Environment- and Conveyor-Related Business

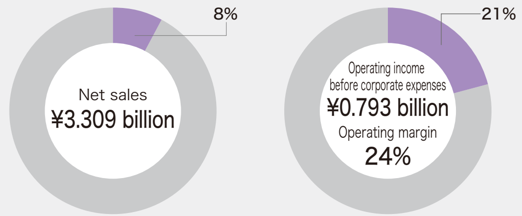
Significantly exceeded the numerical targets of the medium-term plan. We aim to improve our market share while attaching importance to profitability amid anticipated growth in new demand such as applications for plastic waste.

Manager, Industrial Machinery Sales Department, and Manager, Sales Section 2, Industrial Machinery Sales Management Department

Yosuke Kojima

Net sales breakdown

Segment income breakdown



Values to be created

- Conveyors offered by the conveyor business accurately and safely carry diverse materials by adapting to various tilt angles.
- In the environmental business, we will contribute to building a recycling-oriented society that is friendly to the earth's environment by offering various recycling equipment, soil improving plants, biomass-related facilities, can and bottle separators, etc.

Technology platform for value creation

- The length of conveyors can be adjusted in increments of 10 cm by using common and standard modules. Customers can readily customize it.
- We have been securing high profitability through shorter delivery times and lower costs compared to competitors, and have shipped more than 300,000 units till now.
- In the environmental business, we have built an integrated system starting from development to maintenance services corresponding to customer requirements by leveraging Nikko's four unique core technologies (mixing and kneading, heating, material handling, and control).

Status of the environment- and conveyor-related business (FY 2023)

Business overview	Details
Products	Various types of conveyors and environmental recycling equipment
Customers	Waste treatment, civil engineering, various manufacturing, etc.
Market share	Share of the portable conveyor market: 64%
Sales composition and breakdown by region	8% of overall sales (conveyors: 78%, environmental equipment: 19%, service: 3%)
Operating margin	24.0% (21.3% in FY 2019 before the COVID-19 pandemic)
Ratio of MS net sales	2.9%
Production bases	Akashi head office factory

MS: maintenance service

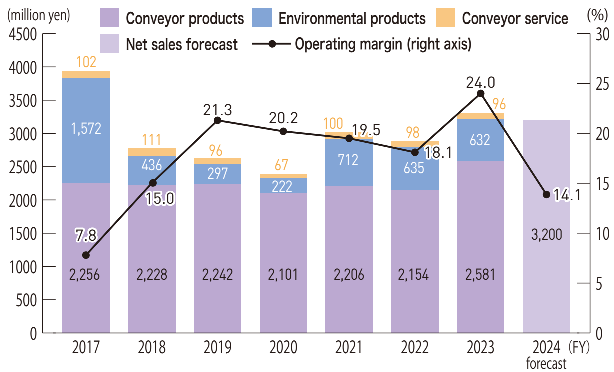
Market and business performance trends

Recycling laws regarding waste plastic such as containers and packaging have been tightened, and strong demand for conveyors has been continuing mainly in Osaka and Tokai regions.

In FY 2023, order intake increased 49.2% from the previous fiscal year to 3.812 billion yen, net income rose 14.6% year on year to 3.309 billion yen, and operating income increased 51.9% year on year to 0.793 billion yen (24.0% in operating margin, significantly exceeding the numerical targets in the medium-term plan. The business results were boosted by the sales of large-scale projects related to World Expo and Fukushima soil remediation as well as price increases of products in addition to the strong showing by the conveyor business.

For FY 2024, we expect net sales to decline 3.3% from FY 2023 to 3.2 billion yen and operating income to fall 43.3% to 0.45 billion yen (14.1% in operating margin). This is mainly attributable to the completion of large-scale environmental projects for World Expo.

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



Market Environment Trends

Business opportunities

- Strengthening of various recycling laws for waste plastic, solar panels, lithium-ion batteries, etc. (an increase in demand for recycling equipment)
- Entry into the highly rigid stringer conveyor market, which is large
- Increase in market share
- Sales synergies with the crusher-based business and contract-based manufacturing business

Risks and issues

- Human resource shortages
- Calcination technology in the environment-related business
- Intensifying competition
- Soaring transportation costs (which can be passed on)

Business strategy in the medium-term plan

(1)Modularization and customization of portable conveyors
(2)Strengthening of relationship with customers utilizing online services
(3)Offering and sales expansion of stringer conveyors with short delivery times at low price, which we are focusing on
(4)Engineering proposals for conveyor lines

Numerical targets of medium-term plan

	FY 2022	FY 2023	FY 2024 forecast	FY 2024 medium-term plan
Net sales	¥2.8 billion	¥3.3 billion	¥3.2 billion	¥2.7 billion
Operating income	¥0.52 billion	¥0.79 billion	¥0.45 billion	¥0.55 billion
Operating margin	18.1%	24.0%	14.1%	20.4%