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Representative: Tomomi Nakayama
Director and President
(Stoke Code: 6306 TSE Prime)
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Release of Sponsored Research Report

Nikko Co., Ltd. (the "Company") hereby announces the publication of a Sponsored Research Report to facilitate communication with investors and to enhance understanding of the Company.

The report was prepared by Capital Goods Research & Advisory Co., Ltd. at the Company's request and does not constitute a recommendation regarding the Company's shares. It is intended to provide investors with a clear and accessible overview of the Company's business model, industry trends, business performance, and long-term business strategy.

For further details, please refer to the following pages.

CGRA

Corporate Report

Prime Market - Machinery
November 26, 2025

NIKKO (6306)

Analyst in charge

Shinji Kuroda
Hidehiko Hoshino CMA
Capital Goods Research & Advisory (CGRA)

A niche-top company pushing for transformation from a shareholders' perspective with the aim to achieve stock price of 1,000 yen

- **Summary:** NIKKO CO., LTD. (hereafter, the "Company") handles many "highly profitable, niche-top" products, including asphalt plants, concrete plants, conveyors, crushers, floodgates and waterproof boards, and temporary construction equipment to play an important role of supporting Japan's social infrastructure. While deploying its four proprietary core technologies across the group, the Company has been working aggressively to develop and expand sales of highly value-added products such as remote operation and image recognition using in-house-developed DX and AI technologies. Under the leadership of new President Nakayama, the new Medium-Term Management Plan (fiscal year ending March 2026 to fiscal year ending March 2028) announced on June 17, 2025 focuses on strengthening profitability and targets to achieve consolidated net sales of 60 billion yen, operating profit margin of 8% or higher (equivalent to 4.8 billion yen or more), ROE of 8%, and market capitalization of 40 billion yen (equivalent to stock price of 1,000 yen) in the final year. Further, Nikko Messe, a new product exhibition held once every three years, was held at the end of October 2025, with the number of visitors reaching approximately 2,000, far exceeding about 1,300 for the previous session in 2022. As an important event that is expected to contribute to business performance over the next two to three years, we will pay close attention to future development.
- **Business performance:** For the fiscal year ending March 2026, the Company is expected to report net sales of 51 billion yen, up 3.7% from the previous fiscal year, and operating profit of 3 billion yen, up 8.5% (operating profit margin of 5.8%), likely to post record-high results for the second consecutive year. This report took a view of the Company's medium- to long-term growth potential in light of CGRA's own demand forecasts and leading performance indicators, as well as business opportunities and challenges.
- **ESG management:** The Company creates economic value by addressing materiality (priority issues) and practices "highly effective sustainable management" that is linked to the achievement of the medium-term plan targets. Specifically, the Company has been working to get shareholder-oriented management penetrated in the field through the development and launch in the market of environmentally friendly products with financial impacts, ongoing wage increases and the establishment of human resources systems and workplace environment to realize "employee friendliness and job satisfaction," and granting of the Company's shares with transfer restriction to all employees. The results of those efforts have led to achieving consecutive record-high profit and the acquisition of A rating (78.7 points) in the Nikkei Integrated Report Award 2024.
- **Shareholder returns and stock valuation:** The Company has a basic policy of maintaining a "dividend payout ratio of 60% or higher" through the fiscal year ending March 2028, and intends to implement flexible share repurchases. It plans to pay dividends of 34 yen per share for the fiscal year ending March 2026, up 2 yen from the previous year, 40 yen for the fiscal year ending March 2027, up 6 yen, and 50 yen for the fiscal year ending March 2028, up 10 yen. The dividend yield for the fiscal year ending March 2028 is expected to reach 6.5% based on the current stock price. The sum-of-the-parts valuation approach using the PER of major related companies in each of the industries to which the Company's six businesses belong and the sales composition ratio of each of the Company's businesses, as estimated by CGRA, resulted in the expected stock price of 962 yen.

Consolidated financial results and stock market data

Trading data	
Stock price (Nov/26/2025)	JPY 769
52-weeks range	823~600 yen
Market cap	30.8 billion yen
Number of outstanding shares	40 million shares
Avarage trading value (20 days)	JPY 70 million
Company forecast PER	14.1 times
PBR(As of March 2025)	0.9 times
Company forecast DPS	34 yen
Company forecast Dividend yield	4.4 %
ROIC (March 2025)	4.3 %

Performance : Billion yen	21/3	22/3	23/3	24/3	25/3	26/3COE
Sales	37.8	38.8	39.6	44.0	49.1	51.0
Operating profit	2.3	2.0	1.0	1.9	2.7	3.0
Ordinary profit	2.9	2.2	1.2	2.1	3.0	3.1
Net profit	2.0	1.6	1.0	1.3	2.0	2.1
EPS:yen	54.3	43.2	26.7	34.3	52.3	54.7
ROE : %	6.8	5.2	3.2	4.1	5.9	-
DPS : yen	33.0	30.0	30.0	30.0	32.0	34.0
Dividend payout ratio : %	60.8	69.5	112.5	87.6	61.2	62.2
FCF	0.9	0.1	-2.9	2.0	0.2	-
NetCash	10.0	8.6	4.6	4.8	3.8	-

CGRA

Table of Contents

Figure 1: NIKKO stock price performance

Source: Created by CGRA

Company Overview and Product Introduction

Playing an important role in supporting Japan's social infrastructure

With a product lineup that boasts a high market share, striving to enhance "earning power" from shareholders' perspective

The Company is headquartered in Akashi City, Hyogo Prefecture, and is listed on TSE Prime Market with market capitalization of over 30 billion yen. It has a large number of products that boast high market share, including domestic market share of 78% for asphalt plants, 34% for concrete plants, 65% for portable conveyors, 21% for self-propelled crushers, and 40% for flexible stairs and waterproof boards for construction scaffolding. It plays an important role in supporting Japan's social infrastructure through its "niche-top" and highly profitable product line-up. Further, by emphasizing sustainability management and enhancing "earning power" from shareholders' perspective, it aims to achieve the numerical targets and target market capitalization in its Medium-Term Management Plan.

Despite operating in niche industry, the Company maintains high market share and plays a pivotal role

Promoting new product development by integrating AI and DX with proprietary differentiation technologies

The Company had previously consisted of four business segments. With UBE KOHKI and MATSUDA-KIKO joining the group in 2022 and 2023, respectively, it shifted to a six-segment structure with a view to "enhancing business visibility" and "improving management effectiveness." It deploys four proprietary core technologies (kneading, heating, conveyor, and control) horizontally throughout the group to maximize synergy effects. In particular, in the control field, where it engages in manufacturing internally, the Company has delivered more than 4,000 control panels, control systems and software products for plants in Japan and overseas, and is actively working to develop new products utilizing proprietary AI and DX, such as remote shipping operations for asphalt plants, as well as image AI recognition and sorting systems.

The Company possesses proprietary AI and DX technologies that drive differentiated new products development

Increasing expectations for contribution to the realization of a decarbonized society

Asphalt plants contribute to the recycling of recycled asphalt, in addition to the construction of safe and comfortable road infrastructure. The Company's share in expressways and airports in Japan is as high as almost 100%, and it is highly regarded for its high reliability. In addition, expectations are growing for the development of products that will help realize a decarbonized society and the creation of new value in road construction in anticipation of the EV era. Furthermore, concrete plants are expected to contribute further to a decarbonized society through the supply of calcium carbonate production equipment that adsorbs CO_2 in concrete, as well as supporting the construction industry through the stable supply of high-quality concrete products.

The Company also contributes to the realization of a decarbonized society by leveraging its advanced technological capabilities

Figure 2: Characteristics of the business segments and major products, and customer industries

100 million yen, %	AP-Related	BP-Related	Environment- and Conveyor-Related	Crusher-Related	Contract-Based Manufacturing	Other
Net sales	194	142	32	22	48	51
(Composition ratio)	39.6	29.0	6.6	4.6	9.8	10.4
Operating profit	9	17	8	0.4	6	7
(Composition ratio)	19.7	34.8	17.1	0.8	13.0	14.5
Operating profit margin	5.0	12.1	26.0	1.8	13.4	14.0
Major products	Asphalt plants Recycling plants Plant management systems, etc.	Concrete plants Mobile plants Plant management systems, etc.	Various belt conveyors Can and bottle sorting devices Various environmental plants, etc.	Crushers, screens Self-propelled conveyors Internally-developed soil improvement machines, etc.	Manufacturing, assembly and installation, etc. of various plants and industrial machinery	Pipe scaffoldings, etc. Floodgates and waterproof boards, etc. Various equipment, real estate businesses, etc.
Main customers	Construction companies Road paving companies, etc. –	Ready-mix concrete manufacturers Construction companies, etc. –	Waste disposal and treatment service providers Civil engineering and construction industries Various manufacturing industries, etc.	Stone crushing and mining companies Rental, steel companies Civil engineering and construction companies, etc.	Plant manufacturers General heavy machinery manufactures Chemical and steel companies, etc.	General contractors, government agencies Shutter manufacturers Rental companies, etc.
Market share	78% (static share)	34% (static share)	Portable conveyors 65%	Crushers 21%, screens 25%	–	Flexible stairs 40%, waterproof boards 40%
MS sales composition ratio	47%	39%	Conveyor services 4%	9%	–	–

Note: MS (maintenance services); Performance is based on data for the fiscal year ended March 2025, and operating profit is before corporate expenses

Source: Created by CGRA

Three Noteworthy Points of NIKKO CO., LTD

Three Noteworthy Points of NIKKO CO., LTD

Point (1): Projected dividend yield for FY2027 is 6.5%

In addition to achieving consecutive record-high results, the Company has become increasingly proactive in shareholder returns

In the new Medium-Term Management Plan announced on June 17, 2025, the Company presented a policy to maintain a dividend payout ratio of 60% or higher for the three-year period from FY2025 (the fiscal year ending March 2026) to FY2027 (the fiscal year ending March 2028). Furthermore, it clearly stated that it plans to increase dividends per share for FY2025 by 2 yen from the previous year to 34 yen (payout ratio of 62.2%), by 6 yen to 40 yen for FY2026, and by 10 yen to 50 yen for FY2027.

The dividend yield, estimated based on the closing price of 769 yen on November 26, 2025, is calculated to be 4.4% for FY2025, 5.2% for FY2026, and 6.5% for FY2027. The dividend yield of 6.5% ranks 6th in the dividend yield ranking for FY2025 on TSE Prime Market, which looks attractive.

Also, as shareholder benefits, the Company offers QUO cards worth 500 yen to shareholders holding 100 or more shares for at least one year, items or QUO cards equivalent to 1,000 points to shareholders holding 500 or more shares, and those equivalent to 4,000 points to shareholders holding 2,000 or more shares (points for items are doubled for shareholders holding shares for three years or longer).

Point (2): Maintenance service sales will underpin performance

The expansion in maintenance service sales is contributing to improved profitability and more stable business performance

Maintenance service sales account for 47% of net sales in the Company's mainstay AP-Related Business, and 39% in BP-Related Business. Maintenance service sales from the two businesses combined were as high as 29.8% of consolidated net sales (reference: 51% at Komatsu, 43% at Hitachi Construction Machinery), representing a high-profit stable source of income (the composition ratio has declined as a result of M&A, but the amount has increased). In Crusher-Related Business and other businesses, it is focusing on expanding maintenance service business in line with an increase in the cumulative number of units sold, which is expected to increase in the sales composition ratio in the future.

The Company has established a solid position in the industry with a 78% domestic market share for AP-Related Business and 34% share for BP-Related Business. Meanwhile, in construction-related industries, there are concerns about worsening labor shortage against the backdrop of aging workforce and workstyle reforms. In this environment, the Company is developing a variety of solutions to address customer issues, such as subscription-type maintenance, remote plant operations, and plant automation proposals. The Expansion in maintenance service sales is contributing to improved profitability and more stable business performance.

Point (3): Highly effective sustainable management contributes to earnings growth and stock price appreciation

It practices sustainable management that penetrates into the field and is highly effective

Currently, more than 1,000 companies, mostly large corporations, issue integrated reports to provide disclosure in accordance with various guidelines. However, many companies issue those reports only formally and do not have sustainable management reflected in business performance, recruitment, employee motivation, and stock price.

Meanwhile, in terms of the environment (E), the Company has been implementing measures based on its medium- to long-term roadmap, which have resulted in the development of environmentally friendly products with financial impacts and contribution to performance. In terms of society (S), it has been practicing initiatives that focus on the field and emphasize employee friendliness, job satisfaction and diversity, including ongoing wage increases, the provision of the Company's shares with transfer restriction to all employees, and improvements to the workplace environment. Such efforts have led to increases in the number of new graduate, mid-career and non-Japanese hires, including women, and improved employee motivation. As for governance (G), although there remain issues such as the compensation system, shareholder-oriented management that sets out target market capitalization is bearing fruit, as evidenced by the fact that the Company is expected to deliver consecutive record-high results in FY2025. Also, it obtained A rating with 78.7 points, well above the average score of 69.4 points, in the Nikkei Integrated Report Award 2024.

Figure 3: Implementing more proactive shareholder returns, including share repurchases

It considers flexible share repurchases, in addition to ongoing dividend increases

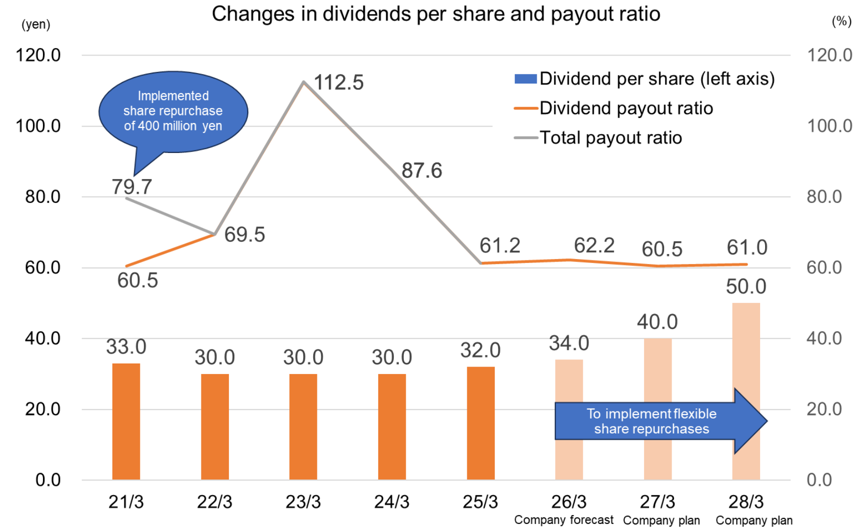


Figure 4: Maintenance service sales have been increasing steadily

CGRA looks forward to continuing contribution to performance by high-profit maintenance service sales

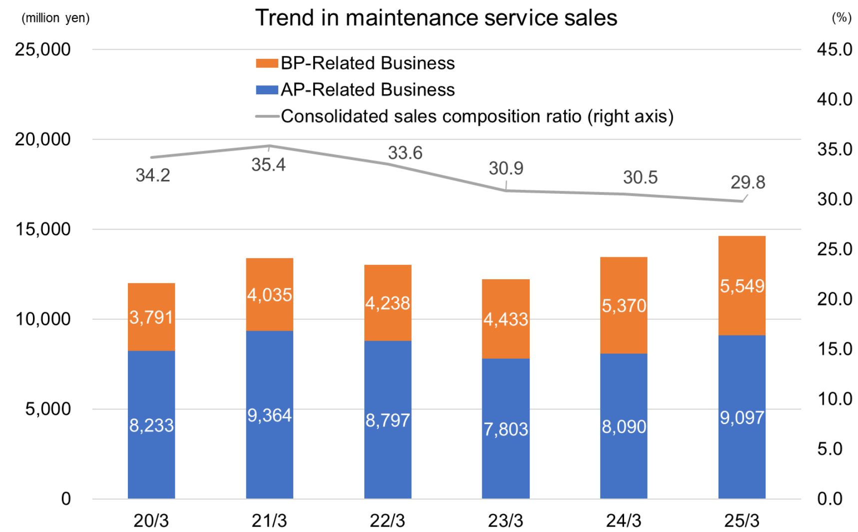
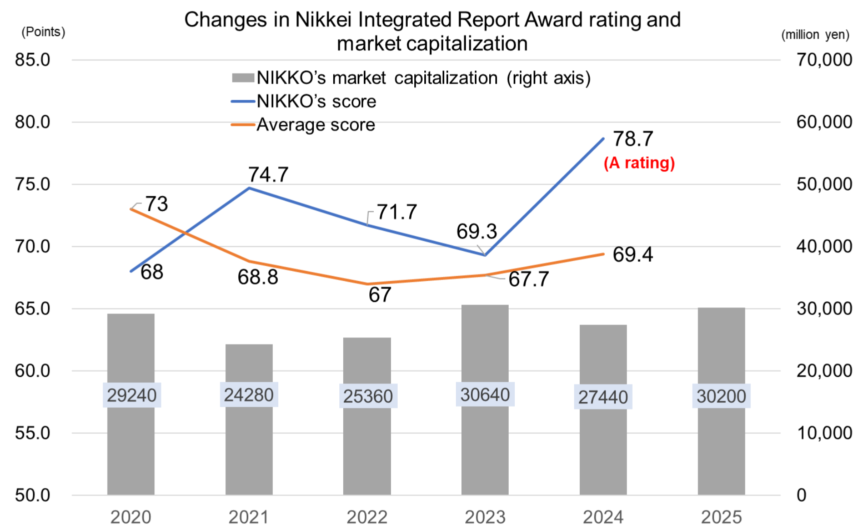


Figure 5: Implementing highly effective sustainable management

Steady improvements in external evaluations such as Nikkei Integrated Report Awards are seen



Source: Created by CGRA based on company materials, etc.

Outline of the New Medium-Term Management Plan

Aiming to achieve numerical targets under the theme of "strengthening profitability," under the structure led by new President Nakayama

The Company shifting to a "robust business expansion phase" that recovers prior investments under the new medium-term plan

Mr. Tomomi Nakayama, Senior Managing Director, was appointed Representative Director and President as of April 1, 2025. Mr. Nakayama has extensive field experience, particularly in AP-Related Business, and while focusing on both the field perspective and capital markets, he set out "strengthening profitability" as the theme of the new Medium-Term Management Plan. While the previous medium-term plan was positioned as an "internal investment phase" aimed at building the foundation through investments in human resources, organizational structure and others, the new medium-term plan is positioned as a "robust business expansion phase," during which it seeks to recover its prior investments. In FY2027 (fiscal year ending March 2028) which is the final year, the Company aims to achieve consolidated net sales of 60 billion yen, operating profit margin of 8% or higher, ROE of 8%, and market capitalization of 40 billion yen (equivalent to stock price of 1,000 yen).

Promoting ROE improvement and proactive shareholder returns, with the aim to achieve stock price of 1,000 yen

During the period of the new medium-term plan, the Company aims to achieve ROE of 8% or higher early and, when the actual PER of 13x for the fiscal year ended March 2025 is applied, the expected PBR of 1x (equivalent to stock price of 1,000 yen). In addition, it plans to maintain a dividend payout ratio of over 60% during the period and increase dividends per share to 50 yen in the final year (34 yen forecast for the fiscal year ending March 2026, and 40 yen planned for the fiscal year ending March 2027).

Aiming to achieve consecutive record-high profit

It aims to achieve sustainable growth and increase corporate value through six key initiatives

For FY2025 (the fiscal year ending March 2026), it forecasts consolidated net sales of 51.0 billion yen (up 3.7% from the previous year) and consolidated operating profit of 3.0 billion yen (up 8.4% from the previous year; operating profit margin of 5.9%). It plans net sales of 55 billion yen and operating profit of 3.8 billion yen (operating profit margin of 6.9%) in FY2026 (fiscal year ending March 2027), and net sales of 60 billion yen and operating profit of 5.2 billion yen (operating profit margin of 8.7%) in FY2027 (fiscal year ending March 2028), the final year, which would renew the previous record set in FY2024 for the third consecutive year.

Implementing business strategies that lead to the creation of financial and non-financial impacts

Under the new medium-term plan, it plans to develop strategies to create financial and non-financial impacts in each of its business segments, based on six key initiatives. Specifically, they are (1) establishment of a sustainable profit structure, (2) contribution to an environmental and recycling-oriented society, (3) acceleration of global expansion with a focus on the ASEAN region, (4) product evolution and quality improvement, (5) human resource development and service quality improvement through co-creation with partners, and (6) management transparency and strengthening of governance.

Figure 6: Numerical targets by business segment in the new Medium-Term Management Plan

(million yen)		Previous Medium-Term Management Plan			New Medium-Term Management Plan		
		FY2022 actual results	FY2023 actual results	FY2024 actual results	FY2025 plan	FY2026 plan	FY2027 plan
AP-Related Business	Net sales	17,341	17,938	19,480	19,500	21,600	23,000
	Operating profit	49	331	977	1,000	1,600	2,350
	Operating profit margin	0.3%	1.8%	5.0%	5.1%	7.4%	10.2%
BP-Related Business	Net sales	11,111	11,907	14,266	14,800	15,300	15,300
	Operating profit	1,017	1,341	1,724	1,900	2,000	2,000
	Operating profit margin	9.2%	11.3%	12.1%	12.8%	13.1%	13.1%
Environment- and Conveyor-Related Business	Net sales	2,888	3,309	3,254	4,100	3,300	3,500
	Operating profit	522	793	847	850	730	800
	Operating profit margin	18.1%	24.0%	26.0%	20.7%	22.1%	22.9%
Crusher-Related Business	Net sales	2,217	3,198	2,256	3,000	3,700	4,300
	Operating profit	175	274	40	150	220	300
	Operating profit margin	7.9%	8.6%	1.8%	5.0%	5.9%	7.0%
Contract-Based Manufacturing Business	Net sales	2,216	3,072	4,802	3,600	3,800	4,200
	Operating profit	156	270	646	400	450	500
	Operating profit margin	7.0%	8.8%	13.5%	11.1%	11.8%	11.9%
Other Business	Net sales	3,892	4,670	5,101	6,000	7,300	9,700
	Operating profit	711	769	716	900	1,100	1,650
	Operating profit margin	18.3%	16.5%	14.0%	15.0%	15.1%	17.0%

Note: Operating profit is before corporate expenses

Source: Company's Medium-Term Management Plan briefing materials

Past Performance Trend and Progress in Fiscal Year Ending March 2026

Operating profit in the fiscal year ended March 2025 reached a record high for the first time in about 35 years

Performance was driven by M&As and price revisions that ensured profitability, in addition to emerging replacement demand for plants that had been delivered during the bubble period

The Company's mainstay AP-Related and BP-Related Businesses have road paving companies and construction companies as their main customers. After 1985, construction investment expanded due to the bubble economy in addition to major projects such as the Seto-ohashi Bridge (1988) and Kansai International Airport (1994), and domestic construction investment in FY1992 reached a record high of approximately 84 trillion yen. The Company recorded record-high net sales of 38.3 billion yen in the fiscal year ended March 1993 and operating profit of 2.7 billion yen in the fiscal year ended November 1990.

Construction investment subsequently was halved from its peak in FY2010, however it recovered to about 73 trillion yen in FY2024. The Company's net sales were 38.8 billion yen, a record-high, in the fiscal year ended March 2022 and reached 49.1 billion yen in the fiscal year ended March 2025. Operating profit amounted to 2.766 billion yen in the fiscal year ended March 2025, the first record high in about 35 years (the previous peak was 2.7 billion yen in the fiscal year ended November 1990). The highest ever ROE is 6.8% recorded in the fiscal year ended March 2021 (the peak after the capital increase in 1994 was 6.6% in the fiscal year ended March 2016).

Drivers of earnings growth include M&A, price revisions, and increased replacement demand

On the back of its ample cash position, the Company has been proactively pursuing M&A, including the acquisition of highly profitable UBE KOHKI (Contract-Based Manufacturing Business) in 2022 and MATSUDA-KIKO (the same) in 2023 as group companies. In addition, against the backdrop of the Japanese economy turning into an inflationary phase, an increase in replacement investment as a result of a recovery in customers' business performance, as well as the effect of price revisions and other factors have been contributing to a continuing expansion trend of business performance. It is expected to continue to achieve consecutive record-high results during the new medium-term plan period.

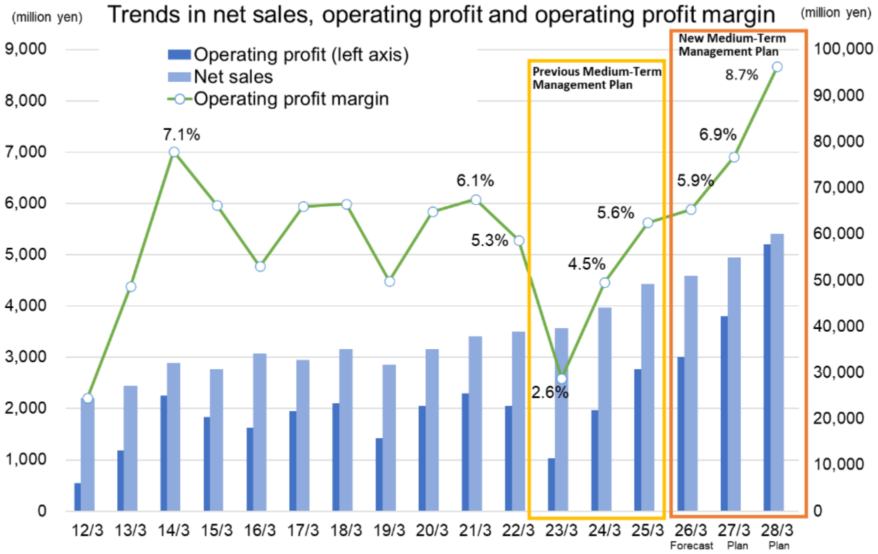
Fiscal year ending March 2026 is expected to deliver record-high operating profit in the second consecutive period

The forecast for full-year order intake was revised upward significantly at the time of 2Q financial results announcement

For the fiscal year ending March 2026, it had forecasted consolidated net sales of 51.0 billion yen (up 3.7% from the previous year; 22.7 billion yen in 1H, 28.3 billion yen in 2H) and operating profit of 3.0 billion yen (up 8.5% from the previous year; 5.8% operating profit margin; 1.15 billion yen in 1H, 1.85 billion yen in 2H) at the beginning of the period.

The 2Q results for the fiscal year ending March 2026, announced on November 12, 2025, showed net sales of 21.1 billion yen (down 6.7% year-on-year) and operating profit of 768 million yen (down 40.0% year-on-year). Although they fell short of the initial forecast, <u>the full-year forecasts were kept unchanged. However, the full-year forecast for order intake was revised upward from 53.2 billion yen at the beginning of the period to 58.5 billion yen</u>, giving the impression that <u>earnings growth in the fiscal year ending March 2027 and beyond is now more likely.</u>

Figure 7: Expected to continue to achieve consecutive record-high results



Source: Created by CGRA based on the new Medium-Term Management Plan materials, etc.

Business Opportunities and Challenges

Each business has many business opportunities

All six businesses have abundant business opportunities in niche markets

In AP-Related Business, replacement investment for plant facilities, mainly by regional customers, appears to have become active on the back of energy-saving subsidies. Demand is expected to increase toward 2027 based on the 25-year replacement cycle assumed by CGRA as well. In BP-Related Business, the business environment continues to be favorable due to the continuing rise in concrete prices and an expansion in replacement investment in infrastructure, such as water supply and sewage systems. In Environment- and Conveyor-Related Business, the market environment remains firm against the backdrop of tightening of various regulations and the use of recycled plastic for automobile parts becoming mandatory. In Crusher-Related Business, the market is expected to grow in size, centered on the building demolition field, despite intense competitive environment. In Contract-Based Manufacturing Business, there is room to expand market share as a result of industry consolidation, and in Other Business, stable growth is expected to revolve around the disaster prevention/mitigation field.

CGRA looks forward to sustainable growth and improved profitability by the Company's overcoming challenges

The biggest challenge is to improve profitability in AP-Related Business. The demand environment is starting to improve, and price revisions, the launch of new products, and the strengthening of maintenance service sales are beginning to deliver results steadily. However, it is expected to be in 2027 or later when overseas business becomes profitable. While Crusher-Related Business is facing headwinds from the weakening of the yen, it is responding by stepping up its efforts to launch internally developed products and through other measures. As for the shortage of human resources, initiatives to expand mid-career hires and develop human resources under a human capital enhancement program are yielding results steadily.

Figure 8: Short- and medium-term business opportunities and challenges

	Business opportunities		Challenges
(million yen)	Short-term (1 to 2 years)	Medium-term (3 to 5 years)	
AP-Related Business	· Emerging replacement demand in Japan (energy-saving subsidies) · Effect of launching energy-saving and environmentally friendly products · Needs for remote and unmanned operation · Overseas expansion centered on ASEAN	· Effect of launching next-generation CN fuel-compatible products · Increased demand for smart and automated plants · Needs for remote monitoring and operation support · Overseas expansion centered on ASEAN	· Domestic and international profitability · Change or reduction in subsidy programs · Changes in the environment and regulations in overseas markets · Shrinking domestic market
BP-Related Business	· Emerging replacement investment demand · Strengthening of MS business, including operational support services · Effect of launching new products · Increase in demand due to replacement of water supply and sewage pipes	· Growing need for automated, labor-saving plants · Increased demand for environmentally friendly concrete equipment · Expanding needs for precast-compatible products/services	· Structural decline in demand for concrete
Environment- and Conveyor-Related Business	· Increased demand for environmental plants due to tightening of regulations · Tightening of regulations on plastic recycling · Effect of launching new products such as AI sorters · Needs for energy-saving and environmentally friendly equipment	· Increased demand for modularized and standardized products · Launch of new products with technological innovations · Acceleration in growth of various recycling markets · Overseas market development potential	· Insufficiency in human resources · Lack of calcination technology in environmental business · Intensifying competition
Crusher-Related Business	· Expansion of product lineup · Contribution to performance by products that are developed in-house · Development of new domestic applications and overseas markets · Improvement in profitability through expansion of MS business	· Increased demand for demolition of dilapidated buildings · Growing recycling need · Development of energy-saving and low-vibration technologies, etc. · Growth of MS business	· The yen's depreciation is a negative factor · Intensifying competition · Development of maintenance personnel
Contract-Based Manufacturing Business	· Realization of synergies with the NIKKO Group · Acquisition of market share as a result of industry consolidation · Acquisition of decarbonization-related projects · Effect of expanding production capacity	· Increase in value-added contract-based work · Expansion of decarbonization-related projects · Conversion into a proposal-based business model · Increase in the number of new customers accompanied by expansion of market share	· Insufficiency in human resources · Development of successors
Other Business	· Increased demand for disaster prevention and land resiliency initiatives · Effect of launching new products · Increase in maintenance and new construction projects · Increased need for automation	· Expansion of temporary construction equipment rental and maintenance services · Entry into overseas infrastructure business · Effect of launching new materials and new products · Expanding needs for automation and manpower saving	· Insufficiency in human resources · Development of successors

Source: Created by CGRA from various materials. Items in background color indicate expectations and challenges

Walking Around "Nikko Messe"

Nikko Messe is a new product launch event held once every three years

The new products exhibited at "Nikko Messe 2025" are expected to drive the Company's performance over the next two to three years

"Nikko Messe 2025," a new product exhibition of the NIKKO Group, was held at the Company's head office factory for 12 days from October 20 to October 31, 2025 for the first time in three years. Under the theme of "Creating a Future Society Beyond Today," this exhibition featured future-oriented concept models and attractive products and services that aim to contribute to solving social issues such as workstyle reforms, DX, and carbon neutrality. While the previous exhibition in 2022 attracted about 1,300 visitors, this year's attracted about 2,000, far exceeding the forecast of 1,500 visitors. It is the result that indicates growing expectations for the Company, and the new products exhibited are expected to contribute to future earnings growth.

It depicted the world of asphalt that is accompanied by near-future "excitement"

At the venue entrance, visitors were greeted by the "Future Co-Creation Project," which depicted a science fiction-like world, including futuristic houses made of asphalt and a woman swimming in an asphalt pool. It offered a glimpse into the Company's attitude toward taking on challenges for the future. In each exhibition area, NIKKO Group companies displayed a number of new products that they are proud of, and many visitors eagerly listened to explanations.

There were many new products that accurately capture customer needs

A number of "products that will likely sell well" that solve customer issues were on display

We mention below three products that we found particularly impressive during our visit. First, in AP-Related Business, the new control system "AUTOPYRO" should be mentioned as customer needs shift from hardware to remote operation and DX. It is a state-of-the-art system that enables fraud prevention and quality certification by managing the mixing recipe of asphalt mixtures, the first of its kind in the industry, which attracted much attention from visitors. In BP-Related Business, "LIQUSOIL," a mobile concrete plant that can be relocated and is equipped with a liquefaction device for construction debris, attracted attention. It is expected to be utilized in fields where demand is expected to increase, such as replacement investment in water supply and sewage systems and construction work to prevent the hollowing out of national highways in approximately 5,000 sites. KLEEMANN jaw crushers in Crusher-Related Business showed relatively high performance in the comparisons using actual machines with leading Japanese companies, making their presence more solid.

Overview of AP-Related Business

Characteristics, strengths and challenges

AP-Related Business has secured a 78% domestic share, backed by its advanced technological capabilities and solution proposal capabilities. The domestic market has entered a mature phase, and the segment is strengthening its efforts to launch new products for decarbonization (i.e., medium-temperature equipment and burners compatible with decarbonized fuels), products that help automation or reduce labor needs (i.e., remote operation), and expand into growth markets, centered on the ASEAN market. Maintenance services account for about 40% of net sales, forming a stable earnings base, however issues include that profitability is lower than that of BP-Related Business and delays in overseas business' starting to make contribution to earnings.

The impression is that measures to break away from low profitability, which has been an issue, are being steadily implemented

Earnings structure and performance trends

In the fiscal year ended March 2025, net sales increased 8.6% from the previous year to 19.4 billion yen and operating profit roughly tripled to 976 million yen, with operating profit margin also recovering to 5.0%. For the fiscal year ending March 2026, the segment is projected to achieve net sales of 20.5 billion yen (19.5 billion yen forecasted at the beginning of the period), up 5.2% from the previous fiscal year, and operating profit of 1.0 billion yen, up 2.5%, with operating profit margin of 4.9% (5.1% forecasted at the beginning of the period). Although road paving companies have been struggling due to soaring asphalt prices, they are starting to see signs of improvement in the business environment, as evidenced by SEIKITOKYU KOGYO's making upward revision to its full-year earnings forecast, mainly due to improved profitability of its paving material manufacturing and sales business, in the announcement of 2Q results, followed by strong 1Q results.

Market trends and future outlook: Energy-saving subsidies will be a catalyst for demand growth

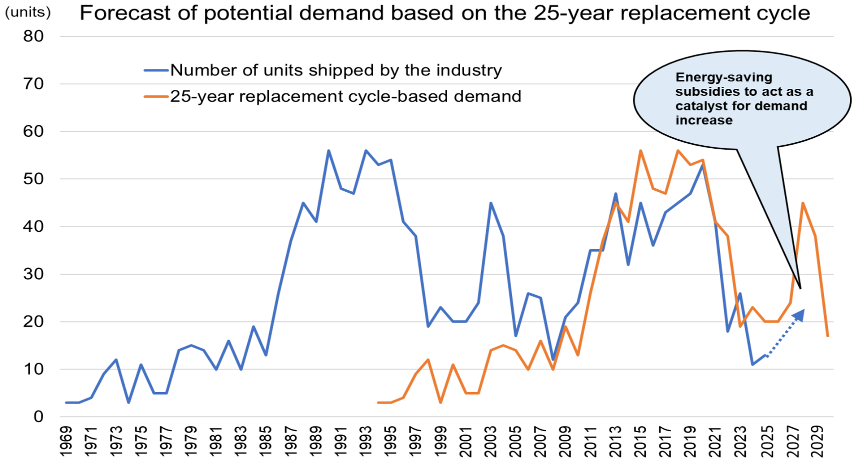
The number of asphalt plants in operation in Japan peaked at about 1,900 in 1990, and they have been consolidated to about 1,000 in recent years. CGRA assumes the plant replacement cycle to be about 25 years, and the following graph shows potential replacement demand estimated by shifting the number of plants shipped in the past by 25 years. Although the number of units shipped in and after 2022 has been stagnant due to industry restructuring and deteriorating business performance of road paving companies, CGRA expects demand to grow again in the future.

Demand is expected to grow again in the future with a tailwind of a recovery in customers' business performance and energy-saving subsidies

Medium-Term Management Plan and growth strategies

The Company plans to achieve net sales of 23 billion yen, operating profit of 2.35 billion yen, and operating profit margin of 10.2% in the fiscal year ending March 2028, the final year of the medium-term plan. In Japan, in addition to emerging replacement demand that takes advantage of energy-saving subsidies (= 30 billion yen in FY2025 budget and 76 billion yen in FY2026), it is also working to expand sales of decarbonization-related products and products that support automation and manpower saving. Overseas, it plans to strive to further improve profitability by launching strategic models for the ASEAN market and stepping up on efforts to promote the adoption of recycling technologies penetrated, and expanding maintenance services in Japan and overseas.

Figure 9: Replacement demand is expected to emerge in the future



Source: Created by CGRA based on company materials

Overview of BP-Related Business

Characteristics, strengths and challenges

Strong performance continues with a tailwind of customers' strong facility replacement needs through rising cement prices

BP-Related Business has secured a 34% domestic share by leveraging its proprietary kneading and weighing technologies to develop a system of integrated in-house production from plant design to control devices, and a well-developed support network. As the ready-mix concrete industry enters a mature phase, labor shortages are becoming more serious, and the Company is expanding business into new fields, such as operational support services for customer plants, the sale of mobile plants that can be relocated, acquisition of in-plant demand that accommodates precast water and sewer pipes and construction materials, and manufacturing equipment for calcium carbonate that encapsulates CO_2 in concrete.

Earnings structure and performance trends:

Net sales for the fiscal year ended March 2025 increased 19.8% from the previous year to 14.2 billion yen, and operating profit increased 28.6% to 1.724 billion yen, with operating profit margin maintained at a high level of 12.1%. For the fiscal year ending March 2026, the segment is projected to achieve net sales of 14.5 billion yen (14.8 billion yen forecasted at the beginning of the period), up 1.6% from the previous fiscal year, and operating profit of 1.9 billion yen, up 10.2%, with operating profit margin of 13.1% (12.8% forecasted at the beginning of the period). Ready-mix concrete is a community-based industry with JIS standards limiting transport time to 1.5 hours or less, and the National Federation of Ready-mix Concrete Cooperative Associations (ZENNAMA) has been established with 64% of ready-mixed concrete plants across the country joining as members. The cooperative associations are becoming more active in replacement investment while working to consolidate facilities and expand earnings through hikes in cement prices.

Market trends and future outlook

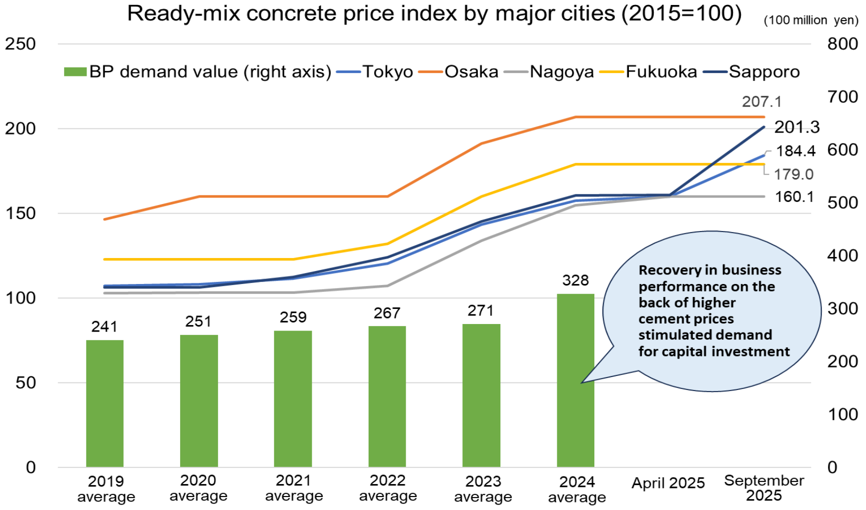
Ready-mix concrete prices, a leading indicator for capital investment, continue to be on a rising trend

Concrete plants in operation in Japan have been consolidated from 4,662 plants at the end of FY2000 to 2,993 at the end of June 2025, against a backdrop of declining demand for cement due to the rising proportion of repair and renovation work in private and public construction investment and changes in construction methods. Meanwhile, ready-mix concrete prices, a leading indicator for concrete plant demand, continue to trend upward, and CGRA believes that plant demand is likely to continue to be at an elevated level for the next two to three years.

Medium-Term Management Plan and growth strategies

For the fiscal year ending March 2028, the segment is planned to post net sales of 15.3 billion yen and operating profit of 2.0 billion yen, with operating profit margin of 13.1%. In a strong demand environment, it aims to stabilize its business performance and further improve profitability by launching the new high-performance standard plant “DASH-REXA” and a new mixer with enhanced kneading performance and safety, as well as by providing operation support services using its proprietary DX, strengthening initiatives for Carbon Recycle, and expanding sales of maintenance services.

Figure 10: Leading indicator for plant demand continues to be on a rising trend



Source: Created by CGRA based on company materials

CGRA

Overview of Environment- and Conveyor-Related Business

Characteristics, strengths and challenges

In Environment- and Conveyor-Related Business, conveyor products centered on portable conveyors, which boast a 65% share in the domestic market, account for about 81% of the segment's net sales, with environmental products account for about 15% and the conveyor service business the remaining 4%. It secures high profitability with an average operating profit margin of 25% over the past two years. It has been promoting to sales expansion through e-commerce while adding various functions including DX and AI sorting, in addition to "standardization and modularization" of conveyors.

High profitability is achieved through the provision of highly value-added products against a backdrop of tightening of various regulations

Earnings structure and performance trends:

Net sales for the fiscal year ended March 2025 decreased 1.7% from the previous year to 3.2 billion yen, and operating profit increased 6.8% to 847 million yen, with operating profit margin standing at as high as 26.0%. For the fiscal year ending March 2026 during which sales from development projects for JR are expected to be recorded, the segment is forecasted to post net sales of 4.3 billion yen (4.1 billion yen forecasted at the beginning of the period), up 32.1% from the previous fiscal year, and operating profit of 900 million yen (850 million yen forecasted at the beginning of the period), up 6.3%, with operating profit margin of 20.9% (20.7% forecasted at the beginning of the period). High profitability is mainly due to the launch of new products such as horizontally inclined conveyors that save space, as well as its success in passing on the added value of various functions to the selling price.

Market trends and future outlook

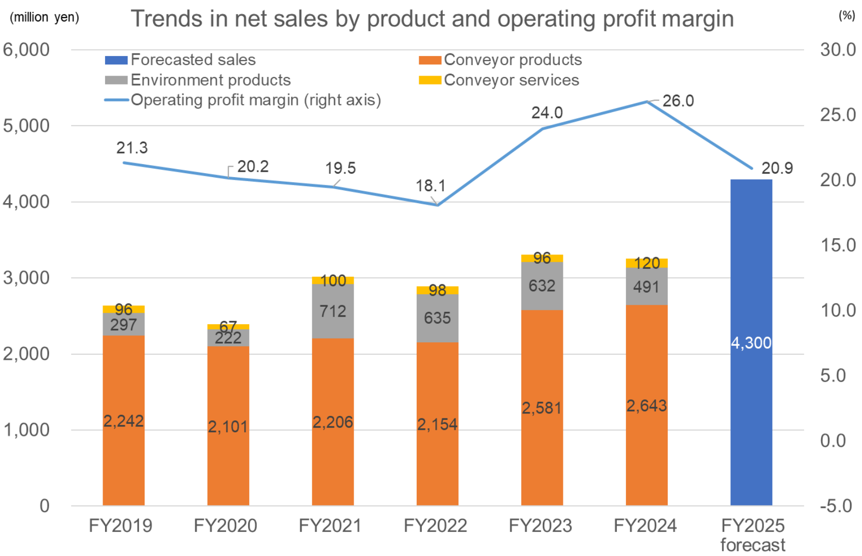
Toward 2030, discussions are underway in Japan to strengthen the Plastic Resource Circulation Act and mandate the use ratio of recycled materials in automobile parts mandatory, including targeting 60% reuse rate of packaging container plastics and 100% recycling of PET bottles. It seems to be against this backdrop of regulatory tightening that new capital investment has been on the rise. In addition, the number of lithium battery fire accidents has been on the increase in the recycling process, causing new demand to emerge in the sorting field. Therefore, the market environment is expected to remain firm not only in the conveyor field but also in the environmental field for the time being.

Numerical targets under the medium-term plan look extremely conservative

Medium-Term Management Plan and growth strategies

For the fiscal year ending March 2028, the segment is planned to post net sales of 3.5 billion yen and operating profit of 0.8 billion yen, with operating profit margin of 22.9%. In addition to promoting further modularization and customization of portable conveyors, which boast a high market share, it plans to improve the efficiency of its sales and marketing operations and strengthen its revenue base through the cultivating customers using Web services, engineering proposals for conveyor systems, the launch of highly value-added environmental products utilizing DX and AI technologies in the market, as well as standardization of design work.

Figure 11: Possible to continue to secure high operating profit margin of over 20% in the future



Source: Created by CGRA based on company materials

Overview of Crusher-Related Business

Characteristics, strengths and challenges

Crusher-Related Business revolves around the import and sale of automated crushers and screens manufactured by KLEEMANN of Germany, which boast high crushing capacity and the world's top fuel efficiency. It also focuses on expanding sales of Mobix-Eco, a self-propelled soil improvement machine developed in-house that is equipped with the Company's proprietary mixer. In addition to high quality and environmental performance, they are highly evaluated for their convenience such as ease of installation and ease of relocation and resale. Self-propelled crushers and screens boast domestic shares of 21% and 25%, respectively. However, the depreciation of the yen puts pressure on earnings given that the machines are imported.

It plans to minimize foreign exchange risks through sales expansion of products developed in-house and other measures

Earnings structure and performance trends:

In the fiscal year ended March 2025, net sales decreased 29.5% from the previous year to 2.2 billion yen, and operating profit decreased 85.4% to 40 million yen, a significant decrease in both sales and profit. Main factors were a deterioration in the competitive environment and further depreciation of yen. Meanwhile, for the fiscal year ending March 2026, the segment is projected to post net sales of 2.4 billion yen (3.0 billion yen forecast at the beginning of the period), up 6.4% from the previous fiscal year, and operating profit of 50 million yen (150 million yen forecast at the beginning of the period), up 25%, with operating profit margin of 2.1% (5.0% forecast at the beginning of the period). It aims to achieve quick recovery in performance by focusing on expanding sales of internally-developed products and highly profitable products, expanding sales areas through the strengthening of human resources, and capturing maintenance service sales.

Market trends and future outlook

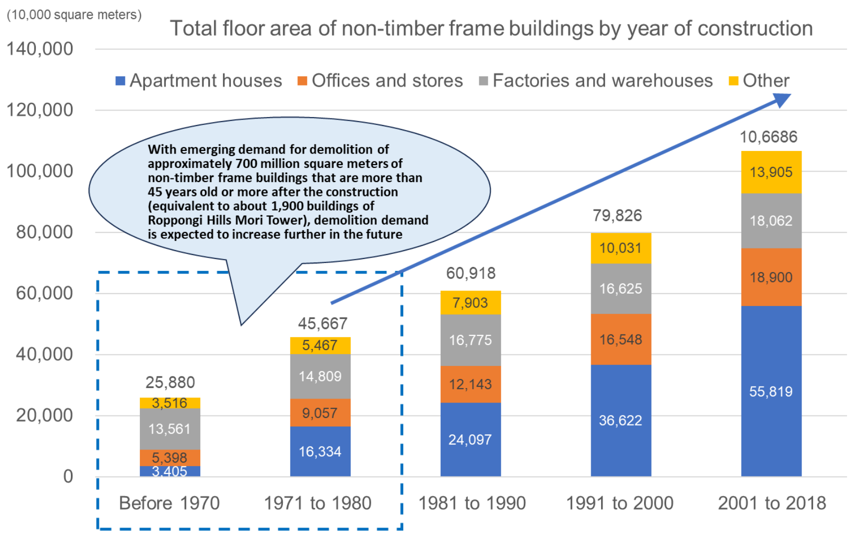
The domestic market for self-propelled crushers has been trending at around 100 to 120 units per year (on the scale of 6 to 7 billion yen) in recent years against the backdrop of a structural demand shift from fixed to self-propelled crushers, although demand tends to increase after an earthquake. Major customers include stone crushing and mining, building demolition and recycling, and civil engineering and construction industries (crushing and sorting of waste materials at construction sites). CGRA considers that demand for demolition and reconstruction of non-timber frame buildings is a leading indicator for demand, and that emerging demand for demolition of non-timber frame buildings that are 45 years old or more after construction, which amount to approximately 700 million square meters in size (equivalent to about 1,900 buildings of Roppongi Hills Mori Tower) will support robust demand growth.

Demand is expected to continue to increase with emerging strong demolition demand, in addition to a shift from fixed to mobile equipment

Medium-Term Management Plan and growth strategies

For the fiscal year ending March 2028, the segment is planned to post net sales of 4.3 billion yen and operating profit of 0.3 billion yen, with operating profit margin of 7.0%. In addition to expanding sales through customer synergies with AP and BP-Related Businesses, it plans to expand its earnings base by cultivating new customers such as steel companies and rental companies, strengthening its lineup of in-house-developed products, and enhancing its sales structure (i.e., increasing the number of staff) and promoting maintenance service sales.

Figure 12: Increase in demolition projects for non-timber frame buildings is likely to drive demand



Source: Created by CGRA based on Ministry of Land, Infrastructure, Transport and Tourism materials, etc.

Overview of Contract-Based Manufacturing Business

Characteristics, strengths and challenges

It achieves both new customer acquisition and high profitability amid an industry shakeout in progress

Contract-Based Manufacturing Business mainly consists of the group companies UBE KOHKI and MATSUDA-KIKO, with the former accounting for about 73% of net sales, the latter about 22%, and external sales the remainder. UBE KOHKI has a design team, and manufactures and sells its own products such as gas holders (i.e., tanks) and solar lighting, in addition to contract-based manufacturing services. It also has an affiliated factory in Dalian, China. Meanwhile, MATSUDA-KIKO has established a quick delivery system based on its strength in advanced can manufacturing and welding technology. The Business has consistently maintained double-digit operating profit margin, with an average operating margin of 11.1% over the past two years.

Earnings structure and performance trends:

In the fiscal year ended March 2025, net sales increased 56.3% from the previous year to 4.8 billion yen, and operating profit rose 138.9% to 645 million yen, a significant increase in both sales and profit. Contributing to this were the effect of improved profitability and other factors, in addition to the recording of sales from large projects. For the fiscal year ending March 2026, the segment is projected to post net sales of 3.15 billion yen (3.6 billion yen forecast at the beginning of the period), down 34.4% from the previous fiscal year, and operating profit of 460 million yen (400 million yen forecast at the beginning of the period), down 28.7%, with operating profit margin of 14.6% (11.1% forecast at the beginning of the period). It aims to secure high profitability on a stable basis due to the effect of ongoing productivity improvement efforts and other factors.

Market trends and future outlook

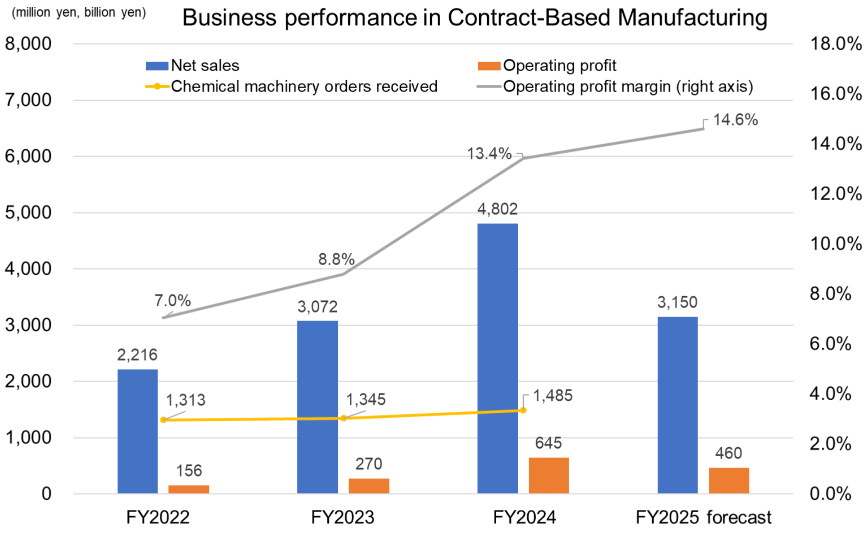
Growth exceeding the benchmark can be expected by working to expand production capacity and strengthen human resources

Contract-based manufacturing is the contracting of part of manufacturing of various equipment and plants for diverse industries, including steel, chemical, food, general heavy machinery, shipbuilding and plant manufacturers, and semiconductor-related. UBE KOHKI serves customers throughout Japan, while MATSUDA-KIKO has many customers in the Setouchi (Seto Inland Sea) area, including Okayama and Hiroshima. In the Setouchi area, an increasing number of competing firms are going out of business due to lack of successors, and the two companies have been successful in acquiring new customers and increasing their market shares through improved creditworthiness as a result of joining the NIKKO Group and the start of operations at a new factory. As a result, sales growth that exceeds that of chemical machinery orders, which CGRA considers as a benchmark, is expected.

Medium-Term Management Plan and growth strategies

For the fiscal year ending March 2028, the segment is planned to post net sales of 4.2 billion yen and operating profit of 0.5 billion yen, with operating profit margin of 11.9%. It plans to achieve both high growth and profitability by expanding production capacity and improving production efficiency with the start of operations at the new factory, creating mutual synergies within the NIKKO Group, and strengthening human resources and investing in DX to promote ongoing acquisition of new customers.

Figure 13: Growth above benchmark and high profitability can be expected



Source: Created by CGRA based on Japan Society of Industrial Machinery Manufacturers data and company materials

Overview of Other Business

Characteristics, strengths and challenges

Net sales of Other Business are accounted for by temporary construction equipment handled by Nikko Sec for about 31%, prevention boards and floodgates handled by Nikko Machinery for about 28%, soil and agricultural tools manufactured and sold by Tombo Industry for about 14%, with the remainder by the real estate business and other businesses. It is evaluated for its strong product development capability that leverages proprietary technologies and boasts high competitiveness and brand power, with aluminum flexible stairs and waterproof boards having domestic market shares of 40% and around 40%, respectively. It maintains high profitability with an average operating profit margin of 15.3% over the past two years.

It secures high profitability with a large number of "niche-top" products

Earnings structure and performance trends:

Net sales for the fiscal year ended March 2025 increased 9.2% from the previous year to 5.1 billion yen, and operating profit decreased 6.9% to 716 million yen, resulting in operating profit margin of 14.0% and an increase in sales and decrease in profit. Meanwhile, for the fiscal year ending March 2026, the segment is projected to post net sales of 6.15 billion yen (6.0 billion yen forecast at the beginning of the period), up 20.6% from the previous fiscal year, and operating profit of 800 million yen (900 million yen forecast at the beginning of the period), up 11.7%, with operating profit margin of 13.0% (15.0% forecast at the beginning of the period). In addition to the fact that it has been able to accept orders selectively for floodgates and other products, the fact that many waterproof boards are specialty products is another factor supporting its high-profit structure.

Market trends and future outlook

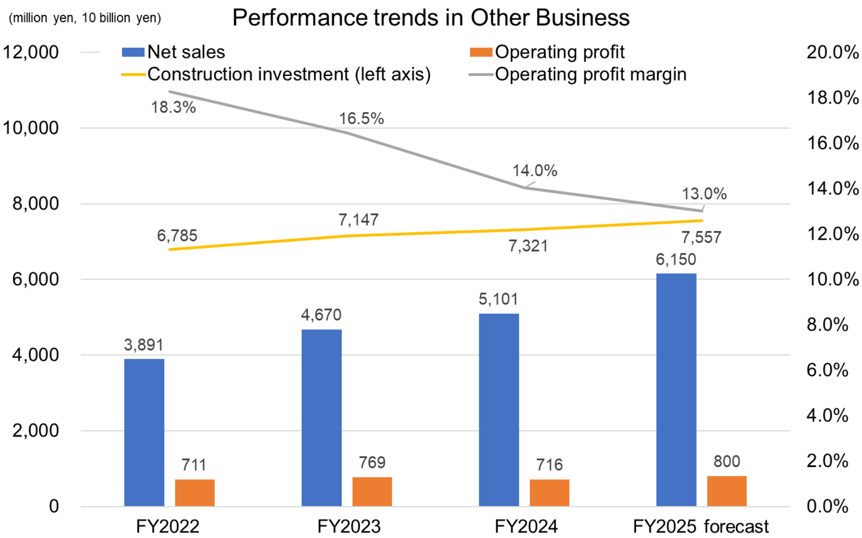
In recent years, demand for waterproof boards has been expanding nationwide as natural disasters, including torrential rain, have become more severe. In the Kanto area, which accounts for about 70% of demand, some are installing waterproof boards in condominiums and other buildings with the aim of increasing asset value. A similar phenomenon is spreading to the Nagoya and Osaka areas, and stable market growth is expected to continue. In the market for temporary construction equipment, high growth is not likely against the backdrop of labor shortages in the construction industry and workstyle reforms, however disaster response, maglev Shinkansen lines and data center-related projects are likely to underpin firm demand.

M&A in related business fields can also be expected, while maintaining high profitability

Medium-Term Management Plan and growth strategies

For the fiscal year ending March 2028, the segment is planned to post net sales of 9.7 billion yen and operating profit of 1.65 billion yen, with operating profit margin of 17.0%. On the back of demand for disaster prevention/mitigation and automation, stable growth is expected through the expansion of sales channels, improvement of technological capabilities through joint development with NIKKO, and the launch of new products. It plans to aim for profit growth accompanied by improved profitability by promoting selective acceptance of orders and price revisions with an emphasis on profitability, and sales expansion of specialty products. M&A in related fields is also expected.

Figure 14: The segment is expected to achieve stable growth that maintains high profitability



Source: Created by CGRA based on company materials with construction investment data from Ministry of Land, Infrastructure, Transport and Tourism

Sustainable Management

Realizing highly effective "investor-oriented sustainable management"

External evaluation organizations, such as the Nikkei Integrated Report Awards and excellent integrated reports chosen by GPIF, tend to limit their scope of review to companies with market capitalization of 50 billion yen or more, the Company which has a market capitalization of about 30 billion yen, out of the scope.

In such an environment, the Company has been publishing integrated reports (corporate reports) since 2019, practicing "highly effective shareholder-oriented sustainable management" that emphasizes the creation of economic value by addressing materiality. Specifically, in addition to carbon neutrality initiatives, it has been working sincerely and squarely on the development and launch of environmentally friendly products with financial impacts, fostering of "employee friendliness and job satisfaction" through ongoing wage increases, reforms of personnel systems and improvement of the workplace environment, and human resource measures that emphasize diversity, as well as strengthening of governance. The results of those efforts are being delivered steadily in the form of achievement of record-high financial results, improved stock price performance, and an increase in the number of shareholders.

It is promoting highly effective sustainable management that can serve as a model for small- and mid-cap companies

Environment: Promoting measures that are conscious of creating financial impacts

Toward the "realization of carbon neutrality" which is one of its materiality issues, the Company has been accelerating its efforts to achieve virtually zero emissions in Scope 1 & 2 and 3 in FY2050 as a response to the TCFD. In addition, to help customers achieve carbon neutrality, it strives to steadily develop products and technologies and to create financial impacts based on its own technology/product development roadmap toward 2050. Further, to achieve the "establishment of a recycling-oriented society" which is another materiality issues, it is aggressively working to improve social value through its business by recycling asphalt, construction materials waste, and cement sludge.

Strengthening of human capital: Developing various measures that focus on penetration in the field

The Company has been continuing to implement wage increases since 2022 and, in 2023, introduced a new personnel system that includes NIKKO's version of job-based management. It has been strengthening measures aimed at increasing employee motivation, including the improvement of the workplace environment. In addition, it has been working to get "shareholder-based management" fully embraced through granting the Company's shares with transfer restriction to all employees of NIKKO Group and other measures. Furthermore, by strengthening initiatives to promote active participation/advancement of female and non-Japanese employees and respect for human rights, it has seen steady improvement in internal well-being scores.

Its efforts to visualize well-being visualized and enhance motivation are groundbreaking

Governance: A transparent system is in place

There are no particular issues with the composition of the Board members or the system, and the impression is that the effectiveness of the Board of Directors is adequately ensured. On the other hand, there is room for improvement in that the Representative Director and President concurrently serves as the chairman of the Board of Directors and chairman of the Nomination and Compensation Committee, the ratio of fixed compensation in director compensation is as high as 70%, and total shareholder returns (=TSR) and ESG items are not reflected in the evaluation indices for director compensation.

Approach to Stock Valuation

The Company's equity story to achieve target market capitalization

PER is relatively high, and an early improvement in ROE is awaited for PBR to rise

The Company aims to achieve market capitalization of 40 billion yen (equivalent to stock price of 1,000 yen) in FY2027, and 50 billion yen (equivalent to stock price of 1,250 yen) in FY2030. It is valued at 0.86x in PBR and 14.1x in PER at the current stock price (=769 yen), resulting in expected ROE (PBR / PER) to be estimated from the two at 6.1%. Given that the actual ROE for FY2024 was 5.9%, it is assumed that the equity market has factored in a modest increase in profit in the Company's FY2025 performance (the Company forecasts a 4.5% YoY increase in profit). The Company recognizes that ROE of 8% is required to achieve PBR of 1x while maintaining PER of 13x. To achieve this, it plans to make growth investment with a focus on the cost of capital, and implement share returns with a payout ratio of 60% or higher and flexible share repurchases, as well as improve profitability by maximizing operating profit.

The expected stock price calculated using the sum-of-the-parts valuation is about 962 yen

The impression is that low recognition in the capital markets leads to discounts in the stock price

The Company develops six businesses, and we used the PER of major related companies in the industry to which each of those businesses belongs and the sales composition ratio of each of the Company's businesses to estimate an expected stock price based on the sum-of-the-parts (SOTP) approach. We adopted Sakai Heavy Industries, which handles road machinery, and three road paving companies for AP-Related Business; two cement-related companies and two concrete-related companies for BP-Related Business; and JRC for Environment- and Conveyor-Related Business as a company to be compared against in the conveyor products area, which accounts for about 80% of its net sales. We referred to Okada Aiyon, which handles equipment for crushing and demolition, for Crusher-Related Business and the Company's current PER forecast for Contract-Based Manufacturing Business and Other Business, for the calculation.

Specifically, we applied an average PER of 20.8x of the above four companies to AP-Related Business (accounting for 40% of forecasted sales), an average PER of 17.5x of the above four companies to BP-Related Business (28% of forecasted sales), PER forecast for JRC of 14.5x to Environment- and Conveyor-Related Business (8% of forecasted sales), and PER forecast for Okada Aiyon of 10.1x to Crusher-Related Business (5% of forecasted sales). We used the Company's current forecasted PER of 14.1x for Contract-Based Manufacturing Business and Other Business (which together account for 18% of net sales). It resulted in a reasonable PER of 17.6x based on FY2025 data, and the expected stock price is estimated to be 962 yen (=PBR 1.07x) when multiplied by the Company's EPS forecast.

Figure 15: The Company's stock valuation remains relatively low

	Sales composition ratio (%)	Reference company	Stock price (yen) 2025/11/26	PBR (times) Actual in Mar. '25	ROE (%) Actual in Mar. '25	ROE (%) Expected for Mar. '26	PER (times) Forecast for Mar. '26	EPS (yen) Forecast for Mar. '26	BPS (yen) Actual in Mar. '25
NIKKO segments	100	NIKKO	769	0.86	5.9	6.1	14.1	54.7	897.7
AP-Related Business	**40**	Sakai Heavy Industries	2,078	0.59	4.9	3.0	19.7	105.6	3,522.6
		Sumiken Mitsui Road	1,471	1.00	1.2	3.1	32.2	45.6	1,475.5
		Toa Road	1,639	1.37	7.5	7.4	18.5	88.7	1,197.4
		SEIKITOKYU KOGYO	1,628	1.43	9.5	11.0	13.0	125.6	1,138.9
		Average of 4 companies	-	-	-	-	**20.8**	-	-
BP-Related Business	**28**	Sumitomo Osaka Cement	3,813	0.66	4.7	5.4	12.2	311.7	5,793.9
		Taiheiyo Cement	3,761	0.65	9.5	7.0	9.3	403.8	5,758.9
		Nippon Concrete Industries	331	0.49	-0.6	2.7	18.0	18.4	681.1
		Asahi Concrete Works	975	1.06	3.6	3.5	30.5	31.9	921.6
		Average of 4 companies	-	-	-	-	**17.5**	-	-
Environment- and Conveyor-Related Business	**8**	JRC (fiscal year ending in February)	1,332	3.60	25.7	24.9	**14.5**	92.0	369.9
Crusher-Related Business	**5**	Okada Aiyon	2,137	1.00	8.9	9.9	**10.1**	211.3	2,140.6
Contract-Based Manufacturing Business	**6**	NIKKO PER	-	-	-	-	**14.1**	-	-
Other Business	**12**	NIKKO PER	-	-	-	-	**14.1**	-	-
Reasonable PER based on SOTP and expected stock price			**962**				**17.6**		

Source: Created by CGRA based on company materials, etc.

Shareholder Return Policy

Shareholder return policy: DPS for FY2027 is 50 yen (dividend yield of 6.5%)

Dividend yield of 6.5% is a level that corresponds to the 6th highest on the TSE Prime Market in FY2025

The Company's new Medium-Term Management Plan (FY2025-FY2027), announced on June 17, 2025, shows its policy of maintaining a dividend payout ratio of 60% or higher. Specifically, it clearly states a plan to pay dividends per share (DPS) for FY2025 (fiscal year ending March 2026) 34 yen (up 2 yen from the previous year), 40 yen for FY2026 (fiscal year ending March 2027), and 50 yen for FY2027 (fiscal year ending March 2028). The dividend yield, based on the closing price of 755 yen on October 2, 2025, is estimated to be 4.4% for FY2025, 5.2% for FY2026, and 6.5% for FY2027. In addition, it is also considering share repurchases with a view to improving capital efficiency. In terms of cash allocation, 4.9 billion yen (3.5 billion yen under the previous medium-term plan) is expected to be allocated to shareholder returns over the three-year period, indicating a policy of maintaining an aggressive stance for shareholder returns.

Dividend policy for fiscal year ending March 2026: Corporate management conscious of DOE is required

Improvement in profitability and shareholder returns, being conscious of continuing improvement in DOE, are required

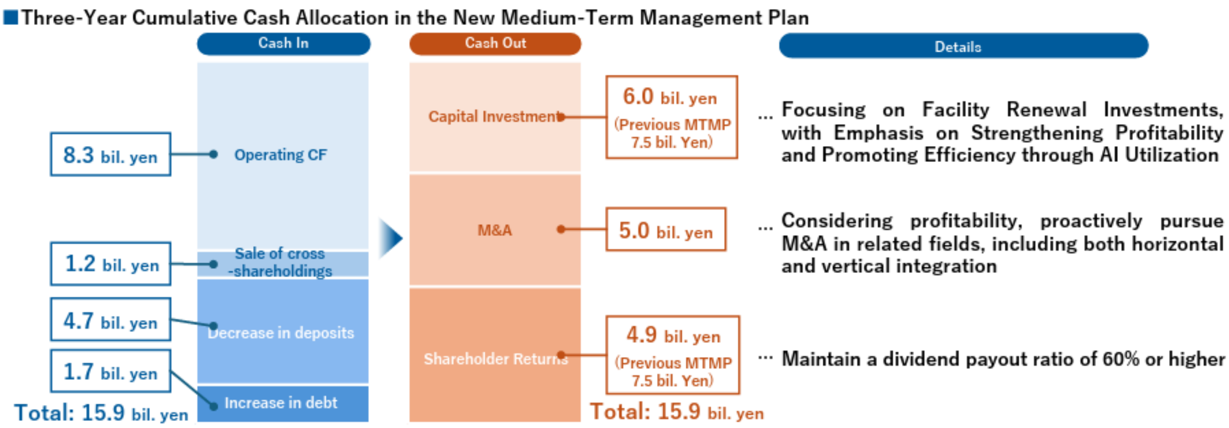
The annual dividend per share for the fiscal year ending March 2026 is expected to be 34 yen (17 yen at the 1H end and 17 yen at the year-end), up 2 yen from the previous fiscal year, at the start of the period. Profit per share is forecasted to be 54.65 yen, and the payout ratio is estimated to be 62.2%. DOE (dividend on equity) for the fiscal year ended March 2025 was 3.6%, the same as in the fiscal year ended March 2024. DOE is an indicator calculated as ROE (= capital gains) multiplied by the payout ratio (= income gains), and the Company's issue lies in its low profitability and ROE. Accordingly, corporate management that strives for sustainable improvement in DOE by continuing with aggressive shareholder returns, while placing priority on improving ROE as an issue, will be required.

Total shareholder return (TSR): Expected to turn positive at the end of the fiscal year ending March 2026

If current stock price level continues, TSR for the past one year at the end of the fiscal year ending March 2026 is likely to achieve a double-digit growth

The total shareholder return (TSR), including dividends, as of the end of the fiscal year ended March 2025 showed generally favorable performance of up 38.1% for investors who purchased the Company's shares five years ago, up 28.2% for those who purchased three years ago, and up 18.0% for those who purchased two years ago. On the other hand, it delivered negative performance of down 6.3% for those who purchased one year ago, underperforming the dividend-inclusive TOPIX for the same period (down 1.5%) and the dividend-inclusive machinery index (down 4.3%), albeit slightly. However, for the fiscal year ending March 2026, in addition to the dividend increase, the stock price has been firm since the announcement of the new medium-term plan. If the stock price is maintained at 650 yen or above, the TSR as of the end of the fiscal year ending March 2026 is expected to be positive compared with the end of the previous fiscal year. If the stock price is maintained at the level of 769 yen, the closing price on November 26, the TSR as of the end of the fiscal year ending March 2026 would be up 17.1% for over the past one year, up 36.4% over the past three years, and up 47.4% for the past four years.

Figure 16: Planning growth investment, including M&A, and aggressive shareholder returns



Source: Created by CGRA based on company materials.

Financial Data

Figure 17: Consolidated balance sheet and cash flow statement

(Consolidated) (¥ mn, %)	16/3	17/3	18/3	19/3	20/3	21/3	22/3	23/3	24/3	25/3
Current assets	29,750	30,764	30,479	29,390	31,426	32,381	34,127	33,723	41,033	40,126
Cash and deposits	9,877	12,669	12,157	10,347	12,622	12,491	12,436	10,317	15,551	14,038
Receivables	13,526	11,592	12,563	12,359	11,611	12,007	11,032	11,235	13,167	13,570
Marketable securities	250	400	0	0	0	0	0	0	0	0
Inventories	5,461	5,370	5,126	6,026	6,645	7,200	9,655	10,874	11,649	11,713
Other current assets	636	733	633	658	548	683	1,004	1,297	666	805
Fixed assets	13,438	14,211	14,396	14,578	14,250	16,315	17,951	18,404	21,196	23,598
Tangible fixed assets	4,606	5,206	5,281	6,507	7,362	9,183	10,669	11,839	13,247	15,305
Intangible fixed assets	330	331	318	418	431	660	1,036	1,020	1,208	1,198
Investments and other assets	8,501	8,673	8,797	7,652	6,456	6,472	6,246	5,544	6,740	7,094
Total assets	43,189	44,976	44,876	43,969	45,677	48,697	52,079	52,127	62,229	63,725
Current liabilities	11,276	12,494	11,455	10,781	12,545	14,418	15,774	15,338	21,743	21,515
Notes accounts payable - trade	3,511	3,751	3,637	3,208	7,033	6,412	6,783	6,225	7,420	7,340
Short-term borrowings	2,001	1,637	1,583	1,532	1,548	2,188	2,229	3,312	6,166	5,489
Other current liabilities	5,764	7,106	6,235	6,041	3,964	5,818	6,762	5,801	8,157	8,686
Long-term liabilities	3,384	3,392	3,134	2,773	2,838	2,827	4,254	5,184	7,399	7,649
Long-term borrowings	354	350	216	186	239	304	1,583	2,449	4,550	4,761
Retirement benefit liabilities	2,261	2,155	2,032	2,010	2,089	1,995	2,126	2,166	2,140	2,147
Others (Adjustment)	769	887	886	577	510	528	545	569	709	741
Total liabilities	14,660	15,886	14,590	13,554	15,383	17,246	20,029	20,523	29,143	29,164
Non-controlling interests					25	24	46	-40	57	8
Total shareholders equity	26,861	26,792	27,612	28,478	29,328	29,685	30,093	29,999	30,038	30,984
Total accumulated other comprehensive income	1,666	2,296	2,673	1,935	939	1,742	1,910	1,644	2,990	3,567
Total net assets	28,528	29,089	30,286	30,414	30,293	31,451	32,050	31,604	33,086	34,560
Total liabilities and net assets	43,189	44,976	44,876	43,969	45,677	48,697	52,079	52,127	62,229	63,725

Operating CF	-1,040	5,064	274	-218	3,809	2,784	2,224	-1,644	4,332	2,994
Profit before income taxes	2,940	1,878	2,299	1,933	2,440	3,045	2,599	1,693	2,231	3,197
Depreciation	487	482	472	508	611	677	745	944	998	1,127
Trade receivables	-2,563	1,822	-918	95	686	-300	1,653	-196	-1,770	-319
Inventories	-242	12	291	-991	-687	-359	-1,583	-1,156	-281	138
Trade payables	-592	610	-144	-1,008	1,317	-627	-28	-204	527	-257
Income taxes	-627	-242	-1,001	-507	-769	-1,105	-1,002	-997	-309	-1,346
Others	-443	502	-725	-248	211	1,453	-160	-1,728	2,936	454
Cash Flows from investmet activities	2,142	-316	41	-1,021	-609	-1,867	-2,165	-1,226	-2,333	-2,805
Purchase of investment securities	-522	-10	-242	-11	-11	-14	-423	-22	-14	-18
Proceeds from sales of investment securities	801	740	844	834	772	579	754	1,002	111	136
Purchase of property, plant and equipment and intangible assets	-908	-1,232	-558	-1,849	-1,392	-2,414	-1,697	-2,174	-2,321	-2,918
Proceeds from sales of fixed assets	0	0	16	0	28	0	0	0	0	30
Proceeds from sales of non fixed assets	2,845	0	0	0	0	0	0	0	0	0
Purchase of shares of subsidiaries	0	0	0	0	0	0	-733	0	-332	0
Others	-74	186	-19	5	-6	-18	-66	-32	223	-35
FCF	1,102	4,748	315	-1,239	3,200	917	59	-2,870	1,999	189
Cash flows from financial activities	-264	-1,690	-883	-526	-868	-1,129	-282	710	3,185	-1,749
Net increase(decrease) in long term borrowings	379	9	-140	-112	64	70	1,053	897	2,252	162
Net increase(decrease) in short term borrowings	-215	-282	-73	83	45	550	-125	968	2,081	-683
Divident paid	-418	-403	-423	-496	-1,002	-1,345	-1,260	-1,147	-1,149	-1,152
Others	-10	-1,014	-247	-1	25	-404	50	-8	1	-76
Cash and cash equivalents at the end of the period	9,630	12,622	12,110	10,300	12,575	12,444	12,389	10,270	15,504	13,977

Figure 18: Consolidated profit and loss statement

(Consolidated base) (¥ mn,%)	16/3	17/3	18/3	19/3	20/3	21/3	22/3	23/3	24/3	25/3	26/3CoE NEW	OLD
Sales	34,110	32,717	35,114	31,780	35,151	37,866	38,846	39,665	44,097	49,162	51,000	51,000
yoy	11.1	-4.1	7.3	-9.5	10.6	7.7	2.6	2.1	11.2	11.5	3.7	3.7
Cost of goods sold	25,825	24,131	26,301	23,485	25,512	27,675	28,346	29,348	31,992	35,169	-	-
Cost of goods sold/Sales	75.7	73.8	74.9	73.9	72.6	73.1	73.0	74.0	72.5	71.5	-	-
SG&A	6,655	6,641	6,708	6,868	7,585	7,889	8,447	9,288	10,136	11,225	-	-
SG&A/Sales	19.5	20.3	19.1	21.6	21.6	20.8	21.7	23.4	23.0	22.8	-	-
Operating profits	1,629	1,944	2,103	1,427	2,053	2,302	2,053	1,028	1,968	2,766	3,000	3,000
yoy	-11.1	19.3	8.2	-32.1	43.9	12.1	-10.8	-49.9	91.4	40.5	8.5	8.5
OP margin	4.8	5.9	6.0	4.5	5.8	6.1	5.3	2.6	4.5	5.6	5.9	5.9
Non-operating balance	19	49	135	150	89	671	221	228	176	304	-	-
Non-operating profits	233	201	233	243	236	800	335	330	416	443	-	-
Non-operating losses	214	152	98	93	147	129	114	102	240	139	-	-
Financial balance	109	104	118	119	95	511	75	29	26	91	-	-
Interest earned	25	12	5	2	2	2	2	2	4	8	-	-
Dividends earned	125	140	155	157	139	546	123	104	141	182	-	-
Interest paid	41	48	42	40	46	37	50	77	119	99	-	-
Recurring profits	1,648	1,993	2,239	1,576	2,142	2,973	2,274	1,255	2,144	3,071	3,100	3,100
yoy	4.2	20.9	12.3	-29.6	35.9	38.8	-23.5	-44.8	70.8	43.2	0.9	0.9
RP margin	4.8	6.1	6.4	5.0	6.1	7.9	5.9	3.2	4.9	6.2	6.1	6.1
Extraordinary balance	1,292	-115	61	356	518	73	326	437	87	126	-	-
Extraordinary profits	1,862	102	279	409	545	152	326	564	87	134	-	-
Extraordinary losses	570	217	218	53	27	79	0	127	0	8	-	-
Pretax income	2,940	1,878	2,299	1,933	2,440	3,045	2,599	1,693	2,231	3,197	-	-
Taxes and deferred taxes	1,044	538	809	587	852	963	1,614	941	987	1,187	-	-
Tax ratio	35.5	28.6	35.2	30.4	34.9	31.6	62.1	55.6	44.2	37.1	-	-
Equity-method investment profits or losses	0	0	0	0	0	0	-34	-78	-68	0	-	-
Net profits	1,896	1,340	1,490	1,345	1,588	2,082	1,649	1,020	1,312	2,009	2,100	2,100
yoy	40.7	-29.3	11.2	-9.7	18.1	31.1	-20.8	-38.1	28.6	53.1	4.5	4.5
NP margin	5.6	4.1	4.2	4.2	4.5	5.5	4.2	2.6		4.1	4.1	3.0
EPS	45.2	34.3	38.75	35.12	41.17	54.31	43.16	26.67	34.25	52.29	54.65	54.65
Segment sales												
AP-Related Business	17,252	16,580	17,179	16,434	17,518	19,467	18,328	17,341	17,938	19,480	20,500	19,500
BP-Related Business	10,267	9,356	9,521	7,893	9,158	9,212	10,840	11,111	11,907	14,266	14,500	14,800
Environment-and Conveyor-Related Business	2,289	2,647	3,953	2,775	2,644	2,390	3,018	2,888	3,309	3,254	4,300	4,100
Crush-Related Business	-	-	-	-	-	-	-	2,217	3,198	2,256	2,400	3,000
Contract-Based Manufacturing Business	-	-	-	-	-	-	-	2,216	3,072	4,802	3,150	3,600
Other Business	4,301	4,259	4,636	4,677	5,840	6,796	6,660	3,892	4,670	5,101	6,150	6,000
Consolidated sales	34,110	32,717	35,290	31,780	35,151	37,866	38,846	39,665	44,097	49,162	51,000	51,000
Segment profit												
AP-Related Business	1,234	1,253	1,348	963	1,118	1,239	562	49	331	976	1,000	1,000
BP-Related Business	878	1,006	1,015	666	761	879	1,123	1,017	1,341	1,724	1,900	1,900
Environment-and Conveyor-Related Business	337	369	308	417	562	482	587	522	793	847	900	850
Crush-Related Business	-	-	-	-	-	-	-	175	274	40	50	150
Contract-Based Manufacturing Business	-	-	-	-	-	-	-	157	270	645	460	400
Other Business	277	417	462	502	1,020	1,170	1,073	712	769	716	800	900
Consolidated operating profit	2,727	3,047	3,134	2,550	3,462	3,771	3,346	2,633	3,780	4,950	5,110	5,200
Segment profit margin												
AP-Related Business	7.2	7.6	7.8	5.9	6.4	6.4	3.1	0.3	1.8	5.0	4.9	5.1
BP-Related Business	8.6	10.8	10.7	8.4	8.3	9.5	10.4	9.2	11.3	12.1	13.1	12.8
Environment-and Conveyor-Related Business	14.7	13.9	7.8	15.0	21.3	20.2	19.4	18.1	24.0	26.0	20.9	20.7
Crush-Related Business	-	-	-	-	-	-	-	7.9	8.6	1.8	2.1	5.0
Contract-Based Manufacturing Business	-	-	-	-	-	-	-	7.1	8.8	13.4	14.6	11.1
Other Business	6.4	9.8	10.0	10.7	17.5	17.2	16.1	18.3	16.5	14.0	13.0	15.0
Segment profit margin	8.0	9.3	8.9	8.0	9.8	10.0	8.6	6.6	8.6	10.1	10.0	10.2
Adjustments	-1,097	-1,102	-1,031	-1,122	-1,409	-1,469	-1,293	-1,605	-1,811	-2,183	-2,110	-2,200
Consolidated operating profit	1,629	1,944	2,103	1,427	2,053	2,302	2,053	1,028	1,968	2,766	3,000	3,000
Operating profit margin	4.8	5.9	6.0	4.5	5.8	6.1	5.3	2.6	4.5	5.6	5.9	5.9

Source: Created by CGRA based on company materials, etc.

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Capital Goods Research & Advisory Co., Ltd.

An advisory company specializing in the machinery sector. CGRA's main businesses are (1) support for creating integrated reports offering feedback to management while satisfying the needs of capital markets, (2) advisory services for medium-term plan creation and business strategy, as well as various IR & SR areas, (3) preparation of various materials and English translation, and (4) drafting corporate analysis sponsored reports useful for long-term investors and management.