

Materiality 2024

Nikko Group recognizes that recent changes in external environment bring about various risks and opportunities for the Group. Specifically, the initiatives addressing the following have become indispensable for sustainability management: increasing geopolitical risks, supply chain instability, etc. in the political and economic fields; carbon neutrality, material recycling, biodiversity, etc. in the environmental and energy fields; and diversity, equity, and inclusion (DE&I), diverse workstyles, employee engagement, human rights and demands on corporate ethics, etc. in the social field.

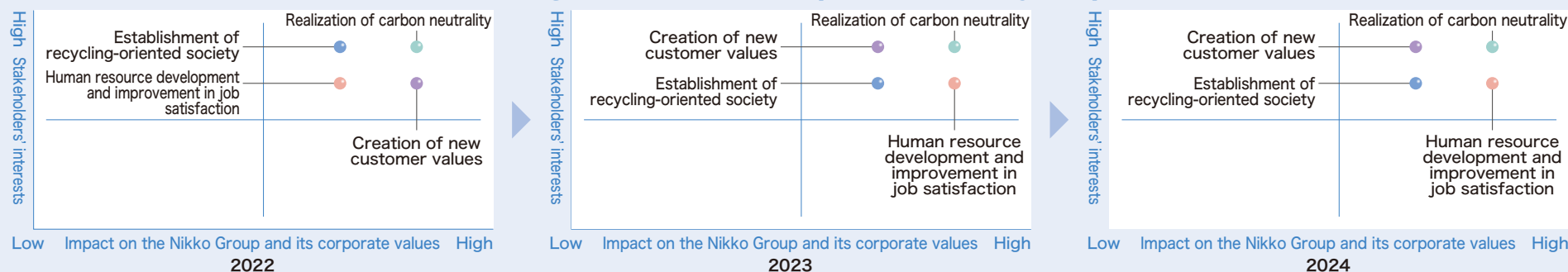
In order for Nikko Group to achieve the 2030 Vision, we need to maximize our corporate value by appropriately grasping changes in these external and industrial environments and solving various issues (material matters) identified from these changes with the impact on stakeholders and sustainability in mind.

Nikko Group has set forth the following four items as material matters: (1) realization of carbon neutrality, (2) establishment of recycling-oriented society, (3) creation of new customer values, and (4) human resource development and improvement in job satisfaction. Of these, (1) and (2) are related to sustainability of society while (3) and (4) are related to Nikko's sustainability, and we believe it is important to ensure sustainability transformation that synchronizes them in our management for improving corporate value. The Sustainability Committee at its meeting in FY 2023 examined the appropriateness of material matters and their positioning based on corporate value and decided to continue with the materiality map of FY 2023 in FY 2024.

◆ Relationship between materiality and sustainability; KPI and SDGs to which they contribute

		Materiality	SDGs to which it contributes	What the Group aspires to be and how it is related
Sustainability of society		Realization of carbon neutrality	 	About 70% of CO ₂ emissions from mixture plants in Japan (approx. 1.15 million tons a year) is estimated to be emitted by Nikko plants. While it will become a major risk if Nikko is late to respond to this, the Group believes that it also offers opportunities from various aspects including low carbon mixture manufacturing equipment and fuel transition, as it is also an important social issue.
		Establishment of recycling-oriented society		The four core technologies Nikko owns are indispensable for the establishment of the recycling-oriented society to come. We will further expand recycling of civil engineering materials through recycling facilities for asphalt paving materials and concrete waste, which have already been contributing considerably to material recycling, and offer machinery that enables the higher quality recycling required in the future.
Nikko's sustainability		Creation of new customer values	  	In its 2030 Vision, Nikko Group aims to become a “customers’ management partner through operation and maintenance service.” The Group will not only improve customer satisfaction by leveraging DX and AI but also pursue subscription contracts of maintenance service.
		Human resource development and improvement in job satisfaction	 	The importance of leveraging human capital increases further upon solving material matters. For Nikko to achieve the 2030 Vision, it is necessary to have human resources based on diversity and inclusion, and improving motivation by nurturing them, as well as improving their work-life balance and well-being also assuming importance.

Changes in Nikko Group's materiality map



KPI	FY 2023 results	Future action plan	Reference
- CO₂ emissions (Scope 1, 2, and 3) FY 2030: 50% reduction (compared to FY 2013) FY 2050: Net-zero - Net sales of decarbonization- and low-carbon-related products FY 2030: ¥2.7 billion	- CO₂ emissions: 763,885t-CO₂ (Scope 1, 2, and 3; down 42% from FY 2013) - Increased installation of warm mixture manufacturing equipment - Succeeded in mixture manufacturing test using hydrogen as fuel - Net sales of decarbonization- and low-carbon-related products: ¥1.2 billion	- Promote switch to green electricity throughout the group - Strengthen promotion of development and proposal of combustion technology for decarbonized fuels - Develop mechanism for using decarbonized fuels in collaboration with business partners to whom we supply fuels	▶ p.60 p.65
- Recycling of asphalt waste - Recycling of plasterboards - Recycling of concrete sludge	Practical use of concrete sludge recycling plant	- Promote installation of material recycling plants (enhance proposals to repeating customers) - Take part in initiatives (CUCO, etc.) for recycling concrete waste (turning it into decarbonized material)	▶ p.66
- Creation of new values through DX - Flat-rate service outsourcing count	Flat-rate service outsourcing contracts (cumulative): 39	In its 2030 Vision, Nikko Group aims to become a "customers' management partner through operation and maintenance service." We are promoting development of products and services leveraging DX and AI to solve customers' issues and also promoting flat-rate maintenance service (subscription) contracts aimed at contributing to improving customers' productivity and cost performance.	▶ p.70
FY 2030 - Ratio of female managers: 7% - Training duration and expenses per person: 10 hours, 50,000 yen - Ratio of employees taking childcare leave: 100% for female and 50% for male (FY 2025) - Attrition rate: 7% for three years from joining the company	- Ratio of female managers: 1.0% - Training duration and expenses per person: 15.4 hours, 75,000 yen - Ratio of employees taking childcare leave: 100% for female and 42.9% for male - Attrition rate: 10.3% for three years from joining the company	- We will gather employee feedback and aim to improve employee engagement and employee friendliness to create a more comfortable workplace. - We will introduce e-learning programs so that individual employees can proactively choose what they want to study to improve their knowledge and develop an environment where they can work on reskilling. - We will continue to actively hire foreign employees. - We aim to build a system that allows employees to work in a flexible manner that suits the individual employee's situation.	▶ p.72 p.74