Strategies for Management Resources Aligned with Management Strategies

The Nikko Group sets out the theme “Increase profitability” in the 2025–2027 Medium-Term Management Plan. “Creation of new customer values,” which is one of our material matters, is the key to increasing profitability, and it also leads to the Nikko Group’s greater sustainability.
The KPIs to measure the creation of new customer values are the creation of new values through DX and the plant management services on offer using asset management. Relevant management resources include human capital, intellectual capital, manufactured capital, and social and relationship capital. When optimally combined, these resources lead directly to higher corporate value. The 2030 Vision sets out that we will become a “business partner that supports customers through operation and maintenance services.” We are committed to delivering to our customers safe and stable plant operation through DX- and AI-driven labor reduction and automation.

Human Capital

Basic policies

All employees are the most valuable management capital for the Nikko Group. We are engaged in building an organization capable of making sustainable contribution to society and nurturing our human resources while quickly responding to all changes surrounding our business. We have defined our ideal human resource as human resource that reinvents for the future, human resource that takes on challenges without fear of failure, and human resource that respects and collaborates with diverse coworkers, and along with developing a rewarding work environment and investing actively in human resources. We are also raising effectiveness by setting metrics and targets.
We aim to become a professional group that will contribute to a sustainable society towards realizing our future vision of “Creating robust, people-friendly cities around the world.”

Results of management resource expansion (FY2020 ➡ FY2024)

- Number of employees (consolidated): 861 ➡ **1,133**
- Ratio of foreign employees: 13.5% ➡ **17.4%**

Message from management

- Create a self-driven corporate culture that allows all employees to think and act for themselves.
- Inject energy to internal communication to create an open atmosphere in each work environment.
- Each employee should aspire to make Nikko an even greater company.

Strategy for realizing the 2030 Vision

We are rebuilding the human resources management platform and system and carrying out active investments in human resources towards enhancing our human capital. The long-term (10-year) basic policy looking into the future lists the implementation of workstyle reforms for the employees and aims to significantly raise labor productivity. We are adding staff especially to the maintenance business and technology development divisions, and we expect to see the impact of this in the realization of the long-term vision.
We will aim to realize the vision through vitalization of the organization and improvement of job satisfaction while continuing to raise wages.

Intellectual Capital

Basic policies

Adding measurement technology to the four core technologies (mixing and kneading, heating, control, and material handling) of the Nikko Group, we will accelerate the development of differentiated technology and the commercialization of resulting products ahead of other companies. Our basic policy is to contribute towards solving the decarbonization, labor shortage, environmental, and other issues faced by our customers by strengthening our maintenance service business such as remote monitoring and operation of plants leveraging data analysis, IoT, AI, and other technologies. Pursuing, now more than ever, R&D based on the approach to offer what customers want, we will aim for operational management focused on profitability. The Nikko Group is planning to make R&D investment worth 2.9 billion yen in the three years of the current medium-term plan.

Results of management resource expansion (FY2020 ➡ FY2024)

- R&D expenses: 0.392 billion yen ➡ **0.671 billion yen**
- Number of patent registrations: 9 ➡ **14**

Message from management

- Visualize our technologies in such a way that we will be recognized for excellence in quality.
- Establish a test center to earn greater customer trust.
- Explore the possibility of holding technology presentation sessions on customer-focused themes.

Strategy for realizing the 2030 Vision

Currently, we are speeding up the initiatives aimed at commercialization of environmentally friendly products and their social implementation focused on decarbonized society in the short- to medium-term in accordance with the technological and product development roadmap through 2050. The Nikko Group is leveraging DX and AI to respond to the serious manpower shortage in the construction industry, while strengthening development of technology for improving efficiency and labor saving, such as remote operation of plants that ensures safety and preventive maintenance.
In addition, we plan to work with Group companies in making effective use of our management resources to make active proposals.

Manufactured Capital

Basic policies

We have an integrated production structure where we manufacture everything in-house from the plant to the control panels. Our basic policy is to manufacture high quality products efficiently and deliver them to customers through collaboration with our business partners. Also, we take all possible measures to ensure safety and quality while meeting delivery deadlines. These include measures such as carrying out appropriate construction of plants and machinery depending on the environment and location in addition to checking the operation of the plants using digital twins.
We strengthened our Customer Support Center (CSC) in 2018 and are focusing on maintenance services for customers' facility assets, including preventive maintenance and other support. During the period of the current medium-term plan, we will be making a capital investment of 6.0 billion yen over the three years to boost profitability and invest in the enhancement of efficiency.

Results of management resource expansion (FY2020 ➡ FY2024)

- Capital investment: 2.748 billion yen ➡ **3.042 billion yen**
- Property, plant and equipment: 9.383 billion yen ➡ **15.305 billion yen**

Message from management

- Re-examine the culture in which being a self-contained business is a priority; selection and concentration.
- Transition from a business that is centered on orders received to an enterprise that actively creates markets.
- Achieve synergy between the contract-based manufacturing business, Ube Kohki, and Matsuda Kiko.

Strategy for realizing the 2030 Vision

The Nikko Group plans to make a cumulative capital investment of 6.0 billion yen during the three-year period of the current medium-term plan (cumulative 7.56 billion yen in the previous three-year medium-term plan period), which includes the construction of a development test center (1.0 billion yen).
We are considering using the head office factory for AP, BP, and recycling plants and relocating the belt conveyor factory to another location in the future. We are planning to invite customers so that they can observe how the plant operates at the development center to showcase our technologies as well as to use the center as a forum for business negotiations.

Social and Relationship Capital

Basic policies

As a solution partner, the Nikko Group aims to strengthen the maintenance service business in order to enable labor saving and automation of plants, which are issues faced by our customers. We are transforming the model of the maintenance service business into an asset management service, in which Nikko manages plants owned by customers, by using Nikko's unique contractor network Akitsu-kai, which currently has 206 member companies, as the base.
Toward solution of decarbonization and other social issues, we will develop an ecosystem with other companies including our customers, a process where collaboration and cooperation are indispensable.

Results of management resource expansion (FY2021 ➡ FY2024)

- Tombo-kai (sales agents): 123 ➡ **122 companies**
- Akitsu-kai (contractors): 195 ➡ **206 companie**

Message from management

- Establish business management geared to the cost of capital and stock price through engagement in dialogues.
- Establish a structure that enables us to steadily offer jobs to contractors in the maintenance service business.
- Work with stakeholders to pursue future-oriented projects.

Strategy for realizing the 2030 Vision

Companies in the construction industry are our customers, who urgently need to save and reduce labor when they take a long-term perspective. Nikko aims to solve these social issues by strengthening the maintenance service business (e.g., human capital), where we have a competitive edge, and by transforming our business model.
Also, we are considering addressing decarbonization, including carbon neutrality, from a broad perspective by building an ecosystem involving customers and business partners without just relying on our technology alone.

Natural Capital

Basic policies

Climate change caused by greenhouse gas (GHG) emission has an enormous impact on society and economy, and Nikko Group recognizes that it is one of the pressing social issues the Group should work on. In this context, we not only need to reduce GHG emissions from our own business activities but also reduce CO_2 emissions from Nikko-made plants owned by our customers.
The Nikko Group will develop related technologies for reducing CO_2 emissions and offer products and services for enabling carbon neutrality in order to contribute to the realization of a sustainable society.

Results of management resource expansion

- Decarbonization and low-carbon products: 0.108 billion yen (FY2021) ➡ **0.776 billion yen** (FY2024)
- CO_2 emissions (Scopes 1, 2, and 3: 1,305,056 tons (FY2013) ➡ **736,607 tons** (FY2024)

Message from management

- Develop products geared to carbon neutrality and make capital investments for high energy efficiency.
- Incorporate efforts toward sustainability wherever possible, including technological development, products, and business operation.

Strategy for realizing the 2030 Vision

CO_2 emissions from Nikko plants are estimated to make up about 70% of the whole of CO_2 emissions from asphalt plants in Japan (approx. 1.15 million tons a year), and we will swiftly address this issue. Specifically, we will prepare a product roadmap for 2050 and will implement it in four steps and through seven approaches. For fuel transition, which comes first, we are promoting utilization of city gas and LNG in place of heavy oil as well as research and development of ammonia and hydrogen burners. We aim for net sales of 3.2 billion yen from decarbonization and low-carbon products in FY2030.