



Financial Results for the Fiscal Year Ended March 31, 2022 [Japanese GAAP] (Consolidated Data)

May 13, 2022

Company Name: Nikko Co., Ltd. Stock Exchange Listing: Tokyo Stock Exchange
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 Scheduled date of Ordinary General Shareholders' Meeting: June 24, 2022 Scheduled date for cash dividends: June 27, 2022
 Scheduled date for filing the annual securities report: June 27, 2022
 Full-year earnings supplementary explanatory materials: Yes
 Financial results briefing session: Yes (for analysts)

(Amounts rounded down to the nearest million yen)

1. Consolidated Performance for the Fiscal Year Ended March 31, 2022 (April 1, 2021 - March 31, 2022)

(1) Consolidated Operating Results (% represents year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended March 31, 2022	38,846	2.6	2,053	(10.8)	2,274	(23.5)	1,649	(20.8)
Fiscal year ended March 31, 2021	37,866	7.7	2,302	12.1	2,973	38.8	2,082	31.1

Note: Comprehensive income: Fiscal year ended March 31, 2022: 1,782 million yen (-38.2%)
 Fiscal year ended March 31, 2021: 2,885 million yen (387.2%)

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating margin
	yen	yen	%	%	%
Fiscal year ended March 31, 2022	43.16	—	5.2	4.5	5.3
Fiscal year ended March 31, 2021	54.31	—	6.8	6.3	6.1

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of March 31, 2022	52,079	32,050	61.5	837.22
As of March 31, 2021	48,697	31,451	64.5	823.01

(Reference) Capital: As of March 31, 2022: 32,003 million yen
 As of March 31, 2021: 31,427 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	million yen	million yen	million yen	million yen
Fiscal year ended March 31, 2022	2,224	(2,165)	(282)	12,389
Fiscal year ended March 31, 2021	2,784	(1,867)	(1,129)	12,444

2. Dividends

	Annual dividends					Total dividend (total)	Dividend payout ratio (consolidated)	Rate of total dividends to net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Fiscal year ended March 31, 2021	—	15.00	—	18.00	33.00	1,260	60.5	4.1
Fiscal year ended March 31, 2022	—	15.00	—	15.00	30.00	1,146	69.5	3.6
Fiscal year ending March 31, 2023 (Forecasts)	—	15.00	—	15.00	30.00		71.7	

3. Consolidated Performance Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)
(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		per share Net income
	million yen	%	million yen	%	million yen	%	million yen	%	yen
2Q (first half)	20,000	5.2	1,000	3.3	1,150	4.1	700	(19.3)	18.32
Full year	42,000	8.1	2,300	12.0	2,500	9.9	1,600	(3.0)	41.87

*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) 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 (5) Notes to Consolidated Financial Statements (Changes in Accounting Policy) of 4.

Consolidated Financial Statements and Notes to the Statements on page 16 of Accompanying Material for details.

(3) Shares issued (common stock)

(i) Number of shares issued at end of period (including treasury stock)

As of March 31, 2022	40,000,000 shares	As of March 31, 2021	40,000,000 shares
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(ii) Number of shares held in treasury at end of period

As of March 31, 2022	1,774,135 shares	As of March 31, 2021	1,814,260 shares
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(iii) Average number of shares outstanding during the period

As of March 31, 2022	38,215,523 shares	As of March 31, 2021	38,349,338 shares
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* This report is exempt from audit 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) Overview of Operating Results for Fiscal Year Ended March 31, 2022 in 1. Overview of Operating Results, etc. on page 2 in the accompanying materials.

(How to obtain the earnings supplementary explanatory materials and the date of the financial results briefing session)

The Company is scheduled to post the earnings supplementary explanatory materials on its website on Friday, May 13, 2022.

The Company has scheduled a financial results briefing session (live streaming) for securities analysts on Friday, June 10, 2022.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for Fiscal Year Ended March 31, 2022

(i) Operating Results for Fiscal Year Ended March 31, 2022

During the fiscal year under review, the Japanese as well as global economies started off on the path towards normalization even as COVID-19 infections repeatedly expanded and decreased. Price rises spread reflecting the increase in resource and raw material costs, supply restrictions, and tight logistic conditions. While the U.S. and many other countries, mindful of inflation, started active discussions on financial tightening such as raising interest rates, Japan continued with monetary easing, and this difference in financial policy directions led to a continued weakening of the yen. Furthermore, Russia's invasion of Ukraine beginning in February started having significant impact on the global economy such as the soaring prices of oil and natural gas.

Under such circumstances, in the fiscal year under review, which is the final year of the three-year Medium-Term Management Plan, the Nikko Group posted consolidated net sales of 38,846 million yen (up 2.6% from a year earlier) and consolidated operating income of 2,053 million yen (down 10.8% from a year earlier). Consolidated ordinary income totaled 2,274 million yen (down 23.5% from a year earlier) and net income attributable to owners of parent came to 1,649 million yen (down 20.8% from a year earlier).

Compared with the targets of 38,000 million yen in consolidated net sales and 3,000 million yen in operating income under the three-year Medium-Term Management Plan, the Group was able to achieve the net sales plan, while its profit target was not met. With respect to the forecasts of 39,000 million yen in consolidated net sales and 2,300 million yen in operating income for the fiscal year under review, both net sales and operating income fell short of the forecasts, with net sales being slightly below the target.

While demand was strong in the Company's mainstay Asphalt Plant-Related Business, there was a temporary slowing in progress of projects, due to major road paving companies, who are its core customers, pushing forward organizational restructuring, which had some impact on the sales and orders. Meanwhile, net sales in the Concrete Plant-Related Business increased reflecting strong user demand for capital investment given the concrete price that remained stable at a relatively high level. New businesses such as mobile plants and waterproof boards also performed strongly. In terms of profits, gross profit margin came to a level similar to the previous fiscal year, as reduction of outsourcing cost and improved productivity absorbed a large increase in costs of steel and other raw materials. However, an increase in general administrative costs such as those for launching the business of the Thai subsidiary and R&D expenses resulted in lower-than-forecast profits.

The Company has been steadily taking measures to achieve the five Long-term Basic Policies: (i) strengthen revenue base in Japan (improve profitability by boosting product appeal by raising the level of all divisions of sales, service, engineering, and manufacturing [profit margin of 10%]); (ii) establish overseas sales (As a manufacturer, establish new overseas bases to spread Nikko products, which are the best in the world, in the ASEAN region (doubling overseas net sales to 9.0 billion yen from the current 4.5 billion yen)); (iii) promote new businesses (incl. M&As) (invest management resources in expansion of new businesses and nurture new pillar products in the industrial and construction machinery fields [generating 10.0 billion yen in net sales from new businesses]); (iv) put work-style reform into practice (boost operation efficiency and significantly improve labor productivity [to centralize office work and utilize IoT and AI]); and (v) make ROE a KPI (aim to achieve a market capitalization of at least 50.0 billion yen and ROE of at least 8% and payout ratio 60% or more to enhance shareholder returns).

Overview of operating results by segment is as follows.

<Asphalt Plant-Related Business>

Net sales of the Asphalt Plant-Related Business declined 5.9% compared with a year earlier to 18,328 million yen due to the impact of temporary slowdown in the progress of projects primarily in product sales. Order backlog also was affected by the low progress in projects and fell 6.2% to 7,725 million yen.

<Concrete Plant-Related Business>

Net sales of the Concrete Plant-Related Business rose 17.7% compared with a year earlier to 10,839 million yen, as sales of both products and maintenance services increased given strong user demand for capital investment. Order backlog also grew significantly by 27.7% compared with a year earlier to 5,755 million yen.

<Environment- and Conveyor-Related Business>

Net sales of the Environment- and Conveyor-Related Business, which was relatively more affected by the spread of COVID-19 infection, recovered and increased 26.3% compared with a year earlier to 3,018 million yen. Order backlog was almost unchanged at 631 million yen, which is down 0.8% compared with a year earlier.

<Other Businesses>

Net sales of the Other Businesses declined 2.0% compared with a year earlier to 6,660 million yen, as net sales of the mobile plants and waterproof boards increased but those of temporary construction materials declined. Order backlog rose significantly by 142.3% compared with a year earlier to 2,377 million yen. The order backlog includes 1,484 million yen in those of Ube Kohki Co., Ltd.

Net sales by business segment (comparison with the previous fiscal year)

		Asphalt Plant-Related Business	Concrete Plant-Related Business	Environment- and Conveyor-Related Business	Other business	Total
Fiscal year ended March 31, 2022	Net sales (mil. yen)	18,328	10,839	3,018	6,660	38,846
	Share (%)	47.2	27.9	7.8	17.1	100
Fiscal year ended March 31, 2021	Net sales (mil. yen)	19,467	9,212	2,390	6,796	37,866
	Share (%)	51.4	24.3	6.3	18.0	100

Note: 1. Net sales are rounded down to the nearest million yen.

2. Shares are rounded to the first decimal place.

(ii) Future outlook

In the Asphalt Plant-Related Business in Japan, while there was a temporary slowdown in progress of projects apparently due to the impact of the organizational restructuring of major road paving companies, which are the main customers, replacement demand for plants manufactured in 1980s continues to plateau, and the demand for the Asphalt Plant-Related Business in Japan continues to be strong similar to the Concrete Plant-Related Business.

Overseas, the sales subsidiary in Thailand has been making steady progress in sales activities primarily through influential sales agents, although the start of full operation of the new plant of the Thai manufacturing subsidiary was delayed until March 2022 due to lack of labor caused by the spread of COVID-19 infection and bad weather. In China, active infrastructure investment is expected for the time being and demand for asphalt plants is expected to continue while there are concerns such as personnel costs and rising prices of raw materials, etc. resulting from price increases, and the impact of the recent lockdown related to COVID-19 countermeasures. The Company expects that a market environment, where the Nikko Group can leverage the advanced technological capabilities it has been developing in Japan will continue for the time being, given the tightening of environmental restrictions and popularization of recycled mixture.

For the fiscal year ending March 31, 2023, the Company expects to achieve consolidated net sales of 42,000 million yen, operating income of 2,300 million yen, ordinary income of 2,500 million yen, and net income attributable to owners of parent of 1,600 million yen.

(2) Overview of Financial Conditions for Fiscal Year Ended March 31, 2022

(i) Assets, Liabilities, and Net Assets

Total assets at the end of the fiscal year (March 31, 2022) amounted to 52,079 million yen, an increase of 3,381 million yen from the end of the previous fiscal year.

Current assets came to 34,127 million yen, increasing 1,746 million yen from the end of the last consolidated fiscal year. Main factors contributing to the change are increases of 2,733 million yen in work in process and partly-finished construction, 225 million yen in raw materials and supplies, and 116 million yen in electronically recorded monetary claims as well as decreases of 1,092 million yen in notes and accounts receivable-trade and 503 million yen in merchandise and finished goods.

Noncurrent assets came to 17,951 million yen, up 1,635 million yen from the end of the previous consolidated fiscal year. Factors contributing to the change include an increase of 1,387 million yen in buildings and structures, an increase of 371 million yen in land, and an increase of 177 million yen in machinery, equipment and vehicles, and a decrease of 484 million yen in construction in progress.

Liabilities totaled 20,029 million yen, increasing 2,783 million yen from the end of the last consolidated fiscal year. Factors contributing to the change include contract liabilities (advances received till the previous fiscal year) rising 1,472 million yen, long-term loans payable rising 1,279 million yen, notes and accounts payable-trade rising 540 million yen, and retirement benefit-related liabilities rising 131 million yen as well as electronically recorded obligations declining 146 million yen and accounts payable-other declining 100 million yen.

Net assets came to 32,050 million yen, increasing 598 million yen from the end of the last consolidated fiscal year. Factors contributing to the change include an increase from recording of 1,649 million yen in income attributable to owners of parent, an increase in foreign currency translation adjustment of 296 million yen, a decrease due to dividend payment of 1,260 million yen and a decline of 139 million yen in valuation difference on available-for-sale securities.

As a result, equity ratio dropped to 61.5% from 64.5% at the end of the previous fiscal year.

(ii) Cash Flows

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Change
Cash flow from operating activities (mil. yen)	2,224	2,784	(560)
Cash flow from investing activities (mil. yen)	(2,165)	(1,867)	(297)
Cash flows from financing activities (million yen)	(282)	(1,129)	847
Effect of exchange rate changes on cash and cash equivalents (million yen)	168	80	87
Net increase (decrease) in cash and cash equivalents (million yen)	(54)	(131)	77
Cash and cash equivalents at beginning of year (million yen)	12,444	12,575	(131)
Cash and cash equivalents at end of year (million yen)	12,389	12,444	(54)

Cash provided by operating activities totaled 2,224 million yen (compared with 2,784 million yen in cash provided by operating activities in the previous fiscal year). Major items in cash flow from operating activities include 2,599 million yen in net income before income taxes, 745 million yen in depreciation and amortization, 1,653 million yen in decrease in notes and accounts receivable-trade, and 126 million yen in interest and dividends income received as well as 325 million yen in gain on sales and valuation of investment securities, 1,583 million yen in expenditure from an increase in inventories, 28 million yen in decrease in notes and accounts payable-trade, and 1,002 million yen in income taxes paid.

Cash used in investing activities totaled 2,165 million yen (compared with 1,867 million yen in cash used in investing activities in the previous fiscal year). Major items in cash flow from investing activities include 754 million yen in proceeds from sales and redemption of investment securities as well as 1,697 million yen in purchase of property, plant and equipment and intangible assets, 733 million yen in purchase of shares of subsidiaries resulting in change in scope of consolidation.

Cash used in financing activities totaled 282 million yen (compared with 1,129 million yen in cash used in financing activities in the previous fiscal year). Major items in cash flow from financing activities include 1,099 million yen in proceeds from long-term loans payable as well as 1,260 million yen in cash dividends paid.

As a result, consolidated cash and cash equivalents at the end of the fiscal year under review decreased by 54 million yen from the end of the previous fiscal year to 12,389 million yen.

Changes in cash flow-related indicators

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Equity ratio (%)	69.2	66.3	64.5	61.5
Return on equity based on market value (%)	42.0	51.7	57.3	44.6
Cash flow to interest-bearing debt (years)	-	2.5	0.9	1.7
Interest coverage ratio (times)	-	82.4	75.2	44.1

Notes: Return on equity: Total equity/Total assets

Return on equity based on market value: Market valuation/Total assets

Cash flow to interest-bearing debt: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest expenses

*All indicators are calculated based on consolidated figures.

*Market valuation is calculated by multiplying the number of shares issued at end of period (excluding treasury stock) with the closing stock price of the period.

Cash flows from operating activities in the Consolidated Statements of Cash Flows are used for operating cash flow. Interest-bearing debt includes all liabilities recorded on the Consolidated Balance Sheets on which interest is paid. Interest paid in the Consolidated Statements of Cash Flows is used for Interest expenses.

(3) Basic Policy Concerning Profit Distribution and Dividends for the Current Term and Next Term

The Company identifies the return of profits to shareholders as an important management goal, and in principle, pays dividends continuously by taking into account the business performance in the period. It is the Company's basic policy to strive to strengthen its management foundation and enhance corporate value to meet the shareholders' expectations and make decisions on return of profits from a comprehensive perspective including enhancement of internal reserves.

The Company expects to propose dividends of 15.00 yen per share at the 159th Ordinary General Shareholders' Meeting scheduled on June 24, 2022.

For the next fiscal year, the Company plans annual dividend of 30.00 yen per share (dividend payout ratio of 71.7%), consisting of interim and year-end dividends of 15.00 yen per share each.

(4) Risks Associated with Business, etc.

(i) Risks associated with the Asphalt Plant-Related Business in Japan

<Risk of insufficient differentiation with competitors>

The asphalt plant market in Japan is an oligopoly where the Company and another competing company account for almost 100% of the market. The Company's market share is more than 70% and its positioning as the top manufacturer has not changed for years. The Company will pursue differentiation by developing new products that contribute to realizing carbon-neutral society and CO₂ reduction and through business model reform of the maintenance service business as well as the offering of remote and automated support to secure our position as the overwhelming top manufacturer. However, there is a possibility that the appeal of this differentiation for customers becomes weak if the Company is unable to engage in sufficient product development or if other companies develop a meticulous maintenance system that compares favorably with the Company's system.

<Risks of foreign manufacturers entering the Japanese market>

In recent years, no foreign manufacturer has entered the asphalt plant market in Japan, but Chinese and Korean manufacturers have been gradually acquiring technical strengths and may be planning to enter the Japanese market. While it would not be easy for foreign manufacturers to enter the Japanese market without sufficient maintenance structures, there is a possibility that they would seriously consider entering the Japanese market when the growth in their respective market has stalled. If foreign manufacturers join the Japanese market, the competition among manufacturers may intensify.

<Risks of shrinking market due to reorganization of the road paving industry>

The organizational restructuring of major road paving companies has been gathering pace, which could lead to reorganization of the road paving industry in the future. If industrial reorganization results in further consolidation of asphalt plants, the market may shrink.

(ii) Risk associated with Nikko's technological innovation not catching up with the initiatives for reducing environmental burden

Asphalt plants primarily use fossil fuels as energy source. About 1.5 million tons a year of CO₂ is estimated to be emitted in Japan for manufacturing asphalt mixture, and 70% of the emissions are thought to be from Nikko-manufactured plants based on the market share. In close collaboration with road pavement companies, who are the customers, Nikko is working on early social implementation of technological innovations such as fuel efficiency improvement and shifting of heat source at asphalt plants (carbon-neutral fuels, electrical heating, etc.), improvement of transportation efficiency through innovation of mixture transportation method, collection of CO₂ emitted by asphalt plants, and CO₂ absorption using ready-mixed concrete. However, there is a possibility of our technological innovation not keeping pace if the global movement of reducing environmental burden advances faster than expected.

(iii) Risks associated with the overseas business

<Risks of intensifying competition in the high-end asphalt plant market in China>

The Company has secured a certain position in the high-end model category in the asphalt plant market in China and has been steadily recording sales and profit every year. So far, the competitors in the high-end market are two European companies in addition to one or two top Chinese manufacturers, and competition has been mild.

However, Chinese companies in general have been gaining technical strength and the competition may intensify if many Chinese manufacturers enter the high-end market in the future.

<Risks of failing to achieve sales plan in the ASEAN market>

As part of the growth strategy, we established a manufacturing subsidiary in Thailand in FY 2020 and invested more than 1.0 billion yen in the factory. The premise of this investment is that we can stably sell asphalt plants every year in Thailand and other ASEAN countries. However, if the Company's plants do not gain enough support from customers in the ASEAN countries including Thailand and the Company cannot sell the planned number of plants, the manufacturing plant would record losses, running a risk of impairment of the plant.

(iv) Risks associated with reduction in budget for public investment

In the past, when political power shifted to the Democratic Party of Japan from the Liberal Democratic Party, "from concrete to people" became the former's slogan and many of the Company's customers began curbing capital investment. As a result, our sales declined significantly. In the future, if a party that holds up a policy to reduce public investment forms the government, our customers may shift to curb investment like they did during the previous Democratic Party of Japan regime.

(v) Risk regarding securing of human resources to engage in on-site operations

With our business model, we carry out the entire process from plant manufacture to installation on site and offering of maintenance service all in-house. In maintenance service, the Company has been promoting labor saving in maintenance operations utilizing IoT, etc., but recently it is becoming more difficult to recruit human resources to engage in on-site operations such as maintenance service workers and those engaging in construction work given the labor shortage. If we are unable to hire the required number of on-site workers, it may become difficult to maintain a competitive edge with our business model.

(vi) Risk associated with spread of COVID-19

As the country sees gradual recovery from the impact of the COVID-19 pandemic, the Japanese construction industry, in general, has not had any significant direct impact from the COVID-19 pandemic and has been performing solidly, and we also expect minimal impact on the industry in the future. However, there remains the risk of the pandemic resurging with new strains, and there are countries and regions around the world including China where the infection is spreading. Under such circumstances, if any of our employees get infected with COVID-19 or is identified as a close contact, he or she must temporarily stay away from work. It may significantly affect delivery to customers, as our products are designed according to the order and then manufactured, especially if an employee in the engineering division gets infected and the designing operation has to stop for a certain period of time.

Further, in overseas operations, if the spread of COVID-19 in countries where we have operations restricts social activities, it may become difficult to carry out sales activities there. In particular, if the infection spreads in China, Thailand, and Taiwan, where the Nikko Group has business bases, there is a possibility of direct impact.

(vii) Risk associated with rising prices of materials, etc.

As the global economy heads towards a recovery from the world-wide COVID-19 pandemic, and amid spreading price increases caused by supply restrictions and the tight logistic situation, prices of fuels such as crude oil and natural gas have risen drastically due to the Russia-Ukraine situation, accelerating price increases. The prices of materials the Company purchases are also continuing to rise and its profitability may worsen if this situation persists into the future.

(viii) Risk associated with the Russia-Ukraine situation

The Company has suspended transactions with Russia. In recent years, its transactions for Russia were limited to parts worth several tens of millions of yen a year and the impact of the suspension of the transactions is negligible. However, the rises in crude oil and other prices and the disruption in the global economy due to the impact of the Russia-Ukraine situation may impact capital investment plans, etc. to customers of the Company.

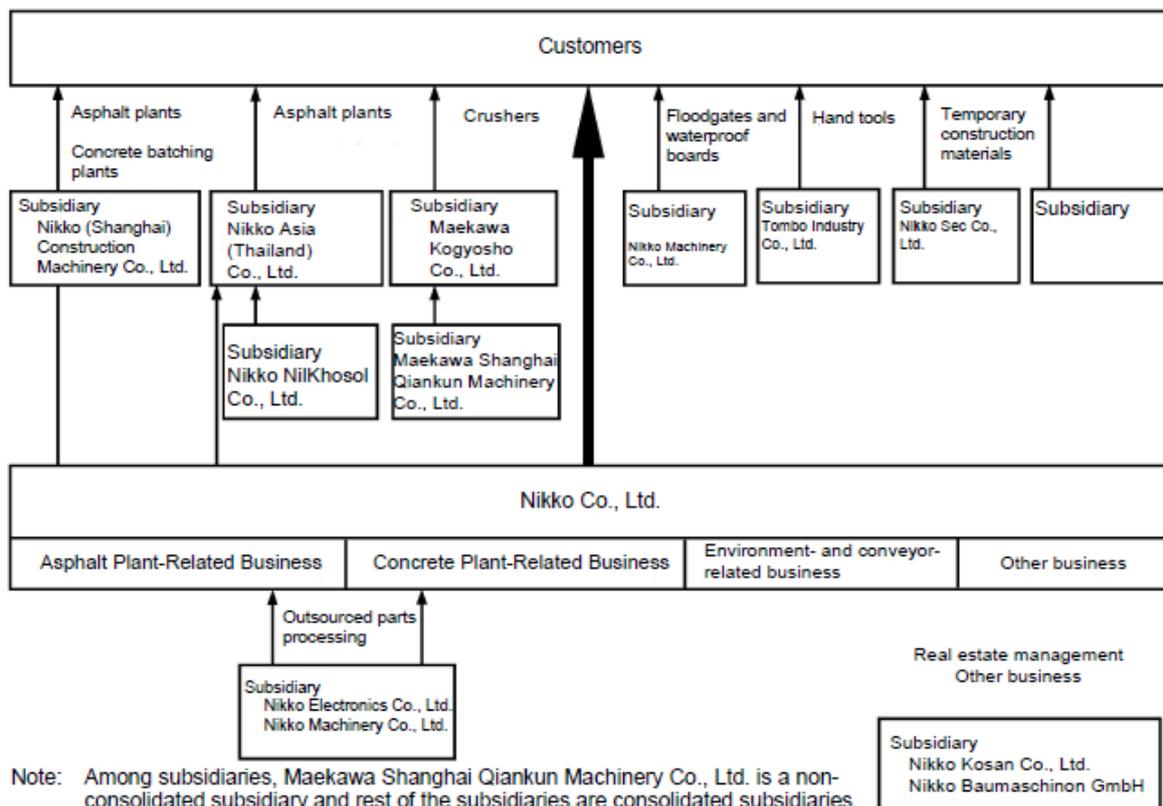
2. Status of the Nikko Corporate Group

The Nikko corporate group consists of the Company and 12 subsidiaries. The principal business of Nikko Group is manufacture and distribution of asphalt plants, concrete plants, and environment and conveyor machinery, and it is also engaged in real estate leasing and sales of housing renovation, etc.

In the segment information by type of business, the asphalt plant business is classified as the Asphalt Plant-Related Business, concrete plant business as the Concrete Plant-Related Business, the environment and conveyor business as the Environment- and Conveyor-Related Business and the other business including temporary construction materials and hand tools as the Other Business.

Category	Main products	Main companies
Asphalt Plant-Related Business	Asphalt plants Recycling plants Mixture silos Electronic control devices, plant management system	Nikko Co., Ltd. Nikko Electronics Co., Ltd. Nikko Machinery Co., Ltd. Nikko (Shanghai) Construction Machinery Co., Ltd. Nikko Asia (Thailand) Co., Ltd. Nikko Nilkhosol Co., Ltd.
Concrete Plant-Related Business	Concrete plants Compact concrete plants Concrete pumps Electronic control devices, plant management system Concrete manufacturing plant facilities, etc.	Nikko Co., Ltd. Nikko Electronics Co., Ltd. Nikko Machinery Co., Ltd. Nikko (Shanghai) Construction Machinery Co., Ltd.
Environment- and Conveyor-Related Business	Belt conveyors, conveyors for facilities, beverage container recycling plants Soil remediation plant, plastic recycling plant	Nikko Co., Ltd.
Other business	Pipe scaffoldings, steel gangplanks, pipe supports Temporary aluminum staircases Shovels, spades Small-sized concrete mixers, mortar mixers Sluices, waterproof boards, crushers Real estate leasing, construction machinery product leasing Housing renovation Industrial machinery, gas holders, solar LED	Nikko Co., Ltd. Nikko Machinery Co., Ltd. Tombo Industry Co., Ltd. Nikko Sec Co., Ltd. Nikko Kosan Co., Ltd. Maekawa Kogyosho Co., Ltd. Maekawa Shanghai Qiankun Machinery Co., Ltd. Ube Kohki Co., Ltd. Nikko Baumaschinen GmbH

The group organizational chart is shown in the following page.



3. Basic Approach to the Selection of Accounting Standards

The Nikko Group plans to continue applying the Japanese accounting standards for the time being taking into consideration availability of periodical comparison of its consolidated financial statements and availability of comparison among other companies.

It plans to respond appropriately to the application of the International Financial Reporting Standards (IFRS) by taking into consideration the situation in Japan and overseas.

4. Consolidated Financial Statements and Notes to the Statements

(1) Consolidated Balance Sheets

(million yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and cash equivalents	12,491	12,436
Notes and accounts receivable-trade	10,530	9,438
Electronically recorded monetary claims	1,477	1,594
Merchandise and finished goods	1,494	990
Work in process	4,236	6,970
Raw materials and supplies	1,470	1,695
Other business	685	1,002
Allowance for doubtful accounts	(5)	(0)
Total current assets	32,381	34,127
Non-current assets		
Property and equipment		
Buildings and structures (net)	3,839	5,227
Machinery, equipment and vehicles (net)	1,078	1,256
Tools, furniture and fixtures (net)	365	399
Land	3,205	3,577
Lease assets (net)	2	1
Right-of-use assets (net)	71	72
Construction in progress	619	134
Total property, plant and equipment	9,183	10,669
Intangible assets		
Goodwill	-	266
Other business	660	769
Total intangible assets	660	1,036
Investments and other assets		
Investment securities	4,528	4,336
Investments in capital	11	15
Long-term loans receivable	11	8
Deferred tax assets	792	864
Other business	1,259	1,152
Allowance for doubtful accounts	(131)	(131)
Total investments and other assets	6,472	6,246
Total noncurrent assets	16,315	17,951
Total assets	48,697	52,079

(million yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,591	3,132
Electronically recorded obligations	1,015	868
Accounts payable-factoring	2,806	2,783
Short-term loans payable	2,188	2,229
Income taxes payable	586	518
Accounts payable-other	765	664
Advances received	2,949	17
Contract liabilities	-	4,405
Provision for bonuses	531	483
Provision for directors' bonuses	76	76
Provision for loss on order received	126	35
Other business	782	559
Total current liabilities	14,418	15,774
Long-term liabilities		
Long-term loans payable	304	1,583
Deferred tax liabilities	5	7
Provision for directors' retirement benefits	170	182
Retirement benefit-related liabilities	1,995	2,126
Other business	351	354
Total noncurrent liabilities	2,827	4,254
Total liabilities	17,246	20,029
Net assets		
Shareholders' equity		
Capital stock	9,197	9,197
Capital surplus	7,926	7,925
Retained earnings	13,366	13,755
Treasury stock	(805)	(784)
Total shareholders' equity	29,685	30,093
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,592	1,453
Foreign currency translation adjustment	264	560
Accumulated retirement benefit-related adjustment	(114)	(104)
Total accumulated other comprehensive income	1,742	1,910
Non-controlling interests	24	46
Total net assets	31,451	32,050
Total liabilities and net assets	48,697	52,079

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)

(million yen)

	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Net sales	37,866	38,846
Cost of sales	27,675	28,346
Gross profit	10,191	10,500
Selling, general and administrative expenses	7,889	8,447
Operating income	2,302	2,053
Non-operating income		
Interest income	2	2
Dividends income	546	123
Insurance income	30	-
Foreign exchange gains	56	77
Outsourcing service income	49	49
Other business	114	82
Total non-operating income	800	335
Non-operating expenses		
Interest expenses	37	50
Loss on disposal of noncurrent assets	12	0
Compensation for damage	64	14
Expenses for dismantling and removal	-	24
Other business	15	25
Total non-operating expenses	129	114
Ordinary income	2,973	2,274
Extraordinary income		
Gain on sales of investment securities	152	326
Total extraordinary income	152	326
Extraordinary loss		
Loss on sales of investment securities	69	0
Loss on valuation of investment securities	10	-
Total extraordinary loss	79	0
Net income before income taxes	3,045	2,599
Income taxes-current	1,057	944
Income taxes-deferred	(94)	40
Total income taxes	963	985
Net income	2,082	1,614
Loss attributable to non-controlling interests	-	(34)
Net income attributable to owners of parent	2,082	1,649

(Consolidated Statements of Comprehensive Income)

(mil. yen)

	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Net income	2,082	1,614
Other comprehensive income		
Valuation difference on available-for-sale securities	473	(139)
Foreign currency translation adjustment	209	296
Retirement benefit-related adjustment	120	10
Total other comprehensive income	802	167
Comprehensive income	2,885	1,782
(Breakdown)		
Comprehensive income attributable to owners of the parent	2,884	1,817
Comprehensive income attributable to non-controlling interests	1	(34)

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of term	9,197	7,918	12,632	(420)	29,328
Changes during term					
Cash dividends			(1,348)		(1,348)
Net income attributable to owners of parent			2,082		2,082
Purchase of treasury stock				(400)	(400)
Disposal of treasury stock		7		14	22
Change in ownership interest of parent due to transactions with non-controlling interests					
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	7	734	(385)	356
Balance at end of term	9,197	7,926	13,366	(805)	29,685

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated retirement benefit-related adjustment	Total accumulated other comprehensive income		
Balance at beginning of term	1,119	55	(235)	939	25	30,293
Changes during term						
Cash dividends						(1,348)
Net income attributable to owners of parent						2,082
Purchase of treasury stock						(400)
Disposal of treasury stock						22
Change in ownership interest of parent due to transactions with non-controlling interests						
Net changes of items other than shareholders' equity	473	209	120	802	(1)	801
Total changes of items during the period	473	209	120	802	(1)	1,158
Balance at end of term	1,592	264	(114)	1,742	24	31,451

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of term	9,197	7,926	13,366	(805)	29,685
Changes during term					
Cash dividends			(1,260)		(1,260)
Net income attributable to owners of parent			1,649		1,649
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		11		20	32
Change in ownership interest of parent due to transactions with non-controlling interests		(12)			(12)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(1)	388	20	408
Balance at end of term	9,197	7,925	13,755	(784)	30,093

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated retirement benefit-related adjustment	Total accumulated other comprehensive income		
Balance at beginning of term	1,592	264	(114)	1,742	24	31,451
Changes during term						
Cash dividends						(1,260)
Net income attributable to owners of parent						1,649
Purchase of treasury stock						(0)
Disposal of treasury stock						32
Change in ownership interest of parent due to transactions with non-controlling interests						(12)
Net changes of items other than shareholders' equity	(139)	296	10	167	22	190
Total changes of items during the period	(139)	296	10	167	22	598
Balance at end of term	1,453	560	(104)	1,910	46	32,050

(4) Consolidated Statements of Cash Flows

(million yen)

	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Net income before income taxes	3,045	2,599
Depreciation and amortization	677	745
Amortization of goodwill	-	14
Increase (decrease) in allowance for doubtful accounts	(27)	(5)
Increase (decrease) in retirement benefit-related adjustment	80	71
Increase (decrease) in provision for directors' retirement benefits	24	(9)
Interest and dividends income	(548)	(126)
Interest expenses	37	50
Foreign exchange losses (gains)	(19)	(72)
Loss (gain) on sales and valuation of investment securities	(72)	(325)
Decrease (increase) in notes and accounts receivable-trade	(300)	1,653
Decrease (increase) in inventories	(359)	(1,583)
Increase (decrease) in notes and accounts payable-trade	(627)	(28)
Increase (decrease) in advances received	1,281	-
Increase (decrease) in contract liabilities	-	1,172
Other business	187	(1,006)
Subtotal	3,377	3,150
Interest and dividends income received	548	126
Interest expenses paid	(37)	(50)
Income taxes paid	(1,105)	(1,002)
Cash flows from operating activities	2,784	2,224
Cash flows from investing activities		
Payments into time deposits	(47)	(47)
Proceeds from withdrawal of time deposits	47	47
Purchase of investment securities	(14)	(423)
Proceeds from sales and redemption of investment securities	579	754
Purchase of property, plant and equipment and intangible assets	(2,414)	(1,697)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(733)
Payments for acquisition of businesses	-	(127)
Payments of loans receivable	(2)	(4)
Collection of loans receivable	2	7
Other business	(18)	60
Cash flows from investing activities	(1,867)	(2,165)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	550	(125)
Proceeds from long-term loans payable	140	1,099
Repayment of long-term loans payable	(70)	(46)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	-	51
Purchase of treasury stock	(402)	-
Repayments of finance lease obligations	(0)	-
Cash dividends paid	(1,345)	(1,260)
Cash flows from financing activities	(1,129)	(282)
Effect of exchange rate changes on cash and cash equivalents	80	168
Net increase (decrease) in cash and cash equivalents	(131)	(54)
Cash and cash equivalents at beginning of year	12,575	12,444
Cash and cash equivalents at end of year	12,444	12,389

(5) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

(Changes in Accounting Policy)

(Application of the Accounting Standard for Revenue Recognition)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020.) and other standards from the beginning of the fiscal year under review. The Company now recognizes revenue as the amount expected to be received in exchange for promised goods or services when control of said goods or services is transferred to the customer.

The application of the said accounting standard does not affect the consolidated financial statements.

As the Company applied the Accounting Standard for Revenue Recognition, “advances received,” which was recorded as current liabilities in the consolidated balance sheet for the previous fiscal year, shall be included under “contract liabilities” from the fiscal year under review. In accordance with the transitional treatment prescribed by Article 89-2 of the Accounting Standard for Revenue Recognition, the Company did not reclassify the figures for the previous fiscal year using the new description method.

(Application of the Accounting Standard for Fair Value Measurement)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and other standards from the beginning of the fiscal year under review. In accordance with the transitional treatments prescribed in Article 19 of the Accounting Standard for Fair Value Measurement and Article 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company plans to apply the new accounting policies prescribed in the Accounting Standard for Fair Value Measurement and other standards through the future.

The application of the said accounting standard does not affect the consolidated financial statements.

(Change in the method of presentation)

(Consolidated Statements of Income)

From the current fiscal year, the Company independently records outsourcing service income, which used to be included in other of non-operating income, as outsourcing service income accounted for more than 10% of the total amount of non-operating income. To reflect this change in the method of presentation, the Company has reclassified the financial statements for the previous accounting period.

As a result, the 164 million yen of other in non-operating income in the balance sheet for the previous fiscal year has been reclassified as 49 million yen in outsourcing service income and 114 million yen in other.

(Segment Information)

[Segment Information]

1. Overview of reportable segment

The Company's reportable segments are components of the Nikko Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's Board of Directors to decide how to allocate resources and assess performance.

The Company formulates comprehensive strategy for products and services in Japan and overseas and implements business activities.

The Company, therefore, classifies its operations into three reportable segments of Asphalt Plant-Related Business, Concrete Plant-Related Business and Environment- and Conveyor-Related Business.

The Asphalt Plant-Related Business produces asphalt mixing plants, recycling plants, etc. and provides maintenance services. The Concrete Plant-Related Business produces concrete batching plants, etc. and provides maintenance services. The Environment- and Conveyor-Related Business produces environmental and recycling plants, various types of conveyor systems, etc.

2. Calculation of net sales, income/loss, assets, and other items by reportable segment

Accounting methods applied in the reportable business segments are roughly in accordance with the Significant Matters Serving as a Basis for the Presentation of Consolidated Financial Statements.

Reportable segment income is based on operating income.

Intersegment sales or transfers are based on market price.

3. Net sales, income/loss, assets, and other items by reportable segment

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(mil. yen)

	Reportable segment				Other business (note)	Total
	Asphalt Plant-Related Business	Concrete Plant-Related Business	Environment- and Conveyor-related Business	Total		
Net sales						
Sales to outside customers	19,467	9,212	2,390	31,070	6,796	37,866
Inter-segment sales and transfers	-	-	17	17	104	121
Total	19,467	9,212	2,408	31,088	6,900	37,988
Segment income	1,239	879	482	2,601	1,170	3,771
Segment assets	16,181	5,835	1,228	23,244	9,336	32,581
Other items						
Depreciation and amortization	205	102	9	317	191	508
Amortization of goodwill	-	-	-	-	-	-
Increase (decrease) in tangible and intangible assets	1,571	460	47	2,078	461	2,540

Note: Other is a business segment that is not included in reportable segments and includes temporary construction material business, hand tool business, floodgate business, and crusher business.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(mil. yen)

	Reportable segment				Other business (note)	Total
	Asphalt Plant-Related Business	Concrete Plant-Related Business	Environment- and Conveyor-related Business	Total		
Net sales						
Sales to outside customers	18,328	10,839	3,018	32,186	6,660	38,846
Inter-segment sales and transfers	-	-	4	4	262	266
Total	18,328	10,839	3,023	32,191	6,922	39,113
Segment income	562	1,123	587	2,273	1,073	3,346
Segment assets	17,037	5,570	1,423	24,030	12,708	36,739
Other items						
Depreciation and amortization	228	132	13	375	199	575
Amortization of goodwill	14	-	-	14	-	14
Increase (decrease) in tangible and intangible assets	757	283	19	1,059	494	1,554

Note: Other is a business segment that is not included in reportable segments and includes temporary construction material business, hand tool business, floodgate business, and crusher business.

4. Difference between reportable segment total and consolidated financial statement amounts and main factors in the difference (related to difference adjustment)

(mil. yen)

Net sales	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Reportable segment total	31,088	32,191
Net sales for Other	6,900	6,922
Elimination of intersegment transaction	(121)	(266)
Net sales in consolidated financial statements	37,866	38,846

(mil. yen)

Earnings	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Reportable segment total	2,601	2,273
Earnings for Other	1,170	1,073
Elimination of intersegment transaction	-	-
Corporate expenses (note)	(1,469)	(1,293)
Operating income in consolidated financial statements	2,302	2,053

Note: Corporate expenses are expenses of planning and administrative divisions of the Company that are not attributable to reportable segments.

(million yen)

Assets	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Reportable segment total	23,244	24,030
Assets in Other	9,336	12,708
Corporate assets (note)	16,116	15,340
Total assets in consolidated financial statements	48,697	52,079

Note: Assets in Other are assets that are not attributable to reportable segments, including surplus funds managed by the Company, funds for long-term investment, and assets associated with administrative divisions.

(mil. yen)

Other items	Reportable segment total		Other business		Adjustment (note)		Amount in consolidated financial statements	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Depreciation and amortization	317	375	191	199	168	170	677	745
Amortization of goodwill	-	14	-	-	-	-	-	14
Increase (decrease) in tangible and intangible assets	2,078	1,059	461	494	208	352	2,748	1,907

Note: The adjustments for increase in property, plant and equipment and intangible assets are capital investment related to the planning and administrative divisions of the Company.

[Related Information]

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

1. Information by product and service

The categories of products and services are omitted as they are the same as the reportable segments.

2. Information by region

(1) Net sales

(mil. yen)

Japan	China	Other	Total
34,130	3,509	226	37,866

(Note) Net sales are categorized by country or region based on the locations of the customers.

(2) Property and equipment

The amount of property and equipment located in Japan is omitted as it accounted for more than 90% of the property and equipment on the balance sheet.

3. Information by major customer

Sales to outside customers are omitted because net sales to no customer account for 10% or more of net sales on the consolidated statement of income.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

1. Information by product and service

The categories of products and services are omitted as they are the same as the reportable segments.

2. Information by region

(1) Net sales

(mil. yen)

Japan	China	Other	Total
34,099	3,670	1,076	38,846

(Note) Net sales are categorized by country or region based on the locations of the customers.

(2) Property and equipment

(mil. yen)

Japan	China	Other	Total
9,147	471	1,049	10,669

3. Information by major customer

Sales to outside customers are omitted because net sales to no customer account for 10% or more of net sales on the consolidated statement of income.

[Information regarding impairment of non-current assets by reportable segment]

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Not applicable

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Not applicable

[Information regarding the amount of goodwill amortization and the balance of unamortized goodwill by reportable segment]

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Not applicable

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

	Asphalt Plant -Related Business	Concrete Plant -Related Business	Environment- and Conveyor- related Business	Other (note)	Corporate/ elimination	Total
Amortization for term	14	—	—	—	—	14
Balance at end of term	117	—	—	149	—	266

Note: Other is a business segment that is not included in reportable segments and includes temporary construction material business, hand tool business, floodgate business, and crusher business.

[Information regarding gain on bargain purchase by reportable segment]

Not applicable

(Per Share Information)

	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Net assets per share	823.01 yen	837.22 yen
Net income per share	54.31 yen	43.16 yen

Notes 1. Diluted net income per share is not described, as dilutive shares do not exist.

2. The calculation base for profit for the period per share is as follows:

	Fiscal year ended March 31, 2021 (from April 1, 2020, to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Net income per share		
Net income attributable to owners of parent (in million yen)	2,082	1,649
Amount not attributable to common stockholders (million yen)	—	—
Net income attributable to common stock of owners of parent (million yen)	2,082	1,649
Average number of shares outstanding during the term (shares)	38,349,338	38,215,523

(Significant Subsequent Events)
Not applicable

5. Other Information

(1) Changes in Officers

(i) Changes in Representative Directors

Not applicable

(ii) Changes in Other Officers

-Directors to be promoted

Tomomi Nakayama, Managing Director, General Manager, Business Division, Manager, Business Planning Department, and Manager, Asphalt Plant Sales Management Department

(currently, Director, General Manager, Business Division, Manager, Business Planning Department, and Manager, Asphalt Plant Sales Management Department)

-Candidates for Directors

Shigeru Sadakari, Outside Audit & Supervisory Board Member (currently Outside Audit & Supervisory Board Member, Nikko Co., Ltd.)

-Candidates for new Audit & Supervisory Board Members

Koji Yoneda, Outside Audit & Supervisory Board Member (currently lawyer, Tamon Law Office)

-Directors to retire

Noriaki Nagahara, Outside Director

-Audit & Supervisory Board Member to retire

Shigeru Sadakari, Outside Audit & Supervisory Board Member

-Executive Officers to be promoted

Takeshi Sone, Senior Executive Officer, Branch Manager of Kanto Branch, and Manager of Mobile Plant Business Department

(currently Executive Officer, Branch Manager of Kanto Branch, and Manager of Mobile Plant Business Department)

(iii) Expected date of changes

June 24, 2022

(2) Other

Not applicable