

## Consolidated Financial Results for the Nine Months of Fiscal Year Ending March 31, 2016 <under Japanese GAAP>

February 9, 2016

Company name : NIKKO COMPANY  
 ID number : 5343 Stock listing : Nagoya Stock Exchange Second Section  
 URL : <http://www.nikko-company.co.jp/>  
 Representative : Mitsuru Mitani, Chairman and CEO  
 Contact : Kazuya Nunokawa, Managing Officer (Phone: +81-76-276-2121)  
 Scheduled date to submit Securities Report : February 12, 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 Nine Months Ended December 31, 2015 (April 1, 2015 - December 31, 2015)

(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                                | % |
| Nine months ended December 31, 2015 | 10,051          | (12.5) | (464)            | - | (432)           | - | (599)  | - |
| Nine months ended December 31, 2014 | 11,488          | (6.3)  | (168)            | - | (51)            | - | (190)  | - |

Note: Comprehensive income (Millions of yen): December 31, 2015: (567) (-%) December 31, 2014: (54) (-%)

|                                     | Net income per share | Diluted net income per share |
|-------------------------------------|----------------------|------------------------------|
|                                     | Yen                  | Yen                          |
| Nine months ended December 31, 2015 | (25.69)              | -                            |
| Nine months ended December 31, 2014 | (9.39)               | -                            |

(2) Consolidated financial position

|                         | Total assets    | Net assets      | Equity ratio | Net assets per share |
|-------------------------|-----------------|-----------------|--------------|----------------------|
|                         | Millions of yen | Millions of yen | %            | Yen                  |
| As of December 31, 2015 | 9,556           | 617             | 6.5          | 26.47                |
| As of March 31, 2015    | 10,395          | 1,184           | 11.4         | 50.80                |

Reference: Shareholders' equity (Millions of yen): December 31, 2015: 617 March 31, 2015: 1,184

### 2. Dividends

|  | Dividend per share |        |        |          |        |
|--|--------------------|--------|--------|----------|--------|
|  | 1Q-end             | 2Q-end | 3Q-end | Year-end | Annual |
|  | Yen                | Yen    | Yen    | Yen      | Yen    |
| Fiscal Year ended March 31, 2015             | -                  | 0.00   | -      | 0.00     | 0.00   |
| Fiscal Year ending March 31, 2016            | -                  | 0.00   | -      |          |        |
| Fiscal Year ending March 31, 2016 (forecast) |                    |        |        | 0.00     | 0.00   |

Notes: Revision of dividend forecast during the period: None

### 3. Consolidated Forecast for the Fiscal Year Ending March 31, 2016 (April 1, 2015 - March 31, 2016)

(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 | 13,650          | (12.5) | (505)            | - | (460)           | - | (660)  | - | (28.30)              |

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

**4. Notes**

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

|                     |                   |                  |                   |
|---------------------|-------------------|------------------|-------------------|
| December 31, 2015 : | 24,172,000 shares | March 31, 2015 : | 24,172,000 shares |
|---------------------|-------------------|------------------|-------------------|

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

|                     |                |                  |                |
|---------------------|----------------|------------------|----------------|
| December 31, 2015 : | 853,052 shares | March 31, 2015 : | 850,499 shares |
|---------------------|----------------|------------------|----------------|

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

|                                       |                   |                                       |                   |
|---------------------------------------|-------------------|---------------------------------------|-------------------|
| Nine months ended December 31, 2015 : | 23,320,401 shares | Nine months ended December 31, 2014 : | 20,279,765 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.

Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

|  | As of March 31, 2015 | As of December 31, 2015 |
|--|----------------------|-------------------------|
| <b>Assets</b>  |                      |                         |
| Current assets   |                      |                         |
| Cash and deposits  | 1,285                | 700                     |
| Notes and accounts receivable-trade  | 2,469                | 1,996                   |
| Merchandise and finished goods   | 1,407                | 1,415                   |
| Work in process  | 582                  | 635                     |
| Costs on uncompleted construction contracts                                | 224                  | 400                     |
| Raw materials and supplies   | 259                  | 283                     |
| Deferred tax assets  | 1                    | 0                       |
| Other  | 119                  | 141                     |
| Allowance for doubtful accounts  | (11)                 | (8)                     |
| <b>Total current assets</b>  | <b>6,336</b>         | <b>5,566</b>            |
| Noncurrent assets  |                      |                         |
| Property, plant and equipment  |                      |                         |
| Buildings and structures   | 6,729                | 6,764                   |
| Accumulated depreciation   | (4,660)              | (4,786)                 |
| Buildings and structures, net  | 2,068                | 1,977                   |
| Machinery, equipment and vehicles  | 4,660                | 4,775                   |
| Accumulated depreciation   | (4,433)              | (4,493)                 |
| Machinery, equipment and vehicles, net                                     | 226                  | 282                     |
| Tools, furniture and fixtures  | 1,190                | 1,231                   |
| Accumulated depreciation   | (1,129)              | (1,152)                 |
| Tools, furniture and fixtures, net   | 61                   | 78                      |
| Land   | 1,145                | 1,145                   |
| Lease assets   | 462                  | 251                     |
| Accumulated depreciation   | (318)                | (163)                   |
| Lease assets, net  | 144                  | 88                      |
| Construction in progress   | 62                   | 109                     |
| <b>Total property, plant and equipment</b>                                 | <b>3,708</b>         | <b>3,681</b>            |
| Intangible assets  |                      |                         |
| Lease assets   | 4                    | 3                       |
| Other  | 82                   | 104                     |
| <b>Total intangible assets</b>   | <b>87</b>            | <b>107</b>              |
| Investments and other assets   |                      |                         |
| Investment securities  | 139                  | 86                      |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 494                  | 493                     |
| Deferred tax assets  | —                    | 0                       |
| Other  | 123                  | 114                     |
| Allowance for doubtful accounts  | (494)                | (494)                   |
| <b>Total investments and other assets</b>                                  | <b>263</b>           | <b>201</b>              |
| <b>Total noncurrent assets</b>   | <b>4,058</b>         | <b>3,990</b>            |
| <b>Total assets</b>  | <b>10,395</b>        | <b>9,556</b>            |
| <b>Liabilities</b>   |                      |                         |
| Current liabilities  |                      |                         |
| Notes and accounts payable-trade   | 2,729                | 2,478                   |
| Short-term loans payable   | 1,765                | 1,940                   |
| Current portion of long-term loans payable                                 | 369                  | 345                     |
| Lease obligations  | 79                   | 44                      |
| Income taxes payable   | 49                   | 37                      |
| Provision for bonuses  | 51                   | 24                      |
| Provision for product warranties   | 276                  | 259                     |
| Other  | 1,184                | 1,599                   |
| <b>Total current liabilities</b>   | <b>6,504</b>         | <b>6,730</b>            |
| Noncurrent liabilities   |                      |                         |
| Long-term loans payable  | 851                  | 648                     |
| Lease obligations  | 77                   | 51                      |
| Deferred tax liabilities   | 8                    | 8                       |
| Provision for directors' retirement benefits                               | 44                   | 46                      |
| Net defined benefit liability  | 1,581                | 1,320                   |
| Other  | 142                  | 133                     |
| <b>Total noncurrent liabilities</b>  | <b>2,706</b>         | <b>2,209</b>            |
| <b>Total liabilities</b>   | <b>9,210</b>         | <b>8,939</b>            |
| <b>Net assets</b>  |                      |                         |
| Shareholders' equity   |                      |                         |
| Capital stock  | 3,470                | 3,470                   |
| Capital surplus  | 1,584                | 1,584                   |
| Retained earnings  | (3,224)              | (3,823)                 |
| Treasury stock   | (336)                | (336)                   |
| <b>Total shareholders' equity</b>  | <b>1,494</b>         | <b>894</b>              |
| Accumulated other comprehensive income                                     |                      |                         |
| Valuation difference on available-for-sale securities                      | 1                    | 1                       |
| Foreign currency translation adjustment                                    | (115)                | (115)                   |
| Remeasurements of defined benefit plans                                    | (195)                | (162)                   |
| <b>Total accumulated other comprehensive income</b>                        | <b>(309)</b>         | <b>(277)</b>            |
| <b>Total net assets</b>  | <b>1,184</b>         | <b>617</b>              |
| <b>Total liabilities and net assets</b>                                    | <b>10,395</b>        | <b>9,556</b>            |

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

**Consolidated Quarterly Statements of Income**

|   | (Millions of yen)                      |  |
|---|--|--|
|   | Nine months ended<br>December 31, 2014 | Nine months ended<br>December 31, 2015 |
| Net sales   | 11,488                                 | 10,051                                 |
| Cost of sales   | 8,128                                  | 7,247                                  |
| Gross profit  | 3,359                                  | 2,804                                  |
| Selling, general and administrative expenses            | 3,528                                  | 3,269                                  |
| Operating income (loss)                                 | (168)                                  | (464)                                  |
| Non-operating income                                    |  |  |
| Interest income   | 0                                      | 1                                      |
| Rent income   | 29                                     | 37                                     |
| Other   | 140                                    | 41                                     |
| Total non-operating income                              | 170                                    | 80                                     |
| Non-operating expenses                                  |  |  |
| Interest expenses                                       | 28                                     | 27                                     |
| Other   | 24                                     | 20                                     |
| Total non-operating expenses                            | 53                                     | 47                                     |
| Ordinary income (loss)                                  | (51)                                   | (432)                                  |
| Extraordinary Income                                    |  |  |
| Gain on sales of noncurrent assets                      | 2                                      | —                                      |
| Gain on liquidation of subsidiaries and affiliates      | 7                                      | —                                      |
| Gain on sales of investment securities                  | —                                      | 1                                      |
| Reversal of provision for loss on lead trouble measures | 36                                     | —                                      |
| Total extraordinary Income                              | 46                                     | 1                                      |
| Extraordinary loss                                      |  |  |
| Loss on sales of noncurrent assets                      | 19                                     | —                                      |
| Loss on valuation of investment securities              | —                                      | 2                                      |
| Loss on sales of investment securities                  | 123                                    | —                                      |
| Business structure improvement expenses                 | —                                      | 133                                    |
| Total extraordinary losses                              | 143                                    | 136                                    |
| Income (loss) before income taxes                       | (149)                                  | (566)                                  |
| Income taxes-current                                    | 34                                     | 31                                     |
| Income taxes-deferred                                   | 7                                      | 0                                      |
| Total income taxes                                      | 41                                     | 32                                     |
| Profit (loss)   | (190)                                  | (599)                                  |
| Profit (loss) attributable to non-controlling interests | —                                      | —                                      |
| Profit (loss) attributable to owners of parent          | (190)                                  | (599)                                  |

**Consolidated Quarterly Statements of Comprehensive Income**

|   | (Millions of yen)                      |  |
|---|--|--|
|   | Nine months ended<br>December 31, 2014 | Nine months ended<br>December 31, 2015 |
| Profit (loss)   | (190)                                  | (599)                                  |
| Other comprehensive income                              |  |  |
| Valuation difference on available-for-sale securities   | 87                                     | (0)                                    |
| Foreign currency translation adjustment                 | 0                                      | 0                                      |
| Remeasurements of defined benefit plans, net of tax     | 48                                     | 32                                     |
| Other comprehensive income                              | 136                                    | 32                                     |
| Comprehensive income                                    | (54)                                   | (567)                                  |
| Comprehensive income attributable to                    |  |  |
| Comprehensive income attributable to owners of the      | (54)                                   | (567)                                  |
| Comprehensive income attributable to minority interests | —                                      | —                                      |

**[Consolidated Segment Information]**

Nine months ended December 31, 2014 (April 1, 2014 - December 31, 2014)

(Millions of yen, rounded down)

|  | Housing & Environmental Equipment | Tabletop | Functional Ceramics Product | Other (Note 1) | Segment total | Adjustment (Note 2) | Amounts shown on consolidated statements of income |
|--|-----------------------------------|----------|-----------------------------|----------------|---------------|---------------------|--|
| Net sales  |                                   |          |                             |                |               |                     |  |
| (1) Sales to Outside Customers                     | 7,155                             | 2,512    | 1,820                       | -              | 11,488        | -                   | 11,488   |
| (2) Intersegment sales or Transfers                | -                                 | -        | -                           | -              | -             | -                   | -  |
| Total  | 7,155                             | 2,512    | 1,820                       | -              | 11,488        | -                   | 11,488   |
| Segment profit (loss)<br>(Operating income (loss)) | 90                                | 57       | 180                         | -              | 328           | (497)               | (168)  |

Notes: 1. The "Other" category indicated businesses not included in reporting segments, including sales of other products.  
 2. Segment income adjustment of 497 million yen consists of expenses related to departments that do not belong to the reportable segments.

Nine months ended December 31, 2015 (April 1, 2015 - December 31, 2015)

(Millions of yen, rounded down)

|  | Housing & Environmental Equipment | Tabletop | Functional Ceramics Product | Segment total | Adjustment (Note 2) | Amounts shown on consolidated statements of income |
|--|-----------------------------------|----------|-----------------------------|---------------|---------------------|--|
| Net sales  |                                   |          |                             |               |                     |  |
| Sales to Outside Customers                         | 6,437                             | 1,767    | 1,845                       | 10,051        | -                   | 10,051   |
| Intersegment sales or Transfers                    | -                                 | -        | -                           | -             | -                   | -  |
| Total  | 6,437                             | 1,767    | 1,845                       | 10,051        | -                   | 10,051   |
| Segment profit (loss)<br>(Operating income (loss)) | 67                                | (266)    | 230                         | 31            | (495)               | (464)  |

Notes: 1. The "Other" is not business segment.  
 2. Segment income adjustment of 495 million yen consists of expenses related to departments that do not belong to the reportable segments.