



Financial Results for Second Quarter of Fiscal Year Ending March 31, 2020 [Japanese GAAP] (Consolidated Data)

November 7, 2019

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 Scheduled date for filing the quarterly report: November 14, 2019 Scheduled date for cash dividends: December 5, 2019
 Quarterly earnings supplementary explanatory materials: Yes
 Quarterly financial results briefing session: Yes (for institutional investors, analysts and newspaper reporters)

(Amounts rounded down to the nearest million yen)

1. Consolidated Performance for Second Quarter of Fiscal Year Ending March 31, 2020 (April 1, 2019 - September 30, 2019)

(1) Consolidated Operating Results (cumulative) (% represents year-on-year change)

| | Net sales | | Operating income | | Ordinary income | | Quarterly net income attributable to owners of parent | |
|-------------------------------------|-------------|-------|------------------|--------|-----------------|--------|---|--------|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| Six months ended September 30, 2019 | 17,140 | 16.6 | 959 | 102.3 | 1,034 | 73.6 | 1,003 | 77.8 |
| Six months ended September 30, 2018 | 14,697 | (9.0) | 474 | (41.4) | 595 | (35.6) | 564 | (24.1) |

Note: Comprehensive income: Six months ended September 30, 2019 384 million yen (-17.8%) Six months ended September 30, 2018 467 million yen (-62.3%)

| | Quarterly net income per share | Diluted quarterly net income per share |
|-------------------------------------|--------------------------------|--|
| | yen | yen |
| Six months ended September 30, 2019 | 26.12 | — |
| Six months ended September 30, 2018 | 14.73 | — |

The Company carried out a one-to-five split of its common stock effective on October 1, 2019. Quarterly net income per share was calculated assuming that the split took place at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------------------|--------------|-------------|--------------|----------------------|
| | million yen | million yen | % | yen |
| Six months ended September 30, 2019 | 45,340 | 30,835 | 68.0 | 795.25 |
| Fiscal year ended March 31, 2019 | 43,969 | 30,414 | 69.2 | 793.76 |

(Reference) Capital: Six months ended September 30, 2019 30,835 million yen Fiscal year ended March 31, 2019 30,414 million yen

The Company carried out a one-to-five split of its common stock effective on October 1, 2019. Quarterly net assets per share was calculated assuming that the split took place at the beginning of the previous fiscal year.

2. Dividends

| | Annual dividends | | | | |
|---|------------------|-----------|-----------|----------|-------|
| | End of 1Q | End of 2Q | End of 3Q | Year-end | Total |
| | yen | yen | yen | yen | yen |
| Fiscal year ended March 31, 2019 | — | 30.00 | — | 30.00 | 60.00 |
| Fiscal year ending March 31, 2020 | — | 100.00 | | | |
| Fiscal year ending March 31, 2020 (Forecasts) | | | — | 20.00 | — |

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

The Company carried out a one-to-five split of its common stock effective as of October 1, 2019. The year-end dividend target figure for the fiscal year ending March 31, 2020 (forecast) takes this stock split into account and “-” is entered for the total annual dividends. Note the change this time is due solely to the stock split and in effect does not change the initial year-end dividend target forecast of 100.00 yen per share.

3. Consolidated Performance Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 - March 31, 2020) (% represents year-on-year change)

| | Net sales | | Operating income | | Ordinary income | | Net income per share attributable to owners of parent | | Net income per share |
|-----------|-------------|------|------------------|------|-----------------|------|---|------|----------------------|
| | million yen | % | million yen | % | million yen | % | million yen | % | yen |
| Full year | 35,700 | 12.3 | 2,300 | 61.2 | 2,500 | 58.5 | 2,000 | 48.7 | 52.21 |

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

The Company carried out a one-to-five split of its common stock effective as of October 1, 2019. The net income per share target figure for full fiscal year ending March 31, 2020 takes this stock split into account. Note the change this time is due solely to the stock split and in effect does not change the initial forecast full-year net income target of 261.04 yen.

Notes

- (1) Changes in important subsidiaries during the period under review (changes in specific subsidiaries which involve changes in the scope of consolidation): None
 Newly added companies: None (Company names: —) / Excluded companies: None (Company names: —)
- (2) Use of special accounting methods for preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policy, changes in accounting estimates, and retrospective restatements
 (i) Changes in accounting policy arising from revision of accounting standards, etc.: None
 (ii) Changes in accounting policy other than those noted in (i) above: None
 (iii) Changes in accounting estimates: None
 (iv) Retrospective restatements: None

(4) Shares issued (common stock)

| | | | | |
|--|---|-------------------|--|-------------------|
| (i) Number of shares outstanding at end of period (including treasury shares) | 2Q of fiscal year ending March 31, 2020 | 40,000,000 shares | Fiscal year ended March 31, 2019 | 40,000,000 shares |
| (ii) Number of shares held in treasury at end of period | 2Q of fiscal year ending March 31, 2020 | 1,225,600 shares | Fiscal year ended March 31, 2019 | 1,682,845 shares |
| (iii) Average number of shares outstanding during the period (quarter-to-date) | 2Q of fiscal year ending March 31, 2020 | 38,407,295 shares | 2Q of fiscal year ended March 31, 2019 | 38,298,935 shares |

(Note) The company carried out a one-to-five split of its common stock effective on October 1, 2019. Number of shares outstanding at end of period, number of shares held in treasury at end of period, and average number of shares outstanding during the period were calculated, assuming that the split took place at the beginning of the previous fiscal year.

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

* Explanation of the appropriate use of earnings forecasts, and other special notes
 (Cautionary statement with respect to forward-looking statements)

Any forecasts and forward-looking statements given herein are based on information available as of this report's publication and on certain assumptions that are deemed reasonable and these forecasts are not guarantees of future performance.

Actual results may differ significantly from forecasts due to various factors. For the assumptions underlying the forecasts herein and other notice on the use of earnings forecasts, please refer to "1. Qualitative Information on Quarterly Results: (3) Explanation About Forward-Looking Statements, Including Forecast of Consolidated Financial Results" on page 2 in the accompanying materials.

(How to obtain quarterly earnings supplementary explanatory materials)

The Company is scheduled to post the quarterly earnings supplementary explanatory materials on its website on Thursday, November 7, 2019.

Accompanying Material – Table of Contents

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1. Qualitative Information on Quarterly Results

(1) Explanation About Operating Results

The global economy faced increased uncertainties during the reporting period amid concerns over the trade friction between the United States and China and Brexit in the UK, and the situation continues to be unpredictable. On the other hand, the Japanese economy remains on a gradual recovery track as corporate earnings as well as employment and income environment improved, on the back of continuation of the reflationary policy of the Bank of Japan and the government. However, the economic outlook is becoming uncertain given the concerns over the impact of the increased consumption tax rate on the economy.

Amid such circumstances, while the construction industry, which has a significant bearing on our group, remains stable, uncertainties remain as issues such as the rise in material and logistics costs and the risk of work delays due to labor shortage are yet to be solved.

In the six months ended September 30, 2019, consolidated net sales increased 16.6% from a year earlier to 17,140 million yen. Consolidated operating income totaled 959 million yen, up 102.3% year-on-year, consolidated ordinary income totaled 1,034 million yen, up 73.6% year-on-year, and quarterly net income attributable to owners of parent reached 1,003 million yen, up 77.8% year-on-year.

In order to have an appropriate grasp of the operational situation and disclosure of the quarterly consolidated financial statements, the Company has used financial statements dated December 31 for two of the overseas subsidiaries that settle accounts on that date, including Nikko (Shanghai) Construction Machinery Co., Ltd., and introduced necessary adjustments on important transactions that occurred before the consolidated settlement date.

From the first quarter of the current fiscal year, we have introduced a method to conduct provisional settlement on the consolidated settlement date of March 31 for these companies and consolidate them.

Due to this change, for the fiscal second quarter, accounts for the nine months between January 1, 2019 and September 30, 2019 were consolidated.

Results by segment are as follows.

<Asphalt Plant-Related Business>

While net sales of products as well as maintenance business in Japan declined from the same period a year ago, overseas net sales increased, driven by increased exports and pushed up by the introduction in the first quarter of the method of provisionally settling accounts of Nikko (Shanghai) Construction Machinery Co., Ltd. on the quarterly consolidated account settlement date. As a result, net sales of the business rose 10.6% from the same period a year earlier to 8,667 million yen.

<Concrete Plant-Related Business>

Net sales of products increased from the same period a year earlier, as the level of order backlog at the beginning of the period was higher than the previous fiscal year. Net sales of the maintenance business increased from the same period a year ago. As a result, net sales of the business increased 18.0% from the same period a year earlier to 4,569 million yen.

<Environment- and Conveyor-Related Business>

Net sales of both environmental products and conveyer products increased compared with the same period a year earlier. As a result, net sales of the business increased 23.2% to 1,353 million yen from the same period a year earlier.

<Other Business>

Net sales of temporary construction materials, crushers, and waterproof boards increased compared with the same period a year earlier. As a result, net sales of the business increased 34.6% to 2,549 million yen from the same period a year earlier.

(2) Explanation About Financial Position

Total assets at the end of the reporting period was 45,340 million yen, increasing 1,371 million yen from the end of the previous fiscal year.

Current assets came to 31,045 million yen, increasing 1,654 million yen from the end of the previous fiscal year.

Main factors contributing to these increases are an increase of 3,039 million yen in cash and deposits, 1,097 million yen increase in inventories, and a 132 million yen rise in other, while notes and accounts receivable-trade decreased 1,775 million yen and electronically recorded monetary claims fell 625 million yen. Non-current assets came to 14,294 million yen, decreasing 283 million yen from the end of the previous fiscal year. Main factors contributing to the change include an increase of 236 million yen in construction in progress and an increase of 162 million yen in deferred tax assets and a decrease of 865 million yen in investment securities.

Liabilities totaled 14,505 million yen, increasing 950 million yen from the end of the previous fiscal year. The increase was mainly the accounts payable-factoring increasing 302 million yen, an increase of 201 million yen in electronically recorded obligations, an increase of 112 million yen in income taxes payable, and an increase of 396 million yen in the other portion of current liabilities as well as a 111 million yen drop in accounts payable-other and a 92 million yen decrease in deferred tax liabilities.

Net assets came to 30,835 million yen, up 420 million yen from the end of the previous fiscal year. Factors contributing to the change include an increase from recording of 1,003 million yen in net income attributable to owners of parent, a decrease of 485 million yen in valuation difference on available-for-sale securities and a decline from payment of 229 million yen in dividends.

As a result, equity ratio declined to 68.0% from 69.2% as of the end of the previous fiscal year.

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

There is no change in the performance forecast for the year ending March 31, 2020 that was disclosed on May 10, 2019.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Mil. yen)

| | As of March 31, 2019 | As of September 30, 2019 |
|--|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 10,347 | 13,387 |
| Notes and accounts receivable-trade | 10,731 | 8,955 |
| Electronically recorded monetary claims | 1,628 | 1,003 |
| Merchandise and finished goods | 1,190 | 1,362 |
| Work in process and partly-finished construction | 3,903 | 4,606 |
| Raw materials and supplies | 933 | 1,156 |
| Consumption taxes receivable | 209 | - |
| Other business | 453 | 585 |
| Allowance for doubtful accounts | (7) | (12) |
| Total current assets | 29,390 | 31,045 |
| Non-current assets | | |
| Property and equipment | 6,507 | 6,859 |
| Intangible assets | 418 | 404 |
| Investments and other assets | | |
| Investment securities | 5,976 | 5,110 |
| Investments in capital | 11 | 11 |
| Long-term loans receivable | 6 | 11 |
| Deferred tax assets | 576 | 738 |
| Other business | 1,234 | 1,308 |
| Allowance for doubtful accounts | (152) | (151) |
| Total investments and other assets | 7,652 | 7,030 |
| Total noncurrent assets | 14,578 | 14,294 |
| Total assets | 43,969 | 45,340 |

(Mil. yen)

| | As of March 31, 2019 | As of September 30, 2019 |
|---|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 2,270 | 2,370 |
| Electronically recorded obligations | 938 | 1,139 |
| Accounts payable-factoring | 2,449 | 2,751 |
| Short-term loans payable | 1,532 | 1,491 |
| Income taxes payable | 421 | 534 |
| Accounts payable-other | 572 | 461 |
| Provision for bonuses | 412 | 451 |
| Provision for directors' bonuses | 52 | 6 |
| Provision for loss on order received | 35 | 42 |
| Other business | 2,095 | 2,491 |
| Total current liabilities | 10,781 | 11,740 |
| Long-term liabilities | | |
| Long-term loans payable | 186 | 259 |
| Deferred tax liabilities | 98 | 5 |
| Provision for directors' retirement benefits | 135 | 134 |
| Retirement benefit-related liabilities | 2,010 | 2,035 |
| Other business | 342 | 328 |
| Total noncurrent liabilities | 2,773 | 2,764 |
| Total liabilities | 13,554 | 14,505 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 9,197 | 9,197 |
| Capital surplus | 7,808 | 7,918 |
| Retained earnings | 12,049 | 12,822 |
| Treasury stock | (576) | (420) |
| Total shareholders' equity | 28,478 | 29,518 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,010 | 1,524 |
| Foreign currency translation adjustment | 163 | 23 |
| Accumulated retirement benefit-related adjustment | (238) | (230) |
| Total accumulated other comprehensive income | 1,935 | 1,317 |
| Total net assets | 30,414 | 30,835 |
| Total liabilities and net assets | 43,969 | 45,340 |

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
 (Quarterly Consolidated Statement of Income)
 (Six Months Ended September 30, 2019)

(Mil. yen)

| | Six Months Ended September 30, 2018 (from April 1, 2018 to September 30, 2018) | Six Months Ended September 30, 2019 (from April 1, 2019 to September 30, 2019) |
|---|--|--|
| Net sales | 14,697 | 17,140 |
| Cost of sales | 10,864 | 12,414 |
| Gross profit | 3,832 | 4,725 |
| Selling, general and administrative expenses | 3,358 | 3,766 |
| Operating income | 474 | 959 |
| Non-operating income | | |
| Interest income | 1 | 1 |
| Dividends income | 114 | 108 |
| Other business | 40 | 29 |
| Total non-operating income | 156 | 138 |
| Non-operating expenses | | |
| Interest expenses | 20 | 26 |
| Loss on disposal of noncurrent assets | 1 | 0 |
| Foreign exchange losses | 5 | 28 |
| Compensation for damage | 4 | 4 |
| Other business | 3 | 4 |
| Total non-operating expenses | 35 | 63 |
| Ordinary income | 595 | 1,034 |
| Extraordinary income | | |
| Gain on sales of investment securities | 309 | 454 |
| Total extraordinary income | 309 | 454 |
| Extraordinary loss | | |
| Loss on sales of investment securities | - | 4 |
| Loss on valuation of investments in capital | 44 | - |
| Total extraordinary loss | 44 | 4 |
| Quarterly income before income taxes | 860 | 1,484 |
| Income taxes-current | 277 | 552 |
| Income taxes-deferred | 19 | (70) |
| Total income taxes | 296 | 481 |
| Quarterly net income | 564 | 1,003 |
| Quarterly net income attributable to owners of parent | 564 | 1,003 |

(Quarterly Consolidated Statements of Comprehensive Income)
(Six Months Ended September 30, 2019)

(Mil. yen)

| | Six Months Ended September 30, 2018 (from April 1, 2018 to September 30, 2018) | Six Months Ended September 30, 2019 (from April 1, 2019 to September 30, 2019) |
|---|--|--|
| Quarterly net income | 564 | 1,003 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (22) | (485) |
| Foreign currency translation adjustment | (78) | (140) |
| Retirement benefit-related adjustment | 3 | 7 |
| Total other comprehensive income | (96) | (618) |
| Quarterly comprehensive income | 467 | 384 |
| (Breakdown) | | |
| Quarterly comprehensive income attributable to owners of parent | 467 | 384 |

- (3) Notes to Quarterly Consolidated Financial Statements
 - (Going Concern Assumption)
 - Not applicable
 - (Notes on significant changes in the amount of shareholders' equity)
 - Not applicable
 - (Use of special accounting methods for preparation of quarterly consolidated financial statements)
 - Not applicable
 - (Changes in Accounting Policy)
 - Not applicable
 - (Additional Information)
 - Not applicable