2030 Vision and Medium-Term Management Plan

2030 Vision

The Nikko Group aims to achieve a net sales of 70.0 billion yen, operating income of 7.0 billion yen (operating margin 10.0%), ROE of 10% or higher, and market cap of 50.0 billion yen in 2030, by expanding the highly profitable service business, growing and monetizing the overseas AP business centering on the ASEAN region, and solving the issues faced by the customers and society, while maintaining and strengthening the Nikko brand, which boasts high technological and product capabilities.

Nikko Group

A top manufacturer of plant facilities and environmental products, backed by high technological capability, and a business partner that supports customers through operation and maintenance services.

Creating robust, people-friendly cities around the world.

Vision

FY 2030 Numerical Targets

Net sales: 70.0 billion yen Operating margin: 10.0%
ROE: 10.0% or higher Market cap: 50.0 billion yen

Business transformation
- AP-related business in Japan
- BP-related business in Japan
- Maintenance service business

Scale expansion leveraging technology
- Overseas AP-related business
- Environment- and conveyor-related business
- Mobile plant (MP) sales and other business

Strengthening of operation and maintenance services

Lateral expansion of products and markets

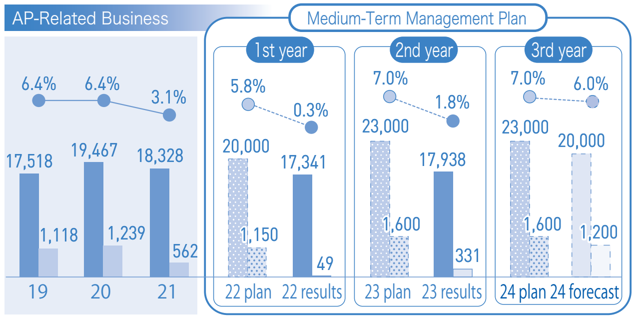
Progress in the numerical targets for the Medium-Term Management Plan

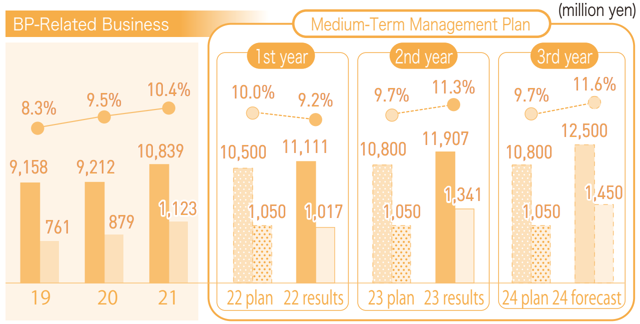
Although the Group steadily implemented various growth investments and revised the product prices, it was unable to meet the numerical targets for FY 2023, the second year of the Medium-Term Management Plan. This was due to factors such as the worsening business environment surrounding customers in the AP-related business, China's economy stalls, and the delay in the start-up of the Thailand business. However, these business environments are in a recovery trend, and the Group achieved a significant increase in net sales and income compared to FY 2022.

(million yen)

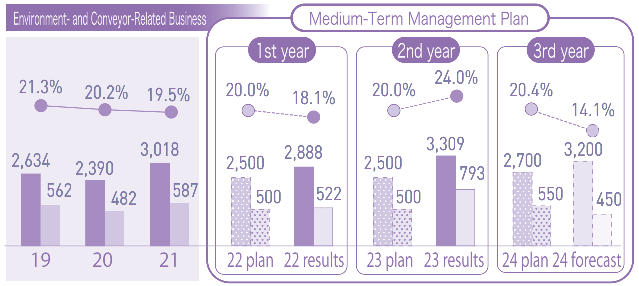
	Previous Medium-Term Management Plan			Medium-Term Management Plan					
	FY 2019 results	FY 2020 results	FY 2021 results	FY 2022 plan	FY 2022 results	FY 2023 plan	FY 2023 results	FY 2024 plan	FY 2024 forecast
Sales	35,151	37,866	38,846	42,000	39,665	48,000	44,097	50,000	48,000
Operating income	2,053	2,302	2,053	2,300	1,028	2,800	1,968	3,000	2,600
Net income attributable to owners of parent	1,588	2,082	1,649	1,600	1,020	1,900	1,312	2,100	1,700
Dividend per share (yen)	40	33	30	30	30	30	30	35	30
Total dividend	1,550	1,260	1,146	1,144	1,147	1,144	1,149	1,334	1,149
Dividend payout ratio	97.6%	60.5%	69.5%	71.5%	112.5%	60.2%	87.6%	63.5%	67.6%
Net assets	30,293	31,451	32,050	32,506	31,604	33,262	33,086	34,028	33,637
ROE	5.2%	6.8%	5.2%	4.9%	3.2%	5.7%	4.1%	6.2%	5.1%

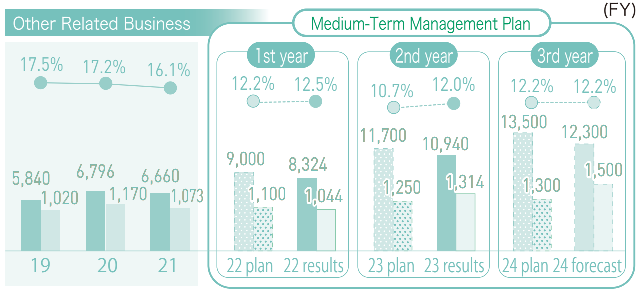
(million yen)





(FY)





Net sales Operating income Operating margin

Medium-Term Management Plan (FY2022-FY2024)

The Medium-Term Management Plan, which began in FY 2022, positions the years covered as the internal investment phase to realize the 2030 Vision, and the Group is building structures, processes, and systems to this end. We will enhance corporate value by strengthening human capital, developing environmentally friendly products, conducting M&A, acquiring new core technologies, and introducing new products leveraging AI and remote technologies.

Measures for the Medium-Term Management Plan and their progress

In FY 2023, we significantly increased the number of employees in preparation for business expansion, and also introduced a new personnel system and initiated organizational changes. In the AP-related business in Japan, our support for decarbonization progressed steadily. We also saw results in our measures to support remote operations and automation. In the overseas AP-related business, we succeeded in developing global standard plants. The measures in the BP-related business are also executed steadily.

Item	(Cumulative results for FY 2022-FY 2023)	
Human resource reinforcement	●AP-related business field ●BP-related business field ●Environment- and conveyor-related field ●Overseas ●Development ●Mobile plants ●Other business	Increase of 86 employees
R&D	●AP-related business field (incl. overseas) ●BP-related business field ●Environment- and conveyor-related field ●Other business	1.18 billion yen
Capital investment	●AP-Related Business (FY 2022 Shanghai, Thailand, etc.) Machinery and installation expenses ●(FY 2022) Construction of warehouses for AP- and BP-related businesses (FY 2023) Construction of a new plant, machinery, and installations (FY 2022, 2023) Software, etc. ●Other business	4.52 billion yen

Medium-Term Management Plan (2022-2024)

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

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 yen
Operatingmargin: 5.3%

Internal investment phase
Staff reinforcement: addition of 145 employees
R&D: 2.53 billion yen
Capital investment: 6.0 billion yen

Build structures, processes, and systems that form the foundation of the 10-year vision in the three years during the medium-term plan and promote testing and system development of new services with an eye towards the next 10 years

2024
Net sales: 500 billion yen
Operating margin: 6.0%

Towards a powerful business expansion phase from FY 2025

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

2030
Net sales: 700 billion yen
Operating margin: 10.0%

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

Measures for the Medium-Term Management Plan and their progress

AP-related business in Japan BP-related business
Overseas AP-related business Mobile plant business MS business
Growth investment/reinforcement of internal functions

Towards a powerful business expansion phase from FY 2025

FY 2022-FY 2024
Internal investment phase

FY 2022
●Developed new AP "VPIV-Clover"
●Developed hydrogen burner
●Developed new mixture transport BOX

FY 2023
●Developed new mobile soil improver "Mobix Eco"
●Released mixture silo system "SiiLO"
●Developed ASEAN standard model "NAP.ACE-130"
●Started operation of work management system "Mimamori-kun"
●Released MP app "NM-LINK"

FY 2024

■Major measures implemented in FY 2022 and FY 2023

FY 2022
●Formulated management philosophy
●Established ASEAN Business Strategy Office

FY 2023
●Launched new personnel system
●Acquired Matsuda Kiko into the Nikko Group
●Began transition to Salesforce solutions in the service division

For both FY 2022 and FY 2023
●Significantly increased personnel in preparation for business expansion
*Number of employees of the Nikko Group
From 861 in April 2021 to 1,117 in March 2024
●Implemented dynamic organizational change to solve issues, etc.
●Uplifted standardization ratio of plant designs
e.g., With the adoption of VP series
Achieved a 70% standardization ratio in FY 2023, an increase from no more than 30%