

Fiscal Year 2018 (Ending March 31, 2019)
1st Quarter Financial Results Briefing Session
Materials
August 9, 2018

Nikko Co., Ltd.
(Tokyo Stock Exchange Code: 6306)

Takahisa Nishikawa, President and Representative Director
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Business Climate in FY 2018/1Q

FY 2018/1Q Results

<u>1Q (Apr.–June)</u>	<u>Results</u>	<u>YoY Change</u>
Net sales (mil. yen)	5,415	(764)/-12.4%
Operating income (mil. yen)	(26)	(74)/ -
Net income (mil. yen)	130	(51)/-28.2%

Domestic product sales in both AP and BP were below that of the previous year. Product sales in China in 1Q were zero, as in normal years.

Maintenance service sales were up for AP and unchanged for BP. New orders received were unchanged for AP and fell slightly for BP.

Business Climate and Management Policies

Asphalt plant (AP) business

Asphalt mixture volume manufactured in FY 2018/1Q was 8.03 mil. tons (YoY ratio 97.8%)

Virgin mixture 1.93 mil. tons (YoY ratio 98.1%)

Recycled mixture 6.09 mil. tons (YoY ratio 97.7%)

*Recycled mixture ratio 75.9% Source: Japan Asphalt Mixture Association

Batching plant (BP) business

Ready-mixed concrete shipments in FY 2018/1Q were 20.71 mil. m³ (YoY ratio 101%)

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

For both AP and BP, the business environment in terms of capital investment plans by domestic customers was similar to the previous fiscal year, and the business climate in China was similarly favorable as the previous fiscal year.

We will build a foothold for orders on the way to our 100th anniversary next year at the NIKKO Messe 2018 scheduled for October 22 to November 2.

Main items to be shown (exhibits of actual products)

AP (asphalt plant-related) products

- New model asphalt plant Value-Pack
 - Newly designed plant for recycled mixture
- Recycle Dryer-Neo
 - Recycle dryer with added function for thermal decomposition of recycled materials
- Crusher plant
 - Impact crusher for use in asphalt plants

Mobile products

- Self-propelled jaw crusher



Other products

- Beverage container sorter
- New model conveyor, etc.

BP (concrete batching plant-related) products

- New model batching plant DASH-Progress
- Batching plant for tunnels
- Next-generation mixer
 - Prototype mixer with new kneading mechanism
- Compact plant for construction work and disaster recovery
- New BP operations console
 - Plant operation and provision of error information and equipment information from server
 - Operations console settings and operation log, etc. can be checked from tablet

- Self-propelled conveyer Trackstack

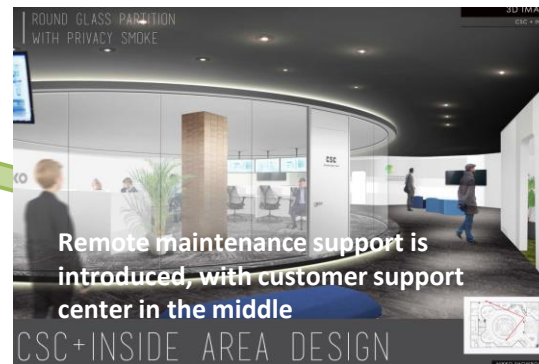
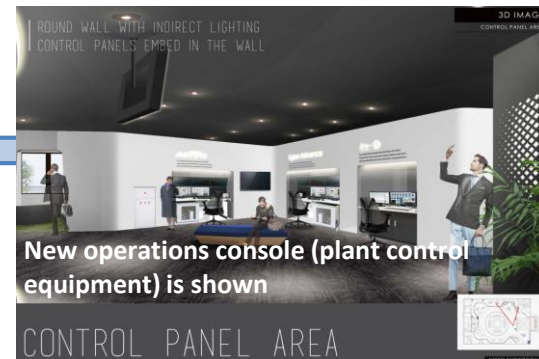
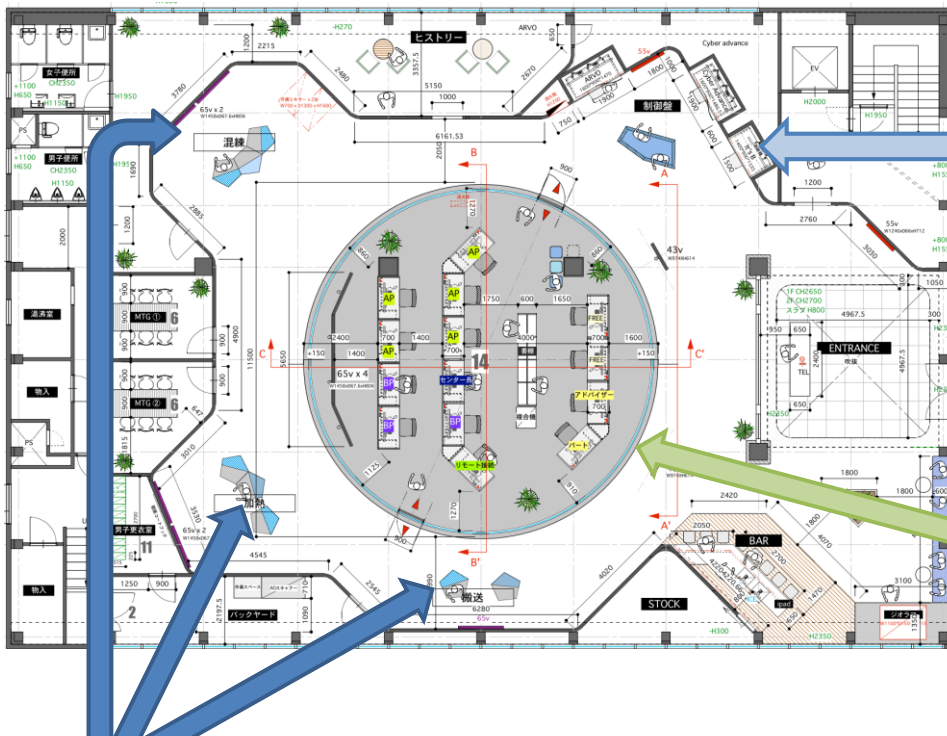


- Self-propelled soil improver Mobix



Our Permanent Exhibit Area in Head Office (NPS: Nikko Proposal Station)

A new showroom consists of ten areas, with a customer support center (CSC) in the middle.



Accomplishments in core technologies for mixing and kneading, heating (drying), and conveying are shown

Monday, October 22 tour for investors and analysts

Planned itinerary

- 11:00 Assemble at Nishi-Akashi Station
- 11:10 Depart from Nishi-Akashi Station (courtesy bus)
- 11:30 Arrive at Nikko Head Office and plant
- 11:40 Lunch (1st-floor cafeteria in Techno Center)
- 12:20 Explanation of schedule
- 12:25 Explanation of VP and main exhibits
- 13:00 Tour of exhibits and new CSC/Techno Center
- 14:30 Explanation of nonfinancial information
- 15:00 Q&A
- 15:20 Refreshments with company officers and engineers
- 16:00 Closing; departure for Nishi-Akashi Station

FY 2018 Performance Highlights (1)

(mil. yen)

	FY 2017			FY 2018				
	1Q actual	1H actual	Full year actual	1Q actual	YoY change	Change rate	1H forecast	Full year forecast
Net sales	6,179	16,153	35,114	5,415	(764)	-12.4%	16,000	34,000
Operating income	48	808	2,103	(26)	(74)	-	950	2,150
Operating margin	0.8%	5.0%	6.0%	-0.5%	-1.3%	-	5.9%	6.3%
Ordinary income	161	925	2,239	87	(74)	-46.0%	1,050	2,300
Net income attributable to owners of parent	182	743	1,490	130	(52)	-28.2%	750	1,550
New orders received	5,896	21,829	33,616	5,693	(203)	-3.4%	16,000	34,000
Order backlog	11,346	11,409	10,132	10,409	(937)	-8.3%	10,132	10,132

(yen)

Exchange rate (EUR/JPY)	120.19	132.21	127.19	132.32	+12.13	+10.1%	130.0	132.5
Exchange rate (RMB/JPY)	16.43	16.90	16.63	17.03	+0.60	+3.7%	17.0	17.0

With the decline in domestic sales of AP and BP products (YoY drop by 1.2 bil. yen) and increase in SG&A expenses (YoY increase by 100 mil. yen), operating income declined YoY by 74 mil. yen to -26 million yen. Cost-of-sales ratio improved by 4.1% thanks to lower outsourcing costs and other factors.

FY 2018 Performance Highlights (2)

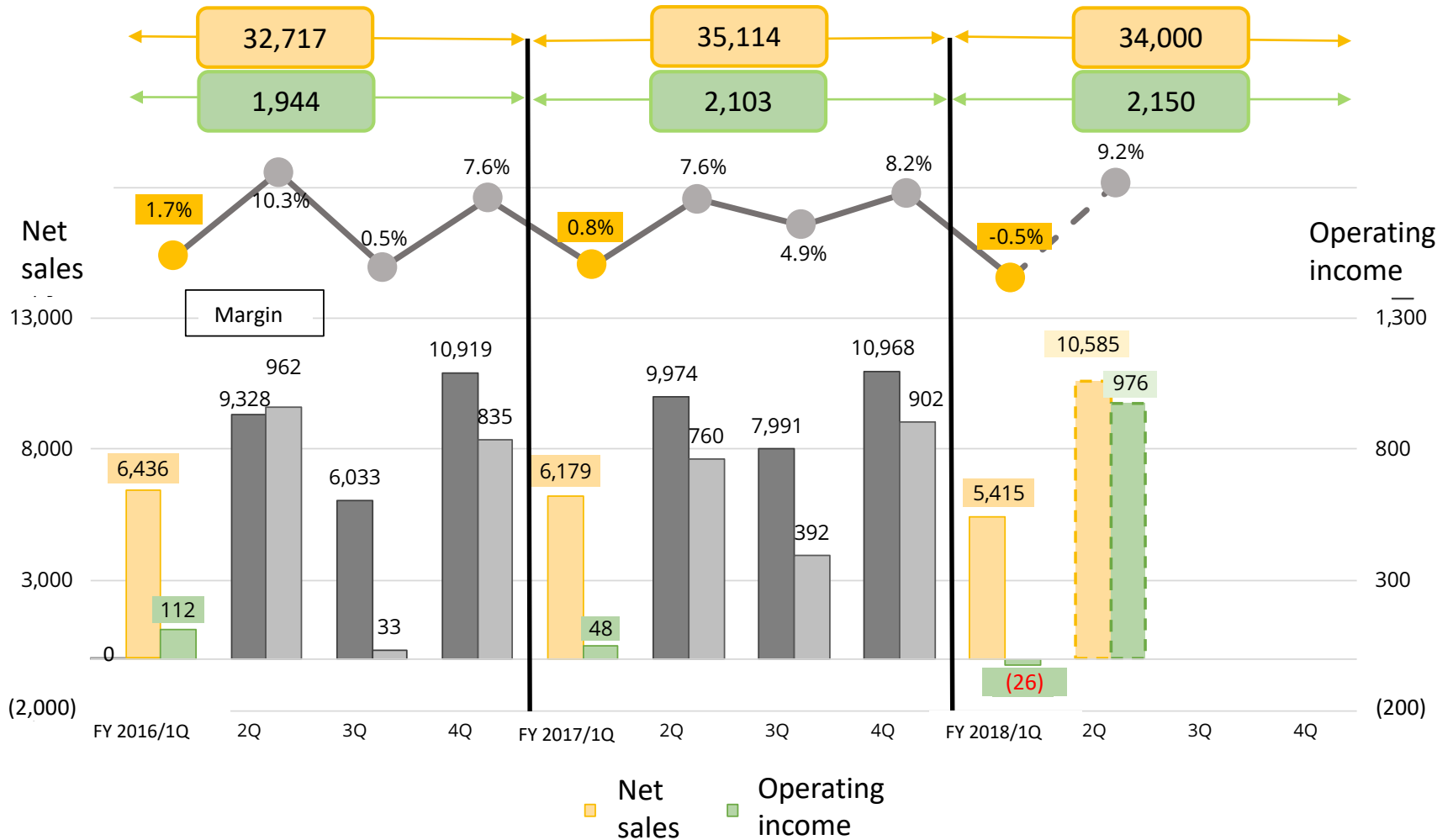
(mil. yen)

		FY 2017			FY 2018			
		1Q actual	1H actual	Full year actual	1Q actual	YoY change	1H forecast	Full year forecast
Asphalt plant-related business	Net sales	2,768	7,432	17,179	2,361	(407) 85.3%	8,800	17,800
	Operating income	100	450	1,348	42	(57) 42.0%	750	1,510
	Operating margin	3.6%	6.1%	7.8%	1.8%		8.5%	8.5%
Concrete plant-related business	Net sales	2,236	5,606	9,521	1,671	(565) 74.7%	4,200	9,000
	Operating income	145	669	1,015	66	(79) 45.5%	420	900
	Operating margin	6.5%	11.9%	10.7%	3.9%		10.0%	10.0%
Environment- and conveyor-related business	Net sales	407	1,453	3,931	462	+54 113.3%	1,300	2,600
	Operating income	24	101	308	59	+35 245.8%	130	260
	Operating margin	5.9%	7.0%	7.8%	12.8%		10.0%	10.0%
Other business	Net sales	766	1,660	4,480	921	+154 120.2%	1,700	4,600
	Operating income	22	107	462	21	(1) 95.5%	170	520
	Operating margin	2.9%	6.5%	10.3%	2.3%		10.0%	11.3%
Corporate expenses		(244)	(519)	(1,031)	(216)			

FY 2018 Performance Highlights (3)

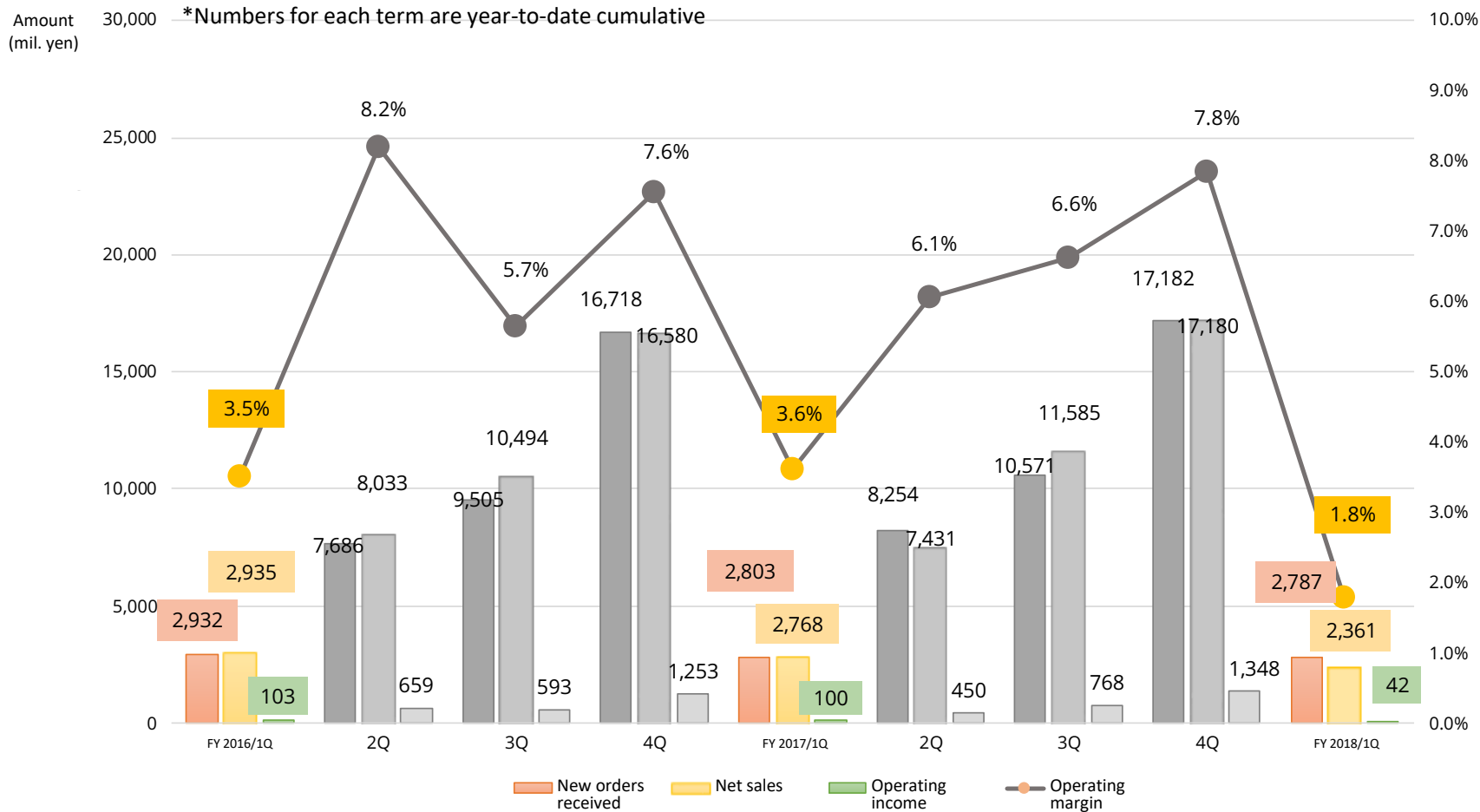
Quarterly net sales and operating income trends

(mil. yen)



Asphalt Plant-Related Business (1)

AP-related business



New orders received:

Domestic trends were in line with the previous year, while overseas trends were strong, even with changes in regions.

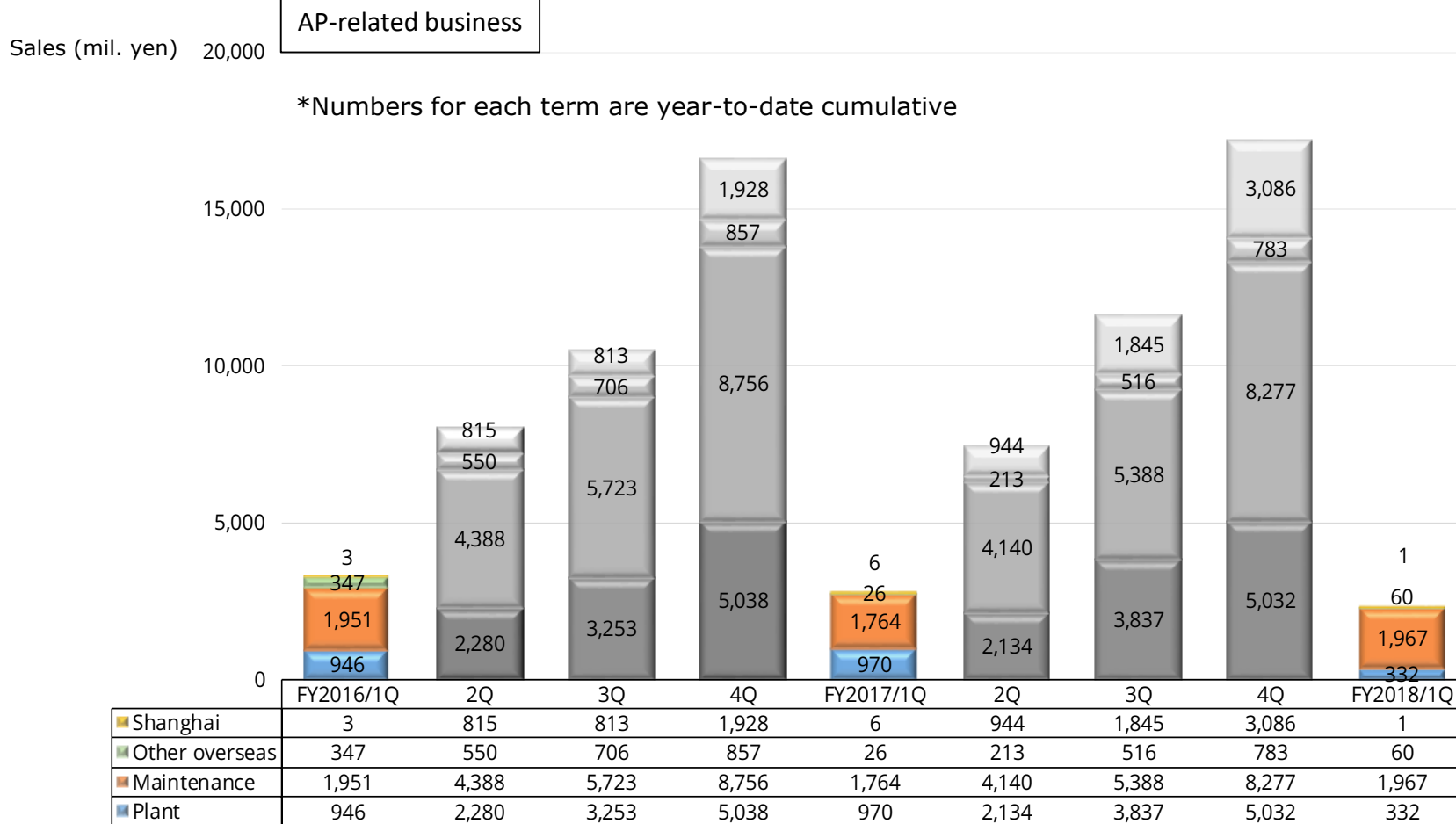
Net sales:

Plant product sales were below the previous year. Maintenance service sales were above the previous year.

Operating income:

Down from last year due to lower plant product sales, but above last year for maintenance services.

Asphalt Plant-Related Business (2)



Shanghai: Due to the Chinese New Year, there were no plant sales, the same as last year and normal years.

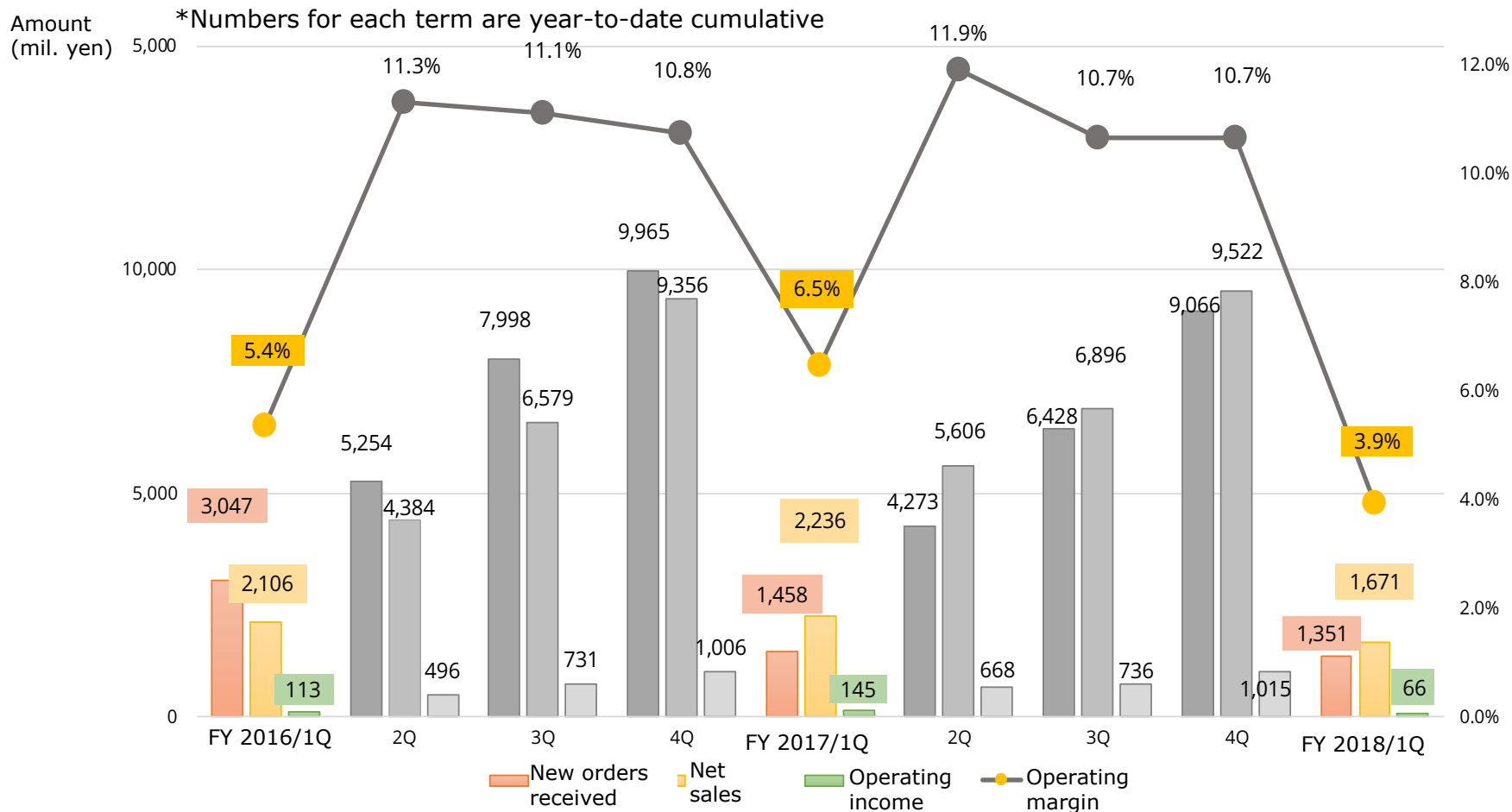
Overseas: Two deliveries made to Russia and their acceptance inspections were delayed, but sales growth was achieved.

Maintenance service: 12% rise helped by price increase in April.

Asphalt plants: Large drop due to scarcity of 1Q deliveries

Concrete Plant-Related Business (1)

BP-related business



New orders received: Slightly lower, but in line with targets

Net sales: Product sales were down sharply from the previous year, but in line with targets

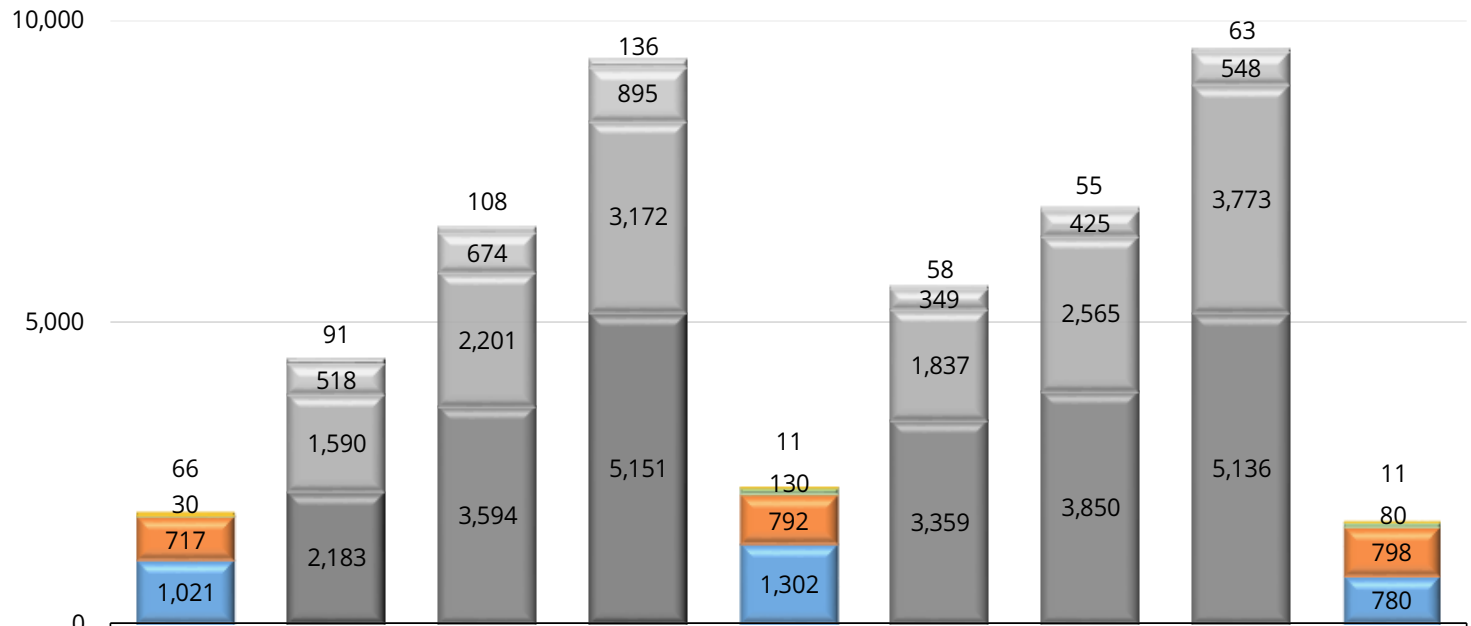
Operating income: Down from previous year due to lower sales

Concrete Plant-Related Business (2)

BP-related business

Sales (mil. yen)

*Numbers for each term are year-to-date cumulative



	FY2016/1Q	2Q	3Q	4Q	FY2017/1Q	2Q	3Q	4Q	FY2018/1Q
Exports, Shanghai	66	91	108	136	11	58	55	63	11
Pumps, etc.	30	518	674	895	130	349	425	548	80
Maintenance	717	1,590	2,201	3,172	792	1,837	2,565	3,773	798
Plant sales	1,021	2,183	3,594	5,151	1,302	3,359	3,850	5,136	780

Overseas: In line with average year trends

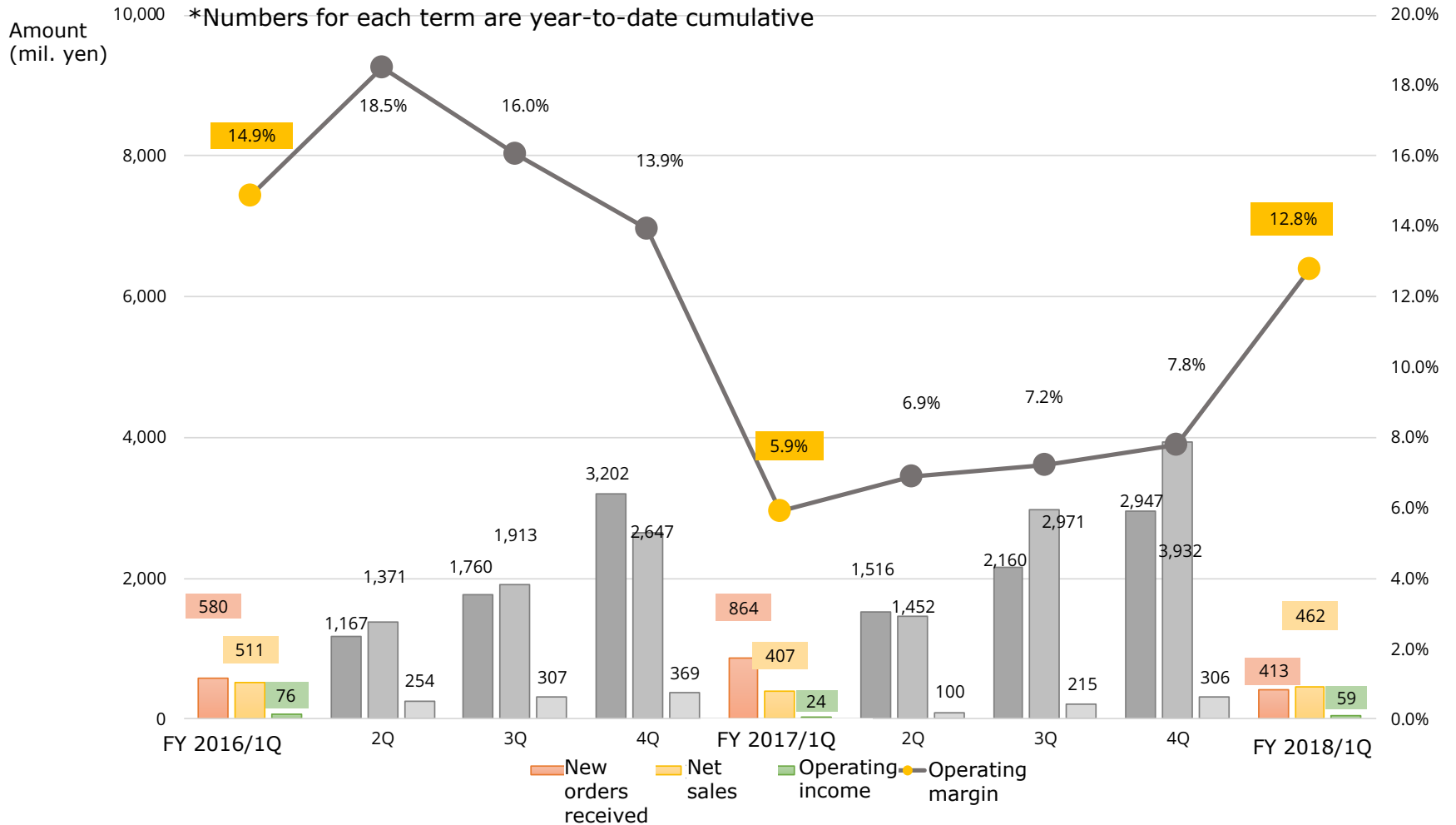
Pumps: Down from previous year due to lack of main unit sales

Maintenance service: In line with average year trends

Batching plants: Below previous year as order backlog carried over was small

Environment- and Conveyor-Related Business

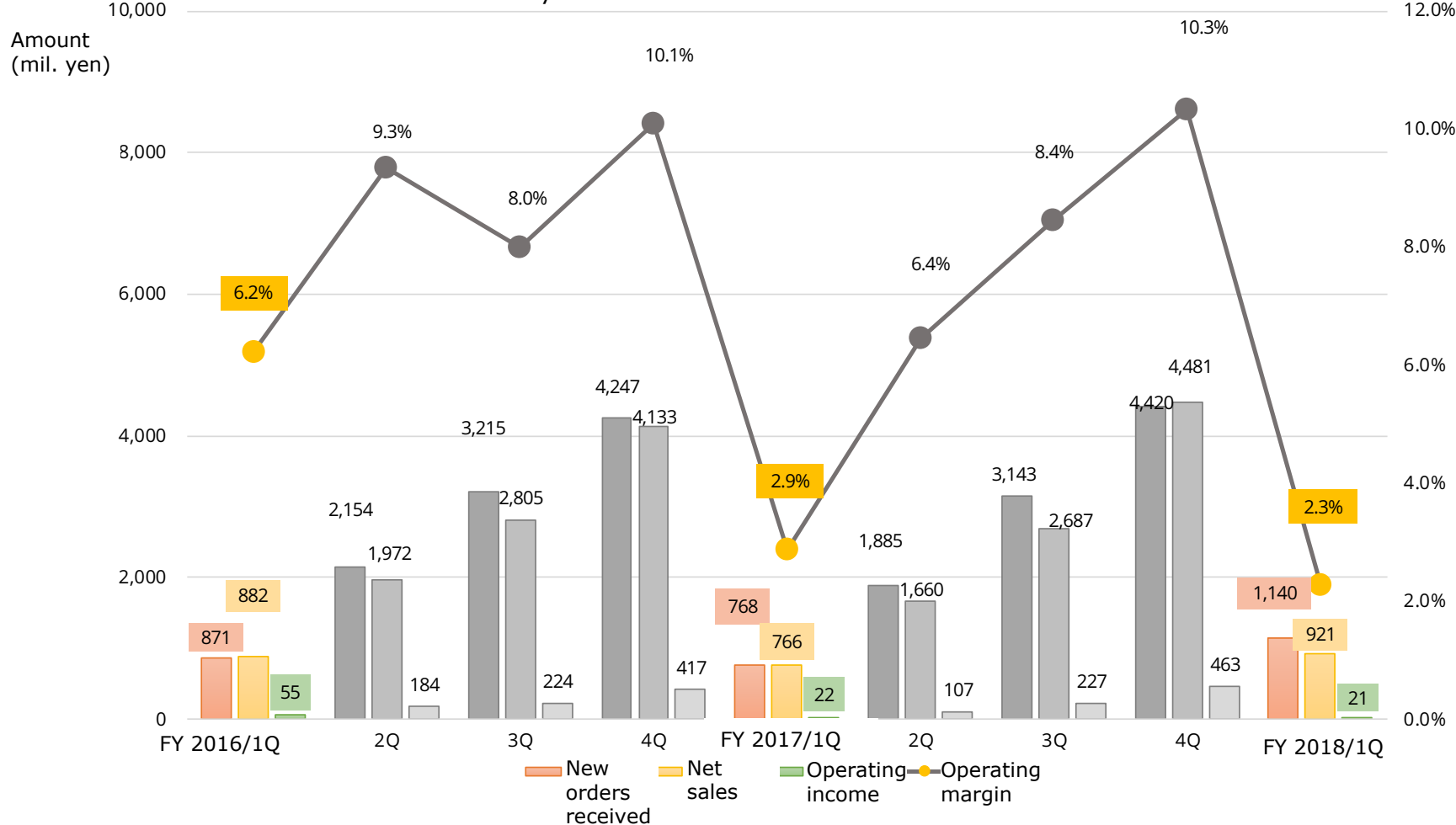
Environment- and conveyor-related business



Other Business

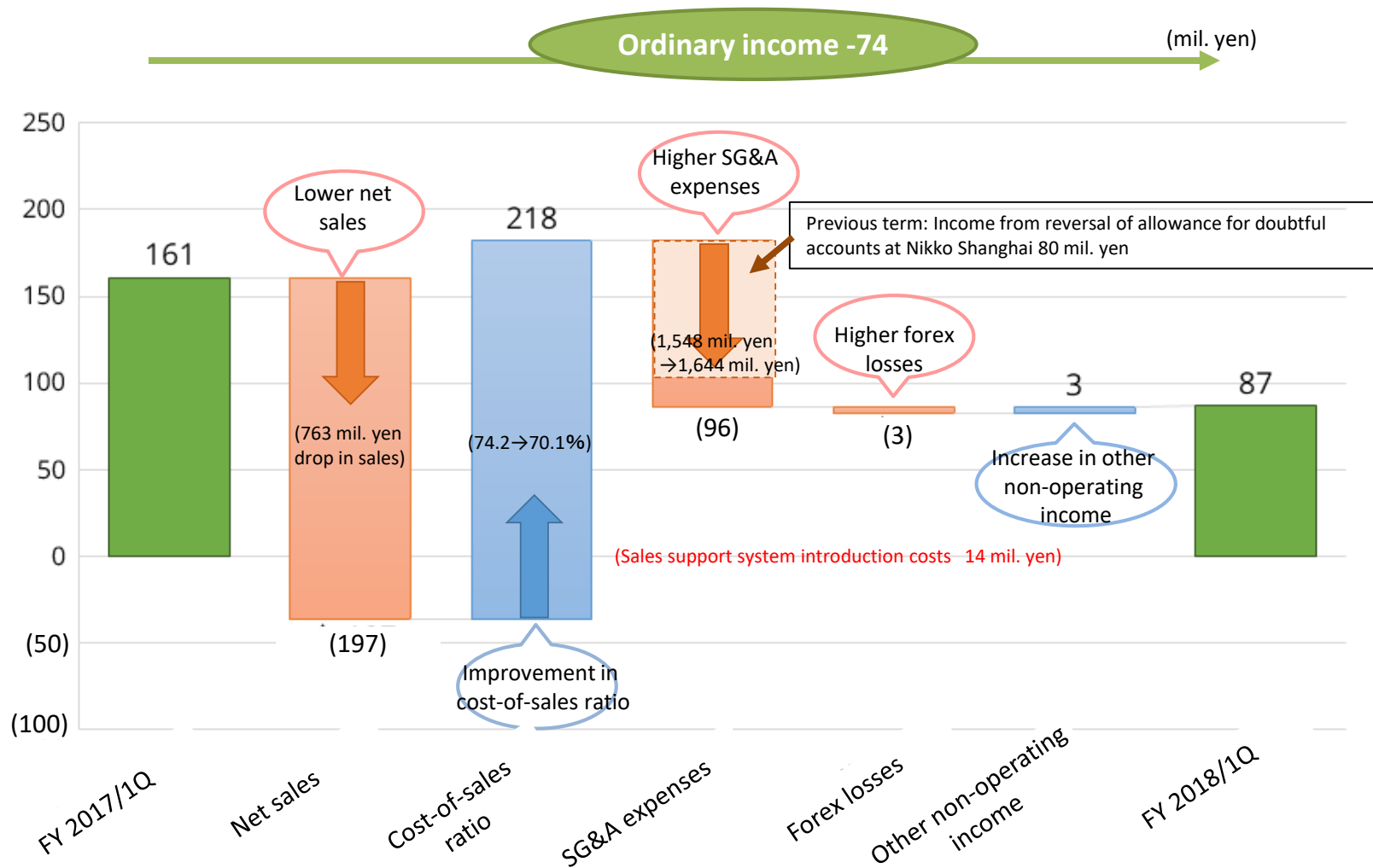
Other business

*Numbers for each term are year-to-date cumulative



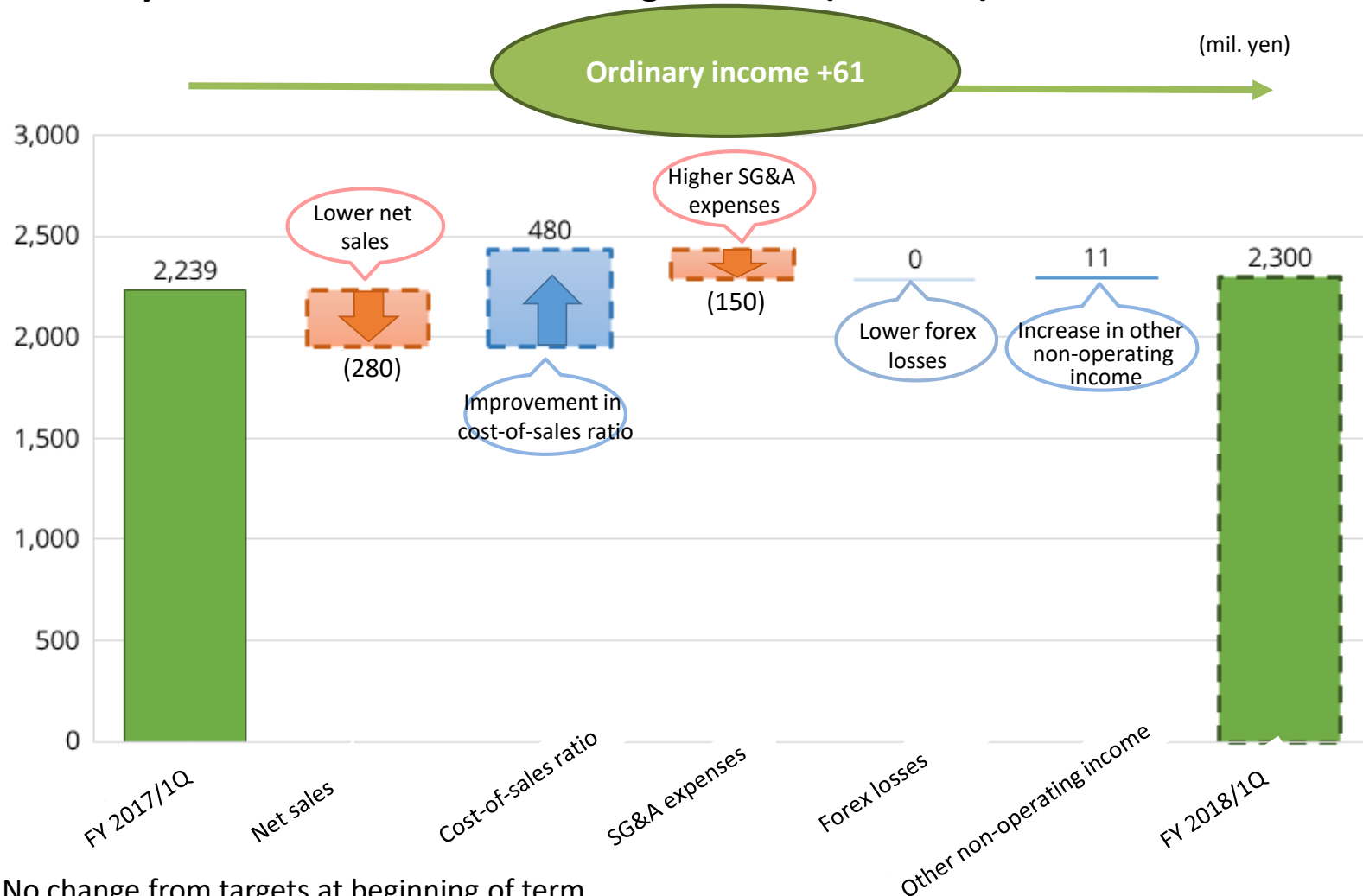
Analysis of FY 2018/1Q Ordinary Income Change Factors

FY 2018 Analysis of 1Q change factors



Analysis of FY 2018 Ordinary Income Change Factors

Analysis of FY 2018 Full Year Change Factors (Forecast)



Balance Sheet Trends

(mil. yen)

		FY 2017/1Q	FY 2018/1Q	Change	Main factors in year-on-year change
Assets	Current assets	31,160	29,331	(1,829)	Decrease: Cash and deposits (145) mil. yen Accounts receivable (1,300) mil. yen Inventories (322) mil. yen
	Property and equipment	5,130	5,545	+415	Increase: Construction in progress +505 mil. yen Decrease: Investment securities (337) mil. yen Investments in capital (167) mil. Yen
	Intangible assets	328	321	(7)	
	Investments and other assets	9,008	8,614	(394)	
Total assets		45,627	43,813	(1,814)	
Liabilities	Current liabilities	12,788	10,761	(2,027)	Decrease: Accounts payable (837) mil. yen Payments deferred (600) mil. yen Other current liabilities (576) mil. yen Long-term loans payable (120) mil. yen
	Long-term liabilities	3,531	3,043	(488)	
Total net assets		29,307	30,007	+700	Increase: Retained earnings +233 mil. yen Treasury stock +506 mil. yen Decrease: Accumulated other comprehensive income (32) mil. yen
Net assets per share (yen)		3,774.39	3,919.53*	+145.14	

* Due to disposal of 439,479 shares in treasury stock in November 2017, net assets per share show a year-on-year rise.

Reference Materials

Trends in Net Sales, Profits, Cash Flows, and Other Indicators

(mil. yen)

	FY 2016				FY 2017				FY2018
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q actual
Net sales	6,436	9,328	6,034	10,919	6,179	9,974	7,992	10,969	5,415
AP-related business	2,935	5,099	2,462	6,084	2,768	4,664	4,155	5,592	2,361
BP-related business	2,106	2,278	2,195	2,777	2,236	3,370	1,291	2,624	1,671
Environment- and conveyor-related business	511	861	542	733	407	1,046	1,519	959	462
Other business	882	1,091	834	1,326	766	894	1,027	1,793	921
Operating income	112	963	33	836	48	760	393	902	(26)
AP-related business	103	556	(66)	660	100	350	318	580	42
BP-related business	113	384	236	273	145	524	68	278	66
Environment- and conveyor-related business	76	178	54	61	24	77	115	92	59
Other business	55	129	41	192	22	85	121	234	21
Corporate expenses	(236)	(285)	(230)	(351)	(244)	(275)	(231)	(281)	(216)
Ordinary income	187	957	67	782	161	764	431	883	87
Net income attributable to owners of parent	124	766	28	422	182	561	308	439	130

Cash flow from operating activities	5,064				274				—
Cash flow from investing activities	(316)				41				—
Total dividend	209	—	194	—	232	—	191	—	267
Share buyback	1,006				245				—

Trends in New Orders Received and Order Backlog per Business Segment

(mil. yen)

Orders received (cumulative)	FY 2016				FY 2017				FY 2018
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q actual
AP-related business	2,932	7,687	9,506	16,718	2,803	8,254	10,572	17,182	2,787
BP-related business	3,047	5,255	7,999	9,965	1,458	4,274	6,430	9,066	1,351
Environment- and conveyor-related business	580	1,168	1,762	3,202	864	1,517	2,162	2,947	413
Other business	871	2,155	3,216	4,247	768	1,886	3,144	4,420	1,140
Total	7,432	16,266	22,485	34,134	5,896	15,933	22,309	33,616	5,693

End-of-term order backlog	FY 2016				FY 2017				FY 2018
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q actual
AP-related business	6,024	5,680	5,038	6,356	6,391	7,178	5,341	6,359	6,784
BP-related business	3,658	3,587	4,136	3,350	2,572	2,018	2,883	2,894	2,575
Environment- and conveyor-related business	885	612	663	1,371	1,827	1,434	560	387	338
Other business	425	618	846	551	553	776	1,008	490	710
Total	10,993	10,499	10,684	11,629	11,346	11,408	9,793	10,132	10,409

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
Capital investment	292	335	844	815	877	1,261	550	1,200
Depreciation and amortization	432	389	395	422	487	482	472	495
R&D expenses	239	256	295	276	227	271	291	300

(persons, years old, or years)

Employees (consolidated)	775	763	767	796	803	797	807
Average age of employees (non-consolidated)	44.2	44.7	43.3	43.1	42.2	42.3	42.2
Average years of service (non-consolidated)	21.5	21.2	20	19.3	18.2	18.5	18.3
Female employees (non-consolidated)	10	11	11	10	12	15	17
Overseas employees (consolidated)	92	90	91	95	92	91	101
Foreign national employees (consolidated)	92	90	91	95	94	93	101

New products for reducing environmental impact

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
New products	<ul style="list-style-type: none"> ▪ Dryer for sand use ▪ High-temperature preheating burner 	<ul style="list-style-type: none"> ▪ NTB-II burner 	<ul style="list-style-type: none"> ▪ New-type bag filter 	<ul style="list-style-type: none"> ▪ VP Series asphalt plants 	—	<ul style="list-style-type: none"> ▪ Foamed asphalt manufacturing equipment
Features reducing environmental impact	<ul style="list-style-type: none"> ▪ Higher plant production efficiency ▪ Energy saving 	<ul style="list-style-type: none"> ▪ Energy saving ▪ Higher combustion efficiency in low-combustion range 	<ul style="list-style-type: none"> ▪ Space saving ▪ Energy saving ▪ Reduced exhaust gas ▪ Low noise 	<ul style="list-style-type: none"> ▪ Preventing diffusion of recycled material odorous gas 	—	<ul style="list-style-type: none"> ▪ Support for manufacture of warm-mix asphalt

**Please feel free to contact us as follows if you desire a meeting or have other requests.
(Meetings in Tokyo are also possible.)**

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