Environment- and Conveyor-Related Business

We will drive forward the modularization of conveyors and take on challenges in new fields. The environmental business will aim for the creation of new customer values and achievement of the numerical targets of the medium-term plan.

Manager, Industrial Machinery Sales Management Department, Business Division
Tokuhiro Mitsumune

Key points

- We aim to achieve net sales of 2.7 billion yen in FY 2024, operating income of 0.55 billion yen, and operating margin of 20.4%.
- We will aim to shorten the delivery time through further modularization of the mainstay portable conveyors, which account for about 80% of net sales of conveyors, and improvement in price competitiveness.
- We will enter the stringer conveyor market, which is large and require high strength, through modularization.
- We will push forward the development of new markets and customers for environmental products using the four core technologies unique to Nikko.

Values to be realized

- In the conveyor business, our products accurately and safely carry diverse materials by adapting to various tilt angles.
- In the environmental business, we will contribute to building a recycling-oriented society that is friendly to the earth's environment through soil improvement, recycling lithium batteries and plasterboards, biomass-related facilities, etc.

Source of strength

- We have the capability to modularize conveyors that ensures shortened delivery time and easy assembly as well as high-level maintenance service and the ability to handle complaints that surpass other companies.
- In the environmental business, we have an integrated system starting from development to maintenance services that satisfy customer requirements in addition to various testing facilities based on Nikko's four unique core technologies (mixing and kneading, heating, material handling, and control).

Business environment

- The conveyor business has been delivering stable performances with an average annual net sales of approx. 2.2 billion yen for the past five years. While the portable conveyor market is stable, there are concerns that opportunities to use them on site may decline in the future. We will also promote the shift towards higher costs to product prices in response to the soaring prices of supplies such as frame materials and motors. We will continue to aim for high profitability.
- The performance of the environmental business fluctuates significantly depending on projects. In addition, the number of inquiries has been increasing from the perspectives of ESG and SDGs, buoyed by the rising needs related to natural environment and recycling. New demands such as recycling lithium batteries due to the expansion of the market are also rising.

Business overview	Details
Products	Various types of conveyors and environmental recycling equipment
Customer	Various manufacturers, crusher manufacturers, agents, etc.
Market share	Share of the portable conveyor market in Japan: 60%
Sales breakdown	8% of overall sales (conveyors: 73%, environmental equipment: 24%, service: 3%)
Operating margin	19.5% (FY 2021)
Ratio of MS net sales	3%
Production bases	Akashi head office factory

MS: maintenance service

Future business opportunities and strategies

- Conveyors are used in various and diverse fields from civil engineering to food, chemicals, steel, and waste processing, and we continue to expect stable demand. We will strengthen our modularization and customization ability for portable conveyors, which has a market share of 60% in Japan, and promote the high added values of products. At the same time, we aim to enter the stringer conveyor market, whose size (estimated 6.0 billion yen a year) is double the portable conveyor market. Stringer conveyers require high strength and are priced highly, and we will enter the market with short delivery time and low prices leveraging our modularization capability. We will also enhance system proposals by combining with crushers, etc.
- For the environmental business, we, while emphasizing on profitability, will advance new market development and business deployment that satisfy customer needs to achieve the numerical targets of the medium-term plan.

SWOT analysis	Details	Countermeasures by Nikko
Strengths	Top share in portable conveyors in Japan	Increased market share through standardization and shorter delivery time
	Business operation combining manufacturing and sales as well as maintenance service	Proposal of synergies with crushers, etc.
	Product development based on the four core technologies	Comprehensive ability that includes testing facilities
Weaknesses	Growth potential of portable conveyor market	Expansion of product domains
	Calcination technology and human resource shortage	Expansion of synergies with the AP-related business
Opportunities	Large market Entry into the stringer conveyor market	Proposal of short delivery time and low price through modularization
	New markets including lithium battery recycling	Product proposal in response to customer needs
Threats	Intensifying competition	Proposal of short delivery time and differentiation

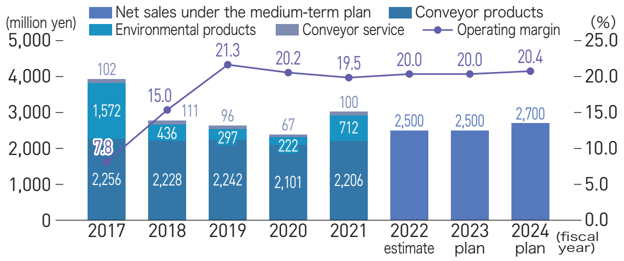
FY 2024 numerical targets

Net sales	Operating income	Operating margin
2.7 billion yen	0.55 billion yen	20.4%

Business Strategies

- Modularization and customization of portable conveyors
- Strengthening of relationship with customers utilizing online services
- Offering stringer conveyors with short delivery times at low price
- Engineering proposals for conveyor lines

Net sales by product, operating margin, medium-term plan numerical targets



Other Business

We aim to capture the top share of 50% in mobile crushers. Waterproof boards are aimed at minimizing the damage of torrential rain, and we will further expand their sales.

Senior Executive Officer
General Manager, Mobile Plant Business Department, Business Division
Takeshi Sone

Key points

- We aim to achieve net sales of 13.5 billion yen in FY 2024, operating income of 1.3 billion yen, and operating margin of 9.6%.
- Mobile crushers, our mainstay product, is an imported machine business and the continued depreciation of the yen will affect it negatively.
- We are expecting net sales of 2.0 billion yen from Ube Kohki, which we acquired, in FY 2022 and 2.3 billion yen in FY 2024.
- Waterproof boards are expected to continue posting stable growth in the future.

Values to be realized

- Mobile products are fuel-efficient and emit less CO_2 and offers high economic values such as ease of transport and sale as second hand machinery.
- Waterproof boards protect housing, building, and train stations from torrential rains.
- Temporary construction materials offer construction scaffold environment that is safe, secure, and efficient.

Source of strength

- As for mobile products, we mainly offer KLEEMANN products, which are highly fuel efficient with CO_2 emissions a fifth to a half of the products of other companies.
- We have an integrated structure from design to construction work for waterproof boards and a good track record.

Business environment

- Although the continued depreciation of the yen affects mobile equipment negatively, there has been a sustained favorable business environment given the shift from stationary machinery to mobile models and the highly rated product performances that boasts the world's highest fuel efficiency and low CO_2 emissions (net sales have risen three-fold over the past two years). In terms of measures against foreign exchange fluctuations, we are pursuing price revision and enhancement of product lineup. There is large potential demand for waterproof boards, but the delivery time has been extended due to postponement of construction works caused by material shortage. Subsidies for such products from the central and local governments have been increasing. The temporary construction materials market is a niche market, with an environment of strong demand. We are working on raising product prices given the soaring prices of aluminum materials.

Future business opportunities and strategies

- Construction waste materials are currently transported and disposed from construction sites to intermediary processing facilities. However, the Japan Construction Equipment Manufacturers Association is currently discussing processing and reusing them at construction sites from the perspective of switching to a processing method that is more friendly to the earth's environment. This may result in an increased demand for mobile equipment. Going forward, we aim to expand sales to new customers and rental services leveraging our products' economic superiority such as high fuel efficiency, while pushing forward with the introduction of mobile soil improvers, which is under development, and reinforcement of the structure to handle the increasing demand for maintenance of supplies, etc. caused by the growth in the cumulative sales of equipment.
- Waterproof boards are expected to enjoy an environment of continued strong demand, and we are pursuing an upgrade from the current structure with an annual production of 1.0 billion yen to one with annual production of 1.5 billion yen. Amid concerns of an increase in the number of new entrants, we plan to raise the sales ratio of highly profitable slide-type and door-type special products, which currently account for 35% of net sales, to 50% in the final fiscal year of the medium-term plan.

Business overview	Details
Products	Mobile crushers, waterproof boards, floodgates, temporary construction materials, hand tools, etc.
Customer	Stone crushing, mining, civil engineering and construction companies, rental services, OEMs, etc.
Market share	Mobile crushers: 20% share in Japan; small-sized aluminum staircases: 40%
Sales breakdown	17% of overall sales (waterproof boards and floodgates: 24%, temporary construction materials: 23%, mobile crushers: 22%, hand tools: 11%, Nikko-developed products: 9%; other: 11%)
Operating margin	16.1% (FY 2021)
Ratio of MS net sales	1%
Production bases	Satte factory, Fukusaki factory, Mobile Center, Kakogawa factory, Tokyo facory, Akashi head office factory, Japanese subsidiaries

MS: maintenance service

SWOT analysis	Details	Countermeasures by Nikko
Strengths	Mainstay KLEEMANN products boast the top share globally	Expansion of product lineup and sales channels
	Ample experience and business ability starting from design to construction work	
Weaknesses	A weaker yen is a disadvantage for mobile equipment, as they are imported	Expansion of the products we offer and price revision
Opportunities	Shift of demand from stationary machines to mobile ones	Propose high product performance including high fuel efficiency
	Trend towards recycling waste materials within the construction site	Solid maintenance structure
	An increase in natural disasters such as torrential rains	
Threats	Entry of rival companies	Offering of products and services with higher customer satisfaction
	Intensifying price competition	Focus on special products, which have high profitability

FY 2024 numerical targets

Net sales	Operating income	Operating margin
13.5 billion yen	1.3 billion yen	9.6%

Business Strategies

- Sales expansion of mobile plants and strengthening of profitability
- Enhancement of product lineup
- Strengthening of sales structure and promotion of maintenance service business
- Realization of synergies with Ube Kohki

Net sales by product, operating margin, medium-term plan numerical targets