

Consolidated Financial Results for the Three Months of Fiscal Year Ending March 31, 2023 <under Japanese GAAP>

August 10, 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, Chief Financial Officer (Phone: +81-76-276-2121)
 Scheduled date to submit Securities Report : August 10, 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 Three Months Ended June 30, 2022 (April 1, 2022 - June 30, 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	%
Three months ended June 30, 2022	3,171	12.6	(53)	-	(11)	-	(25)	-
Three months ended June 30, 2021	2,816	12.0	(171)	-	(92)	-	(99)	-

Note: Comprehensive income (Millions of yen) : June 30, 2022 : (21) (-%) June 30, 2021 : (97) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June. 30, 2022	(1.08)	-
Three months ended June. 30, 2021	(4.25)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2022	9,143	708	7.7	30.38
Year ended Mar. 31, 2022	8,708	729	8.4	31.29

Reference: Shareholders' equity (Millions of yen) : June 30, 2022: 708 Mar. 31, 2022: 729

2. Dividends

(Record date)	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2022	-	0.00	-	0.00	0.00
Year ending Mar. 31, 2023	-				
Year ending Mar. 31, 2023 (forecast)		0.00	-	0.00	0.00

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

The NIKKO Group will no longer disclose its projected consolidated results for periods starting from that ending in March 2020. Details of the decision are described in "3. Projected Consolidated Results for FY2022" in the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2022" disclosed on May 12, 2022.

※Notes

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

(2) Application of special accounting methods for quarterly consolidated financial statements : None

(3) 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 : None
- 4) Restatement : None

(4) Number of shares outstanding (common shares)

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

June 30, 2022 :	24,172,000 shares	Mar. 31, 2022 :	24,172,000 shares
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2) Number of treasury stock at the end of the period

June 30, 2022 :	864,592 shares	Mar. 31, 2022 :	864,592 shares
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3) Average number of shares issued during the period (cumulative; consolidated)

Three months ended June 30, 2022:	23,307,408 shares	Three months ended June 30, 2021:	23,307,408 shares
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* Quarterly financial statements are not subject to a quarterly review by certified public accountants or an auditing company.

*Appropriate use of business forecasts, other special items

Please refer to the first quarter report of the 98th Fiscal Period to be submitted on August 10, 2022 for the outlook of business results and financial condition.

This report is based on EDINET (Electronic Disclosure System on Disclosure Documents of Securities Reports etc. under the Financial Instruments and Exchange Act) Please refer to (<http://disclosure.edinet-fsa.go.jp/>)

Consolidated quarterly Financial Statements

(1) Consolidated Balance Sheet

	(Millions of yen)	
	FY03/2022	FY03/2023
	(As of Mar.31,2022)	(As of June.30,2022)
Assets		
Current assets		
Cash and deposits	974	1,079
Notes and accounts receivable - trade, and contract assets	2,059	2,030
Merchandise and finished goods	1,340	1,400
Work in process	669	711
Costs on uncompleted construction contracts	230	374
Raw materials and supplies	366	440
Other	51	34
Allowance for doubtful accounts	(9)	(5)
<u>Total current assets</u>	<u>5,683</u>	<u>6,064</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,934	6,946
Accumulated depreciation	(5,666)	(5,685)
<u>Buildings and structures, net</u>	<u>1,268</u>	<u>1,261</u>
Machinery, equipment and vehicles	4,380	4,432
Accumulated depreciation	(4,087)	(4,111)
<u>Machinery, equipment and vehicles, net</u>	<u>292</u>	<u>321</u>
Tools, furniture and fixtures	1,185	1,193
Accumulated depreciation	(1,096)	(1,093)
<u>Tools, furniture and fixtures, net</u>	<u>89</u>	<u>100</u>
Land	955	955
Lease assets	393	277
Accumulated depreciation	(288)	(208)
<u>Lease assets, net</u>	<u>105</u>	<u>69</u>
Construction in progress	62	87
<u>Total property, plant and equipment</u>	<u>2,772</u>	<u>2,794</u>
Intangible assets	41	43
Investments and other assets		
Investment securities	99	106
Other	113	136
Allowance for doubtful accounts	(2)	(2)
<u>Total investments and other assets</u>	<u>210</u>	<u>240</u>
<u>Total noncurrent assets</u>	<u>3,024</u>	<u>3,078</u>
<u>Total assets</u>	<u>8,708</u>	<u>9,143</u>
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,487	2,701
Short-term loans payable	2,200	2,200
Current portion of bonds payable	40	40
Current portion of long-term loans payable	99	94
Lease obligations	70	46
Income taxes payable	55	19
Provision for bonuses	168	106
Provision for product warranties	62	62
Other	919	1,313
<u>Total current liabilities</u>	<u>6,102</u>	<u>6,584</u>
Noncurrent liabilities		
Bonds payable	100	100
Long-term loans payable	240	220
Lease obligations	39	32
Deferred tax liabilities	3	3
Provision for directors' retirement benefits	67	70
Net defined benefit liability	1,315	1,315
Other	109	108
<u>Total noncurrent liabilities</u>	<u>1,876</u>	<u>1,851</u>
<u>Total liabilities</u>	<u>7,979</u>	<u>8,435</u>
Net assets		
Shareholders' equity		
Capital stock	3,470	3,470
Capital surplus	1,584	1,584
Retained earnings	(3,910)	(3,935)
Treasury stock	(338)	(338)
<u>Total shareholders' equity</u>	<u>806</u>	<u>780</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(99)	(91)
Remeasurements of defined benefit plans	21	18
<u>Total accumulated other comprehensive income</u>	<u>(76)</u>	<u>(72)</u>
<u>Total net assets</u>	<u>729</u>	<u>708</u>
<u>Total liabilities and net assets</u>	<u>8,708</u>	<u>9,143</u>

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

Consolidated quarterly statements of income

	FY03/2022 (Apr. 1, 2021-June 30, 2021)	(Millions of yen) FY03/2023 (Apr. 1, 2022-June 30, 2022)
Net sales	2,816	3,171
Cost of sales	2,026	2,231
Gross profit	790	940
Selling, general and administrative expenses	961	993
Operating loss	(171)	(53)
Non-operating income		
Interest income	0	0
Share of profit of entities accounted for using equity method	2	1
Foreign exchange gains	1	40
Other	84	8
Total non-operating income	89	51
Non-operating expenses		
Interest expenses	6	5
Other	4	4
Total non-operating expenses	10	9
Ordinary loss	(92)	(11)
Extraordinary Income		
Gain on sales of noncurrent assets	0	—
Total extraordinary Income	0	—
Extraordinary loss		
Loss on retirement of noncurrent assets	2	8
Total extraordinary losses	2	8
Loss before income taxes	(93)	(19)
Income taxes-current	5	5
Income taxes-deferred	(0)	(0)
Total income taxes	5	5
Profit (loss)	(99)	(25)
Profit (loss) attributable to owners of parent	(99)	(25)

Consolidated quarterly statements of comprehensive income

	FY03/2022 (Apr. 1, 2021-June 30, 2021)	(Millions of yen) FY03/2023 (Apr. 1, 2022-June 30, 2022)
Profit (loss)	(99)	(25)
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	5	3
Remeasurements of defined benefit plans, net of tax	(1)	(3)
Share of other comprehensive income of entities accounted for using equity method	(2)	4
Other comprehensive income	1	3
Comprehensive income	(97)	(21)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(97)	(21)
Comprehensive income attributable to non-controlling interests	—	—

[Consolidated Segment Information]

Three Months ended June 30, 2021 (April 1, 2021 – June 30, 2021)

(Millions of yen, rounded down)

	Housing & Environmental Equipment	Functional Ceramics Product	Tabletop	Segment total	Adjustment (Note 1)	Amounts on the consolidated financial statements (Note 2)
Net sales						
Goods and services transferred at a point in time	461	575	217	1,254	-	1,254
Goods and services transferred over time (Note 3)	1,561	-	-	1,561	-	1,561
Revenue from contracts with customers	2,023	575	217	2,816	-	2,816
Sales to Outside Customers	2,023	575	217	2,816	-	2,816
Intersegment sales or Transfers	-	-	-	-	-	-
Total	2,023	575	217	2,816	-	2,816
Segment profit (loss) (Operating income (loss))	87	21	(108)	0	(171)	(171)

Note: 1. Segment income adjustment of 171 million yen consists of expenses related to departments that do not belong to the reportable segments.

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

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.

Three Months ended June 30, 2022 (April 1, 2022 – June 30, 2022)

(Millions of yen, rounded down)

	Housing & Environmental Equipment	Functional Ceramics Product	Tabletop	Other (Note 1)	Segment total	Adjustment (Note 2)	Amounts on the consolidated financial statements (Note 3)
Net sales							
Goods and services transferred at a point in time	467	678	333	0	1,480	-	1,480
Goods and services transferred over time (Note 4)	1,690	-	-	-	1,690	-	1,690
Revenue from contracts with customers	2,158	678	333	0	3,171	-	3,171
Other revenue(Note 5)	-	-	0	-	0	-	0
Sales to Outside Customers	2,158	678	333	0	3,171	-	3,171
Intersegment sales or Transfers	-	-	-	-	-	-	-
Total	2,158	678	333	0	3,171	-	3,171
Segment profit (loss) (Operating income (loss))	91	78	(26)	(4)	139	(193)	(53)

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

Note: 2. Segment income adjustment of 193 million yen consists of expenses related to departments that do not belong to the reportable segments.

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

Note: 4. 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: 5. Other revenue is income based on accounting standards for leasing transactions.

2. Change in reportable segments

Starting from the current first quarter of the consolidated accounting period and based on the start of sales of BONEARTH®, which is the world's first fertilizer made from disposed bone china, we have separated the business as an independent business segment (New Business) intended to promote a circular economy. Therefore, our business segments, which were originally the "Housing Environmental Equipment Business", "Functional Ceramics Product Business", and "Tabletop Business", are now the "Housing Environmental Equipment Business", "Functional Ceramics Product Business", "Tabletop Business", and "New Business". Regarding the "New Business", it is categorized as "Other" since its importance in terms of volume is low.