Financial Capital

"We will make active investments during the current Medium-Term Management Plan period for future improvement in corporate value"

| Basic policy |

Towards achieving the numerical targets (consolidated net sales of 60.0 billion yen, operating income of 6.0 billion yen, and operating margin of 10.0%) set forth in the 2030 Vision, we will position the current Medium-Term Management Plan period as the internal investment phase, in which we will make active investments to boost earning power while promoting sale of strategically-held shares and improvement of cash conversion cycle (CCC). We will aim to raise ROE (FY 2024 target: 6.2%) by keeping net assets in check and improving profitability. As share valuation (PER) also improves through strengthening of sustainability activities and active shareholder returns, we would take on the challenge of achieving 50.0 billion yen in market cap and ROE of 8.0% or higher in 2030.

| Nikko's financial capital |

In terms of financial capital, Nikko Group had total assets of 52.1 billion yen as of the end of FY 2022, invested capital of 35.7 billion yen (shareholders' equity of 29.9 billion yen and interest-bearing debts of 5.7 billion yen), net cash of 4.6 billion yen (cash and cash equivalents of 10.3 billion yen and interest-bearing debts of 5.7 billion yen), and equity ratio of 60.7%. Nikko Group has a strong balance sheet based on stable cash generating ability.

| Source of strength |

Our AP-related business has a 70% share of the domestic market, while the BP-related business boasts a 40% share, and we have been maintaining top shares in both businesses in Japan. Total net sales in maintenance service of both businesses, in which Nikko Group expects stable revenues, account for about 30% of its consolidated net sales (both businesses together account for 55.5% of total domestic sales), and the service has high capability to create cash flow. Further, the operating margin of our environment- and conveyor-related business for FY 2022 was 18.1%, and other businesses, with operating margin of 12.5%, also similarly posted stable high profitability.

Financial capital

- Total assets of 52.1 billion yen
- Invested capital of 35.7 billion yen
- Net cash of 4.6 billion yen

Output

- Net sales of 39.6 billion yen, operating income of 1.0 billion yen
- Cumulative FCF for the past five years of 67million yen
- Dividend of 30 yen per share (payout ratio of 112.5%)

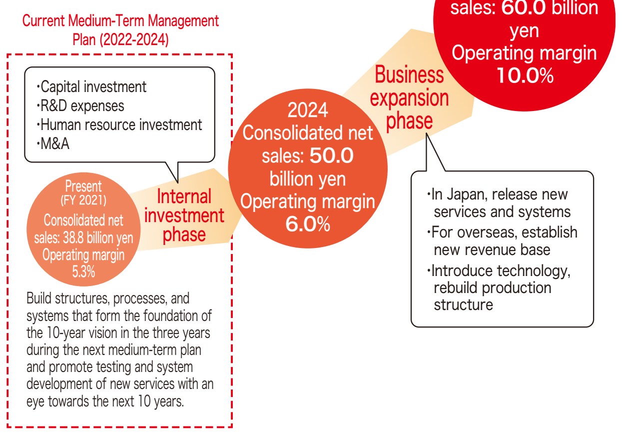
Outcome

- Stable profit creation
- Attractive dividend yield (about 4.4%)
- High financial stability (equity ratio of 60.7%)

| Strategy towards the achievement of the Medium-Term Management Plan |

While Nikko Group has been maintaining a strong balance sheet, its ROE for FY 2022 stayed at 3.2% and PBR also has remained low. While focusing on ROE, we aim to achieve an operating margin of 6.0% in FY 2024 by prioritizing investment in fields that would generate profits in the future towards the business expansion phase starting from FY 2025. As for growth investment, in the three-year period of the current medium-term plan, we will carry out staff reinforcement (addition of 145 employees at parent Nikko), R&D (2.53 billion yen), capital investment (6.0 billion yen), and M&A investment projects (Ube Kohki and Matsuda Kiko already made into group companies). The policy is to allow equity ratio to decline to around 50% depending on the projects while assessing the profitability.

◆ The current Medium-Term Management Plan period is the phase for building structures, processes, and systems towards 2030



◆ Numerical targets

	FY 2022 results	FY 2024 target
Operating income	1.0 billion yen	3.0 billion yen
Operating margin	2.6%	6.0%
ROE	3.2%	6.2%
(Concerned net income: million yen)	1,020	2,100
(Net assets: million yen)	31,604	34,028
Net income per share	26.67 yen	55.09 yen
Dividend per share	30 yen	35 yen
Dividend payout ratio	112.5%	63.5%
Market cap	25.3 billion yen	——

Manufactured Capital and Social and Relationship Capital

"We will support infrastructure around the world with our high-quality products backed by our integrated production and high technological capability"

| Basic policy |

We have an integrated production structure where we manufacture everything in-house from the plant to the control panels, and 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. We will bolster our on-site capabilities by making capital investment to the tune of 6.0 billion yen in the three years of the current medium-term plan.

| Nikko's manufactured, and social and relationship capital |

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). Ube Kohki and Matsuda Kiko, which newly joined the Nikko Group, have their own plants and carry out contract-based manufacturing of various plants and industrial machinery. In terms of material procurement, Nikko has a fair and equitable collaborative relationship with about 20 external suppliers of materials based on Nikko's design and some 100 suppliers of general materials. We have a highly efficient integrated production structure in the manufacturing division that combines high-precision machine tools, including a five-face machining center, with automated lines. Further, Nikko's own contractor network Akitsu-kai has some 200 companies as its members.

| 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. In addition to the high share primarily in the AP- and BP-related markets, Nikko boasts an ample track record of supplying to more than 4,000 companies around the world. Stable replacement demand as well as introduction of environmentally friendly products are contributing to the stable operation of plants. As for the maintenance business, we aim to contribute to the stable operation, labor saving, and automation of customer plants by leveraging various data and other means.

◆ Capital investment

Investment (total for three years)	Three-year plan for FY 2022–FY 2024	FY 2022 results
6.0 billion yen (6.1 billion yen cumulative for the three-year period of the previous medium-term plan)	● Construction of new plant in Hyogo Prefecture (0.5 billion yen) ● Construction of development test center, etc. (1.0 billion yen)	● Machinery and installation expenses in AP-related business including Shanghai and Thailand (0.25 billion yen) ● Construction of warehouses for AP- and BP-related businesses (0.11 billion yen) ● Total of 2.21 billion yen including 0.35 billion yen for software

Manufactured capital and social and relationship capital

- Capital investment of 2.214 billion yen
- Production capability and strong sales agent and procurement network to achieve medium-term plan goals
- Five factories in Japan and two overseas
- Akitsu-kai, Tombo-kai (sales network: 124 companies)

Output

- Nikko products in the four businesses
- High market share
- Thorough maintenance services
- Production of 39.1 billion yen, up 2.4% from year earlier

Outcome

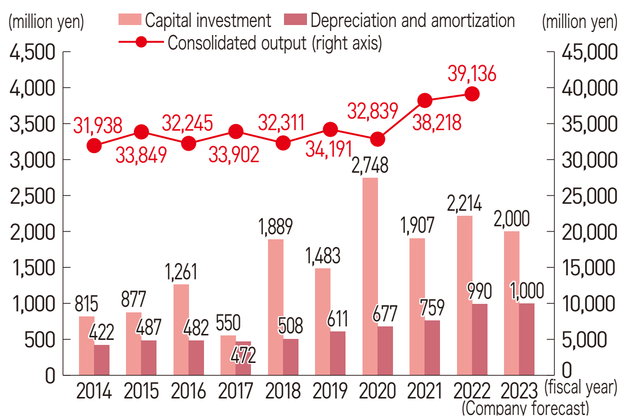
- Safe and employee-friendly production environment
- High rating from customers
- Development of safe and secure roads and infrastructures
- Contribution to environment-friendly recycling-oriented society
- Strong relationship of trust with business partners

| Strategy towards the achievement of the Medium-Term Management Plan |

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 6.1 billion yen in the previous three-year medium-term plan period), which includes construction of a new plant in Hyogo Prefecture (0.5 billion yen) and development test center (1.0 billion yen). In FY 2022, we carried out capital investment worth 2.2 billion yen (ratio to net sales of 5.6%), up 0.3 billion yen compared to the previous fiscal year. Major investment projects in the AP-and BP-related businesses included expansion and renovation of factories, acquisition and update of production facilities, and 0.4 billion yen for construction of bachelors' dormitory. Depreciation and amortization, including amortization of goodwill, totaled 0.99 billion yen, up 0.231 billion yen from a year earlier, and its ratio to sales was 2.5%.

In FY 2023, we are expecting capital investment of 2.0 billion yen (ratio to sales of 4.5%) and depreciation and amortization of 1.0 billion yen (ratio to sales of 2.3%).

◆ Trends in capital investment, depreciation and amortization, and consolidated output



Human Capital

"We aim to become a professional group that will contribute to a sustainable society through active investment in human resources"

| Basic policy |

All employees are the most valuable asset for 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 the 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 "Making the world a resilient and gentle place."

| Nikko's human capital |

As of the end of FY 2022, the number of consolidated employees working at Nikko Group was 1,064 (up 26 from the end of the previous fiscal year). On a non-consolidated basis, the average age of the employees is 40.3 with an average length of service of 14.7 years. The average annual salary has risen 580,000 yen from four years ago in FY 2018 to 7.28 million yen. The proactive hiring of human resources is not only lowering the average age and shortening average length of service but also diversifying and energizing the organization.

| Source of strength |

We introduced a new personnel system (Nikko's version of job-based employment) in FY 2022 and also started position-based training for employees towards achieving the 2030 Vision. In September 2019, we granted treasury stock with restriction on transfer to all 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 also made progress in the strengthening of support for nurturing the next generation and advancing female participation, and we are seeing further vitalization of the organization as well as improvement in motivation. We will aim to raise the ratio of female employees from 14.5% in FY 2022 to 22.5% in FY 2030, and that of female managers from 0% in FY 2022 to 7% in FY 2030.

Human capital

- Number of employees: 1,064 (including 203 foreign nationals)
- Number of female employees: 83 (non-consolidated)
- Annual training expenses: 29 million yen

Output

- Net sales per person: 37 million yen
- Ratio of employees taking childcare leave: 100% for female and 33.3% for male
- Length of service: 18.7 years for men, 11.0 years for women

Outcome

- Fostering job satisfaction
- High motivation
- Employee-friendly work environment

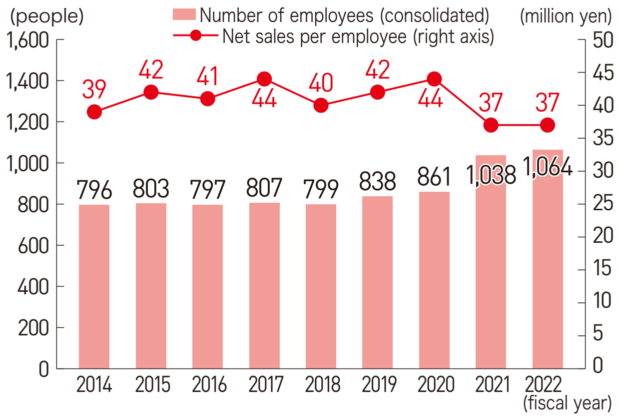
| Strategy towards the achievement of the Medium-Term Management Plan |

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. In the current Medium-Term Management 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, six overseas, 12 in development, 11 in mobile plant, and 25 in other business. In FY 2022, we hired a total of 53 people (of which, eight are women) comprised of 31 new graduates and 22 with prior work experience. We raised the monthly wages of employees in FY 2022 and implemented a 5% increase in base pay in FY 2023. We will continue to raise wages with the aim of not only vitalizing the organization and improving job satisfaction but also achieving the Medium-Term Management Plan.

◆ Staff reinforcement

Investment (total for three years)	Three-year plan for 2022-2024	FY 2022 results
Nikko (non-consolidated) Increase of 145 employees (added 69 employees in the previous medium-term plan)	● 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 Total 145	● AP-related business field 17 ● BP-related business field 15 ● Environment- and conveyor-related field 1 ● Overseas 0 ● Development 4 ● Mobile plants 1 ● Other 15 Total 53

◆ Number of consolidated employees and net sales per employee



Intellectual Capital

"Based on Nikko's four differentiated core technologies, we will accelerate the development of products that can solve social issues"

| Basic policy |

Adding measurement technology to the four core technologies (mixing and kneading, heating, control, and material handling) of 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. Nikko Group is planning to make R&D investment worth 2.53 billion yen in the three years of the current medium-term plan.

| Nikko's intellectual capital |

We have 28 engineers, who account for 2.6% of consolidated employees, working in the R&D department. Nikko holds 214 patents and 86 design registrations. In addition to our own development based on the 4+α differentiated technologies made up of the four core technologies plus the newly added measurement technology, we also carry out industry-academia collaborative development with our customers, external research institutes, and companies.

| Source of strength |

Nikko boasts the top share domestically in both AP- and BP-related businesses, and its conveyors, handled by the environment- and conveyor-related business, also has the No. 1 share of about 60% in the domestic market. In addition to the four differentiated core technologies of mixing and kneading (mixing all kinds of materials), heating (able to control temperature to suit diverse materials and fuels), material handling (cumulative conveyor shipment of about 300,000 units), and control (in-house development and production of the brains behind the plants), our strong track record of supplying to more than 4,000 companies worldwide has led to high customer confidence and expectations on next-generation technologies and products.

Intellectual capital

- R&D expenses (about 576 million yen, or 1.5% of net sales)
- Number of development personnel: 28 (2.6% of consolidated employee count)
- Number of patents held: 214; number of design registrations: 86

Output

- Net sales of environmentally friendly products: 420 million yen
- Products for low carbonization, remote operation, automation, and efficiency improvement
- Customized products that satisfy diverse customer needs

Outcome

- Highly differentiating technology (including control panels made in-house)
- Solution products that surpass other companies' products
- Creation of new markets

| Strategy towards the achievement of the Medium-Term Management Plan |

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. Nikko Group is also leveraging DX and AI to respond to the adoption of the workstyle reform bill and 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. We also have good prospects for the development of a global standard model asphalt plant for capturing the ASEAN market. We are planning to make R&D investment of 2.53 billion yen in the three years of the current Medium-Term Management Plan. In FY 2022, we made R&D investments worth 0.576 billion yen, up 28% compared to the previous year, primarily in the AP- and BP-related businesses. We plan to make investments worth 0.75 billion in FY2023, raising the ratio to net sales to 1.7%. We aim to achieve the Medium-Term Management Plan and 2030 Vision with technical prowess and product appeal that are a cut above the competition.

◆ R&D

Investment (total for three years)	Three-year plan for 2022-2024	FY 2022 results
2.53 billion yen (total of 1.19 billion yen during the three years of the previous medium-term plan)	● AP-related business field ◆ New environmentally friendly products ◆ Remote operations and automation support ● BP-related business field ◆ Operation support center ◆ Product improvement ◆ System development ● Environment- and conveyor-related business field ◆ Product development ◆ EC and other IT investment ● Overseas ◆ Development of standard model	● AP-related business field (incl. overseas) 240 million yen ● BP-related business field 220 million yen ● Environment- and conveyor-related field 55 million yen ● Other business, etc. 61 million yen **Total: 569 million yen**

◆ R&D expenses and its ratio to net sales