



Financial Results for Third Quarter of Fiscal Year Ending March 31, 2023 [Japanese GAAP] (Consolidated Data)

February 10, 2023

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 Scheduled date for filing the quarterly report: February 13, 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 Third Quarter of Fiscal Year Ending March 31, 2023 (April 1, 2022 - December 31, 2022)

(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	%
Nine months ended December 31, 2022	27,129	(0.1)	367	(64.2)	529	(55.7)	224	(74.6)
Nine months ended December 31, 2021	27,165	10.3	1,027	13.5	1,194	(20.3)	883	(8.6)

Note: Comprehensive income: Nine months ended December 31, 2022 214 million yen (-76.2%)
 Nine months ended December 31, 2021 899 million yen (-29.6%)

	Quarterly net income per share	Diluted net income per share
	yen	yen
Nine months ended December 31, 2022	5.86	-
Nine months ended December 31, 2021	23.13	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of December 31, 2022	52,627	31,150	59.2	813.77
As of March 31, 2022	52,079	32,050	61.5	837.22

(Reference) Capital: As of December 31, 2022 31,148 million yen
 As of March 31, 2022 32,003 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, 2022	-	15.00	-	15.00	30.00
Fiscal year ending March 31, 2023	-	15.00	-	-	-
Fiscal year ending March 31, 2023 (forecasts)	-	-	-	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, 2023 (April 1, 2022 - March 31, 2023)

(% represents year-on-year change)

	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
Full year	42,000	8.1	1,700	(17.2)	1,850	(18.6)	1,200	(27.2)	31.39

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

*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.: Yes

(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 issued at end of period (including treasury stock)

As of December 31, 2022	40,000,000 shares	As of March 31, 2022	40,000,000 shares
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(ii) Number of shares held in treasury at end of period

As of December 31, 2022	1,723,105 shares	As of March 31, 2022	1,774,135 shares
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(iii) Average number of shares outstanding during the period (quarter-to-date)

Nine months ended December 31, 2022	38,255,736 shares	Nine months ended December 31, 2021	38,211,943 shares
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* This 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 Friday, February 10, 2023.

The Company has scheduled a financial results briefing session (live streaming) for securities analysts on Friday, March 3, 2023.

Accompanying Material – Table of Contents

1. Qualitative Information on Quarterly Results.....	2
(1) Explanation About Operating Results	2
(2) Explanation About Financial Position.....	2
(3) Explanation About Forward-Looking Statements, Including Forecast of Consolidated Financial Results.....	2
2. Quarterly Consolidated Financial Statements and Notes.....	3
(1) Quarterly Consolidated Balance Sheet.....	3
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	5
(Quarterly Consolidated Statement of Income) (Nine Months Ended December 31, 2022).....	5
(Quarterly Consolidated Statements of Comprehensive Income) (Nine Months Ended December 31, 2022).....	6
(3) Notes to Quarterly Consolidated Financial Statements.....	7
(Going Concern Assumption).....	7
(Notes on significant changes in the amount of shareholders' equity)	7
(Use of special accounting methods for preparation of quarterly consolidated financial statements)	7
(Changes in Accounting Policy)	7
(Additional Information).....	7

1. Qualitative Information on Quarterly Results

(1) Explanation About Operating Results

During the nine months ended December 31, 2022, a strong sense of uncertainty swept over the global economy as inflation fears intersected sharply with concerns over recession due to the continued record price increases and as financial authorities in the U.S. and Europe took the stance of active financial tightening and implemented interest rate hikes. Further, the yen depreciated rapidly from 115 yen to the dollar at the beginning of the year to 150-yen levels in October due to differences in the financial policies, with the rate recovering to 130 yen to the dollar following a policy correction by the Bank of Japan in December.

Under such circumstances, Nikko Group has been affected by the rising prices of raw materials and supplies as well as prolonged delivery times. At the same time, road pavement companies, who are the main users of asphalt plants, continue to take a wait-and-see attitude towards capital investment due to uncertainties over economic trends and the impact of rising crude oil prices. As a result, consolidated net sales of the Group in the period under review came to 27,129 million yen (down 0.1% from the same period a year earlier).

In terms of profits, consolidated operating income totaled 367 million yen (down 64.2% from the same period a year earlier) due to rising raw material prices and the impact of increases in expenses for research and development towards decarbonization and development of global products as well as an increase in personnel costs. Consolidated ordinary income came to 529 million yen (down 55.7% from the same period a year earlier), while quarterly net income attributable to owners of parent totaled 224 million yen (down 74.6% from the same period a year earlier).

Operating results by segment are as follows.

(i) Asphalt Plant-Related Business

Net sales of both products and the maintenance business in Japan decreased compared with the same period a year earlier. Overseas net sales increased compared with the same period a year earlier. As a result, net sales of the business declined 2.1% to 13,085 million yen from the same period a year earlier. New orders received and order backlog in the period under review declined compared with a year earlier.

(ii) Concrete Plant-Related Business

Net sales of products in Japan and abroad declined compared with the same period a year earlier. Net sales of the maintenance business in Japan increased compared with the same period a year earlier. As a result, net sales of the business declined 8.7% to 6,644 million yen from the same period a year earlier. New orders received in the period under review declined compared with a year earlier, while order backlog increased year on year.

(iii) Environment- and Conveyor-Related Business

Net sales of both environmental products and conveyor products declined compared with the same period a year earlier. As a result, net sales of the business declined 2.6% to 2,138 million yen from the same period a year earlier. New orders received and order backlog in the period under review declined compared with a year earlier.

(iv) Other Business

Net sales of hand tools and crushers increased from the same period a year earlier. Net sales of temporary construction materials declined compared with the same period a year earlier. As a result, net sales of the business increased 21.6% to 5,259 million yen from the same period a year earlier. 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 were 52,627 million yen, increasing 547 million yen from the end of the previous fiscal year.

Current assets were 33,927 million yen, declining 200 million yen from the end of the previous fiscal year. Main factors contributing to the change are increases of 1,806 million yen in work in process and 1,339 million yen in merchandise and finished goods as well as decreases of 2,459 million yen in accounts receivable-trade and 1,518 million yen in cash and cash equivalents. Noncurrent assets came to 18,699 million yen, up 748 million yen from the end of the previous consolidated fiscal year. Factors contributing to the change include increases of 362 million yen in construction in progress, 259 million yen in land, and 136 million yen in buildings and structures as well as declines of 139 million yen in deferred tax assets and 56 million yen in software in progress.

Liabilities totaled 21,476 million yen, up 1,447 million yen from the end of the previous fiscal year. Main factors contributing to the change are increases of 896 million yen in long-term loans, 751 million yen in short-term loans, and 745 million yen in contract liabilities as well as decreases of 327 million yen in income taxes payable, 309 million yen in provision for bonuses, and 305 million yen in notes and accounts payable-trade.

Net assets came to 31,150 million yen, decreasing 899 million yen from the end of the previous fiscal year. Main factors contributing to the change are an increase of 44 million yen in valuation difference on available-for-sale securities and a decline of 923 million yen in retained earnings.

As a result, equity ratio dropped to 59.2% from 61.5% 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, 2023 that was disclosed on September 29, 2022.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(million yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	12,436	10,917
Notes receivable-trade	2,163	2,163
Accounts receivable-trade	7,275	4,815
Electronically recorded monetary claims	1,594	1,746
Merchandise and finished goods	990	2,330
Work in process	6,970	8,776
Raw materials and supplies	1,695	1,511
Other business	1,002	1,665
Allowance for doubtful accounts	(0)	(0)
Total current assets	34,127	33,927
Non-current assets		
Property and equipment	10,669	11,419
Intangible assets	1,036	1,088
Investments and other assets		
Investment securities	4,336	4,383
Investments in capital	15	15
Long-term loans receivable	8	9
Deferred tax assets	864	725
Other business	1,152	1,188
Allowance for doubtful accounts	(131)	(131)
Total investments and other assets	6,246	6,192
Total noncurrent assets	17,951	18,699
Total assets	52,079	52,627

(million yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,132	2,827
Electronically recorded obligations	868	1,164
Accounts payable-factoring	2,783	2,732
Short-term loans payable	2,229	2,980
Income taxes payable	518	191
Accounts payable-other	664	385
Advances received	17	17
Contract liabilities	4,405	5,150
Provision for bonuses	483	174
Provision for directors' bonuses	76	39
Provision for loss on order received	35	54
Other business	559	573
Total current liabilities	15,774	16,291
Long-term liabilities		
Long-term loans payable	1,583	2,480
Deferred tax liabilities	7	0
Provision for directors' retirement benefits	182	219
Retirement benefit-related liabilities	2,126	2,146
Other business	354	339
Total noncurrent liabilities	4,254	5,185
Total liabilities	20,029	21,476
Net assets		
Shareholders' equity		
Capital stock	9,197	9,197
Capital surplus	7,925	7,934
Retained earnings	13,755	12,832
Treasury stock	(784)	(760)
Total shareholders' equity	30,093	29,203
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,453	1,498
Foreign currency translation adjustment	560	541
Accumulated retirement benefit-related adjustment	(104)	(94)
Total accumulated other comprehensive income	1,910	1,944
Non-controlling interests	46	1
Total net assets	32,050	31,150
Total liabilities and net assets	52,079	52,627

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Nine Months Ended December 31, 2022)

(million yen)

	Nine month ended December 31, 2021 (from April 1, 2021 to December 31, 2021)	Nine month ended December 31, 2022 (from April 1, 2022 to December 31, 2022)
Net sales	27,165	27,129
Cost of sales	19,894	19,924
Gross profit	7,271	7,204
Selling, general and administrative expenses	6,244	6,837
Operating income	1,027	367
Non-operating income		
Interest income	1	2
Dividends income	120	100
Foreign exchange gains	13	86
Other business	115	43
Total non-operating income	250	232
Non-operating expenses		
Interest expenses	35	55
Compensation for damage	7	4
Expenses for dismantling and removal	24	-
Other business	15	10
Total non-operating expenses	83	70
Ordinary income	1,194	529
Extraordinary income		
Gain on sales of investment securities	255	0
Total extraordinary income	255	0
Extraordinary loss		
Loss due to the spread of COVID-19	-	23
Loss on valuation of investment securities	22	-
Loss on sales of investment securities	0	-
Total extraordinary loss	23	23
Quarterly income before income taxes	1,425	506
Income taxes-current	437	209
Income taxes-deferred	112	113
Total income taxes	550	322
Quarterly net income	875	183
Quarterly loss attributable to non-controlling interests	(8)	(41)
Quarterly net income attributable to owners of parent	883	224

(Quarterly Consolidated Statements of Comprehensive Income)
(Nine Months Ended December 31, 2022)

(million yen)

	Nine month ended December 31, 2021 (from April 1, 2021 to December 31, 2021)	Nine month ended December 31, 2022 (from April 1, 2022 to December 31, 2022)
Quarterly net income	875	183
Other comprehensive income		
Valuation difference on available-for-sale securities	(100)	44
Foreign currency translation adjustment	118	(23)
Retirement benefit-related adjustment	5	9
Total other comprehensive income	23	30
Quarterly comprehensive income	899	214
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	905	259
Quarterly comprehensive income attributable to non-controlling interests	(5)	(44)

(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)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance") from the beginning of the first quarter under review. In accordance with the transitional treatments prescribed in Article 27-2 of the Fair Value Measurement Guidance, the Company plans to apply the new accounting policies prescribed in the Fair Value Measurement through the future. The application of the said accounting standard does not affect the quarterly consolidated financial statement.

(Additional Information)

(Application of Practical Solution on the Accounting Methods and Disclosure Under the Group Tax Sharing System)

The Company and its domestic consolidated subsidiaries have transitioned from the consolidated taxation system to the group tax sharing system from the first quarter ended June 30, 2022. Accordingly, corporate and local corporate income taxes, and tax-effect accounting are accounted for and disclosed in accordance with "Practical Solution on the Accounting Methods and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021; hereinafter referred to as "PITF 42"). In addition, based on Article 32 (1) of PITF 42, the effects of the change in accounting policies due to the adoption of PITF 42 are deemed negligible.