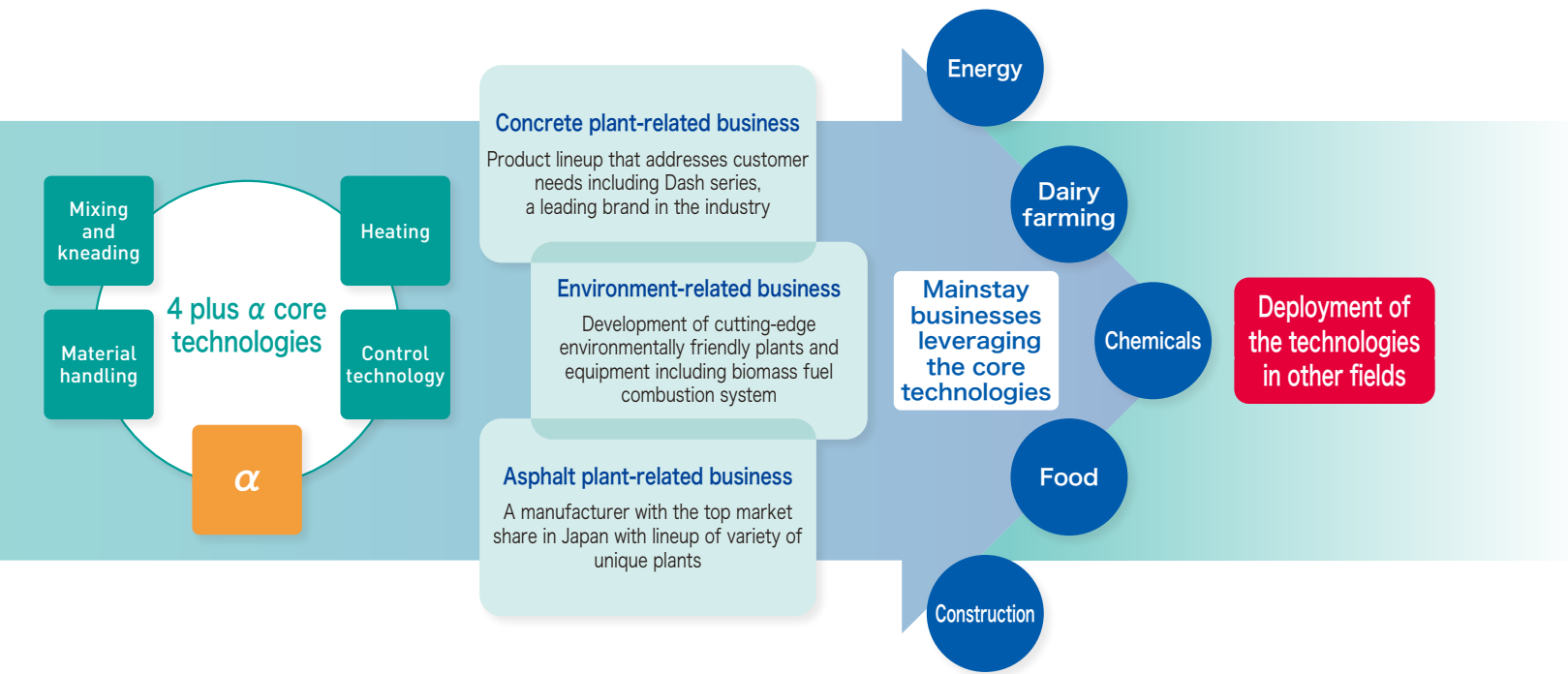


Nikko Group upholds a customer-first policy as its corporate philosophy. Our mission is to provide products and services that truly satisfy our customers while gaining widespread trust from society, and becoming a solution partner that grows with our customers.

To realize the 2030 Vision, it is important to make the value co-creation platform strong and it is necessary to continue refining the four core technologies of mixing and kneading, heating, control, and material handling.

Platform for delivering value	Measures to Reinforce Platform for				Delivering Value to Realize 2030 Vision	
	Input (management resources)	Goals in 2030	Issues to be addressed (short, medium, and long term)	Measures (short, medium, and long term)	Progress, outlook	FY2022 evaluation
	R&D Kawamura, Manager  - R&D expenses: 0.75 billion yen - Development division engineers: 28 people - Joint development with customers and external organizations 4+α core technologies (drying, mixing and kneading, material handling, and control) + measurement	- Full-scale installation of low-carbon and environmentally friendly products - Installation of automated products leveraging AI and IoT technologies - Lateral deployment of environment-related equipment	- Human resource development for transfer and expansion of core technologies - Short-term and medium- to long-term product development aimed at decarbonization - Building a development platform for environment-related equipment - Improvement of development speed for increasing the amount of social implementation	- R&D expenses from FY 2022 to FY 2024: 2.5 billion yen (2.1 times) - The number of development personnel to be hired from FY 2022 to FY 2024: 12 - Nurturing based on active implementation of human resource rotation - Promotion of open innovation with customers and external organizations including universities - Update of product development roadmap and redistribution of resources - Establishment of a team specialized in product development and starting its operation	- Human resource rotation implemented: 2 employees - FY 2022: Number of new graduates hired increased by 2 compared with FY 2021 and the number of foreign engineers rose by 1 - Joint R&D: 6 projects being implemented - Updating product development roadmap every six months	○
	Sales and consultation Nakayama, General Manager  - Establishment of a marketing division - Adaptation of the organization for globalization - Utilization of past and future data - Support of comprehensive operation of plants	- Offering of environmentally friendly products for low carbonization - Offering of products+operation through remote operation and automation - No. 1 manufacturer in Asia	- Development of environmental products - Acquisition of plant operation knowhow - Acquisition of overseas partners (agents) - Expansion of the ASEAN market - Nurturing of human resources who will play the main role in developing fields	- Trade shows for new products - Collaboration with customers (development, education) - Establishment of overseas planning division and support for acquisition of products and partners - Establishment of ASEAN Business Strategy Office at Nikko to pursue synergies with the Thai subsidiaries (NAT and NIC) - Enhancement of the hiring of new graduates - Arranging more environmentally friendly products by joining an industry association	- A trade show for new products in November 2022 - Collaboration with customers: To be implemented for mutual education - Conclusion of agent agreements with one company each in Thailand and Vietnam - Review of supply chain and capturing the recycling AP market 1 GM and 2 overseas (1 for sales and 1 for Customer Support Center) - Joined Japan Road Contractors Association (JRCA) as a support member	○
	Planning and designing Uehara, Manager  - Group of skilled engineers who respond to customer needs - Core technologies (mixing and kneading, heating, material handling, and control) - Accumulation of knowhow regarding plant design and technical bases - Cooperation structure with technical design partner companies	- Plant solution provider - Proposals that create values at both customers and society - Comprehensive support of remote operation, automation, saving manpower - Overseas expansion of global standard products	- Systematic human resource hiring, strengthening the knowledge of the workers through nurturing - Enhancement of core standard products that respond to customer needs - Improvement of customer satisfaction in quality, safety, and environment friendliness - Proposal of suitable products that reflect customer requests and meeting the delivery date - Improvement of design work efficiency and shift of resources to new expanding business fields	- The number of engineers to be hired from FY 2022 to FY 2024: 35 - Promotion of standardization and development of products with high added values - Building of engineering structure that combines sales and maintenance service - Restructuring and development of global models and technological involvement in overseas production - Promotion of outsourcing and digitization of operations	- Active investment in resources, placing engineers at the eastern and western bases - A new block-type plant has been completed. The ratio of standardized plants is 70%. Deployment for further extension of the series - Building an organization in charge of design quality control and development of engineering method - Establishment of a team dedicated to overseas markets, hiring of human resources for overseas expansion - Development of a new control panel model	○
	Procurement Umezawa, Manager  - Introduction of a new core system - Construction of new materials warehouse - Human resources to build procurement base	- Operation structure focused on stable purchasing and cost reduction - Information sharing with suppliers and favorable relationship of trust with them - Acquisition of ample knowledge of products and industry trends and enhancement of communications with suppliers and within the company - Contribute to the mitigation of environmental burden	- Soaring prices and shortage of raw materials, etc. and sudden foreign exchange fluctuations - Closure or scaling back of suppliers as well as their discontinuation or prolonged delivery - Aging of core system and increasing burden of daily operations	- Cost reduction through centralized and distributed purchasing and averting risks - Work with designing section and promote functional purchase - Reconsider sustainable supply chain - Shift to paperless and PDM using new system	- Cost reduction ⇒ rate of achievement in FY 2022: approx. 70% - Rate of achievement in FY 2023: approx. 90% (estimate) - Reconsider supply chain ⇒ Being implemented - New system ⇒ Completed. Currently in the process of shifting to EDI, etc. for achieving paperless - Shift to EDI FY 2022: approx. 50%; FY 2023: approx. 80%	△
	Manufacturing Yamada, Factory Manager  3 latest fiber laser processors, two warehouse blocks for shipment - Integrated technology and skills for integrated in-house products from primary processing of materials to canning welding, machine processing, final assembly, and trial run as well as production and shipment control	- Further improving productivity by 10% - Promotion of flexible delivery of a wide variety of products in short delivery time - Achievement in both quality improvement and reduction of manufacturing cost - Thailand subsidiary NIC to turn profitable in a stable manner - Synergies with Ube Kohki, Matsuda Kiko, etc.	- Further improving productivity by 10% - Flexible, large variety and enhancement of production corresponding to destinations - Achievement in both quality improvement and reduction of manufacturing cost - Thailand subsidiary NIC to turn profitable in a stable manner	- Expansion of the manufacturing factory block of head office factory - Replacement of aged equipment - Reconstruction of factory layout - Promoting engineers to acquire multiple skills - Utilization of foreign technical interns	- Human resource rotation - Vitalization through appointment of young employees as group leaders - Currently building an environmentally friendly plant - Cooperation with Ube Kohki, etc.	○
	Construction work Noguchi, Section Manager  - Operation engineers: 20 including 8 field management engineers and 17 chief engineers - Contractors around the country - End-to-end structure from assembly to operation adjustment	- Operation engineers: 50 (up 20 from existing level) - Increase field management engineers and chief engineers and take on all sorts of plant installation works - Digitization of work plan, safety documents, etc. to enable a structure where anyone can handle them	- Actions for safe work and safety instruction - Identifying new contractors and collaboration with other departments - Easy-to-implement structure in the design and construction work stages	- Digitization of work plans and safety documents (conversion to online, and online work) - Easy-to-construct unit structure, increasing the percentage of parts built in-house - Promotion of structure designs that facilitates safe work - Proactive negotiations with contractors throughout Japan	- Improvement of product finish, development of a mechanism for ensuring safe construction work - Initiatives for reviewing construction work processes - Two new contractors. Continued efforts for discovering more contractors - Increasing operation engineers	○
	Maintenance Sone, Planning Manager  - Service staff: 120 employees - Transfer of front office operation, strengthening of organization - Development of workplace safety and machinery management system	- Plant management through asset management - Start of operation service - Global operation of customer support	- Switch from after-incident maintenance to preemptive maintenance - Acquisition of on-site human resources - Remote management of plant operation and utilization of operation data for prevention and prediction	- Predictive maintenance based on next-generation diagnosis and promotion of shift to next-generation preventative and predictive maintenance - Hiring, reduction of emergency repair, and improvement of efficiency through division of labor - Starting actual operations at cooperating factories and refining it	- Concluded agreements with 10 AP users and 25 BP users. Expecting 20 contracts a year from now on - Plan to appoint employees who are in charge of area-based front office operations - Start of data monitor operation	△



Nikko Group's business activities and value chain

Most of Nikko Group's business is B-to-B and our customers are road pavement companies and businesses related to infrastructure and construction. Our business consists of asphalt plant (AP)-related business, concrete plant (BP)-related business, environment- and conveyor-related business, and other business. Overseas net sales account for 14.7% of overall sales. Each business department has production, sales, and engineering functions and they receive orders either directly from customers or through sales agents. For built-to-order products, which account for most of them, we prepare an estimate following meetings with the customer. Once a contract is signed, the business value chain starts with design and includes production, procurement, installation, delivery, collection of bills, and maintenance services. Nikko Group's value chain has safety and security, quality, and compliance included as standards and we combine them with our unique business activities to enable co-creation of values with customers.

Feedback from customers

To make the platform for value co-creation more resilient, we need to ask customers about their opinions and requests regarding their level of satisfaction with the plants and machinery that were delivered and the improvements they seek, and utilize them in improving quality of products and services as well as development. We are also conducting operator training on a regular basis in response to requests for plant managers and engineers who can operate plants at customers and are well-versed in involved technology.



Shibata Ready-Mixed Concrete of Shibata Shoten Ltd. is a member of the Osaka Kouiki Ready-mixed Concrete Cooperative Association and has a plant in Harima Block. Himeji Castle was registered as a World Heritage site and redevelopment work for making the surrounding area a tourist attraction is underway. Meanwhile, the first generation batching plants (BP) constructed in 1984 are up for the third round of replacement. It turned out to be a difficult task, as the company purchased an adjacent plot to build the new plant while the old plant continued to function.

Q Why did you choose scrap and build (S&B) of BP?

A Originally, along with Chairman Shibata, we had a plan to implement S&B by 2028. In the spring of 2020, we purchased the adjacent land to the north, which we had been planning to purchase. With this as a starting point we requested Nikko to prepare a new plant scheme plan for the future. However, it became clear with the new scheme drawing that it was difficult to build the plant as we wanted, so we decided to change the contents. In 2020 winter, the adjacent land on the east side became available for purchase, and we decided to carry out S&B. In the spring of 2021, we once again requested a scheme drawing for new plant construction to Nikko, and we finalized the exterior drawing and began moving toward full implementation of S&B. Subsequently, the new BP started operating on February 1, 2023.

Q What are the points you considered upon construction? Please also tell us what you think of the equipment you have adopted.

A We aimed to shorten the plant downtime and began construction while shipping from the existing plant so as to avoid causing trouble to our customers. We placed the cement transport pipes inside the plant, and housing the pipes inside the building made it easier to perform inspections and carry out replacement work safely. Further, even if the pipe gets worn out and a hole is formed, it would not cause any trouble to people living in the neighborhood.

We are satisfied with the completed plant as it has incorporated a lot of the requests we made. Going forward, we plan to maintain it so that it will become even better.

Q We have heard that you have been proactively carrying out recruitment activities such as giving plant tour to students.

A We are also experiencing super aging of our employees. We need to hire young people to facilitate generational change and to sustain the company. We are visiting high schools to explain the ready-mixed concrete industry and the plant so that students will choose us as a place of employment. Students still think of working in the ready-mixed concrete

plant as demanding and dirty and that it is hard to take days off, so we are preparing a plan to invite students to the new BP plant.

Q Finally, what are your opinions and requests for Nikko?

A We would like Nikko to put in place a structure that enables us to exchange various opinions so as to realize a plant that is easy to manage and use in terms of both infrastructure and operational aspects.



Daioh Shinyo Co., Ltd. is located in Kochi City, Kochi Prefecture, which is famous as the place where Sakamoto Ryoma, Tosa's hero of Meiji Restoration, was born. We visited its Kochi Mixture Center, which had introduced the VP III successfully, and asked about the areas where the company had trouble while rebuilding the plant.

Q Why did you plan to rebuild the plant?

A Some 35 years had passed since we started operating our old plant and it was deteriorating. Its maintenance costs were also rising with each passing year. In addition, we were facing various issues such as insufficient capacity of the former recycling plant, inadequacy of asphalt tank, which is a

peripheral equipment, and environmental consideration. Taking these points into account, we judged that it was time to rebuild the plant so as to reduce the burden on the local environment such as soot, increase the rate of recycled aggregates, and reduce CO₂ through improvement of fuel efficiency, and thereby contribute to the sustainable development of society, which is an SDG philosophy.

Q What is the reason behind adopting Nikko-made VP III?

A When planning to rebuild a plant within a limited space due to site restrictions, the fact that VP III can be built in a small space made it the number one reason to adopt it. As it became possible to install the plant and save space, we were also able to add asphalt tanks and install a recycling agent tank. Also, we selected VP III because the model met our needs such as improvement in safety performance and working environment in terms of specifications.

Q What are the problems you faced while rebuilding the plant?

A Drawing a layout plan including traffic lines was difficult because the plot is small, as we had problems with the shape and we were going to use the existing structures. We focused on safe and efficient operation and have repeated discussions with Nikko staff engaged in sales as well as design.

Q What do you think of VP III once it was installed and what are your opinions and requests for Nikko?

A Thanks to Nikko, construction of VP III was completed without any troubles. We are grateful to the company for ensuring safety management during the construction period and completing the work safely without any incidents. Going forward, we are determined to make further contributions to the development of the region and we would like to request your support more than ever.

We are yet to get used to VP III, and would like Nikko to provide appropriate advices. We also would like the company to support us more than ever in maintenance and also when there are problems.