandatory, we can expect a stable and sustained market expansion.

Q Could you tell me about the strengths of the Nikko Group and its current competitive landscape?

Tanaka: At present, 736 asphalt plants are operating in Thailand, and our Group holds an overwhelming 34% market

share. Of this share, 30% consists of second-hand plants relocated from Japan, whereas 4% are brand-new plants. Most of the remaining market comprises Chinese companies, each holding <5%, with local companies collectively accounting for the remaining 48%. However, in recent years, the slowdown in the Chinese economy has driven many Chinese competitors to seek opportunities in Southeast Asia, intensifying price competition in the Thai market. Even in this environment, our plants continue to be selected despite their premium prices, thanks to “made-in-Japan” quality, fast delivery, and excellent serviceability. Another strength that distinguishes us from competitors is our strong partnerships with sales agents.

Q Could you brief me on the Nikko Group's technological advantages and strategies going forward?

Nagatani: Our strengths lie in having the leading share of the Thai market and being the only foreign plant manufacturer with both local production and sales operations. We have installed production equipment equivalent to that used in Japan and strictly adhere to Japanese standards for process and quality control. This allows us to consistently meet customer demands for high quality and rapid delivery. Our combustion burners deliver approximately 30% higher performance, and our mixers achieve approximately 50% higher efficiency than competing products. This quality advantage, backed by a solid track record in the Japanese market, directly translates into stronger price competitiveness.

Another key technological advantage of the Nikko Group is our equipment for producing recycled mixtures. Thailand is currently developing its recycling technology and related regulations, meaning that recycled materials are only used for base courses. In contrast, Japan allows the use of recycled mixtures for both the base and surface courses, paving the way for environmentally friendly road construction. Our plants reach heating temperatures as high as 160 °C, enabling up to 50%–60% mixing rates of recycled materials. By comparison, Chinese and European competitors can typically achieve only approximately 130 °C and mixing rates of approximately 30%. Our advanced temperature control and mixing technologies are decisive factors that distinguish us from overseas competitors.

Q Is there any difference between your business model in Japan and Thailand?

Miyake: In Japan, maintenance services (MS) account for approximately half of our asphalt plant (AP)-related business, forming a recurring-revenue model. This has been achieved through years of building customer trust by developing a robust service parts supply network, maintaining emergency preparedness, offering operator training, and establishing a zero-downtime support system. Approximately 20 years ago, we encountered copycat competitors in Japan. However, by differentiating ourselves through superior service quality, we expanded MS sales and secured deep market penetration. Overseas, MS sales currently make up approximately 10%–15% of our total sales in Shanghai and Taiwan, which gives us

confidence that the service business can also grow significantly in Thailand. Our policy is to strengthen our revenue base not only through product performance, such as fuel efficiency and durability, but also by expanding our comprehensive service offerings, including plant diagnosis, prompt maintenance and repair, and reliable supply of high-quality parts.

Q What are some challenges that you face on the shop floor, and how do you address them?

Nagatani: It has been 5 years since we began full-scale operations in Thailand. From the outset, we have worked continuously to localize our operations to improve production capacity and product quality. However, the single biggest challenge has been stable output. If we can increase production volume, we can reduce costs, which would allow us to enhance quality control and shorten delivery lead times. However, we have not yet achieved the stable work volume needed for this cycle. Moving forward, we plan to strengthen core initiatives as a manufacturer, such as reducing costs, optimizing components, and establishing a stable supply system with an eye toward potential exports to Japan.

Our Thai factory's operations are supported by a workforce of local Thai and Cambodian employees. Because their cultures and business practices differ from those of Japan, it took time and effort to train them to understand what Japanese manufacturers take as a given, such as manufacturing principles, process control, and quality awareness. Today, I am pleased to say that they perform their work with great diligence and care.

Q What strategies do you have in mind to expand sales in the future?

Tanaka: We have started selling strategic plants specifically developed for the ASEAN market, and two of these plants are already in operation. These plants are lightweight and designed with local needs in mind, earning a strong reputation. However, we have received feedback that some components are "too thick" or that certain designs are "too intricate." We intend to incorporate feedback from those involved in design,

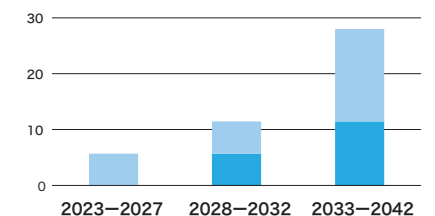
manufacturing, and maintenance to further optimize and refine these plants. Meanwhile, we are preparing to launch large-scale strategic plants and plan to actively promote them at trade fairs and exhibitions.

Q Could you update me on your initiatives to achieve the Medium-Term Management Plan and the 2030 Vision?

Miyake: This fiscal year, the Nikko Group launched its new three-year Medium-Term Management Plan. Our goal is to make the Thai business profitable by fiscal year 2027. Our Thai sales subsidiary will focus on providing high-quality MS for operating second-hand plants while expanding sales of strategic plants. Meanwhile, our Thai production subsidiary is examining the feasibility of exporting AP and BP (batcher plant) products to Japan to absorb fixed costs and improve capacity use. Looking ahead to 2030, we plan to use the Thai market as a foothold for expansion into Vietnam and Indonesia to meet the numerical targets outlined in our vision. Currently, we export plants from Japan to Vietnam and Indonesia, but from 2027 onward, we intend to strengthen our Thai factory and use it as a regional production hub to supply other ASEAN markets.

Motorway–Rail Map

10 routes; 6,877 km Road infrastructure sector budget: 5.12 trillion baht



■ Accumulated extensions up to the previous phase
■ New intercity motorway extensions

■ The Intercity Motorways Master Plan was revised under former Prime Minister Prayuth.

■ Despite objections from opposition parties, the new government announced that it will continue with the plan.

Feature 2 Untapped Potential of DX (Building New Service Models)

Feature Interview

Remaining Committed to Building Nikko's Unique Ecosystem by Solving Problems and Increasing Satisfaction for Customers through the Use of DX and AI

Koichi Kawakami Director, Director of Administrative Division

Katsuhiro Kawamura Executive Officer, General Manager of R&D Center, Technology Division,
General Manager of the Low Carbon Task Force

- **Materiality** Realization of new customer values
- **Relevance to what the Nikko Group aspires to be** In its 2030 Vision, the Nikko Group announced its goal of becoming "a business partner that supports customers through operation and maintenance services." We are promoting flat-rate (subscription) maintenance service contracts, in addition to delivering products and services and using digital transformation (DX), AI, and other tools to solve customers' problems and improve customer satisfaction.
- **KPIs** Creation of new values through DX, flat-rate service outsourcing count



Q Could you tell us about the current status and outlook of the challenges faced by asphalt plant (AP) and batcher plant (BP) customers in relation to the DX promotion of Nikko Group?

Kawamura: With labor shortages becoming increasingly serious across the construction and civil engineering industries, enabling labor-saving and automated operations has become urgent. To address this, Nikko is developing devices that not only monitor plant operations in real time to enable automatic adaptation to future changes, but also detect early signs of equipment malfunctions and conduct preventive measures regularly. As a precedent, an unmanned shipping system for mixture silos has already been implemented at asphalt mixture plants. To improve product development efficiency, moreover, we are facilitating the effective use of our accumulated technological assets using AI and other tools. This includes digitizing and consolidating development documents that were previously dispersed throughout the Company.

Kawakami: Safe operation is the top priority for users of our plants, but it is equally important to keep operations running without interruption. Even a state-of-the-art plant holds little business value if it frequently halts operations because of preventable errors. It is essential to use sensors for quantitative measurement to accurately understand site conditions and facility operations. However, this is not as simple as it sounds. For example, the current image recognition technology still struggles to accurately distinguish plant operators from outsiders while they are in motion. Similarly, existing sensors and systems are not yet advanced enough to detect subtle differences in abnormal noise or vibration that could indicate the failure source. To address these challenges, we are leveraging AI, alongside DX initiatives, to develop facilities and systems that ensure greater customer safety and security. Every division of the Company is proactively adopting AI in their operations under the motto "give it a try first." We are currently developing a track record of using AI in areas such as contamination and aggregate identification, as well as burner

control. By efficiently applying past cases to daily operations, we expect to achieve business process improvements such as facilitating the checking of drawing and reducing recurring errors.

Q What are your strengths in promoting DX, and what are the challenges facing your products and maintenance service business?

Kawamura: Our technological expertise in both machinery and control systems is the foundation of the Nikko Group's strength. This capability allows us to make optimal decisions for each project and respond effectively to on-site conditions. Our nationwide network of field service personnel is another important asset. A system capable of identifying high-risk areas in advance and offering appropriate recommendations to customers is needed for preventive maintenance and rapid response to failures. We aim to reduce the workload of our service teams by using DX. Simultaneously, we will continue to refine our machinery and use it in conjunction with DX to deliver higher value-added services.

Kawakami: For the product business, promoting DX means steadily advancing each development theme. Conversely, the single greatest challenge in the maintenance service business is the shortage of human resources, including experienced employees. As this chronic labor shortage is expected to persist, creating work environments that empower a diverse workforce is essential.

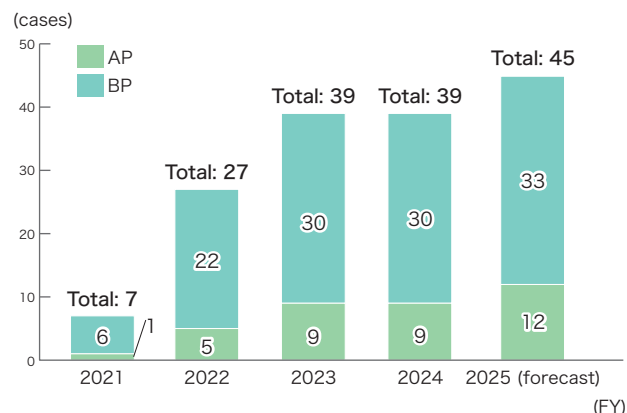
In the maintenance service field in particular, we must reduce the physical strain of handling heavy components so that senior and female employees can work comfortably. To achieve this, we are pursuing modular designs that balance functionality with durability while making components lighter. We anticipate a growing number of challenges, such as developing jigs specifically designed for maintenance work. We also expect that DX and AI will play an important role in addressing these challenges.

Q Nikko is transitioning from a project-based charge system to a flat-rate (subscription) service. Where are you now in the process, and what is the outlook?

Kawakami: We recognize that the subscription service is currently at a plateau, as both its service delivery framework and lineup still have room for improvement. Although we have proposed tailored solutions to each customer based on past records, some benefits only become obvious once operations begin. As a result, we have not always been persuasive enough for customers hesitant to adopt the subscription model. We now see the need to reanalyze our data to better understand the challenges faced by customers. Simultaneously, we are studying the feasibility of AI-powered multilingual customer support desks and 24/7 operations. We believe that integrating these initiatives with a subscription service to help customers minimize downtime will be vital.

Kawamura: Customer adoption of the service is approaching maturity, and we are at a turning point. Once we begin to see tangible results from the subscription model, our service personnel will be able to communicate its value to customers with greater confidence. For next-generation preventive and predictive maintenance services, it will be essential to leverage AI to build a remote monitoring system that can operate from anywhere. Our key challenge will be establishing a framework that enables us to address failures without requiring on-site personnel. Achieving this will require close collaboration with AI, supported by continued advances in software and sensor technologies.

● Status of flat-rate service outsourcing count (cumulative)



Q Could you tell us about the current status of and future initiatives for the One NIKKO Platform, which serves as the foundation for the DX-enabled next-generation preventive and predictive maintenance service?

Kawakami: We are building the One NIKKO Platform in stages to integrate operational information across the Company, including sales, technology, service, and accounting. In the first stage, we consolidated sales information into a sales force automation (SFA) system to link the accounting platform with order intake and sales data. In the second stage, we incorporated technology data, such as group-purchased goods and components used in specific projects, to establish a centralized system for managing technical information. The third stage focuses on promoting the visualization and sharing of the maintenance history. Although we have accumulated extensive maintenance records, the outcomes of our responses have not always been fully visualized or shared, limiting their accessibility to only a few personnel. By improving this process, we aim to enable more accurate decision-making and effective solution delivery.

A large percentage of our plants are custom designed for individual customers, and use a wide range of components. Because cost and performance can vary among components with the same function, comparing data based on usage records is essential to make optimal selections. We can create

our own ecosystem by developing a system that accumulates and uses such information, which is expected to expand the range of customer needs we can address. In the future, customers may also use this ecosystem to manage and operate their plants more cost-efficiently.

Kawamura: We can expect tangible benefits, such as fewer grievance cases and improved accuracy in repairs and field service at overseas plants, by feeding technical information into the platform. Using this integrated information is also critical for effectively managing on-site conditions. We can continuously integrate these data points into the platform by identifying customers' challenges and issues with our products, developing solutions based on this insight, and collecting feedback on the resulting products. We believe that this cycle will enable us to build a highly reliable system.

Q What challenges are you facing regarding DX personnel, and what are your goals?

Kawakami: We are eager to welcome individuals who are motivated to take on challenges for new technologies and initiatives. For example, we hope to see younger employees proactively engage in AI-related operations, as senior employees may be less inclined to volunteer in these areas. Nikko fosters a corporate culture that does not assign blame for failed attempts. In recent years, many young applicants have expressed an interest in joining Nikko because they want to grow as individuals while contributing to social infrastructure. By introducing AI, I believe we can create more opportunities for back-office personnel who support our operations to step into the spotlight.

Kawamura: Although we certainly need data specialists, we need even more DX professionals who can leverage data to drive operational reform. These individuals must have the insight to appropriately distinguish between the roles of people and digital technologies, using technology as a tool while maintaining a broad, strategic perspective on overall operations. We must also secure such talent to expand the scope of product development. The use of DX to improve operational efficiency is directly connected to our decarbonization efforts and will serve as a foundation for sustainable corporate activities.

Feature 3 Untapped Potential of GX (Maximizing Environmental and Corporate Values)

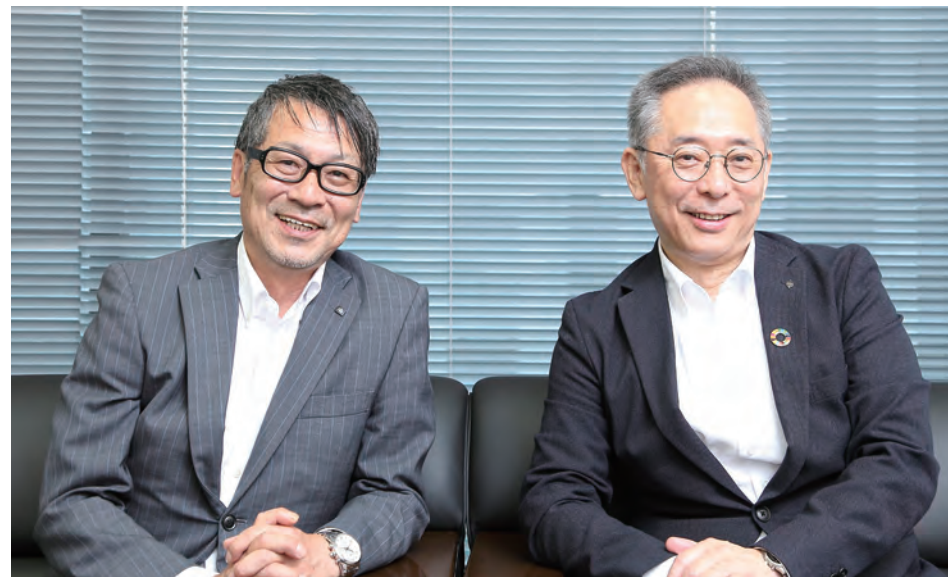
Feature Interview

GX Strategies to Maximize Environmental Values and Corporate Values A Path to Realizing GX — A Conversation between Masaru Shimazaki and Katsuhiro Kawamura

The Nikko Group has positioned the development and social implementation of environmentally friendly products as one of its key growth strategies in its new Medium-Term Management Plan and 2030 Vision. Katsuhiro Kawamura, General Manager of the Low Carbon Task Force (LCTF) and the officer in charge of development at the Nikko Group, was joined by Masaru Shimazaki, Executive Officer and Chief of the Technical Division at Taisei Rotec Corporation, for a discussion on the current state of the road pavement industry amid the transition to a decarbonized, recycling-oriented society and on the forefront of technological development driving GX (green transformation).

Taisei Rotec Corporation **Masaru Shimazaki** Executive Officer, Chief of Technical Division
Nikko Co., Ltd. **Katsuhiro Kawamura** Executive Officer, General Manager of R&D Center, Technology Division, and General Manager of Low-Carbon Task Force

Date: June 11, 2025 Location: Conference Room, Taisei Rotec Head Office



The road pavement industry at the crossroads of strengthening national resilience and advancing GX

Shimazaki (Taisei Rotec): Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT) is Taisei Rotec's largest customer. The current agenda of the Japanese government includes realizing a decarbonized, recycling-oriented society and establishing sustainable infrastructure by strengthening national resilience. Other pressing issues include addressing the shortage of field operators and aging workforce. Companies in the road pavement industry are developing technologies to address these challenges. In fact, the national government has also begun providing support through subsidies and public calls for technological solutions. However, new environmentally friendly construction methods and materials have yet to be incorporated into pavement work specifications at the ordering stage. Consequently, the conventional approach of removing damaged surface courses and repaving remains the norm.

Kawamura (Nikko Group): That is precisely the gap between system and technology. In reality, unique technologies developed by individual companies are rarely evaluated at the ordering stage, which I believe stifles innovation across industries. A major shift in the current approach is needed; incorporating environmental performance into evaluation criteria would accelerate the adoption of innovative technologies.

Challenges of warm mix asphalt pavement and plant technologies

Shimazaki: Taisei Rotec is advancing a wide range of decarbonization initiatives, including the efficient use of renewable energy at offices, in addition to the on-site reduction of CO₂ emissions. That said, because asphalt mixture plants, which are at the core of our pavement business, generate substantial CO₂ emissions, this is an urgent issue. The heating process alone accounts for 80% of the total emissions. Therefore, we are promoting a fuel transition from

heavy oil to LNG and other alternatives, alongside the introduction of warm mix asphalt technology. We are also advocating work style reform by introducing a five-day workweek while keeping in mind the need to balance this with costs.

Kawamura: The Nikko Group is developing GX-related technologies across multiple categories, including fuel transition (gas, biomass, hydrogen, and ammonia), warm mix asphalt, and plant structure reengineering. In particular, we have completed the development of combustion burners that use hydrogen and ammonia as fuel, and their commercialization is now within sight. However, the adoption of these latest burners may take time due to the comparatively high cost of these fuels and the slower-than-expected development of supply infrastructure.

Regarding the warm mix equipment, we are promoting a mechanical model because of its high recycling ratio. Although additive-based models, which are more common overseas, tend to be more economical, we believe that the mechanical model is

better suited to Japan's construction environment. Looking ahead, we will continue to allocate resources to the development of next-generation warm mix equipment.

Reforming the bidding system and accelerating the development of new technologies

Shimazaki: Japan's public works ordering system shifted to a performance-based evaluation model approximately 20 years ago. Under this system, bidding companies were supposed to have the freedom to choose product structures and materials. However, in practice, they have seldom been properly evaluated within the general competitive bidding system, which prioritizes public interest and fairness, because technologies were difficult to compare directly.

More recently, the MLIT Road Bureau and other authorities have resumed reviewing technical standards, signaling a potential shift toward incorporating decarbonization and recycling technologies into evaluation criteria. If this happens, it will likely encourage the adoption of new technologies that improve drainage performance, mitigate heat island effects, and promote environmentally friendly pavement while accelerating innovation aimed at achieving a decarbonized society.



Kawamura: This marks a major turning point for equipment manufacturers, including Nikko. Previously, standardized products were the norm. However, going forward, we will need to customize products to meet each customer's specific technical requirements. We believe that achieving positive differentiation through cocreation will be the key.

The shape of the future as seen through technology demonstration and cocreation initiatives

Shimazaki: In designing the demonstration plant currently operating at the Next-Generation Technology Research Center in Satte City, Saitama, we worked closely with Nikko to share a clear vision and build a plant tailored to our unique specifications. Since then, we have been conducting experiments to develop environmentally friendly products and advanced fuel transition. In the future, we plan to focus on technologies for moisture control of dried aggregates, as well as on preprocessing and postprocessing technologies. We would be delighted if Nikko could develop a distinctive plant exclusively for us, in addition to standardized models, as environmental technologies begin to be incorporated into bidding evaluation criteria.

Kawamura: We fully recognize the need to evolve from a mere equipment manufacturer into a partner that co-creates technology. What is now required of us includes technological development focused on energy conservation itself, a fundamental review of plant structures, and intelligent operational management enabled by digital transformation (DX), as well as the promotion of warm mix asphalt and fuel transition.

Barriers to diffusion and implementation: The hard reality of economic viability

Kawamura: The government and road pavement companies are acutely aware of the importance of GX. However, progress has been slow, mainly due to the bidding system and high fuel and equipment costs. To encourage broader adoption of costly clean fuels by minimizing fuel consumption, the Nikko Group has identified low fuel consumption and energy conservation as a key action agenda and is pursuing initiatives from the ground up. As part of this effort, a comprehensive review of existing plant structures was launched in 2024. This is not merely a minor adjustment but a full-scale project to achieve both decarbonization and energy conservation by fundamentally reexamining our design philosophy.

Shimazaki: Still, only a few local municipalities and prefectural governments, including Tokyo, currently mandate the use of warm mix asphalt equipment. However, once a legal framework is established and the benefits of warm mix asphalt become widely recognized, its adoption is expected to spread nationwide.

Work style reform and smart plants

Shimazaki: Plant operators work on a five-day schedule, but balancing this schedule with weekend construction demands remains a challenge. The labor shortage is also becoming increasingly severe. Although GX is important, the implementation of labor-saving measures and automation at the plants is an urgent priority.

Kawamura: The introduction of DX is a highly effective approach to address these challenges. Through remote monitoring and visualization of early signs of malfunction, more efficient maintenance and operation can be achieved. We plan to proceed with the development of smart plants anyone can operate while continuing to train the necessary human resources.

In sum: Achieving technological innovation and economic rationality simultaneously

Kawamura: A decarbonized society cannot be achieved through philosophy alone; it becomes sustainable only when economic rationality supports it. The Nikko Group will continue to focus on joint development and on providing customized products tailored to specific customer needs and standardized products. If these products are truly easy to use and profitable, we believe that a genuine win-win relationship can be established.

Shimazaki: Those of us in the pavement industry cannot survive unless we continue to drive technological innovation within the public works framework. Looking ahead, we aim to build new social infrastructures in close collaboration with equipment manufacturers as the entire industry works to support systems that fairly evaluate environmentally friendly technologies from the ordering stage.



Feature 3 Untapped Potential of GX (Maximizing Environmental and Corporate Values)

Feature Interview

GX Strategies to Maximize Environmental Values and Corporate Values Redefinition and Cocreation—The essences of GX — A Conversation Between Hirochika Moriyasu and Katsuhiro Kawamura

The Nikko Group is advancing initiatives to enhance both environmental and corporate values through its GX strategies. For this special conversation, Katsuhiro Kawamura, General Manager of Low-Carbon Task Force and the officer in charge of development at the Nikko Group, was joined by Hirochika Moriyasu, Managing Executive Officer of Maeda Road Construction Co., Ltd. Mr. Moriyasu, who has long been engaged in quality control and assurance and now serves as Director of the company's Technical Research Institute, discussed with Mr. Kawamura how GX connects road infrastructure to a decarbonized, recycling-oriented society.

Maeda Road Construction Co., Ltd.	Hirochika Moriyasu	Managing Executive Officer, General Manager of Technical Research Institute, Technology Headquarters, and in charge of CSR/ Environment in General
Nikko Co., Ltd.	Katsuhiro Kawamura	Executive Officer, General Manager of R&D Center, Technology Division, and General Manager of Low-Carbon Task Force

Date: June 11, 2025 Location: Conference Room, Maeda Road Construction Head Office



GX's approach to leveraging road stock

Moriyasu (Maeda Road Construction): The shift toward a decarbonized society is accelerating, and the GX perspective has become indispensable for the road industry. For example, while transitioning to renewable energy sources, such as hydrogen, ammonia, and other alternative fuels, is important, the enormous stock of paved roads stretching over 1.2 million kilometers across Japan must not be overlooked. We believe that the effective use of this asset in the spirit of recycling will become increasingly important in the future.

Kawamura (Nikko Group): I fully agree. For the Nikko Group, which develops and manufactures asphalt mixture plants, one of the key challenges of GX is whether we can effectively use recycled materials without compromising quality. Although it may be easier said than done, we recognize that technological innovation that achieves decarbonization and resource conservation is essential.

Plants that do not easily break and are simple to use and recycle are needed.

Moriyasu: Maeda Road Construction has high expectations for the Nikko Group to develop technologies for plants that are easy to maintain and prevent damage to recycled mixtures, in addition to achieving operational optimization through labor saving and automation. We believe that recycling technology is not only about recycling materials but also about recreating value.

Kawamura: Feedback from the field like this is vital for our future product development. Some degree of damage is unavoidable with conventional direct-fired burners. With this in mind, our development team is working to minimize quality deterioration by reexamining heating methods and advancing thermal control technologies. Innovative heating methods, such as microwave-based systems, are also being explored, although cost remains a major challenge at present.

Moriyasu: That is precisely the point. Although this may sound ambitious, once large-scale microwave-based asphalt heating technology is put into practical use, the concern over CO₂ emissions from the manufacturing process of recycled mixtures could potentially be eliminated altogether. For this to become a reality, technological innovations—including fuel transition—must advance in an integrated and economically viable manner.

The future of roads: From mere transport infrastructure to a foundation of value creation

Moriyasu: As the spread of self-driving vehicles reduces the number of active traffic lanes, not all roads will be maintained to the same standard. Conversely, pavement demand may rise again as functional pavements, such as those equipped with power-feeding surfaces for electric vehicles, become more common. The roads of the future will no longer be mere roads, but value-creating infrastructure. Accordingly, we believe that collaborating with partners from other sectors will be crucial.

Kawamura: Precisely. We should prepare for collaboration with electronics manufacturers, the automotive industry, and telecommunications companies. From an environmental standpoint, paved roads will need to incorporate advanced functions, such as mitigating urban heat island effects, preventing flooding from cloudbursts, providing sound insulation, and featuring surfaces that protect animals from burns on their paw pads.

Confronting structural risks



**Maeda Road Construction Co., Ltd.
Hirochika Moriyasu**
Managing Executive Officer, General Manager of
Technical Research Institute, Technology Headquarters,
and in charge of CSR/Environment in General

Moriyasu: It has been approximately 60 years since the Tōmei Expressway and Meishin Expressway opened, yet the basic structure and system of asphalt plants have remained largely unchanged. In my view, this lack of evolution has slowed technological innovation and limited the industry's future potential.

Kawamura: That is true. Nikko is no exception; we have mostly delivered standardized plants. The asphalt plant market has been oligopolistic, and the development of customized products for individual users has often taken a back seat. In the future, flexible technological solutions that directly respond to on-site needs will become increasingly essential.

Structural Issues and Institutional Barriers Hindering the Promotion of GX

Moriyasu: One of the challenges in asphalt pavement work is that proprietary technologies and patents are not always adequately recognized or valued due to the nature of public works. Given the growing societal demand for decarbonization and disaster resilience, I believe that it is time that environmental performance be adopted as a standard criterion in the bidding process.

Kawamura: Absolutely. If the bidding process evolves, the pace of product development will likely follow suit. For Nikko, this

would create greater opportunities to showcase the energy efficiency and low environmental effect of our products and technologies, ensuring returns on our technological investments.

Regional gaps and life cycle perspectives

Moriyasu: Although national and prefectural roads have been well developed, the construction and maintenance of roads by local municipalities are often postponed because of financial constraints. Unless the entire industry works together to build a life cycle-oriented value chain, encompassing construction, use, maintenance, and recycling, achieving true GX will remain difficult.

Kawamura: A transformation of the business model to include waste processing and recycling industries is needed. Beyond decarbonation, we also expect increasing opportunities to apply our technologies and equipment—for example, in disaster debris disposal and the rapid restoration of damaged infrastructure.

Developing the next generation of field operators while accelerating DX

Moriyasu: Labor shortages have become a chronic problem. As more of our operators now come from other industries, we may not be providing them with sufficient on-the-job training. I would love to see a training program like the Nikko Academy you once organized make a comeback, perhaps on a larger scale.

Kawamura: We strongly recognize the importance of training operators and machinery management specialists while promoting automation through DX. Providing structured training opportunities that allow participants to learn from the fundamentals will help us to differentiate ourselves. I believe that this is essential to expand Nikko's fan base.

Striking a balance between GX and profitability: Future prospects

Moriyasu: Asphalt demand in Japan peaked at approximately 80 million tons in 1992 and has since declined by half. The shift in demand from new pavement to repair work is one factor

behind this drop. In recent years, rising personnel and material expenses have further intensified the burden on the industry. To ensure both continuity and profitability under these circumstances, the bidding system must be revised so that it properly values the introduction of environmentally friendly technologies or to establish an entirely new framework.

Kawamura: GX-compatible products often increase costs in the short term, but they ultimately build trust and create long-term value. In the end, fostering a culture in which users are willing to pay for environmentally friendly products will be key. As I mentioned earlier, consider paved roads designed so that pets' paws do not get burned. If users are willing to pay for such roads, we can accelerate the development of new technologies and generate even greater value.



**Nikko Co., Ltd.
Kawamura, General Manager
of Low-Carbon Task Force**

In conclusion: Aiming for growth as a cocreation partner

Moriyasu: A decline in gasoline demand will affect asphalt supply in the long run. If that happens, we may need to reconsider the materials used in road construction. We also intend to explore new materials and recyclable mixtures rather than relying solely on existing technologies.

Kawamura: Achieving carbon neutrality in asphalt plants is an extremely difficult task. Because it is quite difficult, accomplishing it would revolutionize the industry. We hope to continue working with you as partners who envision the infrastructure suited to the GX era and co-create value.

Moriyasu: Roads form the backbone of social infrastructure and will not disappear. However, roads will not last forever if the industry remains unchanged. Consider the film camera industry: Some companies clung to conventional technologies and declined, whereas others leveraged their technological assets, achieving continued growth. Perhaps we now stand at a similar crossroads.

Segment Highlights

AP-Related Business

Main products

- Asphalt plants
- Recycling plants
- Crushing plants
- Mixture silos
- Electronic control devices, plant management system
- Decarbonization-related products (foamed equipment, various burners, etc.)



ABD
Made-to-order AP models that can handle diverse needs

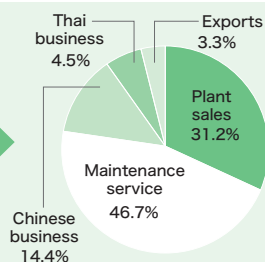


VP IV
Latest high-end model AP, primarily for recycling



ACE
Global model AP for Thailand and Southeast Asia markets

Net sales of maintenance service increased 12.4% from the previous fiscal year to 9.1 billion yen and its sales composition increased 1.6 pp to 46.7%. Meanwhile, plant sales declined 5.4% and the sales composition decreased 4.6 pp to 31.2%.



Business overview	Details
Customers	Construction companies, road pavement companies, etc.
Market share	Static share in Japan: 77.5%
Net sales breakdown	39.6% (77.8% in Japan, 22.2% overseas)
Operating margin	5.0% (6.4% in FY2019 before the COVID-19 pandemic)
Production bases	Akashi head office factory, Thailand, and Shanghai, China

BP-Related Business

Main products

- Concrete plants
- Mobile concrete plants
- Concrete pumps
- Electronic control devices, plant management system
- Concrete product manufacturing plant facilities, etc.



ONZEMIX-T50
Mobile BP

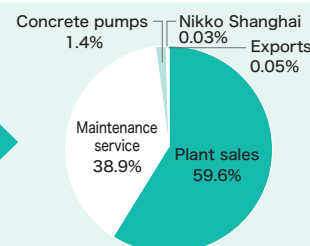


DASH-H275EvoV 220R-ADV
Ultra-strong concrete plants



DASH-225Pro 065ITBF
Large-scale precast concrete plant

Net sales of maintenance service increased 3.3% from the previous fiscal year to 5.5 billion yen, while its sales composition decreased 6.3 pp to 38.9%. Plant sales, meanwhile, increased 34.7% and the sales composition rose 6.6 pp to 59.6%.



Business overview	Details
Customers	Ready-mixed concrete manufacturers, construction companies, etc.
Market share	Static share in Japan: 33.6%
Net sales breakdown	29.0% (99.9% in Japan, 0.1% overseas)
Operating margin	12.1% (record high)
Production bases	Akashi head office factory and Shanghai, China

Environment- and Conveyor-Related Business

Main products

- Various belt conveyors, conveyors for facilities, beverage container recycling plants
- Soil remediation plants, various ABD recycling plants (e.g., plastic)



Modular conveyor
Conveyor using pipe frames whose lengths can be adjusted in increments of 10cm

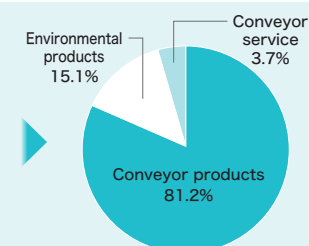


A plaster-based solidification material manufacturing facility
A plant facility which manufactures gypsum hemihydrate from dried gypsum powder, which is blended with cement and lime to manufacture solidification material.



Stringer modular conveyor
High-quality conveyor with superior cost performance through modularized body and options

Net sales of conveyor products grew steadily by 2.4% from the previous fiscal year to 2.6 billion yen and the sales composition rose 3.2 pp to 81.2%. Net sales of environmental products declined 22.3% to 0.5 billion yen, with the sales composition falling 4.0 pp to 15.1%.



Business overview	Details
Customers	Waste treatment, civil engineering, various manufacturing, etc.
Market share	Share of the portable conveyor market: 65%
Net sales breakdown	6.6%
Operating margin	26.0% (21.3% in FY2019 before the COVID-19 pandemic)
Production bases	Akashi head office factory

Product overview

FY2024 business description

Business overview

Crusher-Related Business

Main products

- Crushers and screens
- Mobile belt conveyors
- Mid-sized simple screens
- Small-sized crushers and screens



Mobile jaw crusher MC110i & impact crusher MR110i (by KLEEMANN)

Achieved world-class crushing performance and world's best fuel efficiency

Photo: Delivery to a concrete waste intermediate processing facility



Mobile soil improver Mobix Eco (Nikko's in-house developed product)

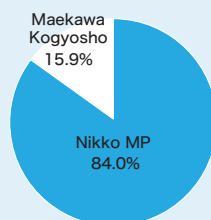
Achieved mixing and kneading performance unique to mixer manufacturer and 30% lower fuel consumption compared to existing products



Combination of mobile crushers and screens
There is an increasing global demand for capital investment in changing existing stationary crusher plants to mobile crushers.

Photo: A demonstration, connecting actual machines, was held at a quarry in Ehime Prefecture.

Net sales of mobile plants (MP) decreased 34.8% from the previous fiscal year to 1.9 billion yen and its sales composition fell 6.9 pp to 84.0%. Meanwhile, net sales of Maekawa Kogyosho increased 23.4% to 0.4 billion yen with its sales composition rising 6.8 pp to 15.9%.



Business overview	Details
Customers	Stone crushing and mining companies, civil engineering and construction companies, steel industry, rental companies, dismantling and recycling industry, disaster recovery, etc.
Market share	Domestic share (21% for mobile crusher, 25% for screens)
Net sales breakdown	4.6%
Operating margin	1.8% (8.6% in FY2023)
Business bases	Tokyo Sales Department, Tokyo mobile center, three branches in Japan

*Market share is the average for the past three years.

Contract-Based Manufacturing Business

Main products and main business

- March 2022: Made Ube Kohki Co., Ltd. into a group company
Business description: Design, manufacture, and construction work of gas holders
Manufacture and installation of plant equipment (e.g., water treatment) and industrial machinery development, manufacture, and sales of environment-related products (e.g., solar lighting)
Main customers: Major manufacturers, plant engineering companies, etc.
- July 2023: Made Matsuda Kiko K.K. into a group company
Business description: Manufacture and assembly of various plants and industrial machinery
Main customers: Leading steel mills, plant manufacturers, environment-related machinery manufacturers, etc.



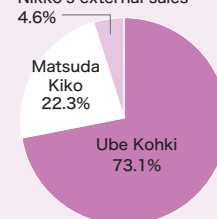
Tanks



Environment-related facility

Net sales of Ube Kohki increased 42.4% from the previous fiscal year to 3.5 billion yen while its sales composition declined 7.2 pp to 73.1%. On the other hand, net sales of Matsuda Kiko grew 128.9% from the previous fiscal year to 1.1 billion yen with its sales composition rising 7.1 pp to 22.3%.

Nikko's external sales



Business overview	Details
Customers	Ube Kohki: Water treatment plant, chemical, cement, food product, and pharmaceuticals industries, government agencies for water supply and sewerage service, etc. Matsuda Kiko: Steel mills, plant manufacturers, general heavy machinery manufacturers
Net sales breakdown	9.8%
Operating margin	13.4% (8.8% in FY2023)
Business bases	Ube Kohki: Ube Kohki head office factory, cooperating factory in Dalian, China Matsuda Kiko: Head office factory, Daimon factory

Other business

Main products

- Pipe scaffoldings, steel gangplanks
- Adjustable aluminum inclined staircase
- Shovels, spades
- Small-sized concrete mixers, mortar mixers
- Floodgates, waterproof boards, crushers
- Real estate leasing, construction materials leasing
- Sales of housing renovation, etc.



Removable waterproof board (free style)



Raku Raku Ramp

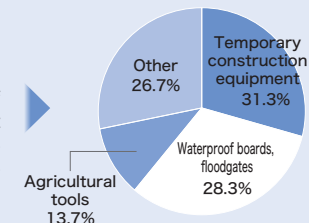


Floodgate (stainless steel roll up gate)



Light bridge

Net sales of waterproof boards and floodgates declined 3.9% from the previous fiscal year to 1.4 billion yen and its sales composition fell 3.9 pp to 28.3%. Net sales of temporary construction equipment increased 12.4% from the previous fiscal year to 1.6 billion yen and its sales composition grew 0.9 pp to 31.3%.



Business overview	Details
Customers	Nikko Machinery: Shutter manufacturers, general contractors, government agencies Nikko Sec: General contractors, civil engineering companies, rental companies, etc.
Market share	Adjustable aluminum staircases: 40%; waterproof boards: 38-45%
Net sales breakdown	10.4%
Operating margin	14.0% (16.5% in FY2023)
Business bases	Nikko Machinery: Noda head office factory in Chiba Prefecture Nikko Sec: Noda head office factory in Chiba Prefecture

Product overview

FY2024 business description

Business overview

AP-related Business

We aim to establish a business foundation and contribute to revenues in the ASEAN market, which has a high medium- to long-term growth potential, while improving the profitability of our Japanese business boasting an almost 80% market share.

Executive Officer, General Manager of Asphalt Plant Sales Management Department, Business Division

Toru Okada



What the AP-related business aspires to be

As the leading asphalt plant company, we aim to solve the problems faced by our customers. We also will propose new customer values by leveraging unique DX and AI technologies. At the same time, we aim to achieve profitability comparable to the BP-related business by building business foundations in overseas markets such as Thailand and Vietnam and contributing to revenues.

Strategy for realizing the vision

We will grasp our customers' true requirements by leveraging our in-depth understanding of the customers, and will offer them optimum products at appropriate prices by closely working with our technology development divisions. We will also strengthen the maintenance service business to stabilize business performance and boost profitability.

Contribution to resolving materiality

We will contribute to resolving the Nikko Group's four material matters by proposing decarbonization technologies to customers, offering recycling plants, and providing subscription-based maintenance services and remote and automated support, in addition to improving employee job satisfaction and sharing values and goals.

Assumptions and measures during the new medium-term plan

- In Japan, we envisage a recovery in capital investment as road pavement companies' performance picks up.
- We hope to see replacement demand emerge for asphalt plants fueled by subsidies.
- In addition to the effect of increased net sales, overseas subsidiaries' improved revenue will drive operating income.

Medium-term plan targets for the AP-related business (million yen)

	FY2024 results	FY2025 forecast	FY2026 plan	FY2027 plan
Net sales	19,480	19,500	21,600	23,000
Operating income	976	1,000	1,600	2,350
Operating margin	5.0%	5.1%	7.4%	10.2%

*Operating income before corporate expenses

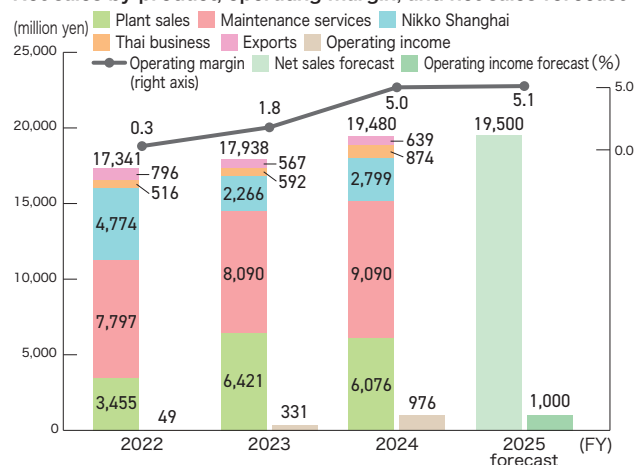
FY2024 financial results

The financial results for FY2024 exceeded the Company's forecast and we achieved significant growth in operating income. Order intake increased 3.0% from the previous fiscal year to 19.5 billion yen, posting the second consecutive year of increase, as customers' appetite for investment recovered. Net sales grew 8.6% from the previous fiscal year to 19.5 billion yen, and operating income increased 194.9% to 0.976 billion yen (operating margin of 5.0%) owing mainly to passing-on of costs to prices and growing net sales of maintenance services in Japan.

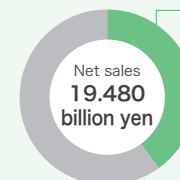
FY2025 performance forecast

For FY2025, we expect order intake to grow 12.8% from the previous fiscal year to 22.0 billion yen, net sales of 19.5 billion yen, similar to the previous fiscal year, and operating income of 1.0 billion yen, roughly unchanged (operating margin of 5.1%). In addition to the recovery of Japanese road pavement companies' earnings, we are expecting facility replacement driven by subsidies. Our overseas business is strong in Taiwan and we are expecting it to remain almost unchanged from the previous fiscal year.

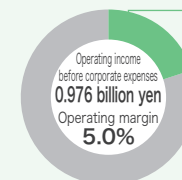
Net sales by product, operating margin, and net sales forecast



Net sales breakdown



Segment income breakdown

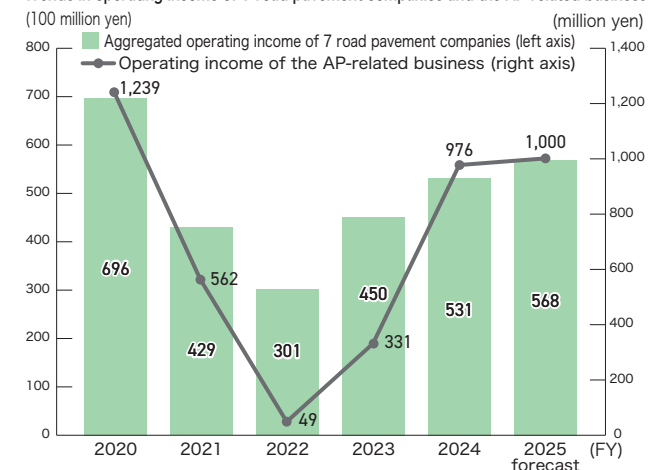


Leading performance indicators

(business performance trend of road pavement companies)

We pay attention to business performance trend of road pavement companies as a leading performance indicator. The business performance of the seven road pavement companies bottomed in FY2022. In FY2024, both their net sales and operating income increased for the second consecutive year, with double-digit operating income growth achieved. In FY2025, they are expected to record a 1.1% increase in net sales and a 7.0% rise in operating income (operating margin of 5.6%), maintaining steady performance. The performance of the road pavement companies had worsened due to soaring asphalt prices. However, the asphalt price index (100 in 2020) peaked at 237.4 in July 2022 and declined to 166.3 in June 2025. The performance of the AP-related business is expected to continue on the recovery track. This is because of upgrades of aged infrastructure in the next five-year plan for national resilience starting in FY2026 and the projects spearheaded by the Ministry of Economy, Trade and Industry (METI) to promote investments in energy saving and to support structural transformation of demand.

Trends in operating income of 7 road pavement companies and the AP-related business



Medium-Term Management Plan implementation strategy

Segment	Issues and goals	Strategic direction
AP-related Business	Profitability	Focus on profitability improvement given expected recovery in domestic demand
	Business transformation	

Business opportunities

- Expanding demand for differentiated products that contribute to customers' decarbonization efforts
- Increasing demand for remote and automated plant operation for addressing manpower shortage and workstyle reform
- Emergence of replacement demand on the back of energy-saving needs utilizing subsidies
- Increasing demand from rising needs for road development and recycling in the ASEAN market
- Rise of new customer needs such as subscription

Issues

- Shrinking Japanese market
- Labor shortage in supply chains, etc.
- Entry of foreign rival companies
- Introduction of similar products by rival companies

Business strategies

1	Existing business (Japan)	<ul style="list-style-type: none"> ● Promote proposals to rebuild plants using subsidies ● Upgrade decarbonization- and DX-related products and introduce them early into the market ● Capture demand for plant peripheral facilities
2	Growth strategy (overseas)	<ul style="list-style-type: none"> ● Expand sales of models developed for ASEAN (ACE series) ● Spread Japan's recycling technology further in ASEAN region ● Expand sales areas in countries surrounding the ASEAN region
3	Expansion of maintenance services	<ul style="list-style-type: none"> ● Improve organizational capability and efficiency through division of roles ● Strengthen operation and maintenance services

Q&A with investors

Q. Is the earnings recovery sustainable?

A. An increasing number of customers are pursuing replacement of asphalt plants utilizing energy-saving subsidies. Replacement of facilities is likely to continue till around FY2027 partly as works to address aged infrastructure increase and customers' earnings recover thanks to the decline in asphalt prices.

Q. How far is operating margin expected to recover?

A. Operating margin of the BP-related business has reached 12%. We also would like to aim for profitability comparable to the BP-related business by passing on costs to prices, strengthening the maintenance service business, and improving revenue of the overseas business in addition to the effect of increased net sales.

Q. When do you expect the overseas business to become profitable?

A. As we explained in the overseas business round table talk, we would like to break even or become profitable in FY2027 partly by implementing measures unique to Nikko that are not affected by the market.

Topics

The budget of the projects to promote investments in energy saving and to support structural transformation of demand spearheaded by METI is expected to be 30.0 billion yen for FY2025 and 76.0 billion yen for FY2026. A plant- and workplace-type project can receive up to 1.5 billion yen in subsidies (2.0 billion yen for non-fossil fuel energy facilities), while a project for electrification and conversion to decarbonized fuel up to 0.3 billion yen and electrification facility project up to 0.5 billion yen.

Topics (new product)

Asphalt plant eligible for energy-saving subsidy VPIV (Kawaguchi Ascon)



BP-related Business

We will further pursue higher market share and improve earning power by proactively developing new high performance standard plant models, new mixer models, and operation support service leveraging unique DX technologies.

Executive Officer, General Manager of Industrial Machinery Sales Management Department, Business Division

Katsumasa Takenami



What the BP-related business aspires to be

As the top manufacturer of batcher plants, we will secure a market share of 50% or more and further stabilize business performance and improve profitability by introducing new, unique, and differentiated products and expanding the maintenance service business.

Strategy for realizing the vision

We will improve profitability and acquire more market share through introduction of new, high-performance plant models that are reliable and meet the requirements of our customers. In addition to development and commercialization of new energy-saving high-safety low-running-cost mixer models, we will offer plant operation support service aimed at optimizing customer factories.

Contribution to resolving materiality

We will contribute to resolving the Nikko Group's four material matters by supplying calcium carbonate manufacturing equipment, strengthening our unique maintenance service business, revitalizing our organizations through enhanced training structure for young employees, and recycling concrete sludge.

Assumptions and measures during the new medium-term plan

- We expect ready-mixed concrete price to remain at a high level. As customers continue to make replacement investment, we expect stable growth in both net sales and operating income.

Medium-term plan targets for the BP-related business (million yen)

	FY2024 results	FY2025 forecast	FY2026 plan	FY2027 plan
Net sales	14,266	14,800	15,300	15,300
Operating income	1,724	1,900	2,000	2,000
Operating margin	12.1%	12.8%	13.1%	13.1%

*Operating income before corporate expenses

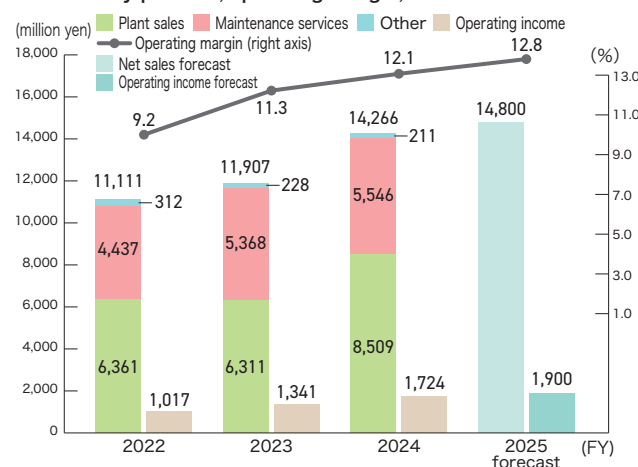
FY2024 financial results

For FY2024, the business performance exceeded the Company's forecast and the BP-related business posted record high results. Order intake rose 6.4% from the previous fiscal year to 15.2 billion yen, rising for the second consecutive year, as we captured the robust capital investment needs of customers. Net sales increased 19.8% from the previous fiscal year to 14.3 billion yen and operating income rose 28.6% to 1.724 billion yen (operating margin of 12.1%), thanks to the effect of passing-on of costs to prices in addition to the effect of increased net sales.

FY2025 performance forecast

For FY2025, we expect order intake to decrease 13.4% from the previous fiscal year to 13.2 billion yen, net sales to increase 3.7% to 14.8 billion yen, and operating income to grow 10.2% to 1.9 billion yen (operating margin of 12.8%). We are keeping a conservative estimate for order intake. Order backlog as of the end of FY2024 reached 9.5 billion yen, which is equivalent to eight months worth of monthly sales, and we are expecting contributions from delivery of order backlog and an increase in net sales of maintenance service.

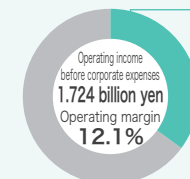
Net sales by product, operating margin, and net sales forecast



Net sales breakdown



Segment income breakdown

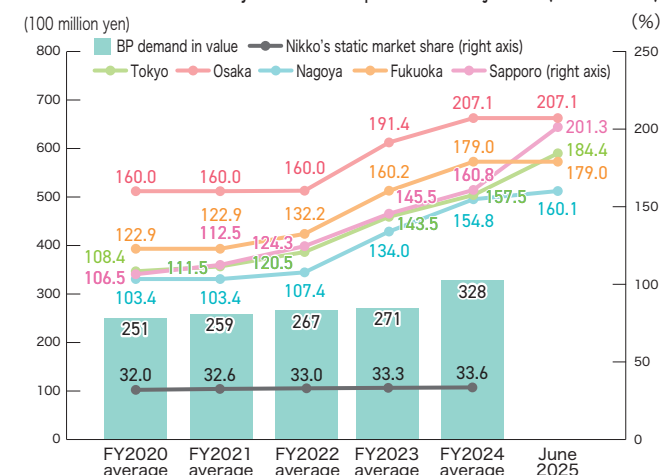


Leading performance indicators (trend in ready-mixed concrete price)

We pay attention to the trend in ready-mixed concrete price index in major cities around the country. Ready-mixed concrete manufacturers, who are the customers of the BP-related business, are actively raising ready-mixed concrete price given the soaring prices of raw materials such as cement and aggregates. The ready-made concrete price index, whose 2015 level is set as 100, started rising around 2022, and the average price index for 2024 was 157.5 in Tokyo (up 14 pp from the previous year), 207.1 in Osaka (up 15.7 pp), 154.8 in Nagoya (up 20.8 pp), 179.0 in Fukuoka (up 18.8 pp), and 160.8 in Sapporo (up 15.3 pp). As of June 2025, it rose to 184.4 in Tokyo, 160.1 in Nagoya, and 201.3 in Sapporo.

Value of BP demand is also showing a rising trend following the increase in ready-mixed concrete price. We are expecting steady growth for the time being.

Value of BP demand and ready-mixed concrete price index of major cities (100 in FY2015)



Sources BP demand: Japan Construction Equipment Manufacturers Association
Ready-mixed concrete price index: Construction Research institute

Medium-Term Management Plan implementation strategy

Segment	Issues and goals	Strategic direction
BP-related Business	Sales growth	Improve profitability amid a continued positive business environment
	Business transformation	

Business opportunities

- Advancement in use of precast concrete for building components (increasing demand for facilities installed in factories)
- Reinforcement of initiatives for decarbonization through absorption of CO₂
- Increase in market share
- New customer needs such as subscription and maintenance package
- Increasing demand for mobile plants due to shrinking market and for disaster responses

Issues

- Shrinking Japanese market
- Price war with rival companies
- High in-house manufacturing ratio and large fixed costs

Business strategies

1	Existing business (Japan)	<ul style="list-style-type: none"> ● Develop DASH-REXA, combining reliability and high performance ● Promote use of mobile BP in disaster afflicted areas and for fluidized soil ● Capture demand for plant peripheral facilities
2	Growth strategy	<ul style="list-style-type: none"> ● Develop new mixer with enhanced mixing and kneading performance and mechanical safety ● Promote carbon recycling-related initiatives ● Optimize plant operation using DX total management system
3	Expansion of maintenance services	<ul style="list-style-type: none"> ● Expand areas where we offer maintenance services by increasing order intake share ● Strengthen operation and maintenance services

Q&A with investors

Q. Will the business results continue to expand in the future?

A. Earnings of ready-mixed concrete manufacturers have been continuing to expand based on the leading performance indicator of ready-mixed concrete price. Robust investment appetite is likely to continue for the next two to three years partly reflecting moves leveraging energy-saving subsidies. There also is a limit to the production capacity of the three BP manufacturers, so the demand volume is expected to remain roughly unchanged. However, both demand value and earnings of Nikko's BP-related business are likely to continue to grow given the effect of passing-on of costs to prices and shift to larger plants.

Q. Is there more room for improvement in operating margin?

A. The operating margin reached 12.1% in FY2024. We think it is possible to further improve profitability supported by the impact of introduction of new products and expanding maintenance service business. In the final fiscal year of the medium-term plan, we are aiming for

Topics

Many of the sewage systems in Japan were developed during the rapid economic growth period and about 15% of the pipelines are 40 years old or older. For this reason, the Japanese government plans to check the safety of the 5,000 km-long sewage system and invest in its upgrade by FY2030 in the next five-year plan for national resilience starting in FY2026.

(Source: Nihon Keizai Shimbun)

TOPICS

The Japanese government to check safety and invest in upgrade of the aged 5,000 km-long sewage system by FY2030.

(Nihon Keizai Shimbun article on May 29, 2025)

Environment- and Conveyor-related Business

By keeping in mind manpower saving and energy saving, we will launch high-value-added products leveraging DX and AI and aim to maintain and strengthen the highly profitable structure while securing our dominance over the competition.

Manager of Industrial Machinery Sales Department, Industrial Machinery Sales Management Department

Yosuke Kojima



What the environment- and conveyor-related business aspires to be

Leveraging our standardization and modularization capabilities, we will pursue online sales, expansion of product lineup, and horizontal expansion to engineering sales. We will establish ourselves as "Nikko of small conveyor" with speed and service that outperform our rivals, and aim to achieve 4.0 billion yen in net sales and 1.0 billion yen in operating income in 2030.

Strategy for realizing the vision

Our strength lies in the ability to convey. With that at the core, we will take on the challenge of creating demand by leveraging our unique DX and AI technologies such as establishing AI-based sorting technology for goods being conveyed, introduction of new products in the market with improved accuracy in sorting and detecting foreign objects in PET bottles, and development of system to identify and remove lithium-ion batteries. In addition to introduction of products with added functions, we will increase earning power through improvement of efficiency of design operation and strengthening of online sales.

Contribution to resolving materiality

We will establish a recycling-oriented society by contributing to the recycling industry. At the same time, we will work on creation of new customer values through introduction of new functions and products. Being the best place to work at in the Company that appoints right people in the right place, we will also realize human resource development and improvement in job satisfaction.

Assumptions and measures during the new medium-term plan

- Following the large-scale projects including Expo 2025 Osaka, Kansai, Japan, we anticipate an increase in new demand from IR projects and others. We aim to improve operation efficiency by upgrading our core system while emphasizing profitability.

Medium-term plan targets for the environment- and conveyor-related business (million yen)

	FY2024 results	FY2025 forecast	FY2026 plan	FY2027 plan
Net sales	3,254	4,100	3,300	3,500
Operating income	847	850	730	800
Operating margin	26.0%	20.7%	22.1%	22.9%

*Operating income before elimination

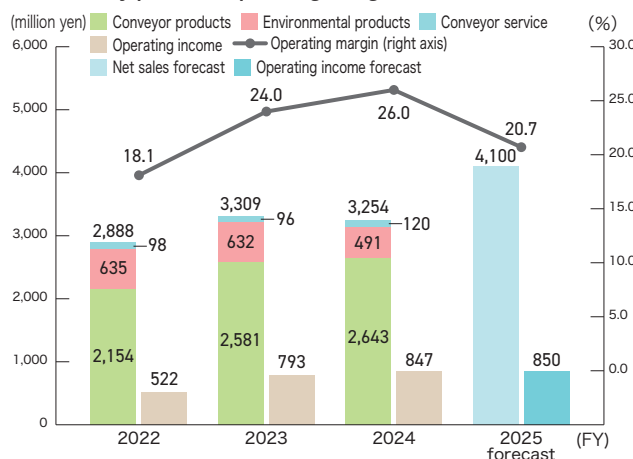
FY2024 financial results

The business results for FY2024 came to about the same level as the Company's forecast and operating margin reached 26.0%. There were no large-scale projects affecting order intake and net sales. As a result, order intake decreased 2.0% from the previous fiscal year to 3.7 billion yen and net sales declined 1.7% to 3.3 billion yen. Operating profit increased 6.8% to 0.847 billion yen. We improved profitability through unit price increase by adding high functionalities and measures to raise operation efficiency.

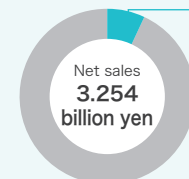
FY2025 performance forecast

For FY2025, we expect order intake to increase 20.5% from the previous fiscal year to 4.5 billion yen, net sales to grow 26.0% to 4.1 billion yen, and operating income to rise 0.4% to 0.85 billion yen (operating margin of 20.7%). Large-scale projects for a Japan Railway Company and other factors are expected to boost net sales, but since they are development projects, their profit contribution is smaller, so we are forecasting operating income to be in line with the previous fiscal year.

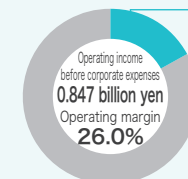
Net sales by product, operating margin, and net sales forecast



Net sales breakdown



Segment income breakdown



Medium-Term Management Plan implementation strategy

Segment	Issues and goals	Strategic direction
Environment- and Conveyor-related Business	Sales growth, profitability Business transformation	Aim to maintain a highly profitable structure through improvement of operational efficiency

Business opportunities

- Strengthening of various recycling laws for waste plastic, solar panels, lithium-ion batteries, etc. (an increase in demand for recycling equipment)
- Entry into the highly rigid stringer conveyor market, which is large
- Increase in market share
- Sales synergies with the crusher-based business and contract-based manufacturing business

Issues

- Human resource shortages
- Calcination technology in the environment-related business
- Intensifying competition
- Soaring transportation costs (which can be passed on)

Business strategies

1 Existing business	<ul style="list-style-type: none"> Start online sales of modular belt conveyors Strengthen outreach to equipment manufacturers and recycling companies Strengthen engineering sales that combine conveyors and related solutions
2 Development areas	<ul style="list-style-type: none"> Establish AI-based sorting technology leveraging DX technology Enhance product lineup of peripheral equipment for recycling Strengthen collaboration with recycling-related companies
3 Overseas expansion	<ul style="list-style-type: none"> Reach out to Japanese engineering companies

Q&A with investors

Q. Is it possible to maintain a high operating margin in the future?
A. We are taking measures to raise unit price leveraging an estimated market share of 65% and sale of products with greater functions as well as improving efficiency of operations such as design. The sustainable profitability level is around 25% in operating margin.

Crusher-related Business

We will reboot our sales power and aim for the top market share in Japan. We will also improve profitability by strengthening maintenance service sales and technology proposal-based sales.

Director, Deputy Director of Business Division, General Manager of Service Strategy Department and Mobile Plant Business Department

Takeshi Sone



What the crusher-related business aspires to be

To achieve the goal of 5.0 billion yen in net sales and 0.8 billion yen in operating income in 2030, we will steadily execute business strategies for capturing the top market share in Japan at an early date. Beyond this goal, we aim to firmly establish our position as Nikko as a global company with an eye on full-fledged expansion in the overseas markets.

Strategy for realizing the vision

Based on the strengths of our products such as world's best fuel efficiency, excellent crushing performance, and high environmental performance, we will rebuild the sales structure and enhance the sales network to drive forward aggressive sales expansion to boost our market share. At the same time, we will stabilize business performance and improve profitability by increasing sales of Nikko-developed Mobix, acquiring new customers in collaboration with the AP- and BP-related businesses, and strengthening maintenance service sales.

Contribution to resolving materiality

We will achieve the establishment of a recycling-oriented society through contribution to recycling of concrete waste at demolition sites and slug and sludge of steel companies as well as sorting of soil and stumps.

Assumptions and measures during the new medium-term plan

- Expand business through development of sales channels
- Boost Nikko-developed product lines.
- Aim to improve profitability through expansion of maintenance service net sales.

Medium-term plan targets for the crusher-related business (million yen)

	FY2024 results	FY2025 forecast	FY2026 plan	FY2027 plan
Net sales	2,256	3,000	3,700	4,300
Operating income	40	150	220	300
Operating margin	1.8%	5.0%	5.9%	7.0%

*Operating income before corporate expenses

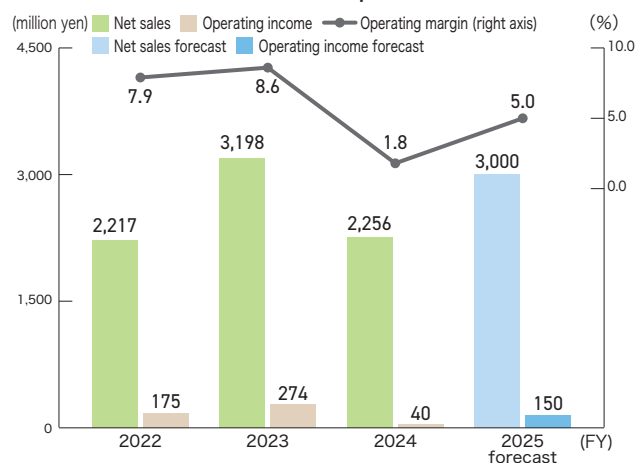
FY2024 financial results

The business results for FY2024 were roughly in line with the Company's forecast as we had major declines in both net sales and operating income. Order intake decreased 51.0% from the previous fiscal year to 1.7 billion yen, while net sales declined 29.5% to 2.3 billion yen and operating income fell by 85.4% to 0.04 billion yen (1.8% in operating margin). The reasons are absence of ODA projects compared to the previous fiscal year, a delay in inquired projects, and a decline in the market share due to aggressive sales campaigns by rival companies.

FY2025 performance forecast

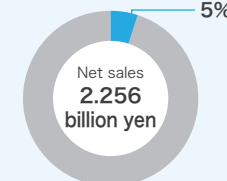
For FY2025, we expect order intake to increase 139.8% from the previous fiscal year to 4.0 billion yen, net sales to grow 33.0% to 3.0 billion yen, and operating income to rise 275.0% to 0.15 billion yen (operating margin of 5.0%). We are expecting effects of the sales expansion of in-house developed products and highly profitable products through strengthening of sales structure as well as growth in net sales of maintenance services.

Trend in crusher-related business performance

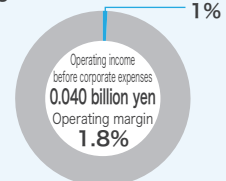


Nikko Group's Growth Strategy

Net sales breakdown



Segment income breakdown



Medium-Term Management Plan implementation strategy

Segment	Issues and goals	Strategic direction
Crusher-related Business	Sales growth Lateral expansion of the product market	Strengthen growth strategies for top-line expansion with improved profitability

Business opportunities

- Increase in demand for switch from stationary to mobile crusher
- Increasing adoption in steel mills, which is a large market
- Development of overseas market taking advantage of the exports to Ukraine
- Expanded use of mobile crusher by companies in the rental industry
- Increased sales to AP and BP customers (synergy effects)
- Capturing the maintenance service demand created by the increase in cumulative units sold
- Revenue growth from enhanced Nikko-developed product lineup

Issues

- Our main products are imported from Germany and depreciation of yen is a negative factor
- Intensified competition following market expansion
- Nurturing maintenance service personnel

Business strategies

	Business strategies
1 Existing business	<ul style="list-style-type: none"> • Strengthen sales capabilities and partnerships with sales agents • Intensify sales efforts targeting AP users and mining and steel industries • Promote expansion of rental business
2 Growth business	<ul style="list-style-type: none"> • Increase sales of mobile soil improver Mobix Eco • Establish periodic inspection and contract-based maintenance business
3 MS business	<ul style="list-style-type: none"> • Increase parts inventory • Utilize maintenance app NM-LINK

Q&A with investors

Q. How much improvement can you expect in sales growth and operating margin?

A. Many of our products are imported and if the yen were to decline to 160 yen or lower against the euro, it would be difficult in terms of profitability. However, growth potential remains high and we are implementing a business strategy eyeing operating margin of 8 to 10%.

Contract-based Manufacturing-related Business

Ube Kohki Co., Ltd.

UBE KOHKI

Once the newly constructed second plant starts operations, we will strengthen human capital and organizational capability and aim for stable growth coupled with improvement in profitability.

Executive Officer, Senior Manager of Financial Department, Financial Management Department, Administrative Division
Representative Director and President, Ube Kohki Co., Ltd.

Haruhiro Ogawa



Matsuda Kiko K.K.

株式会社 松田機工

We will promote business expansion that maintains high profitability by acquiring new customers, hiring and nurturing human resources, and strengthening production capacity.

Director, Director of Manufacturing Division and General Manager of Head Office Factory
President and Representative Director, Matsuda Kiko K.K.

Kazuhiro Yamada



What Ube Kohki aspires to be

In pushing for the next growth stage, we will eliminate the bottlenecks while building an organizational structure that encourages employees to take on challenges unitedly. By doing so, we will improve profitability and raise the sales scale from the existing 2.0 to 2.5 billion yen to the 3.0 billion yen level in 2030.

Strategy for realizing the vision

As the new second plant starts operations, inspection and assembly processes will be improved and production capacity will be increased by 10 to 20%. We have been successfully acquiring new customers as our unique technological prowess backed by a design team gains recognition. Further, we aim to expand the scale of business by enhancing human capital mainly in sales.

Contribution to resolving materiality

We offer gas holders (tanks) for hydrogen and methane and will contribute to the realization of carbon neutrality. As a contract-based manufacturing company, we will also contribute to the creation of new customer values by responding to the diversifying customer needs.

What Matsuda Kiko aspires to be

Building on our end-to-end system (design, assembly, inspection, and installation) and the highly profitable manufacturing team with ample track record, we aim to raise our sales from the current 0.7 billion yen to the 1.0 billion yen level in 2030 and expand business while maintaining high profitability.

Strategy for realizing the vision

Net sales in FY2024 were at a record high thanks to multiple large-scale projects. We have begun construction work of the second plant and our production capacity will expand to the 1.0 billion yen scale. We will drive forward hiring and nurturing of managerial staff and acquire new customers. At the same time, we will collaborate with Ube Kohki and Nikko's external sales to maximize synergies in the Nikko Group.

Contribution to resolving materiality

In addition to realization of carbon neutrality through our projects for switching from blast furnaces to electric furnaces at steel manufacturers, we will also contribute to the creation of new customer values as we flexibly respond to customer needs by leveraging our unique strengths.

Business opportunities

- Increased business opportunities as competitors' businesses shrink
- Acquiring new projects through product and development synergies within the Nikko Group
- Increased demand for construction of various plants using hydrogen and methane as well as for related capital investment

Assumptions and measures during the new medium-term plan

- More competing companies will go out of business due to lack of successors.
- In addition to acquiring new customers, increase the number and quality of employees and facilities to maintain and increase profitability.

Medium-term plan targets for the contract-based manufacturing-related business (million yen)

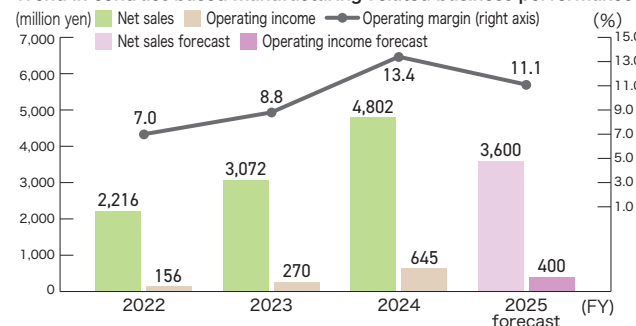
	FY2024 results	FY2025 forecast	FY2026 plan	FY2027 plan
Net sales	4,802	3,600	3,800	4,200
Operating income	645	400	450	500
Operating margin	13.4%	11.1%	11.8%	11.9%

*Operating income before corporate expenses

Strengths

- Both companies boast high comprehensive strengths in terms of quality, costs, and delivery time.
- Ube Kohki operates business across the country and has its own products such as gas holders and solar lighting in addition to contract-based manufacturing. It also has a cooperating factory in Dalian, China.
- Matsuda Kiko boasts high-level plate working and welding technologies and has capability to handle short delivery deadlines.

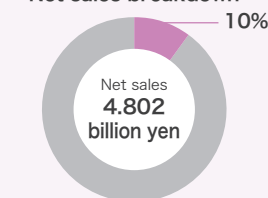
Trend in contract-based manufacturing-related business performance



Business strategies

- | | |
|-------------------|---|
| 1 Ube Kohki | ● Strengthen workforce and invest in factory facilities |
| 2 Matsuda Kiko | ● Invest in facilities and promote DX of systems |
| 3 Synergy effects | ● Strengthen collaboration mainly with Nikko's external sales |

Net sales breakdown



Segment income breakdown



Nikko Machinery Co., Ltd.



We protect infrastructure and assets from intensifying natural disasters and aim to maintain high profitability while continuously expanding our business.

Representative Director and President **Akio Kataoka**



What Nikko Machinery aspires to be

We will pursue optimum balance of the waterproof board, floodgate, construction machinery (design and manufacturing for the AP- and BP-related businesses), and technical planning (TP) businesses and realize stable growth. At the same time, we aim to maintain 10% or more in operating margin and improve it.

Strategy for realizing the vision

We have been introducing mass production-type waterproof boards and disaster prevention-related demand continues to be strong due to an increase in flood damage. We can maintain the high profitability of floodgates as we pursue selective order intake leveraging the advantage of being one of the remaining companies. In the TP business, we will strengthen sales expansion of strategic products including thermo-melter with electric kettle, which is our unique product.

Contribution to resolving materiality

There have been cases where waterproof boards are adopted and contribute to improvement of values of assets such as of condominiums. We also have been driving forward development of custom-made products and temporary sandbags reflecting disaster prevention needs. In the TP business also, we have embarked on the development of new products such as thermoplastic applicator, thus contributing to creation of new customer values.

Business opportunities

- Expansion of demand for waterproof boards and temporary construction equipment to respond to increasing natural disasters
- Demand for replacing gas-based kettles with electric ones for melting the white lining material used in road repair (6.0 to 7.0 billion yen in estimated demand)
- Increasing demand for repair and upgrade of floodgates following the policy on strengthening of national resilience
- Increasing need for automated facilities (sorting devices, etc.) for maintenance of temporary construction equipment given labor shortage
- Growing demand for highly workable temporary construction equipment against the backdrop of labor shortage at construction sites

Assumptions and measures during the new medium-term plan

- Both net sales and operating income are likely to continue increasing under the disaster prevention and mitigation trend. At the same time, we will expand sales channels, production, and sales bases while strengthening development of new products.

Medium-term plan targets for the other business (million yen)

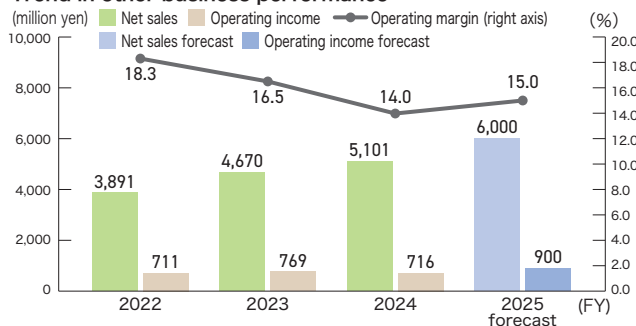
	FY2024 results	FY2025 forecast	FY2026 plan	FY2027 plan
Net sales	5,101	6,000	7,300	9,700
Operating income	716	900	1,100	1,650
Operating margin	14.0%	15.0%	15.1%	17.0%

*Operating income before corporate expenses

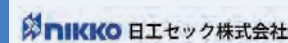
Strengths

- High product development prowess and market share, with average operating margin of 13.5% over the past five years
- Asphalt kneader mixer differentiated by proprietary technology
- Temporary construction equipment is highly recognized for workability
- We internally design and manufacture acceptance inspection system for temporary construction equipment, cleaning equipment, and stacking systems (palletizers).

Trend in other business performance



Nikko Sec Co., Ltd.



We will achieve stable growth through strengthening of equipment sales and rental service in response to customer requests in addition to sales expansion of streamlining machinery for equipment centers.

Representative Director and President **Koichi Kamada**



What Nikko Sec aspires to be

We aim to realize stable sales growth through offering of equipment superior in safety and workability for construction sites and disaster afflicted areas and contributing to solution of various issues at equipment centers. We also plan to raise operating margin from current about 12% to around 15%.

Strategy for realizing the vision

While strengthening prompt delivery not only for the civil engineering and construction industries but also in case of natural disasters, we will improve technological prowess by jointly creating products with the development divisions of parent Nikko and drive forward development of new products such as construction equipment in response to the requirements of the field and sorting equipment for the next-generation temporary construction equipment.

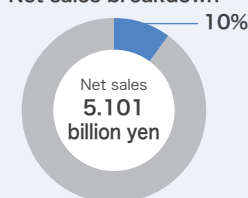
Contribution to resolving materiality

With the tailwind generated by automation and energy-saving needs due to the manpower shortage at construction machinery centers of customers, we will contribute to creation of new customer value through strengthening and offering of equipment sorting system, cleaning system, and acceptance inspection system.

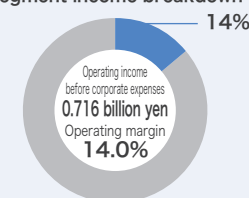
Business strategies

1 Waterproof boards, floodgates	● Develop new sales channels, introduce new products
2 Temporary construction equipment	● Build a new manufacturing and shipping facility in western Japan, expand rental business ● Expand product lineup of scaffolding-related system
3 M&A	● Actively pursue M&As in related fields

Net sales breakdown



Segment income breakdown



Measures to Reinforce Foundation for Value Creation

Measures to Reinforce Foundation for Value Creation to Realize 2030 Vision

	Goals in 2030	Input (management resources)	Issues to be addressed (short, medium, and long term)
 R&D Kawamura, General Manager of R&D Center	<ul style="list-style-type: none"> Full-scale installation of low-carbon and environmentally friendly products Installation of automated products leveraging AI and IoT technologies Product development contributing to all group companies Ratio of net sales of new products 10% 	<ul style="list-style-type: none"> R&D expenses: 0.87 billion yen Development division engineers: 35 Sharing of product development resources across all Group companies Joint development with customers and external organizations 4+α core technologies (drying, mixing and kneading, material handling, and control) + measurement 	<ul style="list-style-type: none"> Human resource development for transfer and expansion of core technologies Short-term and medium- to long-term product development aimed at decarbonization Development of core devices for expanding sales of environment-related plants Appropriate distribution of development resources across Group companies Improvement of development speed for increasing the amount of social implementation
 Sales and consultation Yamamoto, Manager	<ul style="list-style-type: none"> Next-generation green solutions on offer Teleoperation systems in place through digital innovation Front runner in the plant industries across the ASEAN market Engineering solution company 	<ul style="list-style-type: none"> Implementation of marketing intelligence Organization and hiring for globalization The markets of all Group companies and sales agent associations Intellectual properties of all Group companies and affiliated companies 	<ul style="list-style-type: none"> Give shape to environmental and future-oriented technologies Deepening of advisory for encouraging corporate transformation Establishment of cross-border partnerships Strategic expansion into the ASEAN market Development of human resource architecture to respond to globalization and next generation needs
 Planning and designing Uehara, Manager	<ul style="list-style-type: none"> Plant solution provider Proposals that create values at both customers and society Comprehensive support of remote operation, automation, saving manpower Overseas expansion of global standard products 	<ul style="list-style-type: none"> Group of skilled engineers who respond to customer needs Core technologies (mixing and kneading, heating, material handling, and control) Accumulation of knowhow regarding plant design and technical bases Cooperation structure with technical design partner companies 	<ul style="list-style-type: none"> Systematic human resource hiring, strengthening the knowledge of the workers through nurturing Realization of mass production concept and improvement in production efficiency Early introduction of new control panel and upgrade of functionalities towards automation Enhancement of core standard products that respond to customer needs Improvement of customer satisfaction in safety, manpower saving, and quality
 Procurement Kobayashi, Manager	<ul style="list-style-type: none"> Achievement of both stable procurement and cost optimization Information sharing with suppliers and favorable relationship of trust with them Enhanced communication on purchasing with Nikko Group companies and generation of synergies 	<ul style="list-style-type: none"> Human resources and materials warehouse to build procurement base Establishment of partnership with suppliers Purchasing information of the entire Nikko Group 	<ul style="list-style-type: none"> Breaking away from the medium- to long-term risk of purchasing from a single supplier Swift replacement in the case of a supplier going out of business or termination of parts production Measures for optimum inventory management Stabilization of purchasing operation and improvement of efficiency of operations that depend on personal knowledge or experience
 Manufacturing Yamada, General Manager	<ul style="list-style-type: none"> Productivity up 10% Promotion of flexible delivery of a wide variety of products in short delivery time Achievement of both quality improvement and manufacturing cost reduction Improved productivity of Thai subsidiary Manufacturing collaboration within the Nikko Group and generation of synergies 	<ul style="list-style-type: none"> Major layout changes of machine processing and other operations Introduction of third rebar processing machine and revamp of processing lines New construction of an assembly and finishing factory (992m²) as well as strengthening of capacity of assembly, trial run, and inspection and production capacity of specialty products 	<ul style="list-style-type: none"> Ensuring appropriate overtime hours Promoting engineers to acquire multiple skills and building flexible backup system Enhancement of ability to handle high-mix low-volume production, exclusive products, and specialty products Achievement of both quality improvement and manufacturing cost reduction Instruction of manufacturing technologies for Thai subsidiary
 Construction work Noguchi, Section Manager	<ul style="list-style-type: none"> Operation engineers (plan): 60 (up 10 from existing level) Reinforcement of field management engineers and chief engineers for all sorts of plant installation work Digitization of work plan, safety documents, etc. to enable a structure where anyone can handle them Expand the coverage from the head office to east and west (from 2025 onwards) 	<ul style="list-style-type: none"> Operation engineers: 29 (up 5) including 9 field management engineers and 18 chief engineers Contractors around the country End-to-end structure from assembly to operation adjustment 	<ul style="list-style-type: none"> Actions for safe work and safety instruction Identifying new contractors and collaboration with other departments Easy-to-implement structure in the design and construction work stages Reinforcement of personnel (field management engineers and chief engineers)
 Maintenance services Sone, Manager, Planning Department	<ul style="list-style-type: none"> Plant management through asset management Start of operation service Global operation of customer support 	<ul style="list-style-type: none"> To establish a structure of 150 field service men and 30 front service men Transfer of front office operation, strengthening of organization Development of workplace safety and machinery management system 	<ul style="list-style-type: none"> Switch from after-incident maintenance to preemptive maintenance Acquisition of on-site human resources [(i) 150 field service employees and 30 front service men], [(ii) 80 supervisors and their allotment to key bases], and [(iii) Reinforcement of contractors] Reinforce maintenance parts supply network Remote management of plant operation and utilization of operation data for prevention and prediction

	Measures (short, medium, and long term)		Progress, outlook		FY2024 evaluation	
▶	<ul style="list-style-type: none">■ Establishment of a department dedicated to promoting succession of skills and human resource development (development support department)■ Number of development personnel to be hired from FY 2025 to FY2027: 15 (new graduates and mid-career hires)■ Active hiring of outstanding foreign human resources	<ul style="list-style-type: none">■ Establishment of agile development method and improvement of development efficiency through its combination with the conventional method■ Promotion of joint product development with Group companies (establishment of a development committee)■ Redistribution of resources for acquiring new core technologies (measurement technology, crushing technology, etc.)	▶	<ul style="list-style-type: none">■ FY2025 hiring plan: Three new graduates and two mid-career hires■ Foreign engineers: Two■ Development of skill succession system using generative AI and formulation of human resource development plan	<ul style="list-style-type: none">■ Acquired basic technologies of next-generation fuel combustion such as renewable fuels, biomass fuels, hydrogen, and ammonia■ In joint product development with Nikko Sec and Nikko Machinery	○
▶	<ul style="list-style-type: none">■ Exclusive showcase of latest products■ Marketing, development, and education that co-create values in collaboration with partners■ Strengthening of product lineup and alliance support from global strategy divisions	<ul style="list-style-type: none">■ Promotion of synergies with local Thai subsidiary by the ASEAN Business Strategy Office■ Active hiring of human resources who will play the main role in the future■ Strategic popularization of green products through industry collaboration	▶	<ul style="list-style-type: none">■ A new product trade show scheduled in October 2025■ Establishment of collaborative structures with local partners in Thailand and Vietnam■ A trade show for the ASEAN market held at the Thai factory■ New development of environmental products adaptable to energy transition	<ul style="list-style-type: none">■ Next-generation recycling technology reflecting the needs of ASEAN, currently under verification■ Currently working on evolution of business models beyond the boundary of the existing framework in response to the changing market environment	○
▶	<ul style="list-style-type: none">■ Number of engineers to be hired from FY2025 to FY2027: 40■ Increase in production bases based on a design that is not limited by location in Japan or abroad■ Technological involvement in quality and productivity of manufacturing divisions■ Shift to external contract-based design of standardized products such as standard conveyor design	<ul style="list-style-type: none">■ Dedicated divisions to promote key initiatives related to quality, functional design, and control panels■ Cooperation and creation of new synergies with technologies of various Group companies■ Establishment of a group of competitive global products and overseas expansion	▶	<ul style="list-style-type: none">■ FY2025 hiring plan: Eight new graduates (including three for the control field) and four mid-career hires■ Introduction of education curriculum for young engineers that is unique to the Technology Department■ Development of high-value-added standard plants based on new ideas	<ul style="list-style-type: none">■ Strengthening of design quality organization and launch of a dedicated division for promoting function design■ Inventory-taking of technologies at Group companies and implementation of information sharing■ Sales promotion of DX-enabled new control panel and initiatives for function upgrade	○
▶	<ul style="list-style-type: none">■ Promotion of adding new manufacturers and averting risks through distributed purchasing■ Promotion of function-focused purchasing in cooperation with engineering divisions and sharing of purchasing information■ Rebuilding the inventory management rules and optimization of long-term inventory■ Promotion of succession of operations that depend on personal knowledge or experience and development of framework for DX of purchasing operations		▶	<ul style="list-style-type: none">■ Grasping of current situation of suppliers by visiting them and continuation of dialogue■ Creation of opportunities for improving overall quality and holding seminars■ Reconsideration of the inventory management rules and linkage between business system and warehouse areas■ Continued implementation of succession of operations in phased manner		○
▶	<ul style="list-style-type: none">■ Expansion of production space through construction of factory buildings■ Replacement of aged equipment, introduction of new equipment, and development of production equipment■ Reconstruction of factory layout■ Promoting engineers to acquire multiple skills■ Utilization of foreign technical interns and advanced skills training		▶	<ul style="list-style-type: none">■ Continuation of human resource rotation■ Continuation of vitalization through appointment of young employees as group heads and leaders■ Start of construction of a new assembly factory (to be completed in summer of 2026)■ Mutual manufacturing collaborations with Nikko Machinery, Ube Kohki, and Matsuda Kiko		○
▶	<ul style="list-style-type: none">■ Digitization of work plans and safety documents (conversion to online, and online work)■ Easy-to-construct unit structure (design and cooperation), increasing the percentage of parts built in-house■ Promotion of structural designs that facilitates safe work■ Proactive negotiations with contractors throughout Japan (discovery of new contractors)■ Improvement of safety management structures in the field (creating a structure with two or more field managers)		▶	<ul style="list-style-type: none">■ Improvement of product finish, development of a mechanism for ensuring safe construction work■ Initiatives for reviewing construction work processes that ensure safe construction work■ Two new contractors. Continued efforts for discovering more contractors■ Increase of 5 operation engineers (5 planned in 2025)■ Creation of the eastern area in Kanto		△
▶	<ul style="list-style-type: none">■ Predictive maintenance based on next-generation diagnosis, promotion of shift to next-generation preventative and predictive maintenance, and evolution of plants■ Hiring, reduction of emergency repair, and improvement of efficiency through division of labor■ Enhancement of production bases and utilization of external warehouses leveraging Group network■ Starting actual operations at cooperating factories and refining the operations		▶	<ul style="list-style-type: none">■ Concluded agreements with 9 AP users and 30 BP users. Expecting 20 contracts per year in the future■ Plan to appoint employees who are in charge of area-based front office operations■ Start of data monitor operation		○



Nikko Integrated Report

Nikko Group's Sustainability Management

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Nikko Group's framework for pursuing sustainability

The Nikko Group set up the Sustainability Committee in June 2023 in order to develop stronger governance over activities for sustainability that include efforts to address social/environmental issues. The Committee develops, promotes, and monitors strategies for resolving the material matters Nikko sets forth as it moves toward the realization of its long-term vision.

Please visit the websites below for details about our basic policies.

- The Nikko Group's basic sustainability policies (<https://www.nikko-net.co.jp/sustainability/>)
- The Nikko Group's basic human rights policies (<https://www.nikko-net.co.jp/sustainability/sdgs.html>)

Governance structure

The Sustainability Committee plays a role in integrating discussions and facilitating prompt execution, while working collaboratively with the Compliance and Risk Management Committee. It is structured as shown below for its operation:

- ◆ Head: Executive Officer and Manager of Corporate Planning Department
- ◆ Members: Four of the management team members
- ◆ Organizers: Five members from the Corporate Planning Department and other relevant departments
- ◆ Frequency of committee meetings: In principle, four times a year

Sustainability strategy, targets and metrics (KPIs)

The Nikko Group identified four material matters by examining social issues, and set specific targets and KPIs for each of these matters. With these targets and KPIs, we work on the priority fields listed below to actualize what Nikko aspires to be in the long term.

Environment

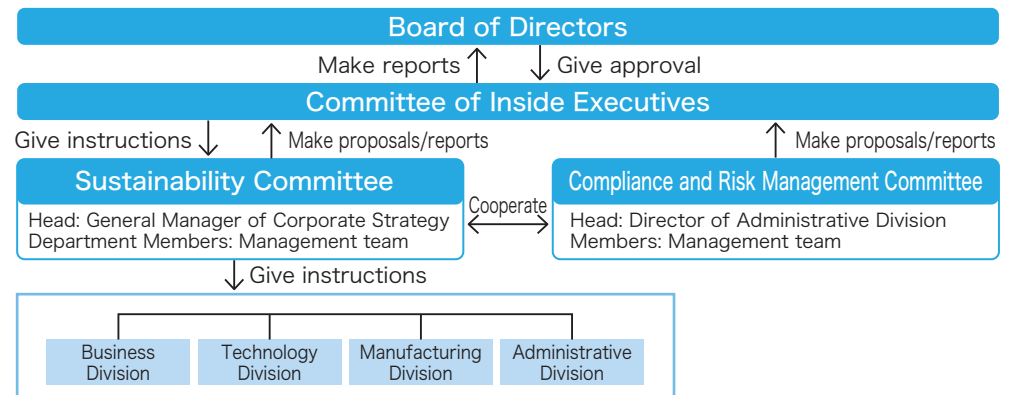
- ◆ Reduction of GHG emissions across each product life cycle
- ◆ Pursuit of product development geared to reduce waste and establish resource recycling
- ◆ Stronger management to reduce environmental impacts

Please refer to pages 37 and 38 for details about the process of identifying material matters and KPIs.

Society

- ◆ Improvement in employees' job satisfaction and women's career advancement
- ◆ Respect for diversity and enhancement of human capital
- ◆ Development of sustainable supply chains in collaboration with business partners (to address environmental, human rights, and safety issues)
- ◆ Remote-controlled plants and automated operations for labor reduction
- ◆ Repair/Replacement of aging infrastructure and quick recovery from a series of natural disasters

Framework for pursuing sustainability



Responsibilities of the Sustainability Committee

1. Identifying material matters as a step towards our long-term vision
2. Gaining a precise understanding of risks and opportunities related to the material matters, setting targets and metrics (KPIs), and giving a clear direction of progress management
3. Drafting each medium-term management plan by using a backcasting approach, starting with long-term visions
4. Preparing structures geared to offer value to stakeholders
5. Working collaboratively with the Compliance and Risk Management Committee

Functions of the Committee

- ◆ Formulating the Basic Sustainability Policies
- ◆ Formulating the human rights policies and conducting human rights due diligence
- ◆ Formulating the anti-corruption (corporate ethics) policies
- ◆ Promoting activities to raise awareness across the Company based on the policies
- ◆ Formulating environmental policies (on decarbonization, recycling, water resources, and biodiversity)
- ◆ Applying the policies to supply chains through the procurement guidelines
- ◆ Enhancing human capital (engagement, diversity, support for employees' lives, health and safety)
- ◆ Facilitating continuous dialogues with stakeholders

Risk management

We identify risks and opportunities associated with the material matters and regularly monitor them based on the KPIs we have set. We work collaboratively with relevant divisions to take measures that take account of our strengths and weaknesses, thereby minimizing risks and maximizing opportunities.

As for the overall risk management for business activities, we work to establish a stronger management structure and ensure quick responses across the Group through the Compliance and Risk Management Committee.

Materiality: Realization of Carbon Neutrality



Climate change caused by greenhouse gas (GHG) emissions is a critical issue that has a massive impact on society and the economy. The Nikko Group is aware that it is part of its social responsibility to address the issue as a top priority. To achieve a decarbonized society, the Company aims to cut its CO₂ emissions by half compared to FY2013 as an interim target for 2030. This target includes CO₂ emissions from customers' plants delivered by Nikko, in addition to emissions from our business activities. Furthermore, to achieve carbon neutrality in 2050, we actively promote the development of technologies designed to help further reduce CO₂ emissions, along with the delivery of products and solutions that use those technologies.

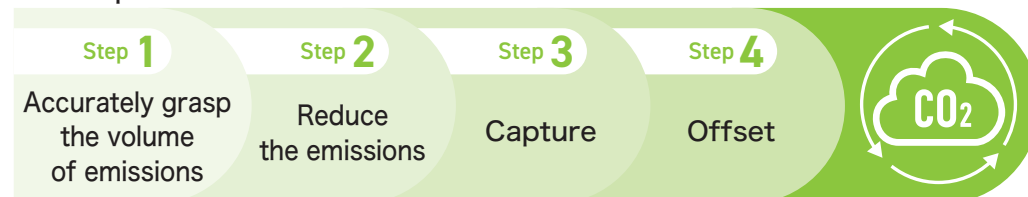
Four steps towards the realization of carbon neutrality

As the first step in its efforts toward carbon neutrality, the Nikko Group prioritizes measuring CO₂ emissions in Scopes 1, 2, and 3 as accurately as possible. In accordance with this policy, we began study on the main categories under certain assumptions in FY2021. The results of study in FY2024 found that CO₂ emissions in Category 11 of Scope 3 (Use of Sold Products) amounted to

approximately 640,000 tons, making up 87% of the total emissions in Scope 3.

We will share the study data with our customers to determine the most cost-effective approach to cutting CO₂ emissions, and will deliver products and solutions based on the approach. This is how we will increase the effectiveness of our efforts to reduce the emissions.

Four steps

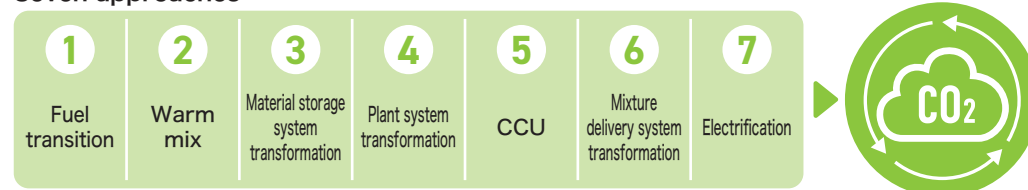


Seven approaches towards the realization of carbon neutrality

The Company conducted detailed analysis of energy consumption at its mixture plants in order to reduce CO₂ emissions from the mixture (asphalt mixture) manufacturing process. The results showed that about 80% of the total energy was consumed in the water removal and aggregate (recycled material) heating processes, leading us to find that reducing

the amount of water used in the drying and heating processes is an effective way to cut CO₂ emissions. Based on demonstrative results like these, the Nikko Group is actively working on developing decarbonized products using the seven approaches as the pillars, with its focus on reducing emissions.

Seven approaches



1. Fuel transition

We are developing and enhancing burners that are fueled by city gas, natural gas, or biomass as an alternative to heavy oil, which is a source of considerable CO₂ emissions. We have also launched research and development to create burners that use ammonia and hydrogen, which are considered CO₂-free fuels for the future, with a view to establishing next-generation combustion technology.

2. Warm mix technology

We have adopted a technology that allows us to manufacture a mixture at lower temperatures by adding water to asphalt to produce foam and reduce viscosity. The use of Nikko's proprietary warm mix equipment has reduced energy consumption in the heating process, helping curb CO₂ emissions. More than 100 units of the equipment have already been installed at plants in operation, contributing to the manufacturing of medium-temperature mixtures.

3. Material storage system transformation

Reducing water contained in aggregate, raw material of asphalt mixture, in advance holds down energy consumption during the heating process, leading to reduced CO₂ emissions. Thermal efficiency is improved by managing water content before injecting the material. We will also explore how to improve the efficiency of transport of not only asphalt mixtures, but also aggregate (raw material of the mixtures) and asphalt.

4. Plant system transformation

We collect and reuse exhaust gas and exhaust heat from plant operation to heat and process aggregate, thereby reducing the amount of newly injected energy. This allows us to cut the CO₂ emissions from the entire plants.

5. Use of carbon capture and utilization (CCU) technology

We reduce leakage of CO₂ emissions from concrete plants by using a technology for adsorbing and immobilizing such emissions. We are also working on research and development to establish a collaborative scheme for cutting CO₂ emissions, which enables concrete plants to adsorb and use CO₂ emitted from asphalt plants.

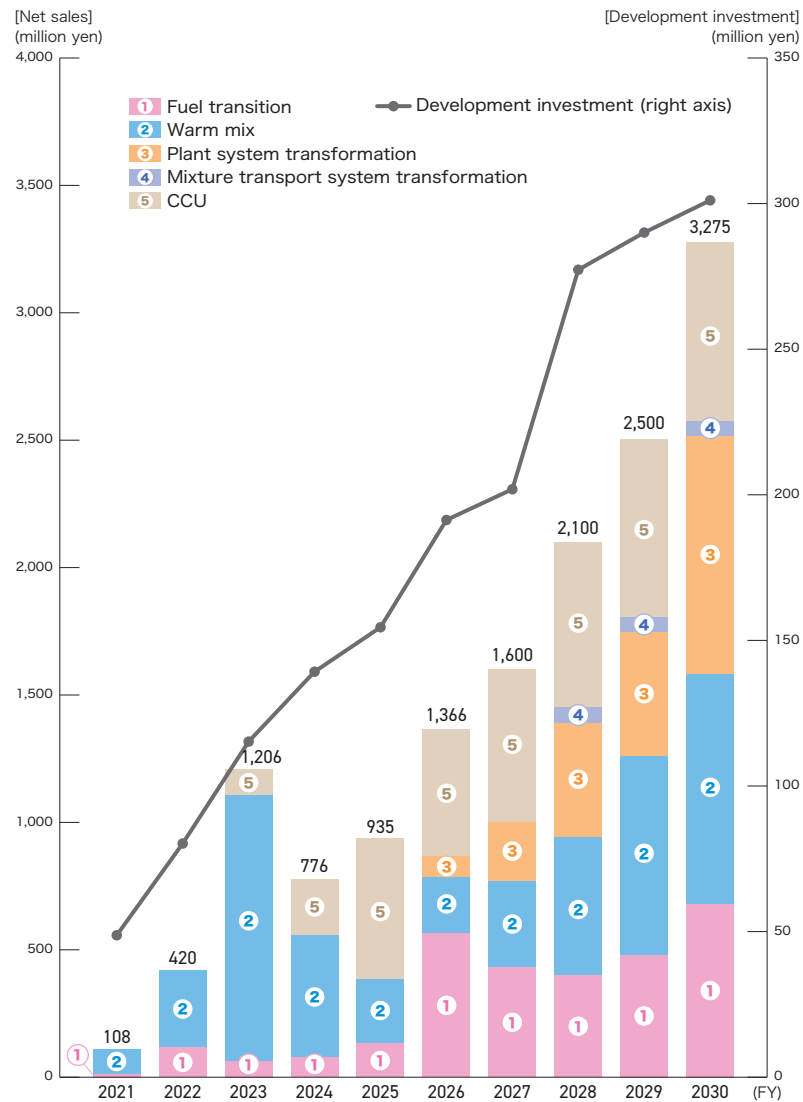
6. Mixture delivery system transformation

We will establish a technology for long-distance transportation of mixtures, thereby improving the efficiency of delivery to the desired location. This will allow us to improve production efficiency by integrating dispersed manufacturing bases, while reducing energy consumption and CO₂ emissions.

7. Electrification

In anticipation of the wide use of CO₂-free electricity, we promote the electrification of drying and heating equipment. To transition away from fossil fuels, moreover, we work on product development for next-generation all-electric asphalt plants.

Net sales target and investment plan for decarbonization and low-carbon products (Actual figures for FY2021 to FY2024)



For details of the road map for product development for carbon neutrality, please visit our website:
<https://www.nikko-net.co.jp/sustainability/carbon-neutral.html>

Information disclosed based on TCFD framework



To achieve carbon neutrality in 2050, the Nikko Group is actively working to develop technologies designed to help reduce CO₂ emissions and to deliver products and solutions based on these technologies. In October 2021, we endorsed the TCFD (Task Force on Climate-related Financial Disclosures) recommendations. We ensure correct understanding and assessment of the risks and opportunities that climate change brings to our businesses.

We will continue to disclose information in accordance with the TCFD framework to establish smooth communication with all stakeholders, including shareholders and investors.

Governance

Carbon neutrality promotion structure

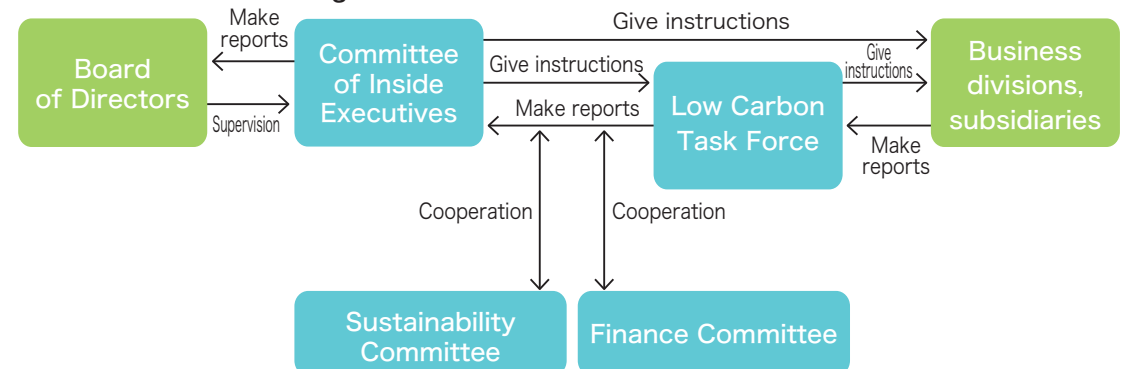
The Nikko Group has set up the Low Carbon Task Force (LCTF) led by the managers of the Technology Development Division as a structure designed for the realization of carbon neutrality.

The LCTF meets monthly to conduct verification based on actual measurement data and evidence. Then it examines and discusses issues in a cross-divisional manner for the realization of carbon neutrality.

Proposals drafted by the LCTF are submitted to the Committee of Inside Executives for discussion, so that specific targets are set and strategies based thereon are developed. The LCTF also works collaboratively with the Sustainability Committee (chaired by a Director and Executive Officer) and the Finance Committee in order to ensure consistency and maintain the impetus across the Company.

Finally, the Board of Directors deliberates on investment plans, product development plans, and risk management measures prepared by the Committee of Inside Executives to continuously supervise their validity and progress.

Governance structure diagram



Strategy

Climate change scenario analysis

Nikko Group assumes the future temperature rise scenarios in the range of 2°C and 4°C upon carrying out the scenario analyses for 2030 and 2050.

Reference scenarios

IEA “World Energy Outlook 2020”

- STEPS (current policy scenario)
- SDS (sustainable development scenario)

IPCC AR5

- RCP2.6 (2°C scenario)
- RCP8.5 (4°C scenario)

Risk management

At the Nikko Group, the Low Carbon Task Force (LCTF) leads the task of planning measures relevant to the Group's objectives of achieving carbon neutrality and advancing company-wide actions to tackle climate change. The LCTF explores feasible approaches based on scientific grounds, serving the central role in company-wide efforts.

The Committee of Inside Executives discusses and assesses the impact of climate change and countermeasures to handle it. Based on the outcomes of the discussions and assessments, the committee formulates policies, key measures and targets, and action plans for minimizing climate risks.

The contents of the discussion at the meetings of the Committee of Inside Executives are reported to the Board of Directors twice a year or more. The Board of Directors receives climate change action plans and periodic risk assessment reports from the Committee of Inside Executives and the Compliance and Risk Management Committee. Then it deliberates on the validity of the plans and reports to fulfill its supervisory function, thereby ensuring the effectiveness of company-wide governance.

Business and financial impact of climate-related risks and opportunities based on scenario analysis; medium- to long-term measures addressing risks and opportunities

2°C scenario (assuming progress in low-carbonization)	Risks	Impact on finance	Likelihood of occurrence	Countermeasures
	Rapid shift to decarbonized burners (plants)	High	Medium	Speed up product development.
	Request from users to share the carbon tax burden (discount)	High	Low	Tirelessly explain to and negotiate with customers
	Market introduction of highly carbon-efficient roadbed materials alternative to asphalt	High	Low	R&D based on insights gained from marketing
	Increase in R&D expenses and capital investment	Medium	High	Improve efficiency of development. Clarify priorities.
	New entry by boiler, burner, and electric furnace manufacturers	High	Low	Strengthen analysis of expected new entrants. Acquire related intellectual properties at an early stage.
	Decrease in the number of operating plants due to centralization to large plants	Medium	Medium	Identify users who will survive and recommend systematic maintenance to such users
	Increase in the cost of procurement of raw materials (steel materials, etc.)	High	High	Strengthen function-focused purchasing, passing on costs to product prices, etc.
	Increase in the cost of electricity derived from renewable energy	Low	High	Streamline plant operations and pass on costs to product prices
	Increase in the cost of procurement of alternative fuels	Low	High	Promote a wide range of fuel procurement methods
	Decrease in the number of plants of pavement operators due to stricter CO ₂ emissions regulations	High	Medium	Expand into new markets (new markets in Japan + overseas pavement business)
	Increased carbon tax burden due to stricter Scope 3 regulations	High	Medium	Accelerate product development and pass on costs to product prices
Opportunity		Impact on finance	Likelihood of occurrence	Countermeasures
	Demand for updating to low-carbon or decarbonized burners (plants)	High	High	Diversify fuels and enhance product lineup
	Growth in market share due to superiority in the R&D competition	High	Medium	Further strengthen technology development investment
	Increase in demand for concrete products (roadbed materials alternative to asphalt)	Medium	Low	Transform plants to pavement concrete production
	Growth in demand for recycling and low-carbon plants due to stricter environmental restrictions in China and Southeast Asian countries	Low	Low	Reinforce overseas production bases
	Provocation of demand for new plants due to spread of CO ₂ fixation concrete	Low	Medium	Enhance lineup of plants for CO ₂ absorbing concrete
	Increase in demand for lithium battery recycling equipment due to expansion of the EV market	Low	Medium	Enhance lineup of environmentally friendly and recycling products
	Increase in government subsidies due to stricter Scope 3 regulations	High	Low	Strengthen organizational framework for subsidy management

4°C scenario (assuming low-carbonization scenario is not promoted)	Risks	Impact on finance	Likelihood of occurrence	Countermeasures
	Expansion of the new roadbed and construction material markets due to measures against heat island effect (shrinkage of the existing asphalt and concrete markets)	Medium	Low	Launch products developed using core technologies in the new construction material market
	Increase in the cost of procurement of materials due to suspension of supply chains	Low	Medium	Diversify supply chains including those overseas
	Increase in BCP expenses	Low	High	Appropriately pass on costs to product prices
	Increased product costs due to additional disaster-response equipment	Medium	Medium	Ensure appropriate cost pass-through to products
Opportunity		Impact on finance	Likelihood of occurrence	Countermeasures
	Increase in demand for preemptive maintenance for stable operation	High	Low	Improve the efficiency of the maintenance business using IoT
	Increase in demand for disaster prevention or mitigation models	Medium	Medium	
	Increase in demand for disaster prevention products (waterproof boards, temporary scaffolding, etc.)	Medium	High	Strengthen manufacturing capacity and reorganize manufacturing sites
	Increase in demand for counter-disaster mobile plants	Medium	Medium	Develop and enhance lineup of temporary and mobile products
	Increase in needs for transferring plants to areas with low disaster risk	Low	Low	
	Growth in demand for disaster prevention or mitigation in China and Southeast Asian countries	Low	Medium	Reinforce overseas production bases
	Expansion of the budget for National Resilience	High	High	

Metrics and targets

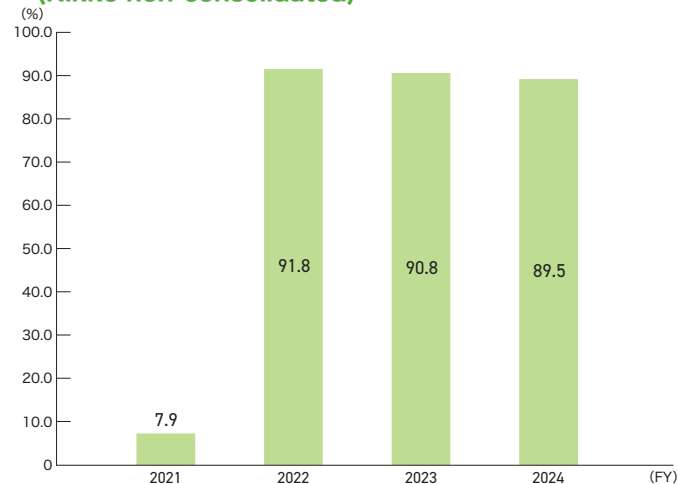
The Nikko Group has the targets of net-zero CO₂ emissions from its business activities and products on the market (carbon neutrality) by 2050, and of a 50% reduction in the emissions compared to FY2013 by 2030. To achieve these targets, we pursue the full enforcement of energy-saving activities and the active and effective use of renewable energy, in addition to product development geared to help reduce CO₂ emissions.

As a result of these efforts, the verified value of CO₂ emissions in FY2024 that include Scopes 1, 2, and 3 dropped to as low as 56.7 compared to FY 2013 (with the value for FY2013 being 100), indicating that we have been making solid progress.

Utilization of renewable energy-based electricity

In March 2022, the Nikko Group switched the electricity used at the Nikko head office factory to electricity produced only from renewable energy sources in order to speed up the decarbonization of our business activities. This switchover has dramatically cut CO₂ emissions in Scope 2 (emissions from purchased electricity). Going forward, this initiative will be phased in at sales offices and Group companies throughout Japan. We aim to achieve 100% introduction of renewable energy-based electricity (RE100) across the Nikko Group (Japan) by 2030.

Ratio of renewable energy power introduced (Nikko non-consolidated)



Verified Scope 1, 2, and 3 CO₂ emissions (t-CO₂)

		Target activities	FY2013	FY2024
Scope 1	Combustion of fuels	Emissions from manufacturing, processing, and experimenting	430	299
Scope 2	Use of electricity	Electricity use at all companies including dorms	2,639	180
Scope 3	Category			
	1	Purchased products and services	39,073	52,934
	2	Capital goods	2,137	3,598
	3	Fuel- and energy-related activities not included in Scope 1 and 2	367	327
	4	Transport, delivery (upstream)	26,386	38,974
	5	Waste from the business	115	47
	6	Business trips	84	101
	7	Commuting by employees	310	320
	11	Use of products sold	1,226,848	639,751
	12	Disposal of products sold	93	77
Total			1,298,482	736,607
Vs. FY2013			100.0%	56.7%

Materiality: Establishment of Recycling-Oriented Society



As a global citizen that manufactures construction and industrial machinery and environment-related equipment, the Nikko Group acknowledges that the preservation of the global environment is one of its top priorities. Under the basic principle of prioritizing the environment, we offer a wide range of products and solutions designed to help recycle industrial waste in order to contribute to the development of a recycling-oriented society.

For details of the Nikko Group's environmental policies, please visit our website: <https://www.nikko-net.co.jp/sustainability/environment.html>

Promote activities to reduce the environmental burden

The Nikko Group works to advance waste reduction and recycling, in addition to promoting the conservation of resources and energy, to reduce the environmental burden as much as possible.

Trend in industrial waste volume and breakdown by type

Breakdown	Recycled or not	Unit	FY2020	FY2021	FY2022	FY2023	FY2024
Paper scraps		bag*	1,897	2,049	2,580	10,000	10,000
Metal scraps	Scraps	○ kg	1,668,980	1,604,900	1,820,320	1,571,170	1,610,380
	Shavings	○ kg	120,960	139,840	150,580	126,550	122,650
	Gas cutting slag, scales	○ kg	61,200	43,420	38,650	41,250	29,650
	Tin can	○ kg	19,960	22,430	24,040	19,800	19,580
	SUS scraps, electrical wire scraps	○ kg	39,530	38,530	28,130	29,520	44,540
Industrial waste	Wood chips	m ³	332	368	370	336	267
	Plastic waste	kg	3,020	20,649	13,265	13,050	15,480
	Construction waste	m ³	75	72	77	92	103
	Floor sand	t	10	12	13	11	10.5
	Non-combustibles	m ³	0	2	3	1	1

*One bag weighs about 2 kg.

Trend in water consumption

Breakdown	Unit	FY2020	FY2021	FY2022	FY2023	FY2024
Water supply	m ³	9,155	9,413	10,107	9,969	8,726

Develop and spread products that contribute to the establishment of a recycling-oriented society

Since the 1970s, the Nikko Group has been working on the development of plants designed to recycle construction and road waste materials in order to reduce the environmental burden, thereby contributing to improving resource productivity and establishing a recycling-oriented society. In recent years, with the technology for the recycling of concrete sludge in practical use, we have been aiming to curb and minimize industrial waste. Furthermore, we have developed facilities and equipment that recycle waste to reduce the environmental burden and create value (e.g., a system for collecting metal resources with a view to making effective use of urban mines), contributing to the establishment of a sustainable society.

① Development of sludge recycling equipment for the ready-mixed concrete industry and product launch

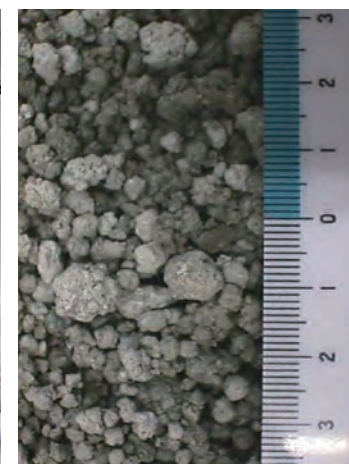
The Nikko Group receives orders for sludge recycling equipment while it keeps working on the development of products in the same line to make effective use of concrete sludge, which is waste from the processes of manufacturing ready-mixed concrete and concrete products. This equipment is a system that blows CO₂ emitted from boilers into sludge water to induce a neutralization reaction so that the sludge is recycled as calcium carbonate. It is designed to recycle carbon and reduce waste at the same time. The product is attracting attention as a solution that meets customers' need for green equipment, and that follows the trend towards decarbonization.

● What is concrete sludge?

Concrete sludge is a waste material in water from the washing of concrete mixer trucks that have transported ready-mixed concrete. It is industrial waste from ready-mixed concrete plants. Concrete sludge contains a lot of sand and cement and cannot be disposed of as it is, so it goes through the process of dehydration and drying before it is discarded. It is mandatory to dispose of concrete sludge in a controlled landfill site. In recent years, however, it has become increasingly difficult to dispose of it because of the difficulty of securing a waste disposal site and of rising disposal cost.



Concrete sludge as industrial waste



Concrete sludge for reuse as a recycled roadbed material

Progress of development and delivery

During the last fiscal year, we delivered and brought into operation the core equipment shown on the right.

- **Elution** tanks for extracting useful content from concrete sludge
- **Crystallization** tanks for blowing in CO₂ emissions to induce neutralization and crystallization

During this fiscal year, we delivered equipment designed to process a reactant separated through a crystallization tank (dehydrated cake) to recycle the substance as a dried granular product. The process is as shown on the right.

1. Depositing air-dried cake

Sun-dried cake-shaped material is fed into the hopper.

2. Force-drying

The cut raw material is forcibly dried using a dryer.

3. Processing exhaust gas and collecting the product

The particles scattered into exhaust gas are captured using a cyclone separator and a bag filter and collected as a powder product.

4. Recirculation drying process

Solid matters that remained undried after exposure to the drier are pulverized with a crusher and fed into the drier again. This is how they are completely dried in a short time.

This whole process has made it possible to stably produce a granular product that contains less water than prescribed, even from dehydrated cake that is hard to dry.

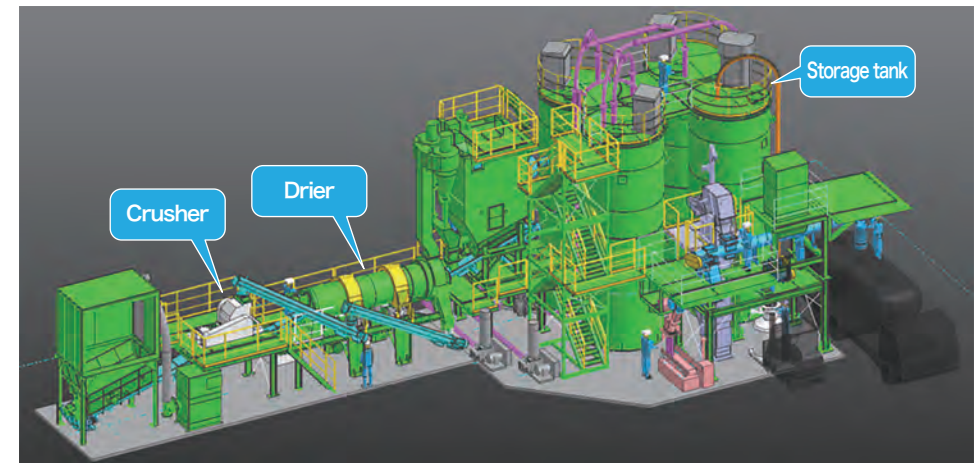
Outlook

We plan to offer the product as a building material made by immobilizing CO₂ after product quality assessments by customers. We envisage that offering this product will facilitate the introduction of materials geared to decarbonization in the construction industry, and that the product will be used across plants that manufacture secondary concrete products throughout Japan.

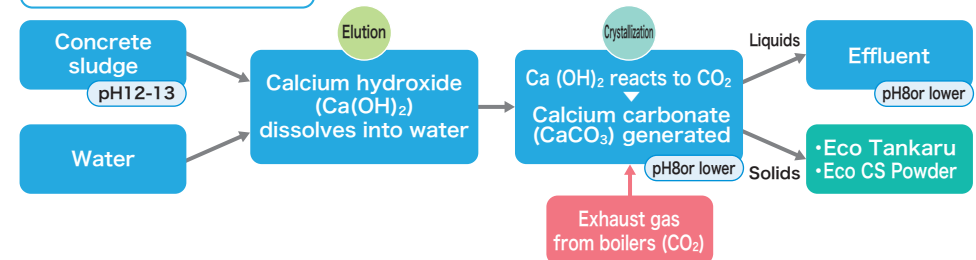
② Recycling of metal resources in urban mining

Metal resources in the earth are mined to make building materials, electronics, and other products, accumulating in people's living space. Urban mining is the idea of effectively reusing these resources. In recent years, accumulations of mined metals are said to be larger than proven and probable underground resources. The effective use of urban mines has become increasingly important for sustainable recycling. Nikko has developed and commercialized an AI image analysis system for collecting and sorting metal resources from used small home appliances and other similar items. In this system, AI performs real-time analysis of images captured by the camera to automatically sort out material that contains metal from minute fragments. The system has dramatically improved sorting accuracy and work efficiency compared to the conventional way of sorting that relies on human eyes and handwork, contributing also to fewer human errors.

Concrete sludge recycling facilities

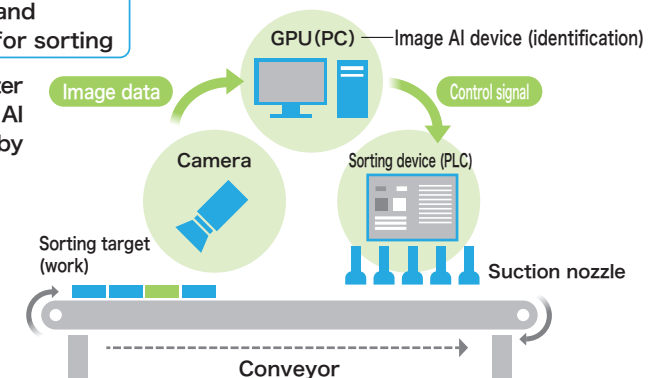


Manufacturing process



Metal resource collection and AI image analysis system for sorting

Processing flow of AI'll be sorter separation system based on AI image recognition developed by Nikko



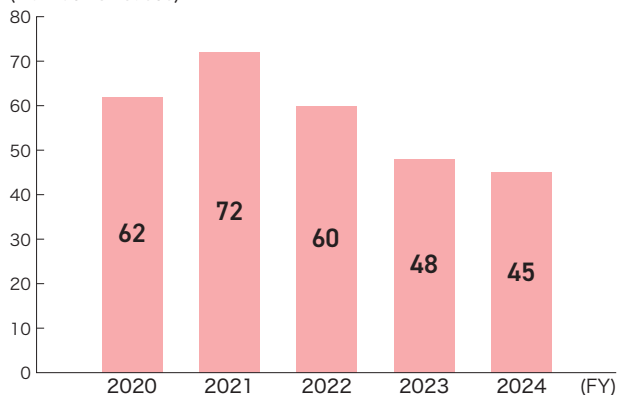
Early Restoration from Intensifying Disasters

In recent years, natural disasters such as major typhoons, cloudbursts, and earthquakes occurred with greater intensity and frequency, affecting regions across Japan. Particularly notable are cloudbursts and elongated precipitation bands that bring heavier rainfalls than forecast. There are also growing risks of massive earthquakes (e.g., Nankai megathrust earthquakes, major earthquakes directly beneath the capital), and of complex disasters in which the earthquakes are accompanied by tsunamis and/or volcanic eruptions. The whole of the Japanese archipelago has moved into a new stage of disaster risk.

The first step the Nikko Group will take towards restoration if any disaster occurs is to quickly recover its damaged plants. To fulfill our responsibility for supply as a leading manufacturer of asphalt plants and concrete plants, we work in close collaboration with our customers to fully ensure a quick response immediately after each disaster and early revival of operation.

Trend in the number of natural disaster damage to Nikko plants

(Number of cases)

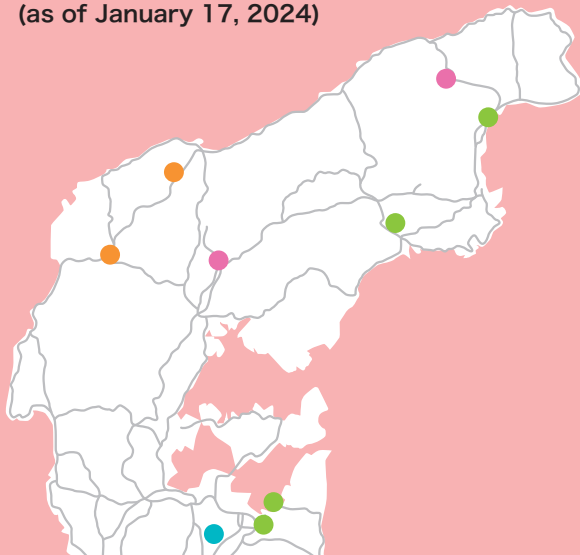


Status of recovery of Nikko plants damaged by the 2024 Noto Peninsula Earthquake

In the regions devastated by the Noto Peninsula Earthquake, rebuilding destroyed roads was an urgent task in order to transport relief supplies and restore utilities as soon as possible. Given this situation, asphalt mixture plants and concrete plants, which were key to the restoration, were urged to resume their operation.

Nikko quickly obtained accurate information about the damage done to the manufacturing facilities and equipment it had delivered to these plants, and worked collaboratively with the customers to work on the restoration as the highest priority. At the Hokuriku service station in Kanazawa, in particular, we added more staff members to set up a stronger local response team, thereby offering full support for early reconstruction of the disaster-stricken region. As a result, seven of the eight Nikko-made plants that had been out of operation were confirmed to have resumed operation by February 16, 2024 (the remaining one in the northern Noto region was disassembled to be newly built).

Status of damage to Nikko plants (as of January 17, 2024)



Status of plant to which Nikko's facilities are delivered

- Operable asphalt plants
- Difficult-to-operate asphalt plants
- Operable ready-mixed concrete plants
- Difficult-to-operate ready-mixed concrete plants

Actions geared to early disaster recovery

Following devastation by the Noto Peninsula Earthquake, the Company's first priority was to restore its damaged plants as soon as possible. To that end, we took the following actions in stages.

Starting from January 4, we worked collaboratively with the staff at the Hokuriku service station and contractors to visit customers' plants for inspections and tasks for disaster recovery. While visiting these plants, we shared information every day, including the damage to the facilities, progress on recovery, what was needed on the ground, and how labor needed to be managed. Then we discussed and carried out actions to move on to the next phase of the recovery process.

From January 15 onward, we worked to fully establish our assistance system aligned with each recovery stage, and offered human support shown below:

- ◆ The Chubu branch dispatched frontline staff to the affected areas.
- ◆ The head office's maintenance service division set up a support team available for travel that included two employees and two staff members from a contractor.
- ◆ The technology division sent technical staff to assist with technical decisions and design related to buckled plants and silos.
- ◆ In the full restoration phase (plant renovation), employees in charge of asphalt plants (AP), batcher plants (BP), and mobile plants (MP) started working full-time at the plants to provide continuous support.

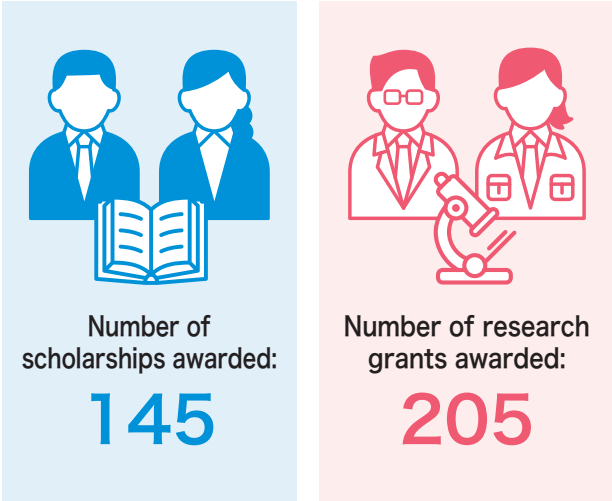
With these focused efforts, we offered quick and precise assistance with the restoration in close collaboration with our customers. We will apply the new knowledge and experience acquired through this disaster recovery assistance to our efforts to boost our ability to respond to disasters caused by earthquakes that are expected to occur.

Initiatives for community-based human resource development and research support

Nikko has its head office in Akashi, Hyogo Prefecture, where it opened its head office factory at the time of founding. With the deep connection we have with this location, the Nikko Business Foundation, our affiliated organization, has been offering scholarships with no repayment obligation since 1989 to students (including international students) enrolled at universities or technical junior colleges in the Kinki region.

It also offers research grants to researchers engaging in academic research related to technology development at universities or technical junior colleges in the Kinki region. The financial aid does not require the recipients to find employment in the Nikko Group or to provide their research findings to the Group. It is granted out of sheer aspirations the Nikko Group has to contribute to sustained development of the local community and economy through talent development and technological innovation.

Number of scholarships and grants offered so far (cumulative from FY1989 to FY2024)



New scholarships and research grants awarded in FY2024

Number of scholarships awarded: Two (name of the educational institutions where the recipient is enrolled)

- ◆ Kobe City College of Technology
- ◆ Osaka Electro-Communication University

Number of research grants awarded: Four (name of the educational/research institutions where the researcher is enrolled)

- (1) Kobe City College of Technology
Research theme: Improvement in the SGS Model in the LES of Combustion
- (2) Kagawa University
Research theme: Improvement in the Environment and Carbon Neutrality Using Recycled Materials Made from Marine Product Waste
- (3) Kyoto University
Research theme: Clarification of Colloid Migration Behavior for the Purpose of Safety Assessment of Radioactive Waste Disposal
- (4) University of Hyogo
Research theme: Development of a High-precision System to Assess Degraded Reinforced Concrete without Destruction

Response to human rights

The Nikko Group engages in responsible corporate activities for all stakeholders in accordance with the Nikko Corporate Identity, as it defines respecting human rights as one of its key management principles. All our officers and employees shall respect diversity, personality, and individuality. They shall pledge themselves to not discriminate or engage in harassment that offends individual dignity on the basis of race, religion, nationality, age, gender, gender identity, sexual orientation, disability, or any other attributes.

This policy is a clear manifestation of the Nikko Group's basic approach and standards of behavior related to respect for human rights.

1. Scope of application

This policy applies to all officers and employees of the Nikko Group.

We will also continue to call on our business partners in supply chains to understand and support the spirit of the policy.

2. Legal compliance and respect for international standards

The Nikko Group respects the United Nations International Bill of Human Rights, ILO Core Labour Standards, and other international human rights norms. While we comply with the laws of the countries and regions where we operate, we prioritize the respect for the international human rights principles wherever possible if these laws conflict with the principles.

3. Responsibility to respect human rights

We are aware that it is difficult to completely eliminate negative impacts that our business activities may have on human rights. Therefore, we will promptly take apt corrective actions should any negative impact be made, as well as ensuring that our activities violate no one's human rights in the first place. If any human rights violation is found in our supply chains, we will urge the concerned party to take corrective actions, calling on them to respect human rights. We will also continue our efforts to identify, prevent, mitigate, and rectify any negative impact by conducting human rights due diligence.

4. Information disclosure

The Company properly and regularly discloses information about the status of its efforts to respect human rights in accordance with this policy on its website and through other media.

Materiality: Creation of New Customer Values



Construction investments have been steadily growing, while the industry urgently needs to address labor shortages and workstyle reforms, which signals that plants' need for automation and remote operation will just keep growing. Nikko is committed to creating new customer values by delivering operation support, including advanced automatic control of asphalt plants and ready-mixed concrete plants and remote operation.

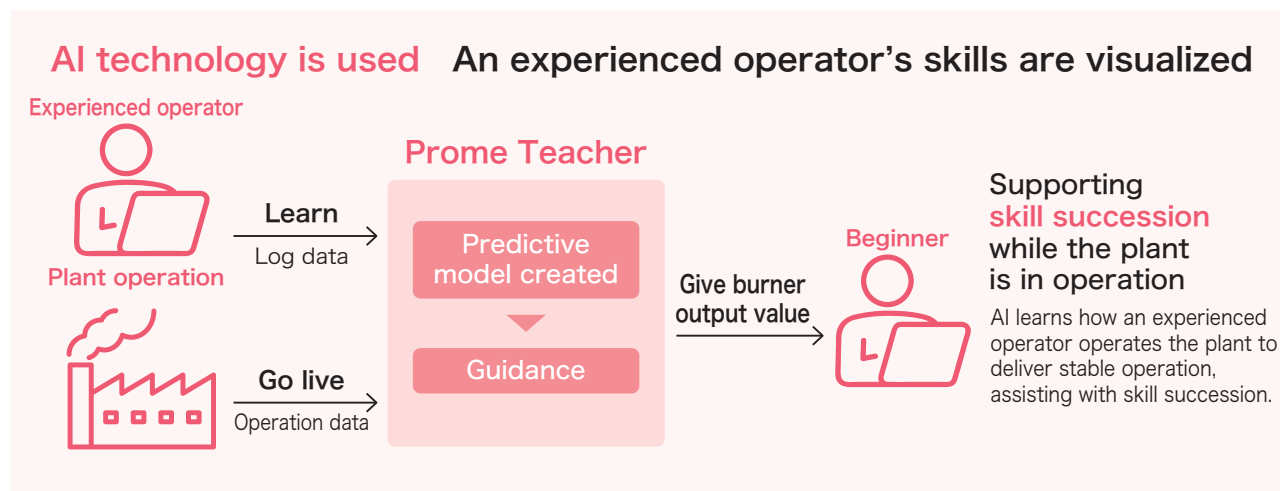
Automatic plant operation by an AI-driven operation support system

Nikko actively pursues the development of AI technology-driven automated products geared to address issues facing customers in order to become “a business partner that supports customers through operation and maintenance services,” the 2030 Vision it has set out. The means of optimum burner control to keep aggregate at a certain temperature, which is used in the processes of heating and drying asphalt mixtures, varies according to the conditions of aggregate. Hence, the issue in the control that remained unresolved for a long time was that the length of temperature control, fuel consumption, and the quality of each mixture considerably varied depending on operators' skills. In addition, skillful maneuvers by experienced operators are supported by know-how and

implicit knowledge that words cannot describe, which makes the transfer of the skills challenging. For this reason, new operator training required massive time and effort.

Given this challenge, Nikko developed Prome Teacher for Burner, an AI-driven operation support system designed to assist with skill succession while a plant is in operation. At the demonstration experiment in June 2024 conducted in a customer's mixture plant, it was verified that the system operates as accurately as an experienced operator. This achievement marks a key milestone on the road toward the full automatic operation of an asphalt plant. We will continue to make improvements to the system to make it fit for practical use.

Sketch of Prome Teacher for Burner



CO₂ emissions from asphalt plants make up about 0.1% (approx. 1.15 million tons) of the total annual CO₂ emissions in Japan. Cutting these emissions is an urgent task. As part of energy conversion, ammonia fuel that does not produce CO₂ are expected to become widely available also for industrial use from 2030 or thereafter. With this prospect in view, we will be creating new customer values through the development of combustion technology.

Development of hydrogen burners for asphalt plants using ammonia-derived hydrogen

We have begun the development of the world's first* asphalt plant designed for use with hydrogen burners that is fueled by hydrogen converted from ammonia onsite. This development aims to put the next-generation fuel to practical use at asphalt plants by converting ammonia, which has issues in its combustion properties, into a mixture of hydrogen and nitrogen on the ground to be used as fuel for the burners. Ammonia is highly storable and transportable, while hydrogen has clean combustion properties. Hence, the development is to add a new option to the choice of sustainable fuels used at asphalt plants by combining these features of the two gases. During the initial phase of the development in FY2023, we conducted an in-house combustion test using a mixture of hydrogen and nitrogen generated from ammonia. As a result, we confirmed that operation using a 500 kW hydrogen-fired burner is possible. We also confirmed that NO_x concentration in exhaust gas produced by combustion is well below the regulatory values imposed on plants, indicating we have taken a crucial step towards practical use. In FY2024 (February 2025), we conducted a joint demonstration experiment with a customer as part of the process of turning the technology to practical use. We examined the practicality and operational effects of the system from multiple angles, secured the quality of asphalt mixtures equal to the quality of products produced by conventional plants, and confirmed that the system enables operation that produces zero CO₂ emissions, and various exhaust gases under regulatory values. Based on these outcomes, we plan to bring the system into full operation at asphalt plants by 2027. With the launch and installation of the system across the industry in view, we aim to actualize sustainable next-generation plant operation.

*According to research by Nikko

Principles for human capital

To realize the vision "Creating robust, people-friendly cities around the world," Nikko focuses on the development of human resources who work to create new markets, products, and services while leveraging the Nikko Group's high technological prowess. To this end, we have defined the three types of human resources shown below as the pillars of our human resources strategy.

Types of human resources Nikko Group is looking for

Human resource that reinvents for the future

Human resource that takes on challenges without fear of failure

Human resource that respects and collaborates with diverse coworkers

We believe that we can increase the value of our human capital, achieve sustained growth, and realize our vision as a company when each employee autonomously works on reinvention, takes on challenges, and respects and collaborates with diverse stakeholders in and outside the company. To this end, we put our effort into the following three actions:

1. Developing independent human resources

Education and training programs elaborately designed to develop human resources who think and act with a sense of agency

2. Systematically facilitating connections between diverse coworkers

Promotion of networking that calls on diversity in and outside each company and country

3. Programs designed to help employees collaborate in working on reinvention and meeting challenges

Processes and incentives designed to encourage employees to work collaboratively across divisions, age groups, and regions

We are committed to addressing ever-changing social issues through investments in human capital, thereby continuing to enhance our corporate value.

Human resources strategy linked to the long-term vision

Nikko clarifies what it aspires to be as well as its key issues, and implements eight human resources measures as initiatives for its human resources strategy to realize the long-term vision.

Eight human resource initiatives aligned with management strategy

Measures related to human capital	What Nikko aspires to be	Key issues	KGI	KPI (progress monitoring)
Strengthen hiring of human resources	Hiring of human resources has been strengthened in all divisions and the pool of human resources to realize the vision is sufficient	<ul style="list-style-type: none"> Formulate hiring plan by attribute (number of hiring by fiscal year: new graduates and hires with prior work experience) Implement measures to increase the number of applicants according to attributes such as science-related human resources and female 	<ul style="list-style-type: none"> Number of hires (overall and by attribute) by FY2030 	<ul style="list-style-type: none"> Number of applicants Application rate Percentage of applicants reaching final interview Number of applicants for final interview Number of applicants offered jobs Number of applicants hired
Establish and spread the ideal approach to human resource development	Each employee has an idea about his/her career and a system has been in place to support him/her in achieving his/her career goal, and employees are receiving such support and working	<ul style="list-style-type: none"> Redevelop training system and career support system based on the human resource development policy 	<ul style="list-style-type: none"> Attendance rate of independent and selective training Training hours and costs per employee Employee satisfaction with human resource development system 	<ul style="list-style-type: none"> Training report submission rate Number of participants in external seminars
Develop global human resources	Development of global human resources who drive growth of overseas business has been strengthened, and human resources are deployed in each overseas base in a stable manner	<ul style="list-style-type: none"> Establish and implement hiring and development programs for global human resources Foster an organizational culture that considers career formation from a global perspective 	<ul style="list-style-type: none"> Number of global human resources 	<ul style="list-style-type: none"> Number of foreign nationals hired Percentage of employees who hope to develop their careers globally Number of overseas trainees dispatched, number of employees with overseas work experience Number of participants in the global human resource development program
Understanding and spreading the Vision	Each employee understands and empathizes with the CI, long-term vision, and Medium-Term Management Plan as his/her own matter, and his/her job and work style are in conformity with them	<ul style="list-style-type: none"> Foster an organizational culture in which all employees are interested in the CI, long-term vision, and Medium-Term Management Plan, and think on their own what they should do to realize them and take action 	<ul style="list-style-type: none"> Behavioral change with Vision in mind 	<ul style="list-style-type: none"> Fulfillment rate of opportunities for dialogue between the president and employees Fulfillment rate of opportunities for dialogue with management team and managers Level of understanding and acceptance of the Vision
Develop independent human resources	The number of human resources who think what they should do to contribute to the organization and act independently has increased and they have become the driving force in each division	<ul style="list-style-type: none"> Extract the elements that are particularly important in realizing the management vision in terms of "innovative action," "external networking action," and "career development action," and study and implement measures to promote specific actions by employees 	<ul style="list-style-type: none"> Proactive human resources score 	<ul style="list-style-type: none"> Number of best practices shared Participation in external exchange (training) Number of actual job rotations
Ensure appropriate working hours	Each and every employee has a better understanding of time management, and working hours are leveled among employees	<ul style="list-style-type: none"> Each employee correctly understands time management from the viewpoint of work-life balance (WLB) and labor productivity, and thinks and implements specific improvement measures 	<ul style="list-style-type: none"> Percentage of employees whose working hours are within the 36 agreement limits Cumulative number of cases in which an employee's monthly overtime hours exceed 40 hours 	<ul style="list-style-type: none"> Awareness rate of overtime reduction measures Implementation rate of overtime reduction measures
Improve sense of wellbeing and job satisfaction	Each and every employee is physically and mentally healthy, and feels socially and economically fulfilled	<ul style="list-style-type: none"> Maintain and improve retention rate after joining Increase recognition/utilization rate of childcare and nursing care support systems Implement measures to reduce anxiety related to childcare and nursing care 	<ul style="list-style-type: none"> Scores on wellbeing 	<ul style="list-style-type: none"> Retention rate of new graduates and people with prior work experience three years after joining Career satisfaction rate of young human resources Introduction and utilization rate of consecutive leave system Implementation of seminars to support balancing work and childcare/nursing care Ratio of employees taking childcare leave
Promote DE&I	The organization and its human resources are evolving through each and every employee's acceptance of diversity, mutual recognition, and the exercise of diverse capabilities toward the realization of the Vision	<ul style="list-style-type: none"> Study and implement measures to promote hiring, develop, and retain female employees Reconstruct hiring routes for foreign nationals and strengthen a system for acceptance after hiring Build an organizational foundation that enables each and every person with disabilities to demonstrate his/her diverse abilities and play an active role in his/her field of expertise 	<ul style="list-style-type: none"> Ratio of female employees, ratio of female managers Number of foreign nationals in managerial positions Employment rate of persons with disabilities 	<ul style="list-style-type: none"> Attendance rate of female employee development training for managers Attendance rate of in-house seminars for the development of female managers Ratio of employees who would like to be a manager if given the opportunity Ratio of female hired, ratio of female candidates for management positions Creation of opportunities for communication among foreign employees Retention rate of foreign employees three years after joining Implementation rate of interviews with employees with disabilities Number of study sessions for supervisors implemented

Framework to support international career advancement

To train employees to lead its overseas businesses essential to its growth, Nikko offers a human resource development program that accepts applications from employees who seek to pursue successful international careers or who have been directed by their companies to apply.



In-house environment development and well-being enhancement

The Company believes that, to boost employee engagement and to achieve its sustained growth, it is essential for all of us to respect diverse internal and external coworkers, feel respected by these coworkers, and create an environment in which we work collaboratively feeling safe and motivated. With this awareness, we have defined human resource development and in-house environment development as the key pillars of our human capital strategy, and set the goals stated below to pursue our efforts.

In order to visualize employees' well-being and keep making improvements, we conduct an annual well-being survey of all employees of Nikko Co., Ltd. In FY2024, as high as 89.9% of the 691 employees who were asked to participate in the survey responded.

The survey results showed that the overall rating was 6.0 on a scale of 1 to 10, up 0.1 points from the previous year. While the one-on-one interviews we have been working on since FY2023 are becoming part of our routines and producing effects, issues have been identified in the items regarding "future career development." Hence, we are exploring and implementing measures to address those issues, and taking specific actions to make improvements. We will continue the development of in-house environments, so that we keep pursuing the creation of environments in which our employees feel comfortable as they work to achieve their full potential. More specifically, we are working on detailed improvement measures, such as setting up interviews with career consultants.

Human resource development and improvement in job satisfaction: indicators and targets

Category	Indicators	Results (FY2024)	Targets (FY2030)
Human resource development	Ratio of female managers	1.0%	7.0%
	Time spent on training	15.3 hours per employee (10,058 hours in total)	20 hours per employee
	Cost of training	88,156 yen per employee (57.830 million yen in total)	100,000 yen per employee
Human rights initiatives	Human rights training	627 participants	All employees participate every year
In-house environment development	Ratio of employees taking childcare leave	Female: 100% Male: 61.9%	Female: 100% Male: 50% (FY2025 target)
	Ratio of female employees	13.7%	22.5%
	Well-being questionnaire score	Average of all items: 6.0 pts	Average of all items: 8.0 pts
	Attrition rate	One year from joining the company: 0.0% Three years from joining the company: 15.6%	One year from joining the company: 3.0% Three years from joining the company: 7.0%
	Number of occupational accidents	Accidents with lost workdays: 2 Accidents without lost workdays: 8	Accidents with lost workdays: 0 Accidents without lost workdays: 3 or fewer
	Number of death from occupational accidents	0	Zero deaths
	Training on health and work safety	<ul style="list-style-type: none"> • Central Safety Training • Central Health Training • Health classes 	Same as left (to be held continuously)

Improvement in job satisfaction by allotting treasury stock with restriction on transfer

Commemorating the 100th anniversary of its foundation, Nikko allotted 100 shares in treasury stock to all employees of the Nikko Group (worth 293,000 yen per person) in September 2019. This allotment was to show the Company's gratitude to employees for their contributions, and to raise their awareness of corporate value enhancement. In 2021, we also introduced a system for allotting shares in treasury stock with restriction on transfer to our employees with the aims of improving their job satisfaction and promoting their awareness as a shareholder for participating in management. This system has established the environment that allows employees to be voluntarily involved in enhancing our long-term corporate value while they hold shares in their company. Today, almost all employees are Nikko shareholders. The Company expects their active contributions made from a shareholder perspective to achieving the goals the Nikko Group sets out for FY 2030 (70.0 billion yen in net sales and operating margin of 10%), with a sense of ownership over the Company's business management. We will remain committed to improving employee engagement and continuously enhancing our corporate value as part of our strategic investments in human capital.

Status of allotment of shares in treasury stock with restriction on transfer

	August 2021	August 2022	August 2023	August 2024	August 2025
Target	<ul style="list-style-type: none"> Number of employees who received president's award (individuals, groups) Employees who have achieved 10, 20, and 30 years in service New hires (new graduates and mid-career hires) Hires with prior work experience other than those allotted treasury stock in 2019 	<ul style="list-style-type: none"> Number of employees who received president's award (individuals, groups) Employees who have achieved 10, 20, and 30 years in service New hires (new graduates and mid-career hires) Employees at affiliated companies other than those allotted treasury stock in 2019 	<ul style="list-style-type: none"> Number of employees who received president's award (individuals, groups) Employees who have achieved 10, 20, and 30 years in service New hires (new graduates and mid-career hires) Employees at affiliated companies other than those allotted treasury stock in 2019 	<ul style="list-style-type: none"> Employees of Nikko and employees and executives of subsidiaries, etc. of Nikko Number of employees who received president's award (individuals, groups) Employees who have achieved 10, 20, and 30 years in service New hires of Nikko Group (new graduates and hires with prior work experience) 	<ul style="list-style-type: none"> Employees who have achieved 10, 20, and 30 years in service New hires of Nikko and Nikko Group (new graduates and mid-career hires)
Target	106 people	169 people	140 people	1,059 people	154 people
Number of shares awarded	100-1,000 shares	100-1,000 shares	100-1,000 shares	100-1,000 shares	100 shares
Price at which shares are awarded	687 yen	649 yen	675 yen	701 yen	777 yen
Period of restriction on transfer	3 years	15 months	15 months	15 months	15 months

Creating a Workplace that Accepts Diverse Values and Encourages Independent Actions

The Nikko Group is promoting eight measures* to achieve human resource development and job satisfaction improvement, which is one of its material issues. We believe that these measures will increase the number of human resources who can embrace diverse values and act independently, enabling the Group to realize its long-term vision. The manager who spearheaded the measures at the human resource division and four employees consisting of two Japanese and two foreign nationals discussed the achievements so far and future tasks. *Eight measures (see p.72)

Date: May 22, 2025 Location: Conference Room, Nikko Head Office

Participants **Takuma Hamabe**, Section Chief, Development Section 3, Technology Development Department, R&D Center
Nguyen Van Phong, Global Strategy Section, Plant Development Department
Kanokwan Sangkapano, Global Marketing Team, Overseas Business Strategy Office
Waka Tatsukawa, Sales Department, Mobile Plant Business Department
Satsuki Matsuyama, Manager, Human Resource Department



Promotion of diversity

Matsuyama: The Human Resource Department is implementing personnel system reform and other measures to achieve human resource development and job satisfaction improvement. One of these measures is the promotion of diversity. We aim for an environment where every employee accepts diverse values, recognizes each other, and demonstrates their ability to realize the Vision to the maximum extent. Japanese men used to account for more than half of the employees in many workplaces. Now, the number of female and foreign national employees is increasing. From the standpoint of a foreign national employee, did you experience difficulties when you first joined the company?

Nguyen: Initially, I struggled to understand technical terms in Japanese and felt stressed because of the language barrier. However, my seniors and colleagues explained them to me each time, which was helpful. Gradually, I was able to perform my work without difficulties. In addition to language, foreign national employees are also greatly bewildered by some workplace practices. Therefore, it is essential to have an environment where we can ask questions without hesitation to those around us.

Kanokwan: In my case, I did not have specialized knowledge of asphalt plants and struggled to learn the industry's technical terms. I used to visit customer plants together with sales staff and deepened my knowledge by learning on the job.

Tatsukawa: I work in sales at the Mobile Plant Business Department in Hokkaido. The male-female ratio in my department is 50-50. I do not feel any gender discrimination, and I feel comfortable working there. Having said that, I had difficulty gaining specialized knowledge of crusher. I was also a little surprised by the long travel time, given that I am often on business trips covering a wide sales area.

Matsuyama: Starting this year, the Technology Development Department has been accepting students of Indian Institute of Technology as interns. Mr. Hamabe went to India and interviewed students who wished to do internships in this country. Until now, Nikko had emphasized Japanese language skills in hiring foreign national human resources. What kind of changes were there in the workplace when interns were accepted regardless of Japanese language proficiency?

Hamabe: We decided to accept a total of seven Indian students in two batches this year. They enthusiastically asked us how they could use their skills at Nikko. This has also provided Japanese employees with more opportunities to communicate in English, increasing their motivation for learning English conversation. Initially, they relied on translation tools, but they have now become more confident even when talking about technical matters. At first, we had concerns about accepting interns who could not speak Japanese. However, I now feel that there have been positive workplace changes from accepting diversity.



Tatsukawa: I visited a construction machinery trade show in Munich with customers and I went to KLEEMANN, the manufacturer of the crusher offered by our Sales Department. During the visits, I felt the importance of communicating in English on specialized topics. I am thankful that the Company has a system that supports employees who want to master English conversation.

Nguyen: It is a major change that we can take more flexible paid holidays. If we try to go home during Japanese holidays, the price of air tickets will be very high. It is helpful that we can take holidays flexibly. I feel that my identity is also respected, as my name is now displayed alphabetically rather than in katakana on the company portal.

Kanokwan: I am also using holidays for oshikatsu (supporting one's favorite celebrities) to refresh myself (laughter).

Hamabe: When I joined the Company 10 years ago, there were almost no female or foreign employees. Now, diverse human resources are working at the Company as a matter of course. As a greater emphasis is placed on efficient work style, I also feel that workplace attitudes have changed considerably.

Act independently

Matsuyama: Nikko aims to nurture independent human resources and encourage employees to take on challenges without fear of failure. Please tell us about your initiatives.

Nguyen: The development of plant products for the ASEAN market was a new endeavor for Nikko. We went through many trials and errors in the product design process. There were some failures, but I feel that Nikko has a culture of supporting employees taking on challenges.



Hamabe: The R&D Center follows the policy of taking on challenges without fearing failure and learning from it, and we are proactively pursuing new initiatives. We have a mechanism in place to avoid repeating a mistake: We accumulate knowledge of what we learned from failures in a database, which is shared by the team. Positive failures are recognized, and we have an environment in which we feel encouraged to take on challenges.

Tatsukawa: When I was in charge of preparing KLEEMANN's new product catalog, I received solid advice from my superior, which enabled me to complete it. I found it immensely rewarding to be assigned to an important job.



Kanokwan: Feedback and advice from superiors are a big encouragement. Even if I fail, they point out what I should do next time, which I feel has helped me grow.

Matsuyama: Human resource development training emphasizes the importance of acting independently. How are you practicing it?

Tatsukawa: When we offer a new product, we often do not have people who are well versed in it. So I look it up by myself to deepen my understanding of it. We are also making sure to accurately grasp the requests of Japanese customers and convey them within the Company.

Kanokwan: The competition with the Chinese and Korean manufacturers is intense in the Thai market, so I am finding out the product strategies and marketing methods of our rival companies by myself. I am proactively participating in trade shows to expand my network outside the Company. If a seminar recommended by someone I met there appears to be beneficial, I would ask my superior's permission and participate in it.

Hamabe: On the basis of the agile development practice, we are promoting information sharing within the team to solve problems. As young employees are increasingly becoming project leaders, we place importance on employees' autonomous and passionate attitude to work.

Overseas assignments and expectations on global human resource development

Matsuyama: The Nikko Group has been striving to nurture global talent to become a leading company in the Asian market. What was your reason for choosing to work abroad, and what kind of support system would you like the Company to provide in the future?



Nguyen: I joined a local Japanese company in Vietnam after graduating from a university there. I was inspired by what Japanese engineers on a business trip told us and wanted to learn about the latest technologies in Japan. In the future, I want to leverage what I have learned in Japan for the development of the Asian region.

Kanokwan: Since childhood, I have been very much interested in Japanese culture, and I studied Japanese at a university in Thailand. I wanted to work at a Japanese company to use my Japanese language skills. I am delighted to work at Nikko.

Tatsukawa: I want to learn more languages because we handle products made by a German company and have many opportunities to use English. My interest in overseas countries grew even further through my business trips to Germany. There is a strong impression that Nikko is a manufacturer that caters to Japanese customers. If we convey that the Company offers opportunities to work overseas when hiring, we might receive more applications from those interested in going abroad.

Hamabe: You might hesitate about an overseas assignment if you have children. However, you will be less worried if you have experience in working overseas even during a short period while you are single. In the future, we may have more employees who can be posted abroad with family.

Kanokwan: Japan is very safe and convenient, but the excitement and stimulation you feel in other Asian countries is something you cannot experience in Japan. I hope that as many people as possible will experience foreign culture because doing so definitely broadens their view.



Matsuyama: We are considering the introduction of an overseas trainee system in which young employees will work for a short period at Nikko's overseas base or at a supplier outside Japan. We hope that if the number of employees with overseas experience increases, the number of employees who wish to work overseas will also increase. However, departments will need to work efficiently with each other so that their operations are not affected by the absence of dispatched employees.

Hamabe: As interaction with international interns and foreign national employees has increased, English has become more familiar and it has become easier to consider taking up overseas assignments. In addition to increasing the number of Japanese employees with overseas experience, we need to support foreign national employees so that they can learn in Japan and succeed in managerial positions at overseas bases in the future.

Nguyen: If more such opportunities are available, I would definitely like to take advantage of them. There will also be more applications from highly skilled foreigners if we can build a track record.

Issues upon achieving growth in the Asian market

Matsuyama: What are the issues that Nikko must overcome to achieve growth in the Asian market?

Nguyen: Competition with Chinese and Korean manufacturers is intense in the Asian market. Nikko products are superior in terms of quality and performance, but they are at a disadvantage in terms of cost and delivery period. I believe that we need to strengthen our competitive edge, including the speed of decision-making.

Kanokwan: The needs of Asian customers often differ from those of Japanese customers. We need to respond closely to local requests.

Hamabe: Building a trusting relationship with local customers is indispensable for expanding sales in the Asian market, including China and Thailand. We need to develop a structure where local hires are brought to Japan, nurtured here, and returned to their countries to play active roles. Interns from India are a new initiative based on this idea.

Tatsukawa: One of Nikko's strengths is maintenance services the Japanese market. In the Asian market, we can also differentiate ourselves through customer services if we can offer remote support from Japan using AI.

Matsuyama: Today, we were able to hear straightforward and meaningful opinions from all of you. The Human Resource Department will continue to support the development of a workplace where all employees work with enthusiasm and a sense of security.

Outside Officers' Views on Nikko's Governance and Future Prospects

In pursuit of its 2030 Vision and 2025-2027 Medium-Term Management Plan, the Nikko Group is taking an integrated approach to implementing its business strategies and sustainability initiatives. The supervision and guidance provided by its outside officers are at the core of these efforts. For this special feature, three Outside Directors and one Outside Audit & Supervisory Board member gathered to engage in candid discussions on a range of topics, including the improvement of capital efficiency, the operation of the Nomination and Remuneration Committee, the promotion of sustainability, the governance of the Nikko Group, and the achievement of an appropriate balance between the execution and supervision of duties.

Participants

Shigeru Sadakari	Outside Director (Nomination and Remuneration Committee member)
Rika Saeki	Outside Director (Nomination and Remuneration Committee member)
Masafumi Ishii	Outside Director
Naoki Ota	Outside Audit & Supervisory Board member



Q Following the Tokyo Stock Exchange's request for "management that is conscious of cost of capital and stock price," how have board meeting discussions evolved in terms of the return on and cost of capital evolved?

Ishii: Under the current Medium-Term Management Plan, we have set a target ROE of 8% by fiscal year 2027. Through discussions at board meetings, the entire management team has become increasingly aware of the importance of securing profitability that exceeds the cost of capital while maintaining financial stability and achieving a stock price that reflects a P/B ratio of ≥ 1 .

Ota: The Board devotes considerable time to discussions on capital management and efficiency, including the reduction of

strategically held shares. I understand that the executive team has demonstrated a strong commitment to achieving the targets it has set for itself. As an auditor of the Company, I make it a point to ensure that the management does not focus too narrowly on short-term goals while recognizing that the Company must naturally respond to the expectations of the capital market. To continuously enhance corporate value, making strategic preparations for sustained, long-term growth is essential.

Sadakari: Management that is conscious of capital cost and stock price will undoubtedly gain further momentum. We have set a target market capitalization in the Medium-Term Management Plan, making it clear that we aim to raise ROE in stages, from 5.9% at the end of the previous fiscal year to 8%. Achieving the target

requires higher income levels. Making the Thai business profitable and improving the profitability of the service division in Japan will be the key. Furthermore, because the P/B ratio is a product of ROE and PER, we believe that it is important for us to foster market expectations for growth by proactively communicating our nonfinancial value, such as progress toward carbon neutrality, in addition to enhancing financial indicators.

Saeki: When reducing strategically held shares, we must carefully assess their cost-effectiveness. It is also crucial to ensure efficient use of the capital gained from their disposal. We must clarify the uses of that capital, such as growth investments and shareholder returns, and discuss the influence of uses like these on our PBR and PER, taking into account the capital market's perspective.

Q What are your views on the Nomination and Remuneration Committee's achievements so far and current challenges? How does the Audit & Supervisory Board evaluate and audit the appropriateness and transparency of the Committee's operations?



Sadakari: In the last fiscal year, the Nomination and Remuneration Committee met five times and held intensive discussions on the selection of a new president. We decided to nominate Mr. Nakayama because, as General Manager of the Business Division, he addressed some of Nikko's key challenges head-on until immediately before his nomination. These challenges included the low profitability of the asphalt plant business, labor management in the service divisions, and initiatives toward carbon neutrality. All of these are critical issues for sustaining future growth, and his deep understanding of their underlying nature led us to conclude that he was the most qualified candidate for the position.

Saeki: I have served as a member of the Committee over the past year. In the past, executive appointments tended to simply endorse recommendations from the executive team. However, the recommendation process has evolved with the introduction of an external evaluation system two years ago. Committee members now conduct individual interviews with candidates before recommending them for executive officer positions. I believe that as a result, the effectiveness of the Committee has been steadily improving.

Sadakari: The remuneration system requires further review. Under the current system, the performance-linked compensation threshold is set at a consolidated operating income of 2.5 billion yen. However, the target set in the current Medium-Term Management Plan is 5.2 billion yen, indicating a clear gap between the two figures. This system should be revised by raising the threshold to a more challenging level so that a higher level of remuneration can be granted once the target is achieved. At present, the fixed portion based on the job title carries weight. I believe that the system should be redesigned to align remuneration more closely with the achievements of targets and contributions to business performance.

Saeki: I agree. Financial targets defined in the current Medium-Term Management Plan, including operating margin, ROE, and market capitalization, should be reflected in performance-linked remuneration. Furthermore, by increasing the proportion of stock compensation, we can expect the management to share risks on an equal footing with shareholders and strengthen their focus on the sustainable enhancement of corporate value.

Ota: From the perspective of an Audit & Supervisory Board member, I think that the Full-time Audit & Supervisory Board member can ensure the appropriateness of the Committee meetings by attending them as an observer. However, because details of Committee discussions are not fully shared with Outside Audit & Supervisory Board members, we intend to include the Committee's activities within the scope of the Audit & Supervisory Board's audits and to consider how outside members should be more actively involved.

Sadakari: Previously, the Committee was chaired by the former President, who made a conscious effort to solicit input from outside directors, including myself, by refraining from expressing his own views and instead providing objective explanations. We understand that investors generally favor having an outside director chair the Committee; however, I believe it is more important to prioritize the substance of discussions over formal structure at this stage.

Q How do you monitor initiatives aimed at integrating the sustainability strategy with the management strategy? Which KPIs do you believe should be assessed in relation to future cash flow generation?

Ota: Nikko's sustainability strategy is crystal clear—its ultimate goal is to generate future cash flows through the achievement of carbon neutrality. A distinctive feature of this strategy is that it establishes targets for CO₂ emitted during the on-site use of our products and equipment by customers in addition to setting reduction targets for its own CO₂ emissions. Few companies have gone this far. The Audit & Supervisory Board audits the entire sustainability promotion process, monitoring the progress of KPIs, key goal indicators, and key success factors.

Ishii: Initiatives toward carbon neutrality also capture my attention. Nikko's strength lies in its proprietary technologies—for example, the development of burners that use alternative fuels and technologies that allow concrete sludge, an industrial waste, to absorb CO₂ and be recycled into construction materials. The commercial application of these technologies is already within sight, and a considerable market is expected to emerge depending on how the regulatory environment evolves. I intend to further strengthen partnerships with road builders—our key customer group—to explore together untapped markets. I think that it is safe to say that sustainability and growth strategies are two sides of the same coin.



Saeki: Another key pillar is the remote and automated plant operation. Our AI-enabled burner operation support system has already undergone demonstration testing at a customer's plant, where it has achieved operational performance comparable with that of skilled operators. This initiative directly addresses labor shortages and improves operational efficiency, potentially transforming Nikko's business model. I believe that the key step ahead is how quickly these technologies can be translated into profits.

Sadakari: The spread of carbon-neutral products is not without challenges. If a product is technologically superior but is too costly, customers may hesitate to adopt it. Ultimately, the decisive factor will be whether these products can be delivered to the market at an affordable price. Accordingly, alongside ongoing technological development, the management must seriously confront the task of promoting wider use while controlling costs.

Q How do you evaluate the overall effectiveness of corporate governance within the Nikko Group?

Ota: The Audit & Supervisory Board puts efforts into developing internal controls and improving financial reporting accuracy for subsidiaries that have recently joined the Nikko Group through M&As. In close cooperation with the internal audit division and the Accounting Auditor, we perform risk scoring across the Group. When a vulnerability is identified during the scoring, three types of audits are conducted to improve the score to an acceptable level.



This process is defined as a priority audit item. Through these initiatives, we are steadily enhancing the effectiveness of the Group's governance.

Ishii: Regarding M&A decision-making, we believe that decisions are made promptly and decisively in line with the business portfolio strategy we aim to pursue. We can also confidently expect to achieve synergies in the post-merger integration process, as members of Nikko's management team are dispatched to the boards of subsidiaries to lead the process. Simultaneously, because there are overlaps in certain business domains, a key challenge will be how to streamline operations and improve capital efficiency.

Saeki: Each company that has joined us through M&As has its own corporate culture. Therefore, we need to ensure that the Nikko Corporate Identity and Our Vision are fully shared across the Group to foster a sense of unity. We also need to optimize the overall business portfolio by carefully assessing each business field's growth potential and profitability. Furthermore, the selection of subsidiary executives must be transparent. Thus, the Nomination and Remuneration Committee should take a proactive role in this process and monitor it along with the appropriateness of remuneration.

Q To build an appropriate balance between the execution and supervision of duties, as expected by shareholders and investors, what do you see as the current challenges facing the Board of Directors? What should be addressed by Outside Directors and Audit & Supervisory Board members to further enhance the effectiveness of the balancing process?

Sadakari: For outside officers to fully fulfill their roles, they must maintain a certain distance from the executive team while building a trusting relationship. Sharing information forms the foundation of that relationship. In addition to board meetings, we organize sessions between outside and executive officers to exchange views on each business division's challenges. We also hold regular meetings between Outside Directors and Outside Audit & Supervisory Board members to minimize information asymmetry.

Saeki: As you rightly mentioned, sharing information is fundamental to building trust. Beyond reports from executive officers, gaining a deep understanding of on-the-ground realities is equally important. Field operators often perceive issues differently from the management team. By incorporating the different perceptions into board discussions, our supervisory function can be made even more effective.



Ishii: I also believe that maintaining direct contact with employees on the frontlines is important. For example, we gained valuable insights into creating a more employee-friendly work environment when we held informal meetings between Outside Directors and female employees. Reporting these findings to the executive team led to quicker action and resolution in some cases. It is also effective for Outside Directors to proactively request on-site visits, which I believe further enhances the supervisory function of the Board.

Ota: I think it is essential to foster an environment in which the executive team feels encouraged to take appropriate risks in pursuit of growth. Taking risks may lead to success, but what matters is ensuring that we can verify, after taking risks, whether the discussion process was sufficiently thorough and whether the decisions made were rational. As an Audit & Supervisory Board member, I think we can create an environment where employees can take bold but thoughtful actions without fear of failure by carefully auditing the appropriateness of the decision-making process.

Functions and Roles of the Board of Directors and Audit & Supervisory Board

Basic approach

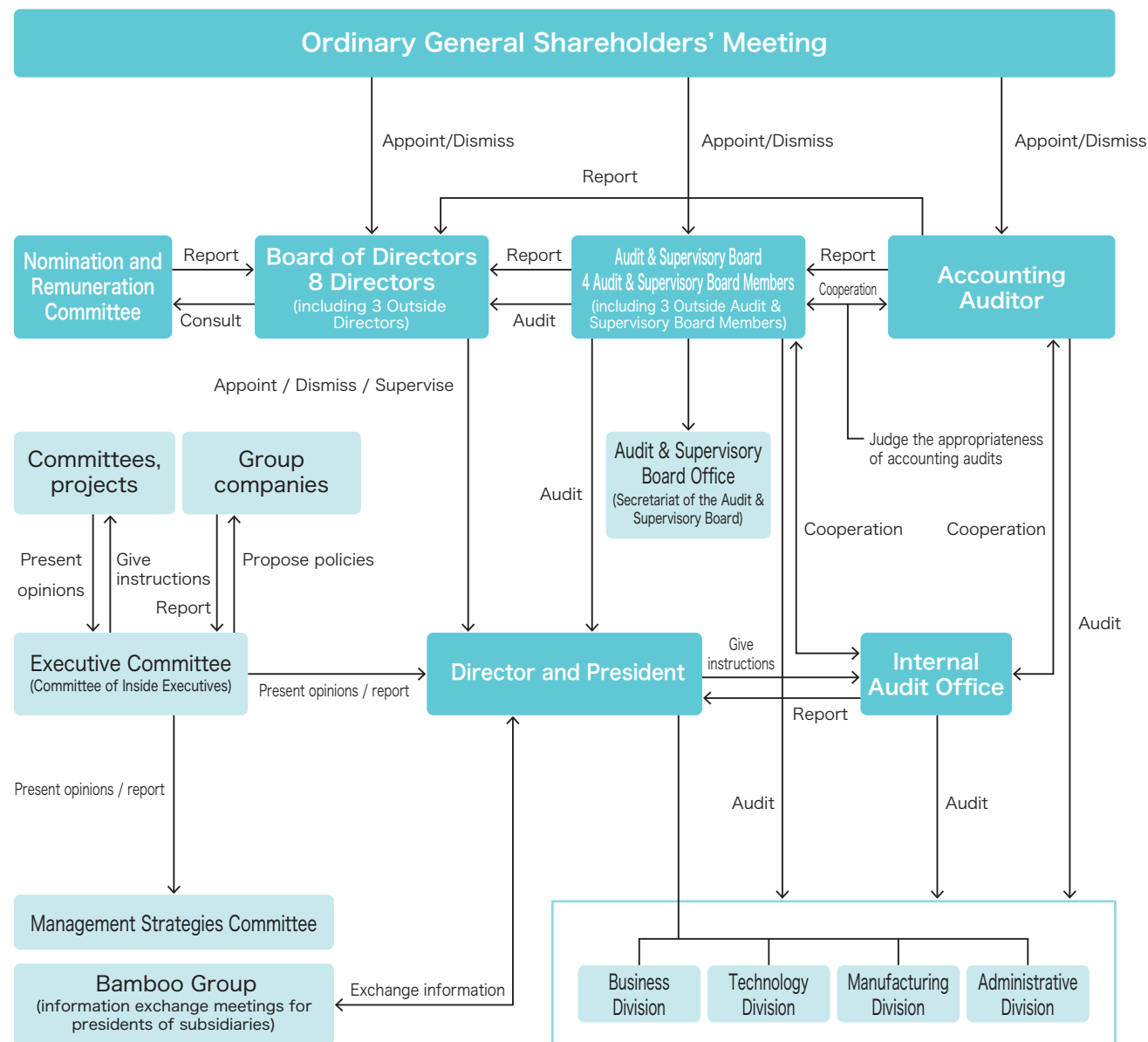
Nikko positions corporate governance as “the management governance function for maximizing corporate value for our shareholders and other stakeholders.” Under the Executive Officer system built upon the Board of Directors and the Audit & Supervisory Board, we endeavor to clarify management accountability, speed up business execution, increase the transparency of management decision-making, and strengthen compliance in order to ensure sound business management.

Reason for adopting a corporate structure with the Audit & Supervisory Board structure




At the Nikko Group, human resources who understand and are capable of putting into practice its Management Philosophy make decisions based on on-site situations in an appropriate manner. We have set the term of directors and executive officers as one year to clarify management responsibilities while striving to separate the execution and supervision of duties.

Further, Nikko appoints three outside directors as independent officers to enhance corporate governance. The three Outside Audit & Supervisory Board members consist of a person with management experience, a certified public accountant, and a lawyer, and are well-versed in Nikko’s business. They closely cooperate with the outside directors, the Full-time Audit & Supervisory Board Member, and the internal audit division to provide appropriate advice and supervision, and thus ensure the objectivity and neutrality of management and supervision functions.

Governance structure diagram



Roles and composition of each supervisory body

Organization	Board of Directors	Audit & Supervisory Board	Nomination and Remuneration Committee
Composition	 <ul style="list-style-type: none"> ● 5 inside members + 3 outside members ● Representative Director and President is the chair 	 <ul style="list-style-type: none"> ● 1 inside member + 3 outside members ● Internal, full-time Audit & Supervisory Board Member is the chair 	 <ul style="list-style-type: none"> ● 1 inside member + 2 outside members ● Representative Director and President is the head
Purpose and authority	<ul style="list-style-type: none"> ● Approval of management strategies and key decisions ● Supervision of business execution by Representative Directors, Directors, and Executive Officers ● Monitoring of internal controls and risk management 	<ul style="list-style-type: none"> ● Supervision of business execution by Representative Directors, Directors, and Executive Officers ● Monitoring of internal controls and risk management ● Preparation of audit reports ● Determination of the agenda details regarding the appointment and dismissal of an accounting auditor ● Advice to the Board of Directors and management 	<ul style="list-style-type: none"> ● Deliberation of agenda details regarding appointment and dismissal of Directors to be submitted to Ordinary General Shareholders' Meeting ● Formulation of successor nurturing plan ● Deliberation of policies regarding remuneration, etc. of Directors and Executive Officers ● Deliberation of policies regarding performance evaluation of Directors and Executive Officers ● Deliberation of policies regarding appointment and dismissal of Executive Officers to be submitted to the Board of Directors
Ratio of independent outside officers	38%	75%	67%
Number of meetings in FY2024	13	15	5
Office	Corporate Planning Department	Audit & Supervisory Board Office	Corporate Planning Department

 Inside directors  Independent outside officers

Main decision-making bodies

Meeting bodies on the monitoring side

- ◆ **Board of Directors**
8 Directors (including 3 Outside Directors) + 4 Audit & Supervisory Board Members (including 3 Outside Audit & Supervisory Board Members)
Chair: Tomomi Nakayama (Representative Director and President)
- ◆ **Audit & Supervisory Board**
4 Audit & Supervisory Board Members (including 3 Outside Audit & Supervisory Board Members)
Chair: Morie Okaaki (Full-time Audit & Supervisory Board Member)
- ◆ **Nomination and Remuneration Committee**
3 Directors (including 2 Outside Directors) + 1 Full-time Audit & Supervisory Board Member (observer)
Head: Tomomi Nakayama (Representative Director and President)
- ◆ **President and Outside Officers Meeting**
(1 Inside Director + 6 Outside Officers) + 1 Full-time Audit & Supervisory Board Member (observer)
Chair: Tomomi Nakayama (Representative Director and President)

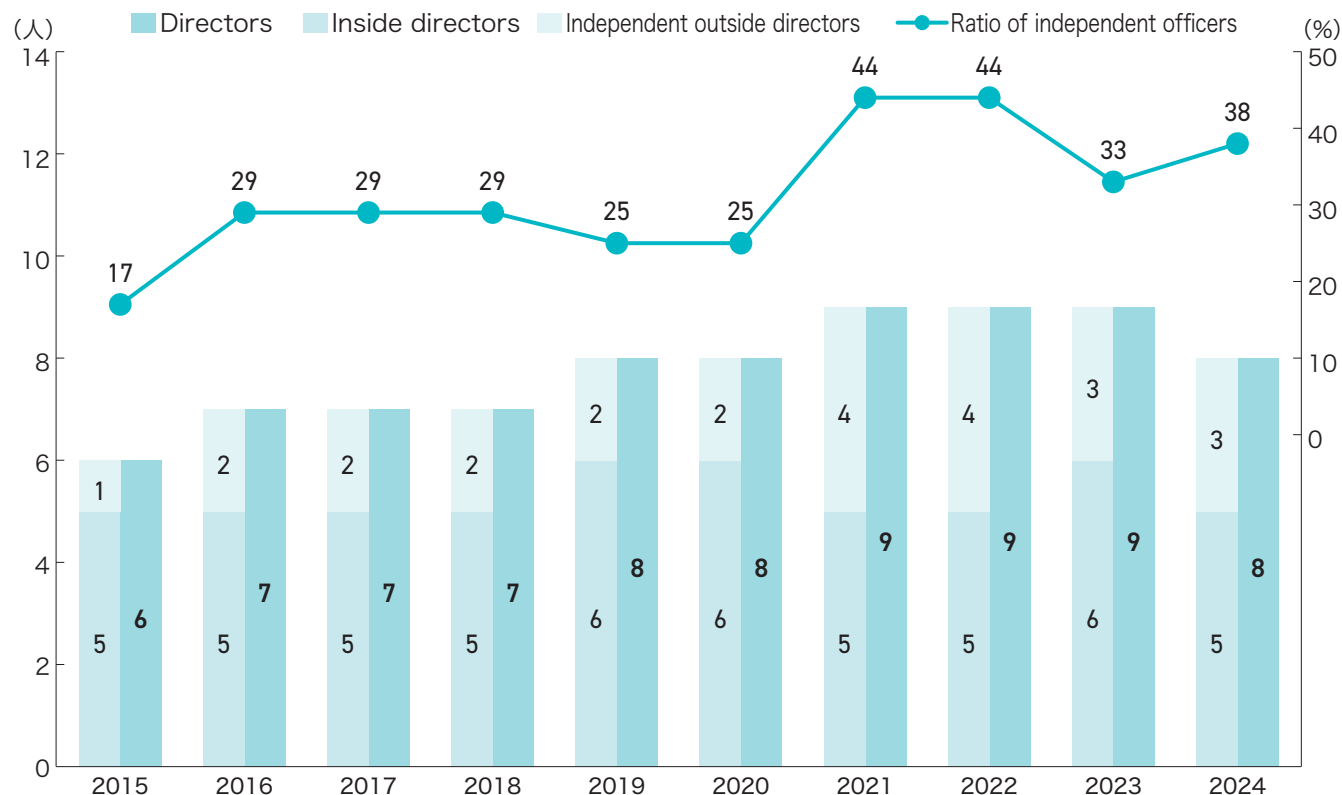
Meeting bodies on business executive side

- ◆ **Committee of Inside Executives**
5 Inside Directors + 1 Full-time Audit & Supervisory Board Member + 8 Executive Officers + General Manager of Internal Audit Office
Chair: Tomomi Nakayama (Representative Director and President)
- ◆ **Management Strategies Committee**
Internal directors involved in strategic themes + Executive Officers + Divisional General Managers
Chair: Tomomi Nakayama (Representative Director and President)
- ◆ **Compliance and Risk Management Committee**
Head: Koichi Kawakami
- ◆ **Sustainability Committee**
Head: Toshimasa Miyake
- ◆ **M&A Examination Committee**
Head: Toshimasa Miyake
- ◆ **Finance Committee**
Head: Haruhiro Ogawa
- ◆ **Development Technology Committee**
Head: Hideto Horai
- ◆ **Safety and Health Committee**
Head: Koichi Kawakami
- ◆ **Personnel Evaluation Committee**
Head: Koichi Kawakami
- ◆ **Reward and Punishment Committee**
Head: Koichi Kawakami
- ◆ **Personnel System Committee**
Head: Koichi Kawakami
- ◆ **Improvement Activity Committee**
Head: Kazuhiro Yamada
- ◆ **Tombo-kai Vitalization Committee**
Head: Katsumasa Takenami
- ◆ **Quality Control Committee**
Head: Toyokazu Uehara

History of ensuring management transparency and strengthening governance

- 2000 ● Carried out reform of the Board of Directors, introduced the executive officer system
- 2004 ● Increased the number of outside Audit & Supervisory Board members from two to three
- 2006 ● Established the Internal Audit Office and developed internal control systemEstablished the Compliance and Risk Management Committee
- 2007 ● Shortened the term of directors from two years to one year
- 2015 ● Appointed an outside director
- 2016 ● Increased the number of outside directors to two
- 2017 ● Carried out the effectiveness evaluation of the Board of Directors
- 2018 ● Introduced the performance-linked bonus and stock compensation (shares with restriction on transfer) system
- 2021 ● Increased the number of outside directors to four including a female director (three outside directors including female director in 2023)
Established the Nomination and Remuneration Committee (optional)
- 2023 ● Established the Sustainability Committee
- 2024 ● Established the Nikko Group Human Rights Policy

Trend in ratio of independent outside directors at Board of Directors



Main deliberation items at the Board of Directors Meeting in FY2024

Based on the 2022-2024 Medium-Term Management Plan to realize the 2030 Vision, the Board conducted visiting audit of a subsidiary (Nikko Electronics) in October and had many discussions from various perspectives.

The Board also deliberated and reported intensively on the matters listed on right.

- ◆ 2025-2027 Medium-Term Management Plan
- ◆ Group company M&A and capital investment
- ◆ Revision of the whistleblowing rules
- ◆ Selection of representative directors
- ◆ Review of strategically held shares
- ◆ Situations of whistleblowing
- ◆ Thai subsidiaries' business operations and financial support measures
- ◆ Consideration of technology center construction
- ◆ Self-evaluation questionnaire survey regarding effectiveness of the Board of Directors
- ◆ Establishment of Nikko Group human rights policies
- ◆ Measures to address occupational accidents

Members of Board of Directors Meeting (as of July, 2025)

Members of Board of Directors Meeting (as of July, 2025)						Main expertise and experience										
Director candidate number	Name	Title	Attendance (Board of Directors Meeting in FY2024)	Appointed in	Number of Nikko shares held	Independence (outside officers only)	Insight and experience*1 expected									Delegation of authority of chair and head
							Corporate management business operation	Industrial knowledge	Financial accounting	Legal compliance	International experience	Sales experience	ICT*(※2)	Technical experience	Administrative experience	
1	Masaru Tsuji	Director and Chairman, Director of Business Division	13/13	June 2008	120,600 shares											Chair of Board of Directors Head of Nomination and Remuneration Committee
2	Tomomi Nakayama	Representative Director and President	13/13	June 2019	51,300 shares											
3	Takeshi Sone	Director and Deputy Director of Business Division	13/13	June 2023	14,700 shares											
4	Koichi Kawakami	Director and Director of Administration Division	13/13	June 2023	10,000 shares											
5	Kazuhiro Yamada	Director and Director of Manufacturing Division	newly appointed	June 2025	13,400 shares											
Outside/Independent	6	Masafumi Ishii	Director	13/13	June 2021	9,300 shares										
	7	Rika Saeki	Director	13/13	June 2021	0 None										Nomination and Remuneration Committee member
	8	Shigeru Sadakari	Director	13/13	June 2022	10,400 shares										Nomination and Remuneration Committee member

Outside/Independent

Members of Audit & Supervisory Board (as of July, 2025)

Members of Audit & Supervisory Board (as of July, 2025)						Main expertise and experience										
Audit & Supervisory Board Member candidate number	Name	Title	Attendance(Upper row: Audit & Supervisory Board Meeting in FY2024) (Lower row: Board of Directors Meeting in FY2025)	Appointed in	Number of Nikko shares held	Independence (outside officers only)	Corporate management Business operation	Industrial knowledge	Financial accounting	Legal compliance	International experience	Sales experience	ICT(*2)	Technical experience	Administrative experience	Delegation of authority of chair and head
-	Morie Okaaki	Full-time Audit & Supervisory Board Member	10/10 10/10	June 2024	42,700 shares		●	●				●				Chair of Audit & Supervisory Board Observer, Nomination and Remuneration Committee
Outside/Independent	-	Naoki Ota	Audit &Supervisory Board Member	15/15 13/13	June 2019	1,400 shares	●	●			●					
	-	Tsuyoshi Fukui	Audit &Supervisory Board Member	15/15 13/13	June 2019	1,800 shares	●		●							
	-	Koji Yoneda	Audit &Supervisory Board Member	15/15 13/13	June 2022	1,400 shares	●			●						

*1 The above list does not indicate all insights and experiences the officers possess. *2 ICT in the above list stands for information and communication technology.

Reasons for appointment and expected roles of Outside Officers

Outside officer	Name	Appointed in	Date of birth	Career background	Reason for appointment and expected roles
Independent Outside Director	Masafumi Ishii	June 2021	November 3, 1957	Diplomatic official	Ishii possesses extensive insight into international affairs, nurtured through his rich international experience including long service in various key positions at the Ministry of Foreign Affairs, as well as knowledge of the Asian region where Nikko aims to expand in the future. He is expected to provide diverse and broad range of advice and contribute to realization of sustainable growth in corporate value of Nikko.
Independent Outside Director	Rika Saeki	June 2021	February 27, 1961	Corporate management	Saeki will reflect her abundant knowledge and experience, nurtured through founding of a business company and her ongoing engagement in corporate management as a business manager, in Nikko's management. The Company believes that Saeki's knowledge of ICT, which is her main field of business, as well as the opinions from diverse perspectives she brings in are necessary for the company's future development, and expects her to supervise and advise Nikko on its business execution. As a Nomination and Remuneration Committee member of Nikko, she is engaged in the selection of officer candidates and decision on the remunerations among other matters from an objective and neutral standpoint.
Independent Outside Director	Shigeru Sadakari	June 2022	September 22, 1957	Corporate management	Sadakari will reflect his abundant experience and broad knowledge, nurtured through his long engagement in corporate management at financial institutions and business companies, in Nikko's management. The Company also believes that incorporating diverse opinions regarding capital policies and financial accounting is important for its future development, and expects him to supervise and advise Nikko on its business execution. As a Nomination and Remuneration Committee member of Nikko, he is engaged in the selection of officer candidates and decision on the remunerations among other matters from an objective and neutral standpoint.
Independent Outside Audit & Supervisory Board Member	Naoki Ota	June 2019	March 1, 1955	Corporate management	Ota will audit and provide instructions regarding the soundness and transparency of management execution from an objective and neutral standpoint, leveraging his abundant experience in overall corporate management and broad knowledge gained in his long engagement in corporate management at a business company.
Independent Outside Audit & Supervisory Board Member	Tsuyoshi Fukui	June 2019	July 24, 1965	Certified Public Accountant of Japan	Fukui will audit and provide instructions regarding the soundness and transparency of management execution from an objective and neutral standpoint, leveraging his professional position as a Certified Public Accountant. Fukui has been demonstrating high performance from a specialist perspective as a Certified Public Accountant and also has deep insight in management, and he is expected to appropriately execute his duty as an Outside Audit & Supervisory Board Member.
Independent Outside Audit & Supervisory Board Member	Koji Yoneda	June 2022	February 17, 1957	Attorney	Yoneda will audit and provide instructions regarding the soundness and transparency of management execution from an objective and neutral standpoint, leveraging his professional position as an attorney. Yoneda has been demonstrating high performance from a specialist perspective as an attorney and also has deep insight in management, and he is expected to appropriately execute his duty as an Outside Audit & Supervisory Board Member.

Activities of Nomination and Remuneration Committee

From the perspective of enhancing corporate governance by raising the fairness and objectivity of the functions of the directors, the Nomination and Remuneration Committee deliberates the nomination, remuneration, nurturing of candidates, and other matters regarding directors and executive officers, which is then decided through a resolution by the Board of Directors.

The Committee held five meetings in FY2024. The full-time Audit & Supervisory Board Member attends the Committee as an observer. Since April 2025, President and Representative Director Tomomi Nakayama has served as Chair of the Committee.

Basic policy regarding determination of director's remuneration

<Basic policies>

Nikko set out a basic policy to develop a system of remuneration of its directors that adequately functions as an incentive to sustainably improve corporate value while paying attention to the interests of shareholders, and to decide remuneration of each director at an appropriate level based on their duties in accordance with the Internal Regulations on Remuneration and Bonuses of Executives set by the Board of Directors. Specifically, remuneration of executive directors comprises basic compensation as fixed compensation, performance-linked compensation, and stock compensation. To outside directors whose main function is supervision, basic compensation, performance-linked compensation, etc. are paid.

Roles	Position	Name	Attendance at Nomination and Remuneration Committee Meetings
Head	Director and President	Tomomi Nakayama (Appointed in April 2025)	(In FY2024, former Chair Masaru Tsuji attended five meetings.)
Member	Outside Director	Rika Saeki	(5/5)
Member	Outside Director	Shigeru Sadakari	(5/5)
Observer	Full-time Audit & Supervisory Board Member	Morie Okaaki (Appointed in June 2024)	(3/3)

Main deliberation matters in FY2024

The Nomination and Remuneration Committee deliberated intensively on the following matters.

- ◆ Personnel affairs of representative directors, directors, executive officers, and advisors
- ◆ Bonuses for officers
- ◆ Retirement age for officers
- ◆ Reform of executive officer system
- ◆ Revision of remuneration for officers

Basic remuneration system for executive directors

Composition ratio of remuneration types for executive directors is set at 7 : 2 : 1 for basic compensation, performance-linked compensation, and restricted stock-based compensation.

Breakdown of director's remuneration (when the performance evaluation is average)

Breakdown	Basic compensation (70%)	Performance-linked compensation (30%)	
Type of remuneration	Fixed monetary compensation	Variable monetary compensation	Stock compensation (shares with restriction on transfer)
Composition ratio of remuneration types	70%	20%	10%
Evaluation indicators	—	Consolidated operating income/level of achievement of the management goals, etc.	

<Performance-linked compensation>

To raise awareness regarding growth and performance improvement of the overall group for each fiscal year, performance-linked compensation is determined based on the consolidated operating income, which is considered as the basic performance indicator, and taking into account the non-consolidated performance of Nikko, dividends to shareholders, and bonuses to employees. It is provided as bonuses for officers. The Board of Directors reviews the policy as necessary based on the recommendations of the Nomination and Remuneration Committee.

Determination of remuneration for each director

The amount of remuneration for each director is deliberated and recommended by the Nomination and Remuneration Committee, and is determined by the Director and President within the recommended range. Independent Outside Directors constitute the majority of the Nomination and Remuneration Committee members and the Chair of the Audit & Supervisory Board (Full-time Audit & Supervisory Board Member) participates as an observer. The Committee deliberates on matters referred by the Board of Directors under the Nomination and Remuneration Committee Rules, such as basic compensation, performance-linked compensation, stock compensation, and their proportions, and offers its recommendations on the matters.

Total remunerations by officer rank (results for FY2024)

Officer ranks	Total amount of remuneration (million yen)	Total amount of all types of remuneration (million yen)			Number of officers
		Fixed compensation	Performance-linked compensation	Stock-based compensation	
Directors (excluding outside directors)	226	158	49	18	6
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board members)	25	19	4	1	2
Outside officer	44	40	3	—	6

Initiatives for improving the effectiveness of Board of Directors

As initiatives for improving the effectiveness of Board of Directors, Nikko has been evaluating the effectiveness of the Board of Directors every year since FY2017.

<Evaluation method>

Method for effectiveness evaluation

- Anonymous questionnaire survey of all directors and Audit & Supervisory Board members (12 in total)
- The survey consists of 56 questions over seven items and a free description section.
- Multiple choice questions are scored across four levels (anonymous)

1. Overall evaluation of the Board of Directors ... (12 questions)
2. Composition of the Board of Directors ... (5 questions)
3. Operation of the Board of Directors ... (9 questions)
4. Agenda items of and discussions at the Board of Directors Meetings ... (16 questions)
5. Provision of information and training ... (8 questions)
6. Matters for continued deliberation ... (1 questions)
7. Self-evaluation of officers ... (5 questions)
8. Free description

Evaluation results

Based on the evaluation conducted through the process shown on the left, the Company has determined that there are no issues with the current corporate governance framework or the operation of the Board of Directors, both of which are functioning appropriately and effectively. For any newly identified issues, the Board of Directors will address improvements during the current fiscal year.

Issues identified in the survey of the effectiveness of Board of Directors and initiatives for improvement

	Issues identified in the FY2023 effectiveness evaluation	Initiatives in FY2024 (Results)
Issue 1	Enhancing the supervisory function of the Board of Directors	<ul style="list-style-type: none"> ● Strengthening information sharing on short-term management issues and the business environment ● Sharing deliberation content in the Committee of Inside Executives
Issue 2	Deepening deliberations on the Group's management strategy and capital policy	<ul style="list-style-type: none"> ● Review of 2022-2024 Medium-Term Management Plan ● Formulation of 2025-2027 Medium-Term Management Plan ● Review of time allocations for deliberations ● Visiting audit to Nikko Electronics Corp. (October 2024)
Issue 3	Enhancing opportunities to deliberate on sustainability initiatives	<ul style="list-style-type: none"> ● Implementing reports on business execution and meetings of executive officers
Issue 4	Enrichment of educational curriculum for executive officers and other personnel	<ul style="list-style-type: none"> ● Holding of seminars for officers of group companies and others
	Issues identified in the FY2024 effectiveness evaluation	
Issue 1	Deepening deliberations on the Group's management strategy and capital policy, including overseas expansion and M&A	
Issue 2	Enhancing opportunities to deliberate on sustainability initiatives	
Issue 3	Developing management personnel and enhancing educational programs	
Issue 4	Dialoguing with shareholders and having discussions based on the dialogues	

Functions and roles of the Audit & Supervisory Board

The Audit & Supervisory Board consists of one full-time Audit & Supervisory Board member and three part-time members, and three of them are outside members.

Audit & Supervisory Board members led by the full-time member implement systematic and exhaustive audit of overall operations of the Company and its consolidated subsidiaries based on the audit plan formulated by the Audit & Supervisory Board.

The full-time Audit & Supervisory Board member participates in important meetings including the Board of Directors Meeting, Audit & Supervisory Board Meeting, and Executive Committee Meeting, inspects important documents, visits branches and warehouses, holds interviews with employees of operating divisions, and conducts visiting audit of consolidated subsidiaries. Part-time Audit & Supervisory Board members mainly participate in important meeting such as the Board of Directors Meeting and Audit & Supervisory Board Meeting and actively express their opinions. Together, they form a structure that enables monitoring of execution of operations by the directors.

①Internal audit by the internal control division and mutual collaboration with the accounting auditor

Mainly, the Full-time Audit & Supervisory Board Member regularly exchanges information and opinion with the accounting auditor and the internal audit division, and accompanies them on their visiting audit and year-end inventory taking of branches to share the details and results of audits and report them to the Audit & Supervisory Board whenever necessary. Furthermore, the Full-time Audit & Supervisory Board Member regularly requests them to attend and present reports at Audit & Supervisory Board meetings to ensure close collaboration between the parties involved, including part-time Audit & Supervisory Board members, and enhance the auditing function.

②Status of supervision by the Audit & Supervisory Board Members

The Audit & Supervisory Board Meeting is held monthly prior to the Board of Directors meeting, and also held as necessary. It was held a total of 15 times in FY2024, and the time spent per meeting was about 1.5 hours. The following resolutions, discussions, deliberations, and reports were made at the meetings through the course of the year.

Resolutions	Audit & Supervisory Board audit policy, audit plan, segregation of duties, budget; selection of full-time Audit & Supervisory Board member; audit report by Audit & Supervisory Board; re-appointment of accounting auditor; and consent for the audit fees of accounting auditor
Discussions	Remuneration for Audit & Supervisory Board members
Deliberation	Audit & Supervisory Board audit policy draft, audit plan draft, draft for segregation of duties, budget draft, and Audit & Supervisory Board audit report draft; decision on the contents of the agenda item regarding appointment, dismissal, and non-reappointment of accounting auditor; audit plan and audit report of accounting auditor
Report	Monthly activity report by Audit & Supervisory Board members, report on cooperation with accounting auditor and internal audit division, report on whistleblowing, etc.

③Key audit items and activity results

Numbers of visiting audits, interviews, and meetings in which the members participated	47 for Japanese business entities, 126 for Japanese subsidiaries, and 22 for overseas subsidiaries
Development and operation structure of internal control system of the group companies in Japan and abroad	One Japanese company was newly added to the Nikko Group in FY 2024. The Audit & Supervisory Board members proactively held visiting audit of said company and the existing group companies and interviews with their officers and other employees, strived to grasp the current situation and share information in cooperation with the internal audit division and accounting auditor, and expressed their opinions whenever necessary.
Initiatives for elimination of occupational accidents	The members strived to grasp the situation and expressed opinions whenever necessary by confirming the progress in initiatives at safety meetings (five times), Board of Directors Meetings (13 times), and Executive Committee Meetings (24 times) and by gathering information during visiting audits of business entities and subsidiaries.
Initiatives towards Medium-Term Management Plan	The members confirmed the progress and expressed their opinions whenever necessary by participating in the Board of Directors Meetings, Executive Committee Meetings, and Initiative Progress Meetings (six times) and by holding interviews during visiting audit of business entities and subsidiaries.

Status of reducing strategically-held shares

The Board of Directors annually examines whether or not to continue holding strategically-held shares and facilitates the gradual sales of the shares if it determines that there is no rationale to keep holding them. To make this decision, the Board looks into the purpose of holding the shares, their risks, Nikko's relationship with the issuers, and capital cost. In the last five years, we sold a total of 26 issues (15 sold-off issues) at a total value of 1.7 billion yen. We aim to achieve the ratio of market capitalization to shareholders' equity of 9%.

We judge exercise of voting rights upon comprehensive consideration of not only short-term results and stock price of the issuers but also Nikko's relationship with them.

Status of reducing strategically-held shares

	FY2020	FY2021	FY2022	FY2023	FY2024
Number of issues sold	9(5)	7(4)	2(0)	2(1)	6(5)
Amount sold	506	691	371	13	127
Book value	469	376	192	3	27
Gain on sales	38	314	178	10	100
Ratio of market capitalization to shareholders' equity (%)	11.8	12.7	9.6	13.9	15.7

() denotes the number of issues that have been completely sold off.

Dialogues with shareholders and investors

We position the building of long-term, trusting relationships with our shareholders and investors as an important management issue. We proactively work on improving constructive dialogues through the appropriate information disclosure in both Japanese and English and regular information dissemination by our management staff. The opinions of our Japanese and overseas shareholders and investors we have learned through meetings with them are reported to the Board of Directors and shared with relevant sections to reflect them in our management decisions and reports for investors.

Dialogues with shareholders and investors

Event types	FY2020		FY2021		FY2022		FY2023		FY2024	
	Number of events	Number of participants	Number of events	Number of participants	Number of events	Number of participants	Number of events	Number of participants	Number of events	Number of participants
Financial results briefing session	4	90	4	134	4	111	4	124	4	152
Individual meetings	17	23	10	18	6	10	6	10	10	14
Ordinary General Shareholders' Meeting	1	19/4,709	1	23/5,062	1	40/6,795	1	34/7,714	1	41/10,414

(Attendance on the day / Attendance by prior exercise of voting rights)

Compliance and Risk Management

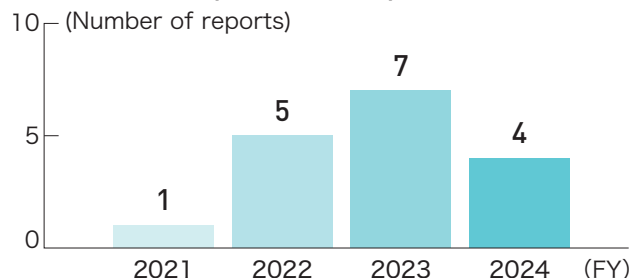
Compliance and risk management

The Nikko Group strives to secure soundness of management by clarifying management responsibility, speeding up the execution of duties, increasing the transparency of managerial decision-making, and strengthening compliance. We have the system and measures in place to ensure compliance, and all employees share them as corporate identity, striving to practice fair, transparent, and sensible corporate activities conscious of social norms and company rules in addition to legal compliance.

Operation of the corporate ethics helpline

The whistleblowing system introduced in the Company is applied to the group companies in Japan, and a department designated by the Company serves as the single internal reporting contact point. This ensures thorough communication to directors, executive officers, and other employees of each company.

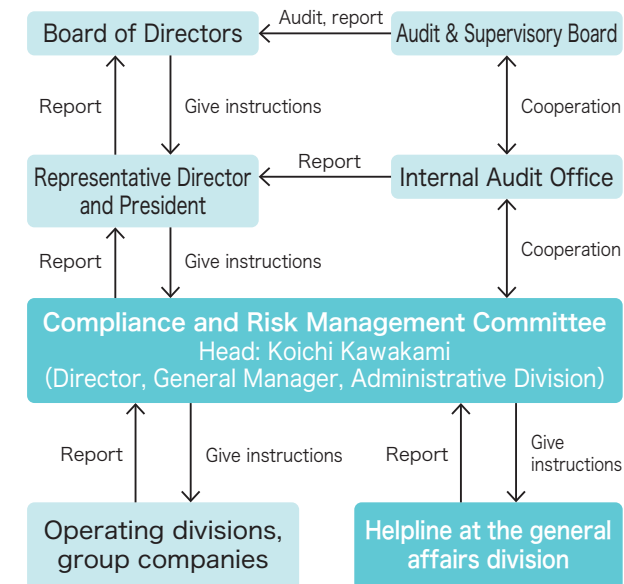
The number of reports to the helpline



Nikko Group's Code of Conduct

- 1 Compliance**
We shall act according to our conscience, comply with laws, social norms, and internal rules, shall not commit any wrongdoings, and engage in fair and transparent corporate activities.
- 2 Provision of better products and services**
We shall enhance research and technology development to offer safe and high-quality products and services to customers.
- 3 Communication with society**
We shall strive to communicate with customers, shareholders, business partners, and local communities, ensure transparency of management, and fulfill accountability.
- 4 In search of safety, comfort and affluence**
We shall strive to give priority to safety, improve workplace environment and labor conditions so that each and every employee can feel comfort and affluence.
- 5 Environmental preservation**
We shall promote initiatives for environmental preservation and contribute to creation of a good environment.
- 6 Elimination of anti-social forces**
We shall not have any relationship with anti-social forces and organizations that pose a threat to the safety and security of civil society.

Legal compliance promotion structure








Main information disseminated regarding the operation of helpline

- 1** In many cases, we recognize that officers and employees commit misconducts, which affect a company's existence, for the benefit of the company and organization rather than to gain unfair profits for themselves without being aware of their illegality.
- 2** It is important that departments with specialized knowhow are available for consultation at any time so that officers and employees would not make wrong judgments.
- 3** A whistleblowing system would put psychological pressure on the employees and act as a deterrent to commit fraud.
- 4** It is necessary to develop a mechanism where a misconduct always comes to light → Thorough compliance awareness
- 5** Whistleblowers are protected by the Whistleblower Protection Act (Act No. 122 of 2004) enacted on April 1, 2006.
- 6** Issues related to employee treatment such as transfer and promotion or defamation are not included in the system.
- 7** The user can report the issue through a letter or via the portal or email using his or her own name or anonymously, and those involved in receiving the report have the duty of confidentiality.
- 8** Upon responding to whistleblowers, the investigation policy and schedule are disclosed first, and a promise is made to provide a reply within a certain period of time.

The business of the Nikko Group is established on the relationship of trust with its stakeholders. The Group believes it is important to engage in active dialogue with all stakeholders to solve social issues through its business and raise its corporate value. The Nikko Group aims to maximize its corporate value, in line with the stakeholders' understanding regarding the direction it is pursuing and the path of its value creation.

◆ Relationship with stakeholders and main channels of dialogue

	Relationship with stakeholders		Stakeholders' main interests	Main dialogue channels
 Customers	Nikko Group is contributing to customers' business expansion and productivity improvement through the provision of products and services. At the same time, it contributes to the development of a prosperous society together with customers through the development of social infrastructure.		<ul style="list-style-type: none"> ● Offering of high-performance, high-quality products ● Service structure that offers safety and security ● Appropriate price setting ● Ability to propose solutions to issues ● Early restoration from natural disasters ● Response to technological innovation 	<ul style="list-style-type: none"> ● Daily sales and service activities ● Various trade shows (holding the 2022 Nikko Messe, participation in N-EXPO 2023, and various other trade shows) ● Offering of plant operator training ● Journals (editing and publication of NAP NEWS and BP EYES) ● Nikko website (One Nikko Platform)
 Employees	Employees are the most valuable asset of Nikko. We focus our efforts on building an organization and nurturing our human resources so that we can quickly respond to all changes surrounding our business to make sustained contribution to society. We will strive to develop a workplace environment that offers job satisfaction by responding to the expectations of employees, who have diverse attributes and values.		<ul style="list-style-type: none"> ● Respect to basic labor rights ● Offering opportunities for growth and self-realization ● Equal opportunities and fair evaluation ● Creating a workplace that is very safe mentally ● Ensuring safe operations and consideration for natural environment ● Realization of work-life balance ● Securing of diversity and workstyle options 	<ul style="list-style-type: none"> ● Direct dialogue between the president and groups of employees ● Intranet ● Target setting and progress confirmation, evaluation feedback ● English and special skill training, autonomous and elective development seminars ● Campaign to improve operating efficiency ● Allotting shares with restriction on transfer ● Company newsletter (Tombo) ● Whistleblowing system
 Business partners	Materials suppliers Nikko Group believes that it is essential to work on solving the social issues faced by its supply chain together with all business partners including material suppliers, sales agents, and contractors.	<ul style="list-style-type: none"> ● Suppliers of outsourced products based on Nikko ● design (about 20 companies) ● General materials suppliers (about 100 companies) 	<ul style="list-style-type: none"> ● Equal, fair transaction terms ● Quality assessment ● Support for business succession, technology transfer ● Centralized purchasing 	<ul style="list-style-type: none"> ● Daily procurement activities ● Quality improvement support ● Factory, warehouse visits ● Quality audit
	Tombo-kai (sales agent network) Members: 122 companies		<ul style="list-style-type: none"> ● Proposal of new products ● Support for seeking new sales channels 	<ul style="list-style-type: none"> ● Holding general meetings and subcommittee meetings
	Akitsu-kai (contractors' network) Members: 206 companies		<ul style="list-style-type: none"> ● Safe work environment ● Advice regarding specialized skills and technologies ● Securing stable work load over the long term 	<ul style="list-style-type: none"> ● Safety and health meeting
 Local community, future generation	For Nikko Group to develop and grow, it needs to contribute to raising the sustainability of society. Nikko considers the realization of carbon neutrality as its responsibility towards future generations.		<ul style="list-style-type: none"> ● Co-existence with local communities ● Creation of employment ● Contribution to local development ● Preservation of the local natural environment ● Safe operation 	<ul style="list-style-type: none"> ● Offering of grant-type scholarship to students in the Kinki region ● Offering of research grants to researchers from Hyogo Prefecture ● Support for disaster prevention education at primary and special needs schools (29 of them) within Akashi city (offering of disaster prevention tenugui towels) ● Responsible responses to climate risks ● Company and plant tours for high school students in Akashi City ● Nikko Marche (for local residents: exhibition and sale of disaster prevention and BBQ goods, and products from local companies) ● Let's Protect Roads!, a game offered in a social experience app for children
 Shareholders, investors	Shareholders and investors, who offer financial capital, support the growth of Nikko Group and has the role of monitoring its management. We will further strengthen our relationships of trust with them through our efforts in improving corporate value and enhancing information disclosure.		<ul style="list-style-type: none"> ● Improving our corporate value ● Promotion of fair disclosure ● Capital policy that is conscious of capital efficiency ● Achievement of business returns that exceed the capital cost ● Strengthening of initiatives towards ESG and sustainability, and enhancement of information disclosure ● Improvement in effective governance 	<ul style="list-style-type: none"> ● General Shareholders' Meeting (10,414 participants, including those who voted in advance) ● Financial results briefing sessions (four times) ● Individual meetings with institutional investors (ten meetings with 14 investors)

Masaru Tsuji

Born on June 4, 1960

September 1987 Joined Nikko Co., Ltd.
June 2007 Executive Officer
June 2008 Director
June 2011 Managing Director
June 2015 Executive Managing Director
April 2016 Director, Business Division
April 2019 Director and President
 Chief Internal Control Officer and Director of Technology Division
April 2025 Chairperson and Director (current)
 Chief of Affiliate Companies and Director of Business Division (current)



Tomomi Nakayama

Born on January 10, 1963

April 1982 Joined Nikko Co., Ltd.
June 2015 Executive Officer
 General Manager of Business Strategy Department, and AP Sales Management Department, Tokyo Head Office
June 2019 Director
June 2022 Managing Director
April 2023 Director of Business Division and General Manager of Business Strategy Department
June 2024 Executive Managing Director
April 2025 President and Director (current)
 Chief Internal Control Officer and Director of Technology Division (current)



Takeshi Sone

Born on February 25, 1970

April 1990 Joined Nikko Co., Ltd.
April 2019 General Manager of Mobile Plant Business Department and Senior Manager of Kanto Branch, Business Division
June 2019 Executive Officer
June 2022 Senior Executive Officer
June 2023 Director (current)
April 2025 Deputy Director of Business Division, Service Strategy Department and Mobile Plant Business Department (current)



Koichi Kawakami

Born on July 8, 1965

December 1988 Joined Nikko Co., Ltd.
June 2021 Executive Officer
January 2022 General Manager of Corporate Strategy Department, DX Business Team Leader (CDO), and Manager of Quality Assurance Office, CEO's Office
June 2023 Deputy Director of Administrative Division, General Manager of Corporate Strategy Department and DX Business Team Leader (CDO), CEO's Office (current)
April 2025 Director of Administrative Division, Chief of Health and Safety, Chief Export Control Officer, DX Business Team Leader (CDO)
May 2025 Director of Administrative Division, Chief of Health and Safety, Chief Export Control Officer, DX Business Team Leader (CDO) and General Manager of Financial Management Department (current)



Kazuhiro Yamada

Born on December 16, 1970

April 1995 Joined Nikko Co., Ltd.
April 2008 Manager of Business Development Promotion Office
 President and Representative Director of Maekawa Kogyosho Co., Ltd.
April 2019 General Manager of Head Office Plant, Manufacturing Division
June 2020 Executive Officer
March 2022 President and Representative Director of Ube Kohki Co., Ltd.
June 2023 Senior Executive Officer
 Deputy Director of Manufacturing Division, General Manager of Head Office Factory and Senior Manager of Production Technology Department
April 2025 Director of Manufacturing Division and General Manager of Head Office Plant
June 2025 Director (current)
<Important concurrent position>
 Representative Director, Matsuda Kiko K.K.



Masafumi Ishii

Born on November 3, 1957
 (Outside/Independent)

April 1980 Joined the Ministry of Foreign Affairs
February 2002 Private Secretary to the Minister for Foreign Affairs
January 2004 Minister, Embassy of Japan in the UK
July 2006 Minister, Embassy of Japan in the USA
January 2013 Director-General, International Legal Affairs Bureau, Ministry of Foreign Affairs
July 2014 Ambassador Extraordinary and Plenipotentiary, Embassy of Japan in Belgium
March 2017 Ambassador Extraordinary and Plenipotentiary, Embassy of Japan in Indonesia
January 2021 Retired from the Ministry of Foreign Affairs
June 2021 Outside Director, Nikko Co., Ltd. (current)



Rika Saeki

Born on February 27, 1961
 (Outside/Independent)

April 2004 Established Usystem Limited (current Usystem Co., Ltd.)
 Representative Director and President, Usystem Co., Ltd. (current)
June 2021 Outside Director, Nikko Co., Ltd. (current)
June 2022 Director, Kobe Commerce, Industry and Trade Center (current)
<Important concurrent position>
 Representative Director and President, Usystem Co., Ltd.
 Director, Kobe Commerce, Industry and Trade Center



Shigeru Sadakari

Born on September 22, 1957
 (Outside/Independent)

April 1980 Joined Taiyo-Kobe Bank Limited (current Sumitomo Mitsui Banking Corporation)
April 2010 Executive Officer and Manager of Internal Audit Department, Sumitomo Mitsui Banking Corporation
May 2011 Managing Executive Officer, The Minato Bank, Ltd.
April 2013 Senior Representative Managing Director and Senior Managing Executive Officer, The Minato Bank, Ltd.
June 2015 Representative Director and Vice President, Kobe Tochi Tatemono Co., Ltd.
June 2016 Representative Director and President, Kobe Maintenance of Building Co., Ltd.
June 2019 Outside Audit & Supervisory Board Member, Nikko Co., Ltd.
June 2022 Outside Director, Nikko Co., Ltd. (current)



Audit & Supervisory Board Member

Morie Okaaki

Born on November 2, 1963
Full-time Audit & Supervisory Board Member

April 1986 Joined Nikko Co., Ltd.
June 2016 Executive Officer
June 2017 General Manager of Industrial Machinery Sales Management Department and Industrial Machinery Technology Center General Manager of Industrial Machinery Sales Management Department
June 2019 Senior Executive Officer Internal Control in-charge
June 2021 Audit & Supervisory Board Member (current)



Naoki Ota

Born on March 1, 1955
(Outside/Independent)

April 1979 Joined Nittoseiko Co., Ltd.
February 2009 Representative Director and President, Wacoh Corporation
March 2011 Director, Nittoseiko Co., Ltd.
March 2013 Director and Manager of Fasteners Business Department, Nittoseiko Co., Ltd.
March 2016 Full-time Audit & Supervisory Board Member of Nittoseiko Co., Ltd.
June 2019 Outside Audit & Supervisory Board Member, Nikko Co., Ltd. (current)



Tsuyoshi Fukui

Born on July 24, 1965
(Outside/Independent)

October 1991 Joined the Kobe Office of Century Audit Corporation (currently Ernst & Young ShinNihon LLC)
August, 1995 Certified as Certified Public Accountant of Japan
April 2018 Joined the Kobe Office of RSM Seiwa (current)
June 2019 Outside Audit & Supervisory Board Member, Nikko Co., Ltd. (current)
<Important concurrent position> Partner, RSM Seiwa



Koji Yoneda

Born on February 17, 1957
(Outside/Independent)

April 1990 Certified as attorney Joined Motohara & Tanaka Law Office(current Tamon Law Office) (current)
June 2022 Outside Audit & Supervisory Board Member, Nikko Co., Ltd. (current)
<Important concurrent position> Representative Partner, Tamon Law Office



Executive Officer

Toyokazu Uehara

Born on July 3, 1969

Senior Executive Officer
Deputy Director of Technology Division, and General Manager of Technology Management Department

April 1990 Joined Nikko Co., Ltd.
April 2009 Product Development Group Leader, Manager of Production Sales Section, Market Development Department, and Business Development Promotion Office, R&D Center
June 2012 Acting Manager of Development Sales Department and Manager of Production Sales Section, R&D Center
April 2016 Deputy Director of R&D Center and Manager of Business Development Department
April 2019 Senior Manager of Engineering Department, Techno Center, Technology Division
April 2021 General Manager of Technology Management Department, Technology Division
June 2021 Executive Officer
General Manager of Technology Management Department, Technology Division
June 2024 Senior Executive Officer and Deputy Director of Technology Division (current)

Katsumasa Takenami

Born on January 11, 1969

Executive Officer
General Manager of Industrial Machinery Sales Management Department, Business Division

March 1992 Joined Nikko Co., Ltd.
May 1992 Sales Section, Special Sales Department
April 2006 Sales Assistant Manager of BP Business Department
January 2007 Assistant Manager of BP Business Department and Yokohama Service Station
April 2008 Manager of Yokohama Sales Office, BP Sales Department, BP Business Department Branch
April 2010 Senior Manager of Kitakanto Branch
April 2015 Senior Manager of Kyushu Branch
April 2019 Senior Manager of Osaka Branch and Manager of Sales Section 1
April 2024 General Manager of Industrial Machinery Sales Management Department (current)
June 2024 Executive Officer (current)

Haruhiro Ogawa

Born on March 5, 1968

Executive Officer
Senior Manager of Financial Department, Financial Management Department, Administrative Division

April 1991 Joined Mitsui Taiyo Kobe Bank Limited (current Sumitomo Mitsui Banking Corporation)
April 2009 Deputy General Manager of Fukuoka Corporate Business Office, Sumitomo Mitsui Banking Corporation
April 2013 Branch Manager and Section Manager of Consultant Section, Osaka Branch, SMBC Nikko Securities Inc.
April 2017 Branch Manager, Mikage Branch, Sumitomo Mitsui Banking Corporation
May 2021 Senior Manager of Financial Department, Administrative Division, Nikko Co., Ltd.
May 2025 Senior Manager of Financial Department, Financial Management Department, Administrative Division (current)
June 2025 Executive Officer (current)

Yosuke Yamamoto

Born on September 2, 1966

Senior Executive Officer
General Manager of Business Strategy Department, Business Division

April 1985 Joined Nikko Co., Ltd.
December 1986 Kyushu BP Service Group
April 2004 Assistant Manager of IT Company Control Software Development
October 2009 Manager of Construction Team Section
April 2013 Senior Manager of Business Strategy Office, Business Strategy Department, Business Division
April 2017 General Manager of Business Strategy Department, Business Division
March 2020 CEO of Nikko Asia (Thailand) Co., Ltd.
June 2020 CEO of Nikko Nihon Co., Ltd. (current Nikko Global Manufacturing (Thailand) Co., Ltd.)
April 2025 General Manager of Business Strategy Department, Business Division (current)
June 2025 Senior Executive Officer (current)

Toshimasa Miyake

Born on January 13, 1969

Executive Officer
General Manager of Corporate Strategy Department and Overseas Business Strategy Department, CEO's Office

April 1994 Joined Nikko Co., Ltd.
June 1994 Tokyo Sales Office 1, AP Sales Department, AP Business Department
April 2010 Manager of Business Development Section, Market Development Department
April 2016 General Manager of Industrial Machinery Sales Management Department, Business Division
April 2019 Senior Manager of Hoku-shinetsu Branch, Manager of Sales Section, Business Division
April 2021 Senior Manager of Chubu Branch, Business Division
April 2022 Senior Manager of Sales Department, AP Sales Management Department, Business Division
October 2022 Senior Manager of Taipei Branch
April 2024 General Manager of AP Sales Management Department, Senior Manager of Taipei Branch, Business Division and General Manager of Low-Carbon Task Force, CEO's Office
June 2024 Executive Officer (current)
April 2025 General Manager of Corporate Strategy Department and Overseas Business Strategy Department

Toru Okada

Born on June 18, 1974

Executive Officer
General Manager of AP Sales Management Department, Business Division and Senior Manager of Taipei Branch

April 1998 Joined Nikko Co., Ltd.
April 1999 Production Management Team, Manufacturing Division
October 2002 AP Maintenance Group, Tokyo Maintenance Service
April 2014 Manager of South Kanto SS, Tokyo Service Center, Business Division
April 2016 Manager of Sales Section, AP Sales Management Department, Business Division
April 2021 General Manager of AP Sales Management Department, Business Division
April 2022 Senior Manager of Chubu Branch, Business Division
April 2025 General Manager of AP Sales Management Department and Senior Manager of Taipei Branch, Business Division (current)
June 2025 Executive Officer (current)

Katsuhiro Kawamura

Born on February 26, 1968

Executive Officer
General Manager of R&D Center, Technology Division, and General Manager of Low-Carbon Task Force, CEO's Office

April 1994 Joined Nikko Co., Ltd.
April 2009 Manager of Mechanical Design Section 1, Mechanical Design Department
April 2016 Senior Manager of Tokyo Technology Department, Manager of Tokyo Technology Office, AP Technology Center
April 2019 Senior Manager of Development Department, Techno Center, Technology Division
April 2021 Senior Manager of Development Department, Technology Division
June 2021 Executive Officer and General Manager of Development Department, Technology Division
June 2022 Executive Officer (current)
General Manager of Development Department, Technology Division and General Manager of Low Carbon Task Force, CEO's Office
April 2025 General Manager of R&D Center, Technology Division, and General Manager of Low-Carbon Task Force, CEO's Office

Takashi Miki

Born on October 6, 1970

Executive Officer
Deputy General Manager of Technology Management Department and Senior Manager of Mechanical Design Department

April 1993 Joined Nikko Co., Ltd.
June 1993 Design Section 1, AP Technology Department, AP Business Department Assistant
October 2008 Manager of Design Team 1, AP Technology Design Group
July 2014 Deputy Senior Manager of Engineering Department, Nikko (Shanghai) Construction Machinery Co., Ltd.
January 2015 Senior Manager of Engineering Department, Nikko (Shanghai) Construction Machinery Co., Ltd.
January 2018 Manager of Design Section 2, AP Technology Department, AP Technology Center, Technology Division
April 2021 Senior Manager of Engineering Department, Technology Management Department, Technology Division
April 2022 Senior Manager of Engineering Department, Technology Management Department, Technology Division and Manager of Standard Promotion Section
April 2024 Deputy General Manager of Technology Management Department and Senior Manager of Engineering Department, Technology Division
June 2024 Executive Officer (current)
April 2025 Deputy General Manager of Technology Management Department and Senior Manager of Mechanical Design Department (current)



Nikko Integrated Report

Corporate Data

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Overview of construction investment in Japan

~Construction investment forecast to grow 4.5% from a year earlier in FY2025~

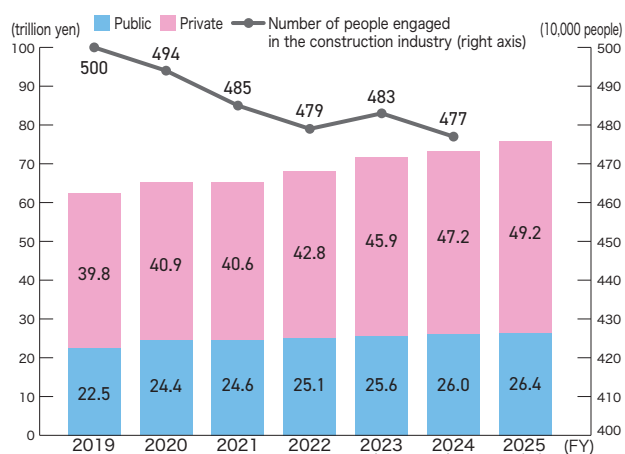
The Ministry of Land, Infrastructure, Transport and Tourism forecasts that domestic construction investment (nominal value) will increase by 2.4% from the previous fiscal year to 73.21 trillion yen in FY2024. This includes public investment of 25.04 trillion yen, up 2.6% year on year and private investment of 48.17 trillion yen, up 2.4% year on year. As a result of private investment exceeding expectations due to rising construction costs, etc., the last year's forecast was revised upward by 2.12 trillion yen.

Construction investment in FY2025 is expected to increase 3.2% year on year to 75.57 trillion yen. This includes public investment of 25.21 trillion yen, up 0.7% year on year and representing 33%, and private investment of 50.36 trillion yen, up 4.5% year on year and representing 67%, anticipating growth rate expansion.

~Demand for automation and labor-saving measures to continue growing~

In 2024, the number of workers employed in the Japanese construction industry decreased 0.06 million from a year earlier to 4.77 million. People aged 55 or older represented about 40% of this cohort, from which some 0.8 million are expected to retire over the next decade. The demand for automation and labor-saving measures is expected to grow in the construction industry.

• Amount of construction investment and number of people engaged in the construction industry



Note: The number of people engaged in the industry is on a calendar year basis and its source is the Construction Handbook.

Business performance in FY2024

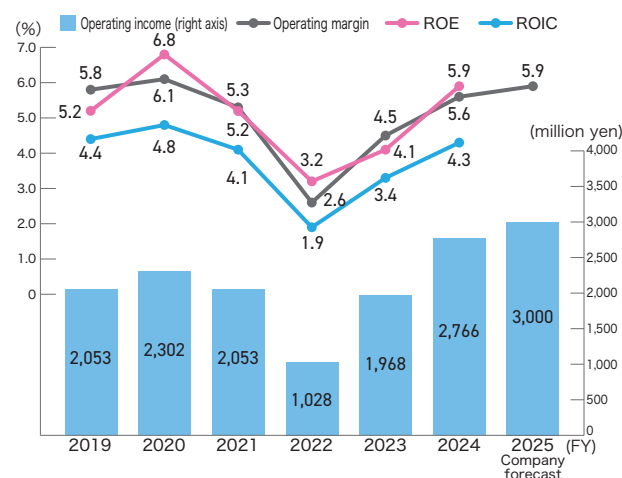
~First record-high operating income in 34 years~

In FY2024, order intake increased 1.8% year on year to 49,617 billion yen, marking the second consecutive year of setting a new record high. Net sales increased 11.5% year on year to 49,162 billion yen, as the order backlog was steadily cleared, reaching the record high level for the third consecutive fiscal year. Operating income increased 40.5% year on year to 2,766 billion yen (operating margin of 5.6%) as the effect of increased net sales offset increased expenses of active human resource investments. It broke the previous record-high operating income set 34 years ago, in the fiscal year ended November 1990.

~ROE improved significantly to 5.9%~

Ordinary income increased 43.2% year on year to 3,071 billion yen, setting a new record high. On the other hand, net income attributable to owners of parent grew a significant 53.1% year on year to 2,009 billion yen, but slightly underperformed the level in FY 2020 when gain on sales of investment securities was recorded. However, the figure represents a record high in real terms. ROE improved to 5.9%, up 1.8 percentage points from the previous fiscal year, but fell short of the 6.8% reached in FY2020.

• Operating income and margin, ROE, and ROIC

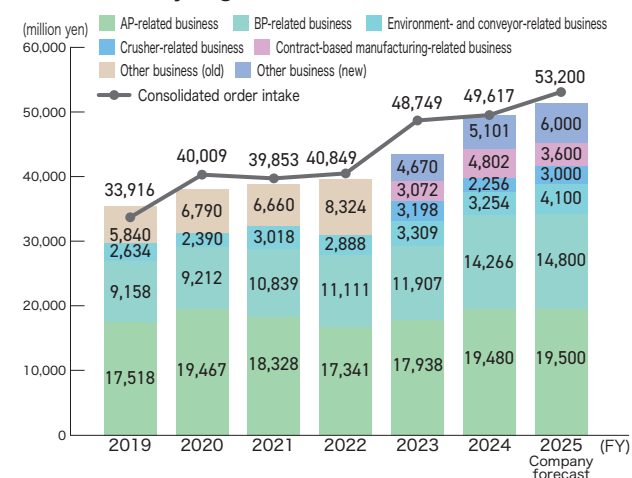


Business overview by segment

Expectations rising for business-performance recovery in mainstay AP-related business

The AP-related business, which has represented 40% of consolidated net sales but had continued to slump, saw a remarkable recovery, with net sales increasing 8.6% year on year to 19,480 million yen and operating income increasing 194.9% to 976 million yen (operating margin of 5.0%). In the BP-related business, net sales increased 19.8% year on year to 14,266 million yen, and operating income increased 28.6% year on year to 1,724 million yen (operating margin of 12.1%), reaching the all-time high. In the environment and conveyance-related business, net sales decreased 1.7% year on year to 3,254 million yen, and operating income increased 6.8% year on year to 847 million yen (operating margin of 26.0%), again demonstrating high profitability. In the crusher-related business, net sales decreased 29.5% year on year to 2,256 million yen, and operating income decreased 85.4% year on year to 40 million yen. In the contract-based manufacturing-related business, net sales increased 56.3% year on year to 4,802 million yen, and operating income increased 138.9% year on year to 645 million yen (operating margin of 13.4%). In the other business, net sales increased 9.2% year on year to 5,101 million yen, and operating income decreased 6.9% year on year to 716 million yen (operating margin of 14.0%).

• Net sales by segment and consolidated order intake



Analysis of changes in ordinary income

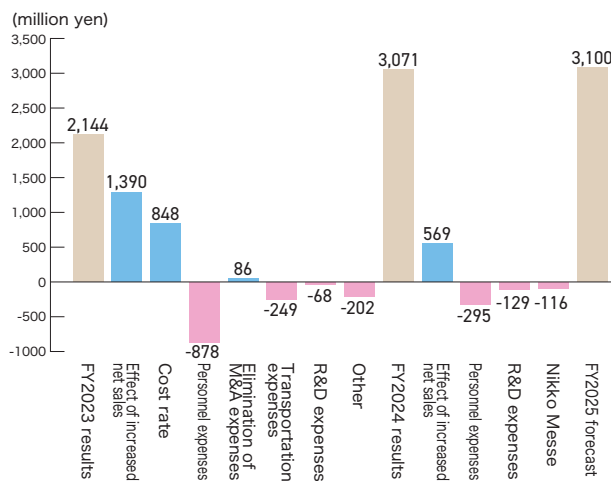
~Strategic cost increases offset with the effect of increased net sales to set new record high~

In FY2024, ordinary income increased 927 million yen year on year to 3,071 million yen. Personnel expenses increased 878 million yen as base pays were raised for the fourth consecutive fiscal year and bonuses were raised in response to strong earnings, transportation expenses increased 249 million yen as a result of revenue increases, and the total of other expenses rose 270 million yen, but these were offset with the effect of increased net sales totaling 1,390 million yen and the impact of improved cost rates due in part to improved selling prices, totaling 848 million yen, resulting in a record-high ordinary profit.

~Profits expected to reach new highs in FY2025~

We expect ordinary income to increase 29 million yen year on year to 3,100 million yen in FY2025. We expect ordinary income to once again renew the record high level as the impact of revenue increases and improved cost ratios totaling 569 million yen will offset a 295 million yen increase in personnel expenses due to wage and bonus increase, a 129 million yen increase in R&D expenses, and 116 million yen in expenses of holding the Nikko Messe trade show, held at the Nikko head office once every three years.

• Analysis of changes in ordinary income

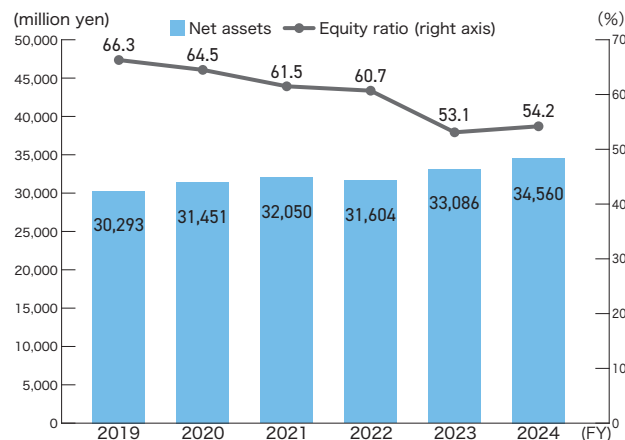


Financial conditions

~Balance sheet still remaining strong~

Total assets at the end of FY2024 increased 1,496 million yen year on year to 63,725 million yen. Current assets decreased 907 million yen year on year to 40,126 million yen, and non-current assets increased 2,402 million yen to 23,598 million yen. Main items include cash and cash equivalents decreased by 1,513 million yen year on year to 14,038 million yen and property, plant and equipment increased by 2,058 million yen to 15,305 million yen. On the other hand, current liabilities decreased 228 million yen year on year to 21,515 million yen, and non-current liabilities increased 250 million yen year on year to 7,649 million yen. Main items include contract liabilities increased by 467 million yen year on year to 5,092 million yen, notes and accounts payable-trade decreased by 324 million yen year on year to 2,932 million yen, and short-term and long-term loans payable decreased by 466 million yen year on year to 10,250 million yen. Net assets increased 1,474 million yen year on year to 34,560 million yen, shareholders' equity minus non-controlling interests of 8 million yen totaled 34,551 million yen, and equity ratio rose 1.1 percentage point year on year to 54.2%.

• Net assets and equity ratio

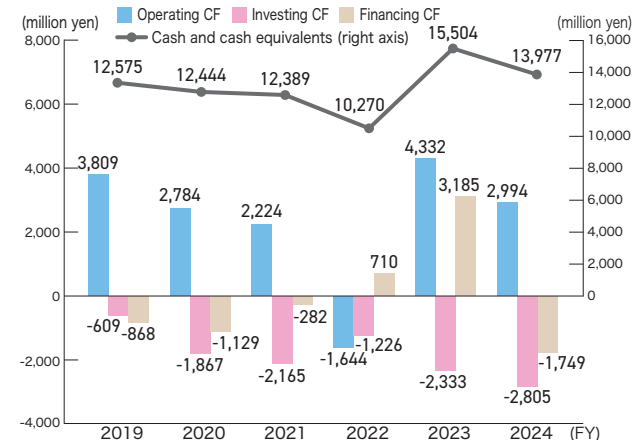


Cash flows

~Cash and cash equivalents equivalent to 3.4 months of sales~

Cash flows from operating activities resulted in an inflow of 2,994 million yen. Major inflows include 3,197 million yen in net income before income taxes, 1,127 million yen in depreciation and amortization, and 370 million yen in increased contract liabilities. On the other hand, main expenditures include 1,346 million yen in payment of corporate taxes due to increased earnings, etc., an increase of 319 million yen in notes and accounts receivable-trade, and an increase of 257 million yen in notes and accounts payable-trade. Cash flows from investing activities amounted to an expenditure of 2,805 million yen mainly as a result of purchasing property, plant and equipment and intangible assets. As a result, free cash flow (FCF) was an inflow of 189 million yen. Cash flows from financing activities resulted in an expenditure of 1,749 million yen. Proceeds from long-term loans payable of 796 million yen were recorded against dividend payout totaling 1,152 million yen, a decrease in short-term loans payable of 683 million yen, and repayment of long-term loans payable totaling 634 million yen. Cash and cash equivalents at the end of the fiscal year amounted to 13,977 million yen.

• Cash flow and cash and cash equivalents



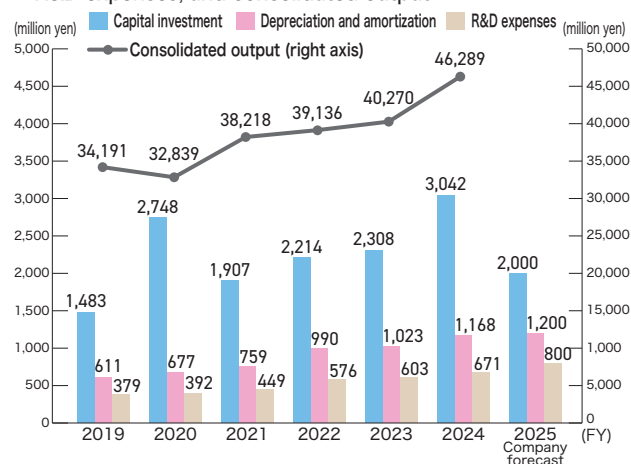
Trends in capital investment, depreciation and amortization, R&D expenses

~Capital investment and R&D implemented in line with business strategies~

Capital investment for FY2024 increased 734 million yen year on year to 3,042 million yen, and capital investment ratio to net sales rose 1.0 percentage point to 6.2%. Major investments include 1,239 million yen for construction of a new factory and a development test center and for purchase and upgrade of production equipment in the AP- and BP-related businesses, 605 million yen for new factory construction, expansion and machinery installation in the contract-based manufacturing-related business, and 563 million yen for buildings for lease in the other business. Depreciation expenses including amortization of goodwill increased 144 million yen year on year to 1,168 million yen, and depreciation-to-net sales ratio rose 0.1 percentage point year on year to 2.4%.

R&D expenses increased 68 million yen year on year to 671 million yen, and the ratio of R&D expenses to net sales remained unchanged from a year earlier at 1.4%. The AP-related business developed and launched the ACE series, a strategic model targeted at the ASEAN market. The BP-related business developed and launched the HYPER mixer equipped with a Nikko reduction drive.

• Trends in capital investment, depreciation and amortization, R&D expenses, and consolidated output

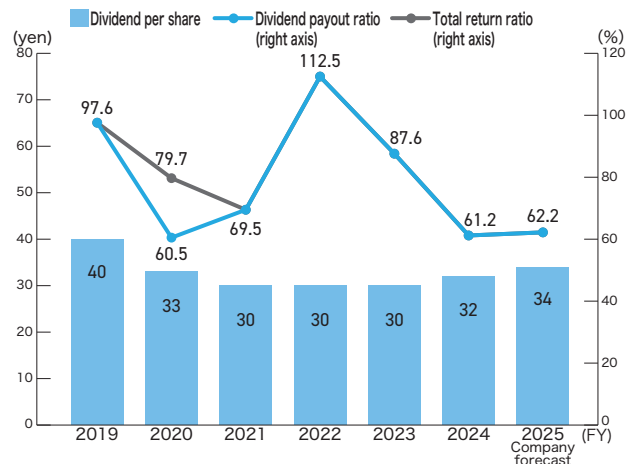


Shareholder returns

~Dividend payout ratio of 60% or more maintained~

The Nikko Group has committed to a shareholder return policy of maintaining a dividend payout ratio of 60% or more. For FY2024, we increased dividend per share by 2 yen from the previous fiscal year to 32 yen (15 yen interim, 17 yen year-end, 4.7% annual dividend yield), and the dividend payout ratio was 61.2%. Although our shareholder return policy does not specify a dividend on equity (DOE) target, DOE remained flat from a year earlier at 3.6%. DOE is calculated by multiplying ROE (5.9%) by the dividend payout ratio (61.2%). In FY2024, ROE increased due to earnings growth while the dividend payout ratio decreased, but DOE remained flat from the previous fiscal year. Total shareholder return (TSR) over the past year was -6.3%, underperforming the -1.5% for TOPIX and the -4.3% for the machinery index. For FY2025, we aim for dividend per share of 34 yen (17 yen interim, 17 yen year-end), up 2 yen from a year earlier. As we expect net income attributable to owners of parent to increase 4.5% year on year to 2,100 million yen, dividend payout ratio of 62.2% is expected.

• Dividend per share, dividend payout ratio, total return ratio



FY2025 performance outlook

~On track to set new record high for second consecutive year~

For FY2025, we expect order intake to increase 7.2% year on year to 53,200 million yen, net sales to increase 3.7% year on year to 51,000 million yen, and operating income to increase 8.5% year on year to 3,000 million yen (operating margin of 5.9%), all three figures reaching record highs for the second consecutive year. By business, we expect net sales to increase 0.1% year on year to 19,500 million yen and operating income to increase 2.5% year on year to 1,000 million yen (operating margin of 5.1%) for the AP-related business, and net sales to increase 3.7% year on year to 14,800 million yen and operating income to increase 10.2% year on year to 1,900 million yen (operating margin of 12.8%) for the BP-related business. We aim for net sales of 4,100 million yen, up 26.0% year on year, and operating income of 850 million yen, largely unchanged from a year earlier (operating margin of 20.7%) for the environment and conveyance-related business, and net sales of 3,000 million yen, up 33.0% from a year earlier, and operating income of 150 million yen, up 275.0% year on year (operating margin of 5.0%) for the crusher-related business. We expect net sales to decrease 25.0% year on year to 3,600 million yen and operating income to decrease 38.0% year on year to 400 million yen (operating margin of 11.1%) for the contract-based manufacturing-related business and net sales to increase 17.6% year on year to 6,000 million yen and operating income to increase 25.7% year on year to 900 million (operating margin of 15.0%) for the other business.

• Historical performance

	FY2021	FY2022	FY2023	FY2024	FY2025 (forecast)
Order intake (million yen)	39,853	40,849	48,749	49,617	53,200
Net sales (million yen)	38,846	39,665	44,097	49,162	51,000
Operating income (million yen)	2,053	1,028	1,968	2,766	3,000
(Operating margin)	5.3%	2.6%	4.5%	5.6%	5.9%
Ordinary income (million yen)	2,274	1,255	2,144	3,071	3,100
Net income (million yen)	1,649	1,020	1,312	2,009	2,100
Net income per share (yen)	43.16	26.67	34.25	52.29	54.65
ROE	5.2%	3.2%	4.1%	5.9%	—
Order backlog (million yen)	16,490	17,656	22,371	22,826	25,026

*Record net sales of 49,200 million yen (FY2024), record operating income of 2,800 million yen (FY2024)
 *Record ROE of 6.8% (FY2020)

Financial Data of the Past 10 Years

			2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 (FY)
Key results	Net sales	(million yen)	34,110	32,717	35,114	31,780	35,151	37,866	38,846	39,665	44,097	49,162
	Cost of sales	(million yen)	25,825	24,131	26,301	23,485	25,512	27,675	28,346	29,348	31,992	35,169
	Gross profit	(million yen)	8,285	8,586	8,812	8,295	9,639	10,191	10,500	10,317	12,105	13,992
	Selling, general and administrative expenses	(million yen)	6,655	6,641	6,708	6,868	7,585	7,889	8,447	9,288	10,136	11,225
	Operating income	(million yen)	1,629	1,944	2,103	1,427	2,053	2,302	2,053	1,028	1,968	2,766
	Ordinary income	(million yen)	1,648	1,993	2,239	1,576	2,142	2,973	2,274	1,255	2,144	3,071
	Net income before income taxes	(million yen)	2,940	1,878	2,299	1,933	2,440	3,045	2,599	1,693	2,231	3,197
	Net income attributable to owners of parent	(million yen)	1,896	1,340	1,490	1,345	1,588	2,082	1,649	1,020	1,312	2,009
	Net income per share	(yen)	45.2	34.3	38.7	35.1	41.2	54.3	43.1	26.6	34.2	52.2
	Number of consolidated subsidiaries	(companies)	8	8	8	8	9	10	11	11	11	13
	Number of affiliates accounted for using equity method	(companies)	—	—	—	—	—	—	—	—	—	—
Profitability	Operating margin	(%)	4.8	5.9	6.0	4.5	5.8	6.1	5.3	2.6	4.5	5.6
	ROA (Return On Assets)	(%)	4.5	3.0	3.3	3.0	3.5	4.4	3.3	2.0	2.3	3.2
	ROE (Return On Equity)	(%)	6.6	4.6	4.9	4.4	5.2	6.8	5.2	3.2	4.1	5.9
Segment results												
Net sales by segment	Asphalt plant-related business	(million yen)	17,252	16,580	17,179	16,434	17,518	19,467	18,328	17,341	17,938	19,480
	Concrete plant-related business	(million yen)	10,267	9,356	9,521	7,893	9,158	9,212	10,839	11,111	11,907	14,266
	Environment- and Conveyor-Related Business	(million yen)	2,289	2,647	3,931	2,775	2,634	2,390	3,018	2,888	3,309	3,254
	Crusher-Related Business	(million yen)	—	—	—	—	—	—	—	2,217	3,198	2,256
	Contract-based Manufacturing-Related Business	(million yen)	—	—	—	—	—	—	—	2,216	3,072	4,802
	Other Business	(million yen)	4,301	4,133	4,480	4,677	5,840	6,796	6,660	3,891	4,670	5,101
Operating income (loss)	Asphalt plant-related business	(million yen)	1,234	1,253	1,348	963	1,118	1,239	562	49	331	976
	Concrete plant-related business	(million yen)	878	1,006	1,015	666	761	879	1,123	1,017	1,341	1,724
	Environment- and Conveyor-Related Business	(million yen)	337	369	308	417	562	482	588	522	793	847
	Crusher-Related Business	(million yen)	—	—	—	—	—	—	—	175	274	40
	Contract-based Manufacturing-Related Business	(million yen)	—	—	—	—	—	—	—	156	270	645
	Other Business	(million yen)	277	417	462	502	1,020	1,170	1,073	711	769	716
	Corporate expenses	(million yen)	(1,097)	(1,102)	(1,031)	(1,122)	(1,409)	(1,469)	(1,293)	(1,605)	(1,811)	(2,183)

			2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 (FY)
Net sales by region	Japan (million yen)		31,130	29,761	31,148	27,941	30,429	34,130	34,099	34,061	40,657	44,997
	Overseas (million yen)		2,980	2,956	3,965	3,838	4,720	3,735	4,746	5,604	3,440	4,164
	China (million yen)		2,220	2,026	3,389	3,357	3,637	3,509	3,670	4,829	2,300	2,806
	Other (million yen)		760	930	576	481	1,083	226	1,076	775	1,139	1,358
	Ratio of net sales outside Japan (%)		8.7	9.0	11.3	12.1	13.4	9.9	12.2	14.1	7.8	8.5
Orders	Total order intake (million yen)		33,284	34,134	33,616	35,103	33,915	40,009	39,852	40,849	48,749	49,617
	Total order backlog (million yen)		10,212	11,629	10,132	13,454	12,219	14,361	16,490	17,656	22,371	22,826
Financial conditions	Total assets (million yen)		43,189	44,976	44,876	43,969	45,677	48,697	52,079	52,127	62,229	63,725
	Net assets (million yen)		28,528	29,089	30,286	30,414	30,293	31,451	32,050	31,604	33,086	34,560
	Interest-bearing debts (million yen)		2,362	1,987	1,799	1,718	1,787	2,492	3,812	5,761	10,716	10,250
	Equity ratio (%)		66.1	64.7	67.5	69.2	66.3	64.5	61.5	60.7	53.1	54.2
	Net assets per share (yen)		680.7	749.2	791.1	793.7	780.6	823.0	837.2	826.7	861.7	897.7
Dividends	Dividend per share (yen)		10.0	11.0	12.0	12.0	40.0	33.0	30.0	30.0	30.0	32.0
	Total dividend (million yen)		418	426	458	459	1,550	1,260	1,146	1,147	1,149	1,231
	Dividend payout ratio (%)		22.0	31.9	30.8	34.2	97.6	60.5	69.5	112.5	87.6	61.2
	Dividend on equity (%)		1.5	1.5	1.5	1.5	5.1	4.0	3.6	3.6	3.6	3.6
Capital investment, etc.	Capital investment (million yen)		877	1,261	550	1,889	1,483	2,748	1,907	2,214	2,308	3,042
	Depreciation and amortization* (million yen)		487	482	472	508	611	677	745	944	998	1,127
	R&D expenses (million yen)		227	271	291	211	379	392	449	576	603	671
	R&D expenses to net sales (%)		0.7	0.8	0.8	0.7	1.1	1.0	1.2	1.5	1.4	1.4
Cash flows	Cash flow from operating activities (million yen)		(1,040)	5,064	274	(218)	3,839	2,784	2,224	(1,644)	4,332	2,994
	Cash flow from investing activities (million yen)		2,142	(316)	41	(1,021)	(609)	(1,867)	(2,165)	(1,226)	(2,333)	(2,805)
	Free cash flow (million yen)		1,102	4,748	315	(1,239)	3,200	917	59	(2,870)	1,999	189
	Cash flows from financing activities (million yen)		(264)	(1,690)	(883)	(526)	(868)	(1,129)	(282)	710	3,185	(1,749)
	Term-end balance of cash and cash equivalents (million yen)		9,630	12,622	12,110	10,300	12,575	12,444	12,389	10,270	15,504	13,977

Consolidated Financial Statements

— Consolidated Balance Sheet

Assets	2023	2024 (FY)
Current assets		
Cash and cash equivalents	15,551	14,038
Notes receivable-trade	1,773	1,268
Accounts receivable-trade	8,975	10,153
Electronically recorded monetary claims	2,419	2,149
Merchandise and finished goods	1,631	1,219
Work in process and partly-finished construction	8,323	9,044
Raw materials and supplies	1,695	1,450
Forward exchange contracts	30	1
Other	633	801
Allowance for doubtful accounts	(1)	(0)
Total current assets	41,033	40,126
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	6,175	8,279
Machinery, equipment and vehicles (net)	1,199	1,574
Tools, furniture and fixtures (net)	514	581
Land	4,204	4,627
Lease assets (net)	0	—
Right-of-use assets (net)	75	106
Construction in progress	1,078	134
Total property, plant and equipment	13,247	15,305
Intangible assets		
Goodwill	196	166
Other	1,011	1,032
Total intangible assets	1,208	1,198
Investments and other assets		
Investment securities	5,248	5,565
Investments in capital	107	107
Long-term loans receivable	13	10
Deferred tax assets	549	538
Other	951	1,002
Allowance for doubtful accounts	(130)	(129)
Total investments and other assets	6,740	7,094
Total non-current assets	21,196	23,598
Total assets	62,229	63,725

Liabilities	2023	2024 (FY)
Current liabilities		
Notes and accounts payable-trade	3,256	2,932
Electronically recorded obligations	1,296	1,444
Accounts payable-factoring	2,868	2,964
Short-term loans payable	6,166	5,489
Income taxes payable	965	873
Accounts payable-other	700	962
Down payments	17	17
Contract liabilities	4,625	5,092
Provision for bonuses	610	665
Provision for directors' bonuses	98	124
Provision for loss on order intake	82	116
Other	1,054	830
Total current liabilities	21,743	21,515
Non-current liabilities		
Long-term loans payable	4,550	4,761
Deferred tax liabilities	170	163
Provision for directors' retirement benefits	206	128
Retirement benefit-related liabilities	2,140	2,147
Other	330	448
Total non-current liabilities	7,399	7,649
Total liabilities	29,143	29,164

(million yen)		
Net assets	2023	2024 (FY)
Shareholders' equity		
Capital stock	9,197	9,197
Capital surplus	7,787	7,805
Retained earnings	13,791	14,648
Treasury stock	(738)	(667)
Total shareholders' equity	30,038	30,984
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,335	2,610
Foreign currency translation adjustment	696	983
Deferred gains or losses on hedges	21	1
Accumulated retirement benefit-related adjustment	(62)	(27)
Total accumulated other comprehensive income	2,990	3,567
Non-controlling interests	57	8
Total net assets	33,086	34,560
Total liabilities and net assets	62,229	63,725

— Consolidated Statement of Income

(million yen)

	2023	2024 (FY)
Net sales	44,097	49,162
Cost of sales	31,992	35,169
Gross profit	12,105	13,992
Selling, general and administrative expenses	10,136	11,225
Operating income	1,968	2,766
Non-operating income		
Interest income	4	8
Dividends income	141	182
Foreign exchange gains	117	77
Surrender value of insurance policies	46	—
Insurance proceeds	44	96
Other	61	77
Total non-operating income	416	443
Non-operating expenses		
Interest expenses	119	99
Compensation for damage	107	19
Other	12	21
Total non-operating expenses	240	139
Ordinary income	2,144	3,071
Extraordinary income		
Gain on sales of investment securities	68	104
Gain on sale of non-current assets	11	29
Gain on bargain purchase	7	—
Total extraordinary income	87	134
Extraordinary loss		
Loss on sales of investment securities	—	0
Loss on sale of non-current assets	0	—
Special retirement benefits	—	7
Total extraordinary loss	0	8
Net income before income taxes	2,231	3,197
Income taxes-current	1,003	1,245
Income taxes-deferred	(16)	(57)
Total income taxes	987	1,187
Net income	1,244	2,009
Profit (Loss) attributable to non-controlling interests	(68)	0
Net income attributable to owners of parent	1,312	2,009

— Consolidated Statement of Comprehensive Income

(million yen)

	2023	2024 (FY)
Net income	1,244	2,009
Other comprehensive income		
Valuation difference on available-for-sale securities	1,157	274
Foreign currency translation adjustment	94	288
Deferred gains or losses on hedges	21	(20)
Retirement benefit-related adjustment	52	35
Total other comprehensive income	1,326	577
Comprehensive income	2,570	2,587
(Breakdown)		
Comprehensive income attributable to owners of the parent	2,657	2,586
Comprehensive income attributable to non-controlling interests	(87)	0

— Consolidated Statement of Cash Flows

	2023	2024 (FY)
Cash flow from operating activities		
Net income before income taxes	2,231	3,197
Depreciation expenses	998	1,127
Amortization of goodwill	25	40
Increase (decrease) in allowance for doubtful accounts	(0)	(1)
Increase (decrease) in retirement benefit-related adjustment	7	52
Increase (decrease) in provision for directors' retirement benefits	(28)	(78)
Interest and dividends income	(145)	(191)
Interest expenses	119	99
Foreign exchange losses (gains)	(8)	2
Loss (Gain) on sales of property, plant and equipment	—	(29)
Loss (gain) on sales and valuation of investment securities	(68)	(104)
Decrease (increase) in notes and accounts receivable-trade	(1,770)	(319)
Decrease (increase) in inventories	(281)	138
Increase (decrease) in notes and accounts payable-trade	527	(257)
Decrease (increase) in accounts receivable	493	65
Increase (decrease) in operating accounts payable	456	254
Increase (decrease) in accrued consumption taxes	432	(242)
Increase (decrease) in contract liabilities	844	370
Other	783	126
Subtotal	4,616	4,249
Interest and dividends income received	145	191
Interest expenses paid	(119)	(99)
Income taxes paid	(309)	(1,346)
Cash flow from operating activities	4,332	2,994

(million yen)

	2023	2024 (FY)
Cash flow from investing activities		
Payments into time deposits	(47)	(60)
Proceeds from withdrawal of time deposits	47	48
Purchase of investment securities	(14)	(18)
Proceeds from sales and redemption of investment securities	111	136
Purchase of property, plant and equipment and intangible assets	(2,321)	(2,918)
Proceeds from sales of property, plant and equipment	—	30
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(332)	—
Payments of loans receivable	(5)	(2)
Collection of loans receivable	8	4
Other	221	(26)
Cash flow from investing activities	(2,333)	(2,805)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,081	(683)
Proceeds from long-term loans payable	3,740	796
Repayment of long-term loans payable	(1,488)	(634)
Payments for acquisition of subsidiary shares not resulting in change in scope of consolidation	—	(75)
Purchase of treasury stock	(0)	(0)
Repayments of finance lease obligations	1	—
Cash dividends paid	(1,149)	(1,152)
Cash flows from financing activities	3,185	(1,749)
Effect of exchange rate changes on cash and cash equivalents	48	34
Net increase (decrease) in cash and cash equivalents	5,233	(1,526)
Cash and cash equivalents at beginning of year	10,270	15,504
Cash and cash equivalents at end of year	15,504	13,977

Stock overview (as of March 31, 2025)

Financial instruments exchange where the stock is listed

- Tokyo Stock Exchange Prime Market

Securities code

- 6306

State of issuance

Total number of shares authorized for issuance: 150,000,000 shares
Total number of outstanding shares: 40,000,000 shares
(including 1,512,226 treasury shares)

Number of shares per unit

- 100 shares

Number of shareholders

- 21,906

Transfer agent

- Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
100-8212

Fiscal year

- From April 1 to March 31

Ordinary General Shareholders' Meeting

- June (record date: March 31)

Registration deadline for year-end dividend payment:

- March 31

Registration deadline for interim dividend payment:

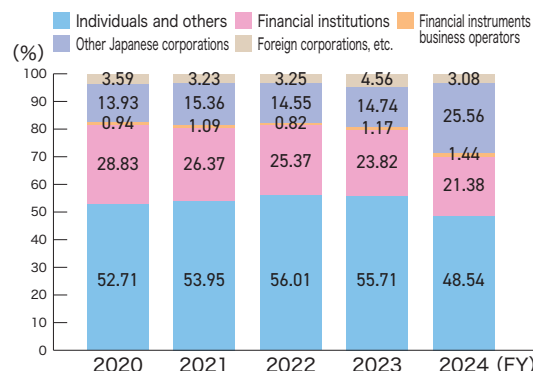
- September 30

Major shareholders (top 10)

Name	Number of Nikko shares held (1,000 shares)	Shareholding ratio(%)
The Master Trust Bank of Japan, Ltd. (trust account)	4,103	10.66
Nikko Employees' Shareholding Association	1,727	4.49
Nikko Trading-Partner Shareholding Association	1,512	3.93
Custody Bank of Japan, Ltd. (trust account)	872	2.26
Nippon Life Insurance Company	855	2.22
Sumitomo Life Insurance Company	745	1.94
Minato-Hama Co., Ltd.	702	1.82
Meiji Yasuda Life Insurance Company	648	1.68
Nakanishi Electric Co., Ltd.	621	1.61
The Hyakujushi Bank, Ltd.	555	1.44
合計	12,338	32.06

Nikkoholdtreasurysharestotaling1,512,200,whichareexcludedfromtheaboveshareholders. Dividend yield (%)Shareholding ratios are the number of shares held divided by the total number of outstanding shares less the number of treasury shares, rounded off to the second decimal place.

Composition of shareholder types



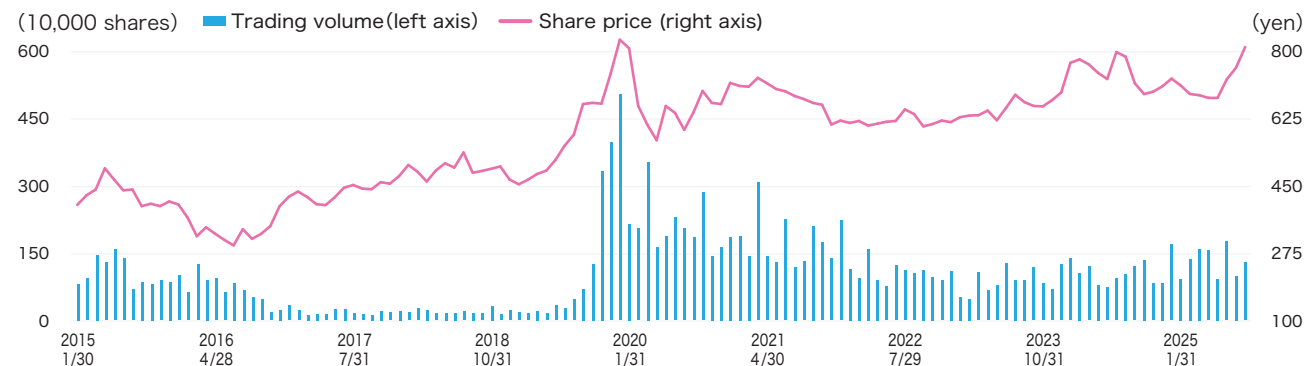
Stock performance comparison (TSR: total shareholder return, %)

Investment period	1 year	2 year	3 year	5 year	10 year
	(End of Mar. 2024 to end of Mar. 2025)	(End of Mar. 2023 to end of Mar. 2025)	(End of Mar. 2022 to end of Mar. 2025)	(End of Mar. 2020 to end of Mar. 2025)	(End of Mar. 2015 to end of Mar. 2025)
Nikko shares	-6.3	18.0	28.2	38.1	107.3
TOPIX	-1.5	39.2	47.2	113.4	117.4
Machinery index	-4.3	39.9	51.9	133.7	126.8

The above table shows total shareholder return including dividends as of the end of March 2025 in the cases of investment made a year ago, three years ago, five years ago, and 10 years ago.

Trend of share price and trading volume over the past 10 years (From the end of January 2024 to the end of August 2025)

Trading volume and Share price



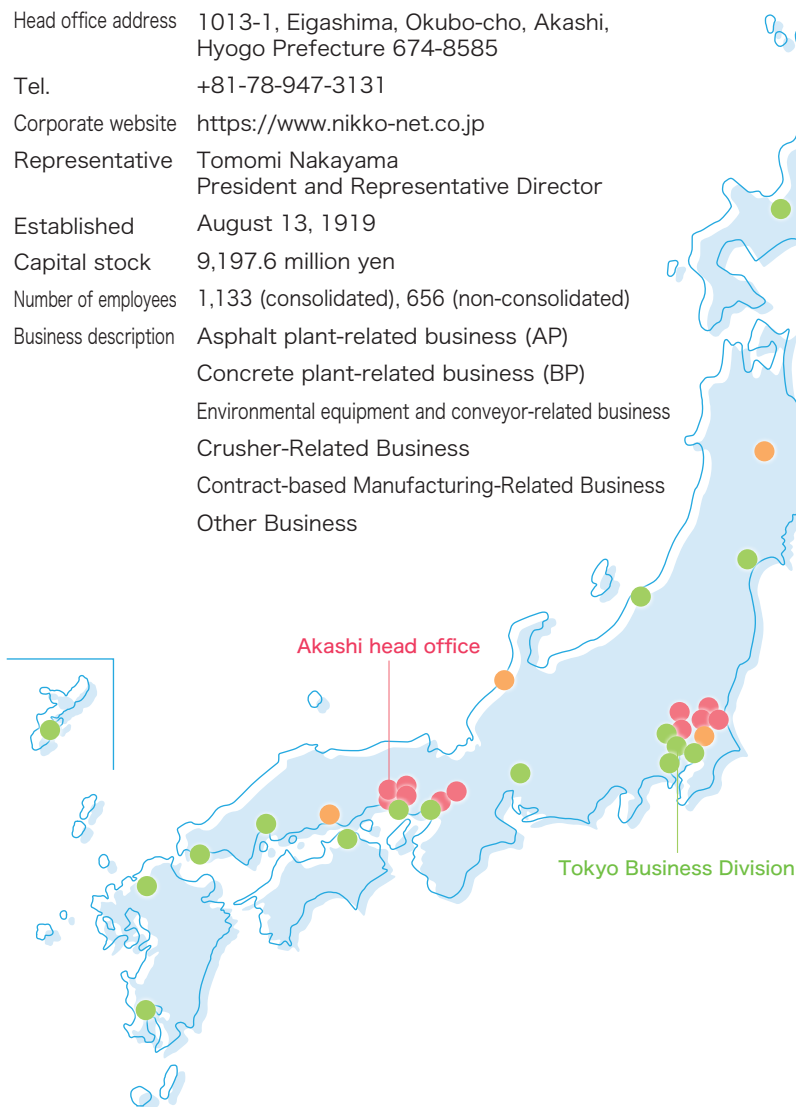
Valuation of share price

	Mar. 2021	Mar. 2022	Mar. 2023	Mar. 2024	Mar. 2025
Year-end share price (yen)	731	607	634	766	686
PER (times)	13.5	14.1	23.8	22.4	13.1
PBR (times)	0.9	0.7	0.8	0.9	0.8
Dividend yield (%)	4.5	4.9	4.7	3.9	4.7
Ratio of dividends to net assets (%)	4.1	3.6	3.6	3.6	3.6
Year-end market cap (mil. yen)	29,240	24,280	25,360	30,640	27,440

Company Overview and Offices and Sites

Company Overview (as of March 31, 2025)

Company	Nikko Co., Ltd
Head office address	1013-1, Eigashima, Okubo-cho, Akashi, Hyogo Prefecture 674-8585
Tel.	+81-78-947-3131
Corporate website	https://www.nikko-net.co.jp
Representative	Tomomi Nakayama President and Representative Director
Established	August 13, 1919
Capital stock	9,197.6 million yen
Number of employees	1,133 (consolidated), 656 (non-consolidated)
Business description	Asphalt plant-related business (AP) Concrete plant-related business (BP) Environmental equipment and conveyor-related business Crusher-Related Business Contract-based Manufacturing-Related Business Other Business



Group companies

Nikko Electronics Corp.	Nikko (Shanghai) Construction Machinery Co., Ltd.
Nikko Machinery Co., Ltd.	Nikko Asia (Thailand) Co., Ltd.
Tombo Industry Co., Ltd.	Nikko Global Manufacturing(Thailand)Co.,Ltd
Nikko Sec Co., Ltd.	Nikko Baumaschinen GmbH
Nikko Kosan Co., Ltd.	Nishi-nihon Fudohsan Co.,LTD.
Maekawa Seisakusho Co., Ltd.	
Ube Kohki Co., Ltd. (a group company since March 2022)	
Matsuda Kiko K.K. (a group company since July 2023)	

Factories

Head office factory
Tokyo factory
Satte factory
Kakogawa factory
Fukusaki factory
Sec head office factory
Nikko Machinery head office factory
Nikko Electronics head office factory
Maekawa Kogyosho head office factory
Nikko Shanghai head office factory
Nikko Machinery Kansai factory
Ube Kohki head office factory
Maeda Kiko head office factory

Branches and sales offices

Hokkaido branch
Tohoku branch
Kanto branch
Chubu branch
Osaka branch
Chu-shikoku branch
Kyushu branch
Okinawa branch
Niigata sales office
Wangan sales office
Yokohama sales office
Shikoku sales office
Minami-kyushu sales office

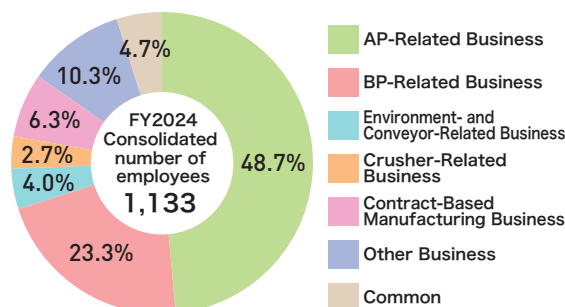
Service centers/stations

Tokyo service center
Akashi service center
Tokyo mobile center
Morioka service station
Hokuriku service station
Akashi service station
Okayama service station
Shimonoseki parts center

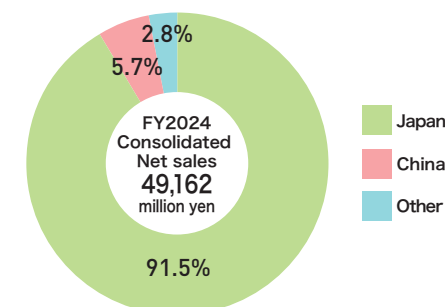
Overseas bases

Taiwan branch (Taiwan) Opened in February 1997
Nikko (Shanghai) Construction Machinery Co., Ltd. Established in April 2001
Nikko (Shanghai) Construction Machinery Co., Ltd. Beijing office (opened in August 1998)
Nikko Asia (Thailand) Co., Ltd. (established in February 2020)
Nikko Global Manufacturing (Thailand) Co.,Ltd (established in June 2020)
Nikko Baumaschinen GmbH (established in February 1994)

Employee composition by segment (FY2024)



Net sales breakdown by region (FY2024)



Summary of Subsidiaries

Corporate Data

(million yen)

Related Business	Company Name	Business Description	Performance Trend	FY2022	FY2023	FY2024
AP BP Other	Nikko Electronics Co., Ltd.	Design, manufacture and sale of hardware and software for control panels, switchboards, and monitoring panels	Net sales	1,726	1,937	1,989
			Operating income	228	325	269
			Operating margin (%)	13.2	16.8	13.5
AP BP Other	Nikko Machinery Co., Ltd.	Manufacture and sale of construction equipment and flooding preventive facilities, including floodgates and waterproof boards	Net sales	1,816	2,158	2,071
			Operating income	76	320	256
			Operating margin (%)	4.2	14.8	12.4
Other	Nikko Sec Co., Ltd.	Manufacture and sale of temporary construction equipment and machinery for construction work, material handling machines, and computer-related equipment	Net sales	1,377	1,423	1,598
			Operating income	150	169	206
			Operating margin (%)	10.9	11.9	12.9
Other	Tombo Industry Co., Ltd.	Manufacture and sale of soil farming tools, camp and gardening supplies, including shovels and scoops, and concrete mixers for mixing and kneading	Net sales	757	741	716
			Operating income	15	7	(25)
			Operating margin (%)	2.0	0.9	—
Crusher	Maekawa Kogyosho Co., Ltd.	Manufacture and sale of crushing plants, crushers, etc.	Net sales	432	315	386
			Operating income	143	77	86
			Operating margin (%)	33.1	24.4	22.5
Other	Nikko Kosan Co., Ltd.	Services related to housing renovation, insurance agency and real estate	Net sales	460	432	653
			Operating income	29	(14)	20
			Operating margin (%)	6.3	—	3.2
Contract-based manufacturing	Ube Kohki Co., Ltd.	Manufacture and installation of various plant facilities, manufacture and sale of gas holders, and development, manufacture and sale of solar LED lightings, etc.	Net sales	2,175	2,471	3,595
			Operating income	143	114	169
			Operating margin (%)	6.6	4.6	4.7
Contract-based manufacturing	Matsuda Kiko K.K.	Manufacture and assembly of various plants and industrial machinery	Net sales	—	472	1,070
			Operating income	—	121	420
			Operating margin (%)	—	25.6	39.3
AP BP	Nikko (Shanghai) Construction Machinery Co., Ltd.	Manufacture and sale of asphalt / recycling plants and anti-pollution devices, with a focus on the Chinese market	Net sales	4,990	2,624	2,917
			Operating income	335	(3)	53
			Operating margin (%)	6.7	—	1.8
AP	Nikko Asia(Thailand) Co.,Ltd	Sale and maintenance of asphalt / recycling plants	Net sales	377	566	866
			Operating income	(106)	(174)	(89)
			Operating margin (%)	—	—	—
AP	Nikko Global Manufacturing (Thailand)Co.,Ltd	Manufacture, sale and maintenance work of asphalt / recycling plants	Net sales	193	527	629
			Operating income	(303)	(378)	(179)
			Operating margin (%)	—	—	—
Other	Nishinihon Real Estate Co., Ltd.	Construction and sales of detached houses; real estate sales, brokerage, and property management	Net sales	—	—	312
			Operating income	—	—	3
			Operating margin (%)	—	—	1.0

	Glossary	Overview
AP	Asphalt plant (AP)	Facility for producing asphalt mixtures. It mainly consists of a dryer for heating and drying aggregate, a material measurer, and a mixer for mixing materials.
	Recycling plant (RP)	Asphalt pavement material recycling plant is a plant facility for processing used asphalt pavement material (recycled aggregate) and reusing it as a raw material for new asphalt mixtures.
	AS mixture, mixture	Abbreviation for asphalt mixture. Asphalt mixture made by mixing aggregate (crushed stone, sand, etc.), filler (stone powder), and asphalt.
	Medium-temperature mixture (medium-temperature asphalt compound)	Paving material that can reduce manufacturing and construction temperatures by approximately 30°C while maintaining the same quality as conventional heated asphalt mixtures.
	Recycled mixture	Recycled mixture is an asphalt compound produced using used asphalt pavement materials (asphalt rubble, cuttings, etc.) as raw materials. It is used as a paving material mixed with new asphalt mixture.
	Foamed equipment	Device that sprays a small amount of water into heated asphalt to generate fine bubbles. This technology uses the bearing effect of fine bubbles to ensure quality and workability even when the manufacturing and construction temperatures of asphalt mixture are lowered, and is expected to be effective in reducing CO ₂ emissions.
BP	Concrete plant (BP)	Large plant facility for manufacturing concrete. Homogeneous concrete is manufactured by mixing materials such as cement, water, sand, gravel, and admixtures in predetermined proportions.
	CUCO	The collective term for a consortium of 55 companies implementing the NEDO Green Innovation Fund project “Project for Development of Technology for Producing Concrete and Cement Using CO ₂ .”
	Precast Concrete	Preformed secondary concrete products at factories.
	Soil improvement machine	Machine that mixes and stirs target soil and solidifiers to produce improved soil for specific applications. It consists of a hopper for feeding soil and solidifiers, a mixing section for mixing and stirring, and a belt conveyor for discharging the improved soil.
	Concrete sludge	Concrete sludge is a muddy waste material that is generated as a result of collecting and treating wastewater (washing wastewater) generated during the washing of mixer trucks and plant cleaning in ready-mixed concrete plants.
	Subscription Maintenance	Subscription contract for maintenance.

	Glossary	Overview
AP/BP	MS	Maintenance service. Modification and repair of plants and other facilities.
BP/Crusher	Mobile plant (MP)	Relocatable (self-propelled) plant facility. Nikko offers a lineup of crushers, belt conveyors, simple BPs, and soil improvement machines.
Crusher	Jaw crusher	Crusher for roughly crushing hard materials such as rocks and ores.
	Impact crusher	Crusher that uses impact force to crush, grind, and size stone and other materials.
Contract-based manufacturing	Gas holder	Widely used low-pressure gas storage facility that feeds gas when it is used in large quantities and stores it when it is not used much. They are available in spherical and cylindrical shapes. Ube Kohki designs and manufactures the cylindrical ones. The target gases include nitrogen, acetylene, methane, hydrogen gas, etc. In recent years, fermented biogas has been increasingly used.
	Water treatment plant	Factories and water purification plants generate sewage and wastewater. Water treatment plants are facilities that treat such sewage and wastewater and improve it to a level of water quality that is safe for human health and the environment. Major manufacturers include Swing Corporation, Kubota Corporation, Kurita Water Industries Ltd., METAWATER Co., Ltd., Torishima Pump Mfg. Co., Ltd., and Kobelco Eco-Solutions Co., Ltd.
Temporary construction	Temporary construction equipment	Facilities, structures, and other equipment temporarily installed in construction and civil engineering works.
	Raku Raku Ramp	It is made of aluminum alloy, which is flexible staircase with variable installation angle used for sloping, etc. NIKKO Group accounts for approximately 40% of the market share.
	Light bridge	Aluminum alloy safety passageway.
Other	Waterproof board	Flood prevention equipment installed at entrances and exits of buildings and facilities to prevent water from entering from outside.



Creating robust, people-friendly cities around the world.



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