Roundtable Talk

Building a Market Presence in Thailand While Establishing a Business Model in Asia

The Nikko Group has identified “Acceleration of global expansion, with a focus on the ASEAN region” as one of the key pillars of its new Medium-Term Management Plan, which was launched in FY2025. In this online roundtable connecting Japan with our local offices in Thailand, the General Manager of the Overseas Business Strategy Office and the heads of our sales and production subsidiaries in Thailand discussed the trends and challenges in the Thai and broader Asian markets and the Group’s business strategies and business model for the markets.

Participants

- **Toshimasa Miyake** General Manager of Corporate Strategy Department and Overseas Business Strategy Office
- **Hayato Tanaka** Representative Director and President, Nikko Asia (Thailand) Co., Ltd.
- **Eiichi Nagatani** Representative Director and President, Nikko Global Manufacturing (Thailand) Co., Ltd.

Date: June 10, 2025　Location: Conference Room, Nikko Head Office

Q How do you view the Thai government’ s road infrastructure policy and the market trends there?

Tanaka: The national government’ s infrastructure development policy greatly expands business opportunities for us. Even with the change of government in 2024, the policy of advancing infrastructure development has remained intact. A total of 5.1 trillion baht is slated for investment in road infrastructure projects through 2036. Specifically, the projects call for the construction or extension of 10 routes spanning three major north–south motorways. Approximately 70% of the total budget will be allocated to these primary motorways, with the remaining 30% being dedicated to local roads.
By application, 70% of the total budget will be allocated to new road construction and 30% will be allocated to the maintenance and improvement of existing roads, indicating that the market will likely see steady long-term growth. In line with environmental preservation and resource recycling efforts, Nikko is accelerating the wiser use of recycled mixtures. If environmental regulations tighten further and the use of recycled materials becomes mandatory, we can expect a stable and sustained market expansion.

Q Could you tell me about the strengths of the Nikko Group and its current competitive landscape?

Tanaka: At present, 736 asphalt plants are operating in Thailand, and our Group holds an overwhelming 34% market share. Of this share, 30% consists of second-hand plants relocated from Japan, whereas 4% are brand-new plants. Most of the remaining market comprises Chinese companies, each holding <5%, with local companies collectively accounting for the remaining 48%. However, in recent years, the slowdown in the Chinese economy has driven many Chinese competitors to seek opportunities in Southeast Asia, intensifying price competition in the Thai market. Even in this environment, our plants continue to be selected despite their premium prices, thanks to “made-in-Japan” quality, fast delivery, and excellent serviceability. Another strength that distinguishes us from competitors is our strong partnerships with sales agents.

Q Could you brief me on the Nikko Group’s technological advantages and strategies going forward?

Nagatani: Our strengths lie in having the leading share of the Thai market and being the only foreign plant manufacturer with both local production and sales operations. We have installed production equipment equivalent to that used in Japan and strictly adhere to Japanese standards for process and quality control. This allows us to consistently meet customer demands for high quality and rapid delivery. Our combustion burners deliver approximately 30% higher performance, and our mixers achieve approximately 50% higher efficiency than competing products. This quality advantage, backed by a solid track record in the Japanese market, directly translates into stronger price competitiveness.

Another key technological advantage of the Nikko Group is our equipment for producing recycled mixtures. Thailand is currently developing its recycling technology and related regulations, meaning that recycled materials are only used for base courses. In contrast, Japan allows the use of recycled mixtures for both the base and surface courses, paving the way for environmentally friendly road construction. Our plants reach heating temperatures as high as 160 ° C, enabling up to 50%–60% mixing rates of recycled materials. By comparison, Chinese and European competitors can typically achieve only approximately 130 ° C and mixing rates of approximately 30%. Our advanced temperature control and mixing technologies are decisive factors that distinguish us from overseas competitors.

Q Is there any difference between your business model in Japan and Thailand?

Miyake: In Japan, maintenance services (MS) account for approximately half of our asphalt plant (AP)-related business, forming a recurring-revenue model.This has been achieved through years of building customer trust by developing a robust service parts supply network, maintaining emergency preparedness, offering operator training, and establishing a zero-downtime support system. Approximately 20 years ago, we encountered copycat competitors in Japan. However, by differentiating ourselves through superior service quality, we expanded MS sales and secured deep market penetration.

Overseas, MS sales currently make up approximately 10%–15% of our total sales in Shanghai and Taiwan, which gives us confidence that the service business can also grow significantly in Thailand. Our policy is to strengthen our revenue base not only through product performance, such as fuel efficiency and durability, but also by expanding our comprehensive service offerings, including plant diagnosis, prompt maintenance and repair, and reliable supply of high-quality parts.

Q What are some challenges that you face on the shop floor, and how do you address them?

Nagatani: It has been 5 years since we began full-scale operations in Thailand. From the outset, we have worked continuously to localize our operations to improve production capacity and product quality. However, the single biggest challenge has been stable output. If we can increase production volume, we can reduce costs, which would allow us to enhance quality control and shorten delivery lead times. However, we have not yet achieved the stable work volume needed for this cycle. Moving forward, we plan to strengthen core initiatives as a manufacturer, such as reducing costs, optimizing components, and establishing a stable supply system with an eye toward potential exports to Japan.

Our Thai factory’ s operations are supported by a workforce of local Thai and Cambodian employees. Because their cultures and business practices differ from those of Japan, it took time and effort to train them to understand what Japanese manufacturers take as a given, such as manufacturing principles, process control, and quality awareness. Today, I am pleased to say that they perform their work with great diligence and care.

Q What strategies do you have in mind to expand sales in the future?

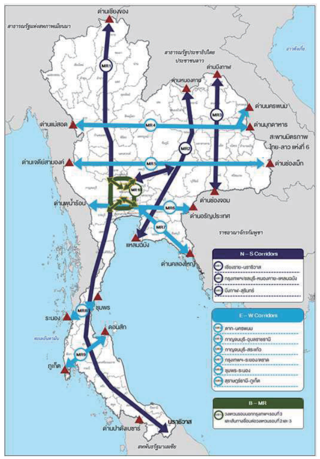
Tanaka: We have started selling strategic plants specifically developed for the ASEAN market, and two of these plants are already in operation. These plants are lightweight and designed with local needs in mind, earning a strong reputation. However, we have received feedback that some components are “too thick” or that certain designs are “too intricate.” We intend to incorporate feedback from those involved in design, manufacturing, and maintenance to further optimize and refine these plants. Meanwhile, we are preparing to launch large-scale strategic plants and plan to actively promote them at trade fairs and exhibitions.

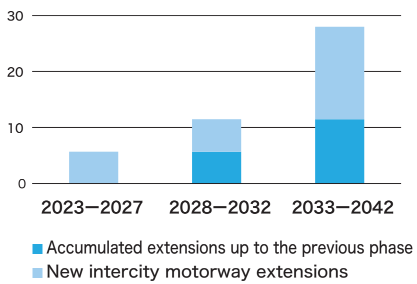
Q Could you update me on your initiatives to achieve the Medium-Term Management Plan and the 2030 Vision?

Miyake: This fiscal year, the Nikko Group launched its new three-year Medium-Term Management Plan. Our goal is to make the Thai business profitable by fiscal year 2027. Our Thai sales subsidiary will focus on providing high-quality MS for operating second-hand plants while expanding sales of strategic plants. Meanwhile, our Thai production subsidiary is examining the feasibility of exporting AP and BP (batcher plant) products to Japan to absorb fixed costs and improve capacity use. Looking ahead to 2030, we plan to use the Thai market as a foothold for expansion into Vietnam and Indonesia to meet the numerical targets outlined in our vision. Currently, we export plants from Japan to Vietnam and Indonesia, but from 2027 onward, we intend to strengthen our Thai factory and use it as a regional production hub to supply other ASEAN markets.

Motorway–Rail Map

10 routes; 6,877 km　Road infrastructure sector budget: 5.12 trillion baht





■ The Intercity Motorways Master Plan was revised under former Prime Minister Prayuth.

■ Despite objections from opposition parties, the new government announced that it will continue with the plan.