Key Points of Value Creation Process

Realization of the value creation story is necessary for the Nikko Group to fulfill its long-term vision of "Creating robust, people-friendly cities around the world" based on the Group's raison d'être and mission of "Updating social infrastructure with state-of-the-art engineering." To this end, we need to realize social and environmental values, which are the outcomes, based on the output of our business activities centered on the Medium-Term Management Plan by accurately grasping the social issues and changes in the industry and making inputs, where our strengths lie.

Medium-Term Management Plan (2022-2024)

Business
- ✓ Standardization of AP and BP plants
- ✓ Introduction of e-commerce for small and light modular-type belt conveyors, handling of channel conveyors
- ✓ Foray into Indonesia and Vietnam by overseas AP-related business

Internal functions
- ✓ Global marketing function, DX promotion function
- ✓ Building cooperative sales structure for new businesses
- ✓ Rebuilding of human resource management foundation and system

FY 2021
Net sales: ¥38.8 billion
Operating margin: 5.3%

Internal investment phase

Staff reinforcement: addition of 145 employees
R&D: ¥2.53 billion
Capital investment: ¥6.0 billion

Build structure, process, and system that form the foundation of the 10-year vision in the three years of the medium-term plan
Promote testing of new services and system development with an eye on the following 10 years

2024
Net sales: ¥50.0 billion
Operating margin: 6.0%

2030
Net sales: ¥70.0 billion
Operating margin: 10.0%

Towards powerful business expansion from FY 2025 onwards

In Japan, release new services and systems
For overseas, establish new revenue base
Introduce technology, rebuild production structure

Business
- ✓ Support for remote operations and automation, total management system
- ✓ Roll-out of environmentally friendly products
- ✓ Expansion to the ASEAN region

Internal functions
- ✓ Opening and full-scale operation of the operation support center
- ✓ Automation and remote operations leveraging technology
- ✓ Review of production process, consolidation of assembly at the head office factory

Key points of 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, crusher, contract-based manufacturing and other business. Overseas net sales account for 8% of overall sales, with China having a large share.
Each business department has production, sales, and engineering functions and we receive orders either directly from customers or through sales agents. For built-to-order products, which account for most of them, we submit 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's value chain has safety and security, quality, and compliance included as standards and we combine them with our unique business activities to offer values to customers.

Core technologies

Mixing	Technology for mixing and kneading various raw materials from liquids to solids
Heating	Technology for burning and drying materials with high heat
Control	Technology for design and production of the brains that control the plants and machinery by leveraging IoT and AI
Material handling	Technology to carry and sort any kind of material, diagonally or straight up.

➡We will diversify from the mainstay businesses to new fields by leveraging the 4 plus α core technologies.

Management Capital Related to Value Creation

	What we aspire to be in 2030 Vision	Input items (FY 2023)	Closely related material matters	Outcome (FY 2023)	Reference
Financial capital	• Net sales of ¥70.0 billion, operating margin of 10%, ROE of 10% • Market cap of ¥50.0 billion	• Total assets of ¥62.2 billion, equity ratio of 53.1%, interest-bearing debts of ¥10.7 billion	• Realization of carbon neutrality, human resource development and improvement in job satisfaction	• ROE of 4.1% (equity spread of 0.5 pp), dividend payout ratio of 87.6%	▶P29
Manufactured capital	• Continue with high-level capital investment, boost capacity through leveling of operations and collaboration with group companies	• Capital investment worth ¥2.3 billion, the ratio of property, plant and equipment to total assets of 21.3%	• Creation of new customer values, development of human resources and improvement in job satisfaction	• Property, plant and equipment of ¥13.2 billion, up ¥1.4 billion	▶P27
Human capital	• Reform of organizational culture and contribution to profits through promotion of DE&I • Ratio of female managers: 7.0%	• Number of employees: 1,117 (including 225 foreign nationals)	• Creation of new customer values, development of human resources and improvement in job satisfaction	• Female manager ratio of 1.0%, attrition rate (within 3 years) of 10.3%	▶P25
Intellectual capital	• Concrete proposals for decarbonization and establishment of recycle-based society from the perspective of the top manufacturer	• R&D expenses of ¥0.6 billion, 214 patents obtained	• Creation of new customer values, realization of carbon neutrality	• Number of patents acquired: 7 (up 1); design registrations: 2 (down 11)	▶P26
Social and relationship capital	• Passing down of techniques and skills in collaboration with suppliers, co-existence and co-creation with local community	• Tombo-kai (sales agents) has 122 companies; Akitsu-kai (contractors) has 210 companies	• Creation of new customer values	• Strong relationship of trust with business partners, contribution to local community	▶P28
Natural capital	• Reduction of Scope 1, 2, and 3 CO_2 emissions in FY 2030 by about 50% vs. FY 2021 • Net sales of decarbonization- and low-carbon-related products: ¥3.2 billion	• Power usage (non-consolidated): 3.49 million MWh	• Realization of carbon neutrality, establishment of recycling-oriented society	• Scope 1, 2, and 3 CO_2 emission reduction by 41% vs. FY 2013 • Net sales of decarbonization- and low-carbon-related products: ¥1.2 billion	▶P28