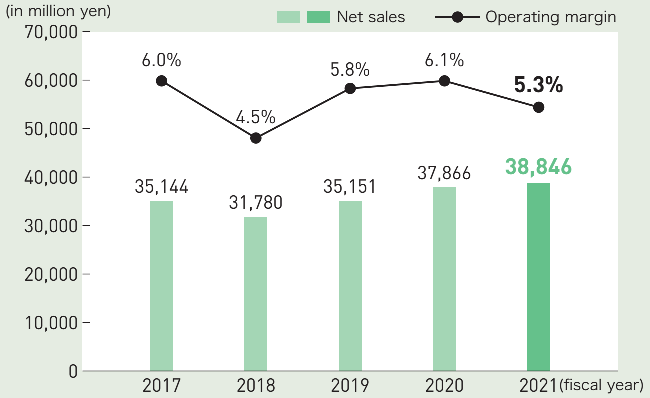
Nikko Group in Figures (Financial and Nonfinancial Highlights)

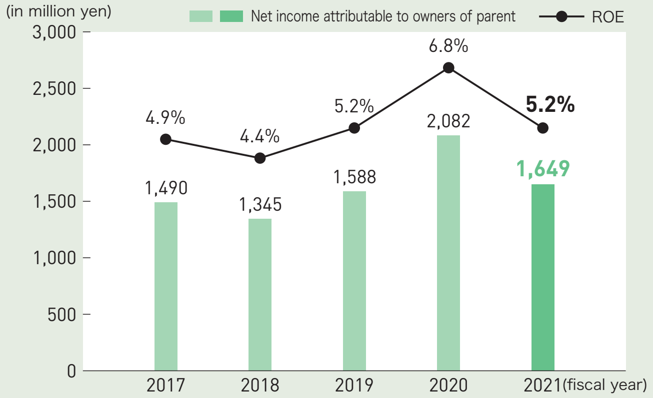
Financial highlights

●Net sales and Operating margin



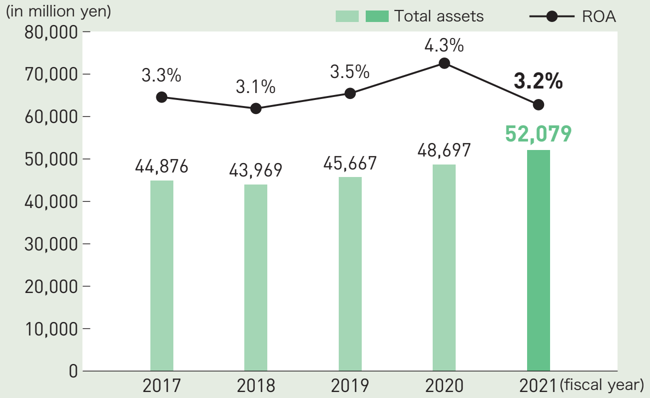
Operating margin in FY 2021 came to 5.3%, down 0.8 pp from 6.1% in FY 2020. By business, operating margin of BP-related business improved 0.9 pp on the back of sales increase and cost reduction through planned production, while that of AP-related-business declined 3.3 pp due to rise in prices of steel and other supplies. That of other business and environment- and conveyor-related business also fell 1.1 pp and 0.7 pp respectively. In FY 2022, the Group expects the operating margin to worsen by 1.3 pp to 4.0%.

●Net income attributable to owners of parent, return on equity (ROE)



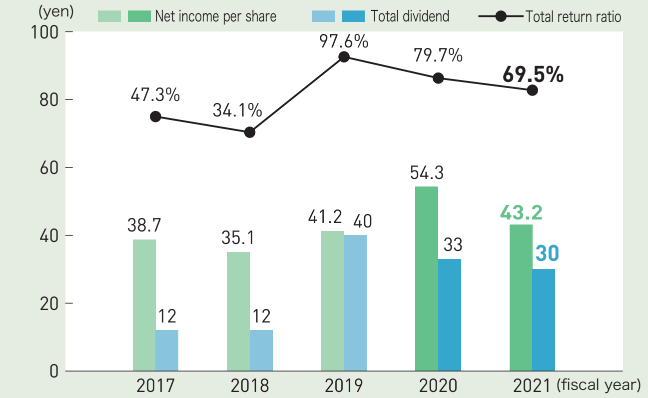
Net income attributable to owners of parent in FY 2021 decreased 20.8%, which is more than the 10.8% decline in operating income. The factors contributing to the decline include the absence of 340 million yen in special dividend from Maeda Road Construction Co., Ltd. that was recorded as non-operating income in FY 2020. Net assets increased 0.6 billion yen compared with FY 2020 reflecting an increase in retained earnings, etc., while ROE declined 1.6 pp from FY 2020 to 5.2%.

●Return on total assets (ROA)



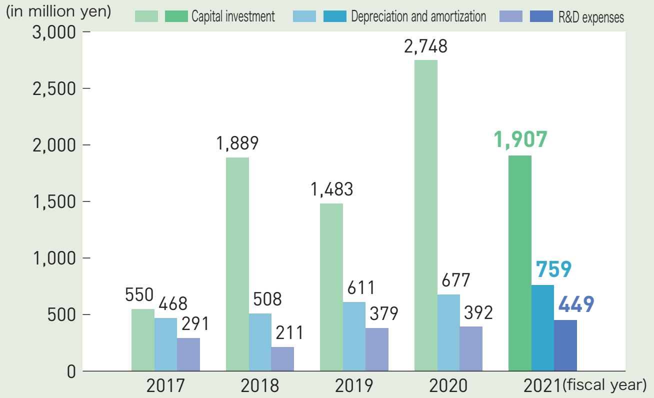
ROA in FY 2021 came to 3.2%, a decline of 1.1 pp compared with FY 2020. Net assets at the end of FY 2021 increased by 3.4 billion yen compared with FY 2020. This includes the 1.8 billion yen of Ube Kohki, which was acquired by the Group. When the impact of Ube Kohki was excluded, inventory rose by 2.4 billion yen and trade receivables declined by 1.4 billion yen while increases in contract liabilities and down payments came to 1.4 billion yen. The Group also carried out sale of strategically-invested shares worth about 0.7 billion yen.

●Net income per share, dividends, total return ratio



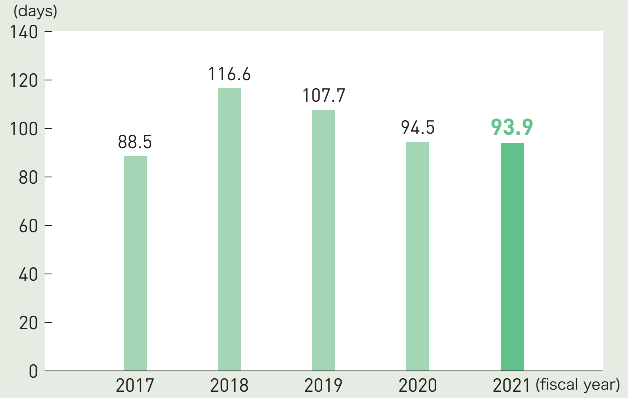
Dividends for FY 2021 were 30 yen per share (payout ratio of 69.5%). While total return ratio was 79.7% in FY 2020 with dividends of 33 yen per share and 0.4 billion yen in treasury stock acquisition as net income attributable to owners of parent was boosted by special dividend from Maeda Road Construction Co., Ltd., it decreased slightly in FY 2021. The Group expects to pay a dividend of 30 yen per share in FY 2022, with which payout ratio is expected to reach 95.6%.

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



The Group made capital investment of 1.9 billion yen in FY 2021 including a 0.33 billion yen for Nikko NilKhosol's plant. Total capital investment for the Medium-Term Management Plan period from FY 2019 to FY 2021 came to 6.3 billion yen, which exceeded the 2.05 billion yen in depreciation and amortization by a great margin and drove forward capacity expansion and machinery upgrade. While R&D expenses at 0.45 billion yen were higher than the 0.39 billion spent in FY 2020, they were lower than the planned 0.7 billion yen.

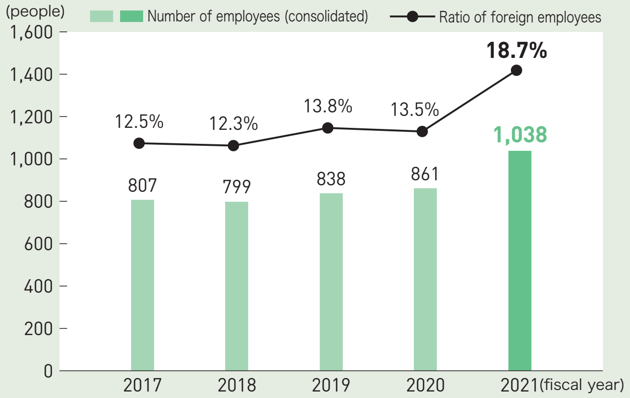
●Cash Conversion Cycle



In FY 2021, CCC was 93.9 days, which was more or less unchanged from the 94.5 days in FY 2020. Inventory turnover period worsened to 105.2 days, but turnover period of trade receivables improved significantly to 71.5 days, while turnover period of notes and accounts payable-trade also improved to 82.7 days. The Group intends to continue improving CCC and allocate the margin to investment for growth, shareholder returns, R&D, and human capital.

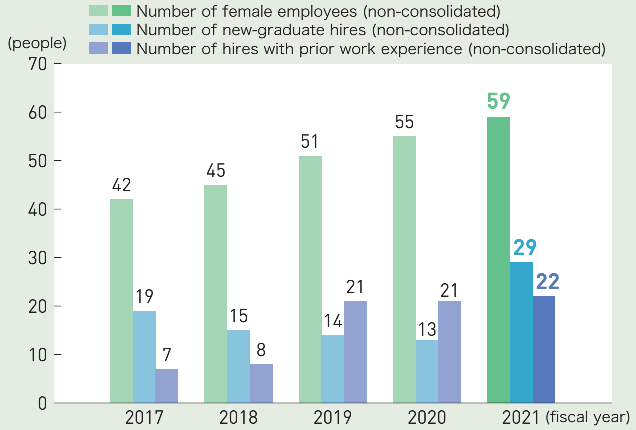
Nonfinancial highlights

●Number of consolidated employees, ratio of foreign employees



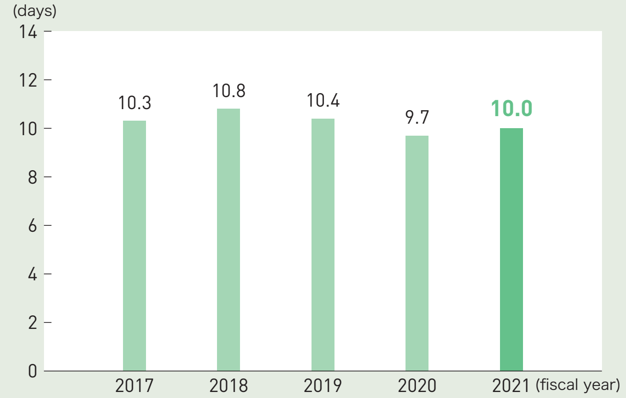
The number of consolidated employees was 1,038 at the end of FY 2021, up significantly from 861 at the end of FY 2020. The increase in real terms after excluding the 67 employees of Ube Kohki, however, was 110. Among them, foreign employees were 194, an increase of 78 from the 116 at the end of FY 2020 and accounting for 18.7% of the total (13.5% in FY 2020). The primary reason is the addition of 77 employees with the start of operations of the Nikko NilKhosol plant in Thailand.

●Number of female employees, number of new-graduate hires, number of new hires with prior work experience (non-consolidated)



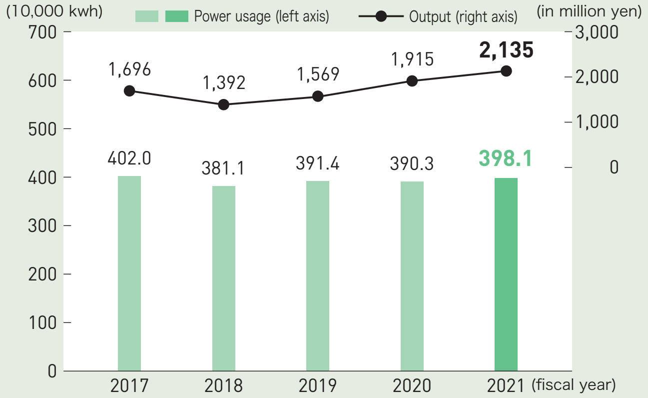
The number of female employees (non-consolidated) was 59 as of the end of FY 2021, an increase of four from 55 as of the end of FY 2020. The number of new hires was 29 on a non-consolidated basis, a significant increase from 13 in FY 2020, while the number of new female hires was three compared to zero in FY 2020. The number of hires with prior work experience was 22 (21 in FY 2020) maintaining a high level, and the Group will continue to boost such hiring in accordance with the new Medium-Term Management Plan with focus on the AP-related business.

●Average number of annual paid holidays per employee (non-consolidated)



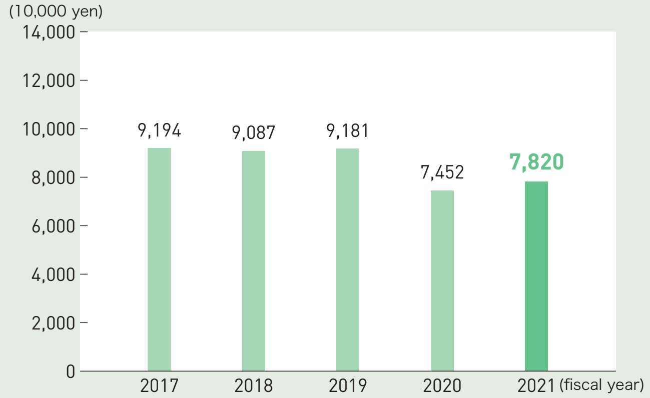
The average number of annual paid holidays used per employee was 10 days in FY2021 on a non-consolidated basis compared with 9.7 days in FY 2020. While it increased slightly from the 9.7 days in FY 2020, the figure has been hovering around 10 days since FY 2017. As stated in the Long-term Basic Policies, the Group believes increasing the number of paid holidays taken by employees is important for improving employee satisfaction and realizing a good work-life balance ultimately to significantly raise labor productivity by improving operating efficiency.

●Power usage, output (non-consolidated)



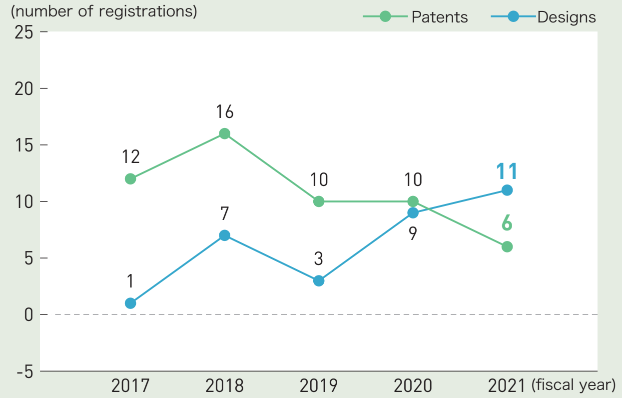
Power usage in FY 2021 came to 3,981,000 kwh, a slight increase of 2.0% from 3,903,000 kwh in FY 2020. However, production volume increased 11.9% in FY 2021 compared with FY 2020 and power usage on a unit consumption basis continued to decline. In accordance with the guidelines for achieving carbon neutrality, the Group will continue to reduce CO_2 emissions by increasing the ratio of renewable energy as well as implementing electricity conservation initiatives.

●Changes in expenses of ISO activity items (non-consolidated)



Total expenses of ISO activity items (electricity, water, waste, and paper) in FY2021 came to 78.2 million yen, up 4.7% from FY2020. While the expenses increased compared to the 17.6% decline posted in FY 2020, the major factor behind this was the rise in electric power charges due to increasing crude oil prices, etc. The Group will continue to effectively utilize resources and make contributions to environmental activities.

●Number of patent and design registrations



The Group registered six patents and 11 designs in FY2021, which were down by four and up two, respectively, from FY2020. The increase in design registration in FY2021 include Nikko-developed food mixer products, Nikko Sec's temporary scaffolding products, and Tombo Industry's shovels. The Group believes registering patents and designs is important for differentiating products and services and improving brand value, and it plans to continue to actively register them.