



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

November 11, 2022

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: November 14, 2022 Scheduled date for cash dividends: December 5, 2022

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, 2023 (April 1, 2022 - September 30, 2022)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent Quarterly net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended September 30, 2022	18,760	(1.3)	399	(58.8)	548	(50.4)	259	(70.0)
Six months ended September 30, 2021	19,008	4.3	968	(3.1)	1,105	(30.4)	867	(21.0)

Note: Comprehensive income: Six months ended September 30, 2022 359 million yen (-56.4%)

Six months ended September 30, 2021 824 million yen (-35.2%)

	Quarterly net income per share	Diluted net income per share
	yen	yen
Six months ended September 30, 2022	6.80	-
Six months ended September 30, 2021	22.72	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
Six months ended September 30, 2022	52,606	31,870	60.6	832.33
As of March 31, 2022	52,079	32,050	61.5	837.22

(Reference) Capital: As of September 30, 2022 31,859 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	-	-	-	-	-
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

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 September 30, 2022	40,000,000 shares	As of March 31, 2022	40,000,000 shares
As of September 30, 2022	1,723,105 shares	As of March 31, 2022	1,774,135 shares
As of September 30, 2022	38,245,157 shares	Six months ended September 30, 2021	38,204,073 shares

(ii) Number of shares held in treasury at end of period

(iii) Average number of shares outstanding during the period (quarter-to-date)

* 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, November 11, 2022.

The Company has scheduled a financial results briefing session (live streaming) for securities analysts on Tuesday, December 6, 2022.

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1. Qualitative Information on Quarterly Results

(1) Explanation About Operating Results

During the six months ended September 30, 2022, many countries and regions including the U.S. experienced historically high inflation rates amid rising prices of resources and materials due to the impact of COVID-19 infection and the uncertainties stemming from Russia's invasion of Ukraine. The central governments of these countries are continuing with unprecedented interest rate hikes to control inflation giving rise to concerns of a global economic recession. In Japan, the yen lost its value significantly reflecting the financial policy differences with the U.S., Europe, and other countries, which has resulted in impacts such as rising prices due to increasing import prices.

Under such circumstances, Nikko Group has been affected by the rising prices of steel and other raw materials as well as prolonged delivery times. At the same time, some road pavement companies, who are the main users of asphalt plants, are maintaining a wait-and-see attitude towards capital investment due to the impact of rising crude oil prices. As a result, consolidated net sales of the Group in the period under review came to 18,760 million yen (down 1.3% from the same period a year earlier).

In terms of profits, consolidated operating income totaled 399 million yen (down 58.8% from the same period a year earlier) due to the impact of increases in expenses for research and development towards decarbonization and development of global products as well as an increases in personnel costs. Consolidated ordinary income came to 548 million yen (down 50.4 % from the same period a year earlier), while quarterly net income attributable to owners of parent totaled 259 million yen (down 70.0% from the same period a year earlier).

Results by segment are as follows.

<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 5.8% to 8,652 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.

<Concrete Plant-Related Business>

Net sales of both products and the maintenance business in Japan decreased compared with the same period a year earlier. As a result, net sales of the business declined 4.9% to 5,314 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.

<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 increased 22.7% to 1,222 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.

<Other Business>

Net sales of hand tools, 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 34.9% to 3,571 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 52,606 million yen, increasing 526 million yen from the end of the previous fiscal year.

Current assets came to 34,076 million yen, declining 50 million yen from the end of the last fiscal year. Main factors contributing to the change are increases of 1,352 million yen in work in process, 609 million yen in merchandise and finished goods, and 306 million yen in cash and cash equivalents as well as decreases of 1,697 million yen in accounts receivable-trade and 553 million yen in notes receivable-trade. Noncurrent assets came to 18,529 million yen, up 577 million yen from the end of the previous consolidated fiscal year. Main factors contributing to the change are increases of 489 million yen in construction in progress and 233 million yen in land and a decrease of 166 million yen in software in progress.

Liabilities totaled 20,736 million yen, up 706 million yen from the end of the previous fiscal year. Main factors contributing to the change are increases of 958 million yen in long-term loans and 676 million yen in short-term loans payable as well as decreases of 474 million yen in notes and accounts payable-trade, 283 million yen in income taxes payable, and 202 million yen in accounts payable-other.

Net assets came to 31,870 million yen, decreasing 180 million yen from the end of the previous fiscal year.

Factors contributing to the change include foreign currency translation adjustment increasing 184 million yen and retained earnings declining 313 million yen.

As a result, equity ratio dropped to 60.6% 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

(mil. yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and cash equivalents	12,436	12,743
Notes receivable-trade	2,163	1,609
Accounts receivable-trade	7,275	5,577
Electronically recorded monetary claims	1,594	1,542
Merchandise and finished goods	990	1,600
Work in process	6,970	8,322
Raw materials and supplies	1,695	1,613
Other business	1,002	1,078
Allowance for doubtful accounts	(0)	(11)
Total current assets	34,127	34,076
Non-current assets		
Property and equipment	10,669	11,404
Intangible assets	1,036	1,021
Investments and other assets		
Investment securities	4,336	4,243
Investments in capital	15	15
Long-term loans receivable	8	9
Deferred tax assets	864	805
Other business	1,152	1,161
Allowance for doubtful accounts	(131)	(130)
Total investments and other assets	6,246	6,103
Total noncurrent assets	17,951	18,529
Total assets	52,079	52,606

(mil. yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,132	2,657
Electronically recorded obligations	868	938
Accounts payable-factoring	2,783	2,801
Short-term loans payable	2,229	2,905
Income taxes payable	518	235
Accounts payable-other	664	461
Advances received	17	17
Contract liabilities	4,405	4,492
Provision for bonuses	483	449
Provision for directors' bonuses	76	25
Provision for loss on order received	35	8
Other business	559	517
Total current liabilities	15,774	15,512
Long-term liabilities		
Long-term loans payable	1,583	2,542
Deferred tax liabilities	7	-
Provision for directors' retirement benefits	182	203
Retirement benefit-related liabilities	2,126	2,123
Other business	354	353
Total noncurrent liabilities	4,254	5,224
Total liabilities	20,029	20,736
Net assets		
Shareholders' equity		
Capital stock	9,197	9,197
Capital surplus	7,925	7,934
Retained earnings	13,755	13,442
Treasury stock	(784)	(760)
Total shareholders' equity	30,093	29,813
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,453	1,398
Foreign currency translation adjustment	560	745
Accumulated retirement benefit-related adjustment	(104)	(97)
Total accumulated other comprehensive income	1,910	2,045
Non-controlling interests	46	10
Total net assets	32,050	31,870
Total liabilities and net assets	52,079	52,606

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Six months ended September 30, 2022)

(mil. yen)

	Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)
Net sales	19,008	18,760
Cost of sales	13,999	13,839
Gross profit	5,009	4,921
Selling, general and administrative expenses	4,040	4,521
Operating income	968	399
Non-operating income		
Interest income	1	1
Dividends income	97	73
Foreign exchange gains	-	83
Outsourcing service income	49	-
Other business	39	36
Total non-operating income	187	195
Non-operating expenses		
Interest expenses	24	35
Foreign exchange losses	6	-
Compensation for damage	7	4
Other business	12	5
Total non-operating expenses	50	46
Ordinary income	1,105	548
Extraordinary income		
Gain on sales of investment securities	237	0
Total extraordinary income	237	0
Extraordinary loss		
Loss due to the spread of COVID-19	-	23
Loss on sales of investment securities	0	-
Total extraordinary loss	0	23
Quarterly income before income taxes	1,342	524
Income taxes-current	458	220
Income taxes-deferred	15	75
Total income taxes	474	295
Quarterly net income	867	229
Quarterly loss attributable to non-controlling interests	-	(30)
Quarterly net income attributable to owners of parent	867	259

(Consolidated Statements of Comprehensive Income)
(Six months ended September 30, 2022)

(mil. yen)

	Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)
Quarterly net income	867	229
Other comprehensive income		
Valuation difference on available-for-sale securities	(81)	(55)
Foreign currency translation adjustment	34	179
Retirement benefit-related adjustment	3	6
Total other comprehensive income	(43)	130
Quarterly comprehensive income	824	359
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	819	395
Quarterly comprehensive income attributable to non-controlling interests	4	(36)

(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. 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)

Not applicable