

**Consolidated Financial Results for the Six Months of Fiscal Year Ending March 31, 2019**  
**<under Japanese GAAP>**

November 8, 2018

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, Chief Financial Officer (Phone: +81-76-276-2121)  
 Scheduled date to submit Securities Report : November 9, 2018  
 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 Six Months Ended September 30, 2018 (April 1, 2018 - September 30, 2018)**

(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, 2018	6,722	4.1	(37)	-	1	88.6	(16)	-
Six months ended September 30, 2017	6,458	2.3	8	-	11	-	(4)	-

Note: Comprehensive income (Millions of yen) : September 30, 2018 : (7)(-%) September 30, 2017 : 13 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2018	(0.70)	-
Six months ended September 30, 2017	(0.17)	-

(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, 2018	9,150	1,051	11.5	45.11
Year ended Mar. 31, 2018	9,466	1,059	11.2	45.44

Reference: Shareholders' equity (Millions of yen) : September 30, 2018: 1,051 Mar. 31, 2018: 1,059

**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, 2018	-	0.00	-	0.00	0.00
Year ending Mar. 31, 2019	-	0.00			
Year ending Mar. 31, 2019 (forecast)			-	0.00	0.00

**3. Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 - March 31, 2019)**

The NIKKO Group will no longer disclose its projected consolidated results for periods starting from that ending in March 2019. Details of this decision are described in “3. Projected Consolidated Results for FY2018” in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2018” disclosed on May 10, 2018. In addition, as of the release date of this financial report, the official name of the caucus referred to as the “Diet Members Caucus for Discussing a New Form of Capitalism (temporary name)” in the above-mentioned document has been decided as the “Diet Members Caucus for Seeking Public Interest Capitalism.”

**※Notes**

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

(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 : None

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, 2018	:24,172,000 shares	Mar. 31, 2018	:	24,172,000 shares
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2) Number of treasury stock at the end of the period

September 30, 2018	:	864,149 shares	Mar. 31, 2018	:	864,148 shares
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3) Average number of shares issued during the period (cumulative; consolidated)

Six months ended September 30, 2018	:	23,307,851 shares	Six months ended September 30, 2017	:	23,312,373 shares
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\* Quarterly financial statements are not subject to a quarterly review by certified public accountants or an auditing company.

Consolidated quarterly Financial Statements

(1) Consolidated Balance Sheet

	(Millions of yen)	
	FY03/2018	FY03/2019
	(As of Mar.31,2018)	(As of Sep.30,2018)
<b>Assets</b>		
Current assets		
Cash and deposits	1,098	1,105
Notes and accounts receivable-trade	2,192	1,809
Merchandise and finished goods	1,273	1,159
Work in process	581	567
Costs on uncompleted construction contracts	432	577
Raw materials and supplies	264	268
Other	57	73
Allowance for doubtful accounts	(5)	(5)
<b>Total current assets</b>	<b>5,893</b>	<b>5,556</b>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,811	6,829
Accumulated depreciation	(5,085)	(5,166)
<b>Buildings and structures, net</b>	<b>1,726</b>	<b>1,663</b>
Machinery, equipment and vehicles	4,509	4,684
Accumulated depreciation	(4,184)	(4,245)
<b>Machinery, equipment and vehicles, net</b>	<b>325</b>	<b>438</b>
Tools, furniture and fixtures	1,237	1,256
Accumulated depreciation	(1,145)	(1,169)
<b>Tools, furniture and fixtures, net</b>	<b>91</b>	<b>86</b>
Land	1,121	1,121
Lease assets	99	79
Accumulated depreciation	(85)	(45)
<b>Lease assets, net</b>	<b>13</b>	<b>33</b>
Construction in progress	65	30
<b>Total property, plant and equipment</b>	<b>3,344</b>	<b>3,374</b>
Intangible assets		
Lease assets	0	—
Other	70	64
<b>Total intangible assets</b>	<b>71</b>	<b>64</b>
Investments and other assets		
Investment securities	56	56
Other	103	100
Allowance for doubtful accounts	(1)	(1)
<b>Total investments and other assets</b>	<b>157</b>	<b>155</b>
<b>Total noncurrent assets</b>	<b>3,573</b>	<b>3,594</b>
<b>Total assets</b>	<b>9,466</b>	<b>9,150</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	2,679	2,374
Short-term loans payable	2,400	2,400
Current portion of long-term loans payable	159	139
Lease obligations	12	10
Income taxes payable	88	44
Provision for bonuses	121	128
Provision for product warranties	170	170
Other	1,140	1,209
<b>Total current liabilities</b>	<b>6,772</b>	<b>6,477</b>
Noncurrent liabilities		
Long-term loans payable	191	121
Lease obligations	1	22
Deferred tax liabilities	5	5
Provision for directors' retirement benefits	34	39
Net defined benefit liability	1,282	1,310
Other	119	121
<b>Total noncurrent liabilities</b>	<b>1,634</b>	<b>1,621</b>
<b>Total liabilities</b>	<b>8,407</b>	<b>8,099</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,470	3,470
Capital surplus	1,584	1,584
Retained earnings	(3,492)	(3,508)
Treasury stock	(338)	(338)
<b>Total shareholders' equity</b>	<b>1,224</b>	<b>1,208</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(111)	(112)
Remeasurements of defined benefit plans	(54)	(44)
<b>Total accumulated other comprehensive income</b>	<b>(165)</b>	<b>(156)</b>
<b>Total net assets</b>	<b>1,059</b>	<b>1,051</b>
<b>Total liabilities and net assets</b>	<b>9,466</b>	<b>9,150</b>

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

Consolidated quarterly statements of income

	(Millions of yen)	
	FY03/2018	FY03/2019
	(Apr. 1, 2017-Sep. 30, 2017)	(Apr. 1, 2018-Sep. 30, 2018)
Net sales	6,458	6,722
Cost of sales	4,534	4,801
<b>Gross profit</b>	<b>1,923</b>	<b>1,920</b>
Selling, general and administrative expenses	1,915	1,957
<b>Operating income (loss)</b>	<b>8</b>	<b>(37)</b>
Non-operating income		
Interest income	0	0
Foreign exchange gains	4	27
Other	24	34
<b>Total non-operating income</b>	<b>29</b>	<b>62</b>
Non-operating expenses		
Interest expenses	15	12
Sales discounts	5	6
Other	6	4
<b>Total non-operating expenses</b>	<b>27</b>	<b>23</b>
<b>Ordinary income (loss)</b>	<b>11</b>	<b>1</b>
Extraordinary Income		
Gain on sales of noncurrent assets	1	—
<b>Total extraordinary Income</b>	<b>1</b>	<b>—</b>
Extraordinary loss		
Loss on retirement of noncurrent assets	0	—
<b>Total extraordinary losses</b>	<b>0</b>	<b>—</b>
<b>Income (loss) before income taxes and minority interests</b>	<b>11</b>	<b>1</b>
Income taxes-current	16	17
Income taxes-deferred	(0)	(0)
Total income taxes	15	17
<b>Profit (loss)</b>	<b>(4)</b>	<b>(16)</b>
Profit (loss) attributable to non-controlling interests	—	—
<b>Profit (loss) attributable to owners of parent</b>	<b>(4)</b>	<b>(16)</b>

Consolidated quarterly statements of comprehensive income

	(Millions of yen)	
	FY03/2018	FY03/2019
	(Apr. 1, 2017-Sep. 30, 2017)	(Apr. 1, 2018-Sep. 30, 2018)
<b>Profit (loss)</b>	<b>(4)</b>	<b>(16)</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(0)	(1)
Remeasurements of defined benefit plans, net of tax	17	9
Other comprehensive income	17	8
<b>Comprehensive income</b>	<b>13</b>	<b>(7)</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	13	(7)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

	(Millions of yen) FY03/2018 (Apr. 1, 2017-Sep.30,2017)	(Millions of yen) FY03/2019 (Apr. 1, 2018-Sep.30,2018)
<b>Net cash provided by (used in) operating activities</b>		
Income (loss) before income taxes and minority interests	11	1
Depreciation and amortization	179	185
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for bonuses	0	7
Increase (decrease) in provision for product warranties	(7)	—
Increase (decrease) in net defined benefit liability	14	38
Interest and dividends income	(0)	(0)
Interest expenses	15	12
Foreign exchange losses (gains)	(0)	(12)
Loss (gain) on sales of property, plant and equipment	(1)	—
Loss on retirement of noncurrent assets	0	—
Decrease (increase) in notes and accounts receivable-trade	(23)	390
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	(0)	—
Decrease (increase) in inventories	(207)	(20)
Increase (decrease) in notes and accounts payable-trade	65	(304)
Other, net	(10)	87
Subtotal	<u>35</u>	<u>384</u>
Interest and dividends income received	0	0
Interest expenses paid	(15)	(12)
Income taxes paid	(4)	(46)
Proceeds from insurance income	84	—
Net cash provided by (used in) operating activities	<u>100</u>	<u>327</u>
<b>Net cash provided by (used in) investment activities</b>		
Payments into time deposits	(0)	(1)
Proceeds from withdrawal of time deposits	—	1
Purchase of property, plant and equipment	(100)	(219)
Proceeds from sales of property, plant and equipment	1	—
Other, net	(2)	(2)
Net cash provided by (used in) investment activities	<u>(101)</u>	<u>(221)</u>
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	(10)	—
Repayment of long-term loans payable	(154)	(89)
Repayments of lease obligations	(12)	(9)
Purchase of treasury stock	(0)	(0)
Net cash provided by (used in) financing activities	<u>(177)</u>	<u>(99)</u>
Effect of exchange rate change on cash and cash equivalents	0	1
Net increase (decrease) in cash and cash equivalents	<u>(177)</u>	<u>7</u>
Cash and cash equivalents at beginning of period	<u>1,102</u>	<u>1,042</u>
Cash and cash equivalents at end of period	<u>924</u>	<u>1,049</u>

**[Consolidated Segment Information]**

Six Months ended September 30, 2017 (April 1, 2017 – September 30, 2017)

(Millions of yen, rounded down)

	Functional Ceramics Product	Housing & Environmental Equipment	Tabletop	Other (Note 1)	Segment total	Adjustment (Note 2)	Amounts on the consolidated financial statements (Note 3)
Net sales							
Sales to Outside Customers	1,262	4,159	1,005	30	6,458	-	6,458
Intersegment sales or Transfers	-	-	-	6	6	(6)	-
Total	1,262	4,159	1,005	36	6,465	(6)	6,458
Segment profit (loss) (Operating income (loss))	207	136	(77)	2	269	(260)	8

Note: 1. The category "Other" is warehouse business which is a business segment not included in the reportable segments.

Note: 2. Segment income adjustment of 260 million yen consists of expenses related to departments that do not belong to the reportable segments.

Note: 3. Segment profits and losses are adjusted with Operating profit on the consolidated quarterly statements of income.

Six Months ended September 30, 2018 (April 1, 2018 – September 30, 2018)

(Millions of yen, rounded down)

	Functional Ceramics Product	Housing & Environmental Equipment	Tabletop	Other (Note 1)	Segment total	Adjustment (Note 2)	Amounts on the consolidated financial statements (Note 3)
Net sales							
Sales to Outside Customers	1,436	4,110	1,153	22	6,722	-	6,722
Intersegment sales or Transfers	-	-	-	7	7	(7)	-
Total	1,436	4,110	1,153	29	6,729	(7)	6,722
Segment profit (loss) (Operating income (loss))	220	113	(79)	(2)	252	(289)	(37)

Note: 1. The category "Other" is warehouse business which is a business segment not included in the reportable segments.

Note: 2. Segment income adjustment of 289 million yen consists of expenses related to departments that do not belong to the reportable segments.

Note: 3. Segment profits and losses are adjusted with Operating loss on the consolidated quarterly statements of income.