



Financial Results for the Fiscal Year Ended March 31, 2023 [Japanese GAAP] (Consolidated Data)

May 15, 2023

Company Name: Nikko Co., Ltd.

Stock Exchange Listing: Tokyo Stock Exchange

Stock Code: 6306

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

Representative (Position) Representative Director and President (Name) Masaru Tsuji

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Scheduled date of Ordinary General Shareholders' Meeting: June 23, 2023 Scheduled date for cash dividends: June 26, 2023

Scheduled date for filing the annual securities report: June 26, 2023

Full-year earnings supplementary explanatory materials: Yes

Financial results briefing session: Yes (for analysts)

(Amounts rounded down to the nearest million yen)

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

(1) Consolidated Operating Results

(% represents year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended March 31, 2023	39,665	2.1	1,028	(49.9)	1,255	(44.8)	1,020	(38.1)
Fiscal year ended March 31, 2022	38,846	2.6	2,053	(10.8)	2,274	(23.5)	1,649	(20.8)

Note: Comprehensive income: Fiscal year ended March 31, 2023 667 million yen (-62.4%)
Fiscal year ended March 31, 2022 1,775 million yen (-38.5%)

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating margin
	yen	yen	%	%	%
Fiscal year ended March 31, 2023	26.67	—	3.2	2.4	2.6
Fiscal year ended March 31, 2022	43.16	—	5.2	4.5	5.3

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of March 31, 2023	52,127	31,604	60.7	826.73
As of March 31, 2022	52,079	32,050	61.5	837.22

(Reference) Capital: As of March 31, 2023: 31,644 million yen
As of March 31, 2022: 32,003 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Term-end balance of cash and cash equivalents
	million yen	million yen	million yen	million yen
Fiscal year ended March 31, 2023	(1,644)	(1,226)	710	10,270
Fiscal year ended March 31, 2022	2,224	(2,165)	(282)	12,389

2. Dividends

	Annual dividends					Total dividend (total)	Dividend payout ratio (consolidated)	Rate of total dividends to net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Fiscal year ended March 31, 2022	—	15.00	—	15.00	30.00	1,146	69.5	3.6
Fiscal year ended March 31, 2023	—	15.00	—	15.00	30.00	1,147	112.5	3.6
Fiscal year ending March 31, 2024 (forecasts)	—	15.00	—	15.00	30.00		95.7	

3. Consolidated Performance Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)
(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)	19,000	1.3	400	0.1	400	(27.1)	200	(23.1)	5.23
Full year	44,000	10.9	1,900	84.8	1,900	51.3	1,200	17.6	31.36

*Notes

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

(2) 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: Yes

(iii) Changes in accounting estimates: None

(iv) Retrospective restatements: None

(Note) Please refer to (5) Notes to Consolidated Financial Statements (Changes in Accounting Policy) of 4.

Consolidated Financial Statements and Notes to the Statements on page 16 of Accompanying Material for details.

(3) Shares issued (common stock)

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

As of March 31, 2023	40,000,000 shares	As of March 31, 2022	40,000,000 shares
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(ii) Number of shares held in treasury at end of period

As of March 31, 2023	1,723,305 shares	As of March 31, 2022	1,774,135 shares
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(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023	38,261,001 shares	Fiscal year ended March 31, 2022	38,215,523 shares
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* This report is exempt from audit 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) Overview of Operating Results for Fiscal Year Ended March 31, 2023 in 1. Overview of Operating Results, etc. on page 2 in the accompanying materials.

(How to obtain the earnings supplementary explanatory materials and the date of the financial results briefing session)

The Company is scheduled to post the earnings supplementary explanatory materials on its website on Monday, May 15, 2023.

The Company has scheduled a financial results briefing session (live streaming) for securities analysts on Tuesday, June 13, 2023.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for Fiscal Year Ended March 31, 2023

(i) Operating Results for Fiscal Year Ended March 31, 2023

During the fiscal year under review, the Japanese as well as global economies saw price increase caused by rising resource and raw material costs, supply constraints, and tight logistic conditions amid the process towards normalization following the decline in COVID-19 infections. Adding to the turmoil was the surging oil and natural gas prices caused by Russia's invasion of Ukraine. Under such circumstances, the U.S. and other countries continued to raise interest rates to prevent inflation caused by the historic price increase, triggering concerns over economic recession induced by inflation and interest rate hikes. At the same time, collapse of medium-sized banks such as SVB in the U.S., the rescue of well-established Swiss bank Credit Suisse by UBS through acquisition and other such turbulent developments raised worries of financial instability. Turning to Japan, it was a year with major fluctuations in the foreign exchange market due to factors such as the historic depreciation of the yen resulting from the differences in its interest rate policy with that of the U.S. and Europe. Moreover, rising prices are also having a significant impact on daily lives.

In March 2022, the Company announced the 2030 Vision "the top manufacturer of plant facilities and environmental products underpinned by advanced technology and customers' management partner through operation and maintenance service," which presents what Nikko Group aspires to be in 2030, as well as the new three-year Medium-Term Management Plan (FY 2022–FY 2024) starting in FY 2022. The Group positioned the new medium-term plan period as the internal investment phase for building structures, processes, and systems towards the realization of the 2030 Vision and plans to actively make investment for market introduction of new products and services and strengthening the organizational capability required for achieving goals. Numerical goals, the Group aims for 50.0 billion yen in consolidated net sales and 3.0 billion yen in operating income (operating margin of 6.0%) in the final fiscal year. Further, it positioned the period from 2025 to 2030 as the business expansion phase with improved profitability in which the Group expects to succeed in full-fledged sales of environmentally friendly products for decarbonization, business area expansion into the ASEAN region, actualizing the impact of introduction of technologies such as automation and remote operations, and review of production process. In the 2030 Vision, the Group aims to achieve consolidated net sales of 60.0 billion yen and operating income of 6.0 billion yen (operating margin of 10%) as well as 50.0 billion yen in market cap, which is part of the Long-term Basic Policy (10 years).

In the fiscal year under review, the Company's operating results were affected by the rise in raw material prices, etc. and the prolonged delivery time of supplies. Sales of the asphalt plant-related business greatly declined, as road pavement companies, which are the Company's main customers, are affected severely by the impact of the rising crude oil price and are waiting for the right timing for replacement of facilities. The concrete plant-related business performed strongly as it has been relatively successful in passing on the price increases in raw materials to selling prices in the ready-mixed concrete industry. The environment- and conveyor-related business was affected by a decline in the number of large-scale projects due to the prolonged delivery time of supplies and soaring material prices. In the other business including temporary construction materials and hand tools, the water proof board business was affected by delays in construction owing to rising prices of steel and other materials, while the mobile plant business was influenced by the impact of the yen's depreciation on import costs of mainstay products. Selling, general and administrative expenses increased as a result of the R&D expenses and investments in human resources made by the Company as part of the internal investment phase of the Medium-Term Management Plan.

Overseas, the business was initially affected by the impact of the lockdown in Shanghai following the increase in COVID-19 infections in China. However, it performed strongly after the lockdown was lifted and both sales and profits increased. In Thailand, a new plant started operation in March 2022, but it is taking longer to build up momentum, as providing support from Japan had continued to be difficult due to the impact of COVID-19 infections. In January 2023, the Company established the ASEAN Business Strategy Office, which is taking measures to actively promote and support the Thailand and ASEAN businesses from Japan.

As a result of these activities, the Nikko Group in the fiscal year under review posted consolidated net sales of 39,665 million yen (up 2.1% from a year earlier) and consolidated operating income of 1,028 million yen (down 49.9% from a year earlier). Consolidated ordinary income totaled 1,255 million yen (down 44.8% from a year earlier) and net income attributable to owners of parent came to 1,020 million yen (down 38.1% from a year earlier). The results of both net sales and profits fell short of the goals set forth by the Medium-Term Management Plan, which were 42,000 million yen for consolidated net sales and 2,300 million yen for consolidated operating income.

Overview of operating results by segment is as follows.

<Asphalt Plant-Related Business>

Net sales of the asphalt plant-related business declined 5.4% compared with a year earlier to 17,341 million yen being affected by the impact of rising crude oil price. Order backlog rose by 3.5% compared with a year earlier to 7,998 million yen.

<Concrete Plant-Related Business>

Net sales of the concrete plant-related business rose 2.5% compared with a year earlier to 11,111 million yen, as sales of both products and maintenance services increased given user demand for capital investment. Order backlog also grew significantly by 6.1% compared with a year earlier to 6,105 million yen.

<Environment- and Conveyor-Related Business>

Net sales of the environment- and conveyor-related business declined 4.3% compared with a year earlier to 2,888 million yen due to a decline in the number of large-scale projects caused by prolonged delivery time of supplies and rises in material prices. Order backlog declined drastically by 71.2% compared with a year earlier to 182 million yen.

<Other Businesses>

Net sales of the other business increased 25.0% compared with a year earlier to 8,324 million yen, as net sales of Ube Kohki Co., Ltd., which the Company acquired in March 2022, were added on a full-year basis. Order backlog rose by 41.7% compared with a year earlier to 3,369 million yen.

Net sales by business segment (comparison with the previous fiscal year)

		Asphalt Plant-Related Business	Concrete Plant-Related Business	Environment- and Conveyor-Related Business	Other Business	Total
Fiscal year ended March 31, 2023	Net sales (mil. yen)	17,341	11,111	2,888	8,324	39,665
	Share (%)	43.7	28.0	7.3	21.0	100
Fiscal year ended March 31, 2022	Net sales (mil. yen)	18,328	10,839	3,018	6,660	38,846
	Share (%)	47.2	27.9	7.8	17.1	100

Note: 1. Net sales are rounded down to the nearest million yen.

2. Shares are rounded to the first decimal place.

(ii) Future outlook

Order backlog of the asphalt plant-related business in Japan has risen significantly given the situation where replacement demand continues for the plants built in the 1980s as well as the considerable demand from customers biding their time for replacement in light of the rising crude oil price. Rising raw material prices and personnel costs are being passed on to selling prices in a wide range of industries. In the road pavement industry also, companies are expected to resume capital investment and increase replacement of facilities, which they had been holding off, as the higher crude oil price gets reflected more on the selling price. Moreover, society's interest in environmentally friendly products has been rising, reflecting the global requirements for decarbonization, and demand for such products are likely to expand. The concrete plant-related business is also expected to perform steadily thanks to continued strong demand and large-scale projects.

Since January 2023, the ASEAN Business Promotion Office has been providing active support from Japan to the Thailand business to get the business off the ground and turn it profitable early on. In China, demand is expected to expand after the COVID-19 pandemic.

For the fiscal year ending March 31, 2024, the Company expects to achieve consolidated net sales of 44,000 million yen, operating income of 1,900 million yen, ordinary income of 1,900 million yen, and net income attributable to owners of parent of 1,200 million yen.

(2) Overview of Financial Conditions for Fiscal Year Ended March 31, 2023

(i) Assets, Liabilities, and Net Assets

Total assets at the end of the fiscal year (March 31, 2023) amounted to 52,127 million yen, an increase of 48 million yen from the end of the previous fiscal year.

Current assets came to 33,723 million yen, declining 404 million yen from the end of the previous fiscal year. Main factors contributing to the change are increases of 194 million yen in notes receivable-trade, 639 million yen in electronically recorded monetary claims, 804 million yen in merchandise and finished goods, and 453 million yen in

work in process and partly-finished construction as well as decreases of 2,118 million yen in cash and cash equivalents and 630 million yen in accounts receivable-trade.

Noncurrent assets came to 18,404 million yen, up 452 million yen from the end of the previous consolidated fiscal year. Factors contributing to the change include an increase of 717 million yen in buildings and structures, an increase of 301 million yen in land, a decrease of 135 million yen in goodwill, and a decrease of 848 million yen in investment securities.

Liabilities totaled 20,523 million yen, increasing 494 million yen from the end of the last consolidated fiscal year. Main factors contributing to the change are increases of 1,083 million yen in short-term loans and 865 million yen in long-term loans payable as well as decreases of 428 million yen in accounts payable-factoring, 253 million yen in income taxes payable, and 691 million yen in contract liabilities.

Net assets came to 31,604 million yen, decreasing 446 million yen from the end of the previous fiscal year. Main factors contributing to the change include an increase from recording of 1,020 million yen in income attributable to owners of parent, a decrease due to dividend payment of 1,147 million yen, and a decline of 275 million yen in valuation difference on available-for-sale securities.

As a result, equity ratio fell to 60.7% from 61.5% at the end of the previous fiscal year.

(ii) Cash Flows

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Change
Cash flow from operating activities (million yen)	(1,644)	2,224	(3,868)
Cash flow from investing activities (million yen)	(1,226)	(2,165)	938
Cash flows from financing activities (million yen)	710	(282)	992
Effect of exchange rate changes on cash and cash equivalents (million yen)	41	168	(126)
Net increase (decrease) in cash and cash equivalents (million yen)	(2,118)	(54)	(2,064)
Cash and cash equivalents at beginning of year (million yen)	12,389	12,444	(54)
Cash and cash equivalents at end of year (million yen)	10,270	12,389	(2,118)

Cash used in operating activities totaled 1,644 million yen (compared with 2,224 million yen in cash provided by operating activities in the previous fiscal year). Major items in cash flow from operating activities include 1,693 million yen in net income before income taxes, 944 million yen in depreciation and amortization, 139 million yen in interest and dividends income received as well as 564 million yen in gain on sales and valuation of investment securities, 1,156 million yen in expenditure from an increase in inventories, 708 million yen in expenditure due to a decline in contract liabilities, and 997 million yen in income taxes paid.

Cash used in investing activities totaled 1,226 million yen (compared with 2,165 million yen in cash used in investing activities in the previous fiscal year). Major items in cash flow from investing activities include 1,002 million yen in proceeds from sales and redemption of investment securities as well as 2,174 million yen in purchase of property, plant and equipment and intangible assets.

Cash provided by financing activities totaled 710 million yen (compared with 282 million yen in cash used in financing activities in the previous fiscal year). Major items in cash flow from financing activities include 1,991 million yen in proceeds from short-term loans payable and 1,084 million yen in proceeds from long-term loans payable as well as 1,147 million yen in cash dividends paid.

As a result, consolidated cash and cash equivalents at the end of the fiscal year under review decreased by 2,118 million yen from the end of the previous fiscal year to 10,270 million yen.

Changes in cash flow-related indicators

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Equity ratio (%)	66.3	64.5	61.5	60.7
Return on equity based on market value (%)	51.7	57.3	44.6	46.6
Cash flow to interest-bearing debt (years)	2.5	0.9	1.7	(3.5)
Interest coverage ratio (times)	82.4	75.2	44.1	(21.2)

Notes: Return on equity: Total equity/Total assets

Return on equity based on market value: Market valuation/Total assets

Cash flow to interest-bearing debt: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest expenses

* All indicators are calculated based on consolidated figures.

* Market valuation is calculated by multiplying the number of shares issued at end of period (excluding treasury stock) with the closing stock price of the period.

Cash flows from operating activities in the Consolidated Statements of Cash Flows are used for operating cash flow. Interest-bearing debt includes all liabilities recorded on the Consolidated Balance Sheets on which interest is paid. Interest paid in the Consolidated Statements of Cash Flows is used for Interest expenses.

(3) Basic Policy Concerning Profit Distribution and Dividends for the Current Term and Next Term

The Company identifies the return of profits to shareholders as an important management goal, and in principle, pays dividends continuously by taking into account the business performance in the period. It is the Company's basic policy to strive to strengthen its management foundation and enhance corporate value to meet the shareholders' expectations and make decisions on return of profits from a comprehensive perspective including enhancement of internal reserves.

The Company expects to propose dividends of 15.00 yen per share at the 160th Ordinary General Shareholders' Meeting scheduled on June 23, 2023.

For the next fiscal year, the Company plans annual dividend of 30.00 yen per share (dividend payout ratio of 95.7%), consisting of interim and year-end dividends of 15.00 yen per share each.

(4) Risks Associated with Business, etc.

(i) Risks associated with the Asphalt Plant-Related Business in Japan

<Risk of insufficient differentiation with competitors>

The asphalt plant market in Japan is an oligopoly where the Company and another competing company account for almost 100% of the market. The Company's market share is more than 70% and its positioning as the top manufacturer has not changed for years. The Company will pursue differentiation by developing new products that contribute to realizing carbon-neutral society and CO₂ reduction and through business model reform of the maintenance service business as well as the offering of remote and automated support to secure our position as the overwhelming top manufacturer. However, there is a possibility that the appeal of this differentiation for customers becomes weak if the Company is unable to engage in sufficient product development or if other companies develop a meticulous maintenance system that compares favorably with the Company's system.

<Risks of foreign manufacturers entering the Japanese market>

In recent years, no foreign manufacturer has entered the asphalt plant market in Japan, but Chinese and Korean manufacturers have been gradually acquiring technical strengths and may be planning to enter the Japanese market. While it would not be easy for foreign manufacturers to enter the Japanese market without sufficient maintenance structures, there is a possibility that they would seriously consider entering the Japanese market when the growth in their respective market has stalled. If foreign manufacturers join the Japanese market, the competition among manufacturers may intensify.

<Risks of shrinking market due to reorganization of the road paving industry>

The organizational restructuring of major road paving companies has been gathering pace, which could lead to reorganization of the road paving industry in the future. If industrial reorganization results in further consolidation of asphalt plants, the market may shrink.

- (ii) Risk associated with Nikko's technological innovation not catching up with the initiatives for reducing environmental burden
- Asphalt plants primarily use fossil fuels as energy source. About 1.3 million tons a year of CO₂ is estimated to be emitted in Japan for manufacturing asphalt mixture, and 70% of the emissions are thought to be from Nikko-manufactured plants based on the market share. In close collaboration with road pavement companies, who are the customers, Nikko is working on early social implementation of technological innovations such as fuel efficiency improvement and shifting of heat source at asphalt plants (carbon-neutral fuels, electrical heating, etc.), improvement of transportation efficiency through innovation of mixture transportation method, collection of CO₂ emitted by asphalt plants, and CO₂ absorption using ready-mixed concrete. However, there is a possibility of our technological innovation not keeping pace if the global movement of reducing environmental burden advances faster than expected.
- (iii) Risks associated with the overseas business
- <Risks of intensifying competition in the high-end asphalt plant market in China>
- The Company has secured a certain position in the high-end model category in the asphalt plant market in China and has been steadily recording sales and profit every year. So far, the competitors in the high-end market are two European companies in addition to one or two top Chinese manufacturers, and competition has been mild. However, Chinese companies in general have been gaining technical strength and the competition may intensify if many Chinese manufacturers enter the high-end market in the future.
- <Risks of failing to achieve sales plan in the ASEAN market>
- As part of the growth strategy, we established a manufacturing subsidiary in Thailand in FY 2020 and invested more than 1.0 billion yen in the factory. The premise of this investment is that we can stably sell asphalt plants every year in Thailand and other ASEAN countries. However, if the Company's plants do not gain enough support from customers in the ASEAN countries including Thailand and the Company cannot sell the planned number of plants, the manufacturing plant would record losses, running a risk of impairment of the plant.
- (iv) Risks associated with reduction in budget for public investment
- In the past, when political power shifted to the Democratic Party of Japan from the Liberal Democratic Party, "from concrete to people" became the former's slogan and many of the Company's customers began curbing capital investment. As a result, our sales declined significantly. In the future, if a party that holds up a policy to reduce public investment forms the government, our customers may shift to curb investment like they did during the previous Democratic Party of Japan regime.
- (v) Risk regarding securing of human resources to engage in on-site operations
- With our business model, we carry out the entire process from plant manufacture to installation on site and offering of maintenance service all in-house. In maintenance service, the Company has been promoting labor saving in maintenance operations utilizing IoT, etc., but recently it is becoming more difficult to recruit human resources to engage in on-site operations such as maintenance service workers and those engaging in construction work given the labor shortage. If we are unable to hire the required number of on-site workers, it may become difficult to maintain a competitive edge with our business model.
- (vi) Risk associated with spread of COVID-19
- The COVID-19 pandemic has been subsiding and its impact on daily lives has reduced. The Company expects the impact of the pandemic to be minimal in the future. Nevertheless, there remains a risk of resurgence of the pandemic caused by variants, etc., and if the infection spreads on a large scale, it may affect the Company's business.
- Further, in overseas operations, if the spread of COVID-19 in countries where we have operations restricts social activities, it may become difficult to carry out production and sales activities there. In particular, if the infection spreads in China, Thailand, and Taiwan, where the Nikko Group has business bases, there is a possibility of direct impact.
- (vii) Risk associated with rising prices of materials, etc.
- In addition to demand expansion in anticipation of the waning of the COVID-19 pandemic, prices are rising globally owing to the impact of Russia's invasion of Ukraine. While there are some signs of a slowdown in price rises following monetary tightening by the central banks, primarily in the U.S. and Europe as an inflation countermeasure, there still remain keen concern over rising prices and inflation. If this situation continues, prices of materials, etc. the Company purchase also increase and the Company's earnings may deteriorate. Further, the Company's customers may postpone or suspend their capital investment plans due to the impact of price increases, which may cause the Company's net sales to decline.

(viii) Risk associated with the Russia-Ukraine situation

The Company has suspended transactions with Russia. In the past, its transactions for Russia were limited to parts worth several tens of millions of yen a year and the impact of the suspension of the transactions is negligible. However, the rises in crude oil and other prices and the disruption in the global economy due to the impact of the Russia-Ukraine situation may impact capital investment plans, etc. to customers of the Company.

(ix) Risk associated with the fluctuation of foreign exchange market

The Company imports mainstay products of the mobile plant business from Europe and sells them. While the Company hedges risks related to foreign exchange fluctuations by purchasing foreign currencies in advance and using forward exchange contracts for importing, it may be exposed to the risk of foreign exchange rate fluctuation if it fails in such risk-hedges.

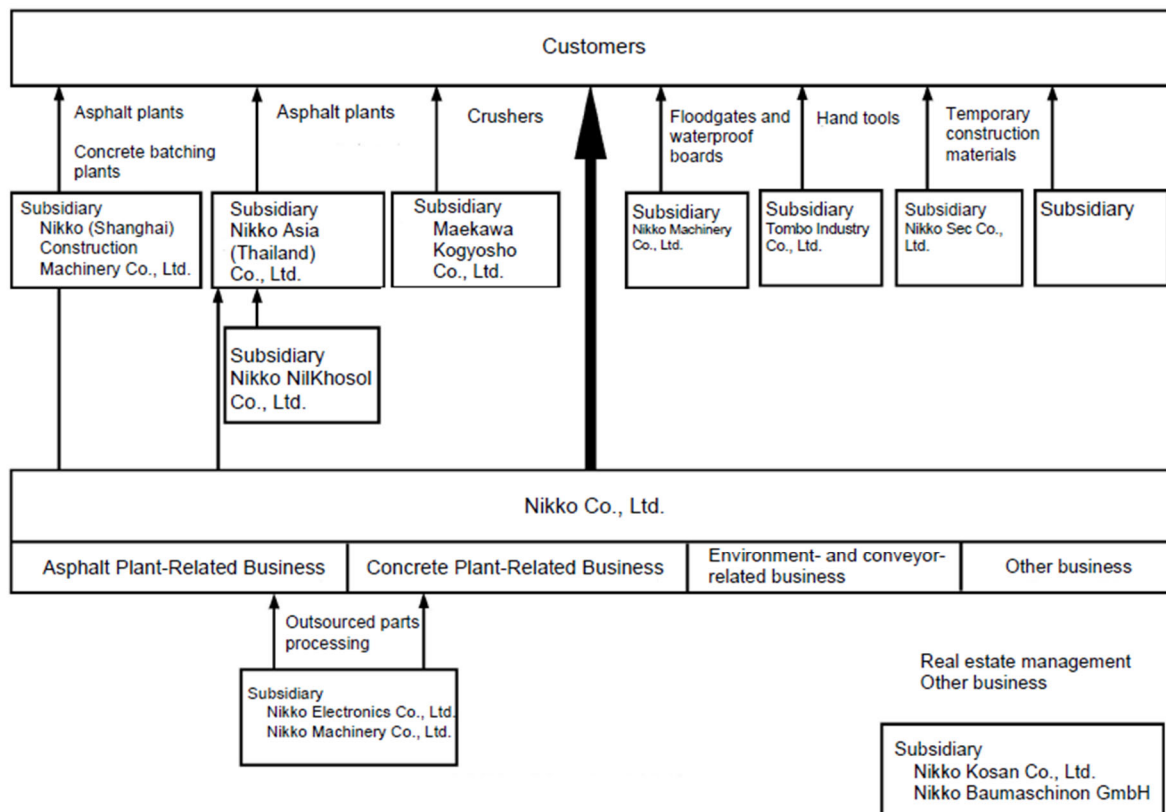
2. Status of the Nikko Corporate Group

The Nikko corporate group consists of the Company and 11 subsidiaries. The principal business of Nikko Group is manufacture and distribution of asphalt plants, concrete plants, and environment and conveyor machinery, and it is also engaged in real estate leasing and sales of housing renovation, etc.

In the segment information by type of business, the asphalt plant business is classified as the Asphalt Plant-Related Business, concrete plant business as the Concrete Plant-Related Business, the environment and conveyor business as the Environment- and Conveyor-Related Business and the other business including temporary construction materials and hand tools as the Other Business.

Category	Main products	Main companies
Asphalt Plant-Related Business	Asphalt plants Recycling plants Mixture silos Electronic control devices, plant management system	Nikko Co., Ltd. Nikko Electronics Co., Ltd. Nikko Machinery Co., Ltd. Nikko (Shanghai) Construction Machinery Co., Ltd. Nikko Asia (Thailand) Co., Ltd. Nikko Nilkhosol Co., Ltd.
Concrete Plant-Related Business	Concrete plants Compact concrete plants Concrete pumps Electronic control devices, plant management system Concrete manufacturing plant facilities, etc.	Nikko Co., Ltd. Nikko Electronics Co., Ltd. Nikko Machinery Co., Ltd. Nikko (Shanghai) Construction Machinery Co., Ltd.
Environment- and Conveyor-Related Business	Belt conveyors, conveyors for facilities, beverage container recycling plants Soil remediation plant, plastic recycling plant	Nikko Co., Ltd.
Other business	Pipe scaffoldings, steel gangplanks, pipe supports Temporary aluminum staircases Shovels, spades Small-sized concrete mixers, mortar mixers Sluices, waterproof boards, crushers Real estate leasing, construction machinery product leasing Housing renovation Industrial machinery, gas holders, solar LED	Nikko Co., Ltd. Nikko Machinery Co., Ltd. Tombo Industry Co., Ltd. Nikko Sec Co., Ltd. Nikko Kosan Co., Ltd. Maekawa Kogyosho Co., Ltd. Ube Kohki Co., Ltd. Nikko Baumaschinen GmbH

The group organizational chart is shown in the following page.



3. Basic Approach to the Selection of Accounting Standards

The Nikko Group plans to continue applying the Japanese accounting standards for the time being taking into consideration availability of periodical comparison of its consolidated financial statements and availability of comparison among other companies.

It plans to respond appropriately to the application of the International Financial Reporting Standards (IFRS) by taking into consideration the situation in Japan and overseas.

4. Consolidated Financial Statements and Notes to the Statements

(1) Consolidated Balance Sheets

(million yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and cash equivalents	12,436	10,317
Notes receivable-trade	2,163	2,357
Accounts receivable-trade	7,275	6,645
Electronically recorded monetary claims	1,594	2,233
Merchandise and finished goods	990	1,794
Work in process	6,970	7,423
Raw materials and supplies	1,695	1,657
Forward exchange contracts	-	14
Other business	1,002	1,279
Allowance for doubtful accounts	(0)	(1)
Total current assets	34,127	33,723
Non-current assets		
Property and equipment		
Buildings and structures (net)	5,227	5,945
Machinery, equipment and vehicles (net)	1,256	1,292
Tools, furniture and fixtures (net)	399	405
Land	3,577	3,878
Lease assets (net)	1	0
Right-of-use assets (net)	72	81
Construction in progress	134	236
Total property, plant and equipment	10,669	11,839
Intangible assets		
Goodwill	266	130
Other business	769	889
Total intangible assets	1,036	1,020
Investments and other assets		
Investment securities	4,336	3,488
Investments in capital	15	7
Long-term loans receivable	8	14
Deferred tax assets	864	981
Other business	1,152	1,183
Allowance for doubtful accounts	(131)	(130)
Total investments and other assets	6,246	5,544
Total noncurrent assets	17,951	18,404
Total assets	52,079	52,127

(million yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,132	3,012
Electronically recorded obligations	868	858
Accounts payable-factoring	2,783	2,355
Short-term loans payable	2,229	3,312
Income taxes payable	518	265
Accounts payable-other	664	644
Advances received	17	17
Contract liabilities	4,405	3,713
Provision for bonuses	483	417
Provision for directors' bonuses	76	76
Provision for loss on order received	35	172
Other business	559	492
Total current liabilities	15,774	15,338
Long-term liabilities		
Long-term loans payable	1,583	2,449
Deferred tax liabilities	7	0
Provision for directors' retirement benefits	182	235
Retirement benefit-related liabilities	2,126	2,166
Other business	354	333
Total noncurrent liabilities	4,254	5,184
Total liabilities	20,029	20,523
Net assets		
Shareholders' equity		
Capital stock	9,197	9,197
Capital surplus	7,925	7,934
Retained earnings	13,755	13,628
Treasury stock	(784)	(760)
Total shareholders' equity	30,093	29,999
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,453	1,177
Foreign currency translation adjustment	560	582
Accumulated retirement benefit-related adjustment	(104)	(115)
Total accumulated other comprehensive income	1,910	1,644
Non-controlling interests	46	(40)
Total net assets	32,050	31,604
Total liabilities and net assets	52,079	52,127

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)

(million yen)

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Net sales	38,846	39,665
Cost of sales	28,346	29,348
Gross profit	10,500	10,317
Selling, general and administrative expenses	8,447	9,288
Operating income	2,053	1,028
Non-operating income		
Interest income	2	2
Dividends income	123	104
Foreign exchange gains	77	158
Outsourcing service income	49	-
Other business	82	64
Total non-operating income	335	330
Non-operating expenses		
Interest expenses	50	77
Loss on disposal of noncurrent assets	0	-
Compensation for damage	14	6
Expenses for dismantling and removal	24	-
Other business	25	18
Total non-operating expenses	114	102
Ordinary income	2,274	1,255
Extraordinary income		
Gain on sales of investment securities	326	564
Total extraordinary income	326	564
Extraordinary loss		
Loss due to the spread of COVID-19	-	23
Impairment loss	-	104
Loss on sales of investment securities	0	-
Total extraordinary loss	0	127
Net income before income taxes	2,599	1,693
Income taxes-current	944	745
Income taxes-deferred	40	6
Total income taxes	985	751
Net income	1,614	941
Loss attributable to non-controlling interests	(34)	(78)
Net income attributable to owners of parent	1,649	1,020

(Consolidated Statements of Comprehensive Income)

(million yen)

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Net income	1,614	941
Other comprehensive income		
Valuation difference on available-for-sale securities	(139)	(275)
Foreign currency translation adjustment	290	13
Retirement benefit-related adjustment	10	(11)
Total other comprehensive income	161	(273)
Comprehensive income	1,775	667
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,804	755
Comprehensive income attributable to non-controlling interests	(28)	(87)

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of term	9,197	7,926	13,366	(805)	29,685
Changes during term					
Cash dividends			(1,260)		(1,260)
Net income attributable to owners of parent			1,649		1,649
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		11		20	32
Change in ownership interest of parent due to transactions with non-controlling interests		(12)			(12)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(1)	388	20	408
Balance at end of term	9,197	7,925	13,755	(784)	30,093

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated retirement benefit-related adjustment	Total accumulated other comprehensive income		
Balance at beginning of term	1,592	264	(114)	1,742	24	31,451
Changes during term						
Cash dividends						(1,260)
Net income attributable to owners of parent						1,649
Purchase of treasury stock						(0)
Disposal of treasury stock						32
Change in ownership interest of parent due to transactions with non-controlling interests						(12)
Net changes of items other than shareholders' equity	(139)	296	10	167	22	190
Total changes of items during the period	(139)	296	10	167	22	598
Balance at end of term	1,453	560	(104)	1,910	46	32,050

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of term	9,197	7,925	13,755	(784)	30,093
Changes during term					
Cash dividends			(1,147)		(1,147)
Net income attributable to owners of parent			1,020		1,020
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		9		23	33
Change in ownership interest of parent due to transactions with non-controlling interests					
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	9	(127)	23	(93)
Balance at end of term	9,197	7,934	13,628	(760)	29,999

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated retirement benefit-related adjustment	Total accumulated other comprehensive income		
Balance at beginning of term	1,453	560	(104)	1,910	46	32,050
Changes during term						
Cash dividends						(1,147)
Net income attributable to owners of parent						1,020
Purchase of treasury stock						(0)
Disposal of treasury stock						33
Change in ownership interest of parent due to transactions with non-controlling interests						
Net changes of items other than shareholders' equity	(275)	21	(11)	(265)	(87)	(352)
Total changes of items during the period	(275)	21	(11)	(265)	(87)	(446)
Balance at end of term	1,177	582	(115)	1,644	(40)	31,604

(4) Consolidated Statements of Cash Flows

(million yen)

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Net income before income taxes	2,599	1,693
Depreciation and amortization	745	944
Amortization of goodwill	14	46
Increase (decrease) in allowance for doubtful accounts	(5)	(0)
Increase (decrease) in retirement benefit-related adjustment	71	22
Increase (decrease) in provision for directors' retirement benefits	(9)	52
Interest and dividends income	(126)	(107)
Interest expenses	50	77
Foreign exchange losses (gains)	(72)	(15)
Loss (gain) on sales and valuation of investment securities	(325)	(564)
Decrease (increase) in notes and accounts receivable-trade	1,653	(196)
Decrease (increase) in inventories	(1,583)	(1,156)
Increase (decrease) in notes and accounts payable-trade	(28)	(204)
Impairment loss	-	104
Increase (decrease) in contract liabilities	1,172	(708)
Other business	(1,006)	(696)
Subtotal	3,150	(709)
Interest and dividends income received	126	139
Interest expenses paid	(50)	(77)
Income taxes paid	(1,002)	(997)
Cash flows from operating activities	2,224	(1,644)
Cash flows from investing activities		
Payments into time deposits	(47)	(47)
Proceeds from withdrawal of time deposits	47	47
Purchase of investment securities	(423)	(22)
Proceeds from sales and redemption of investment securities	754	1,002
Purchase of property, plant and equipment and intangible assets	(1,697)	(2,174)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(733)	-
Payments for acquisition of businesses	(127)	-
Payments of loans receivable	(4)	(10)
Collection of loans receivable	7	5
Other business	60	(26)
Cash flows from investing activities	(2,165)	(1,226)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(125)	968
Proceeds from long-term loans payable	1,099	1,084
Repayment of long-term loans payable	(46)	(187)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	51	-
Purchase of treasury stock	-	(0)
Repayments of finance lease obligations	-	(7)
Cash dividends paid	(1,260)	(1,147)
Cash flows from financing activities	(282)	710
Effect of exchange rate changes on cash and cash equivalents	168	41
Net increase (decrease) in cash and cash equivalents	(54)	(2,118)
Cash and cash equivalents at beginning of year	12,444	12,389
Cash and cash equivalents at end of year	12,389	10,270

(5) Notes to Consolidated Financial Statements

(Going Concern Assumption)

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 fiscal year 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 consolidated financial statements.

(Changes in Method of Evaluating Inventories)

The Company had mainly adopted the cost method based on the first-in first-out method for evaluating inventories. However, it changed to the cost method based on specific identification method for finished goods, merchandise, and work in process and the cost method based on periodic average method for raw materials and supplies starting from the fiscal year ended March 31, 2023. This change in the evaluation method, which took advantage of the changes being made to the core system, is aimed at more appropriately evaluating inventories and calculating periodic profit or loss. The Company did not account for the change in the evaluation method retrospectively, as its impact is expected to be negligible.

(Change in the method of presentation)

Not applicable

(Segment Information)

[Segment Information]

1. Overview of reportable segment

The Company's reportable segments are components of the Nikko Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's Board of Directors to decide how to allocate resources and assess performance.

The Company formulates comprehensive strategy for products and services in Japan and overseas and implements business activities.

The Company, therefore, classifies its operations into three reportable segments of Asphalt Plant-Related Business, Concrete Plant-Related Business and Environment- and Conveyor-Related Business.

The Asphalt Plant-Related Business produces asphalt mixing plants, recycling plants, etc. and provides maintenance services. The Concrete Plant-Related Business produces concrete batching plants, etc. and provides maintenance services. The Environment- and Conveyor-Related Business produces environmental and recycling plants, various types of conveyor systems, etc.

2. Calculation of net sales, income/loss, assets, and other items by reportable segment

Accounting methods applied in the reportable business segments are roughly in accordance with the Significant Matters Serving as a Basis for the Presentation of Consolidated Financial Statements.

Reportable segment income is based on operating income.

Intersegment sales or transfers are based on market price.

3. Net sales, income/loss, assets, and other items by reportable segment

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(million yen)

	Reportable segment				Other business (note)	Total
	Asphalt Plant-Related Business	Concrete Plant-Related Business	Environment- and Conveyor-Related Business	Total		
Net sales						
Sales to outside customers	18,328	10,839	3,018	32,186	6,660	38,846
Inter-segment sales and transfers	-	-	4	4	262	266
Total	18,328	10,839	3,023	32,191	6,922	39,113
Segment income	562	1,123	587	2,273	1,073	3,346
Segment assets	17,037	5,570	1,423	24,030	12,708	36,739
Other items						
Depreciation and amortization	228	132	13	375	199	575
Amortization of goodwill	14	-	-	14	-	14
Increase (decrease) in tangible and intangible assets	757	283	19	1,059	494	1,554

Note: Other is a business segment that is not included in reportable segments and includes temporary construction material business, hand tool business, floodgate business, and crusher business.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(million yen)

	Reportable segment				Other business (note)	Total
	Asphalt Plant-Related Business	Concrete Plant-Related Business	Environment- and Conveyor-Related Business	Total		
Net sales						
Sales to outside customers	17,341	11,111	2,888	31,340	8,324	39,665
Inter-segment sales and transfers	-	-	8	8	250	258
Total	17,341	11,111	2,896	31,349	8,574	39,924
Segment income	49	1,017	522	1,589	1,044	2,633
Segment assets	16,934	6,507	1,815	25,257	13,297	38,555
Other items						
Depreciation and amortization	250	144	14	409	275	684
Amortization of goodwill	27	-	-	27	18	46
Impairment loss	104	-	-	104	-	104
Increase (decrease) in tangible and intangible assets	461	192	1	655	1,181	1,836

Note: Other is a business segment that is not included in reportable segments and includes temporary construction material business, hand tool business, floodgate business, and crusher business.

4. Difference between reportable segment total and consolidated financial statement amounts and main factors in the difference (related to difference adjustment)

(million yen)

Net sales	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reportable segment total	32,191	31,349
Net sales for Other	6,922	8,574
Elimination of intersegment transaction	(266)	(258)
Net sales in consolidated financial statements	38,846	39,665

(million yen)

Earnings	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reportable segment total	2,273	1,589
Earnings for Other	1,073	1,044
Elimination of intersegment transaction	-	-
Corporate expenses (note)	(1,293)	(1,605)
Operating income in consolidated financial statements	2,053	1,028

Note: Corporate expenses are expenses of planning and administrative divisions of the Company that are not attributable to reportable segments.

(million yen)

Assets	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reportable segment total	24,030	25,257
Assets in Other	12,708	13,297
Corporate assets (note)	15,340	13,571
Total assets in consolidated financial statements	52,079	52,127

Note: Assets in Other are assets that are not attributable to reportable segments, including surplus funds managed by the Company, funds for long-term investment, and assets associated with administrative divisions.

(million yen)

Other items	Reportable segment total		Other business		Adjustment (note)		Amount in consolidated financial statements	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Depreciation and amortization	375	409	199	275	170	259	745	944
Amortization of goodwill	14	27	-	18	-	-	14	46
Impairment loss	-	104	-	-	-	-	-	104
Increase (decrease) in tangible and intangible assets	1,059	655	494	1,181	352	378	1,907	2,214

Note: The adjustments for increase in property, plant and equipment and intangible assets are capital investment related to the planning and administrative divisions of the Company.

[Related Information]

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

1. Information by product and service

The categories of products and services are omitted as they are the same as the reportable segments.

2. Information by region

(1) Net sales

(million yen)

Japan	China	Other business	Total
34,099	3,670	1,076	38,846

(Note) Net sales are categorized by country or region based on the locations of the customers.

(2) Property and equipment

(million yen)

Japan	China	Other business	Total
9,147	471	1,049	10,669

3. Information by major customer

Sales to outside customers are omitted because net sales to no customer account for 10% or more of net sales on the consolidated statement of income.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

1. Information by product and service

The categories of products and services are omitted as they are the same as the reportable segments.

2. Information by region

(1) Net sales

(million yen)

Japan	China	Other business	Total
34,061	4,829	775	39,665

(Note) Net sales are categorized by country or region based on the locations of the customers.

(2) Property and equipment

(million yen)

Japan	China	Other business	Total
10,048	471	1,319	11,839

3. Information by major customer

Sales to outside customers are omitted because net sales to no customer account for 10% or more of net sales on the consolidated statement of income.

[Information regarding impairment of non-current assets by reportable segment]

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Not applicable

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

The Company has omitted description of impairment loss in this section, as it has disclosed the same information in Segment Information.

[Information regarding the amount of goodwill amortization and the balance of unamortized goodwill by reportable segment]

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(million yen)

	Asphalt Plant -Related Business	Concrete Plant -Related Business	Environment- and Conveyor- Related Business	Other (note)	Corporate/ elimination	Total
Amortization for term	14	—	—	—	—	14
Balance at end of term	117	—	—	149	—	266

Note: Other is a business segment that is not included in reportable segments and includes temporary construction material business, hand tool business, floodgate business, and crusher business.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(million yen)

	Asphalt Plant -Related Business	Concrete Plant -Related Business	Environment- and Conveyor- Related Business	Other (note)	Corporate/ elimination	Total
Amortization for term	27	-	-	18	-	46
Balance at end of term	-	-	-	130	-	130

Note: Other is a business segment that is not included in reportable segments and includes temporary construction material business, hand tool business, floodgate business, and crusher business.

[Information regarding gain on bargain purchase by reportable segment]

Not applicable

(Per Share Information)

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Net assets per share	837.22 yen	826.73 yen
Net income per share	43.16 yen	26.67 yen

Notes 1. Diluted net income per share is not described, as dilutive shares do not exist.

2. The calculation base for profit for the period per share is as follows:

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Net income per share		
Net income attributable to owners of parent (in million yen)	1,649	1,020
Amount not attributable to common stockholders (million yen)	—	—
Net income attributable to common stock of owners of parent (million yen)	1,649	1,020
Average number of shares outstanding during the term (shares)	38,215,523	38,261,001

(Significant Subsequent Events)
Not applicable

5. Other Information

(1) Changes in Officers

(i) Changes in Representative Directors

Not applicable

(ii) Changes in Other Officers

- Candidates for Directors

Takeshi Sone, Director, Manager of Service Planning Department and Mobile Plant Business Department, Business Division

(currently Senior Executive Officer, Manager of Service Planning Department and Mobile Plant Business Department, Business Division)

Koichi Kawakami, Director, Deputy General Manager, Administrative Division, Manager, Corporate Planning Department, CEO Office, and DX Business Team Leader (CDO)

(currently Executive Officer, Deputy General Manager, Administrative Division, Manager, Corporate Planning Department, CEO Office, and DX Business Team Leader [CDO])

- Directors to retire

Director Minoru Tanaka

Outside Director Tsutomu Yuasa

- Executive Officers to be promoted

Kazuhiro Yamada, Senior Executive Officer, Deputy General Manager of Manufacturing Division, Manager of Head Office Factory, and General Manager of Manufacturing Technology Office

(currently Executive Officer, Deputy General Manager of Manufacturing Division, Manager of Head Office Factory, and General Manager of Manufacturing Technology Office)

- Executive Officers to retire

Masao Natori, Senior Executive Officer

(iii) Expected date of changes

June 23, 2023

(2) Other

Not applicable