

Consolidated Financial Results for the Six Months of Fiscal Year Ending March 31, 2018 <under Japanese GAAP>

November 9, 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
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 Scheduled date to submit Securities Report : November 10, 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 Six Months Ended September 30, 2017 (April 1, 2017 - September 30, 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	%
Six months ended September 30, 2017	6,458	2.3	8	-	11	-	(4)	-
Six months ended September 30, 2016	6,311	(3.0)	(38)	-	(77)	-	(98)	-

Note: Comprehensive income (Millions of yen) : September 30, 2017 : 13 (-%) September 30, 2016 : (83) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2017	(0.17)	-
Six months ended September 30, 2016	(4.21)	-

* Effective from the first quarter consolidated accounting period, the revenue previously included in "Rent income" under "Non-operating income" is described as "Net sales". The expenses previously included in "Selling, general and administrative expenses" is described as "Cost of sales" 'Six months ended September 30, 2016' on (1) consolidated operating results is also stated according to the above way.

(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, 2017	9,239	842	9.1	36.15
Year ended Mar. 31, 2017	9,273	829	8.9	35.57

Reference: Shareholders' equity (Millions of yen) : September 30, 2017: 842 Mar. 31, 2017: 829

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, 2017	-	0.00	-	0.00	0.00
Year ending Mar. 31, 2018	-	0.00			
Year ending Mar. 31, 2018 (forecast)			-	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	3.0	150	127.7	200	196.7	120	(5.1)	5.15

- * Revision of projected consolidated performance during the period : None
- * the above figures also follows the same way of 1.(1).
- * 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 : 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, 2017 : 24,172,000 shares Mar. 31, 2017 : 24,172,000 shares
- 2) Number of treasury stock at the end of the period
 September 30, 2017 : 861,829 shares Mar. 31, 2017 : 858,236 shares
- 3) Average number of shares issued during the period (cumulative; consolidated)
 Six months ended September 30, 2017 : 23,312,373 shares Six months ended September 30, 2016 : 23,317,608 shares

* The current quarterly financial statements are not subject to a quarterly review.

*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 quarterly Financial Statements

(1) Consolidated Balance Sheet

	(Millions of yen)	
	FY03/2017	FY03/2018
	(As of Mar.31,2017)	(As of Sep.30,2017)
Assets		
Current assets		
Cash and deposits	1,158	981
Notes and accounts receivable-trade	1,795	1,819
Merchandise and finished goods	1,439	1,337
Work in process	515	612
Costs on uncompleted construction contracts	348	565
Raw materials and supplies	241	237
Other	164	65
Allowance for doubtful accounts	(2)	(2)
Total current assets	5,661	5,616
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,765	6,809
Accumulated depreciation	(4,923)	(5,004)
Buildings and structures, net	1,842	1,805
Machinery, equipment and vehicles	4,378	4,499
Accumulated depreciation	(4,133)	(4,172)
Machinery, equipment and vehicles, net	244	327
Tools, furniture and fixtures	1,226	1,238
Accumulated depreciation	(1,116)	(1,147)
Tools, furniture and fixtures, net	109	91
Land	1,121	1,121
Lease assets	120	111
Accumulated depreciation	(84)	(87)
Lease assets, net	36	24
Construction in progress	12	25
Total property, plant and equipment	3,366	3,394
Intangible assets		
Lease assets	1	1
Other	83	69
Total intangible assets	85	70
Investments and other assets		
Investment securities	55	56
Other	105	103
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	159	158
Total noncurrent assets	3,611	3,623
Total assets	9,273	9,239
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,499	2,565
Short-term loans payable	2,460	2,450
Current portion of long-term loans payable	334	239
Lease obligations	23	19
Income taxes payable	32	40
Provision for bonuses	81	81
Provision for product warranties	221	214
Other	1,080	1,145
Total current liabilities	6,734	6,756
Noncurrent liabilities		
Long-term loans payable	231	171
Lease obligations	14	6
Deferred tax liabilities	6	6
Provision for directors' retirement benefits	25	29
Net defined benefit liability	1,311	1,308
Other	119	119
Total noncurrent liabilities	1,709	1,640
Total liabilities	8,443	8,397
Net assets		
Shareholders' equity		
Capital stock	3,470	3,470
Capital surplus	1,584	1,584
Retained earnings	(3,652)	(3,656)
Treasury stock	(337)	(337)
Total shareholders' equity	1,065	1,060
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(113)	(113)
Remeasurements of defined benefit plans	(123)	(105)
Total accumulated other comprehensive income	(235)	(217)
Total net assets	829	842
Total liabilities and net assets	9,273	9,239

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

Consolidated quarterly statements of income

	(Millions of yen)	
	FY03/2017	FY03/2018
	(Apr.1, 2016-Sep.30,2016)	(Apr.1, 2017-Sep.30,2017)
Net sales	6,311	6,458
Cost of sales	4,501	4,534
Gross profit	1,809	1,923
Selling, general and administrative expenses	1,847	1,915
Operating income (loss)	(38)	8
Non-operating income		
Interest income	0	0
Commission fee	5	7
Gain on sales of wastes	6	6
Other	12	15
Total non-operating income	24	29
Non-operating expenses		
Interest expenses	20	15
Sales discounts	5	5
Foreign exchange loss	32	—
Other	5	6
Total non-operating expenses	63	27
Ordinary income (loss)	(77)	11
Extraordinary Income		
Gain on sales of noncurrent assets	—	1
Outplacement bounty	9	—
Total extraordinary income	9	1
Extraordinary loss		
Loss on retirement of noncurrent assets	0	0
Loss on fire	11	—
Total extraordinary losses	12	0
Income (loss) before income taxes and minority interests	(79)	11
Income taxes-current	16	16
Income taxes-deferred	2	(0)
Total income taxes	18	15
Profit (loss)	(98)	(4)
Profit (loss) attributable to non-controlling interests	—	—
Profit (loss) attributable to owners of parent	(98)	(4)

Consolidated quarterly statements of comprehensive income

	(Millions of yen)	
	FY03/2017	FY03/2018
	(Apr.1, 2016-Sep.30,2016)	(Apr.1, 2017-Sep.30,2017)
Profit (loss)	(98)	(4)
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	4	(0)
Remeasurements of defined benefit plans, net of tax	10	17
Other comprehensive income	14	17
Comprehensive income	(83)	13
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(83)	13
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

	(Millions of yen) FY03/2017 (Apr. 1, 2016-Sep.30,2016)	(Millions of yen) FY03/2018 (Apr. 1, 2017-Sep.30,2017)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(79)	11
Depreciation and amortization	197	179
Increase (decrease) in allowance for doubtful accounts	(1)	(0)
Increase (decrease) in provision for bonuses	(3)	0
Increase (decrease) in provision for product warranties	(5)	(7)
Increase (decrease) in net defined benefit liability	12	14
Interest and dividends income	(0)	(0)
Interest expenses	20	15
Foreign exchange losses (gains)	15	(0)
Loss (gain) on sales of property, plant and equipment	—	(1)
Loss on retirement of noncurrent assets	0	0
Outplacement bounty	(9)	—
Loss on fire	11	—
Decrease (increase) in notes and accounts receivable-trade	224	(23)
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	(0)	(0)
Decrease (increase) in inventories	(96)	(207)
Increase (decrease) in notes and accounts payable-trade	56	65
Other, net	130	(10)
Subtotal	470	35
Interest and dividends income received	0	0
Interest expenses paid	(20)	(15)
Income taxes paid	(36)	(4)
Proceeds from insurance income	—	84
Outplacement bounty income received	9	—
Loss on fire paid	(5)	—
Net cash provided by (used in) operating activities	418	100
Net cash provided by (used in) investment activities		
Payments into time deposits	(0)	(0)
Purchase of property, plant and equipment	(93)	(100)
Proceeds from sales of property, plant and equipment	—	1
Other, net	(2)	(2)
Net cash provided by (used in) investment activities	(96)	(101)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	—	(10)
Repayment of long-term loans payable	(193)	(154)
Repayments of lease obligations	(22)	(12)
Purchase of treasury stock	(0)	(0)
Net cash provided by (used in) financing activities	(216)	(177)
Effect of exchange rate change on cash and cash equivalents	(1)	0
Net increase (decrease) in cash and cash equivalents	104	(177)
Cash and cash equivalents at beginning of period	912	1,102
Cash and cash equivalents at end of period	1,017	924

[Consolidated Segment Information]

Six Months ended September 30, 2016 (April 1, 2016 – September 30, 2016)

(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
Net sales							
Sales to Outside Customers	1,099	4,259	929	21	6,311	-	6,311
Intersegment sales or Transfers	-	-	-	6	6	(6)	-
Total	1,099	4,259	929	28	6,317	(6)	6,311
Segment profit (loss) (Operating income (loss))	142	124	(63)	(4)	198	(236)	(38)

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 236 million yen consists of expenses related to departments that do not belong to the reportable segments.

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
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.