



Sustainability strategy will very much determine Nikko's existence in the future. We will pursue revenues and create cash flows so that we can hand over the company to the next generation in a good shape in the future.

Director and Manager of
Corporate Planning Department
Koichi Kawakami

Q | What were the outcomes of Nikko Group's sustainability activities in FY 2023, and what are the priority initiatives for FY 2024?

We established the Sustainability Committee and started its activities in FY 2023. This committee is composed of about 10 members. They include, in addition to the five respective officers (directors) in charge of development, sales, finance, manufacturing, and corporate planning, about five young employees in the 20–30 age-group from each of those divisions. If only directors are involved, thinking could become rigid, so we believe that it is necessary to incorporate young people's flexible thinking, and this has been embraced as a good thing in discussions. The major activities in FY 2023 included drafting of the sustainability basic policy, division of

members' roles, and confirmation of material matters. In FY 2024, we reported the activities carried out till then in June, and in September, we discussed the policy on human rights and summarized the basic policy proposal for that. The plan is to hold Sustainability Committee meetings about four times a year. Going forward, we will discuss the initiatives related to human rights due diligence and work on giving concrete shape to it.

Q | What are the sustainability issues faced by the customers and by Nikko, and what are the actions the Company is taking in response to them?

We are supporting infrastructure through manufacturing and sales of asphalt mixture and ready-mixed concrete. When a natural disaster such as large-scale typhoon,

torrential rain, and earthquake occurs, we confirm the status of the plants we have supplied and support swift recovery when they have a problem operating. To enable this, it is necessary and important to have human resources such as field service staff and engineering employees. The construction and transportation industries are also sought to take actions regarding labor shortage (so-called 2024 problem), and the issue is the same for the industry in which we are involved. The road pavement companies and ready-mixed concrete industry often suspend operation of plants over weekends and during long holidays, and demand for facility replacement and maintenance services concentrates on these times. How Nikko and Akitsukai, which consists of contractors, respond to this is the challenge. Having employees work over weekends and during long holidays affect our company's sustainability in a major way. For this reason, we need to carry out plant diagnosis in advance, support operations to prevent troubles, and automate central control using remote plant operation. To this end, we are working on technology development of automated plant operation utilizing AI and IoT and at the same time promoting an initiative to offer preventative maintenance service in a subscription package, and the number of such contracts has been gradually increasing. If we can offer maintenance service that is efficient both for us and our customers, it will boost our revenues and greatly contribute to our corporate value.

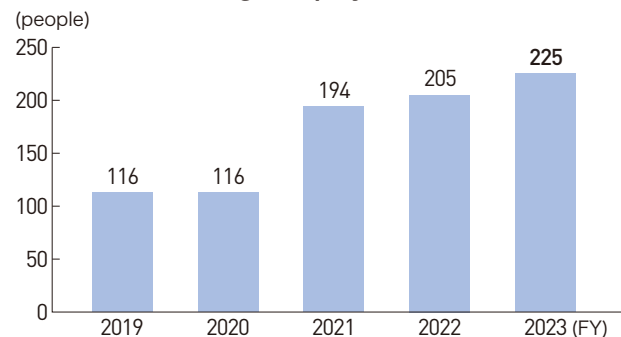
Q | What is the Nikko Group's future policy regarding the sustainability activities in Japan including group companies and overseas?

Like Nikko, our group companies are also engaged in infrastructure-related businesses and they have the same themes and issues regarding sustainability. Ube Kohki also manufactures and sells solar power generation equipment. The entire group needs to work on supply chains to address the human rights policy regarding sustainability. We will promote sustainability activities overseas as well

from now on. In the Asian region, recycling of asphalt mixture has been expanding in China and Thailand. Nikko has plenty of experience and track record in recycling equipment for asphalt mixture, and we have high expectations on expansion of the overseas business leveraging our strengths in the recycling field. Slightly different from the topic of sustainability activities, the operation of plants is the responsibility of operators. The role of operators, who operate plants safely and efficiently, is very important, and in order to nurture them, we need a place where they can gain the correct knowledge and put it into practice. Ever since opening the operator training center in 1969, Nikko has welcomed a total of 5,200 customers from about 250 locations around the country and given them training. I proudly consider this as a sustainable activity that supports plant operations. Overseas also, our subsidiary in China opened an operator training center, and we are planning on a similar initiative in Thailand. Along with being a sustainable activity supporting plant operations, it is also expected to boost the recognition of the Nikko brand.

Q As part of the responsibility to society described in the Sustainability Basic Policies, we have been promoting enhancement of human capital over the past several years. The Company changed the remuneration system in April 2023. What have been the outcome so far and the outstanding issues?

◆ Number of foreign employees



In the past few years, we have worked on enhancement of human capital through hiring of not only new graduates but also those with prior work experience and overseas human resources. We are pursuing the human resource strategy from a long-term perspective with focus on 2030. We proactively hired foreign human resources from FY 2022 to 2024, though we still have issues with acquisition of tech talents. We hope the increased number of foreign human resources will bring in not only language skills but also global perspectives and stimulate other employees. In the newly introduced personnel system, managers provide support to subordinates and carry out goal management through four one-on-one meetings a year. This puts more emphasis on target setting, implementation, and confirmation of re-planning process than on personnel evaluation. We are still in a trial and error phase as this is a new initiative, but we have received a certain level of appreciation for these meetings from young employees. Going forward, we are considering preparing guidelines for the one-on-one meetings to reduce the workload of managers.

Q What are the future initiatives and expected effects regarding the responsibility to global environment in the Sustainability Basic Policies?

We are working on utilization of alternative fuels such as ammonia and biomass in addition to hydrogen-fueled burners toward realization of decarbonized economy. We are implementing them across a broad range and in all directions including collaborations with universities and other industrial sectors. Tokyo Metropolitan Government approved the use of medium-temperature asphalt mixture, which is expected to reduce CO₂ emissions, and this has spread to other prefectures, and our foamed asphalt manufacturing equipment achieved significant success. In addition, we have much expectations also on the thermal mixture boxes, which extends the distance that you can transport mixture by preventing temperature decline. We participated in a test installment in Hokkaido,



a cold region, and we were able to demonstrate the heat retention properties of the boxes and maintenance of mixture quality. We believe that carbon neutrality and material recycling are fields that we should be focusing on, and we plan to further strengthen them.

Q Finally, what do you aim to achieve with the sustainability strategy in the future?

We marked the 105th anniversary since our inception in 1919, and I feel Nikko itself is sustainable given its long history. I would like to express our gratitude to the efforts of our seniors who have supported the Company till now. At the same time, we need to hand it down in an even better shape to the next generation, and this is the sustainability we aim to achieve. In the current Medium-Term Management Plan, we have enhanced management resources primarily of capital investment and human capital, and in the next Medium-Term Management Plan, an important theme is to firmly secure revenues and generate cash. To this end, we need to work resolutely and act proactively to build and promote the ecosystem of the Nikko business without limiting ourselves to enhancing the potential of individual products. We intend to maintain this mindset at all time as we push forward.