

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

November 9, 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 : November 11, 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 Six Months Ended September 30, 2022 (April 1, 2022 - September 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	%
Six months ended September 30, 2022	6,802	13.3	14	-	91	-	57	-
Six months ended September 30, 2021	6,003	11.9	(170)	-	(102)	-	(111)	-

Note: Comprehensive income (Millions of yen) : September 30, 2022 : 69(-%) September 30, 2021 : (111) (-%)

	Net income per share		Diluted net income per share
	Yen		Yen
Six months ended September 30, 2022	2.47		-
Six months ended September 30, 2021	(4.81)		-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	9,171	798	8.7
Year ended Mar. 31, 2022	8,708	729	8.4

Reference: Shareholders' equity (Millions of yen) : September 30, 2022: 798 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	-	0.00			
Year ending Mar. 31, 2023 (forecast)			-	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 2019. 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

September 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

September 30, 2022	: 864,654 shares	Mar. 31, 2022	: 864,592 shares
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3) Average number of shares issued during the period (cumulative; consolidated)

Six months ended September 30, 2022	: 23,307,405 shares	Six months ended September 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.

Consolidated quarterly Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	FY03/2022 (As of Mar.31,2022)	FY03/2023 (As of Sep 30,2022)
Assets		
Current assets		
Cash and deposits	974	1,069
Notes and accounts receivable - trade, and contract assets	2,059	2,166
Merchandise and finished goods	1,340	1,350
Work in process	669	611
Costs on uncompleted construction contracts	230	422
Raw materials and supplies	366	416
Other	51	91
Allowance for doubtful accounts	(9)	(3)
Total current assets	5,683	6,124
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,934	6,962
Accumulated depreciation	(5,666)	(5,722)
Buildings and structures, net	1,268	1,239
Machinery, equipment and vehicles	4,380	4,433
Accumulated depreciation	(4,087)	(4,135)
Machinery, equipment and vehicles, net	292	297
Tools, furniture and fixtures	1,185	1,199
Accumulated depreciation	(1,096)	(1,110)
Tools, furniture and fixtures, net	89	89
Land	955	955
Lease assets	393	202
Accumulated depreciation	(288)	(129)
Lease assets, net	105	72
Construction in progress	62	129
Total property, plant and equipment	2,772	2,783
Intangible assets	41	46
Investments and other assets		
Investment securities	99	113
Other	113	104
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	210	215
Total noncurrent assets	3,024	3,046
Total assets	8,708	9,171
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,487	2,701
Short-term loans payable	2,200	2,200
Current portion of bonds	40	40
Current portion of long-term loans payable	99	76
Lease obligations	70	35
Income taxes payable	55	55
Provision for bonuses	168	213
Provision for product warranties	62	62
Other	919	1,152
Total current liabilities	6,102	6,537
Noncurrent liabilities		
Bonds payable	100	80
Long-term loans payable	240	213
Lease obligations	39	41
Deferred tax liabilities	3	3
Provision for directors' retirement benefits	67	73
Net defined benefit liability	1,315	1,313
Other	109	109
Total noncurrent liabilities	1,876	1,834
Total liabilities	7,979	8,372
Net assets		
Shareholders' equity		
Capital stock	3,470	3,470
Capital surplus	1,584	1,584
Retained earnings	(3,910)	(3,852)
Treasury stock	(338)	(338)
Total shareholders' equity	806	863
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(99)	(79)
Remeasurements of defined benefit plans	21	14
Total accumulated other comprehensive income	(76)	(64)
Total net assets	729	798
Total liabilities and net assets	8,708	9,171

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

Consolidated quarterly statements of income

(Millions of yen)

FY03/2023

FY03/2022

(Apr. 1, 2022-Sep 30, 2022)

(Apr. 1, 2021-Sep 30, 2021)

Net sales	6,003	6,802
Cost of sales	4,259	4,773
Gross profit	1,743	2,028
Selling, general and administrative expenses	1,914	2,013
Operating income (loss)	(170)	14
Non-operating income		
Interest income	0	0
Share of profit of entities accounted for using equity method	3	3
Foreign exchange gains	7	70
Other	76	22
Total non-operating income	88	96
Non-operating expenses		
Interest expenses	12	10
Other	8	8
Total non-operating expenses	20	19
Ordinary income (loss)	(102)	91
Extraordinary Income		
Gain on sales of noncurrent assets	4	—
Total extraordinary Income	4	—
Extraordinary loss		
Loss on retirement of noncurrent assets	2	8
Total extraordinary losses	2	8
Profit (loss) before income taxes	(101)	83
Income taxes-current	10	26
Income taxes-deferred	(0)	(0)
Total income taxes	10	26
Profit (loss)	(111)	57
Profit (loss) attributable to owners of parent	(111)	57

Consolidated quarterly statements of comprehensive income

(Millions of yen)

FY03/2023

FY03/2022

(Apr. 1, 2022-Sep 30, 2022)

(Apr. 1, 2021-Sep 30, 2021)

Profit (loss)	(111)	57
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	0	8
Remeasurements of defined benefit plans, net of tax	(3)	(7)
Share of other comprehensive income of entities accounted for using equity method	3	10
Other comprehensive income	0	12
Comprehensive income	(111)	69
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(111)	69
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

	(Millions of yen) FY03/2022 (Apr.1, 2021-Sep.30,2021)	(Millions of yen) FY03/2023 (Apr.1, 2022-Sep.30,2022)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(101)	83
Depreciation and amortization	217	199
Increase (decrease) in allowance for doubtful accounts	0	(6)
Increase (decrease) in provision for bonuses	0	44
Increase (decrease) in net defined benefit liability	10	(9)
Interest and dividends income	(61)	(0)
Interest expenses	12	10
Foreign exchange losses (gains)	(0)	(22)
Share of profit of entities accounted for using equity method	(3)	(3)
Subsidy income	(3)	—
Loss (gain) on sales of property, plant and equipment	(4)	—
Loss on retirement of non-current assets	2	8
Decrease (increase) in notes and accounts receivable-trade	3	(84)
Decrease (increase) in inventories	(186)	(191)
Increase (decrease) in notes and accounts payable-trade	(77)	213
Other, net	68	108
Subtotal	(123)	352
Interest and dividends income received	61	1
Interest expenses paid	(12)	(10)
Income taxes paid	(11)	(26)
Proceeds from subsidy income	3	0
Net cash provided by (used in) operating activities	(82)	316
Net cash provided by (used in) investment activities		
Payments into time deposits	(0)	(0)
Purchase of property, plant and equipment	(94)	(141)
Proceeds from sales of property, plant and equipment	4	—
Other, net	(25)	22
Net cash provided by (used in) investment activities	(115)	(119)
Net cash provided by (used in) financing activities		
Repayment of long-term loans payable	(49)	(49)
Redemption of bonds	(20)	(20)
Repayments of lease obligations	(70)	(41)
Purchase of treasury stock	—	(0)
Net cash provided by (used in) financing activities	(140)	(111)
Effect of exchange rate change on cash and cash equivalents	0	8
Net increase (decrease) in cash and cash equivalents	(338)	95
Cash and cash equivalents at beginning of period	1,278	932
Cash and cash equivalents at end of period	939	1,027

[Consolidated Segment Information]

Six Months ended September 30, 2021 (April 1, 2021 – September 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	887	1,224	504	2,616	-	2,616
Goods and services transferred over time(Note 3)	3,387	-	-	3,387	-	3,387
Revenue from contracts with customers	4,274	1,224	504	6,003	-	6,003
Other revenue(Note 4)	-	-	0	0	-	0
Sales to Outside Customers	4,274	1,224	504	6,003	-	6,003
Intersegment sales or Transfers	-	-	-	-	-	-
Total	4,274	1,224	504	6,003	-	6,003
Segment profit (loss) (Operating income (loss))	271	82	(178)	175	(346)	(170)

Note: 1. Segment income adjustment of 346 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.

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

Six Months ended September 30, 2022 (April 1, 2022 – September 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	919	1,442	787	0	3,150	-	3,150
Goods and services transferred over time (Note 4)	3,652	-	-	-	3,652	-	3,652
Revenue from contracts with customers	4,571	1,442	787	0	6,802	-	6,802
Other revenue(Note 5)	-	-	0	-	0	-	0
Sales to Outside Customers	4,571	1,442	787	0	6,802	-	6,802
Intersegment sales or Transfers	-	-	-	-	-	-	-
Total	4,571	1,442	787	0	6,802	-	6,802
Segment profit (loss) (Operating income (loss))	263	172	(21)	(7)	406	(391)	14

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 391 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.