

Consolidated Financial Results for the Six Months of Fiscal Year Ending March 31, 2020 <under Japanese GAAP>

November 8, 2019

Company name : NIKKO COMPANY
 ID number : 5343 Stock listing : Nagoya Stock Exchange Second Section
 URL : <https://www.nikko-company.co.jp/>
 Representative : Akiko Mitani, Chief Executive Officer
 Contact : Kazuya Nunokawa, Chief Financial Officer (Phone: +81-76-276-2121)
 Scheduled date to submit Securities Report : November 8, 2019
 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, 2019 (April 1, 2019 - September 30, 2019)

(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, 2019	6,402	(4.8)	(41)	-	(32)	-	(25)	-
Six months ended September 30, 2018	6,722	4.1	(37)	-	1	(88.6)	(16)	-

Note: Comprehensive income (Millions of yen) : September 30, 2019 : (17)(-%) September 30, 2018 : (7) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2019	(1.10)	-
Six months ended September 30, 2018	(0.70)	-

(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, 2019	9,134	1,261	13.8	54.11
Year ended Mar. 31, 2019	9,462	1,278	13.5	54.86

Reference: Shareholders' equity (Millions of yen) : September 30, 2019: 1,261 Mar. 31, 2019: 1,278

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, 2019	-	0.00	-	0.00	0.00
Year ending Mar. 31, 2020	-	0.00			
Year ending Mar. 31, 2020 (forecast)			-	0.00	0.00

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 - March 31, 2020)

The NIKKO Group will no longer disclose its projected consolidated results for periods starting from that ending in March 2019. Details of the decision are described in "3. Projected Consolidated Results for FY2019" in the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2019" disclosed on May 9, 2019.

※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, 2019	:24,172,000 shares	Mar. 31, 2019	: 24,172,000 shares
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2) Number of treasury stock at the end of the period

September 30, 2019	: 864,436 shares	Mar. 31, 2019	: 864,232 shares
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3) Average number of shares issued during the period (cumulative; consolidated)

Six months ended September 30, 2019	: 23,307,693 shares	Six months ended September 30, 2018	: 23,307,851 shares
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* Quarterly financial statements are not subject to a quarterly review by certified public accountants or an auditing company.

Consolidated quarterly Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	FY03/2019 (As of Mar.31,2019)	FY03/2020 (As of Sep 30,2019)
Assets		
Current assets		
Cash and deposits	1,406	907
Notes and accounts receivable-trade	1,839	1,776
Merchandise and finished goods	1,145	1,205
Work in process	627	832
Costs on uncompleted construction contracts	466	491
Raw materials and supplies	270	312
Other	85	99
Allowance for doubtful accounts	(2)	(2)
Total current assets	5,838	5,621
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,862	6,893
Accumulated depreciation	(5,240)	(5,320)
Buildings and structures, net	1,621	1,573
Machinery, equipment and vehicles	4,515	4,542
Accumulated depreciation	(4,110)	(4,165)
Machinery, equipment and vehicles, net	404	377
Tools, furniture and fixtures	1,182	1,187
Accumulated depreciation	(1,109)	(1,122)
Tools, furniture and fixtures, net	72	64
Land	1,121	1,121
Lease assets	125	125
Accumulated depreciation	(12)	(25)
Lease assets, net	112	99
Construction in progress	25	25
Total property, plant and equipment	3,358	3,261
Intangible assets	57	49
Investments and other assets		
Investment securities	110	107
Other	99	96
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	207	202
Total noncurrent assets	3,623	3,513
Total assets	9,462	9,134
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,498	2,551
Short-term loans payable	2,350	2,350
Current portion of long-term loans payable	114	64
Lease obligations	26	25
Income taxes payable	51	39
Provision for bonuses	170	128
Provision for product warranties	130	122
Other	1,219	1,033
Total current liabilities	6,561	6,315
Noncurrent liabilities		
Long-term loans payable	76	56
Lease obligations	86	73
Deferred tax liabilities	5	4
Provision for directors' retirement benefits	44	41
Net defined benefit liability	1,282	1,255
Other	126	125
Total noncurrent liabilities	1,622	1,558
Total liabilities	8,183	7,873
Net assets		
Shareholders' equity		
Capital stock	3,470	3,470
Capital surplus	1,584	1,584
Retained earnings	(3,312)	(3,338)
Treasury stock	(338)	(338)
Total shareholders' equity	1,404	1,378
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(105)	(105)
Remeasurements of defined benefit plans	(20)	(11)
Total accumulated other comprehensive income	(125)	(117)
Total net assets	1,278	1,261
Total liabilities and net assets	9,462	9,134

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

Consolidated quarterly statements of income

(Millions of yen)

FY03/2020

FY03/2019

(Apr. 1, 2019-Sep 30, 2019)

(Apr. 1, 2018-Sep 30, 2018)

Net sales	6,722	6,402
Cost of sales	4,801	4,553
Gross profit	1,920	1,849
Selling, general and administrative expenses	1,957	1,891
Operating loss	(37)	(41)
Non-operating income		
Interest income	0	0
Gain on sales of wastes	11	18
Foreign exchange gains	27	—
Other	22	16
Total non-operating income	62	35
Non-operating expenses		
Interest expenses	12	10
Sales discounts	6	5
Share of loss of entities accounted for using equity method	—	1
Other	4	8
Total non-operating expenses	23	26
Ordinary income (loss)	1	(32)
Extraordinary Income		
Gain on sales of noncurrent assets	—	3
Gain on sales of investment securities	—	14
Total extraordinary Income	—	17
Loss before income taxes	1	(15)
Income taxes-current	17	10
Income taxes-deferred	(0)	(0)
Total income taxes	17	10
Profit (loss)	(16)	(25)
Profit (loss) attributable to owners of parent	(16)	(25)

Consolidated quarterly statements of comprehensive income

(Millions of yen)

FY03/2020

FY03/2019

(Apr. 1, 2019-Sep 30, 2019)

(Apr. 1, 2018-Sep 30, 2018)

Profit (loss)	(16)	(25)
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(0)
Foreign currency translation adjustment	(1)	0
Remeasurements of defined benefit plans, net of tax	9	9
Share of other comprehensive income of entities accounted for using equity method	—	(0)
Other comprehensive income	8	8
Comprehensive income	(7)	(17)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(7)	(17)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

	(Millions of yen) FY03/2019 (Apr.1, 2018-Sep.30,2018)	(Millions of yen) FY03/2020 (Apr.1, 2019-Sep.30,2019)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	1	(15)
Depreciation and amortization	185	171
Increase (decrease) in allowance for doubtful accounts	(0)	0
Increase (decrease) in provision for bonuses	7	(42)
Increase (decrease) in provision for product warranties	—	(8)
Increase (decrease) in net defined benefit liability	38	(17)
Interest and dividends income	(0)	(0)
Interest expenses	12	10
Foreign exchange losses (gains)	(12)	4
Share of profit of entities accounted for using equity method	—	1
Loss (gain) on sales of property, plant and equipment	—	(3)
Loss (gain) on sales of investment securities	—	(14)
Decrease (increase) in notes and accounts receivable-trade	390	60
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	—	(0)
Decrease (increase) in inventories	(20)	(331)
Increase (decrease) in notes and accounts payable-trade	(304)	52
Other, net	87	(146)
Subtotal	384	(280)
Interest and dividends income received	0	0
Interest expenses paid	(12)	(10)
Income taxes paid	(46)	(23)
Net cash provided by (used in) operating activities	327	(313)
Net cash provided by (used in) investment activities		
Payments into time deposits	(1)	(0)
Proceeds from withdrawal of time deposits	1	—
Purchase of property, plant and equipment	(219)	(124)
Proceeds from sales of property, plant and equipment	—	6
Proceeds from sales of investment securities	—	16
Other, net	(2)	(0)
Net cash provided by (used in) investment activities	(221)	(101)
Net cash provided by (used in) financing activities		
Repayment of long-term loans payable	(89)	(69)
Repayments of lease obligations	(9)	(13)
Purchase of treasury stock	(0)	(0)
Net cash provided by (used in) financing activities	(99)	(83)
Effect of exchange rate change on cash and cash equivalents	1	(0)
Net increase (decrease) in cash and cash equivalents	7	(499)
Cash and cash equivalents at beginning of period	1,042	1,349
Cash and cash equivalents at end of period	1,049	850

Six Months ended September 30, 2018 (April 1, 2018 – September 30, 2018)

(Millions of yen, rounded down)

	Housing & Environmental Equipment	Functional Ceramics Product	Tabletop	Other (Note 1)	Segment total	Adjustment (Note 2)	Amounts on the consolidated financial statements (Note 3)
Net sales							
Sales to Outside Customers	4,110	1,436	1,153	22	6,722	-	6,722
Intersegment sales or Transfers	-	-	-	7	7	(7)	-
Total	4,110	1,436	1,153	29	6,729	(7)	6,722
Segment profit (loss) (Operating income (loss))	113	220	(79)	(2)	252	(289)	(37)

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

Note: 3. Segment profits and losses are adjusted with Operating loss on the consolidated quarterly statements of income.

Six Months ended September 30, 2019 (April 1, 2019 – September 30, 2019)

(Millions of yen, rounded down)

	Housing & Environmental Equipment	Functional Ceramics Product	Tabletop	Other (Note 1)	Segment total	Adjustment (Note 2)	Amounts on the consolidated financial statements (Note 3)
Net sales							
Sales to Outside Customers	4,336	1,195	857	13	6,402	-	6,402
Intersegment sales or Transfers	-	-	-	4	4	(4)	-
Total	4,336	1,195	857	17	6,407	(4)	6,402
Segment profit (loss) (Operating income (loss))	227	100	(81)	(0)	247	(288)	(41)

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

This is to inform that our foreign-based consolidated subsidiary company, NIKKO CERAMICS, INC., quitted the warehousing business on July 1, 2019.

Note: 2. Segment income adjustment of 288 million yen consists of expenses related to departments that do not belong to the reportable segments.

Note: 3. Segment profits and losses are adjusted with Operating loss on the consolidated quarterly statements of income.