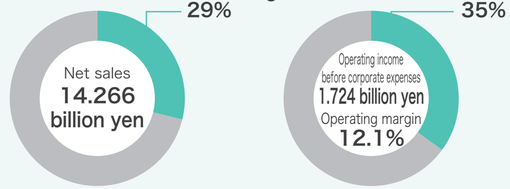
BP-related Business

We will further pursue higher market share and improve earning power by proactively developing new high performance standard plant models, new mixer models, and operation support service leveraging unique DX technologies.

Executive Officer, General Manager of Industrial Machinery Sales Management Department, Business Division

Katsumasa Takenami

Net sales breakdown　Segment income breakdown



What the BP-related business aspires to be

As the top manufacturer of batcher plants, we will secure a market share of 50% or more and further stabilize business performance and improve profitability by introducing new, unique, and differentiated products and expanding the maintenance service business.

Strategy for realizing the vision

We will improve profitability and acquire more market share through introduction of new, high-performance plant models that are reliable and meet the requirements of our customers. In addition to development and commercialization of new energy-saving high-safety low-running-cost mixer models, we will offer plant operation support service aimed at optimizing customer factories.

Contribution to resolving materiality

We will contribute to resolving the Nikko Group's four material matters by supplying calcium carbonate manufacturing equipment, strengthening our unique maintenance service business, revitalizing our organizations through enhanced training structure for young employees, and recycling concrete sludge.

Assumptions and measures during the new medium-term plan

- We expect ready-mixed concrete price to remain at a high level. As customers continue to make replacement investment, we expect stable growth in both net sales and operating income.

Medium-term plan targets for the BP-related business (million yen)

	FY2024 results	FY2025 forecast	FY2026 plan	FY2027 plan
Net sales	14,266	14,800	15,300	15,300
Operating income	1,724	1,900	2,000	2,000
Operating margin	12.1%	12.8%	13.1%	13.1%

*Operating income before corporate expenses

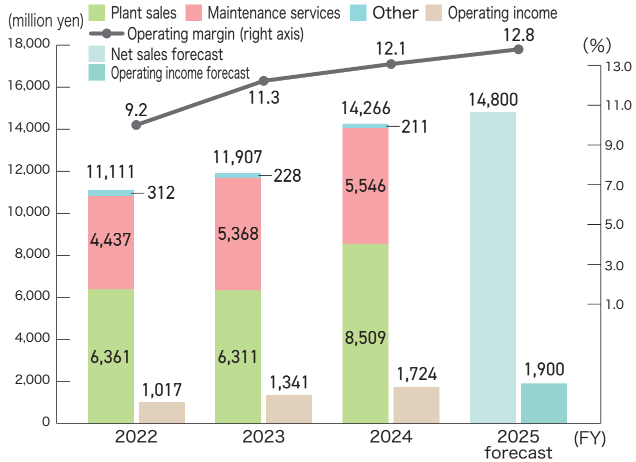
FY2024 financial results

For FY2024, the business performance exceeded the Company's forecast and the BP-related business posted record high results. Order intake rose 6.4% from the previous fiscal year to 15.2 billion yen, rising for the second consecutive year, as we captured the robust capital investment needs of customers. Net sales increased 19.8% from the previous fiscal year to 14.3 billion yen and operating income rose 28.6% to 1.724 billion yen (operating margin of 12.1%), thanks to the effect of passing-on of costs to prices in addition to the effect of increased net sales.

FY2025 performance forecast

For FY2025, we expect order intake to decrease 13.4% from the previous fiscal year to 13.2 billion yen, net sales to increase 3.7% to 14.8 billion yen, and operating income to grow 10.2% to 1.9 billion yen (operating margin of 12.8%). We are keeping a conservative estimate for order intake. Order backlog as of the end of FY2024 reached 9.5 billion yen, which is equivalent to eight months worth of monthly sales, and we are expecting contributions from delivery of order backlog and an increase in net sales of maintenance service.

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

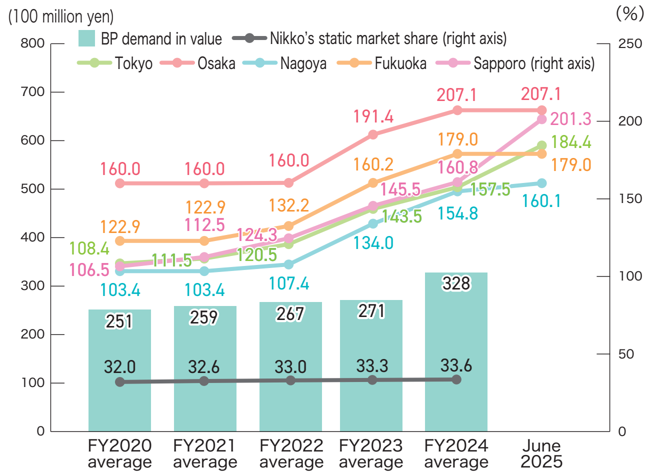


Leading performance indicators (trend in ready-mixed concrete price)

We pay attention to the trend in ready-mixed concrete price index in major cities around the country. Ready-mixed concrete manufacturers, who are the customers of the BP-related business, are actively raising ready-mixed concrete price given the soaring prices of raw materials such as cement and aggregates. The ready-made concrete price index, whose 2015 level is set as 100, started rising around 2022, and the average price index for 2024 was 157.5 in Tokyo (up 14 pp from the previous year), 207.1 in Osaka (up 15.7 pp), 154.8 in Nagoya (up 20.8 pp), 179.0 in Fukuoka (up 18.8 pp), and 160.8 in Sapporo (up 15.3 pp). As of June 2025, it rose to 184.4 in Tokyo, 160.1 in Nagoya, and 201.3 in Sapporo.

Value of BP demand is also showing a rising trend following the increase in ready-mixed concrete price. We are expecting steady growth for the time being.

Value of BP demand and ready-mixed concrete price index of major cities (100 in FY2015)



Sources BP demand: Japan Construction Equipment Manufacturers Association
Ready-mixed concrete price index: Construction Research institute

Medium-Term Management Plan implementation strategy

Segment	Issues and goals	Strategic direction
BP-related Business	Sales growth	Improve profitability amid a continued positive business environment
	Business transformation	

Business opportunities

- Advancement in use of precast concrete for building components (increasing demand for facilities installed in factories)
- Reinforcement of initiatives for decarbonization through absorption of CO_2
- Increase in market share
- New customer needs such as subscription and maintenance package
- Increasing demand for mobile plants due to shrinking market and for disaster responses

Issues

- Shrinking Japanese market
- Price war with rival companies
- High in-house manufacturing ratio and large fixed costs

Business strategies

1	Existing business (Japan)	● Develop DASH-REXA, combining reliability and high performance ● Promote use of mobile BP in disaster afflicted areas and for fluidized soil ● Capture demand for plant peripheral facilities
2	Growth strategy	● Develop new mixer with enhanced mixing and kneading performance and mechanical safety ● Promote carbon recycling-related initiatives ● Optimize plant operation using DX total management system
3	Expansion of maintenance services	● Expand areas where we offer maintenance services by increasing order intake share ● Strengthen operation and maintenance services

Q&A with investors

Q. Will the business results continue to expand in the future?

A. Earnings of ready-mixed concrete manufacturers have been continuing to expand based on the leading performance indicator of ready-mixed concrete price. Robust investment appetite is likely to continue for the next two to three years partly reflecting moves leveraging energy-saving subsidies. There also is a limit to the production capacity of the three BP manufacturers, so the demand volume is expected to remain roughly unchanged. However, both demand value and earnings of Nikko's BP-related business are likely to continue to grow given the effect of passing-on of costs to prices and shift to larger plants.

Q. Is there more room for improvement in operating margin?

A. The operating margin reached 12.1% in FY2024. We think it is possible to further improve profitability supported by the impact of introduction of new products and expanding maintenance service business. In the final fiscal year of the medium-term plan, we are aiming for

Topics

Many of the sewage systems in Japan were developed during the rapid economic growth period and about 15% of the pipelines are 40 years old or older. For this reason, the Japanese government plans to check the safety of the 5,000 km-long sewage system and invest in its upgrade by FY2030 in the next five-year plan for national resilience starting in FY2026.
(Source: Nihon Keizai Shimbun)

TOPICS

The Japanese government to check safety and invest in upgrade of the aged 5,000 km-long sewage system by FY2030.
(Nihon Keizai Shimbun article on May 29, 2025)