Environment- and Conveyor-Related Business

Making smooth progress towards achievement of the medium-term plan. We will expand into new fields and achieve stable growth while maintaining high profitability

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and Manager, Sales Section 2,
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Yosuke Kojima

FY 2022 key points

- Inquiries related to large-scale projects such as Expo 2025 Osaka, Kansai and the integrated resort have been increasing.
- Demand in the conveyor business, which has a broad range of customers, is expected to be relatively stable.
- In FY 2022, net sales declined 4.3% compared with a year ago and operating income fell 11.2%. Net sales are expected to increase in FY 2023, while operating income is likely to continue declining modestly due to the residual impact of rises in material prices.
- We are maintaining the medium-term plan targets for FY 2024 of 2.7 billion yen in net sales, 0.55 billion yen in operating income, and 20.4% in operating margin.

Values to be realized

- Conveyors 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, can and bottle separators, etc.

Source of strength

- We have the capability to modularize conveyors ensuring shortened delivery time, low cost, and easy assembly. We outstrip other companies in high quality maintenance services, product lineup, and capability to respond to complaints, and the total shipment volume reaches about 300,000 units.
- In the environmental business, we have an integrated system starting from development to maintenance services that satisfy customer requirements in addition to various original testing facilities based on Nikko's four unique core technologies (mixing and kneading, heating, material handling, and control).

Business overview	Details
Products	Various types of conveyors and environmental recycling equipment
Customers	Waste treatment, civil engineering, various manufacturing, etc.
Market share	Share of the portable conveyor market: 60%
Sales breakdown	8% of overall sales (conveyors: 75%, environmental equipment: 22%, service: 3%)
Operating margin	18.1%
Ratio of MS net sales	3.4%
Production bases	Akashi head office factory

MS: maintenance service

FY 2022 results		FY 2023 forecast		FY 2024 numerical targets	
Net sales	2.888 billion yen	Net sales	3.0 billion yen	Net sales	2.7 billion yen
Operating income	0.522 billion yen	Operating income	0.5 billion yen	Operating income	0.55 billion yen
Operating margin	18.1%	Operating margin	16.7%	Operating margin	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

Business environment

Regarding the scale of conveyor market, the portable conveyor market, in which Nikko has a share of about 60%, is about 3.0 billion yen and the stringer conveyor market is 6.0–10.0 billion yen. The conveyor market has been shrinking due to reasons such as popularization of compact construction machinery, but net sales of our conveyor products have been stable at around 2.2 billion yen (including about 1.5 billion yen from portable products) for the past six years. Going forward, we will expand the share in the large stringer market and grow the target markets through sales activities based on value-addition proposals .

In the environment-related market, business negotiations of large-scale projects related to Expo 2025 Osaka, Kansai and the integrated resort have been increasing. The size of the market fluctuates depending on the project, but it is expected to grow reflecting the rising needs related to environmental issues and recycling.

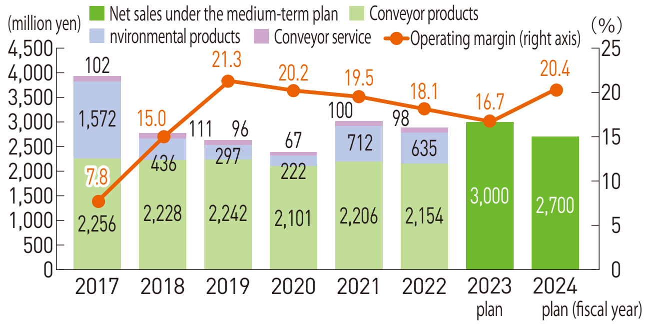
Medium-Term Management Plan implementation strategy

We will promote the mainstay portable conveyors through speedy proposal-based sales activities to improve customer satisfaction, and aim to establish the unique position of shortened delivery time of high-price products. In addition, in the stringer conveyor market, which is large and crowded with local rivals, we will introduce low-priced products with short delivery time leveraging our modularization capability and strengthen sales of conveyor and peripheral machinery in a package by promoting sharing of customer information with sales agents.

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 by leveraging Nikko's core proprietary technologies.

SWOT analysis	Details	Countermeasures by Nikko
Strength	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
Weakness	Growth potential of portable conveyor market	Expansion of product domains
	Calcination technology and human resource shortage	Expansion of synergies with the AP-related business
Opptunity	Entry into the stringer conveyor market, which is large	Proposal of short delivery time and low price through modularization
	New markets including lithium battery recycling	Product proposal in response to customer needs
Threath	Intensifying competition	Proposal of short delivery time and differentiation, capturing a niche market

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



Other Business

We aim for a 50% market share in mobile plants along with profitability improvement. We will realize synergies with companies that have become our subsidiaries

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Takeshi Sone

FY 2022 key points

- We received order for three mobile plants for restoration of Ukraine. We are also expecting additional orders.
- We are seeing continued rise in net sales as sales to new customers increase and as we expand our product lineup including Nikko-developed soil improving apparatus.
- For FY 2022, net sales increased 25.0% compared with a year earlier while operating income declined 2.7% partly due to the weaker yen. We expect both net sales and operating income to increase in FY 2023.
- In addition to creating synergy effects with Ube Kohki and Matsuda Kiko, which were made into subsidiaries, we will strengthen the environment and recycling business.
- We aim to achieve the medium-term plan targets for FY 2024 of 13.5 billion yen in net sales, 1.3 billion yen in operating income, and 9.6% in operating margin.

Values to be realized

- Mobile plants (mobile crushers) boast both world's highest fuel efficiency and high crushing performance and offer large advantages such as ease of installation and transport as well as 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

- We mainly offer high-performance mobile plants by KLEEMANN of Germany along with Nikko-made soil improving apparatus. We are leveraging our high sales and service capability as well as the network of existing businesses.
- We have an integrated structure from design to construction work for waterproof boards and a good track record.

Business overview	Details
Products	Mobile crushers, waterproof boards, floodgates, temporary construction materials, hand tools, etc.
Customers	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	21% of overall sales (Ube Kohki: 26%, mobile: 22%, temporary construction materials: 17%, waterproof boards and floodgates: 14%, other: 21%)
Operating margin	12.5%
Ratio of MS net sales	20.0%
Production bases	Satte factory, Fukusaki factory, Mobile Center, Kakogawa factory, Tokyo factory, Akashi head office factory, Japanese subsidiaries Ube Kohki

Mobile = mobile crushers

FY 2022 results		FY 2023 forecast		FY 2024 numerical targets	
Net sales	8.324 billion yen	Net sales	10.0 billion yen	Net sales	13.5 billion yen
Operating income	1.044 billion yen	Operating income	1.25 billion yen	Operating income	1.3 billion yen
Operating margin	12.5%	Operating margin	12.5%	Operating margin	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

Business environment

The scale of the Japanese market of mobile crushers is 100 to 120 units per year, that of soil improving apparatus is about 40 to 50 units, and that of automated screens is around 60 units, and these markets have been stable. In the future, the market is likely to steadily expand as customers switch from stationary machines to mobile machines, requirement for high-output machines to reduce work hours at customers increases, and steel mills increasingly adopt such machines. There is large potential demand for waterproof boards, but there has been some delay in delivery due to postponement of construction works caused by material shortage. The Five-Year Acceleration Measures for Disaster Prevention and Mitigation and National Resilience have started, which is expected to boost demand. The temporary construction materials market is a niche market, with an environment of strong demand. We are raising prices of our products in response to soaring prices of aluminum materials.

Medium-Term Management Plan implementation strategy

The mobile plant business has been enhancing its product lineup, in which we have introduced Mobix, an improved version of Nikko-developed mobile soil improving apparatus leveraging the core business. Further, we will take on the challenge of deepening the existing markets and exploring new markets such as mines and steel works through enhancement of sales force, strengthening of engineering and maintenance service structure, and expansion of sales network. We aim to achieve 50% in sales share (No. 1) and improve profitability through sales increase and growth in net sales of maintenance services.

Ube Kohki and Matsuda Kiko, which we made into subsidiaries, are highly profitable companies engaged mainly in contract-based manufacturing. We aim to maximize synergy effects with these companies to strengthen the environment and recycling business.

SWOT analysis	Details	Countermeasures by Nikko
Strength	The world's highest fuel efficiency and high crushing performance	Strengthening of expansion of product lineup and sales channels
	Ample experience and business ability starting from design to construction work	In-house product development capability
Weakness	A weaker yen is a disadvantage for mobile equipment, as they are imported	Expansion of the products we offer and price revision
Opptunity	Shift of demand from stationary machines to mobile ones	Offer large advantage from introduction
	Needs for automation and efficiency improvement in workstyle reform	Proposal of shortened work time through offering of high-output products
	An increase in natural disasters such as torrential rains	Securing a system for prompt delivery
	Development of new market such as steel works	Reinforcement of sales structure and human resource development
Threath	Entry of rival companies	Offering of products and services with higher customer satisfaction
	Intensifying price competition	Strengthen proposal of special products, which have high profitability, and value addition proposals

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