

Consolidated Financial Results for the Fiscal Year Ended March 31, 2021
<under Japanese GAAP>

May 13, 2021

Company name : NIKKO COMPANY
 ID number : 5343 Stock listing : Nagoya Stock Exchange Second Section
 URL : https://www.nikko-company.co.jp/
 Representative : Akiko Mitani, Chief Executive Officer
 Contact : Kazuya Nunokawa, Managing Officer (Phone: +81-76-276-2121)
 Scheduled date of general meeting of shareholders : June 24, 2021
 Scheduled date to submit Securities Report : June 25, 2021
 Scheduled date to begin dividend payments : -
 Preparation of supplementary materials for financial results : None
 Holding of financial results meeting : None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 - March 31, 2021)

(1) Consolidated operating results (Percentage figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit (loss) attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY ended Mar. 31, 2021	11,458	(14.6)	(627)	-	(491)	-	(682)	-
FY ended Mar. 31, 2020	13,422	(2.3)	90	(30.9)	141	(21.3)	121	(9.3)

Note: Comprehensive income (Millions of yen) : Mar. 31, 2021 : (640) (-%) Mar. 31, 2020 : 135 (22.3%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY ended Mar. 31, 2021	(29.29)	-	(62.4)	(5.4)	(5.5)
FY ended Mar. 31, 2020	5.22	-	9.0	1.5	0.7

Reference: Equity in earnings of affiliates (Millions of yen) : Mar. 31, 2021 : 0 Mar. 31, 2020 : (0)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2021	9,003	772	8.6	33.16
As of Mar. 31, 2020	9,254	1,413	15.3	60.66

Reference: Shareholders' equity (Millions of yen) : Mar. 31, 2021: 772 Mar. 31, 2020: 1,413

(3) Consolidated cash flow position

	Net cash provided by (used in)			Cash and cash equivalents at end of period
	Operating activities	Investment activities	Financing activities	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY ended Mar. 31, 2021	(109)	(260)	601	1,278
FY ended Mar. 31, 2020	123	(232)	(193)	1,047

2. Dividends

(Record date)	Dividend per share					Total dividends (annual)	Payout ratio (consolidated)	Dividend on Equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended Mar. 31, 2020	-	0.00	-	0.00	0.00	-	-	-
Year ended Mar. 31, 2021	-	0.00	-	0.00	0.00	-	-	-
Year ending Mar. 31, 2022 (forecast)	-	0.00	-	0.00	0.00		-	

3. Projected Consolidated Results for FY2022 (April 1, 2021 to March 31, 2022)

Based on our awareness that “a company is a public entity of society,” one of our important management goals is to be a company that aims to create a society that prioritizes business operations based on a long-term perspective instead of short-term profit. Accordingly, we embrace the philosophy of public interest capitalism which is a concept that suggests that a company should deliver profits to its shareholders as a result of enhancing the company value by contributing to all people and organizations with the same interests including its employees, customers, suppliers, local communities, and the Earth.

Concerns have been raised that, due to the nature of the relevant systems, programs, and rules (business customs), the disclosure of quarterly financial results and/or projected results may have multiple adverse effects. This includes the occurrence of an excessive focus on short-term financial results and immediate stock price fluctuations and the narrowing of the investors’ speculative view when making investment decisions.

This in turn hinders R&D investments, equipment investments, and employee development activities by a company based on a long-term perspective, and results in a company’s negligence of its roles as a public entity, i.e., negligence of social contribution activities such as sharing the company’s profits with employees, customers, business partners, and local communities.

As an attempt to address these concerns, a proposal to abolish the projected results form in financial briefs was presented in the Future Investment Strategy 2017 (Cabinet Office, Government of Japan). This proposal was adopted in February 2017. Furthermore, the Diet Members Caucus for Seeking Public Interest Capitalism is currently examining the possibilities of reviewing the Financial Instruments and Exchange Act and other relevant laws in order to, for example, abolish the obligation to disclose quarterly financial results.

Taking these circumstances and viewpoints into consideration, while the Nikko Group has been disclosing projected consolidated results for each fiscal year up to FY2017, the Group recognizes the purpose and the significance of the revision made by the Japanese Government in February 2017 and has decided to embrace the revision starting from FY2018, from which the Group has stopped disclosing its projected consolidated results.

※Notes

(1) Changes in major subsidiaries during the period : None

(2) Changes in accounting policies, changes in accounting estimates, or restatement

- 1) Changes in accounting policies due to changes in consolidated accounting methods : None
- 2) Changes other than 1) above : None
- 3) Changes in accounting estimates : Yes
- 4) Restatement : None

(3) Number of shares outstanding (common shares)

- 1) Number of shares outstanding (including treasury stock) at the end of the period

Mar. 31, 2021 : 24,172,000 shares	Mar. 31, 2020 : 24,172,000 shares
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- 2) Number of treasury stock at the end of the period

Mar. 31, 2021 : 864,592 shares	Mar. 31, 2020 : 864,510 shares
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- 3) Average number of shares over period

Mar. 31, 2021 : 23,307,437 shares	Mar. 31, 2020 : 23,307,609 shares
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(Reference) Non-consolidated financial results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 - March 31, 2021)

(1) Non-consolidated operating results (Percentage figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY ended Mar. 31, 2021	11,368	(14.6)	(637)	-	(505)	-	(561)	-
FY ended Mar. 31, 2020	13,308	(2.1)	93	(21.3)	147	(13.5)	121	(6.6)

	Net income per share	Diluted net income per share
	Yen	Yen
FY ended Mar. 31, 2021	(24.11)	-
FY ended Mar. 31, 2020	5.21	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2021	10,655	685	6.4	29.42
As of Mar. 31, 2020	10,764	1,247	11.6	53.51

Reference: Shareholders’ equity (Millions of yen) : Mar.31, 2021: 685 Mar.31, 2020: 1,247

*The financial statements is outside the scope of audit by Certified Public Accountants or Audit corporation.

Consolidated Financial Statements

(1) Consolidated Balance Sheet

	(Millions of yen)	
	FY03/2020	FY03/2021
	(As of Mar.31,2020)	(As of Mar.31,2021)
Assets		
Current assets		
Cash and deposits	1,103	1,320
Notes and accounts receivable-trade	1,937	1,778
Merchandise and finished goods	1,323	1,352
Work in process	561	547
Costs on uncompleted construction contracts	440	414
Raw materials and supplies	311	287
Other	46	85
Allowance for doubtful accounts	(4)	(5)
Total current assets	5,719	5,780
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,900	6,889
Accumulated depreciation	(5,393)	(5,522)
Buildings and structures, net	1,507	1,367
Machinery, equipment and vehicles	4,335	4,324
Accumulated depreciation	(3,994)	(4,018)
Machinery, equipment and vehicles, net	341	305
Tools, furniture and fixtures	1,145	1,131
Accumulated depreciation	(1,082)	(1,079)
Tools, furniture and fixtures, net	62	51
Land	1,121	955
Lease assets	146	393
Accumulated depreciation	(36)	(149)
Lease assets, net	109	243
Construction in progress	164	78
Total property, plant and equipment	3,306	3,002
Intangible assets	41	38
Investments and other assets		
Investment securities	92	91
Other	95	93
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	186	181
Total noncurrent assets	3,534	3,222
Total assets	9,254	9,003
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,506	2,420
Short-term loans payable	2,300	2,255
Current portion of bonds	—	40
Current portion of long-term loans payable	36	99
Lease obligations	31	140
Income taxes payable	42	41
Provision for bonuses	167	169
Provision for product warranties	90	70
Other	1,108	938
Total current liabilities	6,283	6,175
Noncurrent liabilities		
Bonds payable	—	140
Long-term loans payable	40	340
Lease obligations	78	110
Deferred tax liabilities	4	4
Provision for directors' retirement benefits	46	57
Net defined benefit liability	1,262	1,288
Other	125	114
Total noncurrent liabilities	1,556	2,054
Total liabilities	7,840	8,230
Net assets		
Shareholders' equity		
Capital stock	3,470	3,470
Capital surplus	1,584	1,584
Retained earnings	(3,190)	(3,873)
Treasury stock	(338)	(338)
Total shareholders' equity	1,525	842
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	(104)	(106)
Remeasurements of defined benefit plans	(6)	36
Total accumulated other comprehensive income	(111)	(70)
Total net assets	1,413	772
Total liabilities and net assets	9,254	9,003

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

	FY03/2020 (Apr. 1, 2019-Mar.31,2020)	(Millions of yen) FY03/2021 (Apr. 1, 2020-Mar.31,2021)
Net sales	13,422	11,458
Cost of sales	9,570	8,477
Gross profit	3,852	2,981
Selling, general and administrative expenses	3,761	3,608
Operating income	90	(627)
Non-operating income		
Interest income	0	0
Share of profit of entities accounted for using equity method	—	0
Gain on sales of wastes	31	37
Subsidy income	—	94
Other	62	45
Total non-operating income	93	177
Non-operating expenses		
Interest expenses	20	21
Loss on sales of notes payable	4	4
Sales discounts	10	7
Share of loss of entities accounted for using equity method	0	—
Other	5	7
Total non-operating expenses	42	41
Ordinary income	141	(491)
Extraordinary Income		
Gain on sales of noncurrent assets	3	—
Gain on sales of investment securities	17	—
Total extraordinary Income	21	—
Extraordinary loss		
Loss on sales of noncurrent assets	—	0
Loss on retirement of noncurrent assets	0	2
Impairment loss	—	167
Total extraordinary losses	0	170
Income before income taxes and minority interests	162	(661)
Income taxes-current	41	21
Income taxes-deferred	(0)	(0)
Total income taxes	40	21
Profit	121	(682)
Profit attributable to owners of parent	121	(682)

Consolidated statements of comprehensive income

	Jan-00-00 FY03/2020 (Apr. 1, 2019-Mar.31,2020)	(Millions of yen) FY03/2021 (Apr. 1, 2020-Mar.31,2021)
Profit	121	(682)
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	0	0
Remeasurements of defined benefit plans, net of tax	14	43
Share of other comprehensive income of entities accounted for using equity method	0	(2)
Other comprehensive income	13	41
Comprehensive income	135	(640)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	135	(640)
Comprehensive income attributable to non-controlling interests	—	—

(3)Consolidated Statements of changes in equity

FY03/2020 (Apr.1, 2019-Mar. 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,470	1,584	(3,312)	(338)	1,404
Changes of items during the period					
Profit attributable to owners of parent			121		121
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	121	(0)	121
Balance at the end of current period	3,470	1,584	(3,190)	(338)	1,525

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income	
Balance at the beginning of current period	0	(105)	(20)	(125)	1,278
Changes of items during the period					
Profit attributable to owners of parent					121
Purchase of treasury stock					(0)
Net changes of items other than shareholders' equity	(0)	0	14	13	13
Total changes of items during the period	(0)	0	14	13	135
Balance at the end of current period	(0)	(104)	(6)	(111)	1,413

FY03/2021 (Apr.1, 2020-Mar. 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,470	1,584	(3,190)	(338)	1,525
Changes of items during the period					
Profit attributable to owners of parent			(682)		(682)
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	(682)	(0)	(682)
Balance at the end of current period	3,470	1,584	(3,873)	(338)	842

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income	
Balance at the beginning of current period	0	(104)	(6)	(111)	1,413
Changes of items during the period					
Profit attributable to owners of parent					(682)
Purchase of treasury stock					(0)
Net changes of items other than shareholders' equity	0	(1)	43	41	41
Total changes of items during the period	0	(1)	43	41	(640)
Balance at the end of current period	0	(106)	36	(70)	772

(4) Consolidated Statements of Cash Flows

	(Millions of yen) FY03/2020 (Apr.1, 2019-Mar.31,2020)	(Millions of yen) FY03/2021 (Apr.1, 2020-Mar.31,2021)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	162	(661)
Depreciation and amortization	351	427
Increase (decrease) in allowance for doubtful accounts	2	0
Increase (decrease) in provision for bonuses	(3)	1
Increase (decrease) in net defined benefit liability	(6)	69
Increase (decrease) in provision for product warranties	(40)	(20)
Interest and dividends income	(2)	(0)
Interest expenses	20	21
Foreign exchange losses (gains)	3	(1)
Share of profit of entities accounted for using equity method	0	(0)
Subsidy income	—	(94)
Loss (gain) on sales of investment securities	(17)	—
Loss (gain) on sales of non-current assets	(3)	0
Loss on retirement of noncurrent assets	0	2
Impairment loss	—	167
Decrease (increase) in notes and accounts receivable-trade	(100)	162
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	(0)	—
Decrease (increase) in inventories	(127)	35
Increase (decrease) in notes and accounts payable-trade	8	(87)
Other, net	(82)	(183)
Subtotal	<u>164</u>	<u>(160)</u>
Interest and dividends income received	2	0
Interest expenses paid	(20)	(21)
Income taxes paid	(49)	(24)
Income from contribution to facilities	27	2
Proceeds from subsidy income	—	94
Net cash provided by (used in) operating activities	<u>123</u>	<u>(109)</u>
Net cash provided by (used in) investment activities		
Payments into time deposits	(0)	(1)
Proceeds from withdrawal of time deposits	0	14
Purchase of property, plant and equipment	(275)	(270)
Proceeds from sales of property, plant and equipment	7	0
Proceeds from sales of investment securities	35	—
Other, net	(0)	(4)
Net cash provided by (used in) investment activities	<u>(232)</u>	<u>(260)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(50)	(44)
Proceeds from long-term loans payable	—	400
Repayment of long-term loans payable	(114)	(36)
Proceeds from issuance of bonds	—	196
Redemption of bonds	—	(20)
Proceeds from sales and leasebacks	—	222
Repayments of lease obligations	(28)	(116)
Purchase of treasury stock	(0)	(0)
Net cash provided by (used in) financing activities	<u>(193)</u>	<u>601</u>
Effect of exchange rate change on cash and cash equivalents	(0)	(0)
Net increase (decrease) in cash and cash equivalents	<u>(302)</u>	<u>231</u>
Cash and cash equivalents at beginning of period	1,349	1,047
Cash and cash equivalents at end of period	<u>1,047</u>	<u>1,278</u>

[Segment Information]

1. Overview of reportable segments

Segments used for financial reporting are the Nikko Group's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Group has established business divisions that comprise of the company and its subsidiaries and affiliates, and each division conducts business in line with the comprehensive strategies they have devised for products, merchandise and services in both domestic and overseas markets.

Therefore, the Group consists of segments by products, merchandise and services on the basis of the business divisions, and the "Functional Ceramics Product", "Housing & Environmental equipment" and "Tabletop" are three reportable segments.

Industry Segment	Major Products
Housing & Environmental Equipment	Septic tanks, Garbage disposal systems, System baths, Other FRP items, Water treatment facilities, Multi-function interior boards
Functional Ceramics Product	Alumina substrates, LTCC substrates, Dielectric ceramics
Tabletop	Fine bone china, Fine vitrified china, Fine porcelain, Oven ware

2. Information related to net sales and profit or loss for each reportable segment

FY03/2020(Apr. 1, 2019 - Mar. 31, 2020)

(Millions of yen, rounded down)

	Housing & Environmental Equipment	Functional Ceramics Product	Tabletop	Other (Note 1)	Segment total	Adjustment (Note2)	Amounts on the consolidated financial statements (Note3)
Net sales							
Sales to Outside Customers	9,361	2,286	1,760	13	13,422	-	13,422
Intersegment sales or Transfers	-	-	-	4	4	(4)	-
Total	9,361	2,286	1,760	17	13,427	(4)	13,422
Segment profit (loss) (Operating income (loss))	692	145	(156)	(0)	681	(590)	90
Segment assets	3,217	1,722	2,489	-	7,429	1,824	9,254
Other Items							
Depreciation and Amortization	82	139	85	0	308	43	351
Investment to affiliates accounted for by the equity method	-	-	60	-	60	-	60
Increase in Property, plant and equipment and Intangible assets	162	59	24	-	246	25	271

Notes:1. The category "Other" is warehouse business which is a business segment not included in the reportable segments.

Notes:2. Below is a description of adjustments.

- (1) Segment income adjustment of (590) million yen consists of expenses related to departments that do not belong to the reportable segments.
- (2) Segment assets adjustment of 1,824 million yen includes assets that do not belong to the reportable segments. The assets consists of mainly surplus funds (cash and cash equivalents), long-term investment funds (investment securities).
- (3) Depreciation and Amortization adjustment of 43 million yen consists of Depreciation and Amortization related to departments that do not belong to the reportable segments.
- (4) Increase in Property, plant and equipment and Intangible assets adjustment of 25 million yen consists of capital investments associated with departments that do not belong to the reportable segments.

Note: 3. Segment profits and losses are adjusted with Operating income on the consolidated financial statements of income.

FY03/2020(Apr. 1, 2020 - Mar. 31, 2021)

(Millions of yen, rounded down)

	Housing & Environmental Equipment	Functional Ceramics Product	Tabletop	Segment total	Adjustment (Note1)	Amounts on the consolidated financial statements (Note2)
Net sales						
Sales to Outside Customers	8,542	1,853	1,062	11,458	-	11,458
Intersegment sales or Transfers	-	-	-	-	-	-
Total	8,542	1,853	1,062	11,458	-	11,458
Segment profit (loss) (Operating income)	475	(48)	(474)	(47)	(579)	(627)
Segment assets	3,003	1,621	2,267	6,892	2,111	9,003
Other Items						
Depreciation and Amortization	168	130	84	382	45	427
Impairment loss	-	-	167	167	-	167
Investment to affiliates accounted for by the equity method	-	-	58	58	-	58
Increase in Property, plant and equipment and Intangible assets	262	64	52	378	51	429

Notes:1. Below is a description of adjustments.

- (1) Segment loss adjustment of (579) million yen consists of expenses related to departments that do not belong to the reportable segments.
- (2) Segment assets adjustment of 2,111 million yen includes assets that do not belong to the reportable segments. The assets consists of mainly surplus funds (cash and cash equivalents), long-term investment funds (investment securities).
- (3) Depreciation and Amortization adjustment of 45 million yen consists of Depreciation and Amortization related to departments that do not belong to the reportable segments.
- (4) Increase in Property, plant and equipment and Intangible assets adjustment of 51 million yen consists of capital investments associated with departments that do not belong to the reportable segments.

Note: 2. Segment profits and losses are adjusted with Operating loss on the consolidated financial statements of income.