

Financial Results for the Six Months of Fiscal Year Ending March 31, 2017 <under Japanese GAAP>

November 10, 2016

Company name: NIKKO COMPANY

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

URL : http://www.nikko-company.co.jp/
Representative : Akiko Mitani, Chief Executive Officer

Contact : Kazuya Nunokawa, Managing Officer (Phone: +81-76-276-2121)

Scheduled date to submit Securities Report . November 14, 2016

Scheduled date to begin dividend payments :

Preparation of supplementary materials for quarterly financial results : None

Holding of quarterly 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, 2016 (April 1, 2016 - September 30, 2016)

(1) Consolidated operating	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	%		
	Willions of yen	/0	Willions of year	/0	willions of yen	/0	willions or yen	/0
Six months ended September 30, 2016	6,289	(3.4)	(59)	-	(77)	-	(98)	-
Six months ended September 30, 2015	6,508	(17.0)	(437)	-	(413)	-	(435)	-

Note: Comprehensive income (Millions of yen): September 30, 2016: (83) (-%) September 30, 2015: (410) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2016	(4.21)	-
Six months ended September 30, 2015	(18.66)	-

(2) Consolidated financial position

()				
	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2016	9,047	599	6.6	25.70
As of Mar. 31, 2016	9,317	683	7.3	29.29

Reference: Shareholders' equity (Millions of yen): September 30, 2016: 599 Mar. 31, 2016: 683

2. Dividends

Z. Dividendo									
(Pagerd data)	Dividend per share								
(Record date)	1Q-end	2Q-end	3Q-end	Year-end	Annual				
	Yen	Yen	Yen	Yen	Yen				
Year ended Mar. 31, 2016	-	0.00	-	0.00	0.00				
Year ending Mar. 31, 2017	-	0.00							
Year ending Mar. 31, 2017 (forecast)			-	0.00	0.00				

Notes: Revision of dividend forecast during the period: None

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 - March 31, 2017)

(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		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	13,800	1.1	120	-	100	-	40	-	1.72

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

4. Notes

(1) Changes in significant subsidiaries during the period: Yes

(Changes in specified subsidiaries accompanying changes in the scope of consolidation)

Newly added: - Excluded: 1 Nikko ME Co., Ltd.

(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 : Yes

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, 2016: 24,172,000 shares Mar. 31, 2016: 24,172,000 shares

2) Number of treasury stock at the end of the period

September 30, 2016: 855,673 shares Mar. 31, 2016: 853,064 shares

3) Average number of shares issued during the period (cumulative; consolidated)

Six months ended September 30, 2016: 23,317,608 shares
Six months ended September 30, 2015: 23,320,896 shares

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 not completed the review process for these consolidated statements.

Forecasts regarding future results in these materials are based on 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.

^{*}Information regarding the implementation of quarterly review procedures

^{*}Appropriate use of business forecasts, other special items

(1) Consolidated Balance Sheet

(Millions of yen)

(1) Consolidated Balance Sneet		(Millions of yen)
	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	982	1,086
Notes and accounts receivable-trade	1,992	1,764
Merchandise and finished goods	1,200	1,306
Work in process	632	546
Costs on uncompleted construction contracts	282	366
Raw materials and supplies	228	217
Deferred tax assets	1	
Other	145	<u> </u>
Allowance for doubtful accounts	(4)	(2)
Total current assets	5,460	5,371
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,730	6,718
Accumulated depreciation	(4,783)	(4,856)
Buildings and structures, net	1,946	1,861
Machinery, equipment and vehicles	4,600	4,529
Accumulated depreciation	(4,296)	(4,262)
Machinery, equipment and vehicles, net	304	266
Tools, furniture and fixtures	1,222	1.215
Accumulated depreciation		
	(1,101)	(1,130)
Tools, furniture and fixtures, net	121	85
Land	1,121	1,121
Lease assets	251	247
Accumulated depreciation	(173)	(190)
Lease assets, net	78	57
Construction in progress	5	23
Total property, plant and equipment	3,576	3,416
Intangible assets	0,070	0,410
Lease assets	3	2
Other	106	92
Total intangible assets	109	94
Investments and other assets		
Investment securities	55	55
Claims provable in bankruptcy, claims provable in	400	404
rehabilitation and other	490	491
Deferred tax assets	2	_
Other	112	110
Allowance for doubtful accounts	(491)	(491)
Total investments and other assets	170	165
Total investments and other assets		3,676
	3,856	
Total assets	9,317	9,047
12.199		
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,387	2,443
Short-term loans payable	2,540	2,540
Current portion of long-term loans payable	382	362
Lease obligations	46	37
Income taxes payable	45	26
Provision for bonuses	44	40
Provision for product warranties	242	237
Other	870	896
Total current liabilities	6,559	6,584
Noncurrent liabilities		
Long-term loans payable	565	391
Lease obligations	37	25
Deferred tax liabilities	6	6
Provision for directors' retirement benefits	48	21
Net defined benefit liability	1,282	1,284
Other	133	
Total noncurrent liabilities		133
	2,075	1,863
Total liabilities	8,634	8,448
Net assets		
Shareholders' equity		
Capital stock	3,470	3,470
Capital surplus	1,584	1,584
Retained earnings	(3,778)	(3,876)
Treasury stock	(336)	(337)
Total shareholders' equity	939	840
	939	040
Accumulated other comprehensive income	-	-
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(112)	(108)
Remeasurements of defined benefit plans	(143)	(133)
Total accumulated other comprehensive income	(256)	(241)
Total net assets	683	599
Total liabilities and net assets	9,317	9,047
	5,517	5,047

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income

Consolidated Quarterly Statements of Income

Income taxes-deferred

Profit (loss) attributable to non-controlling interests
Profit (loss) attributable to owners of parent

Comprehensive income attributable to non-controlling interests

Total income taxes

Profit (loss)

•		(Millions of yen)
	Six Months ended September 30, 2015	Six Months ended September 30, 2016
Net sales	6,508	6,289
Cost of sales	4,716	4,473
Gross profit	1,792	1,815
Selling, general and administrative expenses	2,229	1,875
Operating income (loss)	(437)	(59)
Non-operating income		
Interest income	1	0
Rent income	25	26
Other	26	19
Total non-operating income	52	46
Non-operating expenses		
Interest expenses	18	20
Foreign exchange losses	_	32
Other	10	11
Total non-operating expenses	28	63
Ordinary income (loss)	(413)	(77)
Extraordinary Income		
Gain on sales of investment securities	1	-
Outplacement bounty	_	9
Total extraordinary Income	1	9
Extraordinary loss		
Loss on retirement of non-current assets	_	0
Loss on valuation of investment securities	2	_
Loss on fire	_	11_
Total extraordinary losses	2	12
Income (loss) before income taxes	(414)	(79)
Income taxes-current	20	16

0

18 (98)

(98)

20

(435)

(435)

Consolidated Quarterly Statements of Comprehensive Income		
, , ,		(Millions of yen)
	Six Months ended September 30, 2015	Six Months ended September 30, 2016
Profit (loss)	(435)	(98)
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	0	4
Remeasurements of defined benefit plans, net of tax	24	10
Total other comprehensive income	24	14
Comprehensive income	(410)	(83)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(410)	(83)

(3) Consolidated Statements of Cash Flows

Millions of yen Six Months ended September 30, 2015 Six Months ended September 30, 2016 Six Months ended September 30, 2016 Six Months ended September 30, 2016	(3) Consolidated Statements of Cash Flows		
Net cash provided by (used in) operating activities Income (loss) before income taxes and minority interests C414 C79		(Millions of yen)	(Millions of yen)
Net cash provided by (used in) operating activities Income (loss) before income taxes and minority interests (414) (79) Depreciation and amortization 200 197 Increase (decrease) in provision for bonuses (2) (1) (Six Months ended	Six Months ended
Income (loss) before income taxes and minority interests		September 30, 2015	September 30, 2016
Income (loss) before income taxes and minority interests	Net cash provided by (used in) operating activities		
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	Cash and cash equivalents at beginning of period		912
	Cash and cash equivalents at end of period		

[Consolidated Segment Information]

Six Months ended September 30, 2015 (April 1, 2015 – September 30, 2015)

(Millions of yen, rounded down)

	(minorio di juni, ruanta da min)							
	Functional Ceramics Product	Housing & Environmental Equipment	Tabletop	Segment total	Adjustment (Note)	Amounts on the consolidated financial statements		
Net sales								
Sales to Outside Customers	1,206	4,170	1,131	6,508	-	6,508		
Intersegment sales or Transfers	-	-	-	-	-	-		
Total	1,206	4,170	1,131	6,508	-	6,508		
Segment profit (loss) (Operating income (loss))	145	(25)	(207)	(87)	(349)	(437)		

Notes: Segment income adjustment of 349 million yen consists of expenses related to departments that do not belong to the reportable segments.

Six Months ended September 30, 2016 (April 1, 2016 - September 30, 2016)

(Millions of yen, rounded down)

	Functional Ceramics Product	Housing & Environmental Equipment	Tabletop	Segment total	Adjustment (Note)	Amounts on the consolidated financial statements
Net sales						
Sales to Outside Customers	1,099	4,259	929	6,289	-	6,289
Intersegment sales or Transfers	-	-	1	-	-	-
Total	1,099	4,259	929	6,289	-	6,289
Segment profit (loss) (Operating income (loss))	142	124	(89)	176	(236)	(59)

Notes: Segment income adjustment of 236 million yen consists of expenses related to departments that do not belong to the reportable segments.