Process for Achieving 2030 Vision

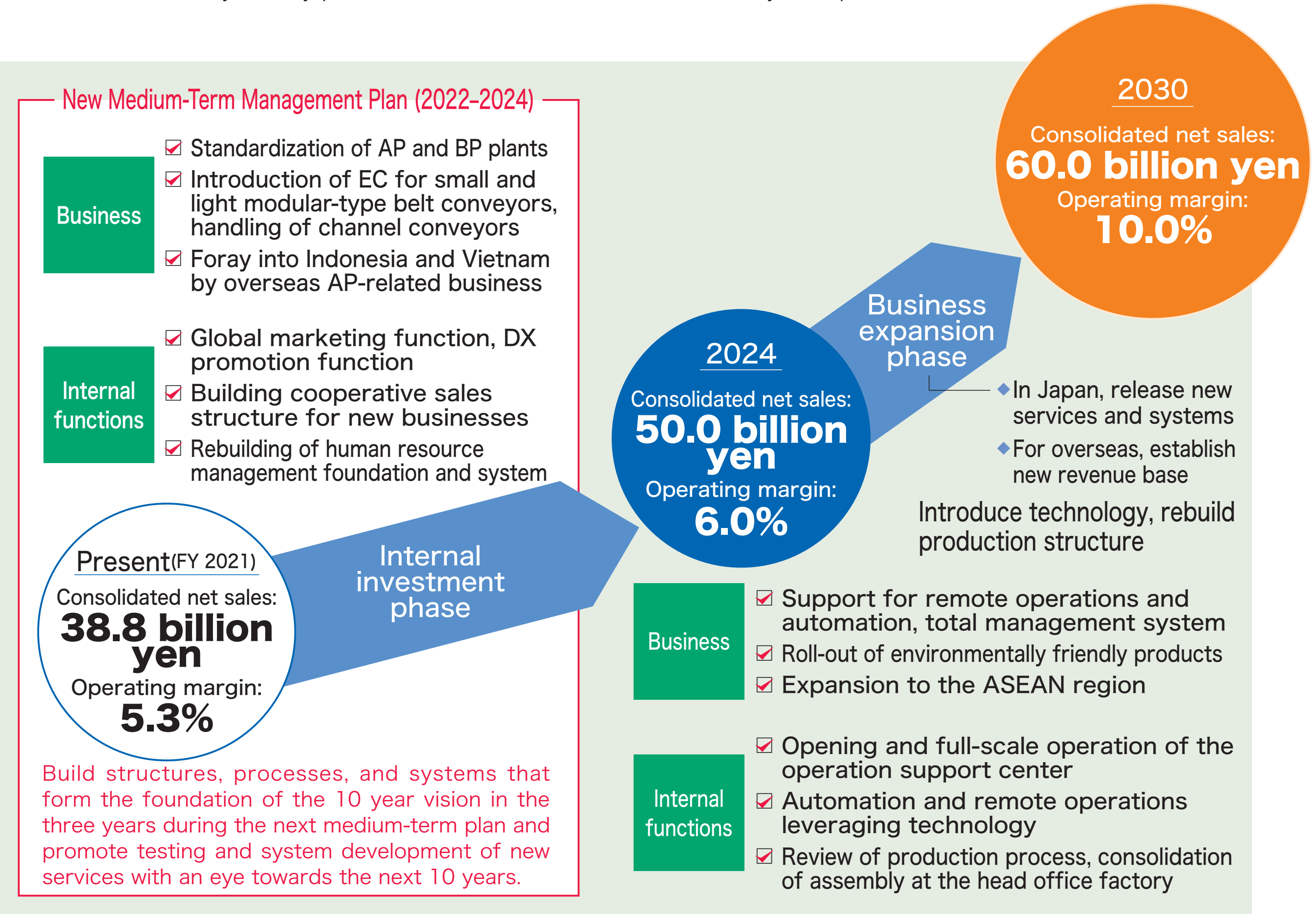
Nikko Group stipulated the Long-term Basic Policies (10 year vision) that looked into the future while drawing up its previous Medium-Term Management Plan that was completed in FY 2021. To achieve the long-term vision in 2030, the Group established five basic policies: 1) strengthen revenue base in Japan, 2) establish overseas sales, 3) promote new businesses (M&A), 4) put work-style reform into practice, and 5) make ROE a KPI.
The Nikko Group newly set forth the 2030 Vision given the increased momentum in recent years of initiatives to mitigate the impact of climate change globally and the considerable changes to the social issues and business environment surrounding the Group. The management vision of what the Group aspires to be was set as “the top manufacturer of plant facilities and environmental products underpinned by advanced technology” and “customers’ management partner through operation and maintenance service.” The financial targets are 60.0 billion yen in net sales and 10% in operating margin.

FY 2022–2024: Internal investment phase

Upon pursuing the process for achieving the 2030 Vision, Nikko Group positioned the period until FY 2024 as the internal investment phase, in which it will actively make up-front investments in human and intellectual capital while maintaining a high level of capital investment in manufactured capital. In particular, Nikko will add 145 employees (compared with 69 employees it added in the past three years) including 59 employees for the AP-related business domain, which has to take measures to address carbon neutrality. In terms of R&D expenses also, the Group is planning on an investment worth more than 2.5 billion yen (compared with about 1.2 billion yen in the past three years) for new environmentally friendly products in the AP-related business domain as well as support for remote operations and automation.

FY 2024–2030: Business expansion phase

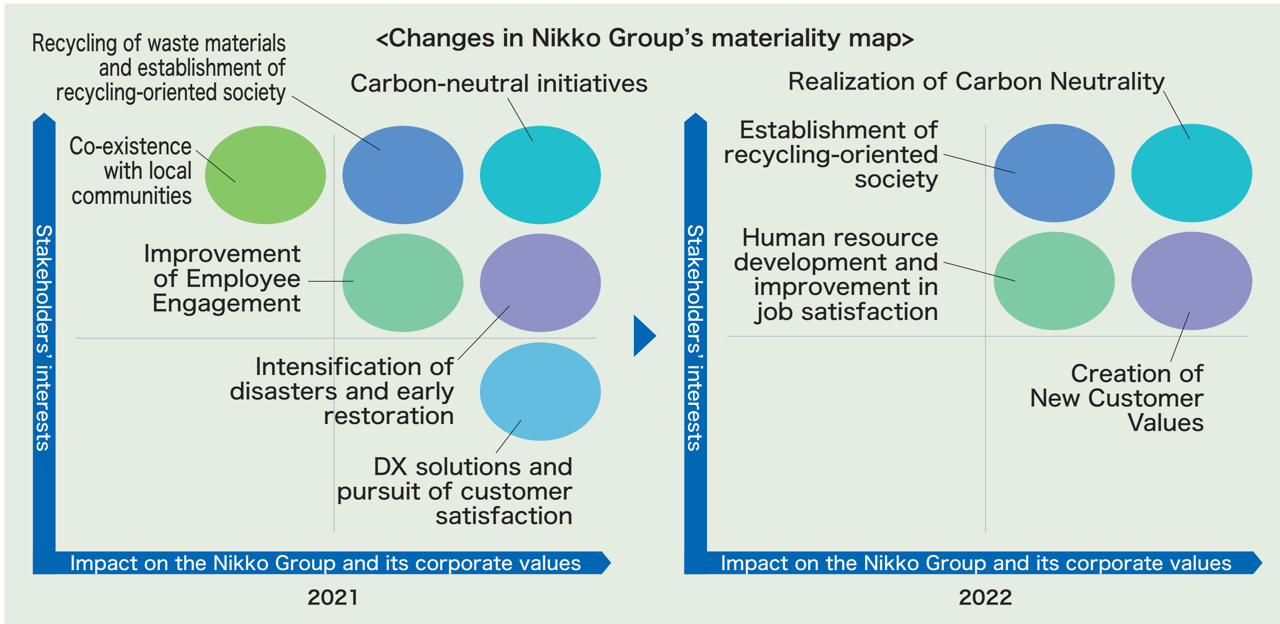
The Group expects the period from FY 2024 onwards to be the business expansion phase in which the up-front investments, carried out in the internal investment phase, begins to bear fruit. New services and systems in Japan are expected to result in revenue expansion and customer needs are also likely to increase for new environmentally friendly products towards realization of carbon neutrality. The overseas AP-related business is also expected to welcome a full-fledged harvesting season after completing up-front investments in the ASEAN region. Internally, the opening of the operation support center and review of the production structure by consolidating assembly at the head office factory are expected to contribute.



High-Priority Management Issues for Achieving the Vision (Materiality)

Along with the newly formulated 2030 Vision, Nikko Group reviewed its materiality for sustainable creation of corporate values. Solving materiality by bearing in mind to “promoting self-reform to win the broad trust from society and fulfill our mission as a solutions partner that evolves with the customers” as stated in our Management Philosophy will lead to becoming “the top manufacturer of plant facilities and environmental products underpinned by advanced technology” and “customers’ management partner through operation and maintenance service,” which is what Nikko Group aspires to be as described in the 2030 Vision. In the future, the Group plans to increase the effectiveness by setting KPIs reflecting materiality. At the same time, it believes that it is necessary for the Board of Directors to monitor them.

Nikko Group identified and selected the following four points as its materiality that have high importance for stakeholders and the Group to raise its corporate values based on what it aspires to be under the 2030 Vision acknowledging social issues and changes in industry environment: 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. Realization of carbon neutrality continues to be the most important materiality and there will be no improvement in the long-term corporate values of the Nikko Group without achieving carbon neutrality. Creation of new customer values is relevant for the Group to become the customers’ partner and it will improve customer satisfaction by utilizing DX and AI in the maintenance service business, where its strength lies.



1 Realization of carbon neutrality (see p. 51)

About 70% of CO_2 emissions from APs in Japan (approx. 1.3 million tons a year) is estimated to be emitted by Nikko plants. While it will become a major risk if Nikko is late to respond to this, the Group believes that it also offers opportunities from various aspects starting from fuel conversion to electrification, as it is also an important social issue.

2 Establishment of recycling-oriented society (see p. 59)

The arrival of a global recycling-oriented society is beneficial for Nikko in terms of the anticipated increase in recycling AP in China, as Nikko boasts a 99% recycling rate of asphalt waste and has a 70% share in AP in Japan. The Company has been engaged in the development of technology for recycling concrete sludge and is working on its practical applications.

3 Creation of new customer values (see p. 61)

In its 2030 Vision, Nikko Group aims to become a “customers’ management partner through operation and maintenance service.” The Group will not only improve customer satisfaction by leveraging DX and AI but also pursue subscription contracts of service and maintenance.

4 Human resource development and improvement in job satisfaction (see p. 63)

The importance of leveraging human capital increases further upon solving material matters 1 to 3. For Nikko to achieve the 2030 Vision, it is necessary to have human resources based on diversity and inclusion, and improving motivation by nurturing them, as well as improving their work-life balance and well-being also assuming importance.