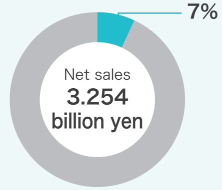
Environment- and Conveyor-related Business

By keeping in mind manpower saving and energy saving, we will launch high-value-added products leveraging DX and AI and aim to maintain and strengthen the highly profitable structure while securing our dominance over the competition.

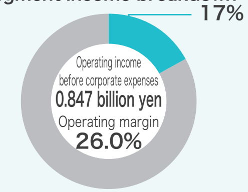
Manager of Industrial Machinery Sales Department, Industrial Machinery Sales Management Department

Yosuke Kojima

Net sales breakdown



Segment income breakdown



What the environment- and conveyor-related business aspires to be

Leveraging our standardization and modularization capabilities, we will pursue online sales, expansion of product lineup, and horizontal expansion to engineering sales. We will establish ourselves as "Nikko of small conveyor" with speed and service that outperform our rivals, and aim to achieve 4.0 billion yen in net sales and 1.0 billion yen in operating income in 2030.

Strategy for realizing the vision

Our strength lies in the ability to convey. With that at the core, we will take on the challenge of creating demand by leveraging our unique DX and AI technologies such as establishing AI-based sorting technology for goods being conveyed, introduction of new products in the market with improved accuracy in sorting and detecting foreign objects in PET bottles, and development of system to identify and remove lithium-ion batteries. In addition to introduction of products with added functions, we will increase earning power through improvement of efficiency of design operation and strengthening of online sales.

Contribution to resolving materiality

We will establish a recycling-oriented society by contributing to the recycling industry. At the same time, we will work on creation of new customer values through introduction of new functions and products. Being the best place to work at in the Company that appoints right people in the right place, we will also realize human resource development and improvement in job satisfaction.

Assumptions and measures during the new medium-term plan

- Following the large-scale projects including Expo 2025 Osaka, Kansai, Japan, we anticipate an increase in new demand from IR projects and others. We aim to improve operation efficiency by upgrading our core system while emphasizing profitability.

Medium-term plan targets for the environment- and conveyor-related business (million yen)

	FY2024 results	FY2025 forecast	FY2026 plan	FY2027 plan
Net sales	3,254	4,100	3,300	3,500
Operating income	847	850	730	800
Operating margin	26.0%	20.7%	22.1%	22.9%

*Operating income before elimination

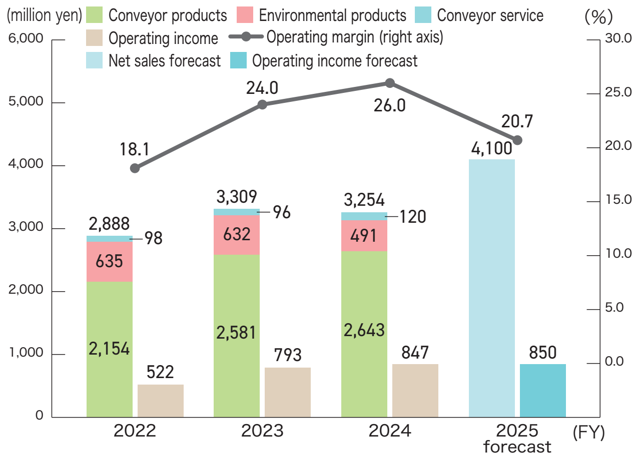
FY2024 financial results

The business results for FY2024 came to about the same level as the Company's forecast and operating margin reached 26.0%. There were no large-scale projects affecting order intake and net sales. As a result, order intake decreased 2.0% from the previous fiscal year to 3.7 billion yen and net sales declined 1.7% to 3.3 billion yen. Operating profit increased 6.8% to 0.847 billion yen. We improved profitability through unit price increase by adding high functionalities and measures to raise operation efficiency.

FY2025 performance forecast

For FY2025, we expect order intake to increase 20.5% from the previous fiscal year to 4.5 billion yen, net sales to grow 26.0% to 4.1 billion yen, and operating income to rise 0.4% to 0.85 billion yen (operating margin of 20.7%). Large-scale projects for a Japan Railway Company and other factors are expected to boost net sales, but since they are development projects, their profit contribution is smaller, so we are forecasting operating income to be in line with the previous fiscal year.

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



Medium-Term Management Plan implementation strategy

Segment	Issues and goals	Strategic direction
Environment- and Conveyor-related Business	Sales growth, profitability Business transformation	Aim to maintain a highly profitable structure through improvement of operational efficiency

Business opportunities

- Strengthening of various recycling laws for waste plastic, solar panels, lithium-ion batteries, etc. (an increase in demand for recycling equipment)
- Entry into the highly rigid stringer conveyor market, which is large
- Increase in market share
- Sales synergies with the crusher-based business and contract-based manufacturing business

Issues

- Human resource shortages
- Calcination technology in the environment-related business
- Intensifying competition
- Soaring transportation costs (which can be passed on)

Business strategies	
1 Existing business	Start online sales of modular belt conveyors Strengthen outreach to equipment manufacturers and recycling companies Strengthen engineering sales that combine conveyors and related solutions
2 Development areas	Establish AI-based sorting technology leveraging DX technology Enhance product lineup of peripheral equipment for recycling Strengthen collaboration with recycling-related companies
3 Overseas expansion	Reach out to Japanese engineering companies

Q&A with investors

Q. Is it possible to maintain a high operating margin in the future?

A. We are taking measures to raise unit price leveraging an estimated market share of 65% and sale of products with greater functions as well as improving efficiency of operations such as design. The sustainable profitability level is around 25% in operating margin.