

## Financial Results for the First Quarter of Fiscal Year Ending March 31, 2011

March 10, 2011

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 11, 2011

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

### 1. Consolidated Financial Results for the Three Months Ended January 31, 2011 (November 1, 2010 - January 31, 2011)

(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, 2011	4,461	9.0	(238)	-	(229)	-	(257)	-
Three months ended Jan. 31, 2010	4,093	(12.1)	(386)	-	(379)	-	(391)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jan. 31, 2011	(13.76)	-
Three months ended Jan. 31, 2010	(20.92)	-

Note: Nikko Company has changed its fiscal year-end from October 31 to March 31.

(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, 2011	13,625	3,880	28.5	207.11
As of Oct. 31, 2010	13,939	4,143	29.7	221.13

Reference: Shareholders' equity (Millions of yen): Jan. 31, 2011: 3,880 Oct. 31, 2010: 4,143

### 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, 2010	-	0.00	-	0.00	0.00
Year ending Mar. 31, 2011	-	-	-	-	-
Year ending Mar. 31, 2011 (forecast)	-	-	-	0.00	0.00

Notes: Revision of dividend forecast during the period: None

Nikko Company has changed its fiscal year-end from October 31 to March 31 resulting in an irregular 5-month period for fiscal 2011.

### 3. Consolidated Forecast for the Fiscal Year Ending March 31, 2011 (November 1, 2010 - March 31, 2011)

(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
Full year	8,000	-	(400)	-	(400)	-	(600)	-	(34.02)

Notes: Revision of projected consolidated performance during the period: None

Due to the change in fiscal year end to March 31, the forecast figures for the full year are for 5-month period from November 1, 2010 to March 1, 2011 and comparisons with the previous year are not provided.

**4. Other (Please refer to “Other Information” on page 3 of the attached documents for further information)**

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

Note: Changes in specified subsidiaries affecting the scope of consolidation during the period

(2) Application of simplified accounting methods and special accounting methods : Yes

Note: Application of simplified methods and special accounting methods for presenting quarterly consolidated financial statements

(3) Changes in accounting principles, procedures, presentation methods

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

Note: Changes in accounting principles, procedures and presentation methods for presenting quarterly consolidated financial statements described in “Change in Basis of Preparation of the Quarterly Consolidated Financial Statements”

(4) Number of shares outstanding (common shares)

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

Jan. 31, 2011:	19,572,000 shares	Oct. 31, 2010:	19,572,000 shares
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2) Number of treasury stock at the end of the period

Jan. 31, 2011:	834,919 shares	Oct. 31, 2010:	833,316 shares
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3) Average number of shares issued during the period (cumulative; consolidated)

Three months ended Jan. 31, 2011:	18,737,940 shares	Three months ended Jan. 31, 2010:	18,726,166 shares
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\*Information regarding the implementation of quarterly review procedures

The current quarterly financial statements are exempted from quarterly review procedures based on the Financial Instruments and Exchange Law. At the time of disclosure, we have completed the review process for these consolidated statements.

\*Appropriate use of business forecasts, other special items

Forecasts regarding future results in these materials are based on assumptions judged to be valid and information available to the Company at the time the materials were created. Actual results may differ significantly from these forecasts for a number of reasons.

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

### **1. Other Information**

(1) Overview of Changes in Consolidated Subsidiaries  
No reportable information

(2) Overview of Application of Simplified Accounting Methods and Special Accounting Methods

1) Simplified Accounting Method  
(Valuation of inventory assets)

The value of a certain 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, 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  
No reportable information

(3) Overview of Changes in Accounting Principles, Procedures, Presentation Methods, etc.

Application of accounting standard for asset retirement obligations

Beginning with the first quarter of the current fiscal year, "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan (ASBJ) Statement No.18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" ASBJ Guidance No.21, March 31, 2008) have been applied.

The effect of this change was to increase operating loss, ordinary loss and net loss before income taxes by 0 million yen, 0 million yen and 43 million yen, respectively. The application of these standards increased the account balance of asset retirement obligations by 36 million yen.

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

	First quarter of FY03/2011 (As of Jan.31,2011)	(Millions of yen) FY10/2010 Summary (As of Oct.31,2010)
<b>Assets</b>		
Current assets		
Cash and deposits	1,447	1,431
Notes and accounts receivable-trade	2,789	3,338
Merchandise and finished goods	2,154	2,094
Work in process	867	849
Costs on uncompleted construction contracts	468	360
Raw materials and supplies	350	330
Deferred tax assets	1	1
Other	122	152
Allowance for doubtful accounts	(156)	(269)
<b>Total current assets</b>	<b>8,044</b>	<b>8,289</b>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,753	6,726
Accumulated depreciation	(4,406)	(4,332)
Buildings and structures, net	2,346	2,393
Land	1,261	1,261
Other	7,585	7,524
Accumulated depreciation	(6,634)	(6,557)
Other, net	950	966
<b>Total property, plant and equipment</b>	<b>4,558</b>	<b>4,621</b>
Intangible assets	337	359
Investments and other assets		
Investment securities	515	523
Other	559	432
Allowance for doubtful accounts	(390)	(285)
<b>Total investments and other assets</b>	<b>684</b>	<b>670</b>
<b>Total noncurrent assets</b>	<b>5,580</b>	<b>5,650</b>
<b>Total assets</b>	<b>13,625</b>	<b>13,939</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	3,514	3,501
Short-term loans payable	457	446
Current portion of long-term loans payable	172	172
Income taxes payable	18	60
Provision for bonuses	224	203
Provision for product warranties	86	86
Other	1,550	1,590
<b>Total current liabilities</b>	<b>6,023</b>	<b>6,060</b>
Noncurrent liabilities		
Long-term loans payable	1,750	1,778
Provision for retirement benefits	1,393	1,368
Provision for directors' retirement benefits	97	104
Other	480	484
<b>Total noncurrent liabilities</b>	<b>3,721</b>	<b>3,735</b>
<b>Total liabilities</b>	<b>9,744</b>	<b>9,796</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,200	3,200
Capital surplus	2,066	3,045
Retained earnings	(733)	(1,454)
Treasury stock	(334)	(334)
<b>Total shareholders' equity</b>	<b>4,198</b>	<b>4,456</b>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(188)	(180)
Foreign currency translation adjustment	(129)	(132)
<b>Total valuation and translation adjustments</b>	<b>(318)</b>	<b>(313)</b>
<b>Total net assets</b>	<b>3,880</b>	<b>4,143</b>
<b>Total liabilities and net assets</b>	<b>13,625</b>	<b>13,939</b>

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

	(Millions of yen)	
	First quarter of FY10/2010 (Nov.1,2009-Jan.31,2010)	First quarter of FY03/2011 (Nov.1,2010-Jan.31,2011)
Net sales	4,093	4,461
Cost of sales	3,145	3,231
Gross profit	948	1,229
Selling, general and administrative expenses	1,335	1,468
Operating loss	(386)	(238)
Non-operating income		
Interest income	0	0
Foreign exchange gains	—	10
Rent income	—	6
Other	29	12
Total non-operating income	29	29
Non-operating expenses		
Interest expenses	12	14
Foreign exchange loss	5	—
Loss on valuation of derivatives	0	—
Other	3	7
Total non-operating expenses	22	21
Ordinary loss	(379)	(229)
Extraordinary Income		
Reversal of allowance for doubtful accounts	—	12
Gain on abolishment of retirement benefit plan	—	14
Total extraordinary Income	—	26
Extraordinary loss		
Provision of allowance for loss on valuation of investments of subsidiaries and affiliates	0	—
Loss on adjustment for changes of Accounting Standard for asset retirement obligations	—	43
Loss on liquidation of subsidiaries and affiliates	—	5
Other	1	0
Total extraordinary losses	1	50
Loss before income taxes	(381)	(253)
Income taxes-current	9	10
Income taxes-deferred	1	(5)
Total income taxes	10	4
Loss before minority interest	—	(257)
Net loss	(391)	(257)

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

(Millions of yen)

	First quarter of FY10/2010 (Nov.1,2009-Jan.31,2010)	First quarter of FY03/2011 (Nov.1,2010-Jan.31,2011)
Net cash provided by (used in) operating activities		
Loss before income taxes and minority interests	(381)	(253)
Depreciation and amortization	140	147
Loss on adjustment for changes of Accounting Standard for asset retirement obligations	—	43
Loss on liquidation of subsidiaries and affiliates	—	5
Increase (decrease) in allowance for doubtful accounts	(1)	(7)
Increase (decrease) in provision for bonuses	(109)	21
Increase (decrease) in provision for retirement benefits	40	25
Increase (decrease) in Provision of allowance for loss on valuation of investments of subsidiaries and affiliates	0	—
Interest and dividends income	(2)	(2)
Interest expenses	12	14
Loss (gain) on valuation of derivatives	2	—
Decrease (increase) in notes and accounts receivable-trade	(185)	550
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	(1)	(105)
Decrease (increase) in inventories	(103)	(203)
Increase (decrease) in notes and accounts payable-trade	149	10
Other, net	(200)	(86)
<b>Subtotal</b>	<b>(639)</b>	<b>159</b>
Interest and dividends income received	2	2
Interest expenses paid	(12)	(14)
Income taxes paid	(34)	(42)
<b>Net cash provided by (used in) operating activities</b>	<b>(683)</b>	<b>105</b>
Net cash provided by (used in) investment activities		
Payments into time deposits	(24)	(106)
Proceeds from withdrawal of time deposits	24	6
Purchase of property, plant and equipment	(61)	(6)
Other, net	(3)	(35)
<b>Net cash provided by (used in) investment activities</b>	<b>(65)</b>	<b>(141)</b>
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	967	11
Repayment of long-term loans payable	(10)	(28)
Purchase of treasury stock	(9)	(0)
Other, net	(25)	(31)
<b>Net cash provided by (used in) financing activities</b>	<b>922</b>	<b>(48)</b>
Effect of exchange rate change on cash and cash equivalents	(3)	1
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>169</b>	<b>(83)</b>
Cash and cash equivalents at beginning of period	1,402	1,251
<b>Cash and cash equivalents at end of period</b>	<b>1,571</b>	<b>1,167</b>

**(4) Going Concern Assumption**

No reportable information.

**(5) Segment Information**

(Industry Segment Information)

First Quarter of FY10/2010 (Nov. 1, 2009 - Jan. 31, 2010)

(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	2,303	1,201	582	6	4,093	-	4,093
(2) Intersegment sales or Transfers	-	-	-	-	-	-	-
Total	2,303	1,201	582	6	4,093	-	4,093
Operating income (loss)	(61)	(68)	(90)	(14)	(234)	(152)	(386)

Note: 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, LTCC substrates, Dielectric ceramics

(Information by Geographic Segment)

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

(Overseas Sales)

(Millions of yen, rounded down)

	North America	Asia	Other	Consolidated total
Overseas sales	201	216	17	436
Consolidated net sales				4,093
Percentage of overseas sales against consolidated net sales	4.9%	5.3%	0.5%	10.7%

Notes :

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

[Segment Information]

1. Overview of reportable segments

Segments used for financial reporting are the Nikko Group's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Group has established business divisions that comprise of the company and its subsidiaries and affiliates, and each division conducts business in line with the comprehensive strategies they have devised for products, merchandise and services in both domestic and overseas markets.

Therefore, the Group consists of segments by products, merchandise and services on the basis of the business divisions, and the "Housing & Environmental equipment", "Tabletop" and "Electro-Ceramics" are three reportable segments.

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, LTCC substrates, Dielectric ceramics

2. Information related to net sales and profit or loss for each reportable segment

First Quarter of FY03/2011 (Nov. 1, 2010 - Jan. 31, 2011)

(Millions of yen, rounded down)

	Housing & Environmental Equipment	Tabletop	Electro-Ceramics	Other	Segment total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statements of income
Net sales							
(1) Sales to Outside Customers	2,456	1,346	649	9	4,461	-	4,461
(2) Intersegment sales or Transfers	-	-	-	-	-	-	-
Total	2,456	1,346	649	9	4,461	-	4,461
Segment profit (loss) (Operating income (loss))	(11)	(38)	(20)	(13)	(84)	(153)	(238)

Notes: 1. The "Other" category indicated businesses not included in reporting segments, including sales of other products.

2. Segment income adjustment of 153 million yen consists of expenses, such as general administrative expenses, and research and development costs that do not belong to the reportable segments.

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

Not applicable.



(Supplementary Information)  
Sales by Segment

(Millions of yen, rounded down)

Industry Segment	First Quarter of FY10/2010 (Nov. 1, 2009 - Jan. 31, 2010)		First Quarter of FY03/2011 (Nov. 1, 2010 - Jan. 31, 2011)		FY10/2010 (Nov. 1, 2009 - Oct. 31, 2010)	
	Net Sales	Percent of Net Sales	Net Sales	Percent of Net Sales	Net Sales	Percent of Net Sales
Housing & Environmental Equipment	2,303	56.3%	2,456	55.1%	9,780	54.5%
Tabletop	1,201	29.4	1,346	30.2	5,482	30.5
Electro- Ceramics	582	14.2	649	14.5	2,656	14.8
Other	6	0.1	9	0.2	42	0.2
Total	4,093	100.0	4,461	100.0	17,961	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 FY10/2010 (Nov. 1, 2009 - Jan. 31, 2010)		First Quarter of FY03/2011 (Nov. 1, 2010 - Jan. 31, 2011)		FY10/2010 (Nov. 1, 2009 - Oct. 31, 2010)	
	Overseas Sales	Overseas Sales Ratio	Overseas Sales	Overseas Sales Ratio	Overseas Sales	Overseas Sales Ratio
Housing & Environmental Equipment	-	-%	-	-%	2	0.0%
Tabletop	325	27.1	445	33.1	1,513	27.6
Electro- Ceramics	110	18.9	163	25.1	667	25.1
Total	436	10.7	608	13.6	2,184	12.2