ANNUAL REPORT





2007

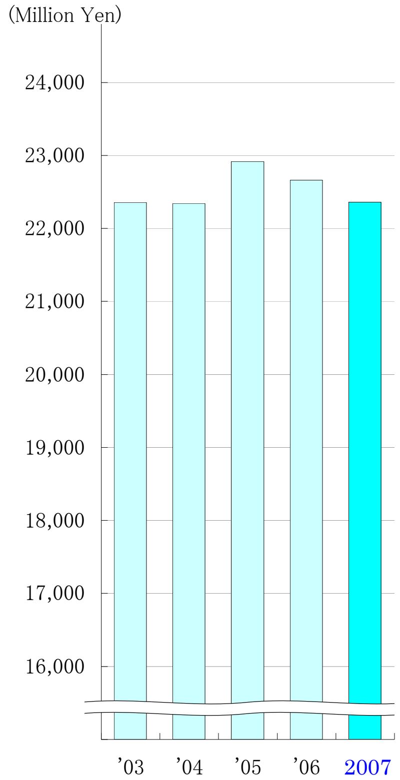
NIKKO
SINCE 1908

Contents

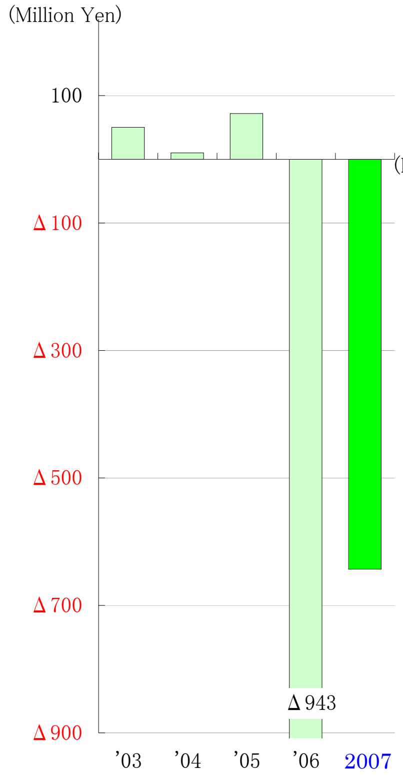
Financial Highlights

NIKKO COMPANY
Consolidated Data

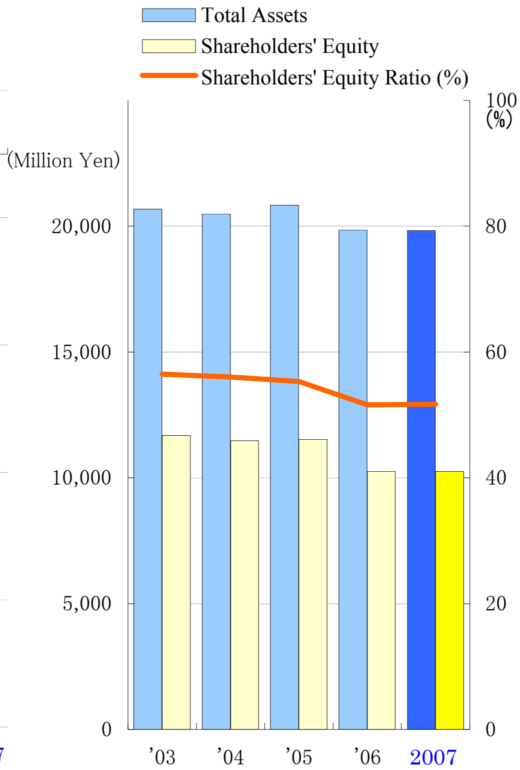
Net Sales



Net Income



Total Assets & Shareholders' Equity



Consolidated Data	Millions of yen (except per share amounts and %) 2003	2004	2005	2006	2007	Thousands of U. S. dollar (except per share amounts) 2007
Net Sales	22,354	22,344	22,918	22,660	22,359	194,800
Net Income	50	1	72	(943)	(643)	(5,603)
Total Assets	20,677	20,490	20,833	19,854	19,826	172,737
Shareholders' Equity	11,676	11,473	11,527	10,252	10,251	89,317
Shareholders' Equity Ratio (%)	56.5	56.0	55.3	51.6	51.7	
Return on Shareholders' Equity (%)	0.4	0.0	0.6	(8.7)	(6.3)	
Number of Shares	17,072,000	17,072,000	17,072,000	17,072,000	19,572,000	
Per Share of Common Stock	Yen					U. S. dollar
Net Income	3.01	0.08	4.35	(57.07)	(38.79)	(0.338)
Shareholders' Equity	684.77	680.94	691.47	621.43	541.89	4.721
Cash Dividends	8.00	6.00	6.00	3.00	4.00	0.035

Note: ￥114.78 = U.S.$1.00; See Notes to the Consolidated Financial Statements.

Consolidated Balance Sheets

NIKKO COMPANY
October 31, 2007 and 2006

	Millions of yen		Thousands of U. S. dollar
ASSETS	2007	2006	2007
Current Assets:			
Cash and time deposits	¥4,170	¥4,327	$36,335
Marketable securities	100	—	871
Notes and accounts receivable:			
Trade	4,441	4,574	38,698
Subsidiaries and affiliates	140	106	1,227
Other	0	—	7
Allowance for doubtful accounts	(31)	(29)	(276)
Inventories	4,350	4,312	37,905
Deferred tax assets	296	370	2,585
Prepaid expenses and other current assets	175	146	1,528
Total current assets	13,645	13,807	118,882
Investments and Other Assets:			
Investment securities	785	899	6,847
Stocks of affiliates	189	189	1,653
Deferred tax assets	554	772	4,828
Other	405	362	3,532
Allowance for doubtful accounts	(68)	(32)	(597)
Total investments and other assets	1,866	2,191	16,265
Property, plant and equipment, at cost:			
Land	1,316	1,026	11,472
Buildings	5,890	5,838	51,316
Machinery and equipment	7,448	7,472	64,892
Construction in progress	17	0	155
Accumulated depreciation	(10,438)	(10,516)	(90,942)
Net property, plant and equipment	4,234	3,821	36,895
Intangible Assets and other	79	33	695
Total Assets	¥19,826	¥19,854	$172,737

See Notes to the Consolidated Financial Statements.

Consolidated Balance Sheets

NIKKO COMPANY
October 31, 2007 and 2006

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2007	Millions of yen 2006	Thousands of U. S. dollar 2007
Current liabilities:			
Notes and accounts payable:			
Trade	¥4,067	¥4,432	$35,436
Subsidiaries and affiliates	367	334	3,198
Other	11	20	100
Short-term loans payable	2,205	2,376	19,213
Construction notes payable	59	37	516
Accrued expenses	183	229	1,603
Accrued income taxes	53	35	466
Reserve for bonuses	428	441	3,728
Reserve for guarantee for after-care of products	82	—	714
Other	1,001	705	8,724
Total current liabilities	8,459	8,611	73,702
Long-term liabilities:			
Reserve for directors' retirement benefits	74	69	646
Reserve for loss on business of affiliates	66	56	575
Reserve for retirement benefits	882	732	7,689
Other	92	131	807
Total long-term liabilities	1,115	989	9,717
Total Liabilities	9,574	9,601	83,420
Minority Interests	—	—	—
Shareholders' Equity:			
Common stock, ￥50 par value per share Authorized-60,000,000 shares; Issued-19,572,000 shares in 2007 and 17,072,000 shares in 2006	3,200	2,800	27,879
Additional paid-in capital (Capital reserve)	3,620	3,240	31,540
Retained earnings	3,981	4,657	34,685
Net unrealized loss on securities	(115)	(28)	(1,008)
Translation adjustment	(152)	(165)	(1,326)
Treasury stocks 653,379 shares in 2007 and 573,210 shares in 2006	(281)	(250)	(2,453)
Total shareholders' equity	10,251	10,252	89,317
Total Liabilities, Minority Interests and Shareholders' Equity	¥19,826	¥19,854	$172,737

See Notes to the Consolidated Financial Statements.

Consolidated Statement of Income

NIKKO COMPANY
Years ended October 31, 2007 and 2006

	Millions of yen		Thousands of U. S. dollar
	2007	2006	2007
Net Sales	¥22,359	¥22,660	$194,800
Cost of Sales	16,560	17,040	144,280
Gross profit	5,798	5,619	50,520
Selling, General and Administrative Expenses	6,069	5,800	52,880
Operating income (loss)	(270)	(181)	(2,360)
Other (Income) Expenses:			
Interest expenses	16	14	141
Interest and dividend income	(4)	(2)	(41)
(Gain) on sale or loss on disposal of property, net	32	84	280
Other, net	23	627	208
Income before taxes (loss)	(338)	(904)	(2,949)
Income taxes-current	32	40	286
Income taxes-deferred	271	(1)	2,368
Income taxes	304	39	2,654
Net income (loss)	¥(643)	¥(943)	$(5,603)

	Yen	Yen	U. S. dollar
	2007	2006	2007
Amounts Per Share of Common Stock:			
Net Income (loss)	¥(38.79)	¥(57.07)	$(0.338)
Cash dividends	4.00	3.00	0.035

See Notes to the Consolidated Financial Statements.

Consolidated Statement of Shareholders' Equity

NIKKO COMPANY

Years ended October 31, 2007 and 2006

	Number of shares of common stock (thousands)	Millions of yen		
		Common stock	Capital surplus	Retained earnings
Balance, October 31, 2006	17,072	¥2,800	¥3,240	¥4,657
Issuance of new shares	2,500	400	380	—
Net income for the year	—	—	—	(643)
Cash dividends	—	—	—	(32)
Balance, October 31, 2007	19,572	¥3,200	¥3,620	¥3,981

	Thousands of U. S. dollars		
	Common stock	Capital surplus	Retained earnings
Balance, October 31, 2006	$23,789	$27,529	$39,569
Issuance of new shares	3,484	3,310	—
Net income for the year	—	—	(5,603)
Cash dividends	—	—	(286)
Balance, October 31, 2007	$27,879	$31,540	$34,685

See Notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

NIKKO COMPANY
Years ended October 31, 2007 and 2006

	Millions of yen		Thousands of U. S. dollar
	2007	2006	2007
Net cash provided by operating activities:			
Income (Loss) before income taxes	¥(338)	¥(904)	$(2,949)
Depreciation	328	440	2,862
Allowance for doubtful accounts	37	(14)	328
Impairment loss on fixed assets	—	502	—
Increase (Decrease) in reserve for bonuses	(13)	23	(113)
Increase (Decrease) allowance for investment loss of affiliates	(10)	41	(94)
Increase (Decrease) in reserve for loss on business of affiliates	10	29	87
Increase (Decrease) in reserve for guarantee for after-care of products	82	—	714
Increase (Decrease) in reserve for retirement benefits	150	142	1,306
Interest and dividend income	(12)	(10)	(112)
Loss on retirement of fixed assets	32	61	280
Loss (Gain) on sales of investment securities	—	(150)	—
Loss (Gain) on sales of stocks of affiliates	—	(5)	—
Loss (Gain) on valuation of investments in securities	—	38	—
Loss (Gain) on valuation of derivatives	(62)	14	(544)
Interest expenses	16	14	141
(Increase) Decrease in notes and accounts receivables	132	(112)	1,155
(Increase) Decrease in inventories	(38)	554	(334)
Increase（Decrease）in notes and accounts payables	(260)	325	(2,269)
Other	(69)	32	(603)
	(16)	1,023	(144)
Interest and dividend income received	12	10	112
Interest expenses paid	(16)	(14)	(141)
Income taxes paid	(18)	(433)	(160)
Net cash provided by operating activities	¥(38)	¥586	$(333)
Net cash used in investment activities:			
Purchase of marketable securities	(3)	(452)	(31)
Proceeds from sales of marketable securities	50	309	435
Proceeds from sales of stocks of affiliates	—	15	—
Purchase of fixed assets	(645)	(505)	(5,623)
Other	26	(64)	232
Net cash used in investment activities	¥(572)	¥(697)	$(4,986)
Net cash used in financing activities:			
Increase in short-term loans payable	(170)	96	(1,487)
Purchase of treasury stock	(31)	(90)	(273)
Cash dividendspaid	(33)	(83)	(290)
Proceeds from issuance of common stock	775	—	6,755
Net cash used in financing activities:	¥540	¥(78)	$4,704
Effect of exchange rate change on cash and cash equivalents	13	(8)	118
Increase (Decrease) in cash and cash equivalents	(57)	(197)	(497)
Cash at beginning of period	4,053	4,251	35,317
Cash at end of period	¥3,996	¥4,053	$34,820

See Notes to the Consolidated Financial Statements.

1. Basis of Presenting Consolidated Financial Statements

(1) Accounting Principles and Presentation

The accompanying consolidated financial statements have been prepared from the accounts maintained by Nikko Company (the "Company") and its consolidated subsidiaries (the "Companies") in accordance with the provisions set forth in the Japanese Commercial Code and other countries' regulations and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Accounting Standards.
Certain items presented in the consolidated financial statements filed with the Ministry of Finance (the "MOF") in Japan have been reclassified for the convenience of readers outside Japan.
The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.
Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥114.78=U.S.$1 the approximate rate of exchange at October 31, 2007, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the rate or any other rate.

(2) Scope of Consolidation

The Company had 2 subsidiaries as at October 31, 2007 and 2006. The consolidated financial statements include the accounts of the Company and 2 of its subsidiaries. The consolidated subsidiaries are listed below:

	As at October 31, 2007	
	Equity ownership percentage, including indirect ownership	Capital stock (thousands)
Nikko Ceramics, Inc.	100.00 %	$4,000
Nikko Hanbai Co., Ltd.	94.85 %	¥470,000

(3) Consolidation and Elimination

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Companies have been eliminated, and the portion thereof attributable to minority interests is charged to minority interests.

The cost of investments in the common stock of consolidated subsidiaries is eliminated with the underlying equity in net assets of such subsidiaries. The material difference between the cost of an investment and the amount of underlying equity in net assets of such subsidiary is deferred and amortized over a reasonable period within 5 years on a straight-line basis.

(4) Investments in Unconsolidated Subsidiaries and Affiliates

At October 31, 2007, the Company had 5 affiliates. They have not been accounted for by the equity method for the following reasons: insignificant amount of net income and retained earnings. The investments in affiliates are stated at cost.

2. Summary of Significant Accounting Policies

(1) Valuation of Securities
The accounting standard for financial instruments requires that securities be classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair market value with any changes in unrealized gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are carried at cost. The cost of securities sold is determined by the moving average method.

(2) Inventories
Inventories held by the Company and the domestic consolidated subsidiary are stated at cost. Cost is determined by the periodic average method for finished goods and goods in process, by the moving average method for raw materials and supplies, and by the specific identification method for construction in process. Inventories held by the overseas consolidated subsidiary are valued at lower cost, which is determined by the FIFO method.

(3) Property, Plant and Equipment
Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment except for buildings of the Company is computed on the declining-balance method and depreciation of buildings is computed on the straight-line method, at rates based on the estimated useful lives of the assets. Depreciation of property, plant and equipment of the domestic consolidated subsidiary is computed on the declining-balance method and buildings (except for structures attached to the buildings) acquired on and after April 1, 1998 have been depreciated by the straight-line method. The estimated useful lives are based on the prescribed by the Japanese income tax laws. The overseas consolidated subsidiary has computed by the straight-line method. Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(Change in accounting policies)

Effective from this period, the Company and the domestic consolidated subsidiary has changed their depreciation method in terms of the tangible fixed assets acquired after April 1, 2007 in accordance with the corporation tax law as amended.

The effect of this change in operating income and income before income taxes is immaterial.

(4) Foreign Currency Translation
Foreign currency amounts except for those covered by forward exchange contracts are translated into Japanese yen on the basis of the rates of exchange in effect at the balance sheet date for monetary current assets and current liabilities, and at historical rates for other assets and liabilities unless they have accrued significant exchange losses. Foreign currency amounts covered by forward exchange contracts are translated into Japanese yen at the relevant contract rates. Historical rates are used for translation of income and expenses.

(5) Recognition of Income Taxes
The Companies adopted deferred tax accounting, whereby tax effects on temporary differences are adequately reflected and recognized as additions to or deductions from "Income Taxes" in the accompanying Consolidated Statements of Income.

(6) Translation of Foreign Currency Financial Statements
(Accounts of Overseas Subsidiaries and Affiliates)

Financial statements of foreign subsidiary is translated into Japanese yen at the current exchange rates as of the balance sheet date for all balance sheet accounts except for shareholders' equity accounts, which is translated at the historical exchange rate. The annual average rate is used for revenue and expense accounts.

(7) Amortization
The amortization of intangible assets of the Company and the domestic consolidated subsidiary are computed by the straight-line method, at rates based on the prescribed by the Japanese income tax laws.

Expenditures related to computer software intended for internal use are amortized over the useful life of the respective assets (5 years).

The overseas consolidated subsidiary has computed by the straight-line method.

(8) Allowance for Doubtful Accounts
Allowance for doubtful accounts is calculated based on the aggregate amount of estimated credit losses for doubtful receivables plus an amount for receivables other than doubtful receivables calculated using historical write-off experience from certain prior periods.

(9) Reserve for guarantee for after-care of products
As warranty expenses for certain products sold by the Company are subsequently realized, a provision for product warranty has been recorded in order to reflect the results of their operations more accurately.

(Change in accounting policies)
Prior to November1, 2006, warranty costs were charged to income when the related cost of product warrant's claim was incurred.
Effective from this period, the Company established reserve for guarantee for after care of products, taking into consideration increasing of its cost.
The effect of this change was to increase operating loss and loss before income taxes by ¥82million ($714 thousand).

(10) Derivatives
Derivatives are valued at fair value if hedging accounting is not appropriate or where there is no hedging designation, and the gains or losses on derivatives are recognized in the current earnings.

(11) Accounting for Leases
Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by the method similar to that applicable to ordinary operating leases.

(12) Net Income and Dividends per Share
"Net income per share" of common stock is based upon the weighted average number of shares of common stock outstanding during each year. Cash dividends per share shown for each year in the Consolidated Statements of Income represent dividends declared as applicable to the respective year, rather than those paid in each year.

(13) Cash Equivalents
Cash Equivalents are short-term investments that are readily convertible into cash and that are exposed to in significant risk of changes in value. Cash equivalents include time deposits and investment trusts that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

(14) Shareholders' Equity
The amount of retained earnings available for dividends under the Commercial Code of Japan is based on the amount stated in the statutory financial statements of the Company. Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividend is applicable. In addition, a semi-annual interim dividend payment may be made by resolution of the Board of Directors subject to certain limitations imposed by the Commercial Code.

(15) Research and Development Costs
Expenses relating to research and development activities are charged to income as incurred. Such research and development expenses were included in cost of goods sold and selling, general and administrative expenses in the accompanying consolidated statements of income and amounted to ¥208million ($1,768 thousand) and ¥208million($1,768 thousand) for the years ended October 31, 2007 and 2006, respectively.

(16) Impairment of Fixed Assets
As permitted by "Accounting Standard for Impairment of Fixed Assets" ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" (Business Accounting Deliberation Council, August 9, 2002)) and "Guidelines on Implementation of Accounting Standard for Impairment of Fixed Assets" (the Accounting Standards Board of Japan ("ASBJ") Guidelines No. 6, October 31, 2003), effective the fiscal year beginning November 1, 2006, the impairment accounting was adopted in accordance with these standard and guidelines.

3. Short-term Bank Loans

Short-term bank loans of subsidiaries are secured by the Company, at an annual weighted average interest rate of2.08% at October 31, 2007.and 1.81% at October 31, 2006.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Short-term bank loans	¥2,205	¥2,376	$19,213

4. Pledged Assets

The carrying amounts of assets pledged as fixed collateral at October 31, 2007 and 2006, the Company had no liabilities.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Property, plant and equipment – net of accumulated depreciation	¥209	¥217	$1,826

5. Contingent Liabilities

As at October 31, 2007, contingent liabilities in respect of trade notes discounted in ordinary course of business, guarantees of indebtedness of employees amounted to ¥82million ($716thousand) and ¥8million ($77thousand), respectively. As at October 31, 2006, they amounted to ¥70million ($594thousand) and ¥6 million ($52thousand), respectively.

6. Retirement Plans and Severance Indemnities

(1) The Company and its domestic consolidated subsidiaries have defined benefit plans, tax-qualified pension plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheet as of October 31, 2007 and 2006 for the Company's and the consolidated subsidiaries' defined benefit plans

(2) Components of accrued pension and severance costs as of October 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollar
	2007	2006	2007
Retirement benefit obligation at end of year	¥(3,092)	¥(3,071)	$(26,946)
Plan assets	1,712	1,642	14,916
Unfunded retirement benefit obligation	(1,380)	(1,428)	(12,030)
Unrecognized net retirement benefit obligation at transition	547	615	4,767
Unrecognized actuarial loss	(48)	80	(425)
Unrecognized prior service cost	—	—	—
Net amount recognized on the balance sheet	(882)	(732)	(7,689)
Prepaid pension expenses	—	—	—
Accrued retirement benefits	(882)	(732)	(7,689)

A consolidated subsidiary use the simplified method.

(3) Components of retirement benefit expenses for the year ended October 31, 2007 and 2006 are as follows

	Millions of yen		Thousands of U.S. dollar
	2007	2006	2007
Service cost	¥190	¥173	$1,660
Interest cost	58	61	513
Expected return on plan assets	(31)	(31)	(274)
Amortization of transition obligation	68	64	595
Amortization of actual loss	20	33	175
Amortization of prior service cost	8	14	76
Retirement benefit expenses	315	315	2,747

Retirement expenses under the simplified method are included in service cost.

(4) Assumptions used for calculation of retirement benefits for the year ended October 31, 2007 and 2006 are as follows:

	2007	2006
Method of attributing the project benefits to periods of service	Straight-line method	
Discount rate	2.0 %	2.0 %
Expected return on plan assets	2.0 %	2.0 %
Amortization period of unrecognized actuarial gains or losses	13 years	
Amortization period of net transition obligation	15 years	

7. Deferred Tax

Deferred tax assets and liabilities (both current and non-current) consisted of the following elements:

	Thousands of yen		Thousands of U.S. dollar
	2007	2006	2007
Deferred tax assets:			
Allowance for bonuses not deductible until paid	¥172	¥178	$1,506
Reserve for guarantee for after-care of products	33	—	288
Allowance for doubtful accounts	33	29	290
Loss on valuation of inventories	249	280	2,177
Loss on disposal of inventories	43	21	378
Impairment loss on fixed assets	117	203	1,027
Accrued directors' and statutory auditors' retirement benefits	29	28	261
Liabilities for retirement benefits	356	295	3,106
Loss on valuation of investments in memberships	21	21	191
Allowance for operating loss of subsidiaries	332	332	2,900
Accrued business taxes	—	—	—
Unrealized profit on securities	47	20	409
Unrealized intercompany profit of inventory	—	—	—
Tax loss carried forward	971	764	8,461
Other	126	108	1,098
Subtotal	2,536	2,285	22,097
Allowance for valuation	(1,678)	(1,134)	(14,621)
Net deferred tax assets	¥858	¥1,150	$7,476
Deferred tax liabilities:			
Unrealized profit on securities	—	—	—
Deferred gains on sales of property	(7)	(7)	(62)
Net deferred tax liabilities	¥(7)	¥(7)	$(62)

The reconciliation of the statutory tax rate to the income tax rate reflected in the Consolidated Statements of Income for the year ended October 31, 2007 and 2006 are not shown since the operating result for the year was a loss before provision for income taxes.

8. Accounting for Leases

The following pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated loss on impairment, obligations under finance leases, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended October 31, 2007 and 2006, was as follows.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Acquisition cost			
Machinery and equipment	¥467	¥472	$4,075
Other assets	121	205	1,054
	¥588	¥677	$5,130
Accumulated depreciation			
Machinery and equipment	¥302	¥288	$2,638
Other assets	54	122	478
	¥357	¥411	$3,117
Accumulated loss on impairment			
Machinery and equipment	¥104	¥104	$911
Other assets	—	—	—
	¥104	¥104	$911
Net book value			
Machinery and equipment	¥60	¥78	$525
Other assets	62	82	542
	¥122	¥161	$1,067

Obligations under finance leases as of October 31,2007 and 2006, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Due within one year	¥44	¥59	$383
Due after one year	81	102	710
	¥125	¥161	$1,093

The imputed interest expenses portion which is computed using the interest method is excluded from the above obligations under finance leases.

Depreciation expenses and interest expenses under finance leases as of 2007 and 2006, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Lease expenses for the year	¥59	¥147	$520
Depreciation expense	59	147	520
Loss on impairment	47	—	410

Depreciation expenses and interest expense, which are not reflected in the accompanying consolidated statement of income, computed by the straight-line method and the interest method.

9. Investments

In accordance with the accounting standard for financial instruments, investment securities include equity securities, bonds and other, of which the aggregate cost, gross unrealized gains/losses and fair value pertaining to available-for-sale securities and held-to-maturities at October 31, 2007 and 2006 were as follows.

Available-for-sale securities

Securities with book values exceeding

Millions of yen		
2007		
Acquisition cost	Book value	Difference
¥351	¥389	¥38

Thousands of U.S. dollars		
2007		
Acquisition cost	Book value	Difference
$3,063	$3,395	$331

Other securities

Millions of yen		
2007		
Acquisition cost	Book value	Difference
¥501	¥347	¥(153)

Thousands of U.S. dollars		
2007		
Acquisition cost	Book value	Difference
$4,368	$3,028	$(1,340)

Available-for-sale securities

Securities with book values exceeding

Millions of yen		
2006		
Acquisition cost	Book value	Difference
¥396	¥417	¥21

Other securities

Millions of yen		
2006		
Acquisition cost	Book value	Difference
¥453	¥382	¥(70)

The sales amounts of available-for-sale securities sold, gains and losses, in the years ended October 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Sales amount	¥ —	¥309	$ —
Gains	—	150	—
Losses	—	—	—

Available-for-sale securities whose fair value is not readily available as of October 31, 2007 and 2006 comprise following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Unlisted stocks	¥48	¥98	$423
Others	—	—	—
Total	48	98	423

10. Segment Information

(1) Industry Segment Information
The Companies operate principally in the following three industrial segments:

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, Hybrid IC, LTCC substrates, Dielectric ceramics

The segment information of the Companies ended October 31, 2007 and 2006 are presented below:

	Millions of yen						
	2007						
	Housing & Environmental Equipment	Tabletop	Electro-Ceramics	Other	Total	Eliminations/ Corporate	Consolidated
Sales:							
Sales to customers	¥11,655	¥6,653	¥4,035	¥14	¥22,359	—	¥22,359
Intersegment sales	—	—	—	—	—	—	—
Total sales	11,655	6,653	4,035	14	22,359	—	22,359
Operating expenses	11,373	6,362	4,213	33	21,982	647	22,630
Operating income (loss)	282	290	(177)	(19)	376	(647)	(270)
Total assets:	¥4,555	¥5,058	¥3,514	¥10	¥13,138	¥6,687	¥19,826
Depreciation:	125	105	81	0	312	13	326
Capital expenditure:	94	160	229	0	485	315	800

	Thousands of U.S. dollars						
	2007						
	Housing & Environmental Equipment	Tabletop	Electro-Ceramics	Other	Total	Eliminations/ Corporate	Consolidated
Sales:							
Sales to customers	$101,549	$57,963	$35,160	$127	$194,800	—	$194,800
Intersegment sales	—	—	—	—	—	—	—
Total sales	101,549	57,963	35,160	127	194,800	—	194,800
Operating expenses	99,087	55,434	36,705	293	191,520	5,640	197,161
Operating income (loss)	2,462	2,529	(1,545)	(166)	3,279	(5,640)	(2,360)
Total assets:	$39,692	$44,068	$30,622	$88	$114,470	$58,267	$172,737
Depreciation:	1,094	917	711	3	2,726	119	2,846
Capital expenditure:	825	1,395	1,999	7	4,228	2,749	6,978

	Millions of yen						
	2006						
	Housing & Environmental Equipment	Tabletop	Electro-Ceramics	Other	Total	Eliminations/ Corporate	Consolidated
Sales:							
Sales to customers	¥11,807	¥6,705	¥4,107	¥39	¥22,660	—	¥22,660
Intersegment sales	—	—	—	—	—	—	—
Total sales	11,807	6,705	4,107	39	22,660	—	22,660
Operating expenses	11,201	6,501	4,478	56	22,238	602	22,841
Operating income (loss)	606	204	(371)	(17)	421	(602)	(181)
Total assets:	¥4,607	¥5,505	¥3,197	¥19	¥13,329	¥6,524	¥19,854
Depreciation:	110	98	215	0	425	9	434
Capital expenditure:	100	166	220	—	487	38	526

(Change in accounting policies)

Effective from this period, the Company and the domestic consolidated subsidiary has changed their depreciation method in terms of the tangible fixed assets acquired after April 1, 2007 in accordance with the corporation tax law as amended.

The effect of this change in operating income and income before income taxes is immaterial.

Prior to November1, 2006, warranty costs were charged to income when the related cost of product warrant's claim was incurred.

Effective from this period, the Company established reserve for guarantee for after care of products, taking into consideration increasing of its cost.

The effect of this change was to decrease operating profit of Housing & Environmental Equipment by ¥48million ($418 thousand) and to increase operating loss of Electro-Ceramics ¥34million ($296 thousand).

(2) Information by Geographic Segment

As more than 90% of the consolidated net sales for the two years in the period ended October 31, 2007 and 2006 were made in Japan, the disclosure of geographic segment information has been omitted.

(3) Export Sales and Sales by Overseas Subsidiaries

Export sales of the Companies (meaning the amounts of export made by the Company and its domestic subsidiaries plus the sales of overseas consolidated subsidiaries) ended October 31, 2007 and 2006 are presented below:

	Millions of yen			
	2007			
Export sales and sales by overseas subsidiaries:	Americas	Asia	Other	Total
Overseas sales	¥1,654	¥1,046	¥149	¥2,851
Net sales				22,359
Percentage of such sales against consolidated net sales	7.4%	4.7%	0.7%	12.8%

	Thousands of U.S. dollars			
	2007			
Export sales and sales by overseas subsidiaries:	Americas	Asia	Other	Total
Overseas sales	$14,417	$9,119	$1,303	$24,840
Net sales				194,800

	Millions of yen			
	2006			
Export sales and sales by overseas subsidiaries:	Americas	Asia	Other	Total
Overseas sales	¥1,815	¥1,031	¥119	¥2,967
Net sales				22,660
Percentage of such sales against consolidated net sales	8.0%	4.6%	0.5%	13.1%

11. Derivative Financial Instruments

The Company has entered into forward exchange contracts and currency swaps with banks as hedges against receivables denominated in foreign currencies and into commodity swap with banks as hedges against purchase price of fuel. These derivative financial transactions are utilized solely for hedging purposes under the internal control rules and the supervision by the Board of Directors.
The following tables summarize market value information as of October 31, 2007 and 2006, of derivatives for which hedge accounting has not been applied.

Currency Related	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Foreign Exchange Forward Contracts:			
Selling U.S. dollar			
Contract amount	¥105	¥226	$922
Due after one year	—	—	—
Fair value	102	231	890
Unrealized Gain/(loss)	3	(5)	31
Currency Swaps:			
U.S. dollar payment/Yen receipt			
Contract amount	¥901	¥829	$7,857
Due after one year	—	—	—
Fair value	(4)	4	(43)
Unrealized Gain/(loss)	(4)	4	(43)

Commodity Related	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Oil Swap Contracts:			
Receive floating/ Pay Fixed			
Contract amount	¥151	¥253	$1,320
Due after one year	53	151	—
Fair value	241	255	2,104
Unrealized Gain/(loss)	241	255	2,104

12. Amounts Per Share Common Stock

Net income per share is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding during the respective years.

Board of Directors and Statutory Auditors

NIKKO COMPANY
(As of January 30th, 2008)

Chairman
Akitoshi Sakai

Chief Executive Officer
Makoto Yoshida

Board Director, Executive Managing Officer

Katsuhiro Taka	(Tabletop Division, General Manager)
Kazuto Futamata	(Housing & Environmental Equipment Division, General Manager)
Shigekazu Kaneda	(Finance & Administration, General Manager)

Board Director, Managing Officer

Yoshiaki Iwasaki	(Tabletop Division, Head-Factory Manager)
Nobuyasu Oda	(Housing & Environmental Equipment Division, Product Planning Division, Manufacturing Division, Administraion Division Manager)
Kenji Kita	(Tabletop Division, Sales Division Manager)
Kazuo Miyanabe	(Production Engineering Dept, General Manager Electro-Ceramics Division, Manufacturing Director)
Makoto Aoki	(Electro-Ceramics Division, General Manager)

Board Director
Mitsuru Mitani

Executive Auditing Director
Norio Yamamoto

Auditors
Shigeru Sawa
Takao Anzai

Corporate Data

Head Office
383 Ainoki-Machi, Hakusan-City,
Ishikawa-Prefecture 924-8686 Japan
Tel : 076-276-2121
Facsimile : 076-276-3309

Date of Establishment
May 11th, 1908

Show Room
Tokyo, Osaka, Toyama, New York

Factories
Head Factory, Tsurugi Factory, Saitama Factory

Subsidiaries and Affiliates
NIKKO CERAMICS, INC. (U.S.A.)
Nikko Hanbai Co., Ltd. (Japan)
Nikko ME Co., Ltd. (Japan)
N&I ASIA PTE LTD. (Singapore)
NIKKO (Asia) Co., Ltd. (Thailand)
Nikko Care Co., Ltd. (Japan)

Japanese Stock Exchange
Nagoya Stock Exchange

Transfer Agent and Registrar
The Sumitomo Trust & Banking Co., Ltd.
5-33 Kitahama 4-chome, Chuo-ku, Osaka 541-0041
Japan

Annual General Meeting
The annual general meeting of shareholders
is held in January each year in Ishikawa-Prefecture

Auditors
AZSA & CO.

URL
http://www.nikko-company.co.jp/