

Consolidated Financial Results for the Fiscal Year Ended March 31, 2016
<under Japanese GAAP>

May 10, 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 of general meeting of shareholders : June 24, 2016
 Scheduled date to submit Securities Report : June 27, 2016
 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, 2016 (April 1, 2015 - March 31, 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	%
FY ended Mar. 31, 2016	13,643	(12.5)	(407)	-	(383)	-	(554)	-
FY ended Mar. 31, 2015	15,591	(6.3)	(200)	-	(61)	-	(218)	-

Note: Comprehensive income (Millions of yen) : Mar. 31, 2016 : (501) (-%) Mar. 31, 2015 : (19) (-%)

	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, 2016	(23.79)	-	(59.4)	(3.9)	(3.0)
FY ended Mar. 31, 2015	(10.37)	-	(23.5)	(0.6)	(1.3)

Reference: Equity in earnings of affiliates (Millions of yen) : Mar. 31, 2016 : - Mar. 31, 2015 : -

(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, 2016	9,317	683	7.3	29.29
As of Mar. 31, 2015	10,395	1,184	11.4	50.80

Reference: Shareholders' equity (Millions of yen) : Mar. 31, 2016: 683 Mar. 31, 2015: 1,184

(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, 2016	(525)	(194)	424	912
FY ended Mar. 31, 2015	163	197	449	1,208

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, 2015	-	0.00	-	0.00	0.00	-	-	-
Year ended Mar. 31, 2016	-	0.00	-	0.00	0.00	-	-	-
Year ending Mar. 31, 2017 (forecast)	-	0.00	-	0.00	0.00		-	

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 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

Note: Consolidated forecast for the six months ending September 30, 2016 have not been disclosed because the Company and its subsidiaries track performance on an annual basis only.

※Notes

(1) Changes in major subsidiaries during the period (Changes in specifies subsidiaries causing changes in scope of consolidation): None

(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 : Yes

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, 2016 : 24,172,000 shares Mar. 31, 2015 : 24,172,000 shares

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

Mar. 31, 2016 : 853,064 shares Mar. 31, 2015 : 850,499 shares

3) Average number of shares over period

Mar. 31, 2016 : 23,320,037 shares Mar. 31, 2015 : 21,029,919 shares

(Reference) Non-consolidated financial results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 - March 31, 2016)

(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, 2016	12,676	(13.8)	(507)	-	(460)	-	(752)	-
FY ended Mar. 31, 2015	14,707	(7.1)	(257)	-	(93)	-	(276)	-

	Net income per share	Diluted net income per share
	Yen	Yen
FY ended Mar. 31, 2016	(32.29)	-
FY ended Mar. 31, 2015	(13.13)	-

(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	10,772	435	4.0	18.68
As of Mar. 31, 2015	11,805	1,189	10.1	51.01

Reference: Shareholders' equity (Millions of yen) : Mar.31, 2016: 435 Mar.31, 2015: 1,189

*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.

Consolidated Financial Statements

(1) Consolidated Balance Sheet

	FY03/2015 (As of Mar.31,2015)	(Millions of yen) FY03/2016 (As of Mar.31,2016)
Assets		
Current assets		
Cash and deposits	1,285	982
Notes and accounts receivable-trade	2,469	1,992
Merchandise and finished goods	1,407	1,200
Work in process	582	632
Costs on uncompleted construction contracts	224	282
Raw materials and supplies	259	228
Deferred tax assets	1	1
Other	119	145
Allowance for doubtful accounts	(11)	(4)
Total current assets	6,336	5,460
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,729	6,730
Accumulated depreciation	(4,660)	(4,783)
Buildings and structures, net	2,068	1,946
Machinery, equipment and vehicles	4,660	4,600
Accumulated depreciation	(4,433)	(4,296)
Machinery, equipment and vehicles, net	226	304
Tools, furniture and fixtures	1,190	1,222
Accumulated depreciation	(1,129)	(1,101)
Tools, furniture and fixtures, net	61	121
Land	1,145	1,121
Lease assets	462	251
Accumulated depreciation	(318)	(173)
Lease assets, net	144	78
Construction in progress	62	5
Total property, plant and equipment	3,708	3,576
Intangible assets		
Lease assets	4	3
Other	82	106
Total intangible assets	87	109
Investments and other assets		
Investment securities	139	55
Claims provable in bankruptcy, claims provable in rehabilitation and other	494	490
Deferred tax assets	—	2
Other	123	112
Allowance for doubtful accounts	(494)	(491)
Total investments and other assets	263	170
Total noncurrent assets	4,058	3,856
Total assets	10,395	9,317
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,729	2,387
Short-term loans payable	1,765	2,540
Current portion of long-term loans payable	369	382
Lease obligations	79	46
Income taxes payable	49	45
Provision for bonuses	51	44
Provision for product warranties	276	242
Other	1,184	870
Total current liabilities	6,504	6,559
Noncurrent liabilities		
Long-term loans payable	851	565
Lease obligations	77	37
Deferred tax liabilities	8	6
Provision for directors' retirement benefits	44	48
Net defined benefit liability	1,581	1,282
Other	142	133
Total noncurrent liabilities	2,706	2,075
Total liabilities	9,210	8,634
Net assets		
Shareholders' equity		
Capital stock	3,470	3,470
Capital surplus	1,584	1,584
Retained earnings	(3,224)	(3,778)
Treasury stock	(336)	(336)
Total shareholders' equity	1,494	939
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	0
Foreign currency translation adjustment	(115)	(112)
Remeasurements of defined benefit plans	(195)	(143)
Total accumulated other comprehensive income	(309)	(256)
Total net assets	1,184	683
Total liabilities and net assets	10,395	9,317

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

Consolidated statements of income

	(Millions of yen)	
	FY03/2015	FY03/2016
	(Apr.1, 2014-Mar. 31, 2015)	(Apr.1, 2015-Mar. 31, 2016)
Net sales	15,591	13,643
Cost of sales	11,149	9,850
Gross profit	4,442	3,792
Selling, general and administrative expenses	4,643	4,200
Operating income (loss)	(200)	(407)
Non-operating income		
Interest income	1	1
Rent income	41	50
Commission fee	13	26
Gain on sales of wastes	20	15
Foreign exchange gains	83	—
Other	49	16
Total non-operating income	210	110
Non-operating expenses		
Interest expenses	39	35
Sales discounts	10	9
Foreign exchange loss	—	24
Other	21	16
Total non-operating expenses	71	86
Ordinary income (loss)	(61)	(383)
Extraordinary Income		
Gain on sales of noncurrent assets	2	0
Gain on liquidation of subsidiaries and affiliates	7	17
Gain on sales of investment securities	—	1
Reversal of provision for loss on lead trouble measures	36	9
Total extraordinary Income	46	28
Extraordinary loss		
Loss on sales of noncurrent assets	19	16
Loss on retirement of noncurrent assets	6	0
Loss on valuation of stocks of subsidiaries and affiliates	—	2
Loss on sales of investment securities	123	—
Business structure improvement expenses	—	133
Total extraordinary losses	150	153
Income (loss) before income taxes and minority interests	(165)	(507)
Income taxes-current	45	48
Income taxes-deferred	6	(2)
Total income taxes	52	46
Profit (loss)	(218)	(554)
Profit (loss) attributable to non-controlling interests	—	—
Profit (loss) attributable to owners of parent	(218)	(554)

Consolidated statements of comprehensive income

	(Millions of yen)	
	FY03/2015	FY03/2016
	(Apr.1, 2014-Mar. 31, 2015)	(Apr.1, 2015-Mar. 31, 2016)
Profit (loss)	(218)	(554)
Other comprehensive income		
Valuation difference on available-for-sale securities	87	(0)
Foreign currency translation adjustment	0	2
Remeasurements of defined benefit plans, net of tax	110	51
Other comprehensive income	198	53
Comprehensive income	(19)	(501)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(19)	(501)
Comprehensive income attributable to non-controlling interests	—	—

(3)Consolidated Statements of changes in equity

FY03/2015 (Apr.1, 2014-Mar. 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	3,200	1,321	(3,005)	(335)	1,179
Changes of items during the period					
Net income (loss)			(218)		(218)
Purchase of treasury stock				(0)	(0)
Issuance of new shares	270	263			533
Net changes of items other than shareholders' equity					
Total changes of items during the period	270	263	(218)	(0)	314
Balance at the end of current period	3,470	1,584	(3,224)	(336)	1,494

	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	(86)	(116)	(305)	(508)	671
Changes of items during the period					
Net income (loss)					(218)
Purchase of treasury stock					(0)
Issuance of new shares					533
Net changes of items other than shareholders' equity	87	0	110	198	198
Total changes of items during the period	87	0	110	198	513
Balance at the end of current period	1	(115)	(195)	(309)	1,184

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					
Net income (loss)			(554)		(554)
Purchase of treasury stock				(0)	(0)
Issuance of new shares					-
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					
Net income (loss)					(554)
Purchase of treasury stock					(0)
Issuance of new shares					-
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

(4) Consolidated Statements of Cash Flows

	(Millions of yen) FY03/2015 (Apr.1, 2014-Mar. 31, 2015)	(Millions of yen) FY03/2016 (Apr.1, 2015-Mar. 31, 2016)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(165)	(507)
Depreciation and amortization	534	388
Increase (decrease) in allowance for doubtful accounts	(36)	(9)
Increase (decrease) in provision for bonuses	(3)	(6)
Increase (decrease) in net defined benefit liability	37	(248)
Increase (decrease) in provision for product warranties	(113)	(34)
Interest and dividends income	(8)	(1)
Interest expenses	39	35
Foreign exchange losses (gains)	(19)	10
Loss (gain) on valuation of investment securities	—	2
Loss (gain) on sales of investment securities	123	(1)
Loss (gain) on sales of property, plant and equipment	17	16
Loss on retirement of noncurrent assets	6	0
Reversal of provision for loss on lead trouble measures	(36)	(9)
Gain on liquidation of subsidiaries and affiliates	(7)	(17)
Business structure improvement expenses	—	133
Decrease (increase) in notes and accounts receivable-trade	247	472
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	21	3
Decrease (increase) in inventories	105	125
Increase (decrease) in notes and accounts payable-trade	(527)	(341)
Other, net	28	(313)
Subtotal	<u>246</u>	<u>(302)</u>
Interest and dividends income received	8	1
Interest expenses paid	(39)	(35)
Income taxes paid	(51)	(54)
Payments for Business structure improvement expenses	—	(133)
Net cash provided by (used in) operating activities	<u>163</u>	<u>(525)</u>
Net cash provided by (used in) investment activities		
Payments into time deposits	—	(5)
Proceeds from withdrawal of time deposits	30	12
Proceeds from sales of investment securities	397	51
Purchase of property, plant and equipment	(277)	(270)
Proceeds from sales of property, plant and equipment	31	7
Proceeds from liquidation of subsidiaries and affiliates	7	47
Other, net	7	(38)
Net cash provided by (used in) investment activities	<u>197</u>	<u>(194)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(35)	775
Proceeds from long-term loans payable	500	100
Repayment of long-term loans payable	(360)	(372)
Repayments of lease obligations	(182)	(77)
Purchase of treasury stock	(0)	(0)
Proceeds from issuance of common stock	528	—
Net cash provided by (used in) financing activities	<u>449</u>	<u>424</u>
Effect of exchange rate change on cash and cash equivalents	2	(0)
Net increase (decrease) in cash and cash equivalents	<u>813</u>	<u>(295)</u>
Cash and cash equivalents at beginning of period	394	1,208
Cash and cash equivalents at end of period	<u>1,208</u>	<u>912</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

FY03/2015(Apr. 1, 2014 - Mar. 31, 2015)

(Millions of yen, rounded down)

	Functional Ceramics Product	Housing & Environmental Equipment	Tabletop	Segment total	Adjustment (Note 2)	Amounts on the consolidated financial statements
Net sales						
Sales to Outside Customers	2,450	9,887	3,254	15,591	-	15,591
Intersegment sales or Transfers	-	-	-	-	-	-
Total	2,450	9,887	3,254	15,591	-	15,591
Segment profit (loss) (Operating income (loss))	233	253	3	490	(691)	(200)
Segment assets	1,630	3,337	3,129	8,096	2,298	10,395
Other Items						
Depreciation and Amortization	91	262	126	480	54	534
Increase in Property, plant and equipment and Intangible assets	71	83	35	189	36	226
Impairment loss	-	-	-	-	-	-

Notes: 1. The "Other" category of FY03/2014, was removed from reporting segment because there is no profit in FY03/2015.

2. Below is a description of adjustments.

- (1) Segment income adjustment of 691 million yen consists of expenses related to departments that do not belong to the reportable segments.
- (2) Segment assets adjustment of 2,298 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 54 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 36 million yen consists of capital investments associated with departments that do not belong to the reportable segments.

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

(Millions of yen, rounded down)

	Functional Ceramics Product	Housing & Environmental Equipment	Tabletop	Segment total	Adjustment (Note 1)	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
Impairment loss	-	-	-	-	-	-

Notes: 1. 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.