

“Create the future with *n*”



Fiscal Year 2020 (Ending March 31, 2021) 1st Quarter Financial Results Briefing Session Materials

(Tokyo Stock Exchange Code: 6306)

Nikko Co., Ltd.

Hiroshi Fujii, Managing Director and
General Manager of the Financial Division
August 20, 2020

- ❑ In this briefing material, AP denotes asphalt plants in our business and BP denotes concrete plants.
- ❑ I am going explain from Slide 10, the impact associated with the novel coronavirus.

Company Information	▶ pp. 3-7
Shareholder Returns and Information Disclosure	▶ pp. 8-9
Impact of Novel Coronavirus	▶ p. 10
Topics	▶ p. 11
Financial Results for 1Q FY 2020	▶ pp. 12-26
Reference Materials	▶ pp. 27-31



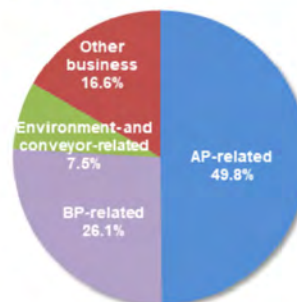
Company Information

Company Overview



Company name	Nikko Co., Ltd.	
Head office	1013-1, Eigashima, Okubo-cho, Akashi, Hyogo Prefecture	
Established	August 13, 1919	
Capital	9,197 million yen	(as of March 31, 2020)
Consolidated net sales	35,151 million yen	(FY 2019)
Consolidated operating income	2,053 million yen	(FY 2019)
Ratio of net sales outside Japan	13.4%	(FY 2019)
Subsidiaries	Nine companies	(FY 2019)
Employees (consolidated)	838	(as of March 31, 2020)
Governance structure	Company with Board of Corporate Auditors Directors: 7, including 2 outside directors Corporate Auditors: 4, including 3 outside auditors (as of March 31, 2020)	

Net sales breakdown by business segment (FY 2019)



AP: Asphalt plant
BP: (Concrete) batching plant



Management Philosophy

Adopting a customer-first policy, the Nikko Group provides customers with truly satisfactory products and services, while continually promoting self-reform aimed at winning broad trust and fulfilling our mission as a solutions partner evolving with customers.

Representative Director and President

Masaru Tsuji

辻 勝

History



Products	Production Sites	Overseas Expansion	Group Expansion in Japan (including acquisitions and transfer of business)
1919 Established TOMBO brand farming tools	1919 Head Office Plant	1994 Nikko Baumaschinen (Germany)	1968 Ichiishi Kogyosho (M&A)
1951 Concrete mixers and winches	1938 Industrial machinery factory	1997 Taipei branch (Taiwan)	1971 Nikko Electronics Co., Ltd. established
1956 Ready-mixed concrete plant	1968 Tokyo factory	2001 Nikko (Shanghai) Construction Machinery	1983 Nikko Machinery Co., Ltd. established
1958 Asphalt plants	1994 Satte factory	2010 Shanghai Chutian Construction Machinery	1994 Tombo Industry Co., Ltd. established
1962 Telescopic steel props	2004 Shanghai Jiading factory	2020 Nikko Asia (Thailand) Co., Ltd.	1995 Nikko Sec Co., Ltd. established
1963 Pipe scaffolding	2014 Kakogawa factory	2020 Nikko Nilkhol Co., Ltd. (Thailand)	2002 Niigata Engineering (transfer of business)
1966 Conveyor system	2016 Fukusaki factory		2006 Matsubara Heavy Industries (transfer of business)
1983 Floodgates			2008 Maekawa Kogyosho (M&A)
2000 System for cleaning oil-polluted soil			
2001 Waste plastic treatment system			
2007 Concrete pumps			
2015 Crusher (import and sales)			

August 2019

100th anniversary of company foundation



Nikko Group Business Vision

Future creation that starts from an “*n*”

We strive to remain the leading company of asphalt and batching plants.

We aim to expand our overseas business and become the top manufacturer in the Asian market.

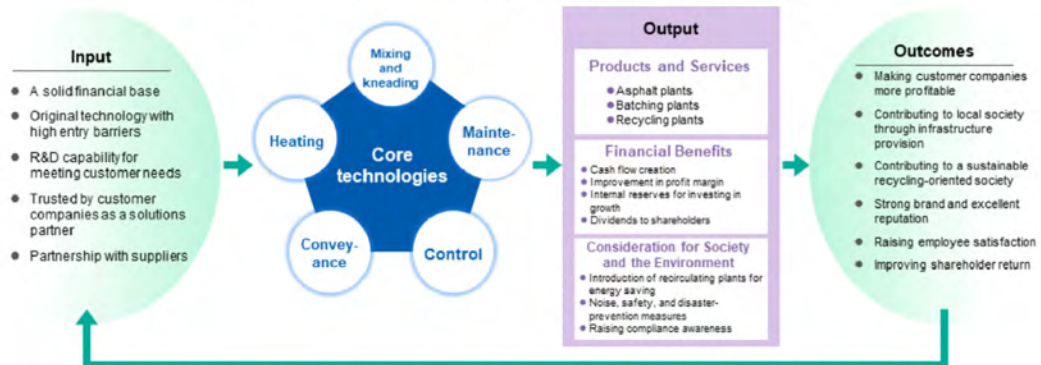
We will work to brush up on our core technologies in “heating,” “mixing,” “material handling” and “control” as we expand business.

We will strive to remain a future-creating company ready to contribute to society.

Representative Director and President
Masaru Tsuji

辻 勝

A century of providing machines that build cities. Contributing to the establishment of a recycling-oriented society.



FY 2020 forecast **Net sales** 36,500 million yen **Operating margin** 6.0%

Business flows



- **Enhancement of shareholder returns**

- Forecast of 30.00 yen per share in dividend payment in FY 2020
(15.00 yen per share as interim dividends and 15.00 yen per share as year-end dividends) (dividend payout ratio of 62.6%)
- Purchase of treasury stock
From May 25, 2020, to September 30, 2020
(800,000 shares in total [upper limit]; 400 million yen in value [upper limit])
-> total return ratio to come to 84.2%

- **Information Disclosure**

- Nikko Corporate Report 2020
The Japanese version to be released in late September, English version in late October.

- Contents of Nikko Corporate Report 2020 (the contents of the report may change in the editing process.)

Contents

Table of Contents / Editorial Policy	01
--	----

● VISION & INNOVATION

Nikko Group's Corporate Philosophy	02
Promotion and Spread of Corporate Philosophy	03
History	05
Nikko Group in Figures (Financial and Nonfinancial Highlights)	07
CEO's Message	09

● SUSTAINABILITY & ENGAGEMENT

Value Creation Process	15
Promotion of Sustainability	17
Response to Climate Changes and Business Opportunities	21
Base to Provide Value to Customers	23
Human Resource Development and Improvement in Productivity	27
Nikko's Diversity in Female Employees' View (Roundtable Discussion by Female Employees)	29

● STRATEGY

Progress in Medium-Term Management Plan and Focus Areas	31
Segment Highlights	35
Business Strategies	
└ Asphalt Plant-Related Business	37
└ Concrete Plant-Related Business	38
└ Environment- and Conveyor-Related Business	39
└ Other Business	40
CFO's Message	41

● LEADERSHIP & GOVERNANCE

Corporate Governance	45
Nikko's Governance in Corporate Auditors' View (Roundtable Discussion by Corporate Auditors)	49
Executives	51

● DATA & HIGHLIGHT

FY 2019 Business Summary and FY 2020 Outlook	53
Financial Indicators of the Past 10 Years	55
Financial Data	57
Stock Information	60
Company Overview and Offices and Sites	61
Summary of Subsidiaries	62

To be enhanced as an integrated report from the ESG perspective

Impact of Novel Coronavirus
NIKKO

Impact on 1Q business results

Japan

- Order receipt: little impact on activities for winning orders in Japan and orders remained firm
- Sales: progressed roughly in line with the initial plan

Overseas

- Nikko Shanghai: Operations resumed on March 25 after the closure on January 31. There has been a slight delay in production.
Among the projects planned in 1Q, 4 projects worth 580 million yen will be delivered in 2Q or later, and sales will be delayed
- Exports: sales declined 91% compared with a year earlier (180 million yen in 1Q 2019 -> 16 million yen in 1Q 2020)
- Nikko Asia (Thailand) Co., Ltd.:
The President and other Japanese employees could not enter the country and there was a delay in start of full-fledged operations

Impact on full-year business results

- Shanghai: no change in the full-year forecast
- The outlook is unclear for both exports and Nikko Asia (Thailand) Co., Ltd. but their impacts are small, with exports having accounted for 2.1% of total sales in the previous fiscal year and the sales budget of Thailand for the current fiscal year being 620 million yen.

Currently there is no impact on the Japanese business and there is no change to the full-year forecast

★ The ratio of users enrolled in the remote maintenance service rapidly increased to 67% partly given the users making more efforts to mitigate risks (46% in January 2020)
We aim to further increase the enrollment ratio to enable the shift to "before" maintenance regime, which is part of the medium-term strategy

www.nikko-net.co.jp © Copyright NIKKO CO., LTD. 2020 All rights reserved.
10

□ Impact of Novel Coronavirus

- While there has been almost no impact of the novel coronavirus on us in Japan from the beginning of the fiscal year, we announced the earnings forecast for the current fiscal year in May on the assumption that there would be considerable impact overseas.
- The first quarter ended and the business performance was as expected as far as the recent order and sales status are concerned.
- The order status in Japan was rather very good for the first quarter compared with the same quarter in the past few years.
We had almost no cases in which customers postponed or shelved investment plans because of the effect of the coronavirus.
- Sales in Japan have been progressing almost as expected from the order status.
- As for overseas and exports, Nikko Shanghai of the Chinese business is the main entity of the current international business. Nikko Shanghai saw projects, whose sales were planned in the first quarter, being delayed till the second quarter or later due to delay in production, as it suspended operation of its plant for about two months. In particular, four projects worth 600 million yen were delayed into the second quarter or later.
- As for exports, sales fell 91% compared with the same period a year earlier. It is not a large amount compared with overall consolidated sales. They were 16 million yen in the current first quarter compared with 180 million yen in the same quarter a year earlier.

Impact of Novel Coronavirus



Impact on 1Q business results

Japan

- Order receipt: little impact on activities for winning orders in Japan and orders remained firm
- Sales: progressed roughly in line with the initial plan

Overseas

- Nikko Shanghai: Operations resumed on March 25 after the closure on January 31. There has been a slight delay in production.
Among the projects planned in 1Q, 4 projects worth 580 million yen will be delivered in 2Q or later, and sales will be delayed
- Exports: sales declined 91% compared with a year earlier (180 million yen in 1Q 2019 -> 16 million yen in 1Q 2020)
- Nikko Asia (Thailand) Co., Ltd.:
The President and other Japanese employees could not enter the country and there was a delay in start of full-fledged operations

Impact on full-year business results

- Shanghai: no change in the full-year forecast
- The outlook is unclear for both exports and Nikko Asia (Thailand) Co., Ltd. but their impacts are small, with exports having accounted for 2.1% of total sales in the previous fiscal year and the sales budget of Thailand for the current fiscal year being 620 million yen.

Currently there is no impact on the Japanese business and there is no change to the full-year forecast

- ★ The ratio of users enrolled in the remote maintenance service rapidly increased to 67% partly given the users making more efforts to mitigate risks (46% in January 2020)

We aim to further increase the enrollment ratio to enable the shift to "before" maintenance regime, which is part of the medium-term strategy

www.nikko-net.co.jp © Copyright NIKKO CO., LTD. 2020 All rights reserved.

11

- We established a sales and maintenance service company in Thailand in February this year.

We are making a full-scale entry into Thailand and the aim is to make it into a hub for foraying into Southeast Asia in the future.

We are seeing a major impact of the coronavirus there.

After hiring employees, because traveling was banned, three Japanese expats including the president have been staying in Japan and giving remote training to the hired employees. They have not been able to start concrete sales activities in Thailand.

- As for the impact on full-year earnings, we have made no changes in the full-year forecast of Nikko Shanghai.

However, though it is aiming to recover the delay in the four projects worth 600 million yen, caused by the two-month suspension of the plant, within the fiscal year, it appears slightly difficult given the limitation in manufacturing capacity.

- Even then, the order situation in the Chinese market is very strong, and even if sales decline somewhat from the previous year, it will be due to the temporary impact of the coronavirus, and we believe the demand in the Chinese market is very healthy.
- The outlook of exports and that of the Thai business remains uncertain, but exports accounted for about 2% of overall sales in the previous fiscal year, and sales budget of the Thai business for the current fiscal year is about 600 million yen, which accounts for less than 2% of consolidated sales. So they do not have much impact on figures.
- There has been no major impact on the Japanese business and we did not make changes to the full-year forecast, and it is rather performing stronger than the initial forecast.

For these reasons, even if the performance overseas falls slightly below the initial forecasts, we believe that the Japanese business can sufficiently offset that.

- As a topic, we have been offering remote maintenance service to customers for 15 years.

Partly due to the impact of the coronavirus, customers who had not signed the remote maintenance service contract have come to sign it from the perspective of avoiding risks, and the sign-up rate of the service increased to 67% from 46% in January 2020.

We want to shift to the "before" maintenance business model from the after-sale maintenance model, where you fix the plant when it breaks down. The rising sign-up rate of remote maintenance, which we consider to be one of the "before" maintenance service method, is in line with our strategy.

Topics



Established Nikko Asia (Thailand) Co., Ltd. for sales and service maintenance of asphalt plants in February 2020, and subsequently, established a manufacturing company in the country in June 2020.

Purpose: To reduce costs and lead time by manufacturing products locally so as to better respond to the customer needs and boost its competitiveness across Asia together with the Shanghai factory in China.

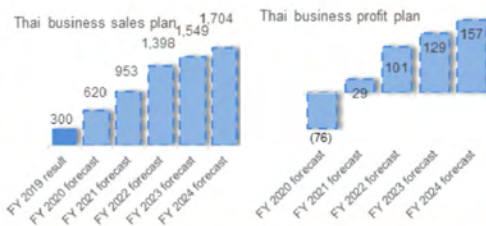
Company Overview

Founded: June 25, 2020
 Name: Nikko Nilkhosol Co., Ltd.
 Capital stock: THB 120 million
 Location: Pinthong Industrial Park Phase 4, Chonburi Province, Kingdom of Thailand
 Business: Manufacture and sale of asphalt plants and industrial machinery
 Investment ratio: 70% by Nikko Co., Ltd. and 30% by Nilkhosol



Factory overview

Site area: 40,542m²
 Factory area: 5,078m²
 Investment: Approx. THB350 million (approx. 1.2 billion yen)
 Production capacity: 30 asphalt plants per year and 900 tons of industrial machinery per year
 Start of construction work (provisional): September 2020
 Start of operation (provisional): October 2021



*The results for FY 2019 are exports.



www.nikko-net.co.jp © Copyright NIKKO CO., LTD. 2020 All rights reserved.

11

- ❑ We established a manufacturing company in June in Thailand following the establishment of the sales and maintenance company in February this year.
- ❑ Its capital stock is 120 million bahts and we established it in an industrial park in Chonburi Province, which is located southeast of Bangkok.
- ❑ It is a joint venture with a local company called Nilkhosol.
The investment ratio is 70 to 30. Nikko is taking the leadership and the president also will be from Nikko.
- ❑ The joint venture partner Nilkhosol has been exporting AP to Thailand for about five years and Nikko used to outsource local production to them. We have been working together for five years now.
- ❑ The site area of the plant is 40,000 m², which is larger than the plant of Nikko Shanghai, whose site area is 30,000 m².

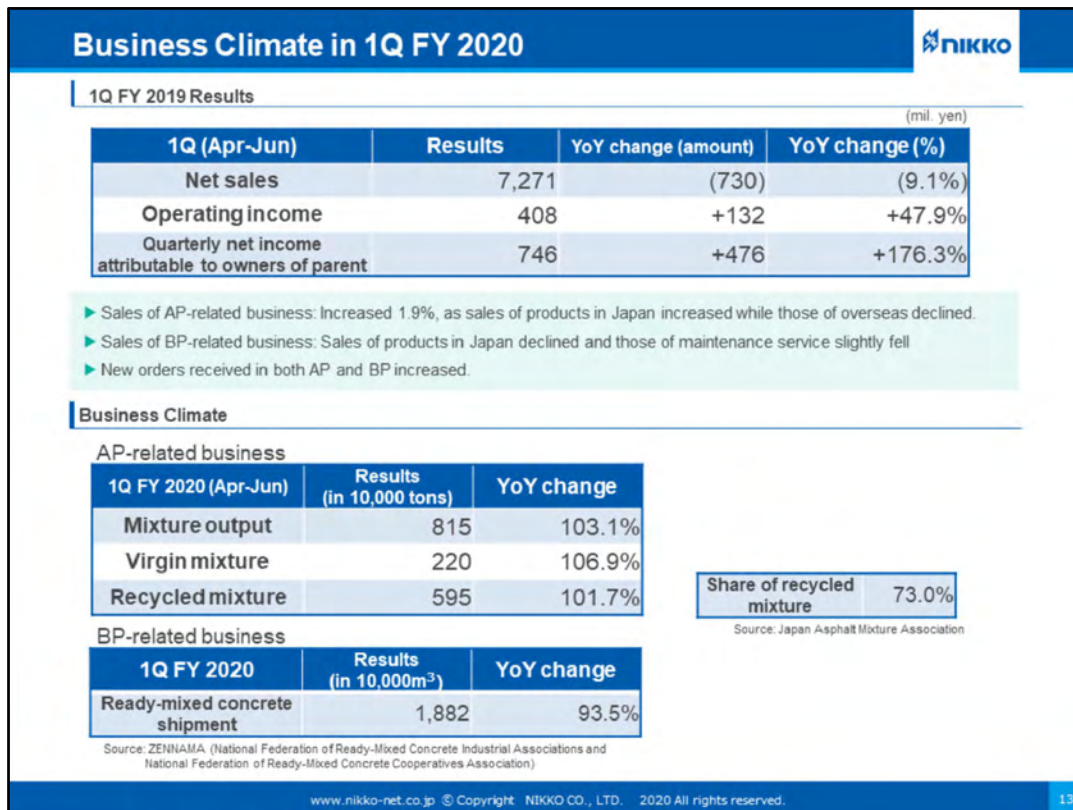
That is because we are aiming to capture the Southeast Asian market from here in the future and grow it into a scale exceeding China. It will have a production capacity of 30 units a year, more than the 20 to 25 units a year in China.

- ❑ The initial sales and profit plan of the Thai business is shown in the table but we believe it would be difficult to start full-scale operation within this year with the current outlook.
- ❑ Although we, more or less, cannot expect any sales contributions in the current fiscal year, we do not expect income to be significantly worse than the forecast figure.
- ❑ We established two companies in Thailand because a foreign capital company cannot engage in the used plant business due to the restrictions in the country, and it was necessary to formally make it a domestic demand company. The sales company is owned 100% by Nikko in real terms, but Nikko holds a 49% stake and a silent shareholder invested the remaining 51%.



Financial Results for 1Q FY 2020

12



- ❑ This is the overview of the first quarter business result.
- ❑ Sales fell and profit increased compared with the same period a year earlier.
- ❑ Net income largely increased due to special factors.
- ❑ The business environment of the AP-related business is that, while the amount of asphalt mixture manufactured was 103.1% of the same period a year ago, roughly in line with the level of the previous year, ready-mixed concrete shipment of the BP business fell slightly from the previous year.

1Q FY 2020 Performance Highlights

- All of operating income, operating margin, and quarterly net income significantly increased compared with the same period a year earlier
→ p. 15 Performance Highlights (1)

- Both new orders received and order backlog increased compared with the same period a year earlier
(increased in all business divisions compared with the same period a year earlier)
→ p. 15 Performance Highlights (1)
p. 29 Trends in New Orders Received and Order Backlog per Business Segment

- Net sales declined 9.1% compared with the same period a year earlier.
(due to declines in net sales of the BP-related business and Nikko Shanghai [however, progress of BP is in line with the plan])
→ pp. 15, 16 Performance Highlights (1), (2)
p. 19 AP-Related Business (Japan vs. Overseas)
p. 20 BP-related Business

- Overseas business significantly fell due to the impact of the novel coronavirus pandemic
→ p. 10 Impact of Novel Coronavirus
p. 19 AP-Related Business (Japan vs. Overseas)

In 1Q, although sales were affected by the impact of the novel coronavirus infection such as delays in delivery overseas (exports and Shanghai), profits and orders remained strong

www.nikko-net.co.jp © Copyright NIKKO CO., LTD. 2020 All rights reserved.
14

□ This is the highlight of the first quarter performance.

Here we showed the situations using facial expressions to make it easier to understand.

- All of operating income, operating margin, and quarterly net income performed well, increasing significantly compared with the same period a year earlier.
- Both new orders received and order backlog rose compared with the same period a year earlier and were very strong too.
- Meanwhile, net sales in the first quarter declined 9.1% compared with the same period a year earlier.

In particular, the BP-related business and sales decline at Nikko Shanghai are the factors behind net sales decline.

However, sales of the BP-related business were extremely small in the first quarter because, for some reason, there was only a small volume of BP-related products whose sales were recorded in these three months. The BP-related business in full year is expected to post results in line with the previous fiscal year or slight increases in sales and profit from the previous year.

1Q FY 2020 Performance Highlights (1)



YoY change of results

- ▶ Sales: Increase in AP products in Japan (up 830 million yen), decrease in BP products (down 940 million yen), Nikko Shanghai (down 590 million yen), exports (down 160 million yen), and increase in other business (up 120 million yen)
- ▶ Operating income: Increased owing to improvement in cost-of-sales ratio of products and maintenance service
- ▶ Quarterly net income: Special dividend from Maeda Road Construction Co., Ltd. (up 340 million yen), development subsidies (60 million yen), gain on sales of securities (80 million yen)
- ▶ Orders: AP-related business (up 1.68 billion yen), BP-related business (up 90 million yen), environment- and conveyor-related business (up 290 million yen), other business (up 80 million yen)
- ▶ Order backlog: AP-related business (up 220 million yen), BP-related business (up 1.37 billion yen), environment- and conveyor-related business (up 30 million yen), other business (up 10 million yen)

	FY 2019			FY 2020				
	1Q Actual	1H Actual	Full year Actual	1Q Actual	YoY change	Progress made with full year forecast	1H forecast	Full year forecast
Net sales	8,001	17,140	35,151	7,271	(730) (9.1%)	19.9%	18,500	36,500
Operating income	276	959	2,053	408	+132 +47.9%	18.5%	1,100	2,200
Operating margin	3.4%	5.6%	5.8%	5.6%	+2.2%	—	5.9%	6.0%
Ordinary income	361	1,034	2,142	979	+617 +170.7%	36.2%	1,550	2,700
Net income attributable to owners of parent	270	1,003	1,588	746	+476 +176.3%	40.3%	1,050	1,850
New orders received	7,320	16,843	33,915	9,469	+2,149 +29.3%	27.0%	17,000	35,000
Order backlog	12,773	13,158	12,219	14,417	+1,644 +12.8%	—	10,719	10,719

(mil. yen)

Exchange rate (EUR/JPY)	—	—	121.73	—	—	—	—	118.00
Exchange rate (RMB/JPY)	—	—	15.76	—	—	—	—	15.50

(yen)

www.nikko-net.co.jp © Copyright NIKKO CO., LTD. 2020 All rights reserved.

16

- ❑ I explained sales and operating income in the first quarter of fiscal year 2020 in pages 13 and 14.
- ❑ As a reference, we described the rate of progress compared with the full-year forecast. The progress rate of net sales was 19.9% and that of operating income was 18.5%.
- ❑ In the first quarter of the previous fiscal year, the progress rate of net sales was 22.7% and that of operating income was 13.4%.
- ❑ Operating margin in the first quarter of the current fiscal year was 5.6%. The first quarter of the previous fiscal year started with 3.6% so margin improved a lot compared with the previous year.
- ❑ The progress rate of ordinary income was 36.2% and that of net income was 40.3%.
- ❑ New orders received increased 2,149 million yen from the same period a year earlier and its progress rate was 27.0%. Order backlog increased 1,644 million yen compared with the same period a year earlier.

1Q FY 2020 Performance Highlights (2)					nikko				
					(mil. yen)				
		FY 2019			FY 2020				
		1Q Actual	1H Actual	Full year Actual	1Q Actual	YoY change	Progress with respect to full year forecast	1H forecast	Full year forecast
AP-related business	Net sales	3,917	8,667	17,518	3,991	+74 +1.9%	21.6%	9,800	18,400
	Operating income	222	676	1,118	340	+118 +53.1%	29.0%	630	1,170
	Operating margin	5.7%	7.8%	6.4%	8.5%	+2.8%	—	6.4%	6.3%
BP-related business	Net sales	2,442	4,569	9,158	1,478	(964) (39.5%)	15.7%	4,800	9,400
	Operating income	110	297	761	88	(22) (20.0%)	11.0%	410	800
	Operating margin	4.5%	6.5%	8.3%	6.0%	+1.5%	—	8.5%	8.5%
Environment- and conveyor-related business	Net sales	492	1,353	2,634	524	+32 +6.5%	19.4%	1,200	2,700
	Operating income	80	219	562	114	+34 +42.5%	20.0%	260	570
	Operating margin	16.3%	16.2%	21.3%	21.8%	+5.5%	—	21.7%	21.1%
Other business	Net sales	1,149	2,549	5,840	1,275	+126 +11.0%	21.2%	2,700	6,000
	Operating income	175	448	1,020	171	(4) (2.3%)	16.1%	500	1,060
	Operating margin	15.2%	17.6%	17.5%	13.4%	(1.8%)	—	18.5%	17.7%
Corporate expenses		(313)	(683)	(1,409)	(305)	+8	21.7%	(700)	(1,400)

▶ Net sales of AP-related business: Up 36.1% from a year earlier in Japan.
 ▶ Net sales of BP-related business: Down 39.5% from a year earlier.
 ▶ Net sales of environment- and conveyor-related business: Up 6.5% from a year earlier.
 ▶ Net sales of other business: Up 11.0% from a year earlier.

www.nikko-net.co.jp © Copyright NIKKO CO., LTD. 2020 All rights reserved.

❑ Here is the status of each segment.

❑ In the first quarter result of the AP-related business, net sales were at a similar level as the previous year but operating income improved considerably compared with the previous year.

Operating margin significantly improved from the previous fiscal year, as profitability of domestic products which we sold in the first quarter was relatively high and margin of the maintenance service improved 3 p.p. compared with the previous year.

❑ However, there are several large-sale projects with low profit margins in the second quarter on and I believe that it is difficult to maintain the first-quarter margin of 8.5% for the full year.

❑ In the first quarter result of the BP-related business, sales of maintenance service were at a similar level as the previous year, but sales of products significantly fell.

However, this is an issue of the timing of sales and we think they will be in line with the plan through the full year from the way it looks as of now.

❑ Sales of the environment- and conveyor-related business slightly rose from a year earlier and profit increased.

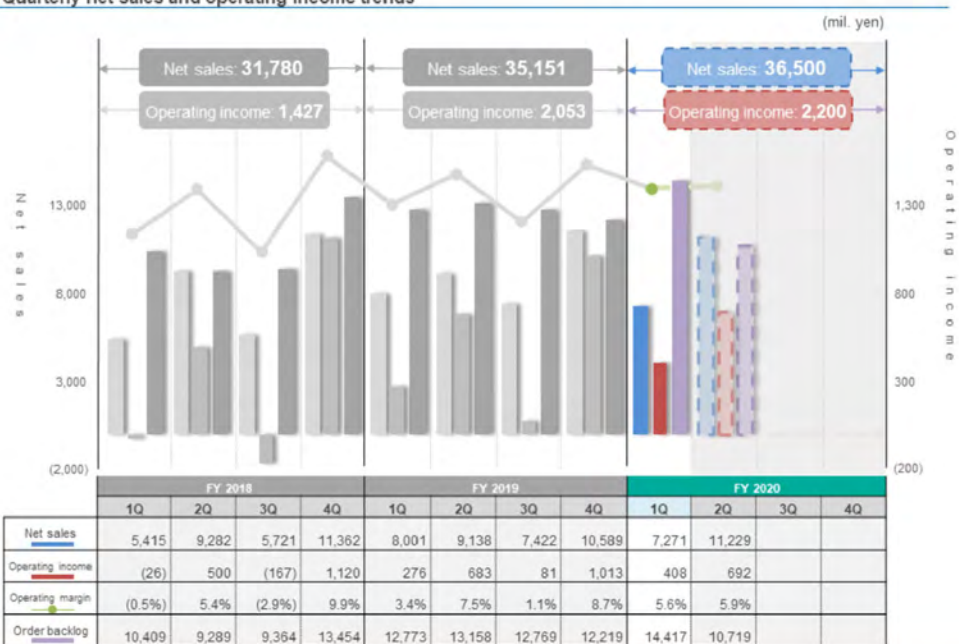
❑ Other business came in line with the previous year.

❑ To summarize the full year outlook, the AP-related business is slightly better than the initial forecast, the BP-related business are roughly in line with the plan, while it would be slightly difficult for the environment- and conveyor-related business as it was not able to carry out sufficient sales activities on the conveyance-related business due to the impact of the coronavirus, which is expected to show from the second quarter onwards. There has been almost no coronavirus impact on the other business and we are expecting it to be in line with the plan.

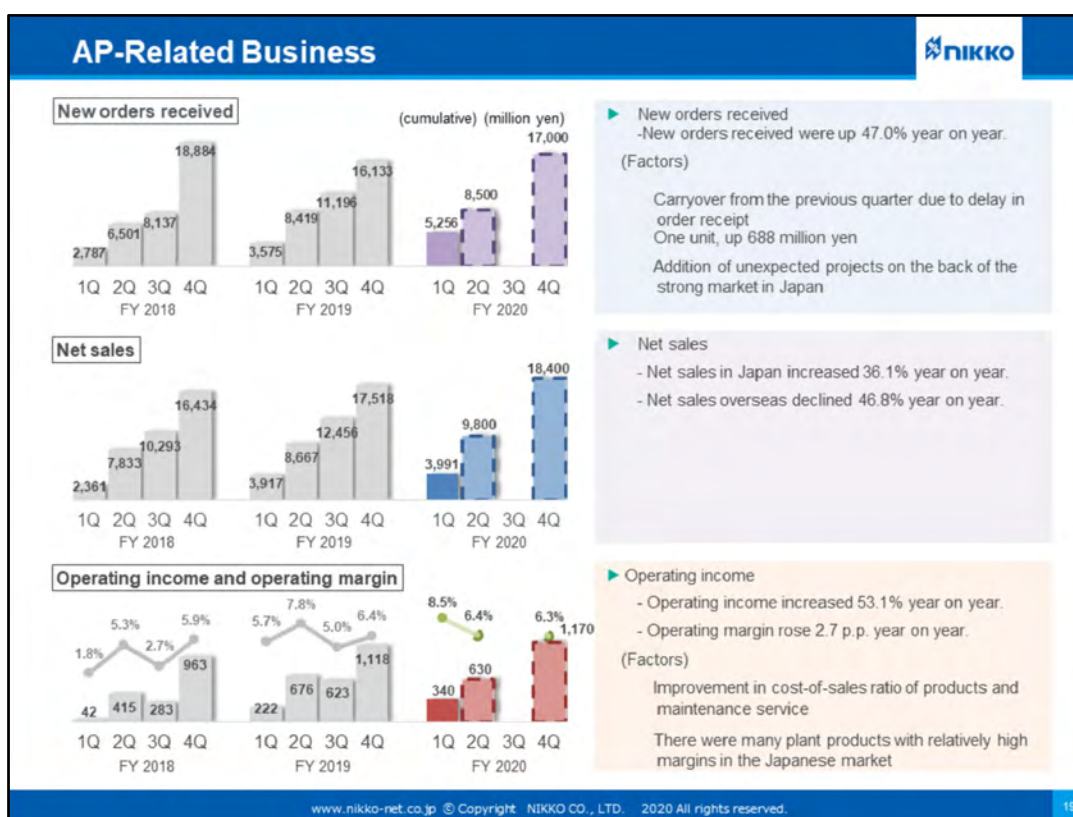
1Q FY 2020 Performance Highlights (3)



Quarterly net sales and operating income trends



*The 2Q FY 2020 forecasts are the figures subtracting 1Q results from 1H forecasts announced at the beginning of the term.



- ❑ Orders received by the AP-related business for full year grew 47.0% compared with the same period a year earlier.

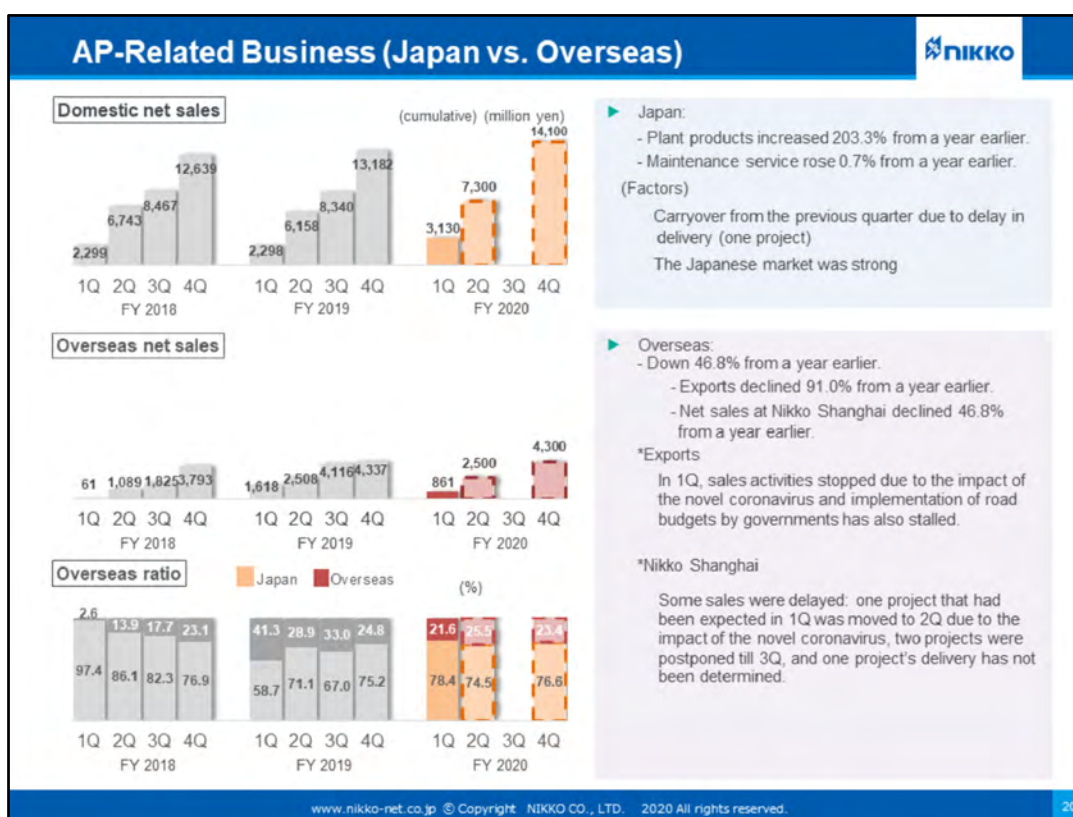
The delay in projects that were planned in the previous term was a special factor but we believe that the domestic environment of the AP-related business is very favorable in general.

- ❑ Domestic net sales increased 36.1% compared with the same period a year earlier, overseas net sales fell 46.8% in reverse.

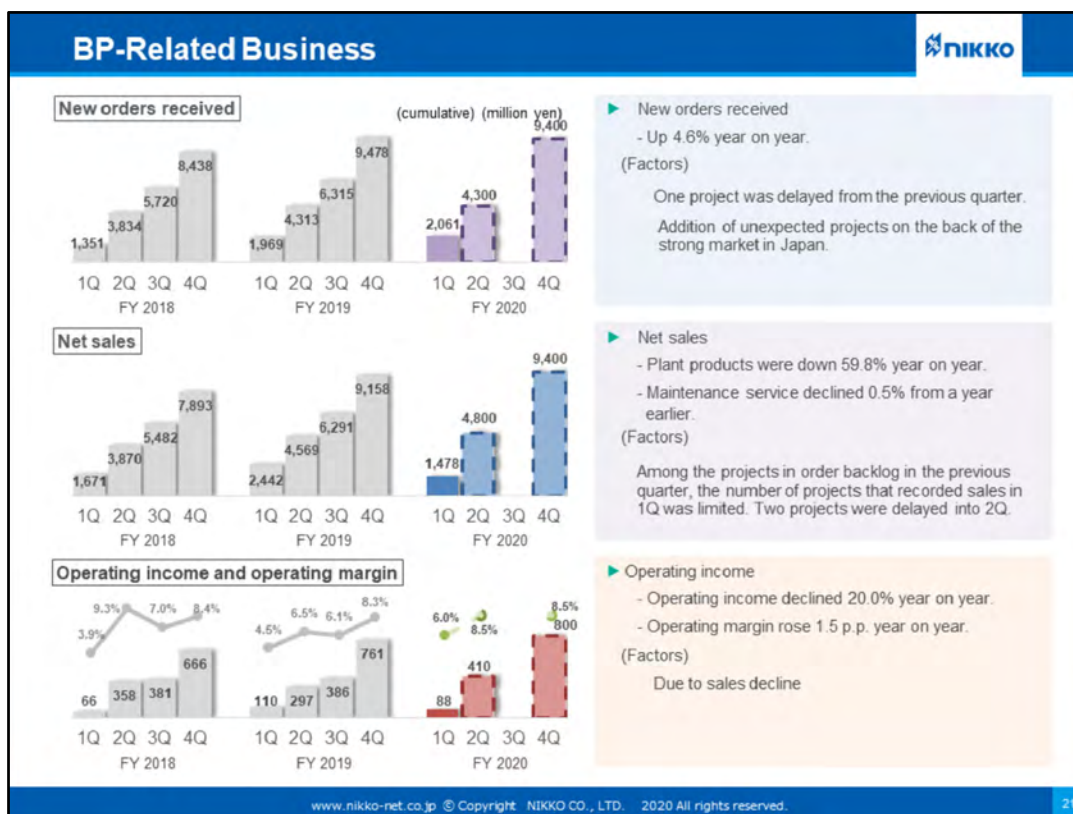
In value, domestic sales of the AP-related products rose 800 million yen to 1.2 billion yen from 400 million yen last year. Sales of maintenance service were 1.9 billion yen this year, which is the same as the previous year.

Overseas, net sales fell 700 million yen to 900 million yen this year from 1.6 billion yen in the previous year.

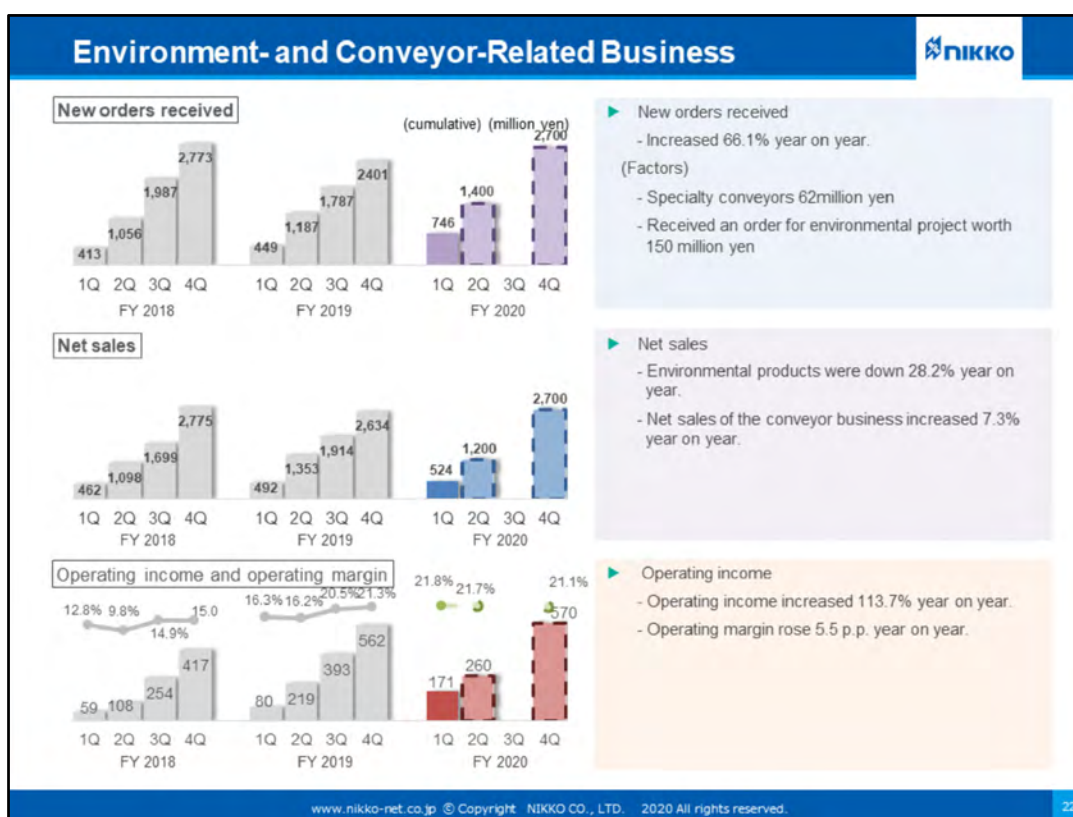
- ❑ Operating margin in the first quarter alone was 8.5%, which is a good figure, but the first quarter figure is still small and this does not necessarily mean the trend would continue.



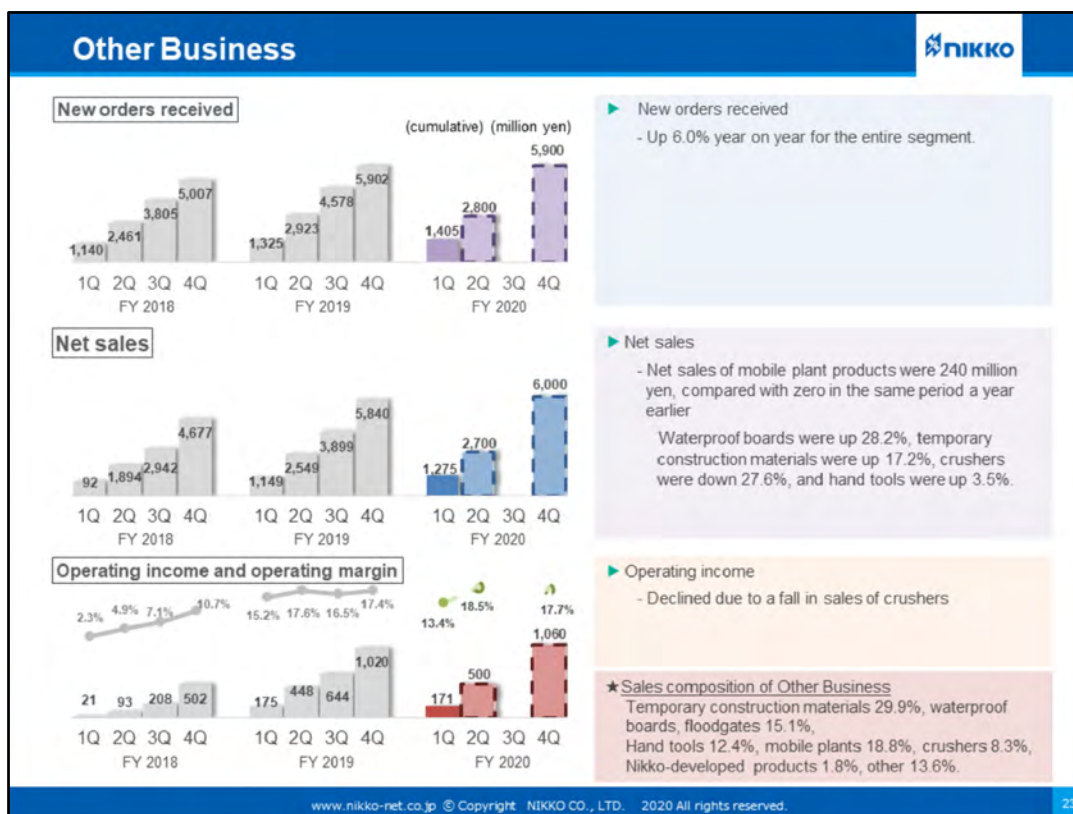
- ❑ I have explained the situation in Japan earlier, so here I am going to explain the situation overseas.
- ❑ Overseas sales in the first quarter of the current fiscal year were 861 million yen.
- ❑ Sales from exports are less than 100 million yen, so almost all of that are sales in China.
- ❑ Sales in China fell 46.8% compared with a year earlier and they fell due to the coronavirus impact.
- ❑ The outlook of how overseas sales would be in full year based on the outlook as of this moment is, although we initially budgeted 4.3 billion yen, which is similar to the previous year's level, China is down 600 million yen and exports are down 500 million yen at the moment compared with the budgeted figures and overseas sales are expected to be about 3.2 billion yen.
- ❑ Meanwhile, initially the AP-related sales in Japan were budgeted at 14.1 billion yen, but now they are expected to be somewhere close to 16 billion yen.



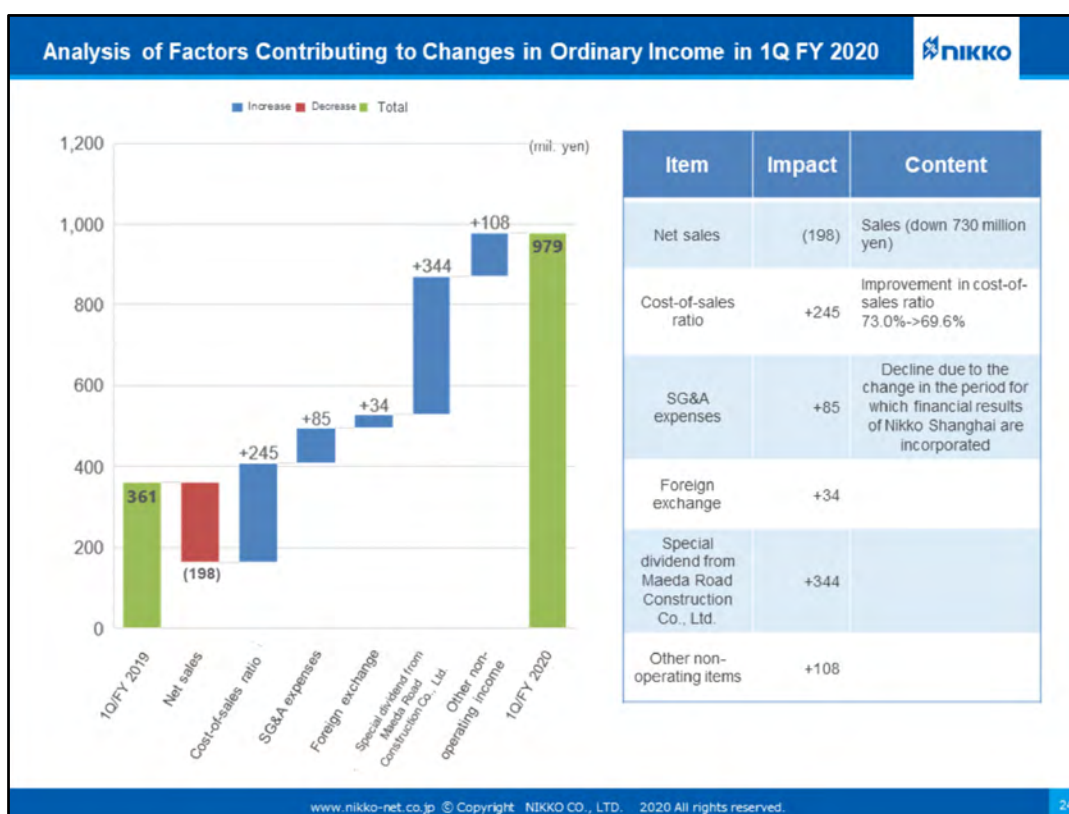
- ❑ Orders for the BP-related businesses have been strong and at a similar level with the previous year.
- ❑ Sales happened to be low in the first quarter but we expect them to come in line with the forecast in full year.
- ❑ Operating margin improved to 6%, but the actual figure declined from a year earlier due to sales decline.



- ❑ Orders for the environment- and conveyor-related business increased 66.1% compared with the same period a year earlier, which was a good figure considering it was the first quarter.
- ❑ However, we were unable to carry out sufficient sales activities in the conveyor-related business due to the impact of the coronavirus and we expect the situation to be slightly difficult in the second quarter onwards. We, therefore, expect full-year net sales would be about 200 million yen less than the initial forecast due to the sales decline the conveyor-related business.

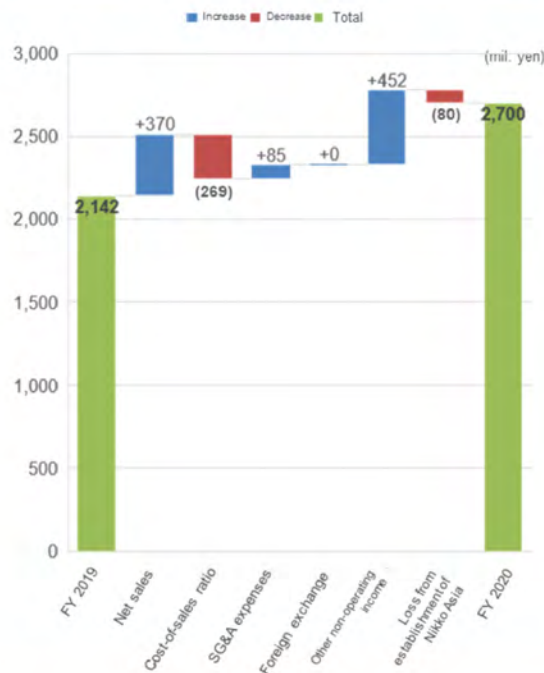


- ❑ The other business grew well in the previous year and it is also progressing at a pace that is similar to or slightly exceeding the previous year.
- ❑ A distinctive feature is that the sales of mobile plant products, which began taking off in the second half of the previous year, came to 240 million yen in the first quarter this year compared with zero in the same period a year earlier.
- ❑ The rest of the business other than crushers have been performing strongly.



- ❑ This is an analysis of factors contributing to changes in ordinary income in the first quarter of the current fiscal year and the same period a year earlier.
- ❑ Sales decline gave a negative impact.
- ❑ Positive factors included;
 - improvement in cost-of-sales ratio,
 - the absence of the impact of the change (portion for the January-June period was recorded) in the period for which financial results of Nikko Shanghai are incorporated on SG&A expenses in the previous fiscal year,
 - foreign exchange gains in the current fiscal year instead of foreign exchange losses in the previous fiscal year, and
 - Special factors limited to the current fiscal year included the special dividend from Maeda Road Construction Co., Ltd. and other non-operating items.

Analysis of Factors Contributing to Changes in Ordinary Income Forecast for FY 2020



www.nikko-net.co.jp © Copyright NIKKO CO., LTD. 2020 All rights reserved.

25

- ❑ We did not change the full-year forecast for ordinary income from the initial 2.7 billion yen, which is up 558 million yen compared with the previous fiscal year.
- ❑ It was up 600 million yen year on year in the first quarter alone and they may grow further, but we have not changed it.
- ❑ The most significant factor for the increase is that sales are expected to rise considerably from the second quarter onwards, although they declined in the first quarter year on year.

Balance Sheet Trends

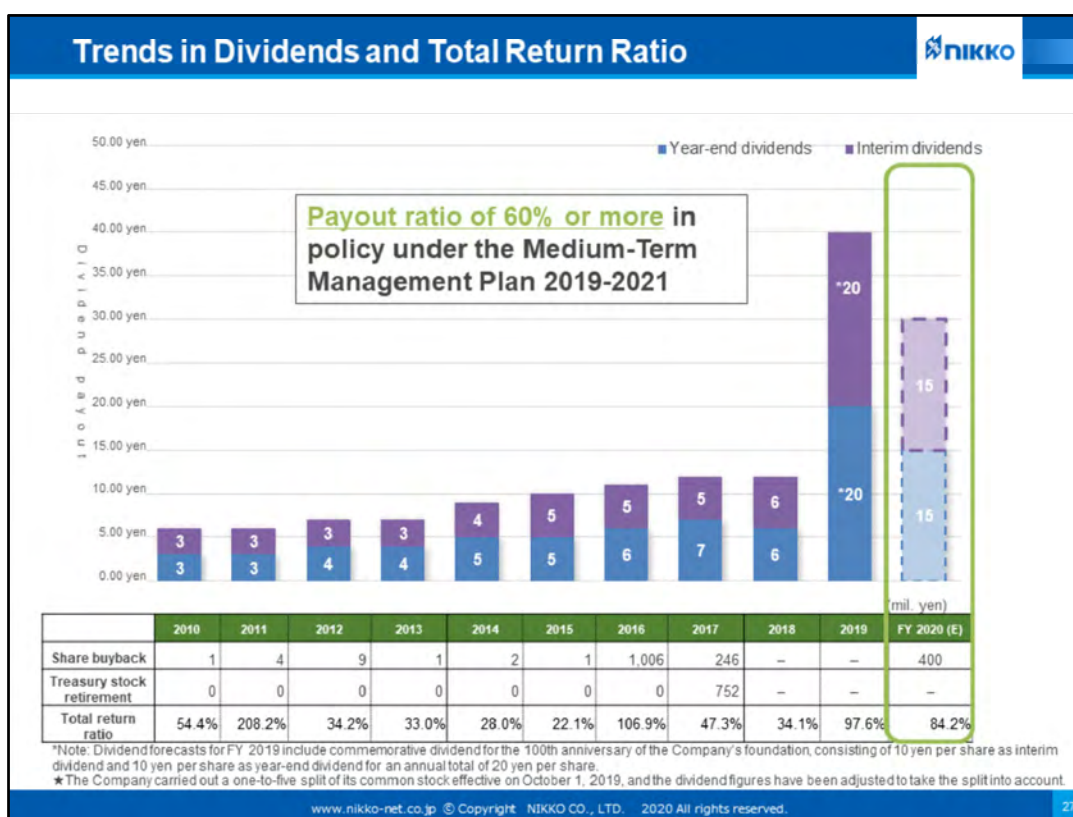
(mil. yen)

		1Q/FY 2019	1Q/FY 2020	Change	Main factors in year-on-year change
Assets	Current assets	29,678	31,641	+1,962	Increase: Cash and deposits +273 mil. yen Electronically recorded monetary claims +590 mil. yen Finished goods and merchandise +1,528 mil. yen Other +712 mil. yen Decrease: Notes and accounts receivable-trade (767) mil. yen Work-in-progress (428) mil. yen
	Property and equipment	6,620	7,739	+1,118	Increase: Buildings and structures +359 mil. yen Machinery, equipment and vehicles +333 mil. yen Land +353 mil. yen Deferred tax assets +306 mil. yen
	Intangible assets	406	427	+20	Decrease: Investment securities (1,133) mil. yen
	Investments and other assets	7,392	6,676	(716)	
	Total assets	44,099	46,484	+2,385	
Liabilities	Current liabilities	11,200	13,192	+1,992	Increase: Electronically recorded monetary claims +204 mil. yen Accounts payable-factoring +843 mil. yen Short-term loans payable +236 mil. yen Income taxes payable +141 mil. yen Provision for loss on order received +102 mil. yen Long-term loans payable +159 mil. yen Decrease: Notes and accounts payable-trade (335) mil. yen
	Long-term liabilities	2,686	2,960	+274	
Total net assets		30,211	30,332	(120)	Increase: Capital surplus +109 mil. yen Retained earnings +514 mil. yen Decreases: Valuation difference on available-for-sale securities (533) mil. yen
Net assets per share (yen)		788.47	785.23	(3.24)	

*The Company carried out a one-to-five split of its common stock effective on October 1, 2019.
Net assets per share was calculated assuming that the split took place at the beginning of FY 2018.

www.nikko-net.co.jp © Copyright NIKKO CO., LTD. 2020 All rights reserved.

- ❑ In year-on-year comparison of balance sheet, non-current assets increased more than 1 billion yen as we have been actively continuing with capital investment.
- ❑ Merchandise and finished goods increased more than 1.5 billion yen compared with the same period a year earlier.
We basically produce all products based on orders, and an year-on-year increase in merchandise and finished goods means sales in the second quarter would increase from a year earlier.
- ❑ Investment securities declined 1.13 billion yen because we continue to proactively sell strategic shareholdings.



❑ Finally, it is the trends in dividends and total return ratio. In the current Medium-Term Management Plan, we aim to achieve dividend payout ratio of 60% or more, and the forecast dividends for the current fiscal year, which is 30.00 yen per share for full year, is translated into 62.6% in dividend payout ratio.

❑ In the previous fiscal year, we paid a 100th anniversary dividend of 20.00 yen a share for full year, and we paid ordinary dividend of 20.00 yen per share in the previous year.

For the current fiscal year, we expect to pay dividend of 30.00 yen per share, which is up 10.00 yen per share.

❑ Further, we are currently carrying out share buyback up to 400 million yen and total return ratio including share buyback is expected to come to 84.2%.



Reference Materials

Trends in Net Sales, Profit, Cash Flows, and Other Indicators



(mil. yen)

	FY 2018				FY 2019				FY 2020			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	5,415	9,282	5,721	11,362	8,001	9,139	7,422	10,589	7,271			
AP-related business	2,361	5,472	2,460	6,140	3,917	4,750	3,789	5,062	3,991			
BP-related business	1,671	2,199	1,612	2,410	2,442	2,127	1,722	2,867	1,478			
Environment- and conveyor-related business	462	636	601	1,075	492	861	561	720	524			
Other business	921	973	1,048	1,734	1,149	1,400	1,350	1,941	1,275			
Operating income	(26)	500	(167)	1,120	276	683	81	1,013	408			
AP-related business	42	373	(132)	680	222	454	(53)	495	340			
BP-related business	66	292	23	285	110	187	89	375	88			
Environment- and conveyor-related business	59	49	146	163	80	139	174	169	114			
Other business	21	72	115	294	175	273	196	376	171			
Corporate expenses	(216)	(286)	(318)	(302)	(313)	(370)	(322)	(404)	(305)			
Ordinary income	87	508	(142)	1,123	361	673	129	979	979			
Net income attributable to owners of parent	130	434	(2)	783	270	733	(33)	618	746			
Cash flow from operating activities		(218)				3,839			-			
Cash flow from investing activities		(1,021)				(639)			-			
Total dividend	287	-	229	-	229	-	775	-	775	-	-	-
Share buyback		0				0			0			

Trends in New Orders Received and Order Backlog per Business Segment (Cumulative)



(mil. yen)

New orders received (cumulative)	FY 2018				FY 2019				FY 2020			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
AP-related business	2,787	6,501	8,137	18,884	3,575	8,419	11,196	16,133	5,256			
BP-related business	1,351	3,834	5,720	8,438	1,969	4,313	6,315	9,478	2,061			
Environment- and conveyor-related business	413	1,056	1,987	2,773	449	1,187	1,787	2,401	746			
Other business	1,140	2,461	3,805	5,007	1,325	2,923	4,578	5,902	1,405			
Total	5,693	13,854	19,650	35,103	7,320	16,843	23,877	33,915	9,469			

End-of-term order backlog	FY 2018				FY 2019				FY 2020			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
AP-related business	6,784	5,027	4,203	8,808	8,466	8,561	7,548	7,423	8,688			
BP-related business	2,575	2,858	3,132	3,439	2,967	3,184	3,464	3,760	4,342			
Environment- and conveyor-related business	338	345	675	385	342	219	258	152	373			
Other business	710	1,058	1,352	820	997	1,194	1,498	883	1,013			
Total	10,409	9,289	9,364	13,454	12,773	13,158	12,769	12,219	14,417			

Trends in Capital Investment, Depreciation and Amortization, R&D Expenses, and Nonfinancial Data



(mil. yen)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020 forecast
Capital investment	292	335	844	815	877	1,261	550	1,889	1,483	1,800
Depreciation and amortization	432	389	395	422	487	482	472	508	611	700
R&D expenses	239	256	295	276	227	271	291	211	379	350

(persons, years old, or years)

Employees (consolidated):	775	763	767	796	803	797	807	799	838
Average age of employees (non-consolidated)	44.2	44.7	43.3	43.1	42.2	42.3	42.2	40.9	41.1
Average years of service (non-consolidated)	21.5	21.2	20	19.3	18.2	18.5	18.3	16.0	15.8
Female employees (non-consolidated)	28	31	31	33	39	42	42	45	51
Number of new-graduate hires (non-consolidated)	13	15	21	21	30	17	19	15	14
Number of female new-graduate hires (non-consolidated)	1	0	1	3	1	2	0	0	0
Percentage of female hires (non-consolidated)	7.6%	0%	4.7%	14.2%	3.3%	11.7%	0%	0%	0%
Number of foreign-national hires (non-consolidated)	1	0	6	0	0	0	1	1	0
Number of foreign-national employees (non-consolidated)	2	2	8	6	6	6	7	8	5
Foreign national employees (consolidated)	92	90	91	95	94	93	101	98	116
Overseas employees (consolidated)	92	90	91	95	92	91	101	98	123

New products for reducing environmental impact

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
New products	[Sand dryer] [High-temperature preheating burner]	[NTB-II burner]	[Newly designed bag filter]	[VP Series APs]	—	[Foamed asphalt manufacturing equipment]
Features reducing environmental impact	- Higher plant production efficiency - Energy saving	- Energy saving - Higher combustion efficiency in combustion range	- Space saving - Energy saving - Exhaust gas reduction - Low noise	- Preventing diffusion of recycled material odorous gas	—	- Support for manufacture of warm-mix asphalt

Trend in Key Financial Data



Operating margin and ROE



All-time high figures

Net sales: 38,300 mil. yen (3/93)

Operating income: 2,700 mil. yen (11/90)

ROE (post 1994 capital increase): 6.6% (3/16)

	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	Mar. 20
Net sales	22,157	22,595	23,170	24,307	24,812	24,884	22,175	25,035	26,942	23,856	23,971	23,803	24,553	27,087	32,073	30,707	34,110	32,717	35,114	31,780	35,151
Operating income (loss)	352	536	492	379	248	185	(55)	271	189	(98)	205	470	541	1,186	2,249	1,832	1,629	1,944	2,103	1,427	2,053
Ordinary income	201	840	664	668	492	537	350	699	545	482	899	812	621	1,108	1,982	1,582	1,548	1,993	2,239	1,576	2,142
Net income (loss)	121	298	(93)	(284)	507	265	203	315	513	(499)	124	401	122	881	888	1,348	1,896	1,340	1,490	1,345	1,588



Future creation that starts from an “*n*”

Please feel free to contact us as follows if you desire a meeting or have other requests.

(Online meetings and meetings in Tokyo also can be arranged.)

Tel: +81-78-947-3141

E-mail: IR-nikko@nikko-net.co.jp

Contact: Hachiken, Financial Division, Nikko Co., Ltd.

- Future projections and other forward-looking statements in this material were prepared based on information currently available to the management.
- These statements contain risks and uncertainties, such as changes in performance outlook due to the financial situation for the Company in Japan and abroad, industry trends, product demand and supply, advances in new technology, and other factors. Accordingly, investment decisions should not be made based only on the forward-looking statements in this material.
- Note also that forward-looking statements in this material are subject to change without prior notice, except where procedures are required by law.