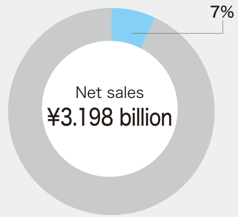
Crusher-Related Business

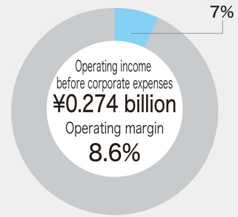
In addition to expanding the sales channels within and outside Japan, we will strengthen maintenance service sales by improving sales skills while bolstering the lineup of products developed by us. We will continue with our efforts to achieve further leap under the theme of rebooting of business.

Director, Manager, Service Planning Department, and Manager, Mobile Plant Business Department, Business Division
Takeshi Sone

Net sales breakdown



Segment income breakdown



Values to be created

- Our products enable reuse of soil and slug generated at construction sites and in steel mills, and therefore are efficient and highly economical.
- Being mobile, they can be transported easily to the desired location (facilitating replacement of stationary machines).
- Similar to hydraulic excavators, it is easy to resell our products as second-hand machinery at high prices, enabling early recovery of investment.
- Our products have high fuel efficiency and support customers' decarbonization efforts.

Technology platform for value creation

- KLEEMANN products boast the highest fuel efficiency in the world.
- No need for charging equipment or power source, and short installation period of one or two days.
- Nikko-developed soil improving apparatus is an electric-hydraulic hybrid (low fuel consumption) and is highly environment friendly.
- Distinctive product development leveraging Nikko's proprietary core technology (high level mixing and kneading technology).

Status of the crusher-related business (FY 2023)

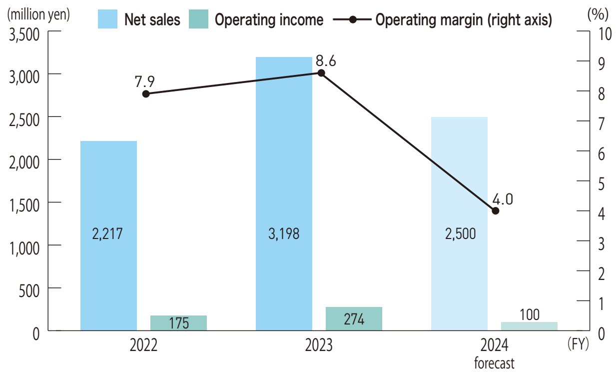
Business overview	Details
Products	Mobile crushers, automated separator screens, soil improving apparatus, and belt conveyors
Customers	Stone crushing, mining, civil engineering and construction companies, steel industry, rental companies, dismantling and recycling, disaster recovery, etc.
Market share	27% domestic share in mobile crushers and 29% in screens
Sales composition and breakdown by region	7% of overall sales (6% in FY 2022)
Operating margin	8.6% (7.9% in FY 2022)
Ratio of MS net sales	4%
Production bases	Tokyo Sales Department, Tokyo mobile center, Hokkaido branch, Osaka branch, Kyushu branch

MS: maintenance service

Market and business performance trends

In addition to the continuing upgrade and switch to mobile crushers from stationary ones, we are also seeing new emerging demand in rental field, steel mills, cement industry, and other areas. Given the increase in cumulative number of machines in operation, there is rising expectation for growth in demand for maintenance services. In FY 2023, order intake received rose 45.3% from the previous fiscal year to 3.403 billion yen, while net sales increased 44.2% to 3.198 billion yen. Operating income rose by 56.6% year on year to 0.274 billion yen (8.6% in operating margin). In addition to the special demand for Ukraine restoration projects, we also saw expansion in customer layer accompanied by rise in market share. We are expecting the favorable demand environment in Japan to continue in FY 2024, but we anticipate net sales to fall by 21.8% from FY 2023 to 2.5 billion yen and operating income to decline 63.5% year on year to 0.1 billion (4% in operating margin) following the dissipation of the special demand projects for Ukraine.

Trend in crusher-related business performance



Market Environment Trends

Business opportunities	● Switch from stationary to mobile crushers ● Increasingly being adopted in steel mills, which is a large market ● Development of overseas market taking advantage of the exports to Ukraine ● Improved price competitiveness with appreciation of yen ● Companies in the rental industry led by Aktio are expanding the use of mobile crushers ● Increased sales to AP and BP customers (synergy effects) ● Capturing the maintenance service demand created by the increase in cumulative units sold ● Revenue growth from enhanced Nikko-developed product lineup ● Increase in market share
Risks and issues	● As KLEEMANN products are imported from Germany, depreciation of yen will be a negative factor ● Secured production slots till FY 2025 of KLEEMANN's production capacity ● Intensified competition following market expansion ● Nurturing maintenance service personnel
Business strategy in the medium-term plan	(1)Sales expansion of mobile plants and strengthening of profitability (2)Enhancement of product lineup (3)Strengthening of sales structure and promotion of maintenance service business

Numerical targets of medium-term plan

	FY 2022	FY 2023	FY 2024 forecast
Net sales	¥2.2 billion	¥3.1 billion	¥2.5 billion
Operating income	¥0.17 billion	¥0.27 billion	¥0.10 billion
Operating margin	7.9%	8.6%	4.0%