



Q1 Results for Fiscal Year Ending March 31, 2020

August 8, 2019

Nikko Co., Ltd.

(Tokyo Stock Exchange Code: 6306)

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In the past, we used financial statements dated Dec. 31 for two overseas consolidated subsidiaries that close accounts on that date (including Nikko (Shanghai) Construction Machinery Co. Ltd.), and made necessary adjustments on important transactions that took place before the consolidated account close date.

In order to have more appropriate grasp of the company's operational situations and improve disclosure of quarterly consolidated financial statements, we introduced, in the first quarter of the financial period under review, a method in which we work out provisional results of these companies on March 31, the consolidated account close date, for their consolidation.

Due to this change, accounts of the two companies covering the six-month period from January 1, 2019 to June 30, 2019 have been consolidated for the year to date of the first quarter.

1Q FY 2019 Results

(mil. yen)

| 1Q (Apr-Jun) | Results | YoY change (amount) | YoY change (%) |
|-------------------------|---------|---------------------|----------------|
| Net sales | 8,001 | +2,585 | +47.7% |
| Operating income | 276 | +302 | — |
| Net income | 270 | +139 | +106.6% |

- ▶ AP-related business: Domestic product net sales increased from previous quarter; Maintenance business net sales dropped from previous quarter.
- ▶ BP-related business: Domestic product net sales grew significantly from previous quarter; Maintenance business net sales dropped from previous quarter.
- ▶ Orders in both AP and BP increased.

Business Climate

AP-related business

| 1Q FY 2019 (Apr-Jun) | Results (in 10 thousand tons) | YoY change |
|------------------------------|----------------------------------|------------|
| Mixture volume output | 791 | 98.5% |
| Virgin mixture | 206 | 106.8% |
| Recycled mixture | 584 | 95.9% |

| | |
|----------------------------------|-------|
| Share of recycled mixture | 73.8% |
|----------------------------------|-------|

Source: Japan Asphalt Mixture Association

BP-related business

| 1Q FY 2019 (Apr-Jun) | Results (in 10 thousand cubic meters) | YoY change |
|--------------------------------------|--|------------|
| Ready-mixed concrete shipment | 2,014 | 97.2% |

Source: National Federation of Ready-Mixed Concrete Industrial Associations and National Federation of Ready-Mixed Concrete Cooperatives Association

FY 2019 Performance Highlights (1)

(mil. yen)

| | FY 2018 | | | FY 2019 | | | | |
|--|-----------|-----------|------------------|-----------|---------------------|----------------|-------------|--------------------|
| | 1Q Actual | 1H Actual | Full year Actual | 1Q Actual | YoY change (amount) | YoY change (%) | 1H forecast | Full year forecast |
| Net sales | 5,415 | 16,153 | 31,780 | 8,001 | 2,585 | +47.7% | 16,600 | 35,700 |
| Operating income | (26) | 808 | 1,427 | 276 | 302 | – | 1,100 | 2,300 |
| Operating margin | (0.5)% | 5.0% | 4.5% | 3.4% | 3.9% | – | 6.6% | 6.4% |
| Ordinary income | 87 | 925 | 1,576 | 361 | 274 | +315.4% | 1,250 | 2,500 |
| Net income attributable to owners of parent | 130 | 743 | 1,345 | 270 | 139 | +106.6% | 900 | 2,100 |
| New orders received | 5,693 | 15,933 | 35,103 | 7,320 | 1,627 | +28.6% | 17,000 | 34,500 |
| Order backlog | 10,409 | 11,409 | 13,454 | 12,773 | 2,364 | +22.7% | 13,854 | 12,254 |

(yen)

| | | | | | | | | |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Exchange rate (EUR/JPY) | 132.32 | 132.21 | 129.97 | 124.08 | (8.24) | (6.2)% | 125.00 | 122.50 |
| Exchange rate (RMB/JPY) | 17.03 | 16.90 | 16.63 | 16.23 | (0.80) | (4.7)% | 16.50 | 16.50 |

- ▶ Increase in combined domestic AP and BP product net sales: +864 million yen YoY
- ▶ Impact from change in account-close timing in China: +1,461 million yen in net sales; +880 million yen in orders and order backlog combined

(mil. yen)

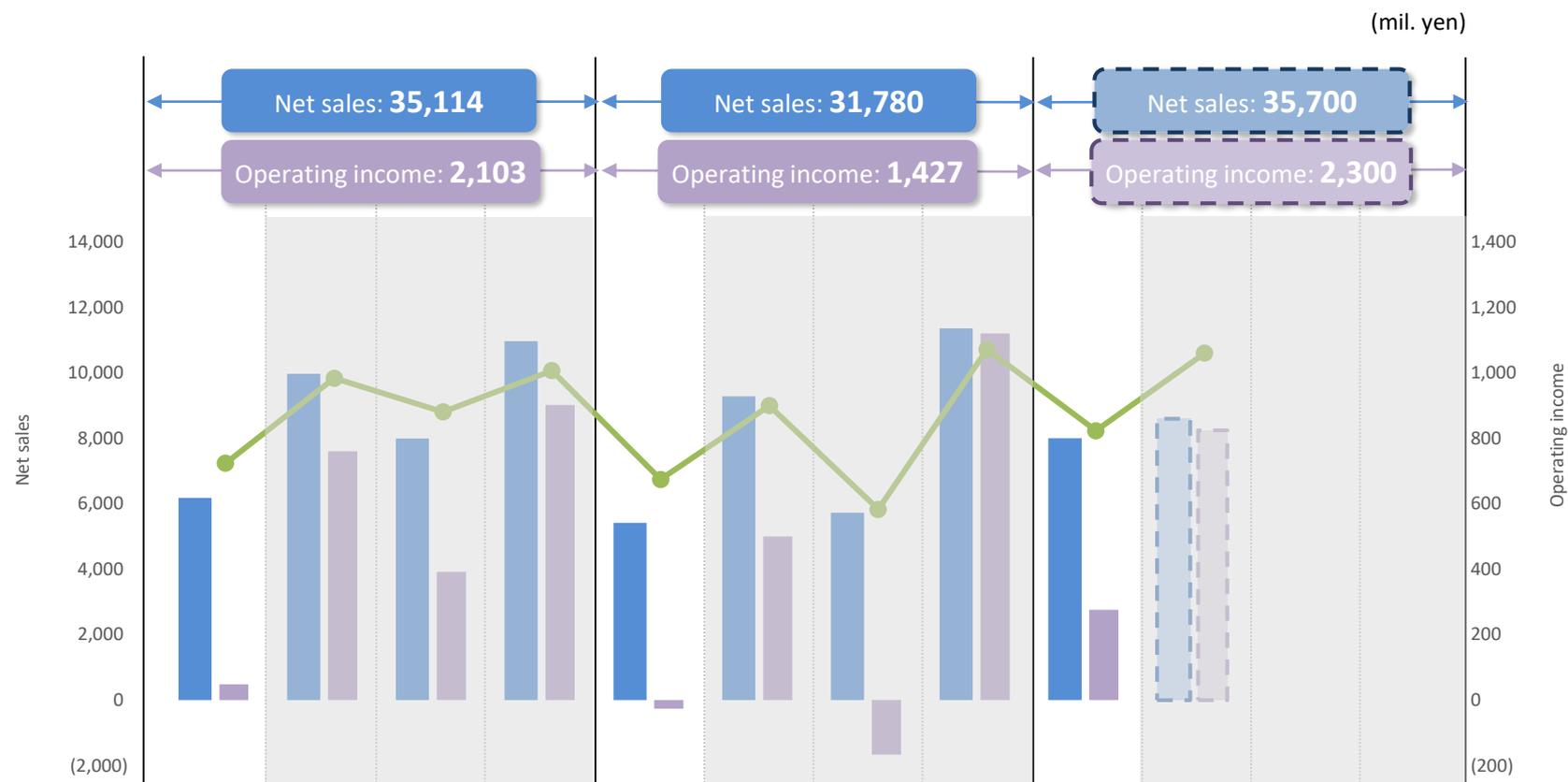
| | | FY 2018 | | | FY 2019 | | | |
|--|------------------|-----------|-----------|------------------|-----------|---------------------|-------------|--------------------|
| | | 1Q Actual | 1H Actual | Full year Actual | 1Q Actual | Year-on-year change | 1H forecast | Full year forecast |
| AP-related business | Net sales | 2,361 | 7,833 | 16,434 | 3,917 | +1,556 +65.9% | 9,100 | 18,700 |
| | Operating income | 42 | 415 | 963 | 222 | +180 +428.6% | 840 | 1,570 |
| | Operating margin | 1.8% | 5.3% | 5.9% | 5.7% | – | 9.2% | 8.4% |
| BP-related business | Net sales | 1,671 | 3,870 | 7,893 | 2,442 | +771 +46.1% | 4,000 | 9,200 |
| | Operating income | 66 | 358 | 666 | 110 | +44 +66.7% | 320 | 750 |
| | Operating margin | 3.9% | 9.3% | 8.4% | 4.5% | – | 8.0% | 8.2% |
| Environment- and conveyor-related business | Net sales | 462 | 1,098 | 2,775 | 492 | +30 +6.5% | 1,400 | 2,900 |
| | Operating income | 59 | 108 | 417 | 80 | +21 +35.6% | 240 | 500 |
| | Operating margin | 12.8% | 9.8% | 15.0% | 16.3% | – | 17.1% | 17.2% |
| Other business | Net sales | 921 | 1,894 | 4,677 | 1,149 | +228 +4.3% | 2,100 | 4,900 |
| | Operating income | 21 | 93 | 502 | 175 | +154 +733.3% | 215 | 510 |
| | Operating margin | 2.3% | 4.9% | 10.7% | 5.7% | – | 10.2% | 10.4% |
| Corporate expenses | | (216) | (502) | (1,122) | (313) | (97) | (515) | (1,030) |

► Impact from change in account-close timing in China

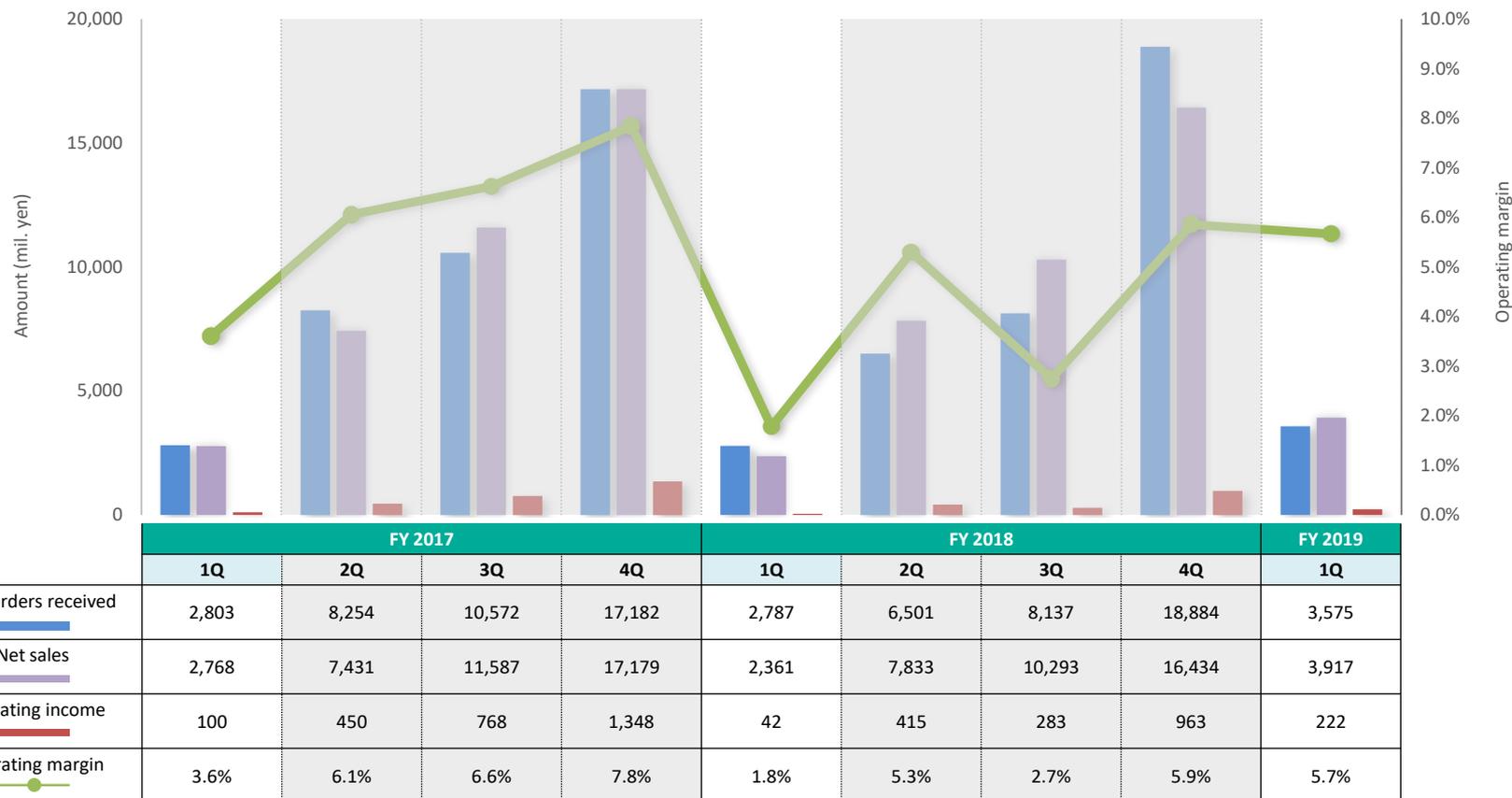
AP: +1,433 million yen in net sales; +191 million yen in operating income

BP: +28 million yen in net sales; decrease by less than one million yen in operating income

Quarterly net sales and operating income trends



| | FY 2017 | | | | FY 2018 | | | | FY 2019 | | | |
|------------------|---------|-------|-------|--------|---------|-------|--------|--------|---------|--------|----|----|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q (E) | 3Q | 4Q |
| Net sales | 6,179 | 9,974 | 7,991 | 10,968 | 5,415 | 9,282 | 5,721 | 11,362 | 8,001 | 8,599 | | |
| Operating income | 48 | 760 | 392 | 902 | (26) | 500 | (167) | 1,120 | 276 | 824 | | |
| Operating margin | 0.8% | 7.6% | 4.9% | 8.2% | (0.5)% | 5.4% | (2.9)% | 9.9% | 3.4% | 9.6% | | |



Note: Numbers for the second to fourth quarters of each fiscal year are year-to-date cumulative.

- ▶ Impact from change in account-close timing in China: +880 million yen; Domestic orders largely in line with the year-earlier period
- ▶ Net sales: Increased from year earlier for domestic plant products; Impact from change in account-close timing in China: +1,433 million yen;
Exports increased 200%; maintenance service fell slightly.
- ▶ Operating income: +191 million yen in impact from change in account-close timing in China



Note: Numbers for the second to fourth quarters of each fiscal year are year-to-date cumulative.

- ▶ Japan: Domestic plant products increased from year earlier.
- ▶ Overseas: Russia's sales increased. (1 unit sale)
- ▶ Nikko Shanghai: +1,433 million yen in impact from change of account-close timing
- ▶ MS: Slight decrease



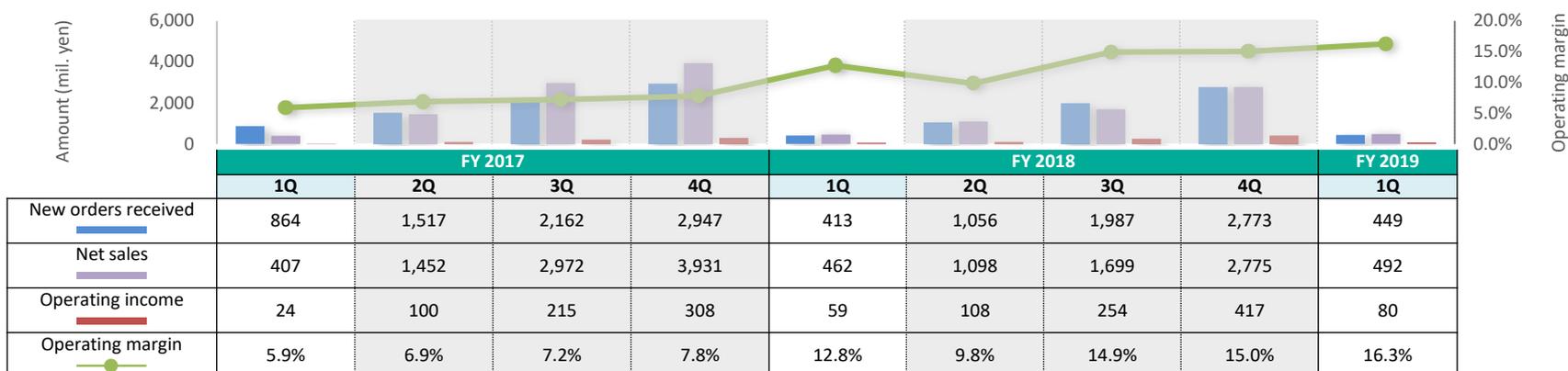
Note: Numbers for the second to fourth quarters of each fiscal year are year-to-date cumulative.

- ▶ New orders received: Significant increase from year earlier
- ▶ Net sales: Domestic product net sales grew significantly from year earlier; Maintenance business net sales dropped slightly from year earlier
- ▶ Operating income: Increased as net sales grew from year earlier

Environment- and Conveyor-Related Businesses and Other Business-Related Business

Environment- and conveyor-related business

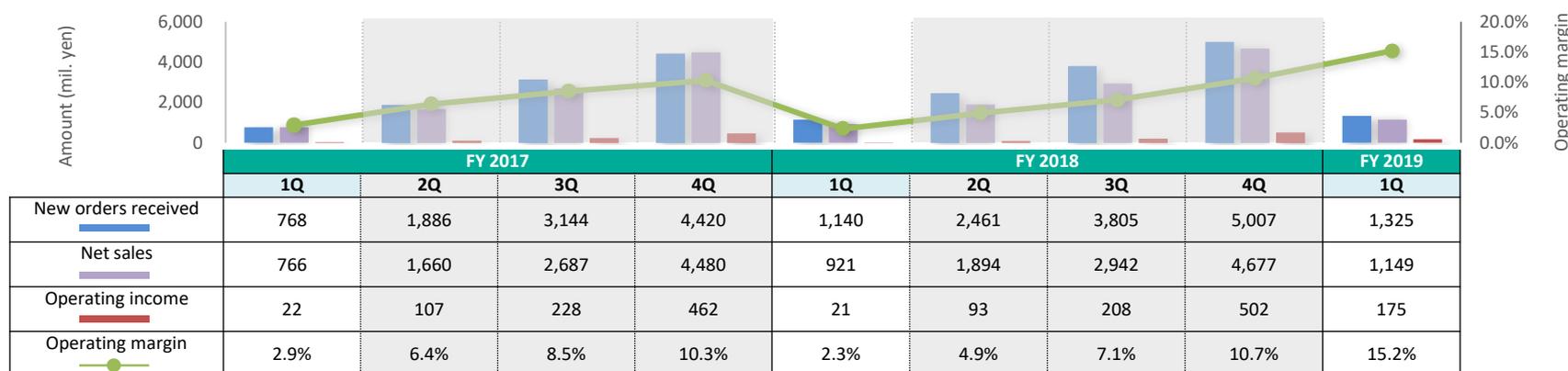
Note: Numbers for the second to fourth quarters of each fiscal year are year-to-date cumulative.



- ▶ New orders received: Largely in line with year earlier level
- ▶ Net sales: Conveyor products increased YoY; Net sales of environmental products down from year earlier
- ▶ Operating income: Increased as conveyor products net sales grew.

Other Business-Related Business

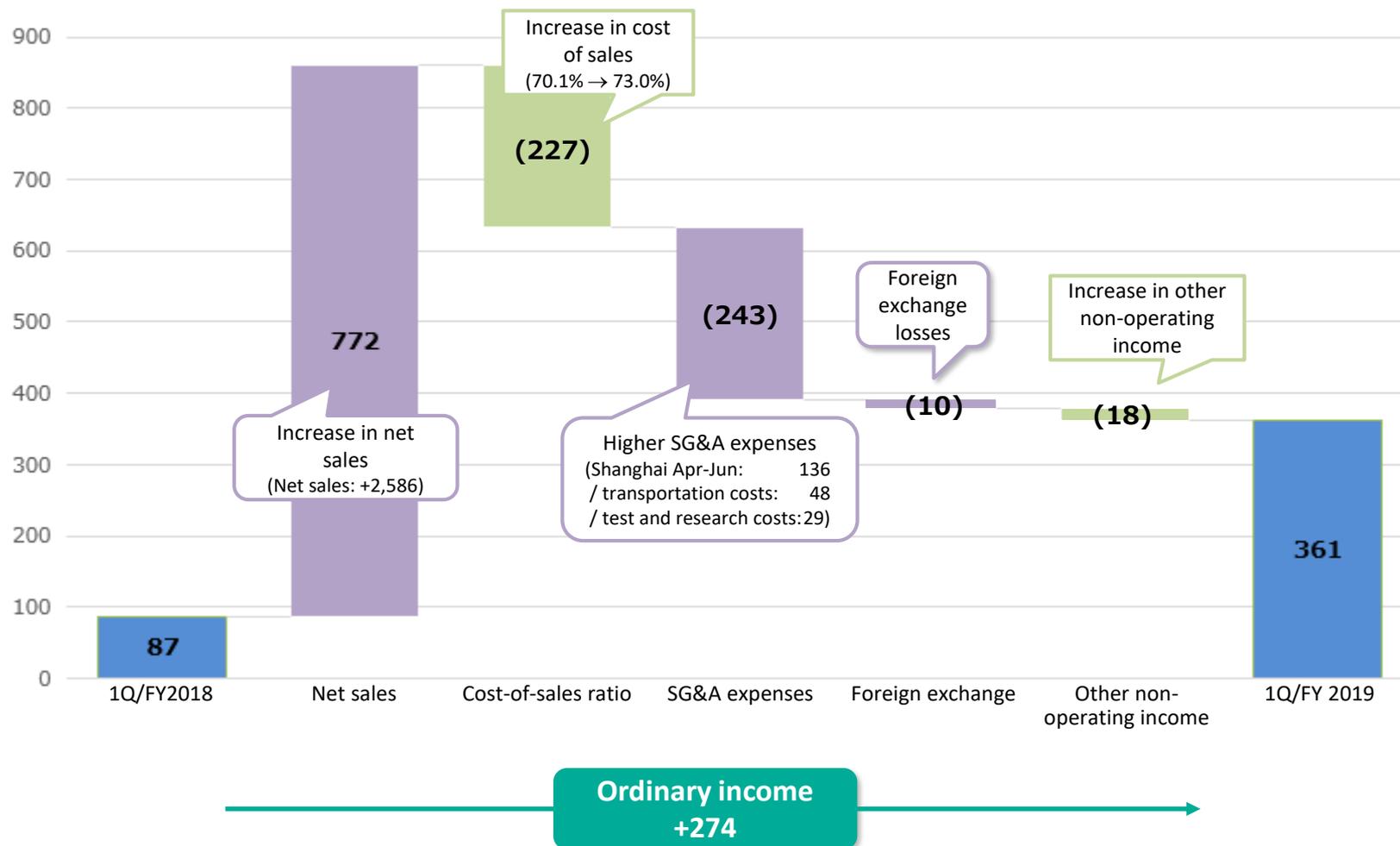
Note: Numbers for the second to fourth quarters of each fiscal year are year-to-date cumulative.



- ▶ New orders received: Waterproof boards increased.
- ▶ Net sales: Crushers increased YoY; Hand tools down from year earlier
- ▶ Operating income: Increased as crushers, waterproof boards and temporary construction materials grew.

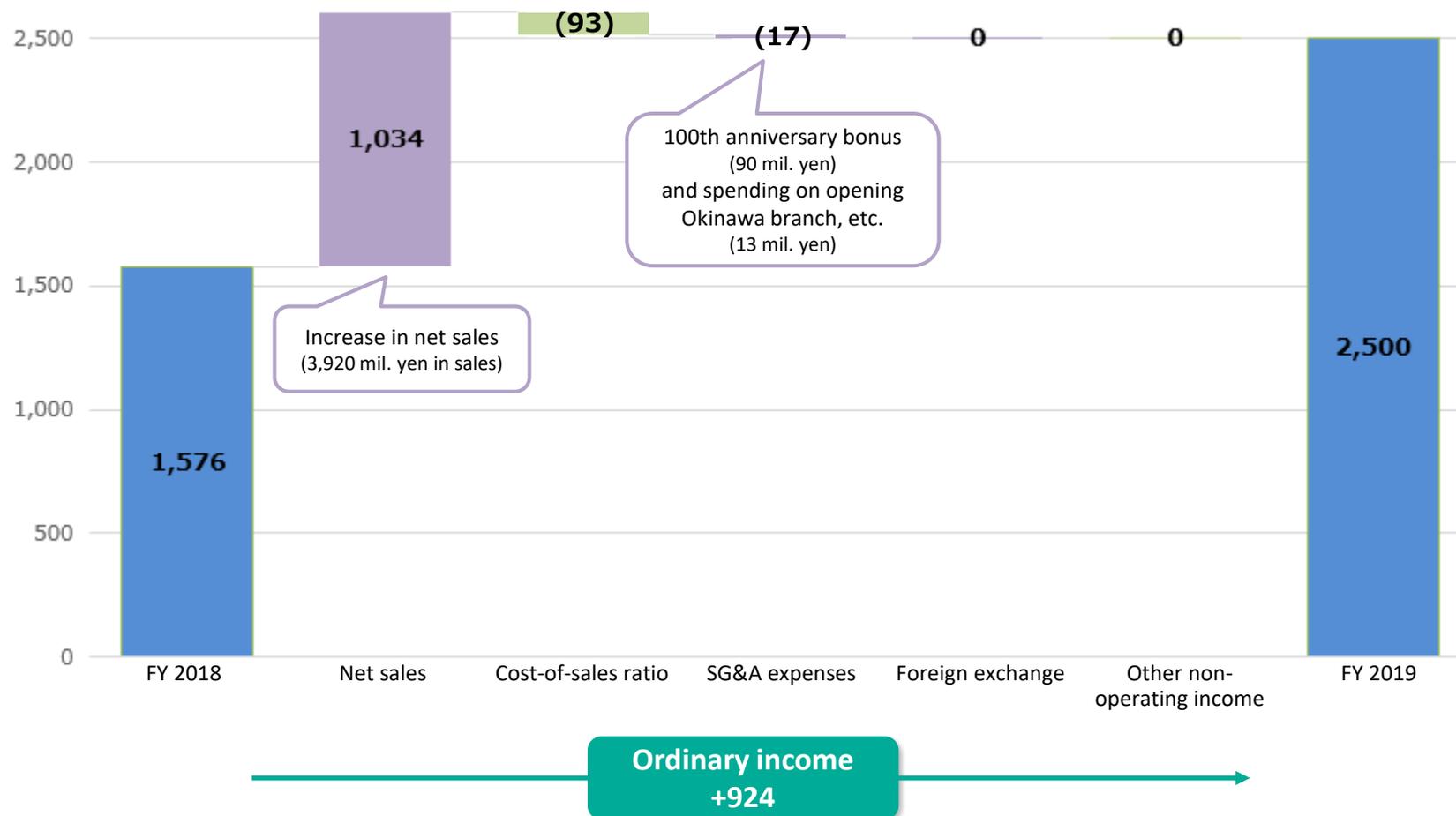
Analysis of FY 2019 1Q Ordinary Income Change Factors

(mil. yen)



Analysis of full FY 2019 Ordinary Income Change Factors

(mil. yen)



(mil. yen)

| | | 1Q/FY2018 | 1Q/FY 2019 | Change | Main factors in year-on-year change |
|---------------------|-------------------------------------|-----------|------------|---------|---|
| Assets | Current assets | 29,331 | 29,678 | 347 | Increases: Notes and accounts receivable-trade +1,917 mil. yen Work-in-progress +505 mil. yen Decreases: Cash and deposits (826) mil. yen Finished goods and merchandise (187) mil. yen Raw materials and supplies (248) mil. yen |
| | Property and equipment | 5,545 | 6,620 | +1,075 | Increases: Buildings and structures +915 mil. yen Land +315 mil. yen Decreases: Securities (1,146) mil. yen |
| | Intangible assets | 321 | 406 | +85 | |
| | Investments and other assets | 8,614 | 7,392 | (1,222) | |
| Total assets | | 43,813 | 44,099 | +286 | |

| | | | | | |
|-----------------------------------|------------------------------|----------|----------|--------|--|
| Liabilities | Current liabilities | 10,761 | 11,200 | 439 | Decrease: Notes and accounts payable-trade +216 mil. yen Electronically recorded monetary claims +286 mil. yen Decreases: Short-term loans payable (172) mil. yen Accounts payable (246) mil. yen |
| | Long-term liabilities | 3,043 | 2,686 | (357) | |
| Total net assets | | 30,007 | 30,211 | +204 | Decrease: Notes and accounts payable-trade +216 mil. yen Electronically recorded monetary claims +286 mil. yen Decreases: Short-term loans payable (172) mil. yen Accounts payable (246) mil. yen |
| Net assets per share (yen) | | 3,919.53 | 3,942.37 | +22.84 | |



Reference Materials

(mil. yen)

| | FY 2017 | | | | FY 2018 | | | | FY 2019 |
|--|---------|-------|-------|--------|---------|-------|-------|--------|---------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q |
| Net sales | 6,179 | 9,974 | 7,992 | 10,969 | 5,415 | 9,282 | 5,721 | 11,362 | 8,001 |
| AP-related business | 2,768 | 4,664 | 4,155 | 5,592 | 2,361 | 5,472 | 2,460 | 6,140 | 3,917 |
| BP-related business | 2,236 | 3,370 | 1,291 | 2,624 | 1,671 | 2,199 | 1,612 | 2,410 | 2,442 |
| Environment- and conveyor-related business | 407 | 1,046 | 1,519 | 959 | 462 | 636 | 601 | 1,075 | 492 |
| Other business | 766 | 894 | 1,027 | 1,793 | 921 | 973 | 1,048 | 1,734 | 1,149 |
| Operating income | 48 | 760 | 393 | 902 | (26) | 500 | (167) | 1,120 | 276 |
| AP-related business | 100 | 350 | 318 | 580 | 42 | 373 | (132) | 680 | 222 |
| BP-related business | 145 | 524 | 68 | 278 | 66 | 292 | 23 | 285 | 110 |
| Environment- and conveyor-related business | 24 | 77 | 115 | 92 | 59 | 49 | 146 | 163 | 80 |
| Other business | 22 | 85 | 121 | 234 | 21 | 72 | 115 | 294 | 175 |
| Corporate expenses | (244) | (275) | (231) | (281) | (216) | (286) | (318) | (302) | (313) |
| Ordinary income | 161 | 764 | 431 | 883 | 87 | 508 | (142) | 1,123 | 361 |
| Net income attributable to owners of parent | 182 | 561 | 308 | 439 | 130 | 434 | (2) | 783 | 270 |

| | | | | | | | | | |
|--|-----|---|-----|---|---------|---|-----|---|-----|
| Cash flow from operating activities | 274 | | | | (218) | | | | |
| Cash flow from investing activities | 41 | | | | (1,021) | | | | |
| Total dividend | 232 | – | 191 | – | 267 | – | 229 | – | 229 |
| Share buyback | 245 | | | | 0 | | | | |

Trends in New Orders Received and Order Backlog per Business Segment

(mil. yen)

| New orders received (cumulative) | FY 2017 | | | | FY 2018 | | | | FY 2019 |
|--|--------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|--------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q |
| AP-related business | 2,803 | 8,254 | 10,572 | 17,182 | 2,787 | 6,501 | 8,137 | 18,884 | 3,575 |
| BP-related business | 1,458 | 4,274 | 6,430 | 9,066 | 1,351 | 3,834 | 5,720 | 8,438 | 1,969 |
| Environment- and conveyor-related business | 864 | 1,517 | 2,162 | 2,947 | 413 | 1,056 | 1,987 | 2,773 | 449 |
| Other business | 768 | 1,886 | 3,144 | 4,420 | 1,140 | 2,461 | 3,805 | 5,007 | 1,325 |
| Total | 5,896 | 15,933 | 22,309 | 33,616 | 5,693 | 13,854 | 19,650 | 35,103 | 7,320 |

| End-of-term order backlog | FY 2017 | | | | FY 2018 | | | | FY 2019 |
|--|---------------|---------------|--------------|---------------|---------------|--------------|--------------|---------------|---------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q |
| AP-related business | 6,391 | 7,178 | 5,341 | 6,359 | 6,784 | 5,027 | 4,203 | 8,808 | 8,466 |
| BP-related business | 2,572 | 2,018 | 2,883 | 2,894 | 2,575 | 2,858 | 3,132 | 3,439 | 2,967 |
| Environment- and conveyor-related business | 1,827 | 1,434 | 560 | 387 | 338 | 345 | 675 | 385 | 342 |
| Other business | 553 | 776 | 1,008 | 490 | 710 | 1,058 | 1,352 | 820 | 997 |
| Total | 11,346 | 11,408 | 9,793 | 10,132 | 10,409 | 9,289 | 9,364 | 13,454 | 12,773 |

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 estimates |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|-------------------|
| Capital investment | 292 | 335 | 844 | 815 | 877 | 1,261 | 550 | 1,889 | 800 |
| Depreciation and amortization | 432 | 389 | 395 | 422 | 487 | 482 | 472 | 508 | 550 |
| R&D expenses | 239 | 256 | 295 | 276 | 227 | 271 | 291 | 211 | 300 |

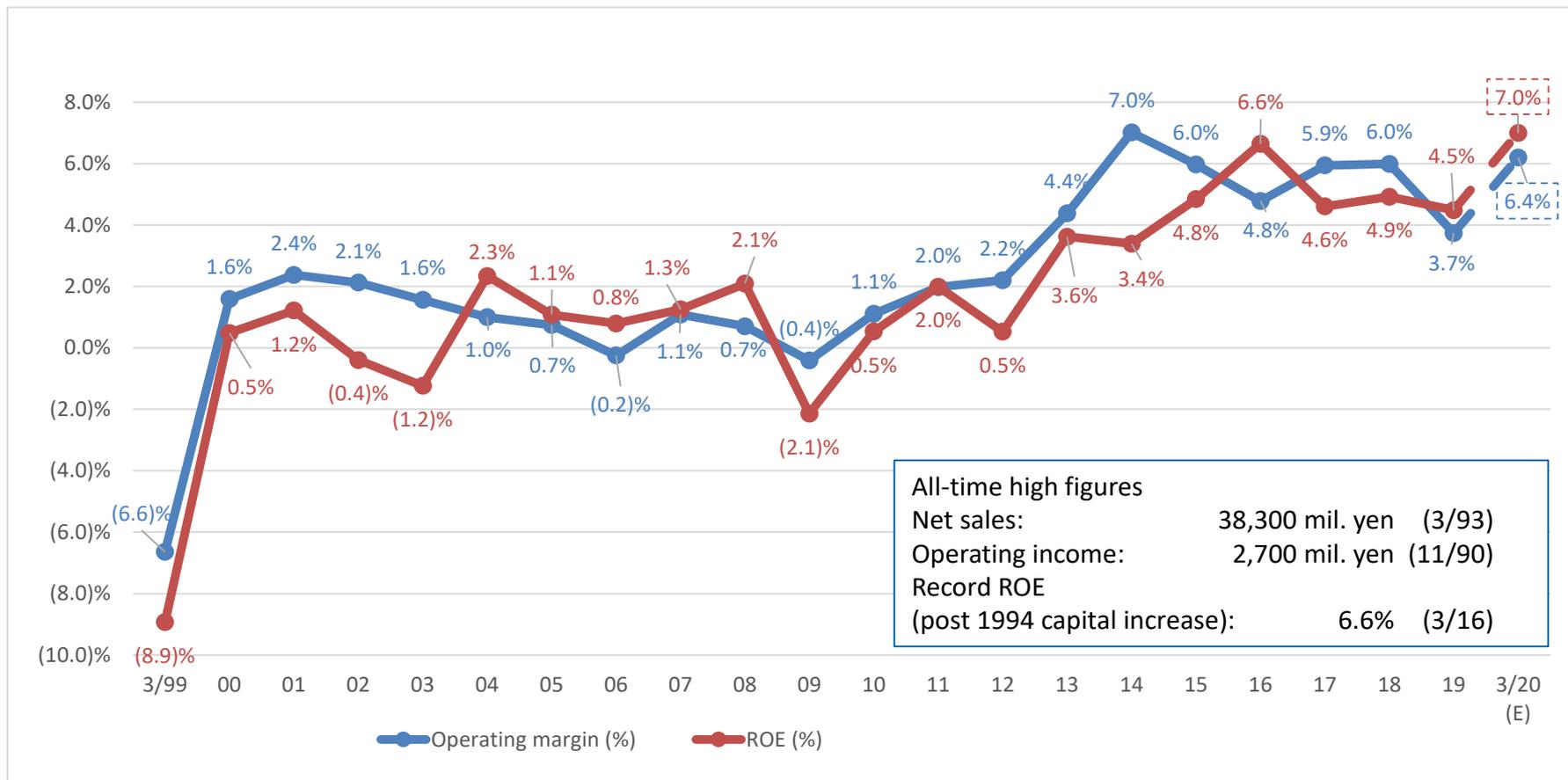
(persons, years old, or years)

| | | | | | | | | |
|--|------|------|------|-------|------|-------|------|------|
| Employees (consolidated): | 775 | 763 | 767 | 796 | 803 | 797 | 807 | 799 |
| Average age of employees (non-consolidated) | 44.2 | 44.7 | 43.3 | 43.1 | 42.2 | 42.3 | 42.2 | 40.9 |
| Average years of service (non-consolidated) | 21.5 | 21.2 | 20.0 | 19.3 | 18.2 | 18.5 | 18.3 | 16.0 |
| Female employees (non-consolidated) | 28 | 31 | 31 | 33 | 39 | 42 | 42 | 45 |
| Number of new-graduate hires (non-consolidated) | 13 | 15 | 21 | 21 | 30 | 17 | 19 | 15 |
| Number of female new-graduate hires (non-consolidated) | 1 | 0 | 1 | 3 | 1 | 2 | 0 | 0 |
| Percentage of female hires (non-consolidated) | 7.6% | 0.0% | 4.7% | 14.2% | 3.3% | 11.7% | 0.0% | 0.0% |
| Number of foreign-national hires (non-consolidated) | 1 | 0 | 6 | 0 | 0 | 0 | 1 | 1 |
| Number of foreign-national employees (non-consolidated) | 2 | 2 | 8 | 6 | 6 | 6 | 7 | 8 |
| Foreign national employees (consolidated) | 92 | 90 | 91 | 95 | 94 | 93 | 101 | 98 |
| Overseas employees (consolidated) | 92 | 90 | 91 | 95 | 92 | 91 | 101 | 98 |

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 |

Operating margin and ROE



(mil. yen)

| | 3/99 | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 3/20 (E) |
|-------------------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|
| Net sales | 22,294 | 22,157 | 22,595 | 23,170 | 24,307 | 24,812 | 24,864 | 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 | 35,700 |
| Operating income (loss) | (1,480) | 352 | 536 | 492 | 379 | 248 | 185 | (55) | 271 | 189 | (98) | 265 | 470 | 541 | 1,186 | 2,249 | 1,832 | 1,629 | 1,944 | 2,103 | 1,427 | 2,300 |
| Ordinary income | (1,290) | 201 | 846 | 664 | 688 | 492 | 537 | 350 | 699 | 545 | 482 | 899 | 812 | 621 | 1,108 | 1,982 | 1,582 | 1,648 | 1,993 | 2,239 | 1,576 | 2,500 |
| Net income (loss) | (2,151) | 121 | 298 | (93) | (284) | 567 | 265 | 203 | 315 | 513 | (499) | 124 | 461 | 122 | 881 | 888 | 1,348 | 1,896 | 1,340 | 1,490 | 1,345 | 2,100 |



Future creation that starts from an *n*

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

(Meetings in Tokyo are also possible.)

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 - 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.
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