



Q1 Results for Fiscal Year Ending March 31, 2020

August 8, 2019

Nikko Co., Ltd.

(Tokyo Stock Exchange Code: 6306)

Hiroshi Fujii, Managing Director and General Manager of the Finance Dept.

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%
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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	2,000
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)

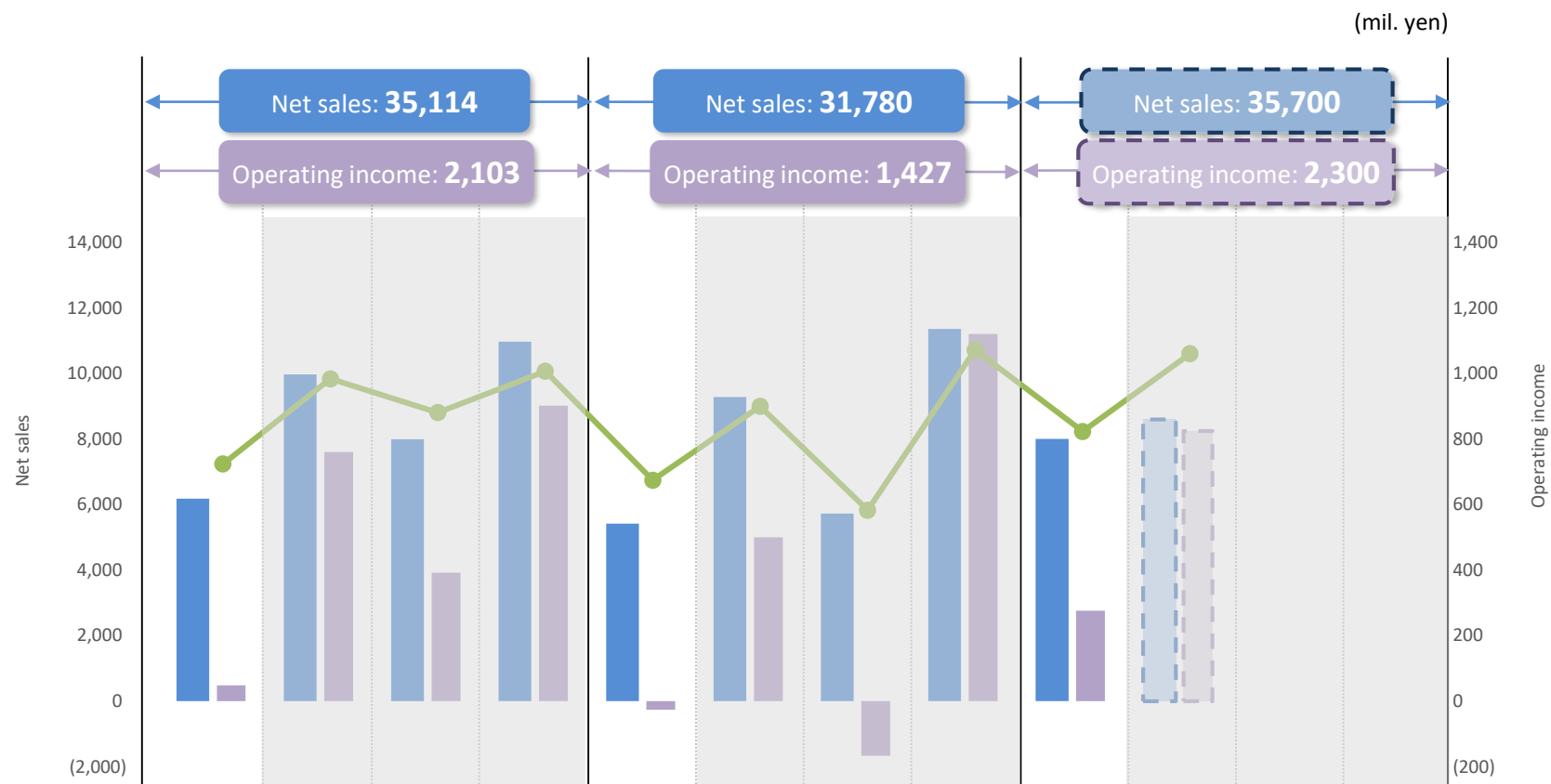
		FY 2018			FY 2019			
		1Q Actual	1H Actual	Full year Actual	1Q Actual	Year-on-year change	1H forecast	Full year forecast
AP-related business	Net sales	2,361	7,833	16,434	3,917	+1,556 +65.9%	9,100	18,700
	Operating income	42	415	963	222	+180 +428.6%	840	1,570
	Operating margin	1.8%	5.3%	5.9%	5.7%	–	9.2%	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

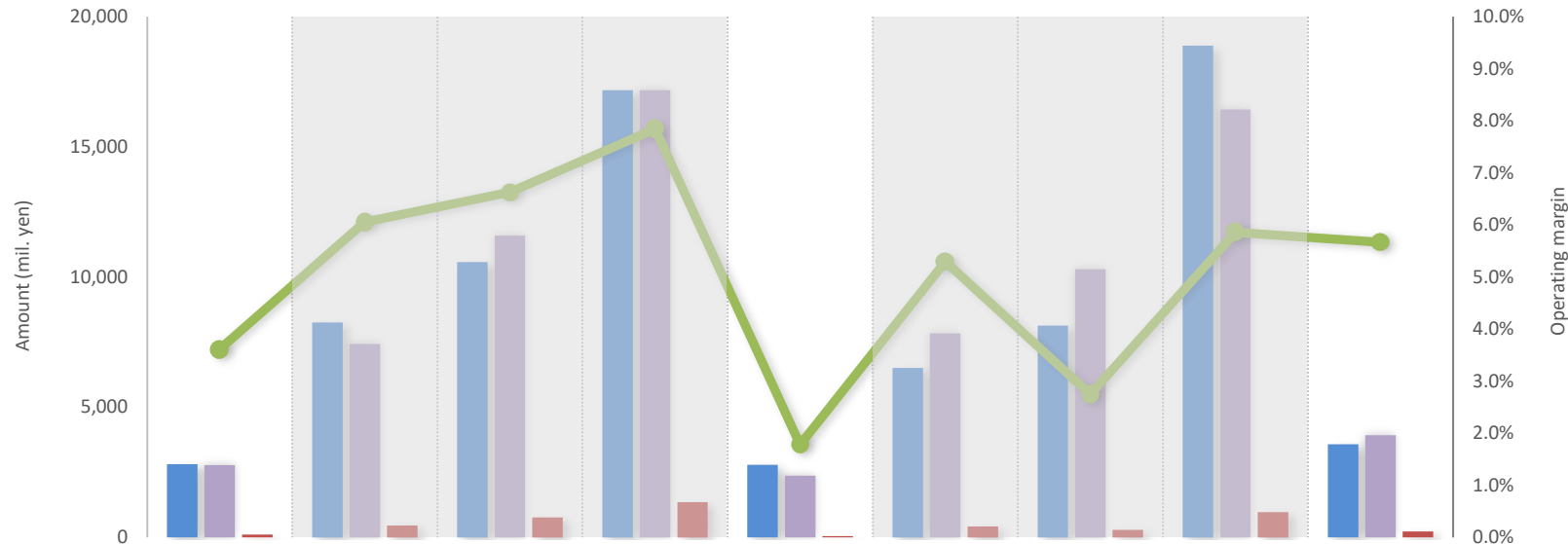
AP: +1,433 million yen in net sales; +191 million yen in operating income

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

Quarterly net sales and operating income trends



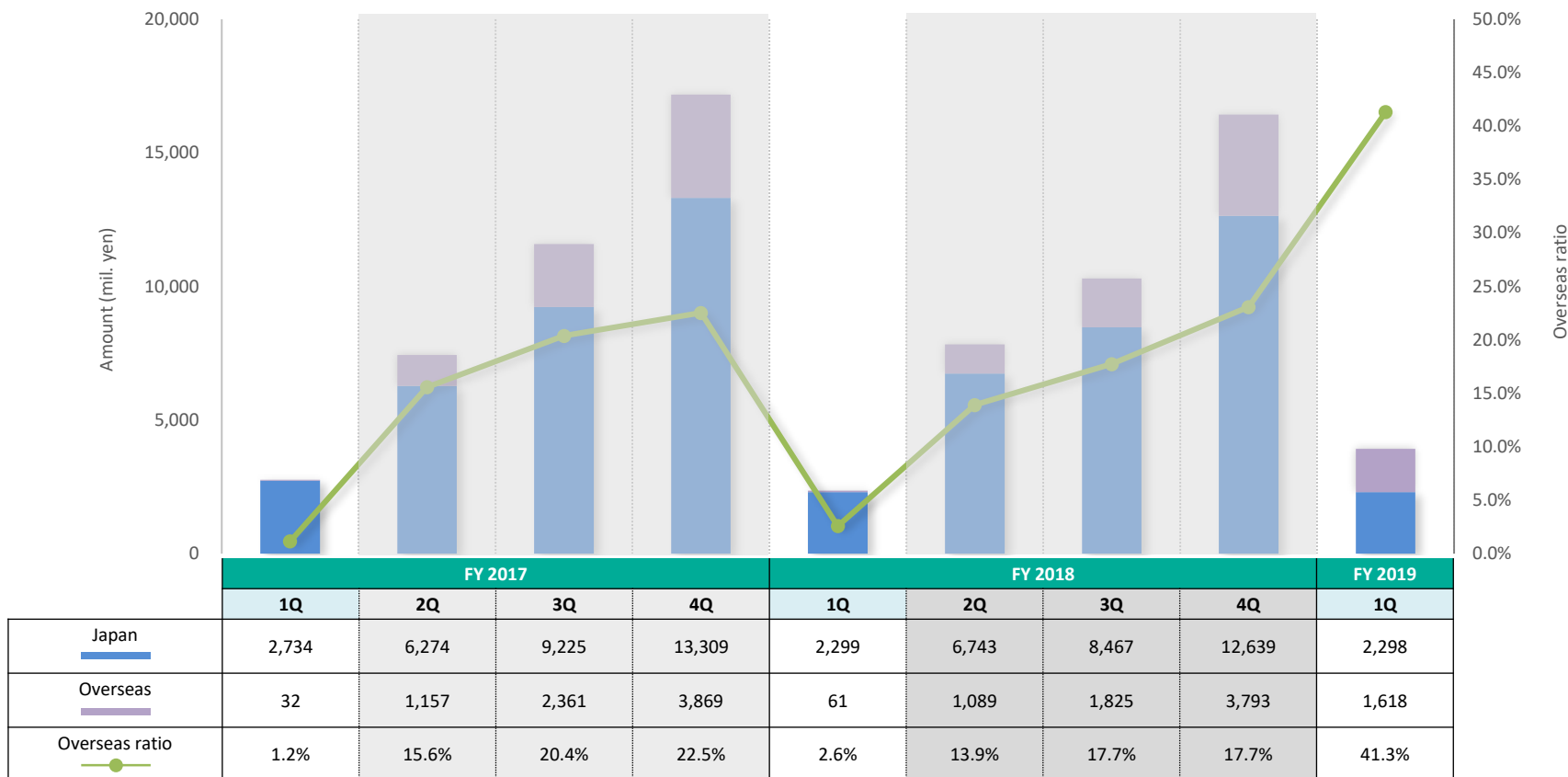
	FY 2017				FY 2018				FY 2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q (E)	3Q	4Q
Net sales	6,179	9,974	7,991	10,968	5,415	9,282	5,721	11,362	8,001	8,599		
Operating income	48	760	392	902	(26)	500	(167)	1,120	276	824		
Operating margin	0.8%	7.6%	4.9%	8.2%	(0.5)%	5.4%	(2.9)%	9.9%	3.4%	9.6%		



	FY 2017				FY 2018				FY 2019
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
New orders received 	2,803	8,254	10,572	17,182	2,787	6,501	8,137	18,884	3,575
Net sales 	2,768	7,431	11,587	17,179	2,361	7,833	10,293	16,434	3,917
Operating income 	100	450	768	1,348	42	415	283	963	222
Operating margin 	3.6%	6.1%	6.6%	7.8%	1.8%	5.3%	2.7%	5.9%	5.7%

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



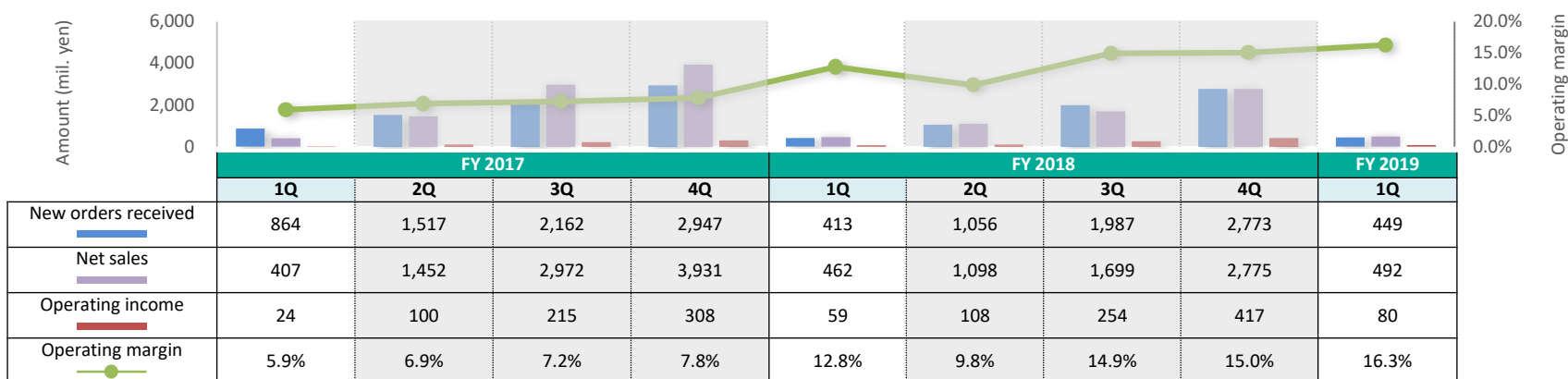
Note: Numbers for the second to fourth quarters of each fiscal year are year-to-date cumulative.

- ▶ 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

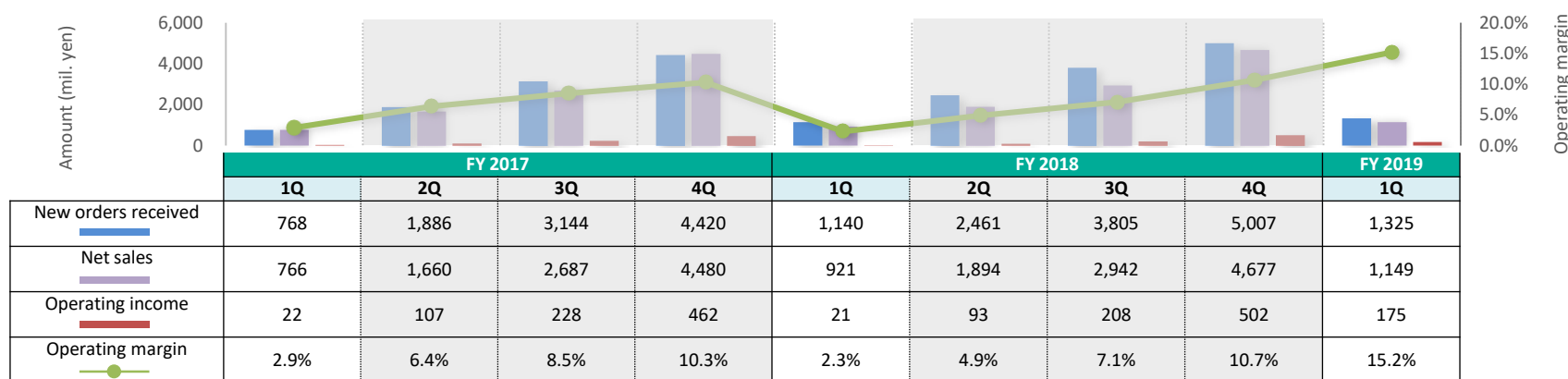
Note: Numbers for the second to fourth quarters of each fiscal year are year-to-date cumulative.



- ▶ 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

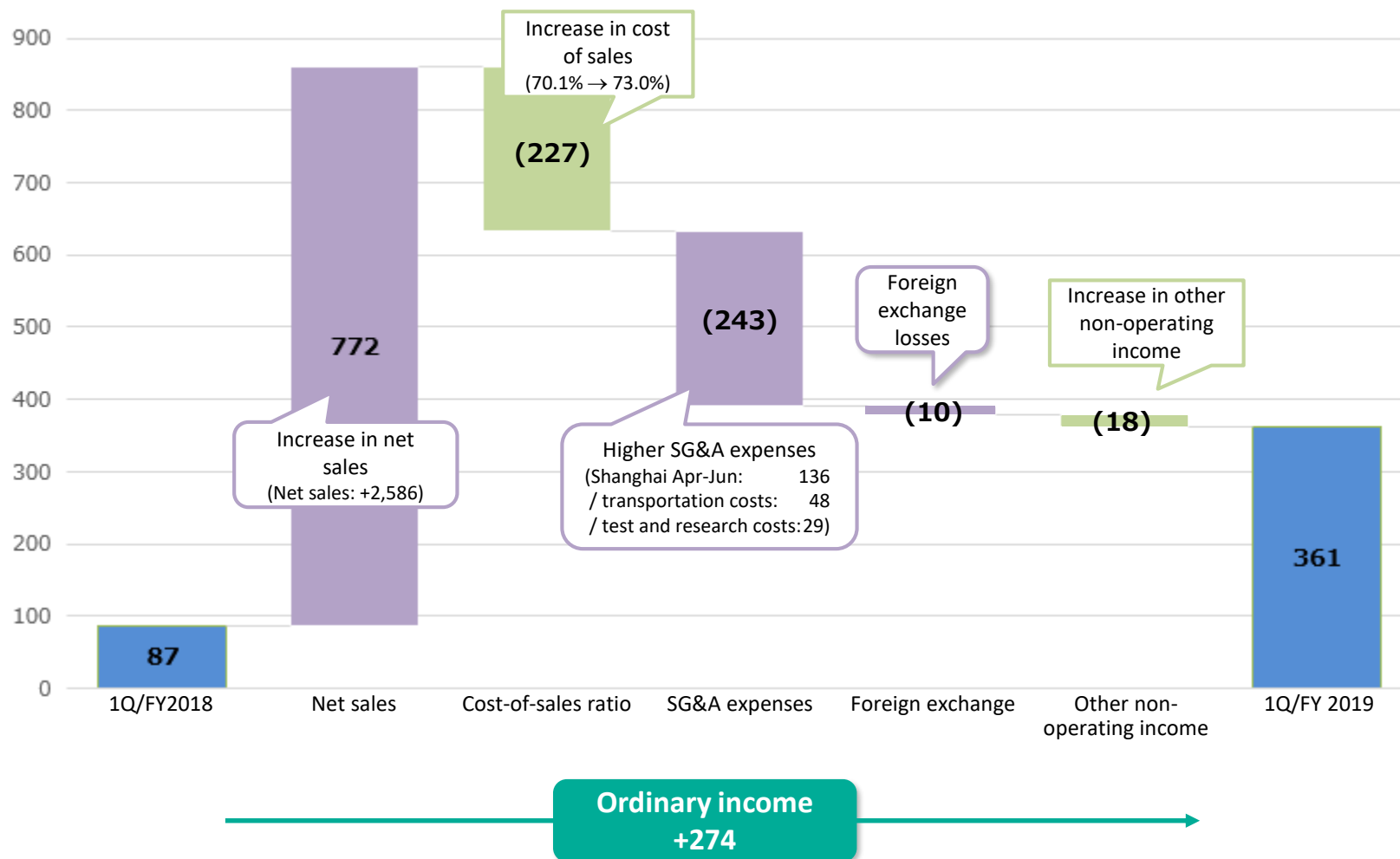
Note: Numbers for the second to fourth quarters of each fiscal year are year-to-date cumulative.



- ▶ 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.

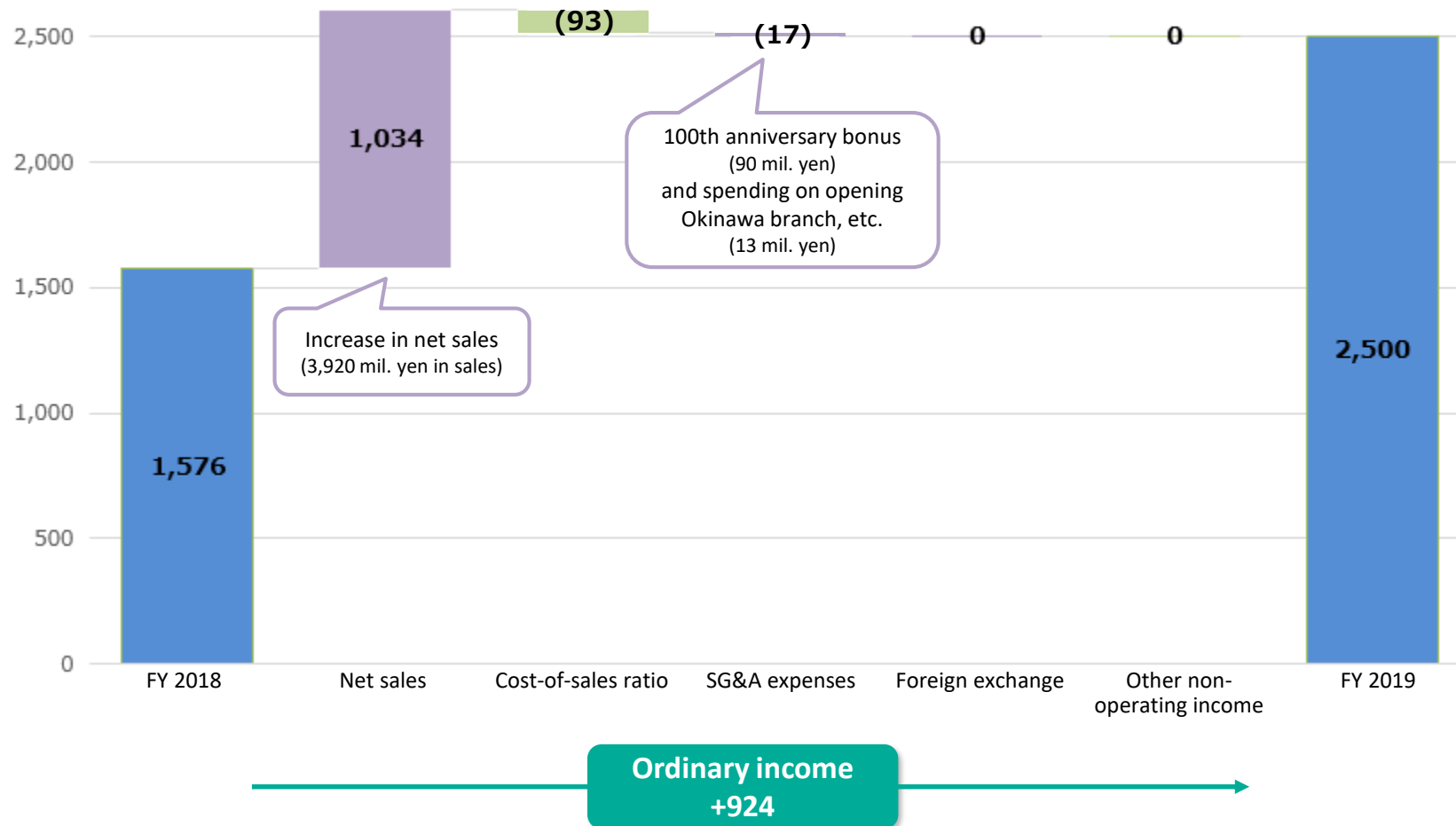
Analysis of FY 2019 1Q Ordinary Income Change Factors

(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

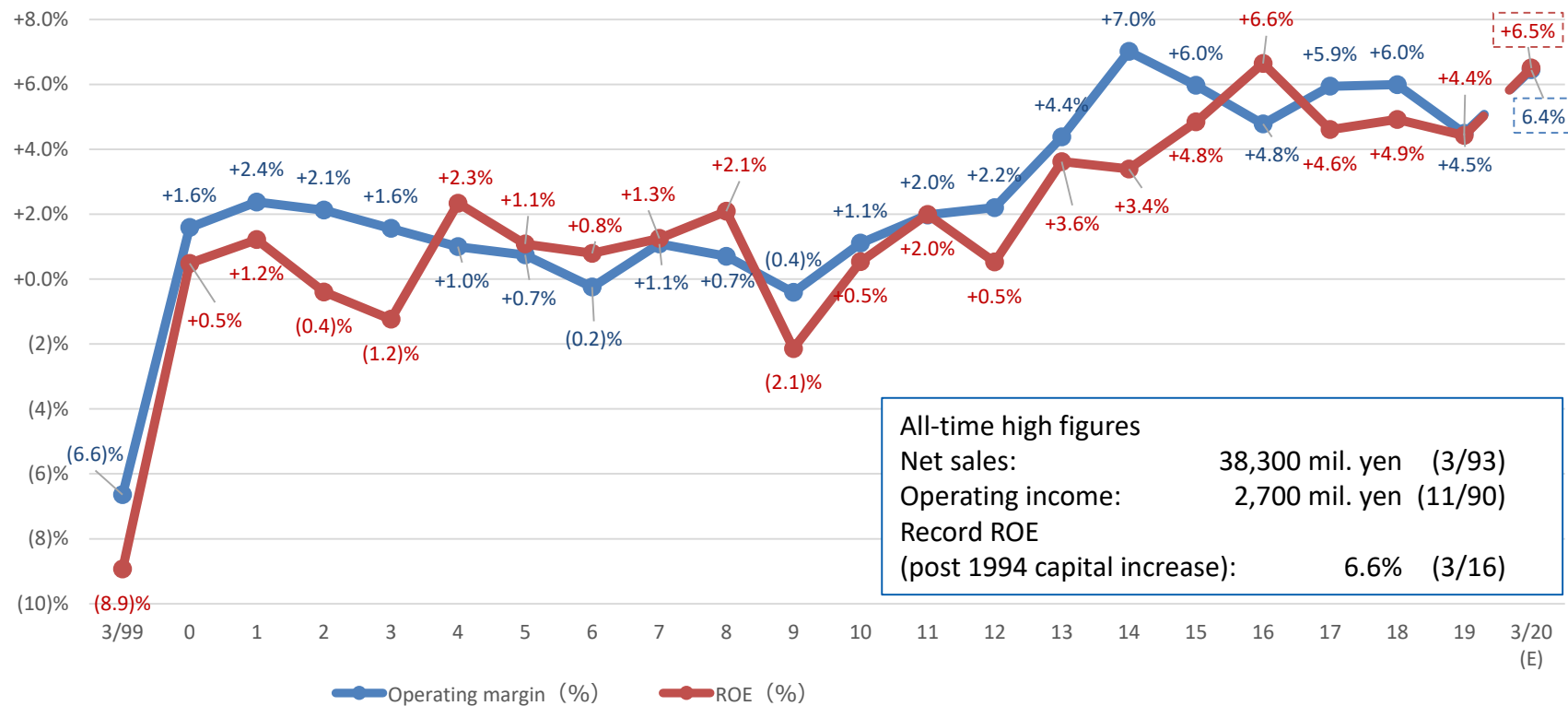
(persons, years old, or years)

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	2,000



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.)

Tel: +81-78-947-3141

E-mail: IR-nikko@nikko-net.co.jp

Contact: Hachiken, Finance Department, Nikko Co., Ltd.

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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.
 - Note also that forward-looking statements in this material are subject to change without prior notice, except where procedures are required by law.