

Consolidated Financial Results for the Fiscal Year Ended March 31, 2017
<under Japanese GAAP>

May 31, 2017

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 of general meeting of shareholders : June 27, 2017
 Scheduled date to submit Securities Report : June 28, 2017
 Scheduled date to begin dividend payments : -
 Preparation of supplementary materials for financial results : None
 Holding of financial results meeting : None

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 - March 31, 2017)

(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	%
FY ended Mar. 31, 2017	12,864	(5.7)	11	-	67	-	126	-
FY ended Mar. 31, 2016	13,643	(12.5)	(407)	-	(383)	-	(554)	-

Note: Comprehensive income (Millions of yen) : Mar. 31, 2017 : 146 (-%) Mar. 31, 2016 : (501) (-%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY ended Mar. 31, 2017	5.42	-	16.7	0.7	0.1
FY ended Mar. 31, 2016	(23.79)	-	(59.4)	(3.9)	(3.0)

Reference: Equity in earnings of affiliates (Millions of yen) : Mar. 31, 2017 : - Mar. 31, 2016 : -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2017	9,273	829	8.9	35.57
As of Mar. 31, 2016	9,317	683	7.3	29.29

Reference: Shareholders' equity (Millions of yen) : Mar. 31, 2017: 829 Mar. 31, 2016: 683

(3) Consolidated cash flow position

	Net cash provided by (used in)			Cash and cash equivalents at end of period
	Operating activities	Investment activities	Financing activities	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY ended Mar. 31, 2017	866	(166)	(509)	1,102
FY ended Mar. 31, 2016	(525)	(194)	424	912

2. Dividends

(Record date)	Dividend per share					Total dividends (annual)	Payout ratio (consolidated)	Dividend on Equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended Mar. 31, 2016	-	0.00	-	0.00	0.00	-	-	-
Year ended Mar. 31, 2017	-	0.00	-	0.00	0.00	-	-	-
Year ending Mar. 31, 2018 (forecast)	-	0.00	-	0.00	0.00		-	

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 - March 31, 2018)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	13,300	3.4	150	1,190.4	200	196.7	120	(5.1)	5.15

* The Group analyzes and makes decisions on investment and management scales and results, etc. from the viewpoint of improving corporate value over the medium to long term without falling into short-term or speculative perspectives.

On the other hand, in addition to requests for active disclosure of future forecast information by stock exchanges, we carefully considered the opinion of some investors who recognize the usefulness of the next term performance forecasts, and forecast consolidated earnings forecasts for March 2018 we disclose.

In accordance with this purpose, there is no plan to do anything for quarterly earnings projections in the future.

※Notes

(1) Changes in major 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) 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

(3) Number of shares outstanding (common shares)

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

Mar. 31, 2017 : 24,172,000 shares Mar. 31, 2016 : 24,172,000 shares

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

Mar. 31, 2017 : 858,236 shares Mar. 31, 2016 : 853,064 shares

3) Average number of shares over period

Mar. 31, 2017 : 23,316,737 shares Mar. 31, 2016 : 23,320,037 shares

(Reference) Non-consolidated financial results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 - March 31, 2017)

(1) Non-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	%
FY ended Mar. 31, 2017	12,574	(0.8)	48	-	68	-	398	-
FY ended Mar. 31, 2016	12,676	(13.8)	(507)	-	(460)	-	(752)	-

	Net income per share	Diluted net income per share
	Yen	Yen
FY ended Mar. 31, 2017	17.10	-
FY ended Mar. 31, 2016	(32.29)	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2016	10,859	833	7.7	35.76
As of Mar. 31, 2016	10,772	435	4.0	18.68

Reference: Shareholders' equity (Millions of yen) : Mar.31, 2017: 833 Mar.31, 2016: 435

*The financial statements is outside the scope of audit.

*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.

Consolidated Financial Statements

(1) Consolidated Balance Sheet

	FY03/2016 (As of Mar.31,2016)	(Millions of yen) FY03/2017 (As of Mar.31,2017)
Assets		
Current assets		
Cash and deposits	982	1,158
Notes and accounts receivable-trade	1,992	1,795
Merchandise and finished goods	1,200	1,439
Work in process	632	515
Costs on uncompleted construction contracts	282	348
Raw materials and supplies	228	241
Deferred tax assets	1	—
Other	145	164
Allowance for doubtful accounts	(4)	(2)
Total current assets	5,460	5,661
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,730	6,765
Accumulated depreciation	(4,783)	(4,923)
Buildings and structures, net	1,946	1,842
Machinery, equipment and vehicles	4,600	4,378
Accumulated depreciation	(4,296)	(4,133)
Machinery, equipment and vehicles, net	304	244
Tools, furniture and fixtures	1,222	1,226
Accumulated depreciation	(1,101)	(1,116)
Tools, furniture and fixtures, net	121	109
Land	1,121	1,121
Lease assets	251	120
Accumulated depreciation	(173)	(84)
Lease assets, net	78	36
Construction in progress	5	12
Total property, plant and equipment	3,576	3,366
Intangible assets		
Lease assets	3	1
Other	106	83
Total intangible assets	109	85
Investments and other assets		
Investment securities	55	55
Deferred tax assets	2	—
Other	603	105
Allowance for doubtful accounts	(491)	(1)
Total investments and other assets	170	159
Total noncurrent assets	3,856	3,611
Total assets	9,317	9,273
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,387	2,499
Short-term loans payable	2,540	2,460
Current portion of long-term loans payable	382	334
Lease obligations	46	23
Income taxes payable	45	32
Provision for bonuses	44	81
Provision for product warranties	242	221
Other	870	1,080
Total current liabilities	6,559	6,734
Noncurrent liabilities		
Long-term loans payable	565	231
Lease obligations	37	14
Deferred tax liabilities	6	6
Provision for directors' retirement benefits	48	25
Net defined benefit liability	1,282	1,311
Other	133	119
Total noncurrent liabilities	2,075	1,709
Total liabilities	8,634	8,443
Net assets		
Shareholders' equity		
Capital stock	3,470	3,470
Capital surplus	1,584	1,584
Retained earnings	(3,778)	(3,652)
Treasury stock	(336)	(337)
Total shareholders' equity	939	1,065
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(112)	(113)
Remeasurements of defined benefit plans	(143)	(123)
Total accumulated other comprehensive income	(256)	(235)
Total net assets	683	829
Total liabilities and net assets	9,317	9,273

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

	(Millions of yen)	(Millions of yen)
	FY03/2016	FY03/2017
	(Apr. 1, 2015-Mar. 31, 2016)	(Apr. 1, 2016-Mar. 31, 2017)
Net sales	13,643	12,864
Cost of sales	9,850	9,061
Gross profit	3,792	3,802
Selling, general and administrative expenses	4,200	3,791
Operating income (loss)	(407)	11
Non-operating income		
Interest income	1	0
Rent income	50	63
Gain on sales of wastes	15	15
Foreign exchange gains	—	11
Other	43	22
Total non-operating income	110	113
Non-operating expenses		
Interest expenses	35	36
Loss on sales of notes payable	7	6
Sales discounts	9	10
Foreign exchange loss	24	—
Other	9	4
Total non-operating expenses	86	57
Ordinary income (loss)	(383)	67
Extraordinary Income		
Gain on sales of noncurrent assets	0	1
Gain on liquidation of subsidiaries and affiliates	17	—
Gain on sales of investment securities	1	—
Insurance income	—	84
Outplacement bounty	—	17
Reversal of provision for loss on lead trouble measures	9	—
Total extraordinary Income	28	102
Extraordinary loss		
Loss on sales of noncurrent assets	16	—
Loss on retirement of noncurrent assets	0	2
Loss on valuation of investment securities	2	—
Loss on fire	—	17
Business structure improvement expenses	133	—
Total extraordinary losses	153	19
Income (loss) before income taxes and minority interests	(507)	150
Income taxes-current	48	21
Income taxes-deferred	(2)	2
Total income taxes	46	24
Profit (loss)	(554)	126
Profit (loss) attributable to non-controlling interests	—	—
Profit (loss) attributable to owners of parent	(554)	126

Consolidated statements of comprehensive income

	(Millions of yen)	(Millions of yen)
	FY03/2016	FY03/2017
	(Apr. 1, 2015-Mar. 31, 2016)	(Apr. 1, 2016-Mar. 31, 2017)
Profit (loss)	(554)	126
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	2	(0)
Remeasurements of defined benefit plans, net of tax	51	20
Other comprehensive income	53	20
Comprehensive income	(501)	146
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(501)	146
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of changes in equity

FY03/2016 (Apr.1, 2015-Mar. 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,470	1,584	(3,224)	(336)	1,494
Changes of items during the period					
Profit (loss) attributable to owners of parent			(554)		(554)
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	(554)	(0)	(555)
Balance at the end of current period	3,470	1,584	(3,778)	(336)	939

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income	
Balance at the beginning of current period	1	(115)	(195)	(309)	1,184
Changes of items during the period					
Profit (loss) attributable to owners of parent					(554)
Purchase of treasury stock					(0)
Net changes of items other than shareholders' equity	(0)	2	51	53	53
Total changes of items during the period	(0)	2	51	53	(501)
Balance at the end of current period	0	(112)	(143)	(256)	683

FY03/2017 (Apr.1, 2016-Mar. 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,470	1,584	(3,778)	(336)	939
Changes of items during the period					
Profit (loss) attributable to owners of parent			126		126
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	126	(0)	125
Balance at the end of current period	3,470	1,584	(3,652)	(337)	1,065

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income	
Balance at the beginning of current period	0	(112)	(143)	(256)	683
Changes of items during the period					
Profit (loss) attributable to owners of parent					126
Purchase of treasury stock					(0)
Net changes of items other than shareholders' equity	0	(0)	20	20	20
Total changes of items during the period	0	(0)	20	20	146
Balance at the end of current period	0	(113)	(123)	(235)	829

(4) Consolidated Statements of Cash Flows

	(Millions of yen) FY03/2016 (Apr.1, 2015-Mar. 31, 2016)	(Millions of yen) FY03/2017 (Apr.1, 2016-Mar. 31, 2017)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(507)	150
Depreciation and amortization	388	411
Increase (decrease) in allowance for doubtful accounts	(9)	(491)
Increase (decrease) in provision for bonuses	(6)	36
Increase (decrease) in net defined benefit liability	(248)	50
Increase (decrease) in provision for product warranties	(34)	(20)
Interest and dividends income	(1)	(0)
Interest expenses	35	36
Foreign exchange losses (gains)	10	0
Loss (gain) on valuation of investment securities	2	—
Loss (gain) on sales of investment securities	(1)	—
Loss (gain) on sales of property, plant and equipment	16	(1)
Loss on retirement of noncurrent assets	0	2
Insurance income	—	(84)
Outplacement bounty	—	(17)
Loss on fire	—	17
Reversal of provision for loss on lead trouble measures	(9)	—
Gain on liquidation of subsidiaries and affiliates	(17)	—
Business structure improvement expenses	133	—
Decrease (increase) in notes and accounts receivable-trade	472	196
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	3	489
Decrease (increase) in inventories	125	(201)
Increase (decrease) in notes and accounts payable-trade	(341)	112
Other, net	(313)	246
Subtotal	<u>(302)</u>	<u>933</u>
Interest and dividends income received	1	0
Interest expenses paid	(35)	(36)
Income taxes paid	(54)	(37)
Outplacement bounty income received	—	17
Loss on fire paid	—	(11)
Payments for Business structure improvement expenses	(133)	—
Net cash provided by (used in) operating activities	<u>(525)</u>	<u>866</u>
Net cash provided by (used in) investment activities		
Payments into time deposits	(5)	(0)
Proceeds from withdrawal of time deposits	12	12
Proceeds from sales of investment securities	51	—
Purchase of property, plant and equipment	(270)	(176)
Proceeds from sales of property, plant and equipment	7	1
Proceeds from liquidation of subsidiaries and affiliates	47	—
Other, net	(38)	(3)
Net cash provided by (used in) investment activities	<u>(194)</u>	<u>(166)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	775	(80)
Proceeds from long-term loans payable	100	—
Repayment of long-term loans payable	(372)	(382)
Repayments of lease obligations	(77)	(46)
Purchase of treasury stock	(0)	(0)
Net cash provided by (used in) financing activities	<u>424</u>	<u>(509)</u>
Effect of exchange rate change on cash and cash equivalents	(0)	(0)
Net increase (decrease) in cash and cash equivalents	<u>(295)</u>	<u>189</u>
Cash and cash equivalents at beginning of period	1,208	912
Cash and cash equivalents at end of period	<u>912</u>	<u>1,102</u>

[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 "Functional Ceramics Product", "Housing & Environmental equipment" and "Tabletop" are three reportable segments.

Industry Segment	Major Products
Functional Ceramics Product	Alumina substrates, LTCC substrates, Dielectric ceramics
Housing & Environmental Equipment	Septic tanks, Garbage disposal systems, System baths, Other FRP items, Water treatment facilities, Small wind turbine generator systems, Multi-function interior boards
Tabletop	Fine bone china, Fine vitrified china, Fine porcelain, Oven ware

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

FY03/2016(Apr. 1, 2015 - Mar. 31, 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	2,358	8,848	2,436	13,643	-	13,643
Intersegment sales or Transfers	-	-	-	-	-	-
Total	2,358	8,848	2,436	13,643	-	13,643
Segment profit (loss) (Operating income (loss))	279	232	(293)	218	(625)	(407)
Segment assets	1,611	2,841	2,920	7,373	1,943	9,317
Other Items						
Depreciation and Amortization	104	121	109	334	53	388
Increase in Property, plant and equipment and Intangible assets	118	100	57	277	31	309

Notes: Below is a description of adjustments.

- (1) Segment income adjustment of (625) million yen consists of expenses related to departments that do not belong to the reportable segments.
- (2) Segment assets adjustment of 1,943 million yen includes assets that do not belong to the reportable segments. The assets consists of mainly surplus funds (cash and cash equivalents), long-term investment funds (investment securities).
- (3) Depreciation and Amortization adjustment of 53 million yen consists of Depreciation and Amortization related to departments that do not belong to the reportable segments.
- (4) Increase in Property, plant and equipment and Intangible assets adjustment of 31 million yen consists of capital investments associated with departments that do not belong to the reportable segments.

FY03/2017(Apr. 1, 2016 - Mar. 31, 2017)

(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	2,252	8,571	2,040	12,864	-	12,864
Intersegment sales or Transfers	-	-	-	-	-	-
Total	2,252	8,571	2,040	12,864	-	12,864
Segment profit (loss) (Operating income)	334	280	(115)	499	(487)	11
Segment assets	1,526	2,814	2,904	7,246	2,026	9,273
Other Items						
Depreciation and Amortization	109	143	104	358	53	411
Increase in Property, plant and equipment and Intangible assets	15	80	81	173	10	187

Notes: Below is a description of adjustments.

- (1) Segment income adjustment of (487) million yen consists of expenses related to departments that do not belong to the reportable segments.
- (2) Segment assets adjustment of 2,026 million yen includes assets that do not belong to the reportable segments. The assets consists of mainly surplus funds (cash and cash equivalents), long-term investment funds (investment securities).
- (3) Depreciation and Amortization adjustment of 53 million yen consists of Depreciation and Amortization related to departments that do not belong to the reportable segments.
- (4) Increase in Property, plant and equipment and Intangible assets adjustment of 10 million yen consists of capital investments associated with departments that do not belong to the reportable segments.