

**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 results (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                                | % |
| 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**

| (Record date)                        | Dividend per share |        |        |          |        |
|--------------------------------------|--------------------|--------|--------|----------|--------|
|                                      | 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 |

\*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 not 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 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.

## (1) Consolidated Balance Sheet

(Millions of yen)

|                                                                            | As of March 31, 2016 | As of September 30, 2016 |
|----------------------------------------------------------------------------|----------------------|--------------------------|
| <b>Assets</b>                                                              |                      |                          |
| 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                  | 86                       |
| Allowance for doubtful accounts                                            | (4)                  | (2)                      |
| <b>Total current assets</b>                                                | <b>5,460</b>         | <b>5,371</b>             |
| Noncurrent assets                                                          |                      |                          |
| Property, plant and equipment                                              |                      |                          |
| Buildings and structures                                                   | 6,730                | 6,718                    |
| Accumulated depreciation                                                   | (4,783)              | (4,856)                  |
| <b>Buildings and structures, net</b>                                       | <b>1,946</b>         | <b>1,861</b>             |
| Machinery, equipment and vehicles                                          | 4,600                | 4,529                    |
| Accumulated depreciation                                                   | (4,296)              | (4,262)                  |
| <b>Machinery, equipment and vehicles, net</b>                              | <b>304</b>           | <b>266</b>               |
| Tools, furniture and fixtures                                              | 1,222                | 1,215                    |
| Accumulated depreciation                                                   | (1,101)              | (1,130)                  |
| <b>Tools, furniture and fixtures, net</b>                                  | <b>121</b>           | <b>85</b>                |
| Land                                                                       | 1,121                | 1,121                    |
| Lease assets                                                               | 251                  | 247                      |
| Accumulated depreciation                                                   | (173)                | (190)                    |
| <b>Lease assets, net</b>                                                   | <b>78</b>            | <b>57</b>                |
| Construction in progress                                                   | 5                    | 23                       |
| <b>Total property, plant and equipment</b>                                 | <b>3,576</b>         | <b>3,416</b>             |
| Intangible assets                                                          |                      |                          |
| Lease assets                                                               | 3                    | 2                        |
| Other                                                                      | 106                  | 92                       |
| <b>Total intangible assets</b>                                             | <b>109</b>           | <b>94</b>                |
| Investments and other assets                                               |                      |                          |
| Investment securities                                                      | 55                   | 55                       |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 490                  | 491                      |
| Deferred tax assets                                                        | 2                    | —                        |
| Other                                                                      | 112                  | 110                      |
| Allowance for doubtful accounts                                            | (491)                | (491)                    |
| <b>Total investments and other assets</b>                                  | <b>170</b>           | <b>165</b>               |
| <b>Total noncurrent assets</b>                                             | <b>3,856</b>         | <b>3,676</b>             |
| <b>Total assets</b>                                                        | <b>9,317</b>         | <b>9,047</b>             |
| <b>Liabilities</b>                                                         |                      |                          |
| 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                      |
| <b>Total current liabilities</b>                                           | <b>6,559</b>         | <b>6,584</b>             |
| 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                  | 133                      |
| <b>Total noncurrent liabilities</b>                                        | <b>2,075</b>         | <b>1,863</b>             |
| <b>Total liabilities</b>                                                   | <b>8,634</b>         | <b>8,448</b>             |
| <b>Net assets</b>                                                          |                      |                          |
| Shareholders' equity                                                       |                      |                          |
| Capital stock                                                              | 3,470                | 3,470                    |
| Capital surplus                                                            | 1,584                | 1,584                    |
| Retained earnings                                                          | (3,778)              | (3,876)                  |
| Treasury stock                                                             | (336)                | (337)                    |
| <b>Total shareholders' equity</b>                                          | <b>939</b>           | <b>840</b>               |
| 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)                    |
| <b>Total accumulated other comprehensive income</b>                        | <b>(256)</b>         | <b>(241)</b>             |
| <b>Total net assets</b>                                                    | <b>683</b>           | <b>599</b>               |
| <b>Total liabilities and net assets</b>                                    | <b>9,317</b>         | <b>9,047</b>             |

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

**Consolidated Quarterly Statements of Income**

|                                                         | (Millions of yen)                      |                                        |
|---------------------------------------------------------|----------------------------------------|----------------------------------------|
|                                                         | Six Months ended<br>September 30, 2015 | Six Months ended<br>September 30, 2016 |
| Net sales                                               | 6,508                                  | 6,289                                  |
| Cost of sales                                           | 4,716                                  | 4,473                                  |
| <b>Gross profit</b>                                     | <b>1,792</b>                           | <b>1,815</b>                           |
| Selling, general and administrative expenses            | 2,229                                  | 1,875                                  |
| <b>Operating income (loss)</b>                          | <b>(437)</b>                           | <b>(59)</b>                            |
| Non-operating income                                    |                                        |                                        |
| Interest income                                         | 1                                      | 0                                      |
| Rent income                                             | 25                                     | 26                                     |
| Other                                                   | 26                                     | 19                                     |
| <b>Total non-operating income</b>                       | <b>52</b>                              | <b>46</b>                              |
| Non-operating expenses                                  |                                        |                                        |
| Interest expenses                                       | 18                                     | 20                                     |
| Foreign exchange losses                                 | —                                      | 32                                     |
| Other                                                   | 10                                     | 11                                     |
| <b>Total non-operating expenses</b>                     | <b>28</b>                              | <b>63</b>                              |
| <b>Ordinary income (loss)</b>                           | <b>(413)</b>                           | <b>(77)</b>                            |
| Extraordinary Income                                    |                                        |                                        |
| Gain on sales of investment securities                  | 1                                      | —                                      |
| Outplacement bounty                                     | —                                      | 9                                      |
| <b>Total extraordinary Income</b>                       | <b>1</b>                               | <b>9</b>                               |
| Extraordinary loss                                      |                                        |                                        |
| Loss on retirement of non-current assets                | —                                      | 0                                      |
| Loss on valuation of investment securities              | 2                                      | —                                      |
| Loss on fire                                            | —                                      | 11                                     |
| <b>Total extraordinary losses</b>                       | <b>2</b>                               | <b>12</b>                              |
| <b>Income (loss) before income taxes</b>                | <b>(414)</b>                           | <b>(79)</b>                            |
| Income taxes-current                                    | 20                                     | 16                                     |
| Income taxes-deferred                                   | 0                                      | 2                                      |
| <b>Total income taxes</b>                               | <b>20</b>                              | <b>18</b>                              |
| <b>Profit (loss)</b>                                    | <b>(435)</b>                           | <b>(98)</b>                            |
| Profit (loss) attributable to non-controlling interests | —                                      | —                                      |
| <b>Profit (loss) attributable to owners of parent</b>   | <b>(435)</b>                           | <b>(98)</b>                            |

**Consolidated Quarterly Statements of Comprehensive Income**

|                                                                | (Millions of yen)                      |                                        |
|----------------------------------------------------------------|----------------------------------------|----------------------------------------|
|                                                                | Six Months ended<br>September 30, 2015 | Six Months ended<br>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                                     |
| <b>Total other comprehensive income</b>                        | <b>24</b>                              | <b>14</b>                              |
| <b>Comprehensive income</b>                                    | <b>(410)</b>                           | <b>(83)</b>                            |
| Comprehensive income attributable to                           |                                        |                                        |
| Comprehensive income attributable to owners of the parent      | (410)                                  | (83)                                   |
| Comprehensive income attributable to non-controlling interests | —                                      | —                                      |

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

|                                                                                         | (Millions of yen)<br>Six Months ended<br>September 30, 2015 | (Millions of yen)<br>Six Months ended<br>September 30, 2016 |
|-----------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| 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 allowance for doubtful accounts                                  | (2)                                                         | (1)                                                         |
| Increase (decrease) in provision for bonuses                                            | (1)                                                         | (3)                                                         |
| Increase (decrease) in provision for product warranties                                 | (14)                                                        | (5)                                                         |
| Increase (decrease) in net defined benefit liability                                    | 38                                                          | 12                                                          |
| Interest and dividends income                                                           | (1)                                                         | (0)                                                         |
| Interest expenses                                                                       | 18                                                          | 20                                                          |
| Foreign exchange losses (gains)                                                         | 0                                                           | 15                                                          |
| Loss (gain) on valuation of investment securities                                       | 2                                                           | —                                                           |
| Loss (gain) on sales of investment securities                                           | (1)                                                         | —                                                           |
| Loss on retirement of noncurrent assets                                                 | —                                                           | 0                                                           |
| Outplacement bounty                                                                     | —                                                           | (9)                                                         |
| Loss on fire                                                                            | —                                                           | 11                                                          |
| Decrease (increase) in notes and accounts receivable-trade                              | 521                                                         | 224                                                         |
| Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation | (0)                                                         | (0)                                                         |
| Decrease (increase) in inventories                                                      | (292)                                                       | (96)                                                        |
| Increase (decrease) in notes and accounts payable-trade                                 | (241)                                                       | 56                                                          |
| Other, net                                                                              | (180)                                                       | 130                                                         |
| Subtotal                                                                                | <u>(370)</u>                                                | <u>470</u>                                                  |
| Interest and dividends income received                                                  | 1                                                           | 0                                                           |
| Interest expenses paid                                                                  | (18)                                                        | (20)                                                        |
| Income taxes paid                                                                       | (32)                                                        | (36)                                                        |
| Outplacement bounty income received                                                     | —                                                           | 9                                                           |
| Loss on fire paid                                                                       | —                                                           | (5)                                                         |
| Net cash provided by (used in) operating activities                                     | <u>(418)</u>                                                | <u>418</u>                                                  |
| Net cash provided by (used in) investment activities                                    |                                                             |                                                             |
| Payments into time deposits                                                             | (5)                                                         | (0)                                                         |
| Proceeds from withdrawal of time deposits                                               | 9                                                           | —                                                           |
| Proceeds from sales of investment securities                                            | 51                                                          | —                                                           |
| Purchase of property, plant and equipment                                               | (128)                                                       | (93)                                                        |
| Other, net                                                                              | 6                                                           | (2)                                                         |
| Net cash provided by (used in) investment activities                                    | <u>(66)</u>                                                 | <u>(96)</u>                                                 |
| Net cash provided by (used in) financing activities                                     |                                                             |                                                             |
| Net increase (decrease) in short-term loans payable                                     | (25)                                                        | —                                                           |
| Repayment of long-term loans payable                                                    | (184)                                                       | (193)                                                       |
| Repayments of lease obligations                                                         | (55)                                                        | (22)                                                        |
| Purchase of treasury stock                                                              | (0)                                                         | (0)                                                         |
| Net cash provided by (used in) financing activities                                     | <u>(265)</u>                                                | <u>(216)</u>                                                |
| Effect of exchange rate change on cash and cash equivalents                             | (0)                                                         | (1)                                                         |
| Net increase (decrease) in cash and cash equivalents                                    | <u>(751)</u>                                                | <u>104</u>                                                  |
| Cash and cash equivalents at beginning of period                                        | <u>1,208</u>                                                | <u>912</u>                                                  |
| Cash and cash equivalents at end of period                                              | <u>457</u>                                                  | <u>1,017</u>                                                |

**[Consolidated Segment Information]**

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

(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                         | 1,206                       | 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)<br>(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                    | -                           | -                                 | -        | -             | -                 | -                                                |
| Total                                              | 1,099                       | 4,259                             | 929      | 6,289         | -                 | 6,289                                            |
| Segment profit (loss)<br>(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.