

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022
<under Japanese GAAP>

May 12, 2022

Company name : NIKKO COMPANY
 ID number : 5343 Stock listing : Nagoya Stock Exchange Main Market
 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, 2022
 Scheduled date to submit Securities Report : June 27, 2022
 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, 2022 (April 1, 2021 - March 31, 2022)

(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, 2022	12,577	9.8	(174)	-	(62)	-	(85)	-
FY ended Mar. 31, 2021	11,458	(14.6)	(627)	-	(491)	-	(682)	-

Note: Comprehensive income (Millions of yen) : Mar. 31, 2022 : (92) (-%) Mar. 31, 2021 : (640) (-%)

	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, 2022	(3.68)	-	(11.4)	(0.7)	(1.4)
FY ended Mar. 31, 2021	(29.29)	-	(62.4)	(5.4)	(5.5)

Reference: Equity in earnings of affiliates (Millions of yen) : Mar. 31, 2022 : 3 Mar. 31, 2021 : 0

Note: Revenue recognition accounting standards, etc. have been applied from the beginning of the current consolidated fiscal year, and the figures for the fiscal year ending March 2022 are the figures after applying the accounting standards.

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2022	8,708	729	8.4	31.29
As of Mar. 31, 2021	9,003	772	8.6	33.16

Reference: Shareholders' equity (Millions of yen) : Mar. 31, 2022: 729 Mar. 31, 2021: 772

Note: Revenue recognition accounting standards, etc. have been applied from the beginning of the current consolidated fiscal year, and the figures for the fiscal year ending March 2022 are the figures after applying the accounting standards.

(2) Consolidated cash flow position

	Net cash provided by (used in)			Cash and cash equivalents at end of period
	Operating activities	Investment activities	Financing activities	
FY ended Mar. 31, 2022	255	(268)	(336)	932
FY ended Mar. 31, 2021	(109)	(260)	601	1,278

Note: Revenue recognition accounting standards, etc. have been applied from the beginning of the current consolidated fiscal year, and the figures for the fiscal year ending March 2022 are the figures after applying the accounting standards.

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			
Year ended Mar. 31, 2021	-	0.00	-	0.00	0.00	-	-	-
Year ended Mar. 31, 2022	-	0.00	-	0.00	0.00	-	-	-
Year ending Mar. 31, 2023 (forecast)	-	0.00	-	0.00	0.00		-	

3. Projected Consolidated Results for FY2023 (April 1, 2022 to March 31, 2023)

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.

Taking these 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 : Yes
- 2) Changes other than 1) above : None
- 3) Changes in accounting estimates : None
- 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, 2022 : 24,172,000 shares	Mar. 31, 2021 : 24,172,000 shares
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- 2) Number of treasury stock at the end of the period

	Mar. 31, 2022 : 864,592 shares	Mar. 31, 2021 : 864,592 shares
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- 3) Average number of shares over period

	Mar. 31, 2022 : 23,307,408 shares	Mar. 31, 2021 : 23,307,437 shares
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(Reference) Non-consolidated financial results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 - March 31, 2022)

(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, 2022	12,481	9.8	(194)	-	(89)	-	(113)	-
FY ended Mar. 31, 2021	11,368	(14.6)	(637)	-	(505)	-	(561)	-

	Net income per share	Diluted net income per share
	Yen	Yen
FY ended Mar. 31, 2022	(4.89)	-
FY ended Mar. 31, 2021	(24.11)	-

Note: Revenue recognition accounting standards have been applied since the beginning of the current fiscal year, and the figures for the fiscal year ending March 2022 are the figures after applying the accounting standards.

(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, 2022	10,330	621	6.0	26.65
As of Mar. 31, 2021	10,655	685	6.4	29.42

Reference: Shareholders’ equity (Millions of yen) : Mar.31, 2022: 621 Mar.31, 2021: 685

Note: Revenue recognition accounting standards have been applied since the beginning of the current fiscal year, and the figures for the fiscal year ending March 2022 are the figures after applying the accounting standards.

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

Consolidated Financial Statements

(1) Consolidated Balance Sheet

	FY03/2021 (As of Mar.31,2021)	(Millions of yen) FY03/2022 (As of Mar.31,2022)
Assets		
Current assets		
Cash and deposits	1,320	974
Notes and accounts receivable-trade	1,778	—
Notes and accounts receivable - trade, and contract assets	—	2,059
Merchandise and finished goods	1,352	1,340
Work in process	547	669
Costs on uncompleted construction contracts	414	230
Raw materials and supplies	287	366
Other	85	51
Allowance for doubtful accounts	(5)	(9)
Total current assets	5,780	5,683
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,889	6,934
Accumulated depreciation	(5,522)	(5,666)
Buildings and structures, net	1,367	1,268
Machinery, equipment and vehicles	4,324	4,380
Accumulated depreciation	(4,018)	(4,087)
Machinery, equipment and vehicles, net	305	292
Tools, furniture and fixtures	1,131	1,185
Accumulated depreciation	(1,079)	(1,096)
Tools, furniture and fixtures, net	51	89
Land	955	955
Lease assets	393	393
Accumulated depreciation	(149)	(288)
Lease assets, net	243	105
Construction in progress	78	62
Total property, plant and equipment	3,002	2,772
Intangible assets	38	41
Investments and other assets		
Investment securities	91	99
Other	93	113
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	181	210
Total noncurrent assets	3,222	3,024
Total assets	9,003	8,708
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,420	2,487
Short-term loans payable	2,255	2,200
Current portion of bonds	40	40
Current portion of long-term loans payable	99	99
Lease obligations	140	70
Income taxes payable	41	55
Contract liabilities	—	486
Provision for bonuses	169	168
Provision for product warranties	70	62
Other	938	433
Total current liabilities	6,175	6,102
Noncurrent liabilities		
Bonds payable	140	100
Long-term loans payable	340	240
Lease obligations	110	39
Deferred tax liabilities	4	3
Provision for directors' retirement benefits	57	67
Net defined benefit liability	1,288	1,315
Other	114	109
Total noncurrent liabilities	2,054	1,876
Total liabilities	8,230	7,979
Net assets		
Shareholders' equity		
Capital stock	3,470	3,470
Capital surplus	1,584	1,584
Retained earnings	(3,873)	(3,910)
Treasury stock	(338)	(338)
Total shareholders' equity	842	806
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(106)	(99)
Remeasurements of defined benefit plans	36	21
Total accumulated other comprehensive income	(70)	(76)
Total net assets	772	729
Total liabilities and net assets	9,003	8,708

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

Consolidated statements of income

	(Millions of yen)	
	FY03/2021	FY03/2022
	(Apr. 1, 2020-Mar.31,2021)	(Apr. 1, 2021-Mar.31,2022)
Net sales	11,458	12,577
Cost of sales	8,477	8,903
Gross profit	2,981	3,674
Selling, general and administrative expenses	3,608	3,848
Operating loss	(627)	(174)
Non-operating income		
Interest income	0	0
Dividend income	0	61
Share of profit of entities accounted for using equity method	0	3
Foreign exchange gains	9	44
Other	167	40
Total non-operating income	177	149
Non-operating expenses		
Interest expenses	21	24
Loss on sales of notes payable	4	4
Loss on transfer of accounts receivable	—	6
Other	15	3
Total non-operating expenses	41	38
Ordinary loss	(491)	(62)
Extraordinary Income		
Gain on sales of noncurrent assets	—	4
Total extraordinary Income	—	4
Extraordinary loss		
Loss on sales of noncurrent assets	0	—
Loss on retirement of noncurrent assets	2	3
Impairment loss	167	—
Total extraordinary losses	170	3
Income before income taxes and minority interests	(661)	(61)
Income taxes-current	21	24
Income taxes-deferred	(0)	(0)
Total income taxes	21	23
Profit	(682)	(85)
Profit (loss) attributable to owners of parent	(682)	(85)

Consolidated statements of comprehensive income

	(Millions of yen)	
	FY03/2021	FY03/2022
	(Apr. 1, 2020-Mar.31,2021)	(Apr. 1, 2021-Mar.31,2022)
Profit	(682)	(85)
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	0	2
Remeasurements of defined benefit plans, net of tax	43	(14)
Share of other comprehensive income of entities accounted for using equity method	(2)	5
Other comprehensive income	41	(6)
Comprehensive income	(640)	(92)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(640)	(92)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of changes in equity

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 (loss) 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 (loss) 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

FY03/2022 (Apr.1, 2021-Mar. 31, 2022)

(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	(3,873)	(338)	842
Cumulative effects of changes in accounting policies			49		49
Restated balance	3,470	1,584	(3,824)	(338)	891
Changes of items during the period					
Profit (loss) attributable to owners of parent			(85)		(85)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	(85)	-	(85)
Balance at the end of current period	3,470	1,584	(3,910)	(338)	806

	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	(106)	36	(70)	772
Cumulative effects of changes in accounting policies					49
Restated balance	0	(106)	36	(70)	821
Changes of items during the period					
Profit (loss) attributable to owners of parent					(85)
Net changes of items other than shareholders' equity	0	7	(14)	(6)	(6)
Total changes of items during the period	0	7	(14)	(6)	(92)
Balance at the end of current period	0	(99)	21	(76)	729

(4) Consolidated Statements of Cash Flows

	(Millions of yen) FY03/2021 (Apr.1, 2020-Mar.31,2021)	(Millions of yen) FY03/2022 (Apr.1, 2021-Mar.31,2022)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(661)	(61)
Depreciation and amortization	427	446
Increase (decrease) in allowance for doubtful accounts	0	3
Increase (decrease) in provision for bonuses	1	(1)
Increase (decrease) in net defined benefit liability	69	12
Increase (decrease) in provision for product warranties	(20)	(8)
Interest and dividends income	(0)	(61)
Interest expenses	21	24
Foreign exchange losses (gains)	(1)	(10)
Share of profit of entities accounted for using equity method	(0)	(3)
Subsidy income	(94)	(11)
Loss (gain) on sales of non-current assets	0	(4)
Loss on retirement of noncurrent assets	2	3
Impairment loss	167	—
Decrease (increase) in notes and accounts receivable-trade	162	(39)
Decrease (increase) in inventories	35	(185)
Increase (decrease) in notes and accounts payable-trade	(87)	66
Other, net	(183)	50
Subtotal	(160)	218
Interest and dividends income received	0	61
Interest expenses paid	(21)	(24)
Income taxes paid	(24)	(10)
Income from contribution to facilities	2	—
Proceeds from subsidy income	94	10
Net cash provided by (used in) operating activities	(109)	255
Net cash provided by (used in) investment activities		
Payments into time deposits	(1)	(0)
Proceeds from withdrawal of time deposits	14	—
Purchase of property, plant and equipment	(270)	(223)
Proceeds from sales of property, plant and equipment	0	4
Other, net	(4)	(49)
Net cash provided by (used in) investment activities	(260)	(268)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(44)	(55)
Proceeds from long-term loans payable	400	—
Repayment of long-term loans payable	(36)	(99)
Proceeds from issuance of bonds	196	—
Redemption of bonds	(20)	(40)
Proceeds from sales and leasebacks	222	—
Repayments of lease obligations	(116)	(140)
Purchase of treasury stock	(0)	—
Net cash provided by (used in) financing activities	601	(336)
Effect of exchange rate change on cash and cash equivalents	(0)	3
Net increase (decrease) in cash and cash equivalents	231	(346)
Cash and cash equivalents at beginning of period	1,047	1,278
Cash and cash equivalents at end of period	1,278	932

[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. Change in reportable segments

As described in "Changes in accounting policy," the accounting standards for revenue recognition have been applied from the consolidated financial statements for the current consolidated fiscal year, and the accounting method for revenue recognition has been changed. Accordingly, the method for calculating profits or losses for our business segments is also changed.

As a result of this change, sales of the "Housing Environmental Equipment Business" the current consolidated cumulative period increased by 22 million yen and segment profit increased by 6 million yen compared to the conventional method.

Sales of the "Functional Ceramics Product Business" the current consolidated cumulative period increased by 71 million yen and segment profit increased by 58 million yen compared to the conventional method.

Sales of the "Tabletop Business" the current consolidated cumulative period decreased by 1 million yen and segment loss decreased by 11 million yen compared to the conventional method.

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

FY03/2021(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 (loss))	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

Note: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 profit and loss is adjusted for operating loss in the consolidated income statement.

Note: 3. Sales of the Housing and Environmental Equipment Business include sales of 6,914 million yen related to projects involving construction work.

FY03/2022(Apr. 1, 2021 - Mar. 31, 2022)

(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						
Goods and services transferred at a point in time	2,684	2,549	1,235	6,469	-	6,469
Goods and services transferred over time(Note 3)	6,107	-	-	6,107	-	6,107
Revenue from contracts with customers	8,792	2,549	1,235	12,577	-	12,577
Other revenue(Note 4)	-	-	0	0	-	0
Sales to Outside Customers	8,792	2,549	1,235	12,577	-	12,577
Intersegment sales or Transfers	-	-	-	-	-	-
Total	8,792	2,549	1,235	12,577	-	12,577
Segment profit (loss) (Operating income (loss))	600	241	(298)	543	(717)	(174)
Segment assets	3,020	1,771	2,261	7,053	1,655	8,708
Other Items						
Depreciation and Amortization	191	121	87	400	45	446
Investment to affiliates accounted for by the equity method	-	-	66	66	-	66
Increase in Property, plant and equipment and Intangible assets	84	63	69	217	3	221

Note:1. Below is a description of adjustments.

- (1) Segment income adjustment of (717) million yen consists of expenses related to departments that do not belong to the reportable segments.
- (2) Segment assets adjustment of 1,655 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 3 million yen consists of capital investments associated with departments that do not belong to the reportable segments.

Note: 2. Segment profit and loss is adjusted for operating loss in the consolidated income statement.

Note: 3. Goods and services transferred over time in the Housing Environment Equipment Business include goods and services that were applied alternative treatments and were then recognized as revenue when performance obligations were fully satisfied.

Note: 4. Other revenue is income based on accounting standards for leasing transactions