



Financial Results for First Quarter of Fiscal Year Ending March 31, 2023 [Japanese GAAP] (Consolidated Data)

August 10, 2022

Company Name: Nikko Co., Ltd.

Stock Exchange Listing: Tokyo Stock Exchange

Stock Code: 6306 URL <http://www.nikko-net.co.jp>

Representative: Representative Director and President

Masaru Tsuji

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Scheduled date for filing the quarterly report: August 10, 2022

Scheduled date for cash dividends: –

Quarterly earnings supplementary explanatory materials:

Yes

Quarterly financial results briefing session:

Yes (for institutional investors, analysts, and
newspaper reporters)

(Amounts rounded down to the nearest million yen)

1. Consolidated Performance for First Quarter of Fiscal Year Ending March 31, 2023 (April 1, 2022 - June 30, 2022)

(1) Consolidated Operating Results (cumulative) (% represents year-on-year change rate from the same period)

	Net sales		Operating income		Ordinary income		Quarterly net income attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended June 30, 2022	9,504	7.8	183	(51.1)	326	(37.2)	140	(62.9)
Three months ended June 30, 2021	8,817	21.3	375	(8.1)	519	(47.0)	378	(49.3)

Note: Comprehensive income: Three months ended June 30, 2022 248 million yen (-27.6%)

Three months ended June 30, 2021 343 million yen (-63.0%)

	Quarterly net income per share	Diluted quarterly net income per share
	yen	yen
Three months ended June 30, 2022	3.67	-
Three months ended June 30, 2021	9.91	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of June 30, 2022	51,314	31,725	61.8	829.36
As of March 31, 2022	52,079	32,050	61.5	837.22

(Reference) Capital: As of June 30, 2022 31,702 million yen

As of March 31, 2022 32,003 million yen

2. Dividends

	Annual dividends				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended March 31, 2022	-	15.00	-	15.00	30.00
Fiscal year ending March 31, 2023	-	-	-	-	-
Fiscal year ending March 31, 2023 (forecasts)	-	15.00	-	15.00	30.00

(Note) Revision of previously announced dividend targets during this reporting period: None

3. Consolidated Performance Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(Percentages indicate year-on-year changes from full fiscal year and first half of the previous fiscal year, respectively)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
2Q (first half)	20,000	5.2	1,000	3.3	1,150	4.1	700	(19.3)	18.32
Full year	42,000	8.1	2,300	12.0	2,500	9.9	1,600	(3.0)	41.87

(Note) Revision of previously announced earnings forecasts during this reporting period: None

*Notes

(1) Changes in important subsidiaries during the period under review (changes in specific subsidiaries which involve changes in the scope of consolidation): None

Newly added companies: None (Company names: -) / Excluded companies: None (Company names: -)

(2) Use of special accounting methods for preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policy, changes in accounting estimates, and retrospective restatements

(i) Changes in accounting policy arising from revision of accounting standards, etc. : Yes

(ii) Changes in accounting policy other than those noted in (i) above : None

(iii) Changes in accounting estimates : None

(iv) Retrospective restatements : None

Note: Please refer to (Changes in Accounting Policy) on page 7 in the Accompanying Material for details.

(4) Shares issued (common stock)

(i) Number of shares issued at end of period (including treasury stock)

As of June 30, 2022	40,000,000 shares	As of March 31, 2022	40,000,000 shares
As of June 30, 2022	1,775,305 shares	As of March 31, 2022	1,774,135 shares
Three months ended June 30, 2022	38,225,285 shares	Three months ended June 30, 2021	38,183,407 shares

(ii) Number of shares held in treasury at end of period

(iii) Average number of shares outstanding during the period (quarter-to-date)

* This quarterly report is not subject to quarterly review procedures by certified public accountants or an auditing firm.

* Explanation of the appropriate use of earnings forecasts, and other special notes

(Cautionary statement with respect to forward-looking statements)

Any forecasts and forward-looking statements given herein are based on information available as of this report's publication and on certain assumptions that are deemed reasonable and these forecasts are not guarantees of future performance. Actual results may differ significantly from forecasts due to various factors. For the assumptions underlying the forecasts herein and other notice on the use of earnings forecasts, please refer to "1. Qualitative Information on Quarterly Results: (3) Explanation About Forward-Looking Statements, Including Forecast of Consolidated Financial Results" on page 2 in the accompanying materials.

(How to obtain quarterly earnings supplementary explanatory materials)

The Company is scheduled to post the quarterly earnings supplementary explanatory materials on its website on Wednesday, August 10, 2022.

The Company has scheduled a financial results briefing session (conference call) for securities analysts on Wednesday, August 31, 2022.

Accompanying Material – Table of Contents

1. Qualitative Information on Quarterly Results	4
(1) Explanation About Operating Results	4
(2) Explanation About Financial Position	4
(3) Explanation About Forward-Looking Statements, Including Forecast of Consolidated Financial Results	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	7
Quarterly Consolidated Statement of Income	
Three Months Ended June 30, 2022	7
Quarterly Consolidated Statements of Comprehensive Income	
Three Months Ended June 30, 2022	8
(3) Notes to Quarterly Consolidated Financial Statements	9
(Going Concern Assumption)	9
(Notes on significant changes in the amount of shareholders' equity)	9
(Changes in Accounting Policy)	9
(Additional Information)	9

1. Qualitative Information on Quarterly Results

(1) Explanation About Operating Results

During the three months ended June 30, 2022, the global economy found itself in an extremely difficult phase, since while countries led by the U.S. accelerated the interest rate hikes with growing concerns over inflation caused by price rise and amid recession fears stemming from the interest rate hike, the turmoil caused by Russia's invasion of Ukraine, which began in February 2022, spurred further increases in resource and raw material prices. The yen's depreciation caused by the differences in monetary policies with various other countries continued, highlighting the impact of rising prices in Japan resulting from the weaker yen. Under such circumstances, consolidated net sales of the Nikko Group in the quarter under review came to 9,504 million yen (up 7.8% from the same period a year earlier), as sales of Ube Kohki Co., Ltd., which became a subsidiary in March 2022, began contributing from the quarter in addition to continued strong capital investment demand in the concrete plant-related business. In terms of profits, consolidated operating income totaled 183 million yen (down 51.1% from the same period a year earlier) due to the impact of rising steel price and increases in personnel cost and research and development expenses. Consolidated ordinary income came to 326 million yen (down 37.2 % from the same period a year earlier), while quarterly net income attributable to owners of parent totaled 140 million yen (down 62.9% from the same period a year earlier). Results by segment are as follows.

<Asphalt Plant-Related Business>

Net sales of both products and the maintenance business in Japan declined compared with the previous period. Overseas net sales increased compared with the previous period. As a result, net sales of the business declined 1.5% from a year earlier to 4,982 million yen. New orders received and order backlog in the period under review increased compared with a year earlier.

<Concrete Plant-Related Business>

Net sales of products in Japan and overseas increased from the previous period, but those of the maintenance business in Japan declined from the previous period. As a result, net sales of the business rose 20.7% from a year earlier to 2,381 million yen. New orders received in the period under review decreased compared with a year earlier, while order backlog increased year on year.

<Environment- and Conveyor-Related Business>

Net sales of environmental products and conveyer products increased compared with the same period a year earlier. As a result, net sales of the business rose 50.8% from a year earlier to 640 million yen. New orders received in the period under review increased compared with a year earlier, while order backlog decreased year on year.

<Other Business>

Net sales of hand tools and crushers increased from the previous period. As a result, net sales of the business increased 10.3% to 1,501 million yen. New orders received and order backlog in the period under review increased compared with a year earlier.

(2) Explanation About Financial Position

Total assets at the end of the reporting period were 51,314 million yen, decreasing 764 million yen from the end of the previous fiscal year.

Current assets were to 32,936 million yen, declining 1,191 million yen from the end of the previous fiscal year.

Main factors contributing to the change are a decrease of 2,604 million yen in accounts receivable-trade, increases of 791 million yen in electronically recorded monetary claims, and 425 million yen in work in process. Noncurrent assets came to 18,378 million yen, up 426 million yen from the end of the previous consolidated fiscal year. This was due mainly to increases of 127 million yen in deferred tax assets and 385 million yen in property and equipment.

Liabilities totaled 19,589 million yen, decreasing 439 million yen from the end of the previous consolidated fiscal year. Main factors contributing to the change are an increase of 405 million yen in accounts payable-other, as well as decreases of 541 million yen in notes and accounts payable-trade, 341 million yen in provision for bonuses, and 247 million yen in income taxes payable.

Net assets came to 31,725 million yen, decreasing 324 million yen from the end of the previous fiscal year.

Factors contributing to the change include foreign currency translation adjustment increasing 166 million yen and retained earnings declining 432 million yen.

As a result, equity ratio rose to 61.8% from 61.5% at the end of the previous fiscal year.

(3) Explanation About Forward-Looking Statements, Including Forecast of Consolidated Financial Results

There is no change in the performance forecast for the year ending March 31, 2023 that was disclosed on May 13, 2022.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(mil. yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and cash equivalents	12,436	12,271
Notes receivable-trade	2,163	2,526
Accounts receivable-trade	7,275	4,670
Electronically recorded monetary claims	1,594	2,385
Merchandise and finished goods	990	1,303
Work in process	6,970	7,395
Raw materials and supplies	1,695	1,543
Other business	1,002	839
Allowance for doubtful accounts	(0)	(1)
Total current assets	34,127	32,936
Non-current assets		
Property and equipment	10,669	11,055
Intangible assets		
Goodwill	266	261
Other business	769	754
Total intangible assets	1,036	1,015
Investments and other assets		
Investment securities	4,336	4,257
Investments in capital	15	15
Long-term loans receivable	8	8
Deferred tax assets	864	992
Other business	1,152	1,165
Allowance for doubtful accounts	(131)	(131)
Total investments and other assets	6,246	6,308
Total noncurrent assets	17,951	18,378
Total assets	52,079	51,314

(mil. yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,132	2,590
Electronically recorded obligations	868	1,030
Accounts payable-factoring	2,783	2,849
Short-term loans payable	2,229	2,267
Income taxes payable	518	271
Accounts payable-other	664	1,070
Advances received	17	17
Contract liabilities	4,405	4,240
Provision for bonuses	483	141
Provision for directors' bonuses	76	17
Provision for loss on order received	35	49
Other business	559	723
Total current liabilities	15,774	15,268
Long-term liabilities		
Long-term loans payable	1,583	1,622
Deferred tax liabilities	7	3
Provision for directors' retirement benefits	182	188
Retirement benefit-related liabilities	2,126	2,144
Other business	354	361
Total noncurrent liabilities	4,254	4,320
Total liabilities	20,029	19,589
Net assets		
Shareholders' equity		
Capital stock	9,197	9,197
Capital surplus	7,925	7,925
Retained earnings	13,755	13,322
Treasury stock	(784)	(784)
Total shareholders' equity	30,093	29,660
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,453	1,415
Foreign currency translation adjustment	560	727
Accumulated retirement benefit-related adjustment	(104)	(101)
Total accumulated other comprehensive income	1,910	2,041
Non-controlling interests	46	23
Total net assets	32,050	31,725
Total liabilities and net assets	52,079	51,314

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Three Months Ended June 30, 2022)

(mil. yen)

	Three Months Ended June 30, 2021 (from April 1, 2021 to June 30, 2021)	Three Months Ended June 30, 2022 (from April 1, 2022 to June 30, 2022)
Net sales	8,817	9,504
Cost of sales	6,449	7,068
Gross profit	2,367	2,436
Selling, general and administrative expenses	1,992	2,252
Operating income	375	183
Non-operating income		
Interest income	0	0
Dividends income	94	71
Foreign exchange gains	17	76
Outsourcing service income	49	-
Other business	11	18
Total non-operating income	173	167
Non-operating expenses		
Interest expenses	13	17
Compensation for damage	7	1
Other business	8	5
Total non-operating expenses	29	24
Ordinary income	519	326
Extraordinary income		
Gain on sales of investment securities	66	0
Total extraordinary income	66	0
Extraordinary loss		
Loss due to the spread of COVID-19	-	23
Loss on sales of investment securities	0	-
Total extraordinary loss	0	23
Quarterly income before income taxes	586	303
Income taxes-current	244	295
Income taxes-deferred	(37)	(114)
Total income taxes	207	180
Quarterly net income	378	122
Quarterly loss attributable to non-controlling interests	-	(17)
Quarterly net income attributable to owners of parent	378	140

(Consolidated Statements of Comprehensive Income)
(Three Months Ended June 30, 2022)

(mil. yen)

	Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)
Quarterly net income	378	122
Other comprehensive income		
Valuation difference on available-for-sale securities	(52)	(37)
Foreign currency translation adjustment	16	160
Retirement benefit-related adjustment	1	3
Total other comprehensive income	(34)	126
Quarterly comprehensive income	343	248
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	342	272
Quarterly comprehensive income attributable to non-controlling interests	1	(23)

(3) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

(Notes on significant changes in the amount of shareholders' equity)

Not applicable

(Changes in Accounting Policy)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance") from the beginning of the first quarter under review. In accordance with the transitional treatments prescribed in Article 27-2 of the Fair Value Measurement Guidance, the Company plans to apply the new accounting policies prescribed in the Fair Value Measurement through the future. The application of the said accounting standard does not affect the quarterly consolidated financial statement.

(Additional Information)

(Application of Practical Solution on the Accounting Methods and Disclosure Under the Group Tax Sharing System)

The Company and its domestic consolidated subsidiaries have transitioned from the consolidated taxation system to the group tax sharing system from the current first quarter ended June 30, 2022. Accordingly, corporate and local corporate income taxes, and tax-effect accounting are accounted for and disclosed in accordance with "Practical Solution on the Accounting Methods and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021; hereinafter referred to as "PITF 42"). In addition, based on Article 32 (1) of PITF 42, the effects of the change in accounting policies due to the adoption of PITF 42 are deemed negligible.