Financial capital

In the new Medium-Term Management Plan, our policy is to maintain an equity ratio of 50 to 60% while actively carrying out investments.

In terms of financial capital, Nikko Group has a strong balance sheet with total assets as of the end of FY 2021 of 52.1 billion yen, invested capital of 33.9 billion yen (shareholders' equity of 30.1 billion yen and interest-bearing debts of 3.8 billion yen), net cash of 8.6 billion yen (cash and cash equivalents of 12.4 billion yen), and equity ratio of 61.5%. The new three-year medium-term plan period has been positioned as the internal investment phase towards achieving the 2030 Vision, and we will be actively carrying out investment and shareholder returns (payout ratio of 60% or above), while maintaining an equity ratio of about 50 to 60%.

Source of strength

Our AP-related business has a 70% share of the domestic market, while the BP-related business boasts a 40% share, both of which are the top shares in Japan. Net sales in the service and maintenance business, in which Nikko Group expects stable revenues, account for about 34% of its consolidated net sales, and has high capability to create cash flow. Furthermore, the other businesses, which handles waterproof boards, etc., boasts a relatively high operating margin.

Financial plan in the new Medium-Term Management Plan

Net assets as of the end of FY 2021 stood at 32.1 billion yen, and in the new medium-term plan, we plan to raise that to 34.0 billion yen as the end of FY 2024.

Input	Output	Outcome
Total assets of 52.1 billion yen	Net sales of 38.8 billion yen, net income of 1.6 billion yen	Stable profit creation
Net cash of 8.6 billion yen	Cumulative FCF for the past three years of 4.2 billion yen	High financial stability (equity ratio of 61.5%)
Invested capital of 33.9 billion yen	Dividend of 30 yen per share (payout ratio of 70%)	Attractive dividend yield (about 5%)

Manufactured capital

We will deliver high quality products, manufactured under a highly efficient production structure and strict quality control, to our customers.

With the head office factory at Akashi city in Hyogo Prefecture as the mother plant, we have five factories in Japan and two overseas (in China and Thailand). In addition to developing products and systems ideal for our customers, we procure various equipment and raw materials using a global network. We have a highly efficient production structure in the manufacturing division that combines high-precision machine tools, including a five-face machining center, with automated lines.

Source of strength

Our strength lies in our comprehensive support system based on integrated production where we not only manufacture the plant internally, but also the control panels as well. On top of the high market share, we also boast a track record of constructing more than1,000 plants in more than 50 countries around the world, and the stable replacement demand contributes to the stable operation of those plants. As for the maintenance business, we aim to contribute to the stable operation of customer plants by leveraging various data and other means.

Capital investment plan in the new Medium-Term Management Plan

In the new medium-term plan, we are planning to make a capital investment of 6.0 billion yen (6.3 billion yen in the previous plan) over the next three years. Specifically, in addition to constructing a new support plant (0.5 billion yen) on the adjacent land to the Akashi mother plant, we are planning to build a development and testing center (1.0 billion yen) for product development, etc. towards decarbonization.

Manufactured capital	Output	Outcome
Capital investment of 1.9 billion yen (FY 2021)	Various products in the four businesses	Development of safe and secure roads and infrastructures
Sufficient production capability to achieve the medium-term plan goals	Thorough maintenance services	Environment-friendly recycling society
Five factories in Japan and two overseas	Production of 38.2 billion yen (FY 2021)	Employee-friendly production environment

Human capital

We aim to become a professional group that is chosen as a management partner by the customers.

As of the end of FY 2021, Nikko Group had 1,038 employees (an increase of 177 from the previous year) and the net sales per employee were 37 million yen. On a non-consolidated basis, the average age of the employees are 40.8 with an average length of service of 15.3 years. The average annual salary has risen 400,000 yen from three years ago in FY 2018 to 7.10 million yen. We will rebuild the human resources management foundation and system in the new medium-term plan, and will carry out active investments 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 are aiming to improve operation efficiency and significantly raise labor productivity.

Source of strength

In September 2019, we granted treasury stock with restriction on transfer to the employees of Nikko Group. In August 2021, we allotted 100 shares in treasury stock to long-time employees, new hires, and hires with prior work experience. Furthermore, we uniformly raised the monthly wages of the employees by 30,000 yen from April 2022. We are also strengthening support for nurturing the next generation and advancing female participation to further vitalize the organization and improve motivation.

Human resources hiring plan in the new Medium-Term Management Plan

In the previous medium-term plan, we added 69 employees on a non-consolidated basis at Nikko. In the new medium-term plan, we are planning to increase the number of employees by 145 during the three-year period. Specifically, the AP-related business field will see an increase of 59 people, 20 in the BP-related business field, 12 in the environment- and conveyor-related business, 6 in overseas business, 12 in development, 11 in mobile plant, and 25 in other business.

Human capital	Output	Outcome
Number of employees: 1,038 (of which 194 are foreign nationals)	Net sales per person: 37 million yen	High job satisfaction
Number of female employees: 59 (non-consolidated basis, of which 6 are new hires)	Number of annual paid holidays taken: 10 days	Improving ease of work
Annual education expenses: 11 million yen	Length of service (men: 18.7 years, women: 11.0 years)	High motivation

Intellectual capital

We will aim to become a top manufacturer backed by high technological capability for solving social problems.

We aim to strengthen R&D in the DX field for strengthening data analysis of the plants of the AP-related and BP-related businesses and the service and maintenance business such as remote monitoring and operation of plants by leveraging IoT, AI, etc., in addition to the development of products that contribute to the environment centered on the AP-related business (green transformation) and global standard products for breaking into the ASEAN market.

Source of strength

Nikko boasts the top market share of Japan in not only APs and BPs, but also in conveyors, where it has a 60% market share, with steadily expansion. In addition to the four differentiating core technologies of mixing (kneading), heating, material handling (cumulative conveyor shipment: 300,000 units), and control (in-house development of the brains behind the plants), we also have a meticulous and comprehensive support system based on our own integrated production.

R&D investment plan in the new Medium-Term Management Plan

In the previous medium-term plan, we invested about 1.2 billion yen in R&D over the three-year period. We plan to increase that to around 2.5 billion yen in the new medium-term plan. In the AP-related business, we will pursue the development of new environmentally friendly products, strengthen support fields for remote operations and automation, and develop standardized models for foraying into the overseas market. In the BP-related business, our policy involves enhancing the operation support center, product improvement and system development, and in the environment- and conveyor-related business, we will strengthen new product development as well as EC and IT investment.

Intellectual capital	Output	Outcome
R&D expenses (about 0.45 billion yen, or 1.2% of net sales)	Net sales of products contributing to CO_2 emission reduction (about 0.4 billion in the AP-related business)	Highly differentiating technology (including control panels made in-house)
Number of development personnel: 24 (2.4% of consolidated employee count)	Priority fields for AP-related R&D (10 projects)	Environmentally friendly products that surpass other companies' products
Number of patents held by the Group: 228	Customized products that satisfy diverse customer needs	Creation of new markets

Social and relationship capital

We strive towards building a strong relationship of trust with the customers, business partners, and local communities.

Nikko Group's Management Philosophy is customer first and it lists "Serve society through business" as its Company Motto. In addition to building a sustainable supply chain, the MS business, which is the Group's strength, is jointly creating values with the Akitsu-kai, which has 195 designated contractors. The Nikko Memorial Foundation provides assistance to students who are from Hyogo Prefecture. It also donates disaster supplies to Akashi city in addition to funds for COVID-19 countermeasures.

Natural capital

As a global citizen, we aim to become an environmentally friendly company.

The head office factory has acquired the ISO14001 certification, which is the international standard for environmental management systems. As a global citizen, the Nikko Group recognizes environmental preservation as one of the most important issues based on its basic principle of "environment first." Each production base is continuously working on environmental preservation as well as improvement, and the Group has been focusing on commercializing environmentally friendly products in product development.