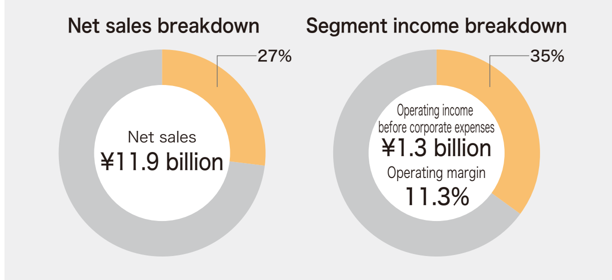
BP-Related Business

With continued strong demand, we aim to expand market share and improve profitability as we accelerate development of products that help customers save energy in addition to expanding sales of equipment for absorbing CO_2 with concrete.

Executive Officer and Manager of Industrial Machinery Sales Management Department, Business Division

Katsumasa Takenami



Values to be created

- We will support Japan's construction industry by ensuring the stable supply of high-quality products that meet the standards of JIS standard concrete and special concrete for precast concrete.
- We support realization of decarbonized society through supply of equipment for manufacturing calcium carbonate used for absorbing CO_2 with concrete.
- We offer products and services that contribute to predictive maintenance, automated operation, and energy saving in response to the workstyle reforms and labor shortage in the construction industry.

Technology platform for value creation

- We internally develop and manufacture control technology and control panels, which form the brain of plant facilities.
- We have technologies and knowhow for remote monitoring and various data analyses and offer preventative maintenance and optimum operation of plants.
- We are the only manufacturer who can perform the entire process from manufacturing to maintenance.

Status of the BP-related business (FY 2023)

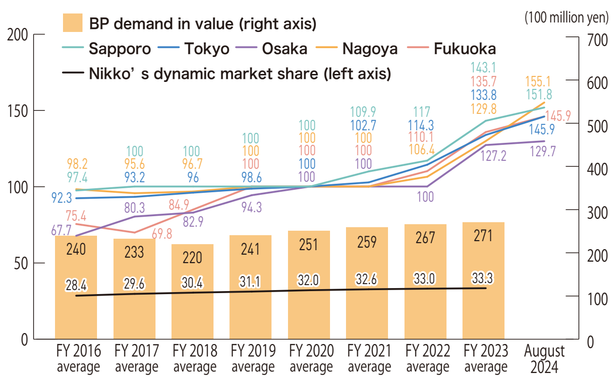
Business overview	Details
Products	Concrete plants, etc.
Customers	Ready-mixed concrete manufacturers, construction companies, etc.
Market share	Static share in Japan: 33.3%
Sales composition and breakdown by region	27% of overall sales (Japan: 99%, China: 0.3%, exports: 0.1%)
Operating margin	11.3% (8.3% in FY 2019 before the COVID-19 pandemic)
Ratio of MS net sales	45.1%
Production bases	Akashi head office factory and Shanghai, China

MS: maintenance service

Trend in leading performance indicator (ready-mixed concrete price)

Ready-mixed concrete manufacturers, who are the customers of the BP-related business, are raising ready-mixed concrete price given the soaring prices of raw materials such as cement and gravel. The indexed price of ready-mixed concrete, with the FY 2020 level as 100, was 133.8 for Tokyo, 127.2 for Osaka, and 129.8 for Nagoya in FY 2023. More recently, as of August 2024, it was 145.9 for Tokyo, 129.7 for Osaka, and 155.1 for Nagoya, showing further increases in prices. Demand value of batcher plants (BP), which appears to be closely linked with the ready-mixed concrete price, is maintaining a gradual increasing trend thanks in part to demand for maintenance services. Operating margin of our BP-related business has also improved to 11.3% in FY 2023 from 8.3% in FY 2019.

Ready-mixed concrete price index of major cities (FY 2020 = 100)

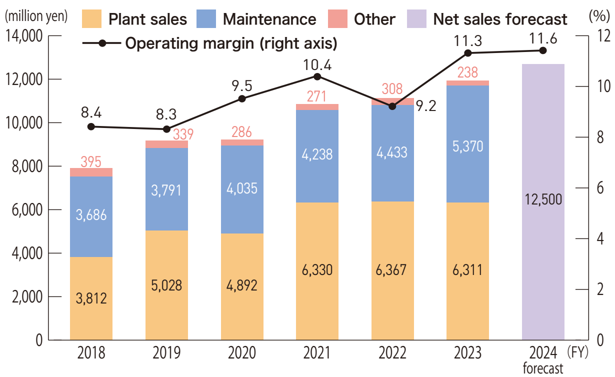


Trend in BP-related business performance

In FY2023, order intake in the BP-related business increased 25.0% from the previous fiscal year to 14.323 billion yen, net sales increased 7.2% year on year to 11.907 billion yen, and operating income rose 31.9% year on year to 1.341 billion yen (11.3% in operating margin). This can be attributed to customers' improved business performance and their continued high appetite for capital investment on the back of the rising price of ready-mixed concrete. The effect of increased revenue as well as the impact of product price increases have contributed to improvement in profitability of operating income.

In FY 2024, we are expecting maintenance service demand to remain strong in addition to continued replacement demand for plants. We are also seeing signs of improvement in precast concrete-related investment. Under such circumstances, we are expecting net sales of the business to increase 5.0% from the previous fiscal year to 12.5 billion yen and operating income to rise 7.5% year on year to 1.45 billion yen (11.6% in operating margin).

Net sales by product, operating margin, and net sales forecast



Business strategies

We aim to become an environment-friendly manufacturer head and shoulders above the competition by offering total management of customers' plant facilities for ready-mixed concrete, developing products that meet expectations for high-quality precast concrete, and supplying products that contribute to the realization of a decarbonized society.

Initiatives and achievements in FY 2023

BP-related business	Medium-term plan (FY 2022-FY 2024)	Achievements in FY 2022–FY 2023		Progress vs. plan
Total concrete management system	Promotion of plant standardization through deployment of in-house developed control panels and accumulation of operational information on customer plants	FY 2023	Formulated Nikko Open Platform Concept, an open platform for total management of all data related to concrete manufacturing ・Built digital plant management system ・Completed a prototype waste water treatment package (to be sold in 2024) Completed a prototype waste water treatment package (to be sold in 2024) Planned to make minor changes to control panel Started concrete initiatives for standardizing plants	○
	Introduction of customer plant operation support service	–FY 2023	Concluded a total of 28 subscription contracts	○
		FY 2024	Work on functional expansion of digital factory management (material management and monitoring of entire factory), develop digital facility ledger function	○

BP-related business	Medium-term plan (FY 2022-FY 2024)	Achievements in FY 2022–FY 2023		Progress vs. plan
Mobile plants	Deployment of mobile plants in areas where delivery is not available due to the consolidation of plants	FY 2022	Delivered a plant to a precast concrete user for a project Received inquiries related to disaster recovery and special concrete demand (One unit was budgeted for FY 2024. Work on design, mixer shape, auxiliary equipment, etc. was started according to applications for further sales expansion.)	△
Environmentally friendly products	Development and deployment of products in response to customers' environmental needs such as CO_2 emissions reduction	FY 2022–2023	Started research on methods to reduce electricity consumption in concrete manufacturing by participating in a GI Fund project to develop manufacturing technology for concrete, etc. using CO_2 and building a demonstration plant	○
		FY 2022–2023	Proposed manufacturing equipment including Eco Tankaru to precast concrete users (delivered products in two projects and received inquiries for 12 projects)	◎
		FY 2022–2023	Established a cooperative framework with Mitsubishi Corporation for introduction of technology from CarbonCure Technologies of Canada (Contracts for a ready-mixed concrete plant and a precast concrete plant) (Received multiple inquiries)	△

Business environment trends

Business opportunities

- Advancement in use of precast concrete for building components (increasing demand for facilities installed in factories)
- Reinforcement of initiatives for decarbonization through absorption of CO_2 using concrete
- Expansion of market share (relatively small compared with Nikko's AP market share)
- New customer needs such as subscription maintenance and jet heater
- Increasing demand for mobile plants due to shrinking market and for disaster responses

Risks

- Shrinking Japanese market
- Price war with rival companies
- In-house manufacturing ratio is high and fixed costs are large

Business strategy in the medium-term plan

Business strategies

(1)Data management and analysis using Nikko-developed control panels (2)Customer plant operation support service (3)Expansion of mobile plants to address consolidation of ready-mixed concrete plants (4)Product development addressing customers' environmental needs

Numerical targets of medium-term plan

	FY 2022	FY 2023	FY 2024 forecast	FY 2024 medium-term plan
Net sales	¥11.1 billion	¥11.9 billion	¥12.5 billion	¥10.8 billion
Operating income	¥1.01 billion	¥1.34 billion	¥1.45 billion	¥1.05 billion
Operating margin	9.2%	11.3%	11.6%	9.7%