

## Financial Results for the First Quarter of Fiscal Year Ending October 31, 2009

March 12, 2009

Company name : NIKKO COMPANY

ID number : 5343 Stock listing : Nagoya Stock Exchange Second Section

URL : <http://www.nikko-company.co.jp/>

Representative : Makoto Yoshida, Chief Executive Officer

Contact : Shigekazu Kaneda, Board Director and Executive Managing Officer (Phone: +81-76-276-2121)

Scheduled date to submit Securities Report : March 13, 2009

(All amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the Three Months Ended January 31, 2009 (November 1, 2008 - January 31, 2009)

(1) 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	%
Three months ended Jan. 31, 2009	4,657	-	(651)	-	(642)	-	(662)	-
Three months ended Jan. 31, 2008	5,167	(3.8)	(213)	-	(234)	-	(226)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jan. 31, 2009	(35.31)	-
Three months ended Jan. 31, 2008	(11.99)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Jan. 31, 2009	16,081	6,857	42.6	365.71
As of Oct. 31, 2008	18,046	7,586	42.0	403.55

Reference: Shareholders' equity (Millions of yen): Jan. 31, 2009: 6,857 Oct. 31, 2008: 7,586

### 2. Dividends

(Record date)	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended Oct. 31, 2008	-	1.00	-	0.00	1.00
Year ending Oct. 31, 2009	-	-	-	-	-
Year ending Oct. 31, 2009 (forecast)	-	0.00	-	1.00	1.00

Note: Revision of dividend forecast during the period: None

### 3. Consolidated Forecast for the Fiscal Year Ending October 31, 2009 (November 1, 2008 - October 31, 2009)

(Percentage figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	10,500	(5.5)	(850)	-	(800)	-	(850)	-	(45.27)
Full year	21,500	1.1	(900)	-	(800)	-	(850)	-	(45.27)

Note: Revision of projected consolidated performance during the period: Yes

#### 4. Others

(1) Changes in consolidated subsidiaries during the period (Changes in scope of consolidation): None

(2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements: Yes

Note: Please refer to "Qualitative Information and Financial Statements, Other Information" on page 3 for further information.

(3) Changes in accounting principles, procedures, presentation methods for preparation of quarterly consolidated financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: Yes

Note: Please refer to "Qualitative Information and Financial Statements, Other Information" on page 3 for further information.

(4) Number of shares outstanding (common shares)

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

Jan. 31, 2009:	19,572,000 shares	Oct. 31, 2008:	19,572,000 shares
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2) Number of treasury stock at the end of the period

Jan. 31, 2009:	821,460 shares	Oct. 31, 2008:	773,364 shares
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3) Average number of shares issued during the period (cumulative; consolidated)

Three months ended Jan. 31, 2009:	18,776,631 shares	Three months ended Jan. 31, 2008:	18,900,927 shares
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\*Appropriate use of business forecasts, other special items

1. These forward-looking statements involve uncertainties. Actual results may differ from those anticipated due to various factors that may arise in the future.

2. Effective from the current fiscal year, the Company has adopted "Accounting Standards for Quarterly Financial Statements" (ASBJ Statement No. 12) and "Guidance on Accounting Standards for Quarterly Financial Statements" (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial statements are prepared in accordance with "Regulations for Quarterly Consolidated Financial Statements."

## **(Qualitative Information and Financial Statements)**

### **1. Other Information**

#### **(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation)**

Not applicable

#### **(2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements**

##### 1) Simplified Accounting Method

(Valuation of inventory assets)

The value of inventories at the end of the period under review is calculated using a rational method, based on physical inventories at the end of the previous fiscal year, rather than physical inventories at the end of the period under review.

(Calculation of depreciation expense for fixed assets)

Amount of acquisition, disposal and depreciation of the fixed assets which to be applied to the quarter is calculated by distributing the amount quoted or budgeted according to the length of the period.

##### 2) Special accounting treatment for preparing quarterly consolidated financial statements

Not applicable

#### **(3) Changes in accounting principles, procedures and presentation methods for preparation of quarterly consolidated financial statements**

##### 1) Application of "Accounting Standard for Quarterly Financial Reporting"

Effective from the current fiscal year, the Company has adopted "Accounting Standard for Quarterly Financial Statements" (ASBJ Statement No.12, issued March 14, 2007) and "Guidance on Accounting Standards for Quarterly Financial Statements" (ASBJ Guidance No. 14, issued March 14, 2007) In addition, the quarterly consolidated financial statements are prepared in accordance with the "Regulations for Quarterly Consolidated Financial Statements." Effective from the first quarter of the current fiscal year, the company has adopted the amended Regulations for Quarterly Consolidated Financial Statements pursuant to the proviso of Article 7, Paragraph 1, Item 5 of the Supplementary Provision of the "Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Preparation Methods of Financial Statements" (Cabinet Office Ordinance No.50, issued August 7, 2008)

##### 2) Application of Accounting Standard for Measurement of Inventories

Previously, Inventories held by the Company and the domestic consolidated subsidiaries for normal sales purpose were valued at cost, determined by the periodic average method for finished goods and goods in process, by the moving average method for raw materials and supplies. Effective from the first quarter of the current fiscal year, however, the Company has applied "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9, issued July 5, 2006), such inventories are generally valued at cost, determined by the periodic average method (the carrying value on the Balance sheets is written down to reflect the effect of lower profit margins) for finished goods and goods in process, by the moving average method (the carrying value on the Balance sheets is written down to reflect the effect of lower profit margins) for raw materials and supplies.

These corrections do not have a material effect on earnings.

##### 3) Application of "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"

Effective from the first quarter of the current fiscal year, the Company has applied "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18, issued May 17, 2006).

The application of this standard does not have a material effect on earnings.

##### 4) Application of "Accounting Standard for Lease Transactions"

Previously, finance lease that do not deem to transfer ownership of the leased property to the lessee were capitalized on the balance sheets. From the first quarter of the current fiscal year, however, companies are able to apply "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, issued March 30, 2007; revised from standard originally issued by the Corporate Accounting Council on June 17, 1993), and "Guidance on Accounting Standard for Lease Transactions," (ASBJ Guidance No.16, issued March 30, 2007; revised from standard originally issued by the Japanese Institute of Certified Public Accountants on January 18, 1994). From the current consolidated first quarter, the Company has applied this standard, treating such leases as regular transaction. In addition, lease assets that do not deem to transfer ownership of the leased property to the lessee are depreciated using the straight-line method over the period of the lease, with zero residual value.

The application of these standards does not have a material effect on earnings.

For the finance lease transaction in which ownership is not transferred whose lease commencement date is before the first year of application, accounting according to the method concerning ordinary lease transactions has been continually adopted.

(Additional information)

Change in useful lives of Property, Plant and Equipment:

On April 30, 2008, the Japanese Income Tax Law was revised to implement certain changes to useful lives of depreciable Property, Plant and Equipment. As a result, commencing in the first quarter of the current fiscal year, the Company and the domestic consolidated subsidiaries changed the useful lives of machinery and equipment in calculating the depreciation expenses of machinery and equipment in accordance with the revised Japanese Income Tax Law. The effect of this change was to increase operating loss, ordinary loss and loss before income taxes by 9 million yen each in the first quarter of the current fiscal year. The effect of these changes on segment operation is shown in the Segment Information section.

**2. Quarterly Consolidated Financial Statements**  
**(1) Consolidated Balance Sheets**

	First quarter of FY10/2009 (As of Jan.31,2009)	(Millions of yen) FY10/2008 Summary (As of Oct.31,2008)
<b>Assets</b>		
Current assets		
Cash and deposits	2,081	3,991
Notes and accounts receivable-trade	4,054	4,049
Merchandise and finished goods	2,296	2,229
Semi-finished goods	225	224
Work in process	963	971
Costs on uncompleted construction contracts	268	204
Raw materials and supplies	485	416
Deferred tax assets	2	5
Other	185	335
Allowance for doubtful accounts	(147)	(102)
<b>Total current assets</b>	<b>10,415</b>	<b>12,325</b>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,571	6,571
Accumulated depreciation	(4,041)	(3,999)
<b>Buildings and structures, net</b>	<b>2,529</b>	<b>2,572</b>
Land	1,316	1,316
Other	7,636	7,499
Accumulated depreciation	(6,695)	(6,617)
<b>Other, net</b>	<b>941</b>	<b>882</b>
<b>Total property, plant and equipment</b>	<b>4,787</b>	<b>4,772</b>
Intangible assets	90	90
Investments and other assets		
Investment securities	738	769
Other	551	268
Allowance for doubtful accounts	(394)	(79)
Allowance for loss on valuation of investments or subsidiaries and affiliates	(108)	(99)
<b>Total investments and other assets</b>	<b>788</b>	<b>858</b>
<b>Total noncurrent assets</b>	<b>5,665</b>	<b>5,721</b>
<b>Total assets</b>	<b>16,081</b>	<b>18,046</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	4,054	4,315
Short-term loans payable	2,113	2,534
Income taxes payable	16	55
Provision for bonuses	198	431
Provision for product warranties	94	94
Other	1,393	1,789
<b>Total current liabilities</b>	<b>7,871</b>	<b>9,220</b>
Noncurrent liabilities		
Provision for retirement benefits	1,077	1,035
Provision for directors' retirement benefits	75	76
Other	200	127
<b>Total noncurrent liabilities</b>	<b>1,353</b>	<b>1,239</b>
<b>Total liabilities</b>	<b>9,224</b>	<b>10,460</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,200	3,200
Capital surplus	3,620	3,620
Retained earnings	633	1,296
Treasury stock	(331)	(319)
<b>Total shareholders' equity</b>	<b>7,121</b>	<b>7,796</b>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(146)	(116)
Foreign currency translation adjustment	(117)	(94)
<b>Total valuation and translation adjustments</b>	<b>(264)</b>	<b>(210)</b>
<b>Total net assets</b>	<b>6,857</b>	<b>7,586</b>
<b>Total liabilities and net assets</b>	<b>16,081</b>	<b>18,046</b>

**(2) Consolidated quarterly statements of income**  
**(For the Three-month Period)**

	(Millions of yen)	
	First quarter of FY10/2009 (Nov.1,2008–Jan.31,2009)	First quarter of FY10/2008 (Nov.1,2007–Jan.31,2008)
Net sales	4,657	5,167
Cost of sales	3,564	3,881
Gross profit	1,093	1,286
Selling, general and administrative expenses	1,745	1,499
Operating loss	(651)	(213)
Non-operating income		
Interest income	1	0
Priority use fee of products	50	—
Other	32	24
Total non-operating income	84	25
Non-operating expenses		
Interest expenses	4	4
Loss on valuation of derivatives	34	—
Foreign exchange loss	31	38
Other	5	3
Total non-operating expenses	75	46
Ordinary loss	(642)	(234)
Extraordinary loss		
Provision of allowance for loss on valuation of investments of subsidiaries and affiliates	8	—
Total extraordinary losses	8	—
Loss before income taxes and minority interests	(651)	(234)
Total income taxes	11	(8)
Net loss	(662)	(226)

**(3) Consolidated Statements of Cash Flows**

	(Millions of yen)	
	First quarter of FY10/2009 (Nov.1,2008–Jan.31,2009)	First quarter of FY10/2008 (Nov.1,2007–Jan.31,2008)
Net cash provided by (used in) operating activities		
Loss before income taxes and minority interests	(651)	(234)
Depreciation and amortization	123	106
Increase (decrease) in allowance for doubtful accounts	359	(6)
Increase (decrease) in provision for bonuses	(232)	(214)
Increase (decrease) in provision for retirement benefits	42	33
Increase (decrease) in Provision of allowance for loss on valuation of investments of subsidiaries and affiliates	8	—
Increase (decrease) in Provision for loss on business of subsidiaries and affiliates	—	(62)
Interest and dividends income	(3)	(3)
Interest expenses	4	4
Loss (gain) on valuation of derivatives	35	(16)
Decrease (increase) in notes and accounts receivable-trade	(5)	(409)
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	(308)	—
Decrease (increase) in inventories	(192)	(194)
Increase (decrease) in notes and accounts payable-trade	(261)	121
Other, net	(13)	(108)
<u>Subtotal</u>	<u>(1,093)</u>	<u>(985)</u>
Interest and dividends income received	3	3
Interest expenses paid	(4)	(4)
Income taxes paid	(42)	(49)
<u>Net cash provided by (used in) operating activities</u>	<u>(1,137)</u>	<u>(1,035)</u>
Net cash provided by (used in) investment activities		
Payments into time deposits	(124)	—
Proceeds from withdrawal of time deposits	124	—
Purchase of property, plant and equipment	(315)	(114)
Purchase of investment securities	—	(50)
Acquisition of investments in affiliates	—	(30)
Other, net	0	24
<u>Net cash provided by (used in) investment activities</u>	<u>(316)</u>	<u>(170)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(421)	(505)
Purchase of treasury stock	(12)	(13)
Other, net	—	(37)
<u>Net cash provided by (used in) financing activities</u>	<u>(433)</u>	<u>(556)</u>
<u>Effect of exchange rate change on cash and cash equivalents</u>	<u>(23)</u>	<u>39</u>
<u>Net increase (decrease) in cash and cash equivalents</u>	<u>(1,909)</u>	<u>(1,723)</u>
<u>Cash and cash equivalents at beginning of period</u>	<u>3,714</u>	<u>3,996</u>
<u>Cash and cash equivalents at end of period</u>	<u>1,804</u>	<u>2,273</u>

**(4) Going Concern Assumption**

No reportable information.

**(5) Segment Information**

(Industry Segment Information)

First Quarter of FY10/2009 (Nov. 1, 2008 - Jan. 31, 2009)

(Millions of yen, rounded down)

	Housing & Environmental Equipment	Tabletop	Electro-Ceramics	Other	Segment total	Elimination or corporate	Consolidated Total
Net sales							
(1)Sales to Outside Customers	2,621	1,258	768	8	4,657	-	4,657
(2)Intersegment sales or Transfers	-	-	-	-	-	-	-
Total	2,621	1,258	768	8	4,657	-	4,657
Operating income (loss)	(30)	(385)	(65)	(11)	(492)	(159)	(651)

Notes: 1. Major products in each industry segment:

Industry segments are classified based on the similarities of products, markets and so on.

Industry Segment	Major Products
Housing & Environmental Equipment	FRP bath-tubs, Bathroom units, Septic tanks, Water treatment facilities, Tiles, Wind turbine system
Tabletop	Fine bone china, Fine vitrified china, Fine porcelain, Oven ware
Electro-Ceramics	Alumina substrates, Hybrid IC, LTCC substrates, Dielectric ceramics

2. As described in "Changes in accounting principles, procedures and presentation methods for preparation of quarterly consolidated financial statements, 2. Application of Accounting Standard for Measurement of inventories," on page 3, previously, Inventories held by the Company and the domestic consolidated subsidiaries for normal sales purpose were valued at cost, determined by the periodic average method for finished goods and goods in process, by the moving average method for raw materials and supplies. Effective from the first quarter of the current fiscal year, however, the Company has applied "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9, issued July 5, 2006), such inventories are generally valued at cost, determined by the periodic average method (the carrying value on the Balance sheets is written down to reflect the effect of lower profit margins) for finished goods and goods in process, by the moving average method (the carrying value on the Balance sheets is written down to reflect the effect of lower profit margins) for raw materials and supplies. These corrections do not have a material effect on earnings
3. As noted in "Qualitative Information and Financial Statements, Other Information" on page 3, Change in useful of Property, Plant and Equipment:, commencing in the first quarter of the current fiscal year, the Company and the consolidated domestic subsidiaries changed the useful lives of machinery and equipment in calculating their depreciation expenses in accordance with the revised Japanese Income Tax Law. As a result of this application, as for Housing & Environmental Equipment segment, Tabletop segment, Electro-Ceramics segment and Other segment, operating loss increased by 0 million yen, 3 million yen, 4 million yen and 0 million yen.

First Quarter of FY10/2008 (Nov. 1, 2007 - Jan. 31, 2008)

(Millions of yen, rounded down)

	Housing & Environmental Equipment	Tabletop	Electro-Ceramics	Other	Segment total	Elimination or corporate	Consolidated Total
Net sales							
(1)Sales to Outside Customers	2,606	1,607	953	0	5,167	-	5,167
(2)Intersegment sales or Transfers	-	-	-	-	-	-	-
Total	2,606	1,607	953	0	5,167	-	5,167
Operating income (loss)	(11)	26	(56)	(1)	(42)	(171)	(213)

(Information by Geographic Segment)

Geographical segment information is not presented since domestic sales exceeded 90% of total segment sales.

(Overseas Sales)

First Quarter of FY10/2009 (Nov. 1, 2008 - Jan. 31, 2009) (Millions of yen, rounded down)

	North America	Asia	Other	Consolidated total
Overseas sales	158	188	22	369
Consolidated net sales				4,657
Percentage of overseas sales against consolidated net sales	3.4%	4.1%	0.4%	7.9%

Notes :

1. The countries or areas are classified based on the geographical proximity.
2. Major countries and areas which belong to each classification:  
North America : U.S.A., Canada  
Asia: Korea, China, Other Asian Countries
3. Overseas sales include the export sales of the company and domestic subsidiaries and the domestic sales of the subsidiaries abroad.

First Quarter of FY10/2008 (Nov. 1, 2007 - Jan. 31, 2008) (Millions of yen, rounded down)

	North America	Asia	Other	Consolidated total
Overseas sales	382	282	33	698
Consolidated net sales				5,167
Percentage of overseas sales against consolidated net sales	7.4%	5.5%	0.6%	13.5%

#### (6) Significant changes in Shareholder's Equity

Not applicable.

(Supplementary Information)

Sales by Segment

(Millions of yen, rounded down)

Industry Segment	First Quarter of FY10/2008 (Nov. 1, 2007 - Jan. 31, 2008)		First Quarter of FY10/2009 (Nov. 1, 2008 - Jan. 31, 2009)		FY10/2008 (Nov. 1, 2007 - Oct. 31, 2008)	
	Net Sales	Percent of Net Sales	Net Sales	Percent of Net Sales	Net Sales	Percent of Net Sales
Housing & Environmental Equipment	2,606	50.4%	2,621	56.3%	11,174	52.5%
Tabletop	1,607	31.1	1,258	27.0	6,436	30.3
Electro- Ceramics	953	18.5	768	16.5	3,633	17.1
Other	0	0.0	8	0.2	24	0.1
Total	5,167	100.0	4,657	100.0	21,267	100.0

Notes:

1. Amounts are converted to sales prices.
2. Amounts do not include consumption taxes.
3. The following table indicates the Company's Overseas sales share by industry segment and percentage figures represent Overseas sales ratio.

(Millions of yen, rounded down)

Industry Segment	First Quarter of FY10/2008 (Nov. 1, 2007 - Jan. 31, 2008)		First Quarter of FY10/2009 (Nov. 1, 2008 - Jan. 31, 2009)		FY10/2008 (Nov. 1, 2007 - Oct. 31, 2008)	
	Overseas Sales	Overseas Sales Ratio	Overseas Sales	Overseas Sales Ratio	Overseas Sales	Overseas Sales Ratio
Tabletop	544	33.9%	237	18.8%	2,112	32.8%
Electro- Ceramics	153	16.1	132	17.2	461	12.7
Total	698	13.5	369	7.9	2,574	12.1