

**Consolidated Financial Results for the Fiscal Year Ended March 31, 2018**  
**<under Japanese GAAP>**

May 10, 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, Managing Officer (Phone: +81-76-276-2121)  
 Scheduled date of general meeting of shareholders : June 22, 2018  
 Scheduled date to submit Securities Report : June 25, 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 Fiscal Year Ended March 31, 2018 (April 1, 2017 - March 31, 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	%
FY ended Mar. 31, 2018	13,963	8.1	222	238.1	216	220.9	160	26.6
FY ended Mar. 31, 2017	12,918	(5.3)	65	-	67	-	126	-

Note: Comprehensive income (Millions of yen) : Mar. 31, 2018 : 230 (57.1%) Mar. 31, 2017 : 146 (-%)

	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, 2018	6.87	-	17.0	2.3	1.6
FY ended Mar. 31, 2017	5.42	-	16.7	0.7	0.5

Reference: Equity in earnings of affiliates (Millions of yen) : Mar. 31, 2018 : - Mar. 31, 2017 : -

\* 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" 'FY ended Mar. 31, 2017' 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 Mar. 31, 2018	9,466	1,059	11.2	45.44
As of Mar. 31, 2017	9,273	829	8.9	35.57

Reference: Shareholders' equity (Millions of yen) : Mar. 31, 2018: 1,059 Mar. 31, 2017: 829

(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, 2018	540	(301)	(298)	1,042
FY ended Mar. 31, 2017	866	(166)	(509)	1,102

**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, 2017	-	0.00	-	0.00	0.00	-	-	-
Year ended Mar. 31, 2018	-	0.00	-	0.00	0.00	-	-	-
Year ending Mar. 31, 2019 (forecast)	-	0.00	-	0.00	0.00		-	

### 3. Projected Consolidated Results for FY2018 (April 1, 2018 to March 31, 2019)

Based on our awareness that “a company is a public entity of society,” one of our important management goals is to be a company that aims to create a society that prioritizes business operations based on a long-term perspective instead of short-term profit. Accordingly, we embrace the philosophy of public interest capitalism which is a concept that suggests that a company should deliver profits to its shareholders as a result of enhancing the company value by contributing to all people and organizations with the same interests including its employees, customers, suppliers, local communities, and the Earth.

Concerns have been raised that, due to the nature of the relevant systems, programs, and rules (business customs), the disclosure of quarterly financial results and/or projected results may have multiple adverse effects. This includes the occurrence of an excessive focus on short-term financial results and immediate stock price fluctuations and the narrowing of the investors’ speculative view when making investment decisions.

This in turn hinders R&D investments, equipment investments, and employee development activities by a company based on a long-term perspective, and results in a company’s negligence of its roles as a public entity, i.e., negligence of social contribution activities such as sharing the company’s profits with employees, customers, business partners, and local communities.

As an attempt to address these concerns, a proposal to abolish the projected results form in financial briefs was presented in the Future Investment Strategy 2017 (Cabinet Office, Government of Japan). This proposal was adopted in February 2017. Furthermore, the Diet Members Caucus for Discussing a New Form of Capitalism (temporary name) is currently examining the possibilities of reviewing the Financial Instruments and Exchange Act and other relevant laws in order to, for example, abolish the obligation to disclose quarterly financial results.

Taking these circumstances and viewpoints into consideration, while the Nikko Group has been disclosing projected consolidated results for each fiscal year up to FY2017, the Group recognizes the purpose and the significance of the revision made by the Japanese Government in February 2017 and has decided to embrace the revision starting from FY2018, from which the Group has stopped disclosing its projected consolidated results.

#### ※Notes

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

(2) 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 : 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, 2018 : 24,172,000 shares Mar. 31, 2017 : 24,172,000 shares

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

Mar. 31, 2018 : 864,148 shares Mar. 31, 2017 : 858,236 shares

3) Average number of shares over period

Mar. 31, 2018 : 23,310,703 shares Mar. 31, 2017 : 23,316,737 shares

#### (Reference) Non-consolidated financial results

##### Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 - March 31, 2018)

(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, 2018	13,791	9.7	190	291.2	190	177.0	164	(58.8)
FY ended Mar. 31, 2017	12,574	(0.8)	48	-	68	-	398	-

	Net income per share	Diluted net income per share
	Yen	Yen
FY ended Mar. 31, 2018	7.04	-
FY ended Mar. 31, 2017	17.10	-

(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, 2018	11,034	997	9.0	42.78
As of Mar. 31, 2017	10,859	833	7.7	35.76

Reference: Shareholders’ equity (Millions of yen) : Mar.31, 2018: 997 Mar.31, 2017: 833

\*The financial statements is outside the scope of audit by Certified Public Accountants or Audit corporation.

**Consolidated quarterly Financial Statements**
**(1) Consolidated Balance Sheet**

(Millions of yen)

	FY03/2017 (As of Mar.31,2017)	FY03/2018 (As of Mar.31,2018)
<b>Assets</b>		
Current assets		
Cash and deposits	1,158	1,098
Notes and accounts receivable-trade	1,795	2,192
Merchandise and finished goods	1,439	1,273
Work in process	515	581
Costs on uncompleted construction contracts	348	432
Raw materials and supplies	241	264
Other	164	57
Allowance for doubtful accounts	(2)	(5)
<b>Total current assets</b>	<b>5,661</b>	<b>5,893</b>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,765	6,811
Accumulated depreciation	(4,923)	(5,085)
Buildings and structures, net	1,842	1,726
Machinery, equipment and vehicles	4,378	4,509
Accumulated depreciation	(4,133)	(4,184)
Machinery, equipment and vehicles, net	244	325
Tools, furniture and fixtures	1,226	1,237
Accumulated depreciation	(1,116)	(1,145)
Tools, furniture and fixtures, net	109	91
Land	1,121	1,121
Lease assets	120	99
Accumulated depreciation	(84)	(85)
Lease assets, net	36	13
Construction in progress	12	65
<b>Total property, plant and equipment</b>	<b>3,366</b>	<b>3,344</b>
Intangible assets		
Lease assets	1	0
Other	83	70
<b>Total intangible assets</b>	<b>85</b>	<b>71</b>
Investments and other assets		
Investment securities	55	56
Other	105	103
Allowance for doubtful accounts	(1)	(1)
<b>Total investments and other assets</b>	<b>159</b>	<b>157</b>
<b>Total noncurrent assets</b>	<b>3,611</b>	<b>3,573</b>
<b>Total assets</b>	<b>9,273</b>	<b>9,466</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	2,499	2,679
Short-term loans payable	2,460	2,400
Current portion of long-term loans payable	334	159
Lease obligations	23	12
Income taxes payable	32	88
Provision for bonuses	81	121
Provision for product warranties	221	170
Other	1,080	1,140
<b>Total current liabilities</b>	<b>6,734</b>	<b>6,772</b>
Noncurrent liabilities		
Long-term loans payable	231	191
Lease obligations	14	1
Deferred tax liabilities	6	5
Provision for directors' retirement benefits	25	34
Net defined benefit liability	1,311	1,282
Other	119	119
<b>Total noncurrent liabilities</b>	<b>1,709</b>	<b>1,634</b>
<b>Total liabilities</b>	<b>8,443</b>	<b>8,407</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,470	3,470
Capital surplus	1,584	1,584
Retained earnings	(3,652)	(3,492)
Treasury stock	(337)	(338)
<b>Total shareholders' equity</b>	<b>1,065</b>	<b>1,224</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(113)	(111)
Remeasurements of defined benefit plans	(123)	(54)
<b>Total accumulated other comprehensive income</b>	<b>(235)</b>	<b>(165)</b>
<b>Total net assets</b>	<b>829</b>	<b>1,059</b>
<b>Total liabilities and net assets</b>	<b>9,273</b>	<b>9,466</b>

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

	FY03/2017 (Apr. 1, 2016-Mar.31,2017)	(Millions of yen) FY03/2018 (Apr. 1, 2017-Mar.31,2018)
Net sales	12,918	13,963
Cost of sales	9,117	9,925
<b>Gross profit</b>	<b>3,801</b>	<b>4,038</b>
Selling, general and administrative expenses	3,735	3,815
<b>Operating income</b>	<b>65</b>	<b>222</b>
Non-operating income		
Interest income	0	0
Rent income	9	10
Commission fee	9	15
Gain on sales of wastes	15	17
Foreign exchange gains	11	—
Other	12	18
<b>Total non-operating income</b>	<b>59</b>	<b>62</b>
Non-operating expenses		
Interest expenses	36	27
Sales discounts	10	12
Foreign exchange loss	—	14
Other	10	14
<b>Total non-operating expenses</b>	<b>57</b>	<b>68</b>
<b>Ordinary income</b>	<b>67</b>	<b>216</b>
Extraordinary Income		
Gain on sales of noncurrent assets	1	1
Insurance income	84	—
Outplacement bounty	17	—
<b>Total extraordinary Income</b>	<b>102</b>	<b>1</b>
Extraordinary loss		
Loss on retirement of noncurrent assets	2	1
Loss on fire	17	—
<b>Total extraordinary losses</b>	<b>19</b>	<b>1</b>
<b>Income before income taxes and minority interests</b>	<b>150</b>	<b>216</b>
Income taxes-current	21	56
Income taxes-deferred	2	(0)
<b>Total income taxes</b>	<b>24</b>	<b>56</b>
<b>Profit</b>	<b>126</b>	<b>160</b>
Profit attributable to non-controlling interests	—	—
<b>Profit attributable to owners of parent</b>	<b>126</b>	<b>160</b>

**Consolidated statements of comprehensive income**

	FY03/2017 (Apr. 1, 2016-Mar.31,2017)	(Millions of yen) FY03/2018 (Apr. 1, 2017-Mar.31,2018)
<b>Profit</b>	<b>126</b>	<b>160</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	20	68
Other comprehensive income	20	70
<b>Comprehensive income</b>	<b>146</b>	<b>230</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	146	230
Comprehensive income attributable to non-controlling interests	—	—

**(3) Consolidated Statements of changes in equity**

FY03/2017 (Apr.1, 2016-Mar. 31, 2017)

(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	(3,778)	(336)	939
Changes of items during the period					
Profit (loss) attributable to owners of parent			126		126
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	126	(0)	125
Balance at the end of current period	3,470	1,584	(3,652)	(337)	1,065

  

	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	0	(112)	(143)	(256)	683
Changes of items during the period					
Profit (loss) attributable to owners of parent					126
Purchase of treasury stock					(0)
Net changes of items other than shareholders' equity	0	(0)	20	20	20
Total changes of items during the period	0	(0)	20	20	146
Balance at the end of current period	0	(113)	(123)	(235)	829

FY03/2018 (Apr.1, 2017-Mar. 31, 2018)

(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	(3,652)	(337)	1,065
Changes of items during the period					
Profit (loss) attributable to owners of parent			160		160
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	160	(0)	159
Balance at the end of current period	3,470	1,584	(3,492)	(338)	1,224

  

	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	0	(113)	(123)	(235)	829
Changes of items during the period					
Profit (loss) attributable to owners of parent					160
Purchase of treasury stock					(0)
Net changes of items other than shareholders' equity	0	1	68	70	70
Total changes of items during the period	0	1	68	70	229
Balance at the end of current period	0	(111)	(54)	(165)	1,059

**(4) Consolidated Statements of Cash Flows**

	(Millions of yen) FY03/2017 (Apr.1, 2016-Mar.31,2017)	(Millions of yen) FY03/2018 (Apr.1, 2017-Mar.31,2018)
<b>Net cash provided by (used in) operating activities</b>		
Income (loss) before income taxes and minority interests	150	216
Depreciation and amortization	411	378
Increase (decrease) in allowance for doubtful accounts	(491)	3
Increase (decrease) in provision for bonuses	36	40
Increase (decrease) in net defined benefit liability	50	38
Increase (decrease) in provision for product warranties	(20)	(51)
Interest and dividends income	(0)	(0)
Interest expenses	36	27
Foreign exchange losses (gains)	0	9
Loss (gain) on sales of property, plant and equipment	(1)	(1)
Loss on retirement of noncurrent assets	2	1
Insurance income	(84)	—
Outplacement bounty	(17)	—
Loss on fire	17	—
Decrease (increase) in notes and accounts receivable-trade	196	(402)
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	489	(0)
Decrease (increase) in inventories	(201)	(7)
Increase (decrease) in notes and accounts payable-trade	112	179
Other, net	246	63
Subtotal	933	495
Interest and dividends income received	0	0
Interest expenses paid	(36)	(27)
Income taxes paid	(37)	(12)
Proceeds from insurance income	—	84
Outplacement bounty income received	17	—
Loss on fire paid	(11)	—
Net cash provided by (used in) operating activities	866	540
<b>Net cash provided by (used in) investment activities</b>		
Payments into time deposits	(0)	(22)
Proceeds from withdrawal of time deposits	12	22
Purchase of property, plant and equipment	(176)	(287)
Proceeds from sales of property, plant and equipment	1	1
Other, net	(3)	(15)
Net cash provided by (used in) investment activities	(166)	(301)
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	(80)	(60)
Proceeds from long-term loans payable	—	100
Repayment of long-term loans payable	(382)	(314)
Repayments of lease obligations	(46)	(23)
Purchase of treasury stock	(0)	(0)
Net cash provided by (used in) financing activities	(509)	(298)
Effect of exchange rate change on cash and cash equivalents	(0)	(0)
Net increase (decrease) in cash and cash equivalents	189	(60)
Cash and cash equivalents at beginning of period	912	1,102
Cash and cash equivalents at end of period	1,102	1,042

## [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
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
Functional Ceramics Product	Alumina substrates, LTCC substrates, Dielectric ceramics
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

FY03/2017(Apr. 1, 2016 - Mar. 31, 2017)

(Millions of yen, rounded down)

	Housing & Environmental Equipment	Functional Ceramics Product	Tabletop	Other (Note 1)	Segment total	Adjustment (Note)	Amounts on the consolidated financial statements
Net sales							
Sales to Outside Customers	8,571	2,252	2,040	54	12,918	-	12,918
Intersegment sales or Transfers	-	-	-	13	(13)	(13)	-
Total	8,571	2,252	2,040	67	12,931	(13)	12,918
Segment profit (loss) (Operating income (loss))	280	334	(62)	0	553	(487)	65
Segment assets	2,814	1,526	2,892	12	7,246	2,026	9,273
Other Items							
Depreciation and Amortization	143	109	104	0	358	53	411
Increase in Property, plant and equipment and Intangible assets	80	15	80	0	176	10	187

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

Notes:2. Below is a description of adjustments.

- Segment income adjustment of (487) million yen consists of expenses related to departments that do not belong to the reportable segments.
- Segment assets adjustment of 2,026 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).
- Depreciation and Amortization adjustment of 53 million yen consists of Depreciation and Amortization related to departments that do not belong to the reportable segments.
- Increase in Property, plant and equipment and Intangible assets adjustment of 10 million yen consists of capital investments associated with departments that do not belong to the reportable segments.

FY03/2018(Apr. 1, 2017 - Mar. 31, 2018)

(Millions of yen, rounded down)

	Housing & Environmental Equipment	Functional Ceramics Product	Tabletop	Other (Note 1)	Segment total	Adjustment (Note)	Amounts on the consolidated financial statements
Net sales							
Sales to Outside Customers	9,069	2,646	2,192	56	13,963	-	13,963
Intersegment sales or Transfers	-	-	-	14	14	(14)	-
Total	9,069	2,646	2,192	70	13,978	(14)	13,963
Segment profit (loss) (Operating income)	516	420	(181)	(0)	755	(532)	222
Segment assets	2,993	1,838	2,719	10	7,563	1,902	9,466
Other Items							
Depreciation and Amortization	113	116	98	0	329	49	378
Increase in Property, plant and equipment and Intangible assets	60	225	46	0	331	8	339

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

Notes:2. Below is a description of adjustments.

- Segment income adjustment of (532) million yen consists of expenses related to departments that do not belong to the reportable segments.
- Segment assets adjustment of 1,902 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).
- Depreciation and Amortization adjustment of 49 million yen consists of Depreciation and Amortization related to departments that do not belong to the reportable segments.
- Increase in Property, plant and equipment and Intangible assets adjustment of 8 million yen consists of capital investments associated with departments that do not belong to the reportable segments.