FY2024 Performance Summary and FY2025 Outlook

Overview of construction investment in Japan

~Construction investment forecast to grow 4.5% from a year earlier in FY2025~

The Ministry of Land, Infrastructure, Transport and Tourism forecasts that domestic construction investment (nominal value) will increase by 2.4% from the previous fiscal year to 73.21 trillion yen in FY2024. This includes public investment of 25.04 trillion yen, up 2.6% year on year and private investment of 48.17 trillion yen, up 2.4% year on year. As a result of private investment exceeding expectations due to rising construction costs, etc., the last year's forecast was revised upward by 2.12 trillion yen.

Construction investment in FY2025 is expected to increase 3.2% year on year to 75.57 trillion yen. This includes public investment of 25.21 trillion yen, up 0.7% year on year and representing 33%, and private investment of 50.36 trillion yen, up 4.5% year on year and representing 67%, anticipating growth rate expansion.

~Demand for automation and labor-saving measures to continue growing~

In 2024, the number of workers employed in the Japanese construction industry decreased 0.06 million from a year earlier to 4.77 million. People aged 55 or older represented about 40% of this cohort, from which some 0.8 million are expected to retire over the next decade. The demand for automation and labor-saving measures is expected to grow in the construction industry.

Business performance in FY2024

~First record-high operating income in 34 years~

In FY2024, order intake increased 1.8% year on year to 49.617 billion yen, marking the second consecutive year of setting a new record high. Net sales increased 11.5% year on year to 49.162 billion yen, as the order backlog was steadily cleared, reaching the record high level for the third consecutive fiscal year. Operating income increased 40.5% year on year to 2.766 billion yen (operating margin of 5.6%) as the effect of increased net sales offset increased expenses of active human resource investments. It broke the previous record-high operating income set 34 years ago, in the fiscal year ended November 1990.

~ROE improved significantly to 5.9%~

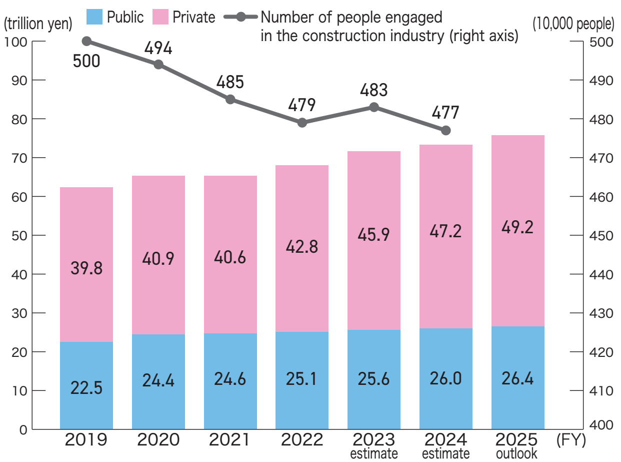
Ordinary income increased 43.2% year on year to 3.071 billion yen, setting a new record high. On the other hand, net income attributable to owners of parent grew a significant 53.1% year on year to 2.009 billion yen, but slightly underperformed the level in FY 2020 when gain on sales of investment securities was recorded. However, the figure represents a record high in real terms. ROE improved to 5.9%, up 1.8 percentage points from the previous fiscal year, but fell short of the 6.8% reached in FY2020.

Business overview by segment

Expectations rising for business-performance recovery in mainstay AP-related business

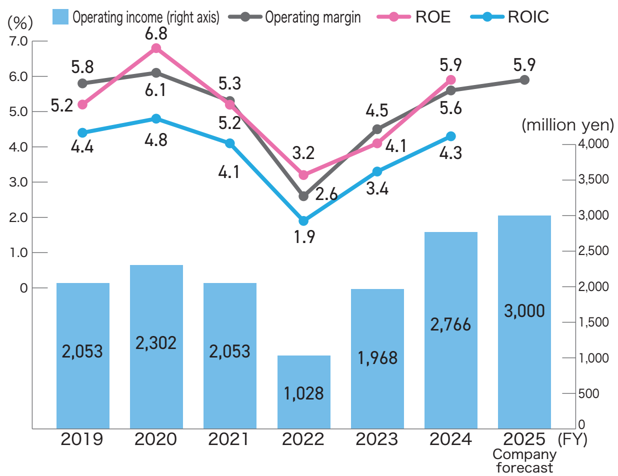
The AP-related business, which has represented 40% of consolidated net sales but had continued to slump, saw a remarkable recovery, with net sales increasing 8.6% year on year to 19,480 million yen and operating income increasing 194.9% to 976 million yen (operating margin of 5.0%). In the BP-related business, net sales increased 19.8% year on year to 14,266 million yen, and operating income increased 28.6% year on year to 1,724 million yen (operating margin of 12.1%), reaching the all-time high. In the environment and conveyance-related business, net sales decreased 1.7% year on year to 3,254 million yen, and operating income increased 6.8% year on year to 847 million yen (operating margin of 26.0%), again demonstrating high profitability. In the crusher-related business, net sales decreased 29.5% year on year to 2,256 million yen, and operating income decreased 85.4% year on year to 40 million yen. In the contract-based manufacturing-related business, net sales increased 56.3% year on year to 4,802 million yen, and operating income increased 138.9% year on year to 645 million yen (operating margin of 13.4%). In the other business, net sales increased 9.2% year on year to 5,101 million yen, and operating income decreased 6.9% year on year to 716 million yen (operating margin of 14.0%).

● Amount of construction investment and number of people engaged in the construction industry

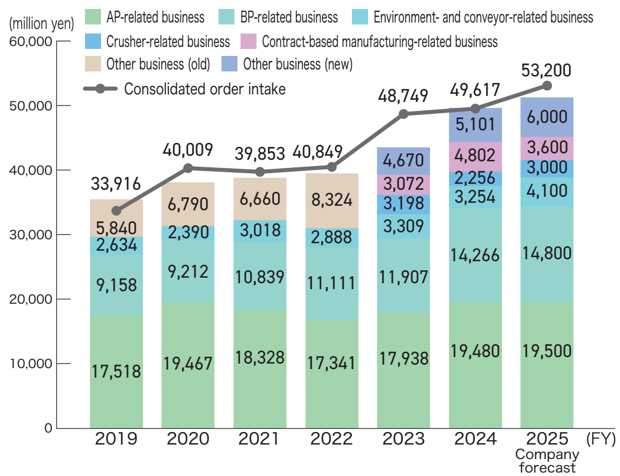


Note: The number of people engaged in the industry is on a calendar year basis and its source is the Construction Handbook.

● Operating income and margin, ROE, and ROIC



● Net sales by segment and consolidated order intake



Analysis of changes in ordinary income

~Strategic cost increases offset with the effect of increased net sales to set new record high~

In FY2024, ordinary income increased 927 million yen year on year to 3,071 million yen. Personnel expenses increased 878 million yen as base pays were raised for the fourth consecutive fiscal year and bonuses were raised in response to strong earnings, transportation expenses increased 249 million yen as a result of revenue increases, and the total of other expenses rose 270 million yen, but these were offset with the effect of increased net sales totaling 1,390 million yen and the impact of improved cost rates due in part to improved selling prices, totaling 848 million yen, resulting in a record-high ordinary profit.

~Profits expected to reach new highs in FY2025~

We expect ordinary income to increase 29 million yen year on year to 3,100 million yen in FY2025. We expect ordinary income to once again renew the record high level as the impact of revenue increases and improved cost ratios totaling 569 million yen will offset a 295 million yen increase in personnel expenses due to wage and bonus increase, a 129 million yen increase in R&D expenses, and 116 million yen in expenses of holding the Nikko Messe trade show, held at the Nikko head office once every three years.

Financial conditions

~Balance sheet still remaining strong~

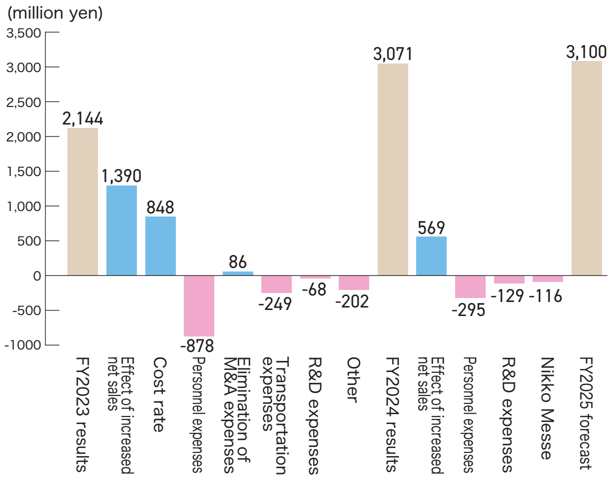
Total assets at the end of FY2024 increased 1,496 million yen year on year to 63,725 million yen. Current assets decreased 907 million yen year on year to 40,126 million yen, and non-current assets increased 2,402 million yen to 23,598 million yen. Main items include cash and cash equivalents decreased by 1,513 million yen year on year to 14,038 million yen and property, plant and equipment increased by 2,058 million yen to 15,305 million yen.
On the other hand, current liabilities decreased 228 million yen year on year to 21,515 million yen, and non-current liabilities increased 250 million yen year on year to 7,649 million yen. Main items include contract liabilities increased by 467 million yen year on year to 5,092 million yen, notes and accounts payable-trade decreased by 324 million yen year on year to 2,932 million yen, and short-term and long-term loans payable decreased by 466 million yen year on year to 10,250 million yen. Net assets increased 1,474 million yen year on year to 34,560 million yen, shareholders' equity minus non-controlling interests of 8 million yen totaled 34,551 million yen, and equity ratio rose 1.1 percentage point year on year to 54.2%.

Cash flows

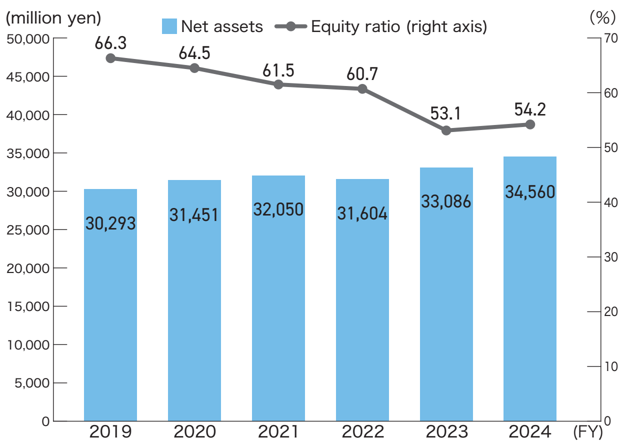
~Cash and cash equivalents equivalent to 3.4 months of sales~

Cash flows from operating activities resulted in an inflow of 2,994 million yen. Major inflows include 3,197 million yen in net income before income taxes, 1,127 million yen in depreciation and amortization, and 370 million yen in increased contract liabilities. On the other hand, main expenditures include 1,346 million yen in payment of corporate taxes due to increased earnings, etc., an increase of 319 million yen in notes and accounts receivable-trade, and an increase of 257 million yen in notes and accounts payable-trade. Cash flows from investing activities amounted to an expenditure of 2,805 million yen mainly as a result of purchasing property, plant and equipment and intangible assets. As a result, free cash flow (FCF) was an inflow of 189 million yen. Cash flows from financing activities resulted in an expenditure of 1,749 million yen. Proceeds from long-term loans payable of 796 million yen were recorded against dividend payout totaling 1,152 million yen, a decrease in short-term loans payable of 683 million yen, and repayment of long-term loans payable totaling 634 million yen. Cash and cash equivalents at the end of the fiscal year amounted to 13,977 million yen.

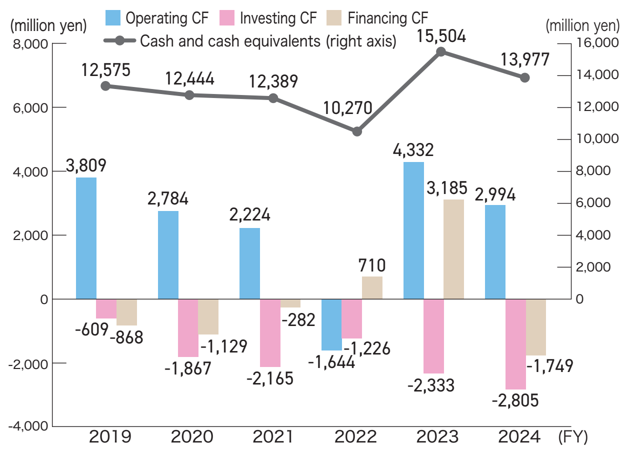
● Analysis of changes in ordinary income



● Net assets and equity ratio



● Cash flow and cash and cash equivalents



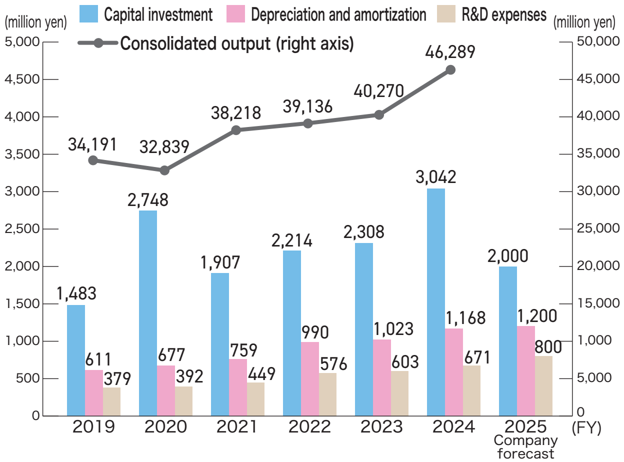
Trends in capital investment, depreciation and amortization, R&D expenses

~Capital investment and R&D implemented in line with business strategies~

Capital investment for FY2024 increased 734 million yen year on year to 3,042 million yen, and capital investment ratio to net sales rose 1.0 percentage point to 6.2%. Major investments include 1,239 million yen for construction of a new factory and a development test center and for purchase and upgrade of production equipment in the AP- and BP-related businesses, 605 million yen for new factory construction, expansion and machinery installation in the contract-based manufacturing-related business, and 563 million yen for buildings for lease in the other business. Depreciation expenses including amortization of goodwill increased 144 million yen year on year to 1,168 million yen, and depreciation-to-net sales ratio rose 0.1 percentage point year on year to 2.4%.

R&D expenses increased 68 million yen year on year to 671 million yen, and the ratio of R&D expenses to net sales remained unchanged from a year earlier at 1.4%. The AP-related business developed and launched the ACE series, a strategic model targeted at the ASEAN market. The BP-related business developed and launched the HYPER mixer equipped with a Nikko reduction drive.

● Trends in capital investment, depreciation and amortization, R&D expenses, and consolidated output

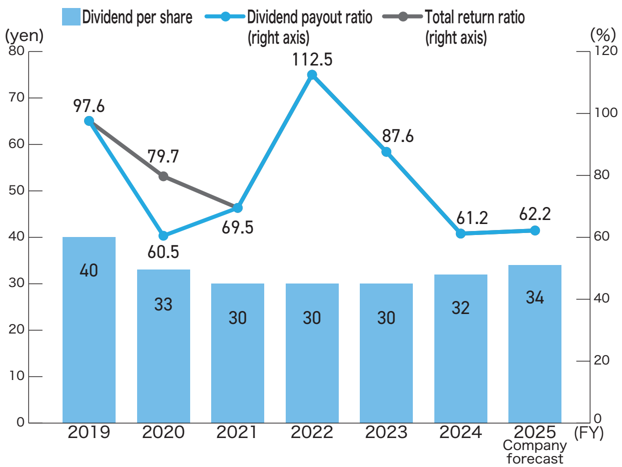


Shareholder returns

~Dividend payout ratio of 60% or more maintained~

The Nikko Group has committed to a shareholder return policy of maintaining a dividend payout ratio of 60% or more. For FY2024, we increased dividend per share by 2 yen from the previous fiscal year to 32 yen (15 yen interim, 17 yen year-end, 4.7% annual dividend yield), and the dividend payout ratio was 61.2%. Although our shareholder return policy does not specify a dividend on equity (DOE) target, DOE remained flat from a year earlier at 3.6%. DOE is calculated by multiplying ROE (5.9%) by the dividend payout ratio (61.2%). In FY2024, ROE increased due to earnings growth while the dividend payout ratio decreased, but DOE remained flat from the previous fiscal year. Total shareholder return (TSR) over the past year was -6.3%, underperforming the -1.5% for TOPIX and the -4.3% for the machinery index. For FY2025, we aim for dividend per share of 34 yen (17 yen interim, 17 yen year-end), up 2 yen from a year earlier. As we expect net income attributable to owners of parent to increase 4.5% year on year to 2,100 million yen, dividend payout ratio of 62.2% is expected.

● Dividend per share, dividend payout ratio, total return ratio



FY2025 performance outlook

~On track to set new record high for second consecutive year~

For FY2025, we expect order intake to increase 7.2% year on year to 53,200 million yen, net sales to increase 3.7% year on year to 51,000 million yen, and operating income to increase 8.5% year on year to 3,000 million yen (operating margin of 5.9%), all three figures reaching record highs for the second consecutive year. By business, we expect net sales to increase 0.1% year on year to 19,500 million yen and operating income to increase 2.5% year on year to 1,000 million yen (operating margin of 5.1%) for the AP-related business, and net sales to increase 3.7% year on year to 14,800 million yen and operating income to increase 10.2% year on year to 1,900 million yen (operating margin of 12.8%) for the BP-related business. We aim for net sales of 4,100 million yen, up 26.0% year on year, and operating income of 850 million yen, largely unchanged from a year earlier (operating margin of 20.7%) for the environment and conveyance-related business, and net sales of 3,000 million yen, up 33.0% from a year earlier, and operating income of 150 million yen, up 275.0% year on year (operating margin of 5.0%) for the crusher-related business. We expect net sales to decrease 25.0% year on year to 3,600 million yen and operating income to decrease 38.0% year on year to 400 million yen (operating margin of 11.1%) for the contract-based manufacturing-related business and net sales to increase 17.6% year on year to 6,000 million yen and operating income to increase 25.7% year on year to 900 million (operating margin of 15.0%) for the other business.

● Historical performance

	FY2021	FY2022	FY2023	FY2024	FY2025 (forecast)
Order intake (million yen)	39,853	40,849	48,749	49,617	53,200
Net sales (million yen)	38,846	39,665	44,097	49,162	51,000
Operating income (million yen)	2,053	1,028	1,968	2,766	3,000
(Operating margin)	5.3%	2.6%	4.5%	5.6%	5.9%
Ordinary income (million yen)	2,274	1,255	2,144	3,071	3,100
Net income (million yen)	1,649	1,020	1,312	2,009	2,100
Net income per share (yen)	43.16	26.67	34.25	52.29	54.65
ROE	5.2%	3.2%	4.1%	5.9%	—
Order backlog (million yen)	16,490	17,656	22,371	22,826	25,026

*Record net sales of 49,200 million yen (FY2024), record operating income of 2,800 million yen (FY2024)
*Record ROE of 6.8% (FY2020)