



# **Fiscal Year 2019 (Ending March 31, 2020) 2nd Quarter Financial Results Briefing Session Materials**

**November 27, 2019**

**Nikko Co., Ltd.**

(Tokyo Stock Exchange Code: 6306)

Masaru Tsuji, Representative Director and President

Hiroshi Fujii, Managing Director and General Manager of the Financial Division

- ❑ In this briefing material, AP denotes asphalt plants in our business and BP concrete plants.
- ❑ Nikko President Masaru Tsuji will explain the business summary and Hiroshi Fujii, Managing Director and General Manager of Financial Division, will explain the business results and the forecast for the current fiscal year.

Among our consolidated subsidiaries, we were using financial statements as of December 31 for the two overseas consolidated subsidiaries (including Nikko (Shanghai) Construction Machinery Co. Ltd.) with fiscal term ending December 31, and then, making necessary adjustments on important transactions that took place before the consolidated account closing date.

In order to have more appropriate grasp of the company's operational situations and improve disclosure of quarterly consolidated financial statements, we adopted a consolidation method in which we work out provisional results of these companies on March 31, the consolidated account closing date, from the first quarter of the financial period under review.

Due to this change, the consolidated cumulative second quarter of the financial period under review consolidates accounts of these two companies covering the nine-month period from January 1, 2019 to September 30, 2019.

Impact of the change in fiscal term of the overseas subsidiaries is as follows:

New orders received: +766 mil. yen

Net sales: +785 mil. yen

Operating income: +124 mil. yen

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# Company Information

**Company Overview**

Company name	Nikko Co., Ltd.	
Head office	1013-1, Eigashima, Okubo-cho, Akashi, Hyogo Prefecture	
Established	August 13, 1919	
Capital	9,197 mil. yen	(as of March 31, 2019)
Consolidated net sales	31,780 mil. yen	(FY 2018)
Consolidated operating income	1,427 mil. yen	(FY 2018)
Ratio of net sales outside Japan:	12.4%	(FY 2018)
Subsidiaries:	7	(FY 2018)
Employees (consolidated):	799	(as of March 31, 2019)
Governance structure:	Company with Board of Corporate Auditors Directors: 7, of which 2 are outside directors Corporate Auditors: 4, including 3 outside auditors (as of March 31, 2019)	

**Net sales breakdown by business segment (FY 2018)**



\* AP: Asphalt plant  
BP: (Concrete) batching plant



**Management Philosophy**

Adopting a customer-first policy, the Nikko Group provides customers with truly satisfactory products and services, while continually promoting self-reform aimed at winning broad trust and fulfilling our mission as a solutions partner evolving with customers.

Masaru Tsuji  
Representative Director and President  


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- ❑ On August 13, our company marked the 100th anniversary of the foundation.
- ❑ We held internal events as well as external events for customers and declared our intention to continue to be a company that is needed by everyone and the society.
- ❑ To summarize the six months of the current fiscal year, which is the first year under the New Medium-Term Management Plan, we were able to record significant increases in both revenue and profit compared with a year earlier in line with the initial forecast and had a relatively smooth start.
- ❑ The business environment, which means orders for us, continues to be favorable and customers' motivation to invest remains strong for both AP and BP.
- ❑ With regards to the business in China, we have been able to win more orders in value than the previous fiscal year because it is related to Chinese domestic demand, which is not affected by the US-China trade conflict.
- ❑ In addition to the mainstay businesses of AP and BP, we are also focusing our efforts on the mobile plant business including mobile crushers, mobile conveyors, and self-propelled soil improvers as well as the disaster-related business of water sealing plates and waterproof boards, and both businesses are steadily yielding results.
- ❑ Orders received in the first half exceeded the level of the same period a year earlier by 3,000 million yen or 21.6%. At this point, we expect the business performance for the full year to also be in line with the plan, and sales and profits will exceed the previous year's levels in all segments in a balanced manner.

## History



Products	Production Sites	Overseas Expansion	Group Expansion in Japan (including acquisitions and transfer of business)
1919 Established TOMBO brand farming tools	1919 Head Office Plant	1993 Capital participation in Benninghoven (Germany)	1968 Ichilishi Kogyosho (M&A)
1951 Concrete mixers and winches	1938 Industrial machinery factory	1994 Nikko Baumaschinen (Germany)	1971 Nikko Electronics Co., Ltd. established
1956 Ready-mixed concrete plant	1968 Tokyo factory	1997 Taipei branch (Taiwan)	1983 Nikko Machinery Co., Ltd. established
1958 Asphalt plants	1994 Satte factory	2001 Nikko (Shanghai) Construction Machinery	1994 Tombo Industry Co., Ltd. established
1962 Telescopic steel props	2004 Shanghai Jiading factory	2010 Shangtui Chutian Construction Machinery	1995 Nikko Sec Co., Ltd. established
1963 Pipe scaffolding	2014 Kakogawa factory		2002 Niigata Engineering (transfer of business)
1966 Conveyor system	2016 Fukusaki factory		2006 Mitsubishi Heavy Industries (transfer of business)
1983 Floodgates			2008 Maekawa Kogyosho (M&A)
2000 System for cleaning oil-polluted soil			
2001 Waste plastic treatment system			
2007 Concrete pumps			
2015 Crusher (import and sales)			

August 2019

100th anniversary of  
company foundation



## Nikko Group Business Vision

Future creation that starts from an *N*

We will work to increase our corporate value, aiming to clear the listing criterion of TSE first section.

We strive to remain the leading company of asphalt and batching plants.

We aim to expand our overseas business and become the top manufacturer in the Asian market.

We will work to brush up on our core technologies in “heating,” “mixing,” “material handling” and “control” as we expand business.

We will strive to remain a future-creating company ready to contribute to society.

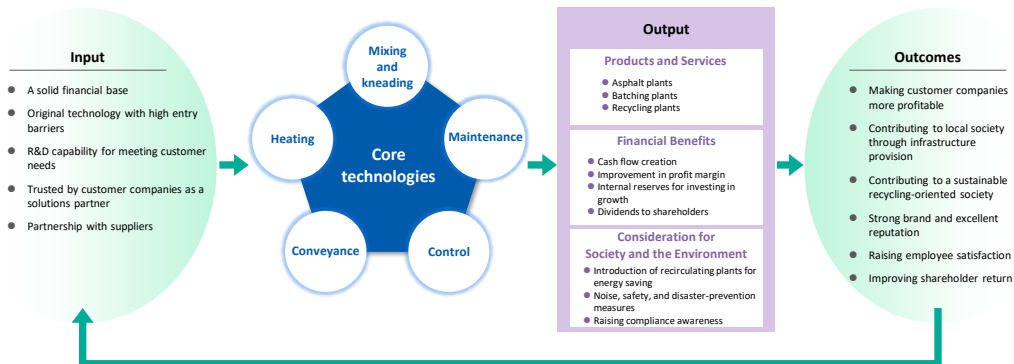
Masaru Tsuji

Representative Director and President

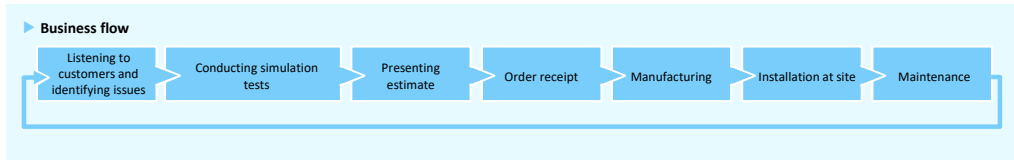


- ❑ The New Medium-Term Management Plan began with the goals of 50.0 billion yen each in sales and market capitalization in 10 years, and we are focusing on ensuring that the activities of the various in-house projects, which are the means to achieve those goals, bear fruits early on.
- ❑ In particular, we are concentrating on the development of business bases in ASEAN for expanding the overseas business. Moreover, we are also working on an initiative to tackle a long-term task of standardizing the operations for improving profitability.
- ❑ Products related to disaster prevention with respect to climate changes are not limited to waterproof boards, as our Group companies also offer other disaster prevention-related products. We will focus on disaster prevention related business including development of new products.

A century of providing machines that build cities.  
Contributing to the establishment of a recycling-oriented society.



FY 2019 estimates   Net sales   35.7 bil. yen   Operating margin   6.4%





- ✓ The Company prepared Nikko Corporate Report 2019, the Nikko Group's integrated report for all stakeholders including investors and shareholders in both Japanese and English.

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- ❑ This year, we prepared an integrated corporate report for the first time. We will continue to strive to enhance information disclosure.
- ❑ It has been reported that the current First Section of the Tokyo Stock Exchange would be transformed into a prime market in the review of the market structure by the Financial System Council.
- ❑ One of the aims of a prime market is to invite investment from overseas, and we have been taking actions such as disclosure of materials in English.
- ❑ As we have been listing our stock on the First Section for more than half a century, we will continue to implement corporate governance faithfully and make efforts so as to remain as a premium market stock.



# **Business Climate and Results in 1H FY 2019**

# Business Climate in 1H (Apr.-Sept.) FY 2019

## 1H FY 2019 Results

(mil. yen)

1H (Apr.-Sept.)	Results	YoY change (amount)	YoY change (%)
Net sales	17,140	+2,442	+16.6%
Operating income	959	+485	+102.3%
Quarterly net income attributable to owners of parent	1,003	+438	+77.8%

- ▶ AP-related business: Net sales of both domestic products and maintenance services declined from the same period a year earlier. Overseas net sales increased, as exports and net sales at Nikko Shanghai rose and due to the change in fiscal term. As a result, net sales increased compared with the same period a year earlier.
- ▶ BP-related business: Net sales increased from the same period a year earlier, as the level of order backlog of domestic products at the beginning of the period was higher compared with the same period a year earlier.
- ▶ New orders received in both AP and BP increased.

## Business Climate

### AP-related business

FY 2019 1H (Apr.-Sept.)	Results (in 10,000 tons)	YoY change
Mixture output	1,731	103.2%
Virgin mixture	450	111.9%
Recycled mixture	1,280	100.5%

Share of recycled mixture	74.0%
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Source: Japan Asphalt Mixture Association

### BP-related business

FY 2019 1H (Apr.-Sept.)	Results (in 10,000m <sup>3</sup> )	YoY change
Ready-mixed concrete shipment	4,074	98.4%

Source: ZENNAMA (National Federation of Ready-Mixed Concrete Industrial Associations and National Federation of Ready-Mixed Concrete Cooperatives Association)

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- ❑ I would like to explain the business results for the first half and the forecast for the full year.
- ❑ Net sales, which is one of the major figures of business results, increased to 17,140 million yen, up 16.6% compared with the same period a year earlier. Operating income doubled to 959 million yen. Net income rose 77.8% to 1,003 million yen. New orders received increased in both AP and BP.
- ❑ Quarterly net income was higher than operating income, reflecting the gain on sales of securities, as we are currently driving forward sales of strategic shareholdings. This is in line with the initial plan.
- ❑ As for the business environment for AP and BP, sales of asphalt mixture was up 3.2% year-on-year and those of virgin mixture in particular marked double-digit growth compared with the previous fiscal year. These figures are for the half-year and therefore may not necessarily be the trend for the current fiscal year.
- ❑ By contrast, sales of ready-mixed concrete fell compared with the same period a year earlier given the impact of the decline in ready-mixed concrete in Tokyo on year with one round of construction work related to the Tokyo Olympic Games coming to an end.

# 1H FY 2019 Performance Highlights (1)



(mil. yen)

	FY 2018		FY 2019				
	1H actual	Full year actual	1H actual	YoY change (amount)	YoY change (%)	1H forecast	Full year forecast
Net sales	14,697	31,780	17,140	+2,442	+16.6%	16,600	35,700
Operating income	474	1,427	959	+485	+102.3%	1,100	2,300
Operating margin	3.2%	4.5%	5.6%	—	—	6.6%	6.4%
Ordinary income	595	1,576	1,034	+438	+73.6%	1,250	2,500
Quarterly net income attributable to owners of parent	564	1,345	1,003	+438	+77.8%	900	2,000
New orders received	13,854	35,103	16,843	+2,989	+21.6%	17,000	34,500
Order backlog	9,289	13,454	13,158	+3,869	+41.7%	13,854	12,254

(yen)

Exchange rate (EUR/JPY)	130.62	129.97	122.36	(8.26)	(6.3%)	125.00	122.50
Exchange rate (RMB/JPY)	17.00	16.63	15.91	(1.09)	(6.4%)	16.50	16.50

- ▶ Order backlog at the beginning of FY 2019 was +3,322 mil. yen compared with a year earlier.
- ▶ Net sales of domestic AP business: -584 mil. yen YoY
- ▶ Net sales of domestic BP business: +706 mil. yen YoY
- ▶ Overseas net sales: Exports +249 mil. yen YoY. Net sales at Nikko Shanghai was +572 mil. yen YoY (nine months)
- ▶ Net sales impact of the change in fiscal term of Nikko Shanghai: +785 mil. yen

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- ❑ As for new orders received and order backlog, new orders received increased about 3,000 million yen compared with the same period a year earlier to 16,843 million yen.
- ❑ Order backlog rose significantly from a year earlier to 13,158 million yen.
- ❑ Taking into account the situation of the first half, we revised up the forecasts of new orders received and order backlog for the full year of fiscal year 2019, 34,500 million yen and 12,200 million yen, respectively, in page 24.

## 1H FY 2019 Performance Highlights (2)



(mil. yen)

		FY 2018		FY 2019			
		1H actual	Full year actual	1H actual	Year-on-year change	1H forecast	Full year forecast
AP-related business	Net sales	7,833	16,434	8,667	+833 +10.6%	9,100	18,700
	Operating income	415	963	676	+261 +62.9%	840	1,570
	Operating margin	5.3%	5.9%	7.8%	—	9.2%	8.4%
BP-related business	Net sales	3,870	7,893	4,569	+698 +18.0%	4,000	9,200
	Operating income	358	666	297	(61) (17.0%)	320	750
	Operating margin	9.3%	8.4%	6.5%	—	8.0%	8.2%
Environment- and conveyor-related business	Net sales	1,098	2,775	1,353	+254 +23.2%	1,400	2,900
	Operating income	108	417	219	+110 +102.0%	240	500
	Operating margin	9.8%	15.0%	16.2%	—	17.1%	17.2%
Other business	Net sales	1,894	4,677	2,549	+655 +34.6%	2,100	4,900
	Operating income	93	502	448	+355 +379.4%	215	510
	Operating margin	4.9%	10.7%	17.6%	—	10.2%	10.4%
Corporate expenses		(502)	(1,122)	(683)	+180	(515)	(1,030)

- ▶ AP-related business: Down 8.7% YoY, as domestic sales of both products and maintenance service business declined. Overseas net sales rose 130.1% YoY, reflecting increases in exports and net sales at Nikko Shanghai as well as the change in fiscal term.
- ▶ BP-related business: Net sales increased 18.0% YoY, as both products and maintenance services grew. Operating income fell 17.1% due to a decline in product profit margin.
- ▶ Other business: Net sales of crushers and waterproof boards rose YoY.

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- ❑ By segment, profit from AP increased significantly partly due to the poor figures last year.
- ❑ While sales of BP increased, profit declined compared with last year and operating margin came to 6.5%.
- ❑ Although operating margin of BP had been kept at about 10% for the past several years, there were unprofitable cases including some in the red in the first half.
- ❑ There was some impact of the fact that, with three companies competing in the BP market, we took on unprofitable projects under the strategy to expand our market share by making inroads into other companies' markets.
- ❑ In the environment- and conveyor-related business, regarding sales and profits, profit drastically increased as a result of raising the prices of conveyor products.
- ❑ In the other business, sales of waterproof boards and crushers, which are products with high profit margins, grew strongly and operating income of the segment increased significantly.

Quarterly net sales and operating income trends





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

- ▶ New orders received: Domestic new orders were +272 mil. yen YoY, while new orders at Nikko Shanghai were +1,646 mil. yen YoY (nine months). Impact of the change in fiscal term of Nikko Shanghai was +766 mil. yen.
- ▶ Net sales: Domestic plant products declined YoY. Impact of the change in fiscal term of Nikko Shanghai was +785 mil. yen. Net sales at Nikko Shanghai was +572 mil. yen YoY (nine months). Exports increased by 253 mil. yen. Net sales of maintenance service fell slightly.
- ▶ Operating income: Impact of the change in fiscal term of Nikko Shanghai was +124 mil. yen.

- ❑ In the AP business, which is our core business, it is regrettable that net sales of both domestic products and maintenance service slightly declined compared with the previous year.
- ❑ On the other hand, regarding overseas, exports increased and net sales of Nikko Shanghai also expanded. There was some impact of the change in fiscal term of our overseas subsidiaries and Nikko Shanghai.

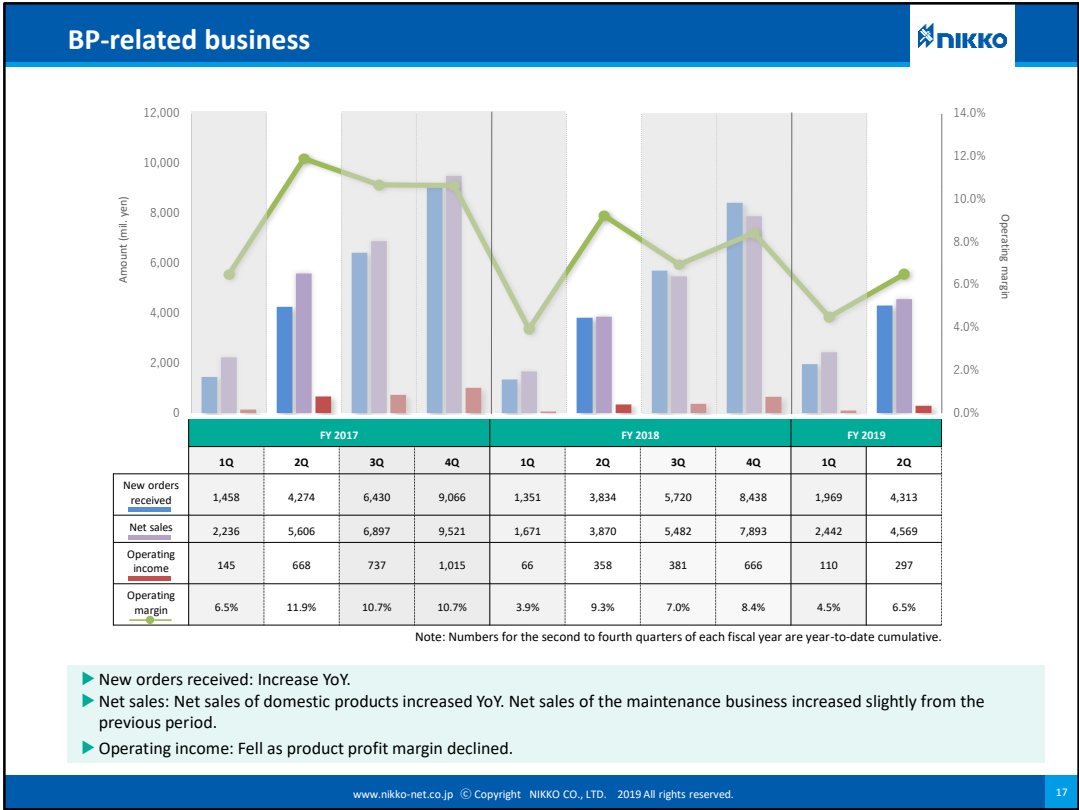
## AP-related business (Japan vs. overseas)



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

- ▶ Japan: Domestic plant products declined from a year earlier.
- ▶ Overseas: Net sales increased YoY, as one plant was sold to Russia and two to Thailand.
- ▶ Nikko Shanghai: Net sales at Nikko Shanghai was +572 mil. yen YoY (nine months). Impact of the change in fiscal term of Nikko Shanghai was +785mil. yen.
- ▶ Maintenance service: Slight decline.





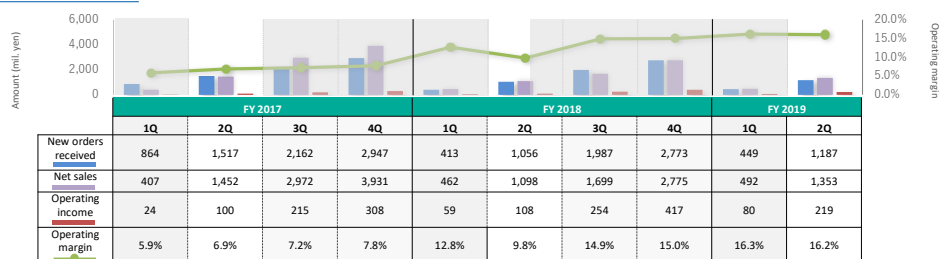
- ❑ There are almost no BP products for overseas. Net sales increased from the same period a year earlier, as the level of order backlog at the beginning of the period was higher than the previous fiscal year.
- ❑ However, as I have explained earlier, some sales had very poor profit margin, resulting in a profit decline.

## Environment- and Conveyor-Related Businesses and Other Business-Related Business



### Environment- and conveyor-related business

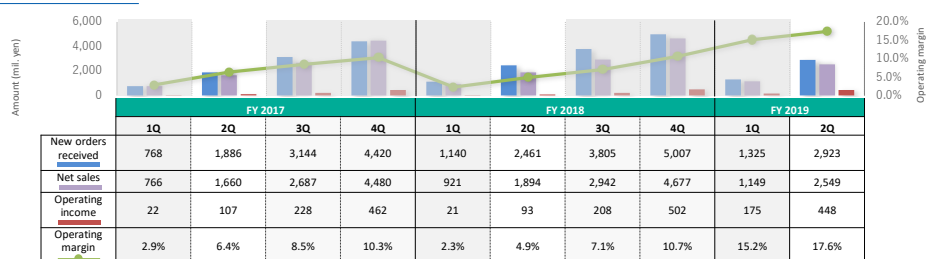
Note: Numbers for the second to fourth quarters of each fiscal year are year-to-date cumulative.



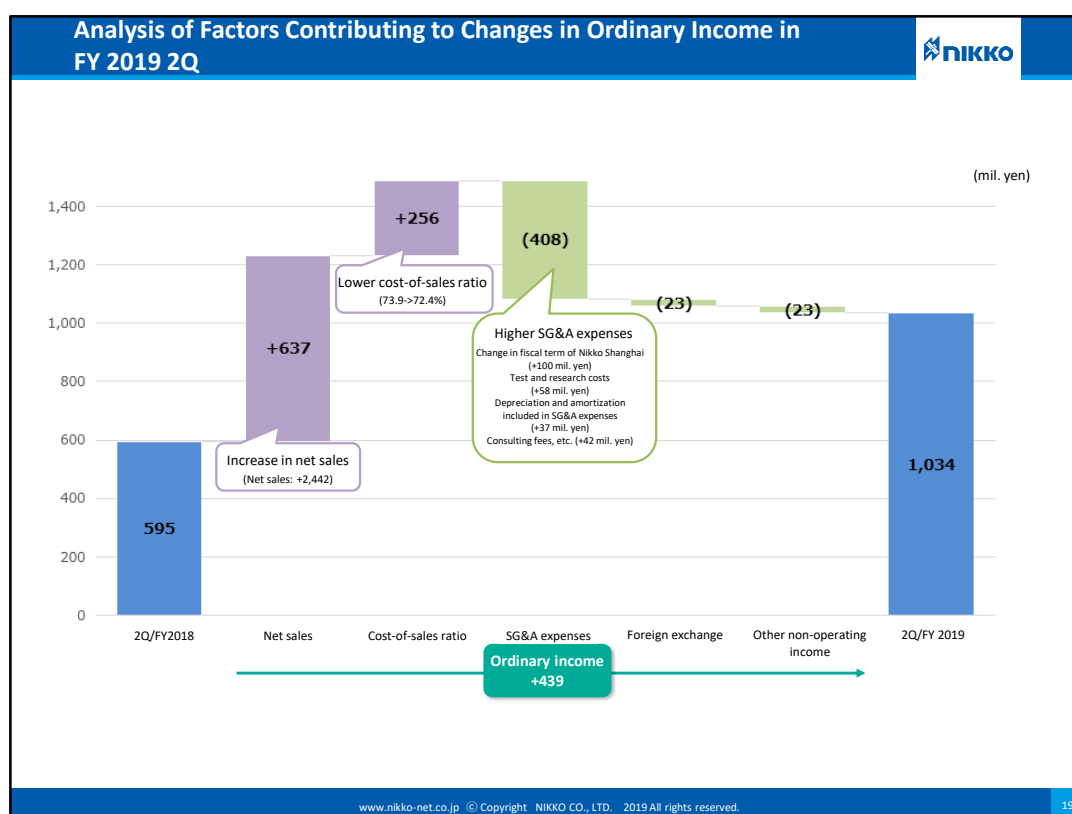
- ▶ New orders received: Increased, as the number of conveyor products rose and the number of the products with added options expanded.
- ▶ Net sales: Increased for the same reasons as new orders received; the number of conveyor products and the number of the products with added options increased.
- ▶ Operating income: Increased as sales of conveyor products 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: Orders for waterproof boards increased 152% YoY.
- ▶ Net sales: Increased, as net sales of crushers and waterproof boards rose 77% and 349% YoY respectively.
- ▶ Operating income: Increased YoY reflecting higher sales of highly profitable crushers and waterproof boards.



- ❑ This is a quick analysis of factors contributing to changes in ordinary income in the first half of the current fiscal year.
- ❑ Ordinary income rose 439 million yen to 1,034 million yen in the current fiscal year compared with 595 million yen in the same period year earlier. The contribution from the net sales increase was 637 million yen and that from a 1.5 percentage point improvement in cost of sales was 256 million yen.
- ❑ On the other hand, SG&A expenses increase drastically. Since we consider the increase in SG&A expenses as a very aggressive investment for the future, we do not take it negatively.
- ❑ Of the 408 million yen increase in SG&A expenses, 100 million yen is attributable to the nine month results of Nikko Shanghai in the first half.  
The actual increase in SG&A expenses is about 300 million yen after deducting this amount.
- ❑ The breakdown of the increase is test and research costs, depreciation and amortization, consulting fees for several projects for market research and drafting of strategies for establishing business bases in ASEAN, and an increase in personnel expenses.
- ❑ In addition, foreign exchange rate worsened given the weaker Chinese yuan.

## Balance Sheet Trends



(mil. yen)

		2Q/FY2018	2Q/FY 2019	Change	Main factors in year-on-year change
Assets	Current assets	29,484	31,045	+1,561	Increases: Cash and deposits +1,787 mil. yen Work-in-progress +386 mil. yen Finished goods and merchandise +296 mil. yen Decrease: Notes and accounts receivable-trade (609) mil. yen
	Property and equipment	6,167	6,859	+692	Increases: Buildings and structures +731 mil. yen Machinery, equipment and vehicles +164 mil. yen Deferred tax assets +141 mil. yen Decreases: Investment securities (1,801) mil. yen Construction in progress (371) mil. yen
	Intangible assets	336	404	+67	
	Investments and other assets	8,596	7,030	(1,565)	
Total assets		44,586	45,340	+754	
Liabilities	Current liabilities	10,913	11,740	+827	Increases: Notes and accounts payable-trade +248 mil. yen Income taxes payable +231 mil. yen Other current liabilities +200 mil. yen Decreases: Accounts payable (149) mil. yen Deferred tax liabilities (423) mil. yen
	Long-term liabilities	3,167	2,764	(403)	
Total net assets		30,504	30,835	+330	Increases: Capital +109 mil. yen Retained earnings +1,324 mil. yen Decreases: Valuation difference on available-for-sale securities (1,101) mil. yen Foreign currency translation adjustment (188) mil. yen Treasury stock (156) mil. yen
Net assets per share (yen)		796.10	795.25	(0.85)	

\*The Company carried out a one-to-five split of its common stock effective on October 1, 2019.  
Quarterly net income per share was calculated assuming that the split took place at the beginning of the previous fiscal year.

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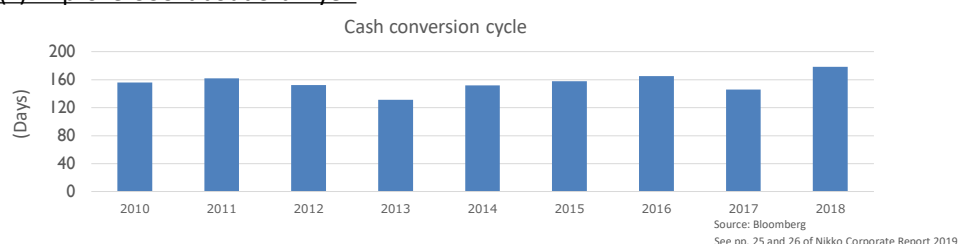
- ❑ There were some significant changes in account items on the balance sheet in comparison with the same period a year earlier.
- ❑ Cash and deposits increased markedly by 1,700 million yen, while accounts receivable fell 600 million yen.
- ❑ Property and equipment increased, even after balancing it with construction in progress, as we are carrying out proactive capital investment. Investment securities declined 1,800 million yen.
- ❑ Among liabilities, accounts payable slightly increased.
- ❑ Deferred tax assets declined drastically due to the impact of the sales of strategic shareholdings with unrealized gain.
- ❑ The increase in net assets was limited to 330 million yen but there are changes in its breakdown.
- ❑ Levels of capital surplus and treasury stock changed. We distributed what was equivalent to 500 current shares of our own stock to all 800 employees as a commemorative bonus marking the 100th anniversary, and the difference between the purchase price of the own stock and the market price at the time of distribution resulted in an increase in capital surplus.
- ❑ At the same time, treasury stock declined as we used our own stock for this purpose. The allotment of shares with restriction on transfer to the executives also had some impact.

To realize assets worth about 5 bil. yen lying dormant on the balance sheet

(i) Sell strategic shareholdings: about 2 bil. yen

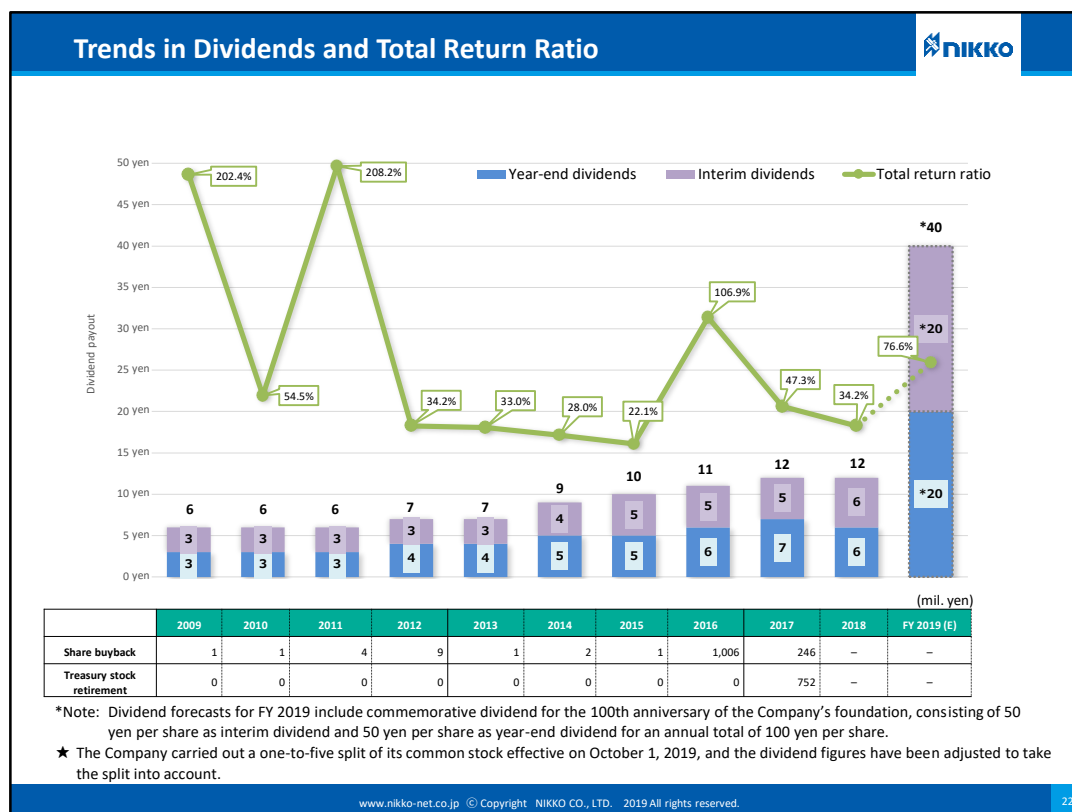
Status of reducing strategically-held shares (in mil. yen)				
	FY 2016	FY 2017	FY 2018	FY 2019 1H
Number of issues	5	7	6	4
Amount sold	193	405	194	645
Book value	132	221	106	197
Capital gain	61	184	88	448

(ii) Improve CCC: about 3 bil. yen



- ❑ Next is the financial strategy. We are often told that our financial standings are solid but there still is a possibility of having to raise cash through our own efforts for investments in the future. So, we are working under the goal of realizing 5,000 million yen.
- ❑ One is the sales of strategic shareholdings. In the first half, we sold strategic shareholdings worth 197 million yen in book value and 645 million yen in sales value and recorded gain on sales of 448 million yen.
- ❑ As for the cash conversion cycle also, we aim to make an improvement of 3,000 million yen.

It worsened considerably in fiscal year 2018.



- ❑ Next is dividends and total return ratio. The dividends in this page are adjusted to show the dividends after the one-to-five split carried out on October 1.
- ❑ For the current fiscal year, we plan to pay a total dividend of 40.00 yen per share made up of the 100th anniversary dividend of 20.00 yen per share and the regular dividend of 20.00 yen per share.
- ❑ We have been gradually increasing the dividend from 6 yen to 7 yen, 9 yen, and 12 yen per share, and in the current fiscal year we are planning a considerable increase essentially to 20.00 yen per share.
- ❑ The slide shows the total return ratio. The dividend payout ratio is 76.6% for the current fiscal year and it is 38.3% when the commemorative dividend is excluded.
- ❑ In the New Medium-Term Management Plan announced recently, we set the return ratio goal at 60% or higher as we carry out shareholder return through dividend payment.
- ❑ For the current fiscal year, it was before the announcement of the Medium-Term Management Plan, so we decided the amount of dividend at the 30-plus-percent range, but from the next fiscal year onwards we aim for dividend payout ratio at 60% or higher.



# FY 2019 Outlook

## FY 2019 Full-Year Forecast (1)



Revised the full-year forecasts for new orders received and order backlog.

(mil. yen)

	FY 2018		FY 2019				
	2H actual	Full year actual	2H forecast (new)	Full year forecast (new)	YoY change (amount)	YoY change (%)	Full year forecast (initial)
Net sales	17,083	31,780	18,560	35,700	+3,920	+12.3%	35,700
Operating income	953	1,427	1,341	2,300	+873	+61.2%	2,300
Operating margin	5.6%	4.5%	7.2%	6.4%	—	—	6.4%
Ordinary income	981	1,576	1,466	2,500	+924	+58.6%	2,500
Net income attributable to owners of parent	781	1,345	997	2,000	+655	+48.7%	2,000
New orders received	21,249	35,103	20,607	37,450	+2,347	+6.7%	34,500
Order backlog	13,454	13,454	15,205	15,205	+1,751	+13.0%	12,254

(yen)

Exchange rate (EUR/JPY)	129.33	129.97	120.00	121.18	(8.79)	(6.8%)	122.50
Exchange rate (RMB/JPY)	16.27	16.63	15.41	15.66	(0.97)	(5.8%)	16.50

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- ❑ We maintained all figures of the full-year performance outlook from net sales to net income.
- ❑ We made some changes to the figures in the performance forecast by segment, but the company-wide figures have not been changed.
- ❑ We significantly raised the target figures of new orders received and order backlog from the initial targets.



## FY 2019 Full-Year Forecast (2)



Revised forecasts for each business segment

(mil. yen)

		FY 2018		FY 2019			
		2H actual	Full year actual	1H actual	2H forecast (new)	2H forecast (initial)	Full year forecast
AP-related business	Net sales	8,601	16,434	8,667	9,700	9,600	18,367
	Operating income	548	963	676	800	730	1,476
	Operating margin	6.4%	5.9%	7.8%	8.2%	7.6%	8.0%
BP-related business	Net sales	4,023	7,893	4,569	4,800	5,200	9,369
	Operating income	308	666	297	400	430	697
	Operating margin	7.7%	8.4%	6.5%	8.3%	8.3%	7.4%
Environment- and conveyor-related business	Net sales	1,677	2,775	1,353	1,450	1,500	2,803
	Operating income	309	417	219	260	260	479
	Operating margin	18.4%	15.0%	16.2%	17.9%	17.3%	17.1%
Other business	Net sales	2,783	4,677	2,549	2,610	2,800	5,159
	Operating income	409	502	448	500	295	948
	Operating margin	14.7%	10.7%	17.6%	19.2%	10.5%	18.4%
Corporate expenses		(620)	(1,122)	(683)	(620)	(515)	(1,303)

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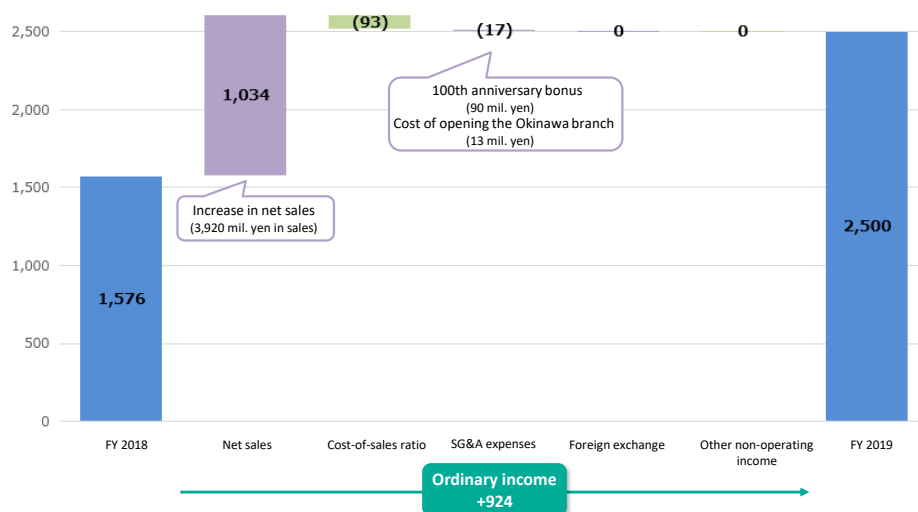
- ❑ Divisional forecasts by segment were slightly adjusted.
- ❑ As for AP, we slightly lowered the targets for sales and profit compared with the results for the first half and expected projects for the second half.
- ❑ We slightly raised the sales forecast of BP compared with the first half result and revised down the profit forecast.
- ❑ For the environment- and conveyor-related business, we expect sales of the environment-related plants to decline slightly, while those of the conveyor-related business are expected to be in line with the initial forecast and its profit is expected to expand.
- ❑ As for the other business, we drastically raised the profit forecast compared with the result for the first half.
- ❑ The remaining pages are reference materials. We will omit the explanation of these materials given the time constraints.

# Analysis of Factors Contributing to Changes in Ordinary Income Forecast for FY 2019



No change to the full-year forecast

(mil. yen)

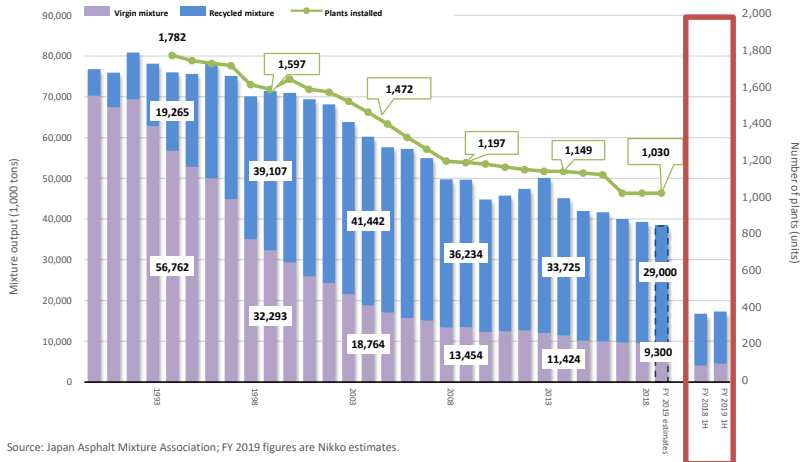




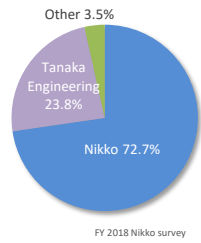
# Reference Materials

## Asphalt mixture output and number of asphalt plants installed

### AP steady-state share

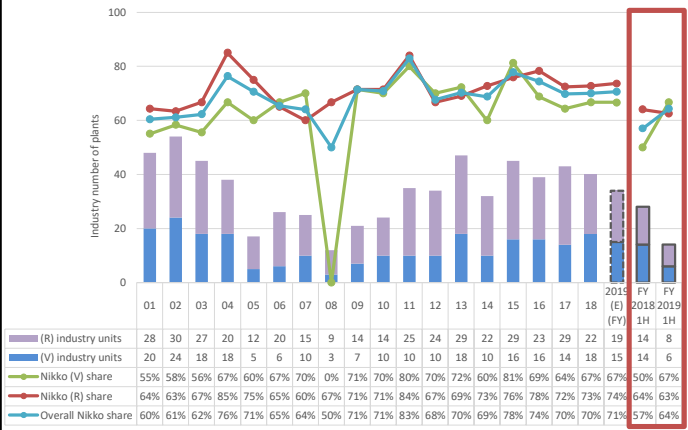


Source: Japan Asphalt Mixture Association; FY 2019 figures are Nikko estimates.



- ▶ Demand rebounded for recovery from the Great East Japan Earthquake and other needs, but both asphalt mixture output and the number of asphalt plant installations have been on a downward trend since FY 2013.
- ▶ Shipment of mixture is expected to increase in the Osaka area in the future towards the 2025 World Exposition.
- ▶ We expect demand will remain largely unchanged in FY 2020.
- ▶ We see demand for APs (inquiries and orders) will remain largely unchanged from the previous year, as highway companies that put off asset upgrades now have strong appetite for AP investment.

AP demand and Nikko share



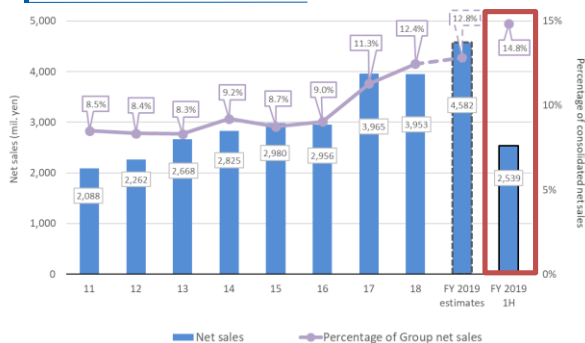
New product performance in AP-related business

(mil. yen)

	15	16	17	FY 2018	2019 (E) (FY)	FY 2019 1H
VP units	0	1	2	2	4	1
VP sales	0	211	580	554	1,420	379
Midship units	2	1	1	1	1	1
Midship sales	1,060	410	406	349	388	381
Crushing plant units	1	0	1	0	3	1
Crushing plant sales	152	0	125	45	362	34

▶ Nikko's market share is expected to increase in the second half of FY2019 onwards thanks to a new small-sized model VP-III launched in September 2019.

Nikko's overseas net sales and overseas sales ratio



**Thailand:** Various tenders for budget implementation have been delayed following the general election, but inquiries in provincial areas are the same as in the past. Stronger local currency.

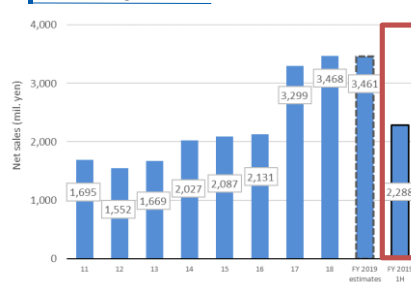
**Indonesia:** Local currency remains weak. There is demand for AP but the rate of decline is significant.

**Russia and Far East:** While the local currency remains weak, there are inquiries in some areas.

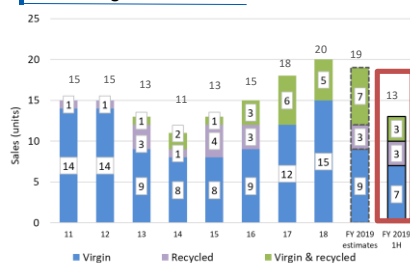
**Taiwan:** Environmental products have been active and the trend is expected to continue for at least several years, as the environmental restrictions have been spreading from major cities to medium-sized cities.

**Shanghai:** Demand for APs will continue and expand, supported by increased domestic demand resulting from prolonged trade friction with U.S., promotion of a five-year transportation infrastructure program, improved relations with Japan, etc.

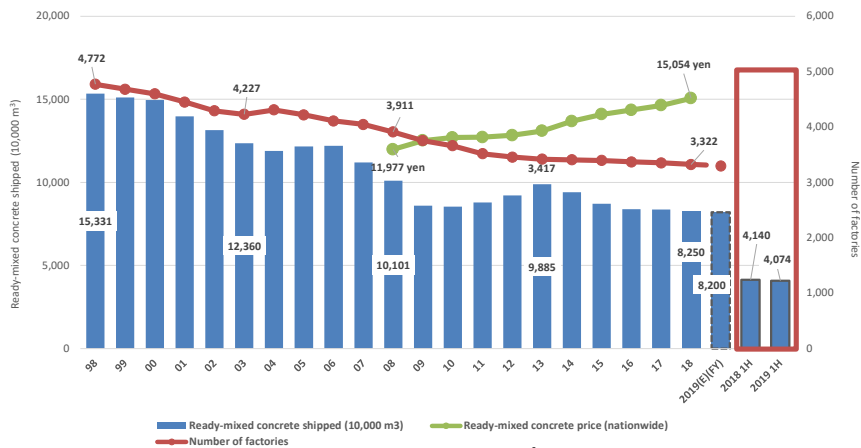
Nikko Shanghai net sales



Nikko Shanghai AP unit sales



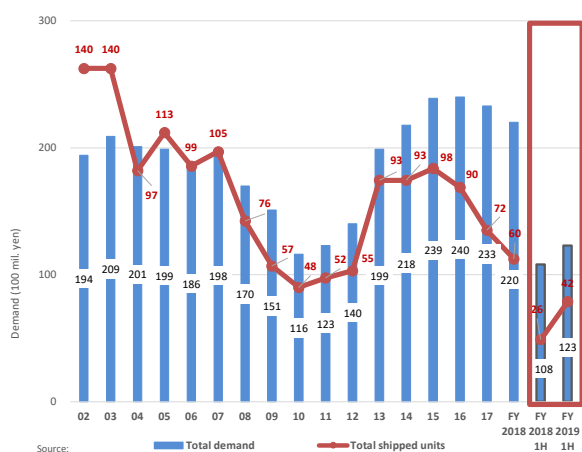
Trends in ready-mixed concrete shipments, price, and factories



Source:  
ZENNAMA (National Federation of Ready-Mixed Concrete Industrial Associations),  
Ministry of Economy, Trade and Industry's Ready-mixed Concrete Statistics Survey (price);  
FY 2019 figures are Nikko estimates.

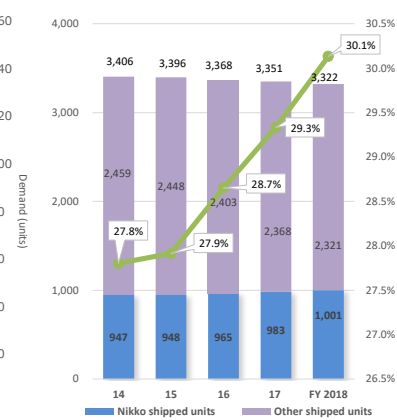
- ▶ The first half of FY 2019 saw a slight decline from a year earlier despite the ongoing demand related to Hokuriku Shinkansen and restoration from natural disasters, as the construction works related to the Tokyo Olympic and Paralympic Games ended. It is expected to decline from FY 2018 on a full year basis due to delays in schedule caused by labor shortage.
- ▶ Concentration of ready-mixed concrete factories in each area is expected to accelerate in the medium term.

Total BP demand (value and number of units)



Source:  
Japan Construction Equipment Manufacturers Association's BP Subcommittee  
(Maintenance services included in demand amount).

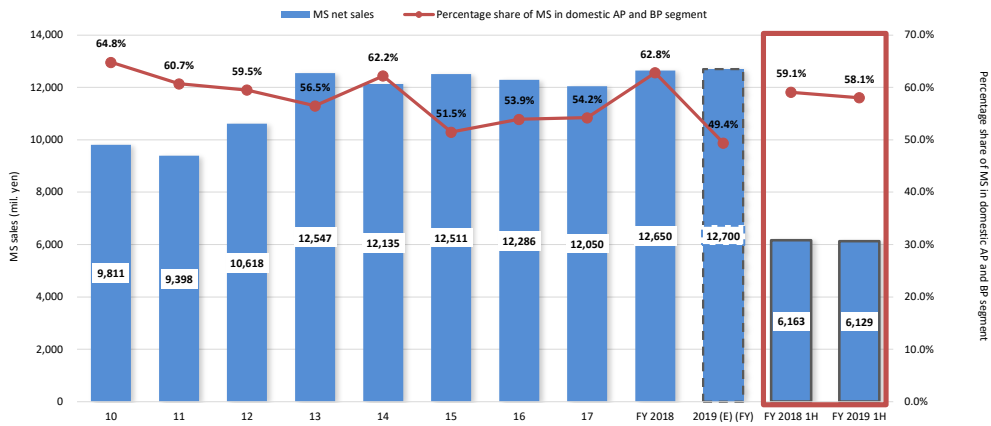
BP steady-state share trends



- ▶ We expect demand from public works to remain solid beyond the 2020 Tokyo Olympics, driven by the Linear Chuo Shinkansen project, the policy to promote initiatives for "Building National Resilience", 2025 World Exposition in Osaka, etc., but the demand level will increasingly vary from region to region and consolidation is expected to gather pace.
- ▶ Increase market share by launching new differentiated products to meet new demand, which arises from sales expansion to precast industry where demand is growing as well as from ready-mixed concrete industry consolidation.



Maintenance service: Sales and percentage share of sales



► Work to improve efficiency of maintenance service and further expand margins

## Trends in Net Sales, Profit, Cash Flows, and Other Indicators



(mil. yen)

	FY 2017				FY 2018				FY 2019	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Net sales	6,179	9,974	7,992	10,969	5,415	9,282	5,721	11,362	8,001	9,139
AP-related business	2,768	4,664	4,155	5,592	2,361	5,472	2,460	6,140	3,917	4,750
BP-related business	2,236	3,370	1,291	2,624	1,671	2,199	1,612	2,410	2,442	2,127
Environment- and conveyor-related business	407	1,046	1,519	959	462	636	601	1,075	492	861
Other business	766	894	1,027	1,793	921	973	1,048	1,734	1,149	1,400
Operating income	48	760	393	902	(26)	500	(167)	1,120	276	683
AP-related business	100	350	318	580	42	373	(132)	680	222	454
BP-related business	145	524	68	278	66	292	23	285	110	187
Environment- and conveyor-related business	24	77	115	92	59	49	146	163	80	139
Other business	22	85	121	234	21	72	115	294	175	273
Corporate expenses	(244)	(275)	(231)	(281)	(216)	(286)	(318)	(302)	(313)	(370)
Ordinary income	161	764	431	883	87	508	(142)	1,123	361	673
Net income attributable to owners of parent	182	561	308	439	130	434	(2)	783	270	733
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 (Cumulative)



(mil. yen)

New orders received (cumulative)	FY 2017				FY 2018				FY 2019	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
AP-related business	2,803	8,254	10,572	17,182	2,787	6,501	8,137	18,884	3,575	8,419
BP-related business	1,458	4,274	6,430	9,066	1,351	3,834	5,720	8,438	1,969	4,313
Environment- and conveyor-related business	864	1,517	2,162	2,947	413	1,056	1,987	2,773	449	1,187
Other business	768	1,886	3,144	4,420	1,140	2,461	3,805	5,007	1,325	2,923
<b>Total</b>	<b>5,896</b>	<b>15,933</b>	<b>22,309</b>	<b>33,616</b>	<b>5,693</b>	<b>13,854</b>	<b>19,650</b>	<b>35,103</b>	<b>7,320</b>	<b>16,843</b>

End-of-term order backlog	FY 2017				FY 2018				FY 2019	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
AP-related business	6,391	7,178	5,341	6,359	6,784	5,027	4,203	8,808	8,466	8,561
BP-related business	2,572	2,018	2,883	2,894	2,575	2,858	3,132	3,439	2,967	3,184
Environment- and conveyor-related business	1,827	1,434	560	387	338	345	675	385	342	219
Other business	553	776	1,008	490	710	1,058	1,352	820	997	1,194
<b>Total</b>	<b>11,346</b>	<b>11,408</b>	<b>9,793</b>	<b>10,132</b>	<b>10,409</b>	<b>9,289</b>	<b>9,364</b>	<b>13,454</b>	<b>12,773</b>	<b>13,158</b>

## 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	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%	4.7%	14.2%	3.3%	11.7%	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

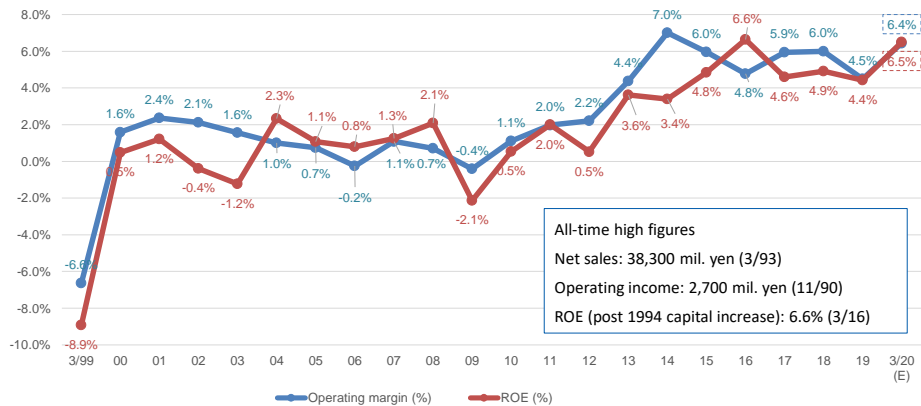
### New products for reducing environmental impact

	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

# Trend in Key Financial Data



## Operating margin and ROE



	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	2,349	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 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](mailto:IR-nikko@nikko-net.co.jp)**

**Contact: Hachiken, Finance Division, Nikko Co., Ltd.**

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