



Financial Results for First Quarter of Fiscal Year Ending March 31, 2024 [Japanese GAAP] (Consolidated Data)

August 10, 2023

Company Name: Nikko Co., Ltd.

Stock Exchange Listing: Tokyo Stock Exchange

Stock Code: 6306

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

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Scheduled date for filing the quarterly report: August 10, 2023

Scheduled date for cash dividends: –

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 First Quarter of Fiscal Year Ending March 31, 2024 (April 1, 2023 - June 30, 2023)

(1) Consolidated Operating Results (cumulative) (% represents year-on-year change rate from the same period)

	Net sales		Operating income		Ordinary income		Quarterly net income attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended June 30, 2023	8,446	(11.1)	(99)	–	67	(79.4)	27	(80.5)
Three months ended June 30, 2022	9,504	7.8	183	(51.1)	326	(37.2)	140	(62.9)

Note: Comprehensive income: Three months ended June 30, 2023 736 million yen (196.2%)

Three months ended June 30, 2022 248 million yen (-27.6%)

	Quarterly net income per share	Diluted quarterly net income per share
	yen	yen
Three months ended June 30, 2023	0.71	–
Three months ended June 30, 2022	3.67	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of June 30, 2023	52,812	31,766	60.3	831.51
As of March 31, 2023	52,127	31,604	60.7	826.73

(Reference) Capital: As of June 30, 2023

31,827 million yen

As of March 31, 2023

31,644 million yen

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, 2023	–	15.00	–	15.00	30.00
Fiscal year ending March 31, 2024	–	–	–	–	–
Fiscal year ending March 31, 2024 (forecasts)	–	15.00	–	15.00	30.00

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

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)	17,000	(9.4)	50	(87.5)	190	(65.4)	60	(76.9)	1.57
Full year	44,000	10.9	1,900	84.8	1,900	51.3	1,200	17.6	31.36

(Note) Revision of previously announced earnings forecasts during this reporting period: Yes

*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) 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

Note: Please refer to (Changes in Accounting Policy) on page 7 in the Accompanying Material for details.

(4) Shares issued (common stock)

(i) Number of shares issued at end of period (including treasury stock)	As of June 30, 2023	40,000,000 shares	As of March 31, 2023	40,000,000 shares
(ii) Number of shares held in treasury at end of period	As of June 30, 2023	1,723,705 shares	As of March 31, 2023	1,723,305 shares
(iii) Average number of shares outstanding during the period (quarter-to-date)	Three months ended June 30, 2023	38,276,428 shares	Three months ended June 30, 2022	38,225,285 shares

* 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, August 10, 2023.

The Company has scheduled a financial results briefing session (live streaming) for securities analysts on Tuesday, September 5, 2023.

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1. Qualitative Information on Quarterly Results

(1) Explanation About Operating Results

During the three months ended June 30, 2023, the global economy saw continued price increases amidst a mix of discussions supporting continuation of interest rate hikes to counter inflation and concerns over economic recession resulting from interest rate increases. At the same time, optimism for a soft landing without economic recession has also been spreading in the market. Turning to Japan, more companies have started raising wages in a situation where rising prices are having significant impact on social life. Partly supported by the full-blown move towards the post pandemic order and the improvement in supply chains, the Nikkei Stock Average also rose to its highest level in 33 years since the bursting of the economic bubble, as funds flowed into the Japanese stock market, which had been lagging behind other markets.

Under such conditions, the investment appetite of road pavement companies, who are the Company's main customers, failed to recover sufficiently from the significant decline that was caused by the soaring asphalt prices. As a result, consolidated net sales of the Nikko Group came to 8,446 million yen in the quarter under review (down 11.1% from the same period a year earlier). In terms of profits, the Group posted consolidated operating loss of 99 million yen (compared with 183 million yen in the same period a year earlier), due to its active investment in human resources as well as in research and development, in addition to the decline in net sales. Consolidated ordinary income came to 67 million yen (down 79.4% from the same period a year earlier), and quarterly net income attributable to owners of parent totaled 27 million yen (down 80.5% from the same period a year earlier). Results by segment are as follows.

<Asphalt Plant-Related Business>

Net sales of products in Japan increased compared with the previous period. Net sales of the maintenance business in Japan and overseas declined compared with the previous period. As a result, net sales of the business declined 23.8% from the same period a year earlier to 3,795 million yen. New orders received and order backlog in the period under review increased compared with a year earlier.

<Concrete Plant-Related Business>

Net sales of the maintenance business in Japan increased from the previous period, but the net sales of products in Japan and overseas declined from the previous period. As a result, net sales of the business declined 2.8% from a year earlier to 2,313 million yen. New orders received in the period under review declined compared with a year earlier, while order backlog increased year on year.

<Environment- and Conveyor-Related Business>

Net sales of environmental products and conveyer products increased compared with the same period a year earlier. As a result, net sales of the business rose 0.5% from a year earlier to 643 million yen. New orders received in the period under review increased compared with a year earlier, while order backlog decreased year on year.

<Other Business>

Net sales of the mobile plant business and temporary construction materials increased compared with the same period a year earlier. As a result, net sales of the business increased 12.7% to 1,693 million yen. New orders received and order backlog in the period under review increased compared with a year earlier.

(2) Explanation About Financial Position

Total assets at the end of the reporting period totaled 52,812 million yen, increasing 684 million yen from the end of the previous fiscal year.

Current assets came to 33,209 million yen, declining 513 million yen from the end of the previous fiscal year. Main factors contributing to the change are decreases of 1,599 million yen in accounts receivable-trade, 721 million yen in notes receivable-trade, and 144 million yen in electronically recorded monetary claims as well as increases of 1,480 million yen in cash and cash equivalents and 1,079 million yen in work in process. Noncurrent assets came to 19,602 million yen, up 1,198 million yen from the end of the previous consolidated fiscal year. Main factors contributing to the change are increases of 912 million yen in investment securities and 544 million yen in property, plant and equipment, and a decrease of 233 million yen in deferred tax assets.

Liabilities totaled 21,045 million yen, up 521 million yen from the end of the previous fiscal year. Main factors contributing to the change are increases of 736 million yen in long-term loans, 614 million yen in contract liabilities, and 380 million yen in accounts payable-other as well as decreases of 746 million yen in accounts payable-trade, 261 million yen in provision for bonuses, and 190 million yen in income taxes payable.

Net assets came to 31,766 million yen, up 162 million yen from the end of the previous consolidated fiscal year.

Main factors contributing to the change are an increase of 631 million yen in valuation difference on available-for-sale securities and a decline of 546 million yen in retained earnings.

As a result, equity ratio fell to 60.3% from 60.7% at the end of the previous fiscal year.

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

See "Notice Regarding Revision to Forecast of Financial Results" issued today (August 10, 2023) for details of the forecasts for second half and full year of the fiscal year ending March 31, 2024.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(million yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and cash equivalents	10,317	11,798
Notes receivable-trade	2,357	1,636
Accounts receivable-trade	6,645	5,045
Electronically recorded monetary claims	2,233	2,088
Merchandise and finished goods	1,794	1,861
Work in process	7,423	8,503
Raw materials and supplies	1,657	1,621
Other business	1,294	655
Allowance for doubtful accounts	(1)	(0)
Total current assets	33,723	33,209
Non-current assets		
Property and equipment		
Buildings and structures (net)	5,945	5,984
Land	3,878	4,040
Construction in progress	236	775
Other (net)	1,779	1,583
Total property, plant and equipment	11,839	12,384
Intangible assets		
Goodwill	130	126
Other business	889	868
Total intangible assets	1,020	994
Investments and other assets		
Investment securities	3,488	4,401
Investments in capital	7	7
Long-term loans receivable	14	14
Deferred tax assets	981	748
Other business	1,183	1,182
Allowance for doubtful accounts	(130)	(130)
Total investments and other assets	5,544	6,223
Total noncurrent assets	18,404	19,602
Total assets	52,127	52,812

(million yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,012	2,266
Electronically recorded obligations	858	914
Accounts payable-factoring	2,355	2,351
Short-term loans payable	3,312	3,315
Income taxes payable	265	74
Accounts payable-other	644	1,025
Advances received	17	17
Contract liabilities	3,713	4,328
Provision for bonuses	417	155
Provision for directors' bonuses	76	21
Provision for loss on order received	172	68
Other business	492	608
Total current liabilities	15,338	15,147
Long-term liabilities		
Long-term loans payable	2,449	3,185
Deferred tax liabilities	-	13
Provision for directors' retirement benefits	235	172
Retirement benefit-related liabilities	2,166	2,181
Other business	333	344
Total noncurrent liabilities	5,184	5,897
Total liabilities	20,523	21,045
Net assets		
Shareholders' equity		
Capital stock	9,197	9,197
Capital surplus	7,934	7,934
Retained earnings	13,628	13,081
Treasury stock	(760)	(760)
Total shareholders' equity	29,999	29,452
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,177	1,809
Foreign currency translation adjustment	582	649
Deferred gains or losses on hedges	-	27
Accumulated retirement benefit-related adjustment	(115)	(112)
Total accumulated other comprehensive income	1,644	2,374
Non-controlling interests	(40)	(60)
Total net assets	31,604	31,766
Total liabilities and net assets	52,127	52,812

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Three Months Ended June 30, 2023)

(million yen)

	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)
Net sales	9,504	8,446
Cost of sales	7,068	6,201
Gross profit	2,436	2,244
Selling, general and administrative expenses	2,252	2,343
Operating income (loss)	183	(99)
Non-operating income		
Interest income	0	0
Dividends income	71	96
Foreign exchange gains	76	74
Other business	18	35
Total non-operating income	167	206
Non-operating expenses		
Interest expenses	17	24
Compensation for damage	1	12
Other business	5	3
Total non-operating expenses	24	40
Ordinary income	326	67
Extraordinary income		
Gain on sales of investment securities	0	-
Total extraordinary income	0	-
Extraordinary loss		
Loss due to the spread of COVID-19	23	-
Total extraordinary loss	23	-
Quarterly income before income taxes	303	67
Income taxes-current	295	88
Income taxes-deferred	(114)	(38)
Total income taxes	180	50
Quarterly net income	122	17
Quarterly loss attributable to non-controlling interests	(17)	(10)
Quarterly net income attributable to owners of parent	140	27

(Consolidated Statements of Comprehensive Income)
(Three Months Ended June 30, 2023)

(million yen)

	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)
Quarterly net income	122	17
Other comprehensive income		
Valuation difference on available-for-sale securities	(37)	631
Deferred gains or losses on hedges	-	27
Foreign currency translation adjustment	160	57
Retirement benefit-related adjustment	3	3
Total other comprehensive income	126	719
Quarterly comprehensive income	248	736
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	272	756
Quarterly comprehensive income attributable to non-controlling interests	(23)	(19)

(3) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

(Notes on significant changes in the amount of shareholders' equity)

Not applicable

(Changes in Accounting Policy)

Not applicable