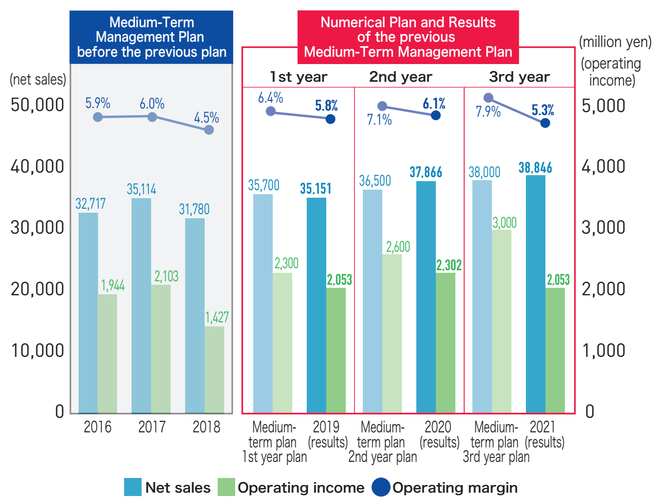
Review of the previous Medium-Term Management Plan

In the previous Medium-Term Management Plan (FY 2019–FY 2021) announced on August 8, 2019, we aimed to realize highly transparent and vibrant corporate business operations with five long-term (10 years) basic policies at the core. The plan's numerical targets for FY 2021, which was the final fiscal year, included net sales of 38.0 billion yen, operating income of 3.0 billion yen (operating margin of 7.9%), net income of 2.1 billion yen, net assets of 32.3 billion yen, ROE of 6.5%, and dividend per share before the stock split of 160 yen (payout ratio of 60.9%).

However, we could not achieve the numerical targets other than those for net sales (record high) and payout ratio due to worsening external environment such as the global COVID-19 pandemic and soaring prices of various raw materials and logistics costs as well as internal factors of active capital investment and R&D efforts. Nevertheless, we made more-than-anticipated progress in employees' workstyle reform, improvement in the workplace environment, development of products for decarbonization, and strengthening of the fixed-rate maintenance service business by leveraging DX.

Summary of Previous Medium-Term Management Plan (1)



Review of the Long-term (10-year) Basic Policy, looking into the future, for the period of the previous medium-term plan

Previous Medium-Term Management Plan	Previous Medium-Term Management Plan: FY 2019 (1st year) results	Previous Medium-Term Management Plan: FY 2020 (2nd year) results	Previous Medium-Term Management Plan: FY 2021 (3rd year) results
1 Strengthen revenue base in Japan Improve profitability (10% in operating margin) by boosting product appeal by raising the level of all divisions of sales, service, engineering, and manufacturing.	Operating margin in Japan FY 2018: 4.5% ➡ FY 2019: **6.0%**	Operating margin in Japan FY 2019: 6.0% ➡ FY 2020: **6.5%**	Operating margin in Japan FY 2020: 6.5% ➡ FY 2021: **5.3%**
2 Establish overseas sales As a manufacturer, establish new overseas bases to spread Nikko products, which are the best in the world, in the ASEAN region (doubling overseas net sales to 9.0 billion yen from the current 4.5 billion yen).	Overseas net sales: **4.39 billion yen** Feb. 2020: **Established Nikko Asia(Thailand)Co.,Ltd.** an AP sales and maintenance company	Overseas net sales: **3.73 billion yen** (Sales declined due to the impact of COVID-19) Oct. 2020: Started full-fledged operation of **Nikko Asia (Thailand)Co.,Ltd.** **Received orders for two APs**	Overseas net sales: **4.74 billion yen** (estimate) Signed an agent agreement with **TIPCO, the manufacturer with the top asphalt sales in Thailand** **The Thailand factory was completed in FY 2021.**
3 Promote new businesses (M&A) Invest management resources in expansion of new businesses and nurture products that will become new pillars of the industrial and construction machinery fields (generating 10.0 billion yen in net sales from new businesses).	Mobile plant business FY 2018: 90 million yen ➡ FY 2019: **500 million yen** Waterproof board FY 2018: 210 million yen ➡ FY 2019: **810 million yen**	Mobile plant business FY 2020: **1,070 million yen** Waterproof board FY 2020: **900 million yen**	Mobile plant business FY 2021: **1,440 million yen** (estimate) Waterproof board FY 2021: **1,010 million yen** (estimate) M&A March 1: M&A of Ube Kohki
4 Put work-style reform into practice Improve operation efficiency and significantly raise labor productivity (centralization of office work and utilization of IoT and AI).	● Enhanced web conferencing system to swiftly share information without being bound by time or location ● Identified problems in telecommuting and dispersed operating system. ● Introduced production facilities employing new technologies to improve productivity dramatically (fiber laser, etc.).	● Continuing with the FY 2019 initiatives. ● Remote maintenance contract rate: Jan.-end 2020: 46% -> Aug.-end 2020: 67% -> May-end 2021: **73.8%** ● Created materials and movies for webinar training, etc. (30 videos have been shot for the maintenance division)	● Continuing with the FY 2019 initiatives. ● Remote maintenance contract rate: **76.1%** as of the end of March 2022 ● Received orders for 13 flat-rate maintenance service contracts.
5 Make ROE a KPI Aim to achieve a market capitalization of at least 50.0 billion yen and ROE of at least 8%. Aim for a dividend payout ratio of 60% or higher and enhance returns to shareholders.	Market cap End of FY 2018: 19.25 billion yen ➡ End of FY 2019: **24.36 billion yen** ROE End of FY 2018: 4.4% ➡ End of FY 2019: **5.2%** FY 2019 payout ratio: **97.6%**	Market cap End of FY 2020: **29.24 billion yen** ROE End of FY 2020: **6.8%** FY 2020 payout ratio: **60.5%** **Completed acquisition of treasury stock on Sep. 17 (Acquired 616,700 shares in treasury stock for ¥399,960,700)**	Market cap End of FY 2021: **24.28 billion yen** ROE End of FY 2021: **5.2%** FY 2021 payout ratio: **69.5%**

Key Points for Each Segment

Asphalt Plant (AP)-Related Business: An issue with profits

-Compared with the target net sales for FY 2021 of 20.0 billion yen and operating income of 1.9 billion yen (operating margin of 9.5%), actual net sales were 18.3 billion yen with operating income of 0.562 billion yen (operating margin of 3.1%). All three items fell short of the targets.

-As COVID-19 continued to spread, the overseas business expansion with focus on Thailand got delayed in the first two years and we could not fully transfer the soaring steel price onto selling price as the delivery time of procured parts became longer.

Batcher Plant (BP)-Related Business: Cleared all three targets

-Compared with the net sales target for FY 2021 of 9.4 billion yen and operating income target of 0.893 billion yen (operating margin target of 9.5%), actual net sales came to 10.8 billion yen and operating income was 1.123 billion yen (operating margin of 10.4%), exceeding the targets by large margins.

-In addition to the impact of the revenue increase supported by strong replacement demand, planned production and cost reduction were successful.

Environment- and Conveyor-Related Business: Secured almost 20% in operating margin

-Compared with the net sales target for FY 2021 of 3.4 billion yen and operating income target of 0.578 billion yen (operating margin target of 17.0%), actual net sales were 3.0 billion yen and operating income 0.587 billion yen (operating margin of 19.5%). Net sales were short of the plan but the profit came in line with the plan. Operating margin has reached a level close to 20%.

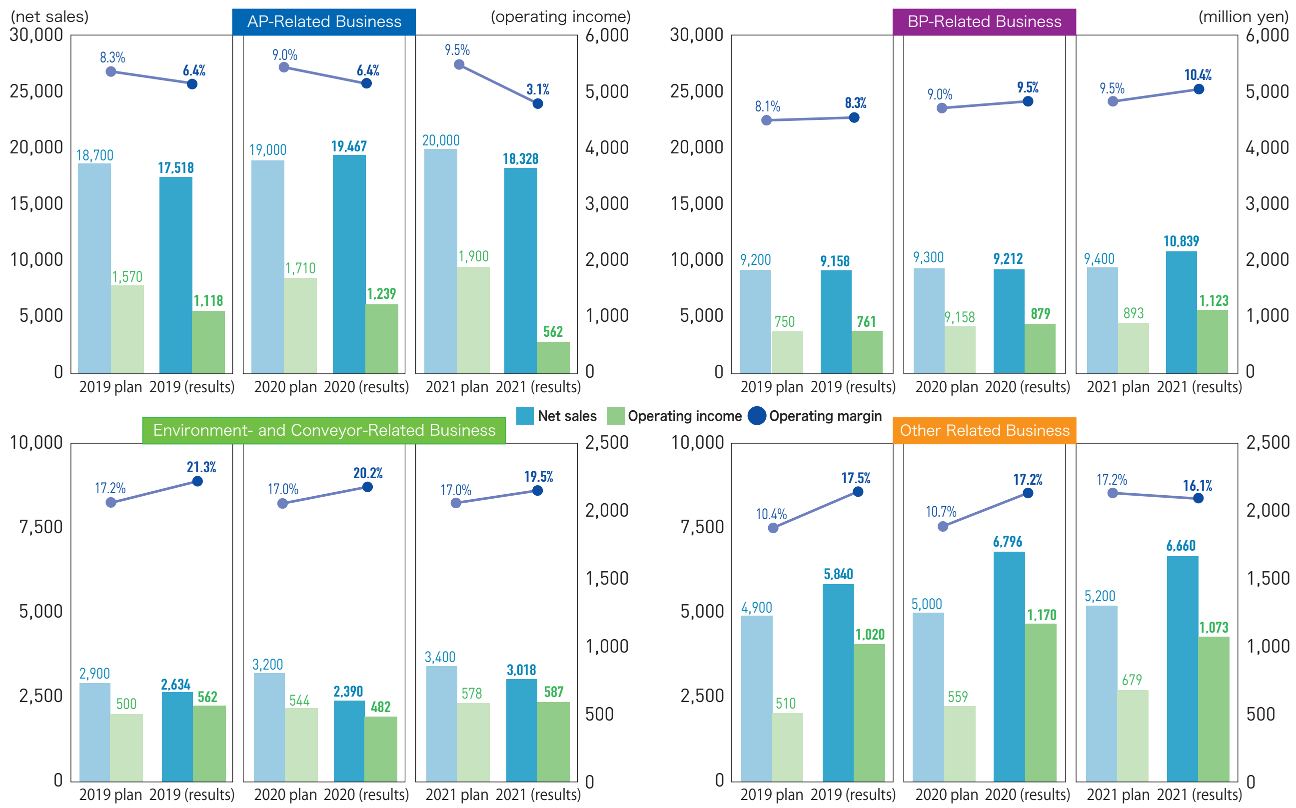
-Sales were lower than the target, as we could not sufficiently carry out route sales activities for the conveyor business due to the impact of COVID-19 and as some customers postponed their plans. Nevertheless, the business achieved the profit target, as the effect of product price increases contributed.

Other Related Business: Posted stable profits

-Compared with the net sales target for FY 2021 of 5.2 billion yen and operating income target of 0.679 billion yen (operating margin target of 17.2%), actual net sales totaled 6.7 billion yen and operating income 1.073 billion yen (operating margin of 16.1%). In FY 2021, both revenue and profit declined compared with the previous year, even as the business exceeded the medium-plan targets for both net income and operating income.

-In addition to steady expansion in sales of mobile plants, which is a new business, the impact of the large sales increase in sales of waterproof boards also contributed to stable earnings.

Summary of Previous Medium-Term Management Plan (2) Trends in sales and operating income by business division



Overview of the new Medium-Term Management Plan (FY 2022–FY 2024)

On March 29, 2022, Nikko Group announced the 2030 Vision (the top manufacturer of plant facilities and environmental products underpinned by advanced technology and customers' management partner through operation and maintenance service), which details what it aspires to be in 2030, as well as the new three-year Medium-Term Management Plan (FY 2022–FY 2024) starting FY 2022. The Group positioned the new medium-term plan period as the internal investment phase for building structures, processes, and systems towards the realization of the 2030 Vision and plans to actively make investment for market introduction of new products and services and strengthening the organizational capability required for achieving goals. Numerical goals were set forth reflecting the issues and introspection regarding the previous medium-term plan, and the Group aims for 50.0 billion yen in consolidated net sales, 3.0 billion yen in operating income (operating margin of 6.0%), and a payout ratio of 60% or higher.

Furthermore, it positioned the period from 2025 to 2030 as the business expansion phase with improved profitability in which the Group expects to succeed in full-fledged sales of environmentally friendly products for decarbonization, business area expansion into the ASEAN region, actualizing the impact of introduction of technologies such as automation and remote operations, and review of production process. In the 2030 Vision, the Group aims to achieve consolidated net sales of 60.0 billion yen and operating income of 6.0 billion yen (operating margin of 10%) as well as 50.0 billion yen in market cap, which is part of the Long-term Basic Policy.

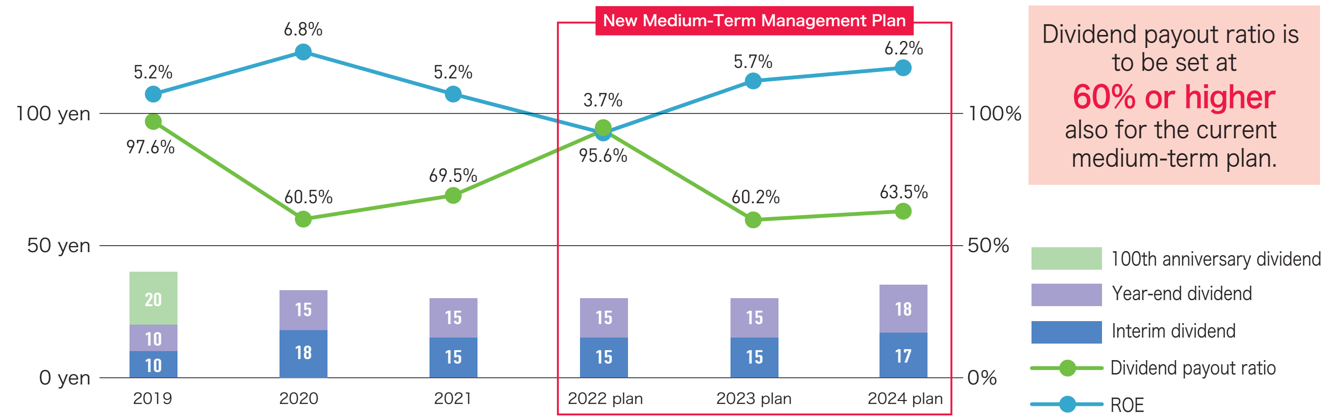
Growth investment

Item	Investment (three years)		
Staff reinforcement	Addition of 145 employees at parent Nikko (up 69)	●AP-related business field 59 ●BP-related business field 20 ●Environment- and conveyor-related field 12 ●Overseas 6	●Development 12 ●Mobile plants 11 ●Other 25
R&D expenses	2.53 billion yen (1.19 billion yen)	●AP-related business field ●BP-related business field ●Environment- and conveyor-related field ●Overseas	■New environmentally friendly products ■Remote operations and automation support ■Operation support center ■Product improvement ■System development ■Product development ■EC and other IT investment ■Development of standard model
Capital investment	6.0 billion yen (6.3 billion yen)		

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

Shareholder returns

	Previous Medium-Term Management Plan			New Medium-Term Management Plan		
	FY 2019 results	FY 2020 results	FY 2021 results	FY 2022 plan	FY 2023 plan	FY 2024 plan
Sales	35,151	37,866	38,846	42,000	48,000	50,000
Operating income	2,053	2,302	2,053	1,700	2,800	3,000
Net income attributable to owners of parent	1,588	2,082	1,649	1,200	1,900	2,100
Dividend per share (yen)	40	33	30	30	30	35
Total dividend	1,550	1,260	1,146	1,144	1,144	1,334
Dividend payout ratio	97.6%	60.5%	69.5%	95.6%	60.2%	63.5%
Net assets	30,293	31,451	32,050	32,106	33,262	34,028
ROE	5.2%	6.8%	5.2%	3.7%	5.7%	6.2%



Dividend payout ratio is to be set at **60% or higher** also for the current medium-term plan.

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

Medium-term plan numerical targets by segment

Asphalt Plant (AP)-Related Business: Aiming to improve operating margin

-Net sales target for FY 2024 of 23.0 billion yen and operating income target of 1.6 billion yen (operating margin target of 7.0%).

-We plan to restore operating margin to the 7% level through growth of environmentally friendly products and profit recovery at overseas subsidiaries.

Batcher Plant (BP)-Related Business: Expecting steady business performance

-Net sales target for FY 2024 of 10.8 billion yen and operating income target of 1.05 billion yen (operating margin target of 9.7%).

-We expect the prices in the market to remain high. We will maintain the market share and focus on growth investment such as development of decarbonization products.

Environment- and Conveyor-Related Business: To maintain operating margin at 20% level

-Net sales target for FY 2024 of 2.7 billion yen and operating income target of 0.558 billion yen (operating margin target of 20.4%).

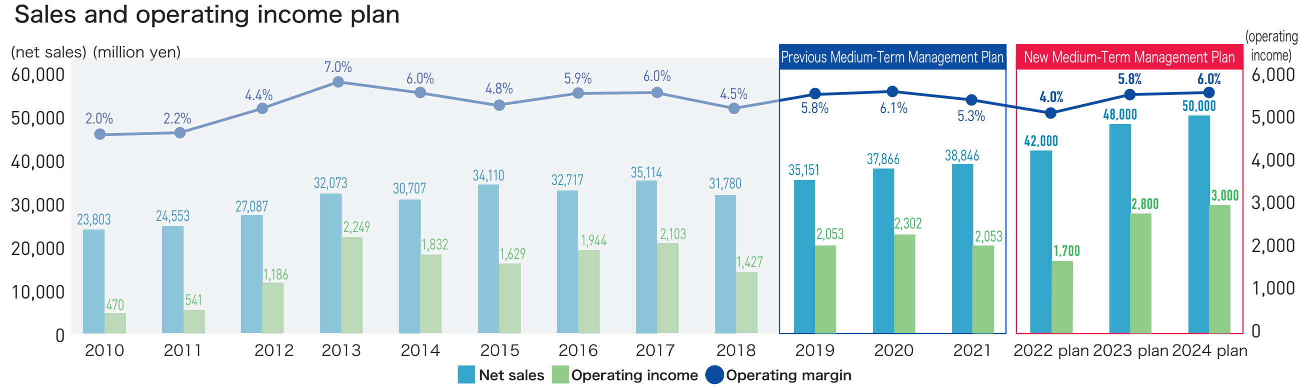
-We will prioritize securing high profitability even as we anticipate both sales and operating income to remain roughly unchanged.

Other Related Business: Aiming to secure stable operating income

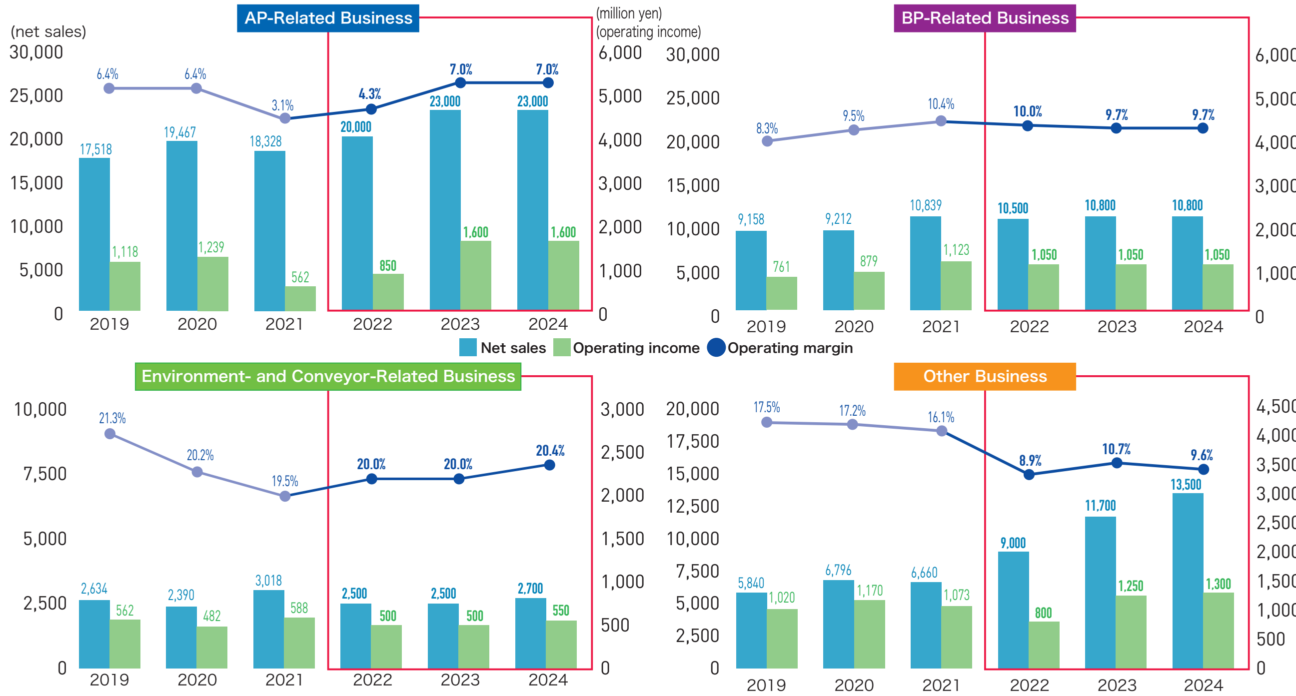
-Net sales target for FY 2024 of 13.5 billion yen and operating income target of 1.3 billion yen (operating margin target of 9.6%).

-While we anticipate a negative impact from imported products due to the depreciation of yen, we aim to secure stable operating income from sales expansion and other means.

Sales and operating income plan



Sales and operating income plan by business



Story for achieving the Medium-Term Management Plan

The new three-year Medium-Term Management Plan is positioned as the internal investment phase for achieving the numerical targets of 2030 Vision. The Group's basic policy is to make active investment for strengthening organizational structure while working on 1) business transformation (strengthening of operation and maintenance services at the AP-related business and BP-related business in Japan) and 2) scale expansion leveraging Nikko's technology (lateral deployment of products and markets at the overseas AP-related business and environment- and conveyor-related business).

2030 Vision ■We will expand the service business while maintaining and strengthening Nikko brand, symbolized by our technical prowess and product appeal as a manufacturer, to achieve net sales of **60.0 billion yen and operating income of 6.0 billion yen** in 2030.

Nikko Group

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

Consolidated net sales of 60.0 billion yen and operating income of 6.0 billion yen in 2030

Business transformation (strengthening of operation and maintenance services)

Scale expansion leveraging Nikko's technology (lateral deployment of products and markets)

Asphalt Plant-Related Business in Japan

A management partner who leverages the strong product appeal as a plant manufacturer and supports plant operations at customers.

- ☑ Support of decarbonization
- ☑ Remote operations and automation support

Concrete Plant-Related Business

The top manufacturer, who is a cut above the rest and who implements comprehensive management of ready-mixed concrete plants, while being an environmentally friendly manufacturer

- ☑ Comprehensive concrete management system
- ☑ Plant support center
- ☑ Mobile plants
- ☑ Environmentally friendly products

Overseas Asphalt Plant-Related Business

Global asphalt plant manufacture

- ☑ Expansion in ASEAN
- ☑ Global standard products

Environment- and Conveyor-Related Business

A comprehensive belt conveyor manufacturer with modularization at its core

- ☑ Introduction of EC for small and light modular-type belt conveyors
- ☑ Foray into channel conveyor field
- ☑ Conveyor planning service (CPS)
- ☑ Overseas expansion

Basic policies ■The Group will make active investment in launch of new products and services for achieving the business structure reform set down by the 2030 Vision and for enhancement of the organizational capability required for that at each business.

AP in Japan	☑ Develop environmental products by leveraging the top manufacturer's development capability ☑ Support customers' plant management as a solutions partner
BP	☑ Implement comprehensive management of ready-mixed concrete plants ☑ Develop products that satisfy the requirements for high quality of precast concrete
Overseas AP	☑ Design and launch standard model products that are competitive also in overseas markets ☑ Build an organizational structure for expansion in the ASEAN market
Conveyors	☑ Realize short delivery time and low price through further modularization and offer convenience and efficiency that go beyond the boundaries of manufacturers, enabled by engineering conveyor lines ☑ Improve online service and design structure to build the foundation for delivering new products and services

Business transformation (strengthening of operation and maintenance services): We aim to become customers' management partner

Nikko boasts the top market shares in asphalt plants and batcher plants in Japan. At the same time, the maintenance service business accounts for 45% of the total net sales of the two businesses. We aim to secure firm technological advantage by powerfully driving forward sales expansion of environmentally friendly products and strengthening of product development. At the same time, we aim to become a one and only presence with both technical prowess and service capability, as we offer measures against on-site labor shortage by strengthening remote operations and automation support for operational customer plants as well as support for work style reform and values such as predictive maintenance through accumulation and analysis of plant operation data.

AP-related business in Japan: Full deployment of subscription service for maintenance service

-We will provide more support than ever for customers' plant operation by leveraging our high technical prowess as the top manufacturer with approximately 70% market share in Japan and establishing decarbonization, remote operations, and automation technology.

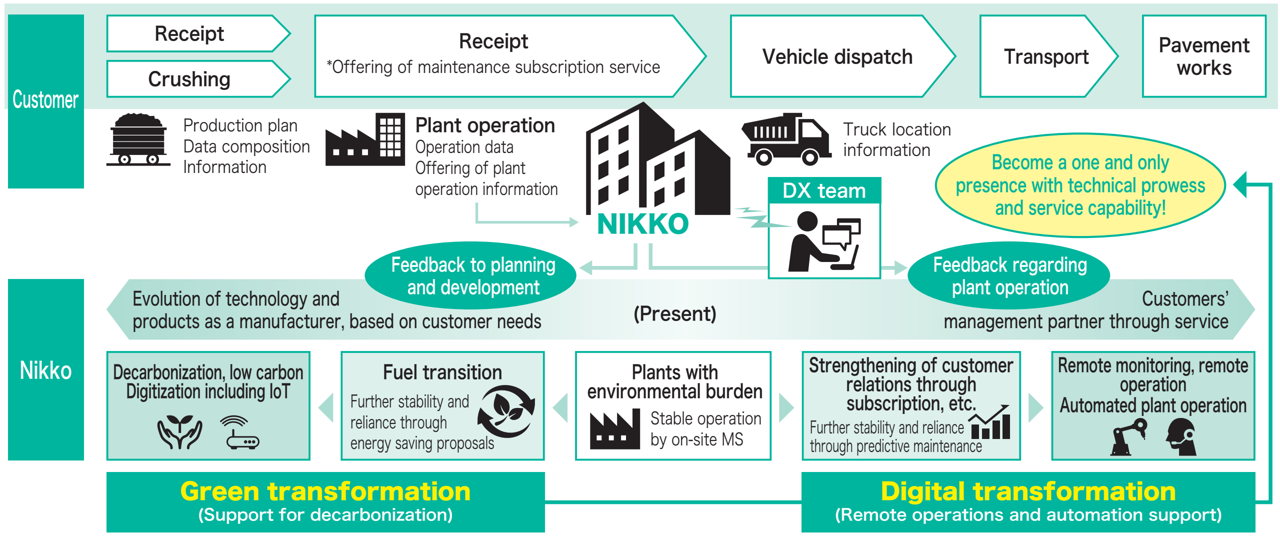
-We aim to improve profitability using outstanding technical prowess and service capability by hiring more people and strengthening our development of new environmental-friendly products and systems since needs for such products are expected to grow in order to realize carbon neutrality.

1 Support for decarbonization

-Development of low-carbon mixture manufacturing system
-Development of combustion technology for decarbonized fuels
-Offering of biomass and gas combustion technology

2 Remote operations and automation support

-Offering of partially remote shipping system
-Development of remote operations and automation technologies
-Accumulation of plant operation data based on expansion of the number of maintenance subscription contracts



BP-related business in Japan: To strengthen the plant operation support service for our customers

-We aim to become the number one and environmentally friendly manufacturer through the comprehensive management of ready-mixed concrete plants and development of products that respond to requirements for high quality precast concrete.

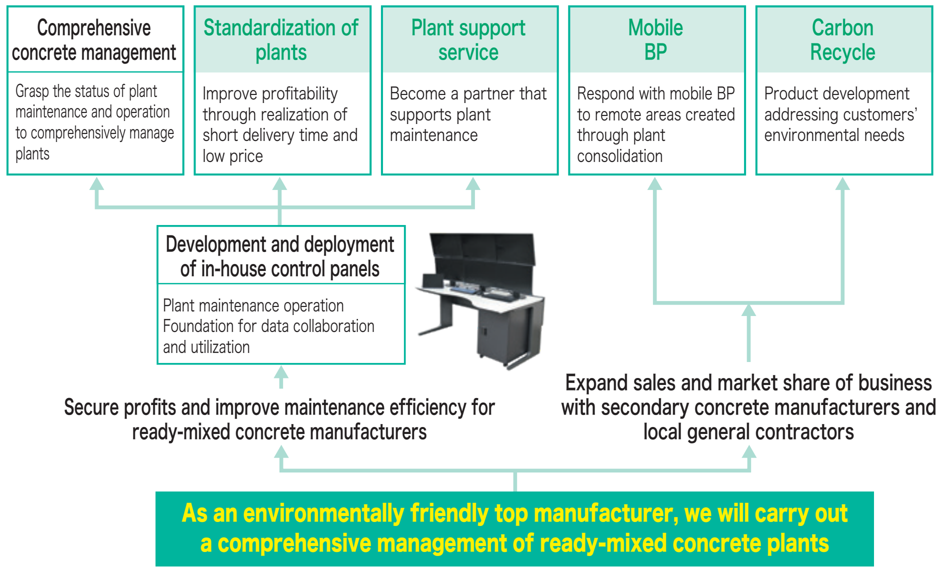
-We have secured a 46.5% market share in Japan, which is the top share. We need to boost our market share to grow further as the market remains high. We are positioning the new medium-term plan period as a time for building a structure for ensuring the top position by far, and will focus on increasing personnel and development of products.

1 Development and deployment of in-house control panels

-Promotion of plant standardization through deployment of in-house developed control panels and accumulation of customer plant operation information
-Introduction of customer plant operation support service

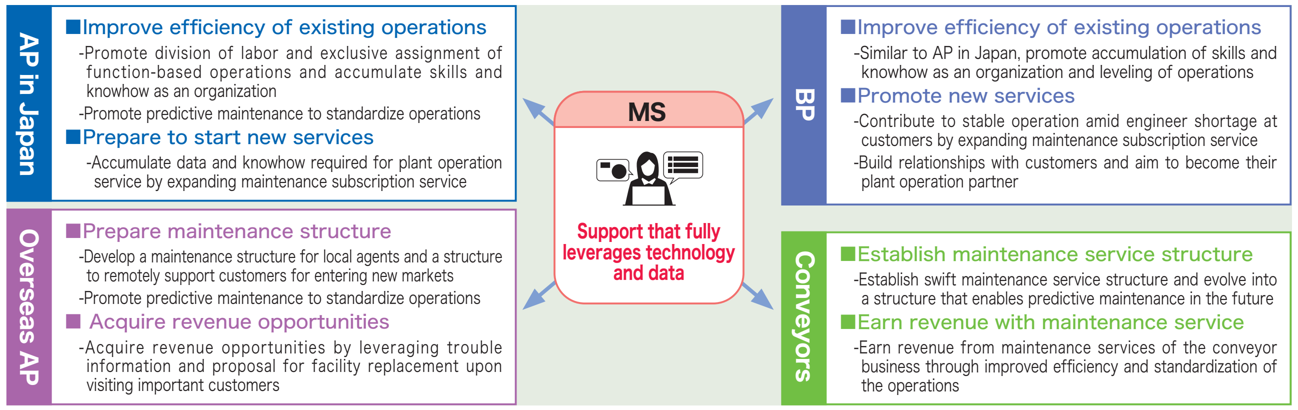
2 Expansion into developing fields

-Expand mobile plants into areas that became unreachable due to the consolidation of plants
-Product development and deployment in response to customers' environmental needs such as CO_2 emissions reduction



Maintenance service: Expand maintenance service subscription and develop structure for overseas

-We aim to become an indispensable management partner for customers by improving the efficiency of existing operations through utilization of technology and data and providing support for the plant operation of our customers.
-The maintenance service accounts for 48% of the net sales of the AP-related business and 39% of that of the BP-related business. The AP- and BP-related businesses in Japan will expand sales of maintenance subscription service and aim to stabilize customer plant operations, data accumulation, and further strengthening of customer relations. In the new medium-term plan, we plan to increase net sales of maintenance service by about 20%.
-The conveyor service accounts for about 3% of net sales of the environment- and conveyor-related business. In the new medium-term plan, we aim to build a structure that encompasses preventative maintenance by developing a swift maintenance structure in the conveyor business.



Scale expansion leveraging Nikko's technology (lateral deployment of products and markets): The overseas AP-related business to become the driving force of Nikko in 10 years

Business transformation is a qualitative strategy that involves improvement of profitability. At the same time, the overseas AP-related business, conveyor business, and mobile plant business aim to quantitatively expand profits by laterally deploying successful cases of the existing businesses and Nikko's technology. In particular, the overseas AP-related business, where the Thailand factory started full-scale operations, will develop low-priced global models and position the Thailand factory as the production base for the ASEAN market while driving forward market development in Indonesia and Vietnam. The conveyor business will start expanding the sales of channel conveyors, which have high unit price, targeting existing customers. The mobile plant business will promote enhancement of its product lineup.

Overseas AP-related business: From being No. 1 in Japan to Asia's leading company

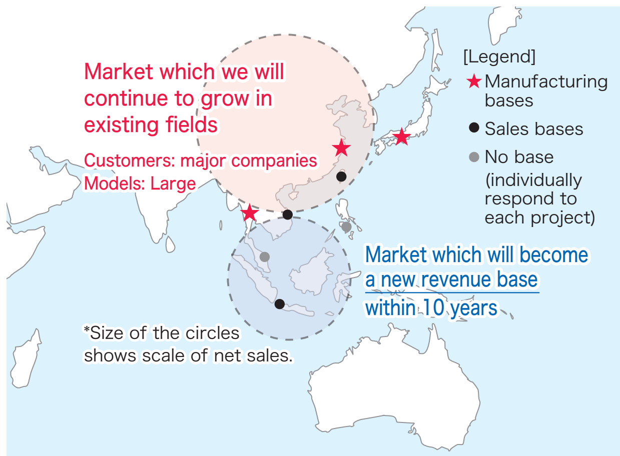
-In addition to full-scale operation of the Thailand production base, we aim to build a sales structure in Indonesia and Vietnam.
-For the Chinese business, we plan to raise net sales for FY 2024 to 5.5 billion yen (4.5 billion yen in the previous fiscal year) and operating income to approx. 0.4 billion yen (breakeven) as an environment of favorable orders continues and the business also benefits from the impact of product price revision.
-The Thailand business aims for net sales of about 1.2 billion yen in the final fiscal year of the medium-term plan (more than 0.1 billion yen in FY 2022) and posting operating income (approx. 0.3 billion yen in loss), as its local factory began operations in March 2022 against the backdrop of the robust demand environment.
-In terms of market, there are about 700 estimated units being operated in Thailand, about 1,000 in Indonesia, and about 500 units in Vietnam. We aim to expand our business into Indonesia and Vietnam by laterally deploying the successful case study in Thailand.

1 Design standard plants for overseas (universal model)

-Launch a marketing team for grasping the needs of each country
-Design a new standard plant with price competitiveness that corresponds to the needs of the overseas markets by introducing supplies, etc.

2 Develop the structure to foray into new markets

-During the new medium-term plan period, we will newly enter into the Indonesian and Vietnamese markets
-Enhance production capacity in China and Thailand to cover the entire area of ASEAN
-Build collaboration structures with local sales agents



Conveyor business: Enter the stringer conveyor market, which has a large market

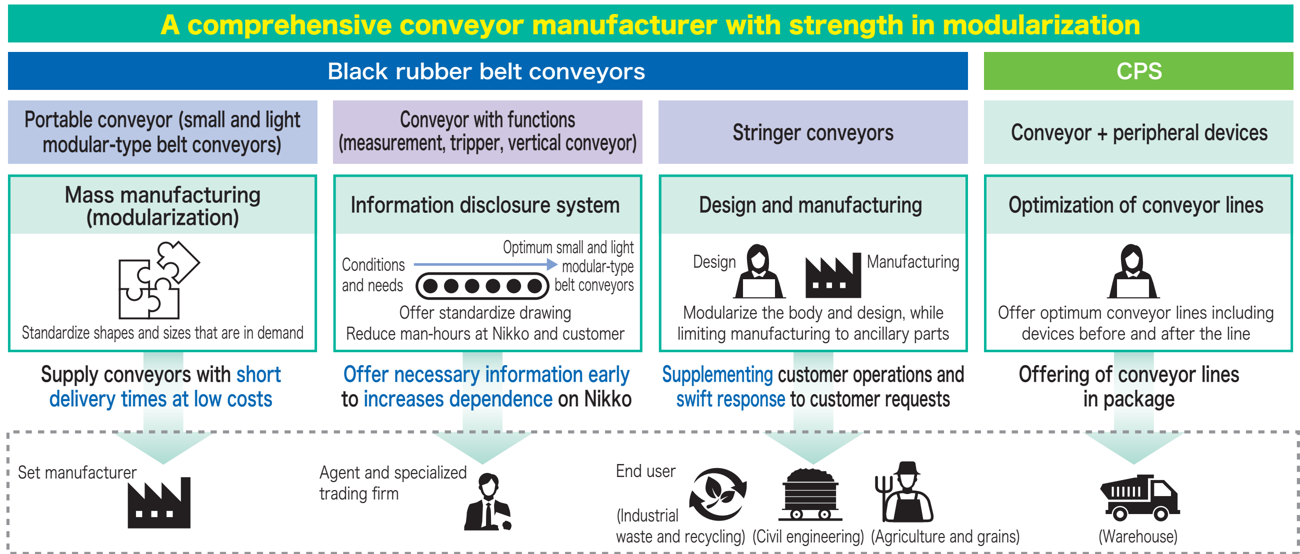
-We aim to become a manufacturer that realizes short delivery time and low price through modularization and offer conveyor lines in a package.
-We will modularize and strengthen the design and manufacturing of our portable conveyors, which have about 60% market share in Japan and account for about 80% of the business's net sales, so as to respond to customize requirements. We will also aim to expand sales of stringer conveyors, which are slated for a full-scale launch, based on a strategy of shortened delivery time through modularization. The stringer conveyor belt market is estimated to be 6.0 billion yen compared with the estimated 3.0 billion yen market for portable conveyors.

1 Further modularization of portable conveyors

-We will become customers' partner, offering speed, cost competitiveness, and security based on standardization of options.

2 Package offer of conveyor lines

-Offer modularized stringer conveyors with short delivery times at low prices.
-Contribute to the convenience and efficiency for the users by working on the engineering of the conveyor system and its peripherals.



Mobile plants (other business): Strengthen sales expansion by using environmental superiority as a weapon

-Against the background of strong replacement demand, we plan to capture the largest sales share by expanding the product lineup to strengthen profitability.
-We aim for net sales of 2.5 billion yen in the final fiscal year of the medium-term plan (approx. 1.5 billion yen in the previous fiscal year) and net sales from maintenance services of around 0.1 billion yen in FY 2023.

Mobile plants = self-propelled Crushers, belt conveyors, soil improver

■Advantages: Easy to install, quick to use, easy to move to the location, sales channel for selling second hand machinery

1 Towards stabilization of business

-Build sales network, establish and promote rental business
-Promote maintenance business

2 New product development, development of proposed products

-Research of market and customer needs
-Promote sales in Japan and overseas through the development of in-house products

Creation of new hit products

Market for self-propelled crushers, screens, soil improvers
199 units Japan Construction Equipment Manufacturers Association data

FY 2024: To achieve a 50% market share and NO.1 sales share