Key Points of Value Creation Process

Management Capital Related to Value Creation

	Input items (FY2024)	Closely related material matters	Outcome items (FY2024)	Joint value creation with stakeholders	What we aspire to be in 2030 Vision	Reference
Financial capital	• Total assets of 63.7 billion yen, equity ratio of 54.2%, interest-bearing debts of 10.2 billion yen	• Realization of carbon neutrality, human resource development and improvement in job satisfaction	• ROE of 5.9% (equity spread of 1.1 pp), dividend payout ratio of 61.2%	• Shareholders, investors • Employees	• Net sales of 70.0 billion yen, operating margin of 10%, ROE of 10% • Achieve a market cap of 50.0 billion yen	▶p.33
Manufactured capital	• Capital investment worth 3.0 billion yen, the ratio of property, plant and equipment to total assets of 24.0%	• Creation of new customer values, development of human resources and improvement in job satisfaction	• Property, plant and equipment of 15.3 billion yen, up 2.1 billion yen	• Employees • Customers	• Continue with high-level capital investment, boost capacity through leveling of operations and collaboration with group companies	▶p.36
Human capital	• Number of employees: 1,133 (including 197 foreign nationals)	• Creation of new customer values, development of human resources and improvement in job satisfaction	• Female manager ratio of 1.0%, attrition rate (within 3 years) of 15.6%	• Employees • Local community, future generation	• Reform of organizational culture and contribution to profits through promotion of DE&I • Ratio of female managers: 7.0%	▶p.35
Intellectual capital	• R&D expenses of 0.7 billion yen, 193 patents obtained	• Creation of new customer values, realization of carbon neutrality	• Number of patents acquired: 9 (up 2); design registrations: 14 (up 12)	• Employees • Customers	• Concrete proposals for decarbonization and establishment of recycle-based society from the perspective of the top manufacturer	▶p.35
Social and relationship capital	• Tombo-kai (sales agents) has 122 companies; Akitsu-kai (contractors) has 206 companies	• Creation of new customer values	• Strong relationship of trust with business partners, contribution to local community	• Business partners • Local community, future generation	• Passing down of techniques and skills in collaboration with suppliers, co-existence and co-creation with local community	▶p.36
Natural capital	• Power usage (non-consolidated): 3.565 million kWh	• Realization of carbon neutrality, establishment of recycling-oriented society	• Scope 1, 2, and 3 CO_2 emission reduction by 43% vs. FY2013 • Net sales of decarbonization- and low-carbon-related products: 0.8 billion yen	• Local community, future generation	• Reduction of Scope 1, 2, and 3 CO_2 emissions in FY2030 by about 50% vs. FY2021 • Net sales of decarbonization- and low-carbon-related products: 3.2 billion yen	▶p.36

Key Points of Business Activities and Value Chain

The Nikko Group's businesses are mostly B-to-B, and our key customers are road pavement companies, infrastructure-related businesses, and construction-related businesses. Our business segments are: (1) AP (asphalt plant)-related; (2) BP (concrete plant)-related; (3) Environment- and conveyor-related; (4) Crusher-related; (5) Contract-based manufacturing; and (6) Other business. Sales outside Japan are mostly in China and ASEAN states, making up 8.5%.

Each business department has its production, sales, and engineering functions, and we receive orders either directly from customers or through sales agents. Most of these received orders are preceded by meetings with the customers. A series of these meetings begins with the presentation of our estimate and moves on to the signing of a contract, followed by the process that spans design, production, procurement, construction work, delivery, billing collection, and maintenance services. This whole project forms one value chain. Nikko's value chain has safety and security, quality, and compliance included as standards, and we combine them with our unique business activities to offer values to customers.

Core Technologies

Mixing

Technologies for mixing and kneading various raw materials ranging from liquids to solids

Heating Technology

Technology for burning various fuels to burn and dry materials with high heat

We will diversify from the mainstay businesses to new fields by leveraging the 4 + α core technologies.

Control Technology

Technology for designing and producing the brains that control the plants and machinery by leveraging IoT and AI

Material Handling

Technology to carry and sort any kind of material, diagonally or straight up

	Goals in 2030
R&D	■ Full-scale installation of low-carbon and environmentally friendly products ■ Installation of automated products leveraging AI and IoT technologies ■ Product development contributing to all group companies ■ Ratio of net sales of new products 10%
Sales and consultation	■ Next-generation green solutions on offer ■ Teleoperation systems in place through digital innovation ■ Front runner in the plant industries across the ASEAN market ■ Engineering solution company
Planning and designing	■ Plant solution provider ■ Proposals that create values at both customers and society ■ Comprehensive support of remote operation, automation, saving manpower ■ Overseas expansion of global standard products
Procurement	■ Achievement of both stable procurement and cost optimization ■ Information sharing with suppliers and favorable relationship of trust with them ■ Enhanced communication on purchasing with Nikko Group companies and generation of synergies
Manufacturing	■ Productivity up 10% ■ Promotion of flexible delivery of a wide variety of products in short delivery time ■ Achievement of both quality improvement and manufacturing cost reduction ■ Improved productivity of Thai subsidiary ■ Manufacturing collaboration within the Nikko Group and generation of synergies
Construction work	■ Operation engineers (plan): 60 (up 10 from existing level) ■ Reinforcement of field management engineers and chief engineers for all sorts of plant installation work ■ Digitization of work plans, safety documents, etc. for their greater availability ■ Area expansion to eastern and western bases from the head office (from 2025 onwards)
Maintenance	■ Start of plant management and operation services through asset management ■ Global operation of customer support

More robust foundation for value creation to increase profitability!