

Consolidated Financial Results for the Fiscal Year Ended March 31, 2020
<under Japanese GAAP>

May 12, 2020

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, Managing Officer (Phone: +81-76-276-2121)
 Scheduled date of general meeting of shareholders : June 25, 2020
 Scheduled date to submit Securities Report : June 26, 2020
 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, 2020 (April 1, 2019 - March 31, 2020)

(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, 2020	13,422	(2.3)	90	(30.9)	141	(21.3)	121	(9.3)
FY ended Mar. 31, 2019	13,741	(1.6)	131	(41.1)	180	(16.8)	134	(16.2)

Note: Comprehensive income (Millions of yen) : Mar. 31, 2020 : 135 (△22.3%) Mar. 31, 2019 : 174 (24.6%)

	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, 2020	5.22	-	9.0	1.5	0.7
FY ended Mar. 31, 2019	5.76	-	11.5	1.9	1.0

Reference: Equity in earnings of affiliates (Millions of yen) : Mar. 31, 2020 : (△ 0) Mar. 31, 2019 : - 1

(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, 2020	9,254	1,413	15.3	60.66
As of Mar. 31, 2019	9,462	1,278	13.5	54.86

Reference: Shareholders' equity (Millions of yen) : Mar. 31, 2020: 1,413 Mar. 31, 2019: 1,278

(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, 2020	123	(232)	(193)	1,047
FY ended Mar. 31, 2019	822	(286)	(228)	1,349

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, 2019	-	0.00	-	0.00	0.00	-	-	-
Year ended Mar. 31, 2020	-	0.00	-	0.00	0.00	-	-	-
Year ending Mar. 31, 2021 (forecast)	-	0.00	-	0.00	0.00		-	

3. Projected Consolidated Results for FY2021 (April 1, 2020 to March 31, 2021)

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 Seeking Public Interest Capitalism 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 : None
- 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, 2020 : 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

Mar. 31, 2020 : 864,510 shares	Mar. 31, 2019 : 864,232 shares
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- 3) Average number of shares over period

Mar. 31, 2020 : 23,307,609 shares	Mar. 31, 2019 : 23,307,850 shares
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(Reference) Non-consolidated financial results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 - March 31, 2020)

(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, 2020	13,308	(2.1)	93	(21.3)	147	(13.5)	121	(6.6)
FY ended Mar. 31, 2019	13,587	(1.5)	119	(37.5)	170	(10.3)	129	(20.9)

	Net income per share	Diluted net income per share
	Yen	Yen
FY ended Mar. 31, 2020	5.21	-
FY ended Mar. 31, 2019	5.57	-

(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, 2020	10,764	1,247	11.6	53.51
As of Mar. 31, 2019	10,971	1,126	10.3	48.34

Reference: Shareholders’ equity (Millions of yen) : Mar.31, 2020: 1,247 Mar.31, 2019: 1,126

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

Consolidated Financial Statements

(1) Consolidated Balance Sheet

	(Millions of yen)	
	FY03/2019	FY03/2020
	(As of Mar.31,2019)	(As of Mar.31,2020)
Assets		
Current assets		
Cash and deposits	1,406	1,103
Notes and accounts receivable-trade	1,839	1,937
Merchandise and finished goods	1,145	1,323
Work in process	627	561
Costs on uncompleted construction contracts	466	440
Raw materials and supplies	270	311
Other	85	46
Allowance for doubtful accounts	(2)	(4)
Total current assets	5,838	5,719
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,862	6,900
Accumulated depreciation	(5,240)	(5,393)
Buildings and structures, net	1,621	1,507
Machinery, equipment and vehicles	4,515	4,335
Accumulated depreciation	(4,110)	(3,994)
Machinery, equipment and vehicles, net	404	341
Tools, furniture and fixtures	1,182	1,145
Accumulated depreciation	(1,109)	(1,082)
Tools, furniture and fixtures, net	72	62
Land	1,121	1,121
Lease assets	125	146
Accumulated depreciation	(12)	(36)
Lease assets, net	112	109
Construction in progress	25	164
Total property, plant and equipment	3,358	3,306
Intangible assets	57	41
Investments and other assets		
Investment securities	110	92
Other	99	95
Allowance for doubtful accounts	(1)	(2)
Total investments and other assets	207	186
Total noncurrent assets	3,623	3,534
Total assets	9,462	9,254
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,498	2,506
Short-term loans payable	2,350	2,300
Current portion of long-term loans payable	114	36
Lease obligations	26	31
Income taxes payable	51	42
Provision for bonuses	170	167
Provision for product warranties	130	90
Other	1,219	1,108
Total current liabilities	6,561	6,283
Noncurrent liabilities		
Long-term loans payable	76	40
Lease obligations	86	78
Deferred tax liabilities	5	4
Provision for directors' retirement benefits	44	46
Net defined benefit liability	1,282	1,262
Other	126	125
Total noncurrent liabilities	1,622	1,556
Total liabilities	8,183	7,840
Net assets		
Shareholders' equity		
Capital stock	3,470	3,470
Capital surplus	1,584	1,584
Retained earnings	(3,312)	(3,190)
Treasury stock	(338)	(338)
Total shareholders' equity	1,404	1,525
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	(0)
Foreign currency translation adjustment	(105)	(104)
Remeasurements of defined benefit plans	(20)	(6)
Total accumulated other comprehensive income	(125)	(111)
Total net assets	1,278	1,413
Total liabilities and net assets	9,462	9,254

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

Consolidated statements of income

	(Millions of yen)	
	FY03/2019	FY03/2020
	(Apr. 1, 2018-Mar.31,2019)	(Apr. 1, 2019-Mar.31,2020)
Net sales	13,741	13,422
Cost of sales	9,738	9,570
Gross profit	4,003	3,852
Selling, general and administrative expenses	3,871	3,761
Operating income	131	90
Non-operating income		
Interest income	0	0
Share of profit of entities accounted for using equity method	1	—
Commission fee	9	10
Gain on sales of wastes	20	31
Foreign exchange gains	23	—
Income from contribution to facilities	—	27
Other	39	24
Total non-operating income	95	93
Non-operating expenses		
Interest expenses	23	20
Loss on sales of notes payable	5	4
Sales discounts	12	10
Share of loss of entities accounted for using equity method	—	0
Other	4	5
Total non-operating expenses	46	42
Ordinary income	180	141
Extraordinary Income		
Gain on sales of noncurrent assets	2	3
Gain on sales of investment securities	—	17
Gain on sales of shares of subsidiaries and associates	3	—
Total extraordinary Income	5	21
Extraordinary loss		
Loss on retirement of noncurrent assets	1	0
Total extraordinary losses	1	0
Income before income taxes and minority interests	184	162
Income taxes-current	50	41
Income taxes-deferred	(0)	(0)
Total income taxes	50	40
Profit	134	121
Profit attributable to owners of parent	134	121

Consolidated statements of comprehensive income

	(Millions of yen)	
	FY03/2019	FY03/2020
	(Apr. 1, 2018-Mar.31,2019)	(Apr. 1, 2019-Mar.31,2020)
Profit	134	121
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	33	14
Share of other comprehensive income of entities accounted for using equity method	7	0
Other comprehensive income	39	13
Comprehensive income	174	135
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	174	135
Comprehensive income attributable to non-controlling interests	—	—

(3)Consolidated Statements of changes in equity

FY03/2019 (Apr.1, 2018-Mar. 31, 2019)

(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	(3,492)	(338)	1,224
Changes of items during the period					
Profit attributable to owners of parent			134		134
Change of scope of equity method			45		45
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	179	(0)	179
Balance at the end of current period	3,470	1,584	(3,312)	(338)	1,404

	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	(111)	(54)	(165)	1,059
Changes of items during the period					
Profit attributable to owners of parent					134
Change of scope of equity method					45
Purchase of treasury stock					(0)
Net changes of items other than shareholders' equity	(0)	6	33	39	39
Total changes of items during the period	(0)	6	33	39	219
Balance at the end of current period	0	(105)	(20)	(125)	1,278

FY03/2020 (Apr.1, 2019-Mar. 31, 2020)

(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	(3,312)	(338)	1,404
Changes of items during the period					
Profit attributable to owners of parent			121		121
Change of scope of equity method			-		-
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	121	(0)	121
Balance at the end of current period	3,470	1,584	(3,190)	(338)	1,525

	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	(105)	(20)	(125)	1,278
Changes of items during the period					
Profit attributable to owners of parent					121
Change of scope of equity method					-
Purchase of treasury stock					(0)
Net changes of items other than shareholders' equity	(0)	0	14	13	13
Total changes of items during the period	(0)	0	14	13	135
Balance at the end of current period	(0)	(104)	(6)	(111)	1,413

(4) Consolidated Statements of Cash Flows

	(Millions of yen) FY03/2019 (Apr.1, 2018-Mar.31,2019)	(Millions of yen) FY03/2020 (Apr.1, 2019-Mar.31,2020)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	184	162
Depreciation and amortization	382	351
Increase (decrease) in allowance for doubtful accounts	(3)	2
Increase (decrease) in provision for bonuses	49	(3)
Increase (decrease) in net defined benefit liability	34	(6)
Increase (decrease) in provision for product warranties	(40)	(40)
Interest and dividends income	(0)	(2)
Interest expenses	23	20
Foreign exchange losses (gains)	(8)	3
Share of profit of entities accounted for using equity method	(1)	0
Loss (gain) on sales of investment securities	—	(17)
Loss (gain) on sales of shares of subsidiaries and associates	(3)	—
Loss (gain) on sales of non-current assets	(2)	(3)
Loss on retirement of noncurrent assets	1	0
Decrease (increase) in notes and accounts receivable-trade	358	(100)
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	0	(0)
Decrease (increase) in inventories	42	(127)
Increase (decrease) in notes and accounts payable-trade	(181)	8
Other, net	84	(82)
Subtotal	919	164
Interest and dividends income received	0	2
Interest expenses paid	(23)	(20)
Income taxes paid	(74)	(49)
Income from contribution to facilities	—	27
Net cash provided by (used in) operating activities	822	123
Net cash provided by (used in) investment activities		
Payments into time deposits	(1)	(0)
Proceeds from withdrawal of time deposits	1	0
Proceeds from sales of shares of subsidiaries and associates	3	—
Purchase of property, plant and equipment	(284)	(275)
Proceeds from sales of property, plant and equipment	—	7
Proceeds from sales of investment securities	—	35
Other, net	(4)	(0)
Net cash provided by (used in) investment activities	(286)	(232)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(50)	(50)
Repayment of long-term loans payable	(159)	(114)
Repayments of lease obligations	(18)	(28)
Purchase of treasury stock	(0)	(0)
Net cash provided by (used in) financing activities	(228)	(193)
Effect of exchange rate change on cash and cash equivalents	0	(0)
Net increase (decrease) in cash and cash equivalents	307	(302)
Cash and cash equivalents at beginning of period	1,042	1,349
Cash and cash equivalents at end of period	1,349	1,047

[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

FY03/2019(Apr. 1, 2018 - Mar. 31, 2019)

(Millions of yen, rounded down)

	Housing & Environmental Equipment	Functional Ceramics Product	Tabletop	Other (Note 1)	Segment total	Adjustment (Note2)	Amounts on the consolidated financial statements (Note3)
Net sales							
Sales to Outside Customers	8,754	2,654	2,283	49	13,741	-	13,741
Intersegment sales or Transfers	-	-	-	15	15	(15)	-
Total	8,754	2,654	2,283	65	13,757	(15)	13,741
Segment profit (loss) (Operating income (loss))	492	364	(133)	(4)	719	(588)	131
Segment assets	2,832	1,876	2,557	9	7,276	2,185	9,462
Other Items							
Depreciation and Amortization	91	143	101	0	336	46	382
Investment to affiliates accounted for by the equity method	-	-	61	-	61	-	61
Increase in Property, plant and equipment and Intangible assets	52	178	53	-	284	102	387

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.

- (1) Segment income adjustment of (588) million yen consists of expenses related to departments that do not belong to the reportable segments.
- (2) Segment assets adjustment of 2,185 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 46 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 102 million yen consists of capital investments associated with departments that do not belong to the reportable segments.

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

FY03/2020(Apr. 1, 2019 - Mar. 31, 2020)

(Millions of yen, rounded down)

	Housing & Environmental Equipment	Functional Ceramics Product	Tabletop	Other (Note 1)	Segment total	Adjustment (Note2)	Amounts on the consolidated financial statements (Note3)
Net sales							
Sales to Outside Customers	9,361	2,286	1,760	13	13,422	-	13,422
Intersegment sales or Transfers	-	-	-	4	4	(4)	-
Total	9,361	2,286	1,760	17	13,427	(4)	13,422
Segment profit (loss) (Operating income)	692	145	(156)	(0)	681	(590)	90
Segment assets	3,217	1,722	2,489	-	7,429	1,824	9,254
Other Items							
Depreciation and Amortization	82	139	85	0	308	43	351
Investment to affiliates accounted for by the equity method	-	-	60	-	60	-	60
Increase in Property, plant and equipment and Intangible assets	162	59	24	-	246	25	271

Notes: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.

Notes:2. Below is a description of adjustments.

- (1) Segment income adjustment of (590) million yen consists of expenses related to departments that do not belong to the reportable segments.
- (2) Segment assets adjustment of 1,824 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 43 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 25 million yen consists of capital investments associated with departments that do not belong to the reportable segments.

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