

Consolidated Financial Results Second Quarter, 2024



July 12, 2024
TSE Prime Market 3201

1 .Consolidated Financial Statements for 2024 1H





Summary (2024 1H)

Considering profitability and business risks, we have downsized the Communications and New Services sector of our Human & Future Development business from this term. This has resulted in a decrease in sales. However, all profits below operating profit have increased.

	Actual			Year-on-year		2024.7.12 forecast progress
	2022 1H	2023 1H	2024 1H	Change	%	progress
(Unit: million yen)						
<u>Sales</u>	53,616	54,548	53,608	-940	-1.7%	48.3%
<u>Operating income</u>	5,187	4,570	4,668	98	2.2%	42.4%
<u>Operating margin</u>	9.7%	8.4%	8.7%	0.3%	-	-
<u>Ordinary income</u>	5,811	4,810	5,062	252	5.2%	43.6%
Profit attributable to owners of parent	79	137	-48	-185	-	-
<u>Return on equity</u>	3,811	3,313	3,674	361	10.9%	47.7%



Segment Results

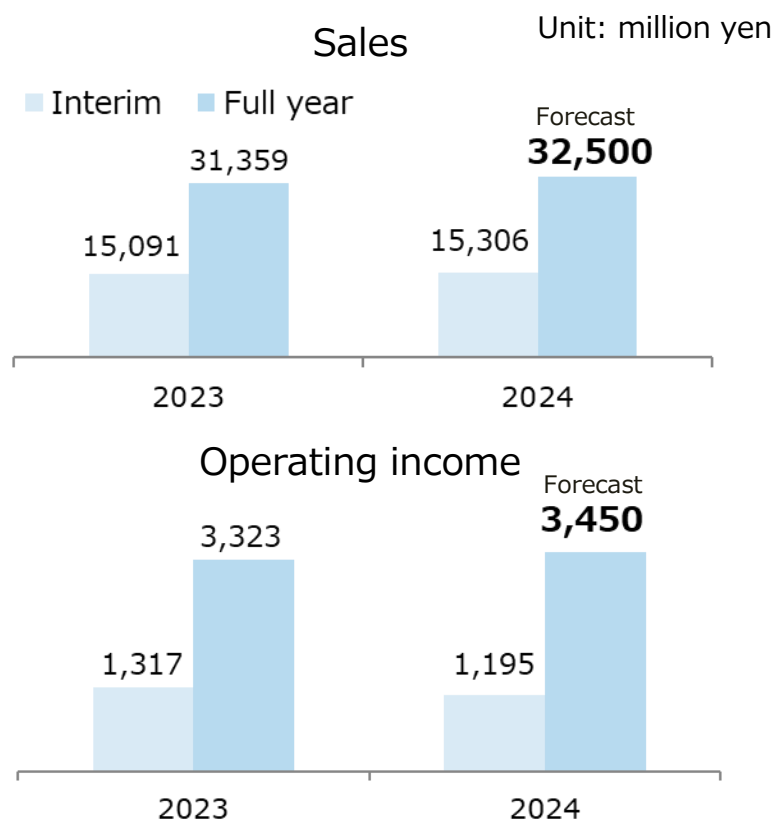
		Actual		Year-on-year	
		2023 1H	2024 1H	Change	%
(Unit: million yen)					
Textile & Clothing Materials	Sales	15,091	15,306	214	1.4%
	Operating income	1,317	1,195	-121	-9.3%
	Operating margin	8.7%	7.8%	-0.9%	-
Industrial Machinery & Materials	Sales	11,711	12,173	462	3.9%
	Operating income	414	438	24	6.0%
	Operating margin	3.5%	3.6%	0.1%	-
Human & Future Development	Sales	16,341	12,703	-3,637	-22.3%
	Operating income	3,258	3,387	128	3.9%
	Operating margin	19.9%	26.7%	6.8%	-
Consumer Goods & Services	Sales	9,536	11,369	1,832	19.2%
	Operating income	311	426	114	36.6%
	Operating margin	3.3%	3.7%	0.4%	-
Others	Sales	1,868	2,056	188	10.1%
	Operating income	-732	-779	-47	-
TOTAL	Sales	54,548	53,608	-939	-1.7%
	Operating income	4,570	4,668	98	2.2%
	Operating margin	8.4%	8.7%	0.3%	-



Textile & Clothing Materials



Sales 15,306百万円 YoY +1.4%
 Operating income 1,195百万円 YoY -9.3%



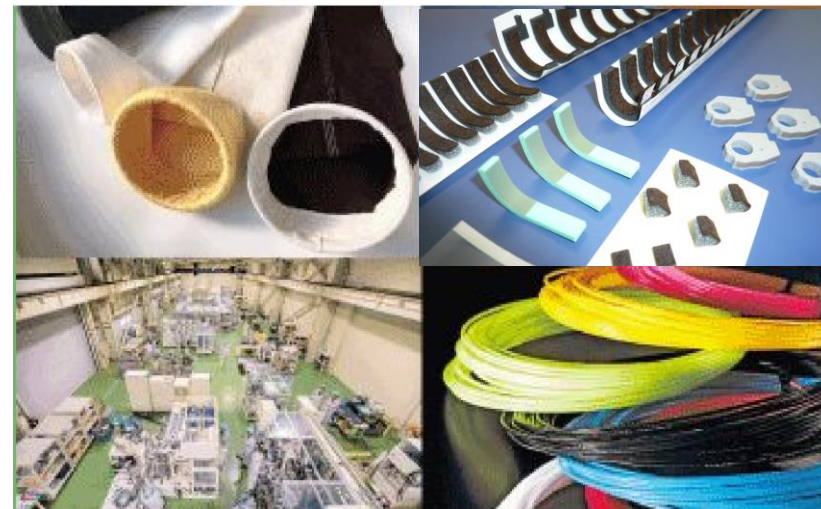
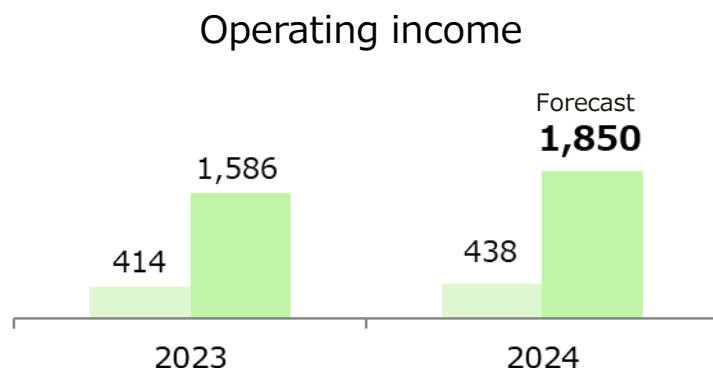
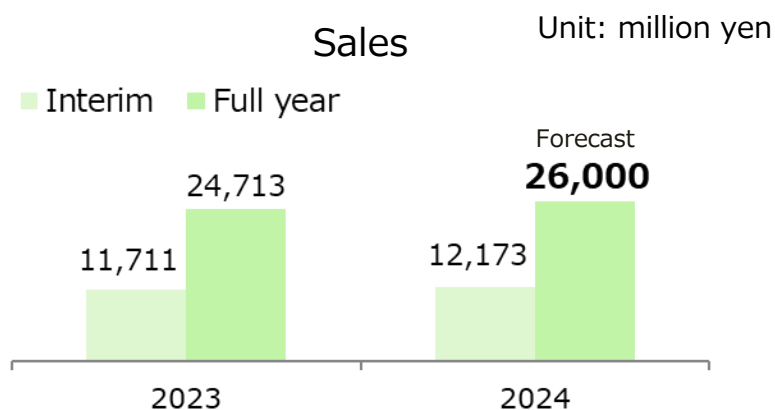
- ✓ Sales of uniform materials for schools have been solid, with an increase in demand for purchases before price revisions.
- ✓ Sales of uniform materials for government offices and private companies have both been favorable.
- ✓ Sales of general clothing materials have been poor both domestically and overseas.
- ✓ In the yarn sector, yarn sales have decreased and performance has been poor.
- ✓ Continuing from last year, the depreciation of the yen has led to an increase in the cost of wool raw materials and a surge in energy costs, putting pressure on profits.



Industrial Machinery & Materials



Sales 12,173百万円 YoY +3.9%
 Operating income 438百万円 YoY +6.0%



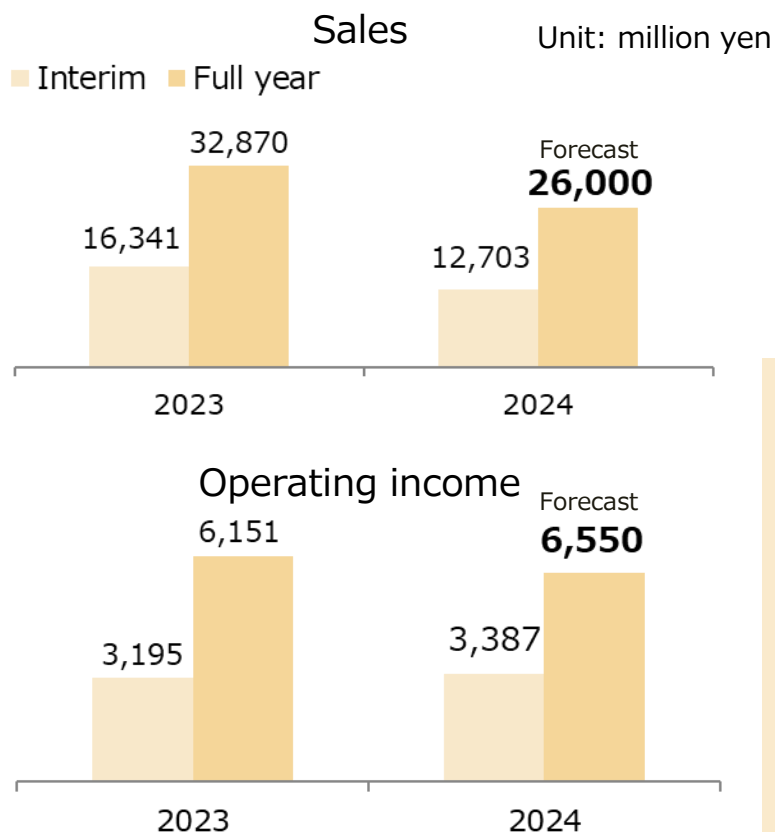
- ✓ Sales of non-woven fabrics, sewing threads, and binding cords for vehicles have been sluggish.
- ✓ Sales of FA equipment for manufacturing lines of vehicle-mounted electrical equipment have been favorable, with orders from customers showing a recovery trend.
- ✓ Environmental and energy-related materials have increased in sales since the second quarter, with the addition of Kankyo Techno Co., Ltd. to the group.
- ✓ Racket sports-related sales have been favorable due to the recovery of the market and the popularity of new products.
- ✓ Lifestyle-related materials have been poor, with felt for musical instruments affected by the sluggish Chinese market.



Human & Future Development



Sales 12,703百万円 YoY -22.3%
 Operating income 3,387百万円 YoY +3.9%



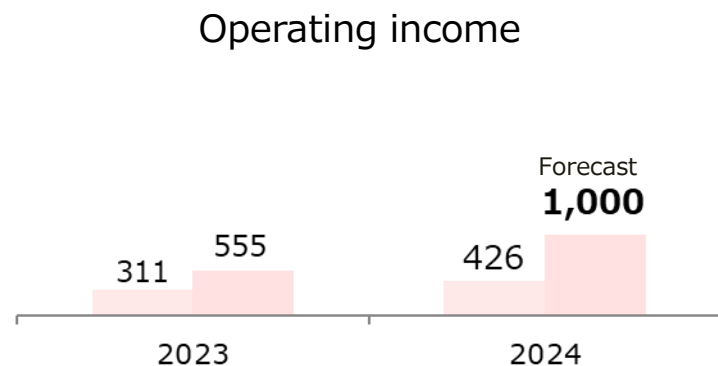
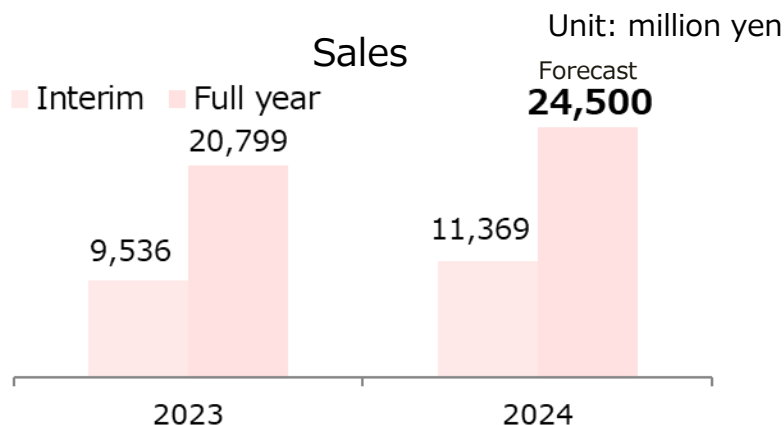
- ✓ Commercial facility management has been solid, with the renewal effects of Colton Plaza continuing.
- ✓ Real estate leasing business has exceeded the same period of the previous year. Construction-related business is on par with the same period of the previous year.
- ✓ Childcare-related business is on par with the same period of the previous year. Nursing care-related business has exceeded the same period of the previous year, with the number of users gradually recovering.
- ✓ Sports-related business has exceeded the same period of the previous year due to an increase in visitors.
- ✓ In the Communications and New Services sector, we have downsized the business from this term considering profitability and business risks.



Consumer Goods & Services



Sales 11,369百万円 YoY +19.2%
 Operating income 426百万円 YoY +36.6%



- ✓ Bedding sales have been sluggish on EC. Business supplies, such as disaster blankets, have been favorable.
- ✓ Stamp sales are on par with the same period of the previous year. Sales of stamping ink have been poor domestically but favorable overseas.
- ✓ Furniture sales have been favorable, with the performance of Interior Office One Co., Ltd., which joined us in the previous term, contributing.
- ✓ Sales of lifestyle appliances are on par with the same period of the previous year.
- ✓ Continuing from last year, the increase in purchase prices and the rise in advertising and logistics costs related to EC have been putting pressure on overall profits.

Consolidated Balance Sheet / Cash Flow Statement



(Unit: million yen)

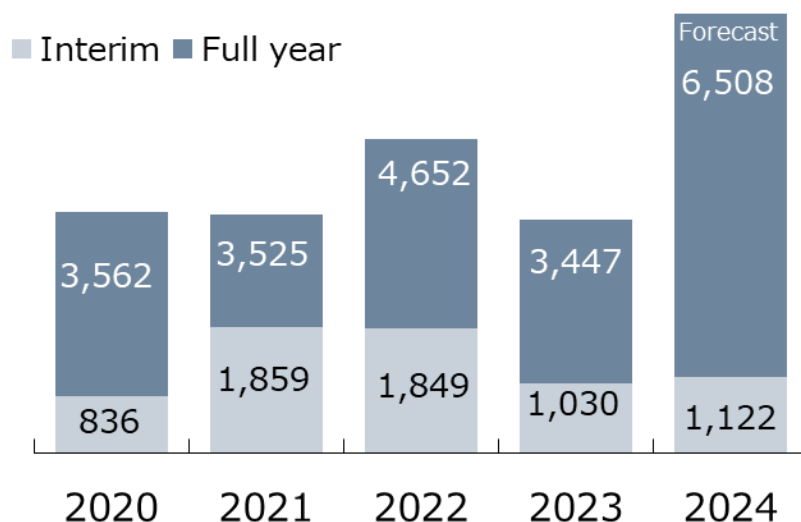
Consolidated Balance Sheet	End-Nov. 2023	End-Nov. 2024	Change (Y/Y)
Current assets	92,823	95,346	2,523
Property, plant and equipment	73,306	78,365	5,059
Total assets	166,129	173,712	7,583
Current liabilities	34,258	36,162	1,904
Long-term liabilities	17,735	18,007	271
Total Liabilities	51,993	54,169	2,175
Shareholders' equity	104,198	106,440	2,242
Accumulated other comprehensive income	8,950	12,089	3,139
Noncontrolling interests	987	1,013	26
Net assets	114,135	119,543	5,407
Consolidated Cash Flow Statement	1H FY2023 Actual	1H FY2024 Actual	Change (Y/Y)
Cash flow from operating activities	4,981	6,121	1,140
Cash flow from investing activities	-175	-3,755	-3,580
Cash flow from financing activities	-1,850	241	2,092
Balance of cash and cash equivalents at year's end	37,978	37,952	-25



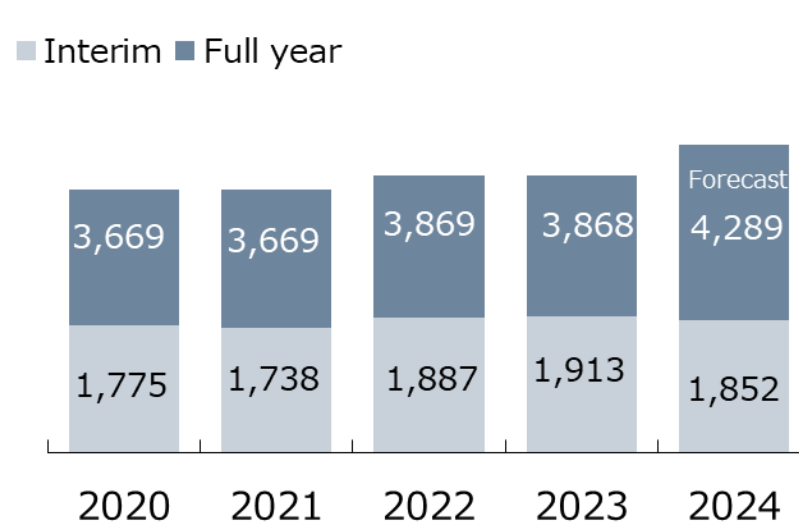
Capital investment / Depreciation expense

(Unit: million yen)

Capital investment



Depreciation expense



- ✓ We plan to invest approximately 6.5 billion yen in equipment in fiscal 2024. The cumulative equipment investment for the second quarter is approximately 1.1 billion yen.

2. Forecast for FY2024



Recognition of the business environment

Textile & Clothing Materials	<ul style="list-style-type: none"> •In Japan, the number of students is decreasing due to the declining birthrate. Efforts to enter overseas markets are essential. •As the global clothing market recovers, the advantages of domestic production and overseas expansion will be key. •The fatigue of domestic production areas is progressing, and the reconstruction of the value chain is necessary. •The realization of a sustainable society as advocated in the SDGs, environmentally friendly materials, and diversity will be the keywords.
Industrial Machinery & Materials	<ul style="list-style-type: none"> •The automotive-related field is affected by the market conditions in China. Continued expectations for business opportunities due to technological developments such as electrification. •The environmental-related field is expanding its business as regulations are being strengthened in various places, and the home appliances and OA fields are expected to expand overseas. •Expansion of markets that are conscious of the SDGs, such as the recycling business, is expected.
Human & Future Development	<ul style="list-style-type: none"> •Community-based shopping centers are performing steadily. In the real estate development field, there is an increase in inquiries for properties that have increased asset value, such as energy-saving buildings. •In the lifestyle support field, although the care and childcare-related markets will continue to expand, it is necessary to build operation methods and services in the post-Corona era.
Consumer Goods & Services	<ul style="list-style-type: none"> •Although the excitement of e-commerce shows a calm in the post-Corona era, the expansion trend does not change due to its convenience. •With the borderless nature of e-commerce, competition is increasing, including overseas forces and direct sales from manufacturers. The rising trend of purchase prices, logistics costs, and advertising and promotion costs continues.

FY2024 Full-year Forecast



Although there are increases and decreases by segment, overall there is no change from the initial forecast. Due to the impact of downsizing the Communications and New Services sector of our Human & Future Development business, we expect a decrease in sales compared to the previous term, but we anticipate that all profits below operating profit will be on par with the previous term.

	Actual		Forecast	Year-on-year	
	FY2022	FY 2023	FY 2024	Change	%
<u>Sales</u>	109,048	113,497	111,000	-2,497	-2.2%
<u>Operating income</u>	10,707	11,016	11,000	-16	-0.1%
<u>Operating margin</u>	9.8%	9.7%	9.9%	0.2%	-
<u>Ordinary income</u>	11,715	11,634	11,600	-34	-0.3%
<u>Profit attributable to owners of parent</u>	7,283	7,643	7,700	57	0.7%



2024 performance forecast by segment

(Unit: million yen)		Actual		Forecast		Year-on-year	
		2022	2023	2024		Change	%
				2024.1.12	2024.7.12		
Textile & Clothing Materials	Sales	29,735	31,359	32,500	32,500	1,141	3.6%
	Operating income	3,234	3,323	3,450	3,450	127	3.8%
	Operating margin	10.9%	10.6%	10.6%	10.6%	-0.0%	-
Industrial Machinery & Materials	Sales	23,853	24,713	26,000	26,000	1,287	5.2%
	Operating income	1,952	1,586	1,850	1,850	264	16.6%
	Operating margin	8.2%	6.4%	7.1%	7.1%	0.7%	-
Human & Future Development	Sales	34,938	32,870	26,000	26,000	-6,870	-20.9%
	Operating income	6,151	7,086	6,200	6,550	-536	-7.6%
	Operating margin	17.6%	21.6%	23.8%	25.1%	3.5%	-
Consumer Goods & Services	Sales	16,802	20,799	24,500	24,500	3,701	17.8%
	Operating income	953	555	1,350	1,000	445	80.2%
	Operating margin	5.7%	2.7%	5.5%	4.1%	1.4%	-
Others	Sales	3,720	3,755	2,000	2,000	-1,755	-46.7%
	Operating income	-1,584	-1,536	-1,850	-1,850	-314	-
TOTAL	Sales	109,048	113,497	111,000	111,000	-2,497	-2.2%
	Operating income	10,707	11,016	11,000	11,000	-16	-0.1%
	Operating margin	9.8%	9.7%	9.9%	9.9%	0.2%	-



2024 performance forecast change factors

Main factors of increase/decrease (compared to previous period)

Textile & Clothing Materials	<ul style="list-style-type: none"> ✓ Uniforms: Strengthening profitability through price revisions for schools ✓ Textiles: Strengthening sales of textile fabrics in Europe, the United States, and Asia
Industrial Machinery & Materials	<ul style="list-style-type: none"> ✓ Non-woven fabrics & felt: Management integration effects of Ambic and Fujiko (expansion of overseas business, etc.) ✓ FA: Expansion of new customers, recovery of profitability
Human & Future Development	<ul style="list-style-type: none"> ✓ Communications & New Services: Downsizing the business considering profitability and risk ✓ Real Estate Development: Sold real estate for sale in the previous period
Consumer Goods & Services	<ul style="list-style-type: none"> ✓ EC: Contribution of full-year consolidation of Sanko and Interior Office One.
Others	<ul style="list-style-type: none"> ✓ Others : Adjustments, reserve funds, etc. are expected.

Human & Future Development Business:

Due to the steady progress of the commercial facility management business, etc., although there is a decrease in profits compared to the previous term, we have revised the initial earnings forecast upward to an increase in profits.

Consumer Goods and Services Business:

Due to the cost increase of the EC-related business pressuring the profits, although there is an increase in profits compared to the previous term, we have revised the initial earnings forecast downward to a decrease in profits.

3 .RN130 3rd medium-term plan (overview)





Review of RN130 2nd medium-term plan (FY2021-2023)

		2020Actual	2023Forecast	2023Actual	versus FY2020
Growth	Sales	1,049bn	1,270bn	1,135bn	+108.2%
	Operating income	90bn	115bn	110bn	+121.8%
Profitability	operating margin	8.6%	9.1%	9.7%	+1.1%
	Net income	71bn	78bn	76bn	+107.3%
Capital Efficiency	R O E	7.7%	7.0%以上	7.0%	-0.7%

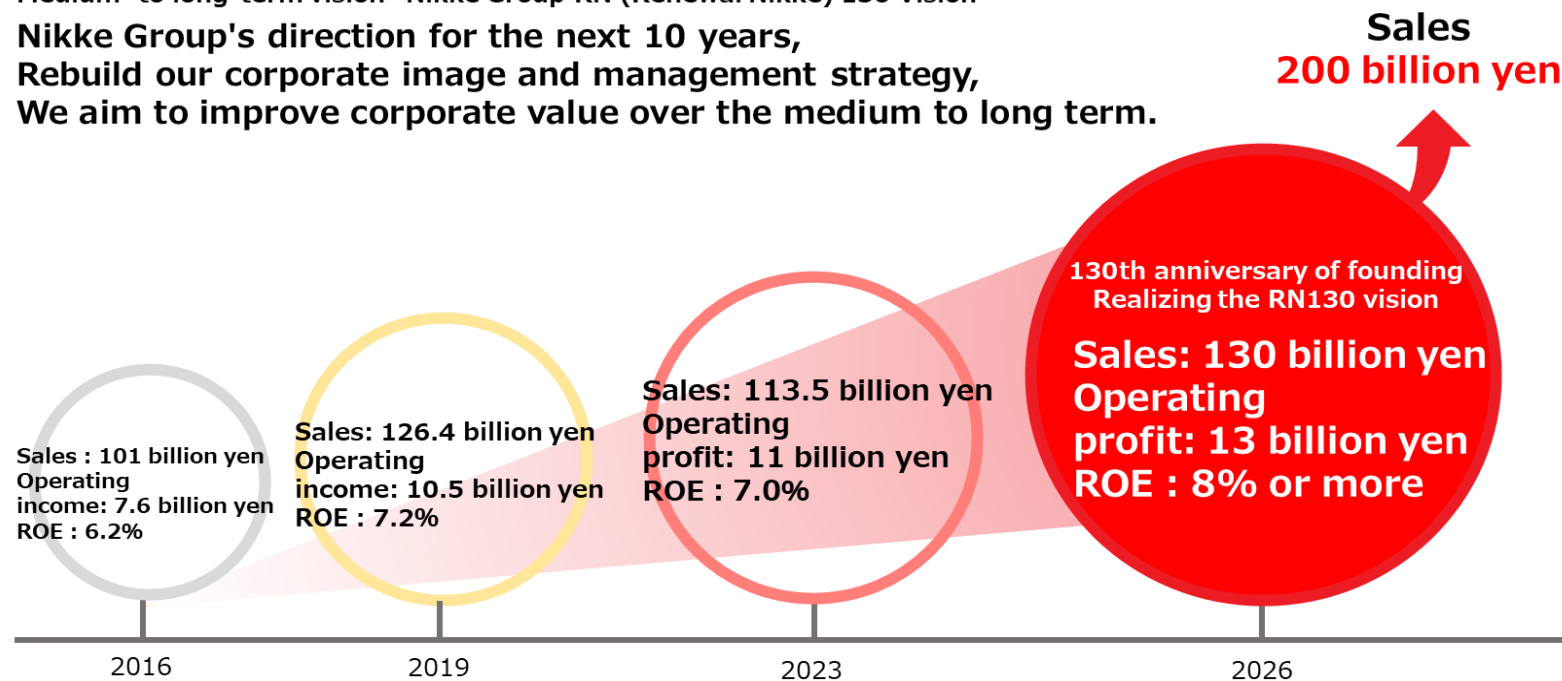
- ✓ The sales and profit plan for the final year of the RN130 Second Medium-Term Plan was not achieved, partly due to the impact of rapid changes in the business environment.
- ✓ Progress in expanding overseas business, which was set as a basic strategy, was delayed, partly due to the impact of the COVID-19 pandemic, but profitability improved as a result of increased efficiency through M&A and business restructuring.
- ✓ A management structure capable of sustaining operating profit of at least JPY 10 billion has been established to realise the RN130 vision.



Positioning of RN130 3rd medium-term plan

Medium- to long-term vision "Nikke Group RN (Renewal Nikke) 130 Vision"

**Nikke Group's direction for the next 10 years,
Rebuild our corporate image and management strategy,
We aim to improve corporate value over the medium to long term.**



1st medium-term plan

This is positioned as phase 1 of realizing the vision. Nurturing the seeds of each business area and putting their development on track.

2nd medium-term plan

This is positioned as a three-year period in which we will accelerate towards RN130. While closely monitoring the impact of the new coronavirus, we will steadily recover our business performance and renew the record high sales profit achieved in 2019.

Third medium-term plan

We will embody the "future life creation company" envisioned by each business. By steadily implementing each measure, the company aims to "grow more than the previous year" and set record highs for sales and profits.



Plan for Each Segment

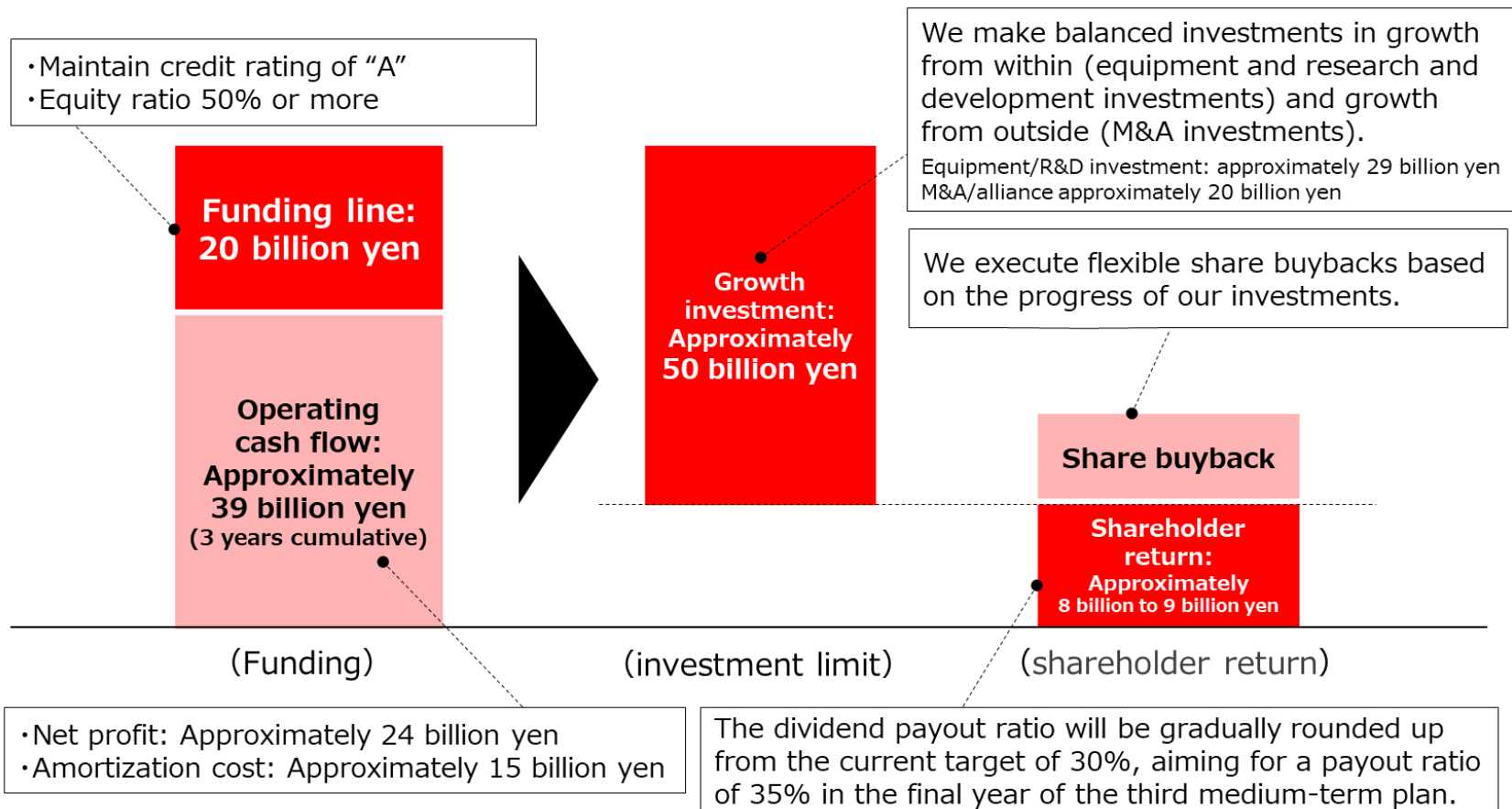
		Results	RN130 third medium-term management		
		2023	2024	2025	2026
(Unit: million yen)					
Textile & Clothing Materials	Sales	31,359	32,500	35,500	39,500
	Operating income	3,323	3,450	3,700	4,300
	Operating margin	10.6%	10.6%	10.4%	10.9%
Industrial Machinery & Materials	Sales	24,713	26,000	29,000	31,000
	Operating income	1,586	1,850	2,100	2,550
	Operating margin	6.4%	7.1%	7.2%	8.2%
Human & Future Development	Sales	32,870	26,000	26,500	30,000
	Operating income	7,086	6,200	6,250	7,200
	Operating margin	21.6%	23.8%	23.6%	24.0%
Consumer Goods & Services	Sales	20,799	24,500	26,000	31,500
	Operating income	555	1,350	1,750	2,000
	Operating margin	2.7%	5.5%	6.7%	6.3%
Others	Sales	3,755	2,000	3,000	-2,000
	Operating income	-1,536	-1,850	-1,800	-3,050
TOTAL	Sales	113,497	111,000	120,000	130,000
	Operating income	11,016	11,000	12,000	13,000
	Operating margin	9.7%	9.9%	10.0%	10.0%



Cash Allocation

Balance between growth investment and financial investment

We will raise the necessary funds while maintaining financial soundness and expand growth investments and shareholder returns.



Action to Implement Management that is Conscious of the Cost of Capital and the Stock Price



Strengthening profit generation

- Promote and achieve the RN130 third medium-term management.
- Optimise the business portfolio (investment in growth businesses, review of unprofitable businesses).

Improved asset efficiency

- Further efficiency gains in property holdings (redevelopment and disposal of unprofitable properties)
- Reduction of inactive assets (liquidation of policy shares that are no longer meaningful to hold)
- Continue to use ROIC as an indicator as an investment criterion. (target 8%, minimum 5%)

Strengthening of capital policy

- Strengthening shareholder returns
- The dividend payout ratio will be gradually rounded up from the current target of 30%, aiming for 35% in the final year of the Third Medium-Term Plan.
- Flexible share buy-backs in light of the progress of investments, to enhance overall shareholder returns.

Strengthen IR

- We aim to strengthen dialogue so that stakeholders can increase their understanding and trust in the Nikkei Group
- We explain M&A strategies and business diversification strategies, and communicate the growth story of the Nikkei Group.
- Promote expansion and sophistication of information disclosure (e.g. support for IR materials in English)

Promote management with an awareness of return on capital, The company aims to achieve an **ROE target of 8%** and a **P/B ratio of more than 1x**.

4 .Shareholder return





Capital Policy and Shareholder Returns

Basic concept

- ✓ The company is oriented towards a balance between growth investment and stable shareholder returns.
- ✓ Investment in growth will be actively implemented from the perspective of increasing medium- and long-term corporate value, including investment in research and development, mergers and acquisitions, capital expenditure and human capital.

Shareholder Return policy

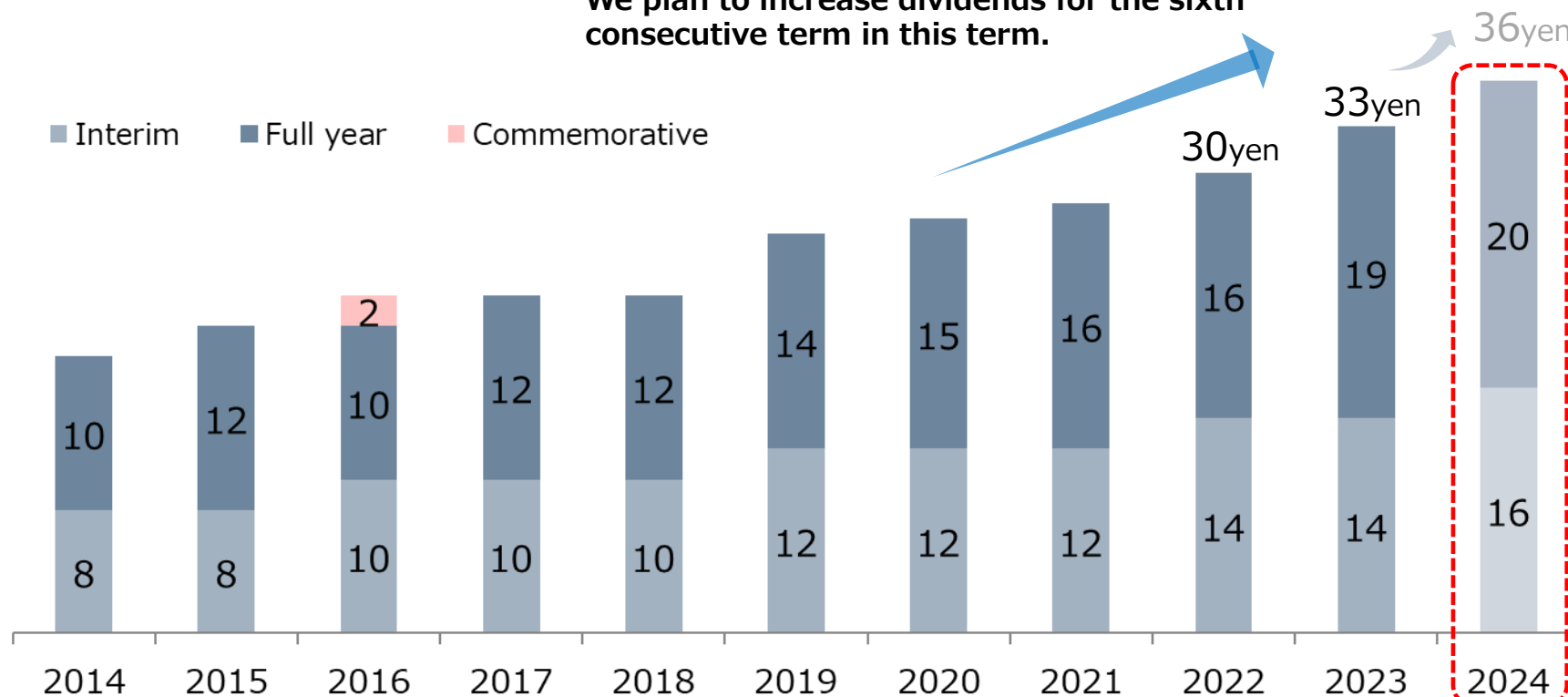
- ✓ The target is a stable dividend policy.
- ✓ The dividend payout ratio will be gradually rounded up from the current target of 30%, aiming for a payout ratio of 35% in the final year of the third medium-term plan.
- ✓ The company will also make flexible share buy-backs in view of the progress of investments and enhance overall shareholder returns.



Dividend per share

For the term ending November 2024, we expect an interim dividend of 16 yen per share (14 yen for the previous interim dividend) and a year-end dividend of 20 yen per share, for a total annual dividend of 36 yen.

We plan to increase dividends for the sixth consecutive term in this term.





Regarding the handling of this material

Statements regarding performance forecasts, forecasts, business plans, etc. in this material have been prepared based on information available as of the date of this financial results announcement, and do not guarantee future performance.