

Financial Results for the Fiscal Year Ended October 31, 2009

December 11, 2009

Company name : NIKKO COMPANY

ID number : 5343 Stock listing : Nagoya Stock Exchange Second Section

URL : <http://www.nikko-company.co.jp/>

Representative : Makoto Yoshida, Chief Executive Officer

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Scheduled date of general meeting of shareholders: January 28, 2010

Scheduled date to submit Securities Report : January 29, 2010

Scheduled date to begin dividend payments : -

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended October 31, 2009 (November 1, 2008 - October 31, 2009)

(1) 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	%
Fiscal year ended Oct. 31, 2009	17,063	(19.8)	(2,322)	-	(2,223)	-	(2,303)	-
Fiscal year ended Oct. 31, 2008	21,267	(4.9)	(1,046)	-	(1,031)	-	(2,628)	-

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Oct. 31, 2009	(122.84)	-	(35.9)	(13.9)	(13.6)
Fiscal year ended Oct. 31, 2008	(139.46)	-	(29.5)	(5.4)	(4.9)

Reference: Equity in earnings of affiliates (Millions of yen): Oct. 31, 2009: - Oct. 31, 2008: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Oct. 31, 2009	13,828	5,258	38.0	280.59
As of Oct. 31, 2008	18,046	7,586	42.0	403.55

Reference: Shareholders' equity (Millions of yen): Oct.31, 2009: 5,258 Oct. 31, 2008: 7,586

(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
Fiscal year ended Oct. 31, 2009	(783)	(785)	(726)	1,402
Fiscal year ended Oct. 31, 2008	41	(616)	234	3,714

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 Oct. 31, 2008	-	1.00	-	0.00	1.00	18	-	0.2
Year ended Oct. 31, 2009	-	0.00	-	0.00	0.00	-	-	-
Year ending Oct. 31, 2010 (forecast)	-	0.00	-	0.00	0.00		-	

3. Consolidated Forecast for the Fiscal Year Ending October 31, 2010 (November 1, 2009 - October 31, 2010)

(Percentage figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	9,400	4.4	(400)	-	(400)	-	(420)	-	(22.41)
Full year	19,600	14.9	(330)	-	(300)	-	(350)	-	(18.68)

4. Others

(1) Changes in consolidated subsidiaries during the period (Changes in scope of consolidation): None

(2) Changes in accounting principles, procedures and presentation methods for preparation of consolidated financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: Yes

Note: Please refer to "Changes in Basis of Preparation of Consolidated Financial Statements" for further information.

(3) Number of shares outstanding (common shares)

1) Number of shares outstanding (including treasury stock) at the end of the period

Oct. 31, 2009: 19,572,000 shares Oct. 31, 2008: 19,572,000 shares

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

Oct. 31, 2009: 831,026 shares Oct. 31, 2008: 773,364 shares

(Reference) Non-consolidated financial results

Non-consolidated Financial Results for the Fiscal Year Ended October 31, 2009 (November 1, 2008 - October 31, 2009)

(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	%
Fiscal year ended Oct. 31, 2009	14,867	(20.8)	(2,247)	-	(2,127)	-	(2,354)	-
Fiscal year ended Oct. 31, 2008	18,773	(5.2)	(922)	-	(892)	-	(2,642)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Oct. 31, 2009	(125.53)	-
Fiscal year ended Oct. 31, 2008	(140.22)	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Oct. 31, 2009	14,248	5,802	40.7	309.59
As of Oct. 31, 2008	16,076	8,162	50.8	434.23

Reference: Shareholders' equity (Millions of yen): Oct.31, 2009: 5,802 Oct. 31, 2008: 8,162

*Appropriate use of business forecasts, other special items

The above business outlook is based on information available as of the published date of this release and actual results may differ from the forecast subject to various factors that may arise in the future.

1. Consolidated Financial Statements
(1) Consolidated Balance Sheets

	FY10/2008 (As of Oct.31,2008)	(Millions of yen) FY10/2009 (As of Oct. 31,2009)
Assets		
Current assets		
Cash and deposits	3,991	1,580
Notes and accounts receivable-trade	4,049	2,936
Inventories	4,046	—
Merchandise and finished goods	—	2,195
Work in process	—	850
Costs on uncompleted construction contracts	—	231
Raw materials and supplies	—	340
Deferred tax assets	5	4
Other	335	155
Allowance for doubtful accounts	(102)	(198)
Total current assets	12,325	8,096
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,571	6,633
Accumulated depreciation	(3,999)	(4,165)
Buildings and structures, net	2,572	2,468
Machinery, equipment and vehicles	6,336	5,874
Accumulated depreciation	(5,642)	(5,321)
Machinery, equipment and vehicles, net	694	552
Tools, furniture and fixtures	1,124	1,362
Accumulated depreciation	(974)	(1,227)
Tools, furniture and fixtures, net	149	134
Land	1,316	1,261
Lease assets	—	342
Accumulated depreciation	—	(49)
Lease assets, net	—	293
Construction in progress	38	1
Total property, plant and equipment	4,772	4,711
Intangible assets		
Lease assets	—	162
Other	90	87
Total intangible assets	90	249
Investments and other assets		
Investment securities	769	776
Claims provable in bankruptcy, claims provable in rehabilitation and other	—	296
Other	268	153
Allowance for doubtful accounts	(79)	(298)
Allowance for loss on valuation of investments of subsidiaries and affiliates	(99)	(157)
Total investments and other assets	858	770
Total noncurrent assets	5,721	5,731
Total assets	18,046	13,828

	FY10/2008 (As of Oct.31,2008)	(Millions of yen) FY10/2009 (As of Oct. 31,2009)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,315	3,116
Short-term loans payable	2,534	422
Current portion of long-term loans payable	—	100
Lease obligations	—	101
Income taxes payable	55	42
Provision for bonuses	431	306
Provision for product warranties	94	105
Other	1,789	1,232
Total current liabilities	9,220	5,427
Noncurrent liabilities		
Long-term loans payable	—	1,350
Lease obligations	—	362
Provision for retirement benefits	1,035	1,196
Provision for directors' retirement benefits	76	88
Other	127	144
Total noncurrent liabilities	1,239	3,141
Total liabilities	10,460	8,569
Net assets		
Shareholders' equity		
Capital stock	3,200	3,200
Capital surplus	3,620	3,620
Retained earnings	1,296	(1,007)
Treasury stock	(319)	(333)
Total shareholders' equity	7,796	5,479
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(116)	(109)
Foreign currency translation adjustment	(94)	(111)
Total valuation and translation adjustments	(210)	(220)
Total net assets	7,586	5,258
Total liabilities and net assets	18,046	13,828

(2) Consolidated statements of income

	(Millions of yen)	
	FY10/2008	FY10/2009
	(Nov.1,2007-Oct. 31,2008)	(Nov.1,2008-Oct. 31,2009)
Net sales	21,267	17,063
Cost of sales	16,035	13,589
Gross profit	<u>5,232</u>	<u>3,473</u>
Selling, general and administrative expenses	<u>6,279</u>	<u>5,796</u>
Operating income (loss)	<u>(1,046)</u>	<u>(2,322)</u>
Non-operating income		
Interest income	4	3
Gain on sales of wastes	27	—
Priority use fee of products	50	100
Rent income	20	—
Other	80	113
Total non-operating income	<u>182</u>	<u>217</u>
Non-operating expenses		
Interest expenses	16	36
Foreign exchange loss	115	—
Loss on valuation of derivatives	—	19
Sales discounts	18	11
Commission fee	—	18
Other	18	30
Total non-operating expenses	<u>167</u>	<u>117</u>
Ordinary income (loss)	<u>(1,031)</u>	<u>(2,223)</u>
Extraordinary Income		
Gain on sales of noncurrent assets	—	50
Reversal of provision for loss on business of subsidiaries and affiliates	4	—
Total extraordinary Income	<u>4</u>	<u>50</u>
Extraordinary loss		
Loss on sales of noncurrent assets	—	9
Loss on retirement of noncurrent assets	36	20
Loss on valuation of investment securities	287	—
Loss on valuation of stocks of subsidiaries and affiliates	—	1
Provision of allowance for loss on valuation of investments of subsidiaries and affiliates	19	58
Loss on disposal of inventories	354	—
Total extraordinary losses	<u>698</u>	<u>89</u>
Income (loss) before income taxes and minority interests	<u>(1,725)</u>	<u>(2,262)</u>
Income taxes-current	49	41
Income taxes-deferred	853	0
Total income taxes	<u>902</u>	<u>41</u>
Net income (loss)	<u>(2,628)</u>	<u>(2,303)</u>

(3) Consolidated Statements of changes in equity

(Millions of yen)

	FY10/2008 (Nov.1,2007-Oct. 31,2008)	FY10/2009 (Nov.1,2008-Oct. 31,2009)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	3,200	3,200
Changes of items during the period		
Total changes of items during the period	<u>—</u>	<u>—</u>
Balance at the end of current period	<u>3,200</u>	<u>3,200</u>
Capital surplus		
Balance at the end of previous period	3,620	3,620
Changes of items during the period		
Total changes of items during the period	<u>—</u>	<u>—</u>
Balance at the end of current period	<u>3,620</u>	<u>3,620</u>
Retained earnings		
Balance at the end of previous period	3,981	1,296
Changes of items during the period		
Dividends from surplus	(56)	—
Net income (loss)	(2,628)	(2,303)
Total changes of items during the period	<u>(2,684)</u>	<u>(2,303)</u>
Balance at the end of current period	<u>1,296</u>	<u>(1,007)</u>
Treasury stock		
Balance at the end of previous period	(281)	(319)
Changes of items during the period		
Purchase of treasury stock	(38)	(14)
Total changes of items during the period	<u>(38)</u>	<u>(14)</u>
Balance at the end of current period	<u>(319)</u>	<u>(333)</u>
Total shareholders' equity		
Balance at the end of previous period	10,519	7,796
Changes of items during the period		
Dividends from surplus	(56)	—
Net income (loss)	(2,628)	(2,303)
Purchase of treasury stock	(38)	(14)
Total changes of items during the period	<u>(2,722)</u>	<u>(2,317)</u>
Balance at the end of current period	<u>7,796</u>	<u>5,479</u>

	FY10/2008 (Nov.1,2007-Oct. 31,2008)	(Millions of yen) FY10/2009 (Nov.1,2008-Oct. 31,2009)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	(115)	(116)
Changes of items during the period		
Net changes of items other than shareholders' equity	(0)	7
Total changes of items during the period	<u>(0)</u>	<u>7</u>
Balance at the end of current period	<u>(116)</u>	<u>(109)</u>
Foreign currency translation adjustment		
Balance at the end of previous period	(152)	(94)
Changes of items during the period		
Net changes of items other than shareholders' equity	57	(17)
Total changes of items during the period	<u>57</u>	<u>(17)</u>
Balance at the end of current period	<u>(94)</u>	<u>(111)</u>
Total valuation and translation adjustments		
Balance at the end of previous period	(267)	(210)
Changes of items during the period		
Net changes of items other than shareholders' equity	57	(10)
Total changes of items during the period	<u>57</u>	<u>(10)</u>
Balance at the end of current period	<u>(210)</u>	<u>(220)</u>
Total net assets		
Balance at the end of previous period	10,251	7,586
Changes of items during the period		
Dividends from surplus	(56)	—
Net income (loss)	(2,628)	(2,303)
Purchase of treasury stock	(38)	(14)
Net changes of items other than shareholders' equity	57	(10)
Total changes of items during the period	<u>(2,665)</u>	<u>(2,327)</u>
Balance at the end of current period	<u>7,586</u>	<u>5,258</u>

(4) Consolidated Statements of Cash Flows

(Millions of yen)
FY10/2008
FY10/2009
(Nov.1,2007-Oct. 31,2008) (Nov.1,2008-Oct. 31,2009)

Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(1,725)	(2,262)
Depreciation and amortization	427	782
Increase (decrease) in allowance for doubtful accounts	81	315
Increase (decrease) in provision for bonuses	3	(124)
Increase (decrease) in provision for retirement benefits	152	161
Increase (decrease) in provision for loss on business of subsidiaries and affiliates	(66)	—
Increase (decrease) in provision of allowance for loss on valuation of investments of subsidiaries and affiliates	19	58
Increase (decrease) in provision for product warranties	12	11
Interest and dividends income	(12)	(11)
Interest expenses	16	36
Loss (gain) on sales of property, plant and equipment	—	(41)
Loss on retirement of noncurrent assets	36	20
Loss (gain) on valuation of investment securities	287	1
Loss (gain) on valuation of derivatives	4	19
Decrease (increase) in notes and accounts receivable-trade	477	1,113
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	—	(215)
Decrease (increase) in inventories	304	427
Increase (decrease) in notes and accounts payable-trade	(118)	(1,198)
Other, net	180	200
Subtotal	<u>82</u>	<u>(705)</u>
Interest and dividends income received	12	11
Interest expenses paid	(16)	(36)
Income taxes paid	(37)	(52)
Net cash provided by (used in) operating activities	<u>41</u>	<u>(783)</u>
Net cash provided by (used in) investment activities		
Payments into time deposits	(126)	(78)
Proceeds from withdrawal of time deposits	123	176
Purchase of property, plant and equipment	(619)	(988)
Proceeds from sales of property, plant and equipment	119	106
Purchase of investment securities	(51)	(1)
Purchase of stocks of subsidiaries and affiliates	(30)	—
Other, net	(31)	(0)
Net cash provided by (used in) investment activities	<u>(616)</u>	<u>(785)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	329	(2,111)
Proceeds from long-term loans payable	—	1,450
Repayments of lease obligations	—	(49)
Purchase of treasury stock	(38)	(14)
Cash dividends paid	(56)	(0)
Net cash provided by (used in) financing activities	<u>234</u>	<u>(726)</u>
Effect of exchange rate change on cash and cash equivalents	57	(17)
Net increase (decrease) in cash and cash equivalents	<u>(282)</u>	<u>(2,311)</u>
Cash and cash equivalents at beginning of period	3,996	3,714
Cash and cash equivalents at end of period	<u>3,714</u>	<u>1,402</u>

Going Concern Assumption

No reportable information.

Basis of Presenting Consolidated Financial Statements

1. Scope of Consolidation
 - 1) Number and name of consolidated subsidiaries: 3
Nikko Ceramics, Inc.
Nikko Hanbai Co., Ltd.
Nikko ME Co., Ltd.
 - 2) Number and name of non-consolidated subsidiaries: 2
Nikko (Asia) Co., Ltd.
Nikko Care Co., Ltd.

These 2 companies are excluded from the scope of consolidation, given the fact that they have minimal influence on the total assets, net sales, net income, and retained earnings and is relatively insignificant in the context of the consolidated financial statements.

2. Application of equity method
 - 1) Number and name of companies accounted for under the equity method: none
 - 2) Number and name of companies not accounted for under the equity method and the reason for the exclusion
 - Non-consolidated subsidiaries: 2
Nikko (Asia) Co., Ltd.
Nikko Care Co., Ltd.
 - Affiliates: 3
Oriental Ceramics Sdn. Bhd.
Yamamae Seitousho Co., Ltd.
N&I Asia Pte Ltd.

These 5 companies are not accounted for under the equity method of accounting, given the fact that they have very minor effect on net income and retained earnings and is relatively insignificant in the context of consolidated financial statements.

3. Period end of consolidated subsidiaries
Consolidated subsidiaries, Nikko Ceramics, Inc. , Nikko Hanbai Co., Ltd. , and Nikko ME Co., Ltd have a fiscal year that ends on the same date as the consolidated financial statements.

4. Significant accounting standards
 - 1) Valuation criteria and methods for significant assets

(Securities)

Other securities

Securities with market quotations

Securities with market quotations are carried at fair value on the balance sheet date. (Unrealized holding gain or loss is included in the net assets. The cost of securities sold is determined by the moving-average method)

Securities without market quotations

Securities without market quotations are stated at cost, cost being determined by the moving -average method.

(Derivatives)

Derivatives are carried at fair value.

(Inventories)

At the Company and its domestic consolidated subsidiaries, finished goods, semi-finished products and work in process are stated at cost, cost being determined by the period-average method, merchandise, raw materials and supplies are valued at cost being determined by the moving average (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins), costs on uncompleted construction contracts are stated at cost, cost being determined by the specific identification method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins)

Merchandise of overseas consolidated subsidiary is stated at the lower cost method determined by the first-in first-out method.

- 2) Depreciation and amortization method for principal depreciable assets
 - Tangible fixed assets (excluding lease assets)

At the company, depreciation of buildings is calculated using the straight-line method, other depreciation of tangible fixed assets is computed by the declining-balance method.

At the domestic consolidated subsidiaries, depreciation of tangible fixed assets is computed by the declining-balance method (however, depreciation of buildings (excluding attached structures) acquired on or April 1, 1998, is calculated using the straight-line method.

At the overseas consolidated subsidiary, depreciation of tangible fixed assets is calculated using the straight-line method.

(Additional Information)

Pursuant to the revised taxation system in fiscal 2008, the company and its domestic consolidated subsidiaries calculate depreciation expense of machinery based on the revised useful life beginning with the fiscal year under review. As a result of this change, operating loss and ordinary loss are increased by 35 million yen, loss before income taxes and minority interests are increased by 31 million yen.

Intangible fixed assets (excluding lease assets)

Amortization of intangible fixed assets is computed by the straight-line method. However, software intended for internal use are amortized over an expected useful life of 5 years by the straight-line method.

At the overseas consolidated subsidiary, depreciation of tangible fixed assets is calculated using the straight-line method.

Lease assets (finance leases that do not transfer ownership)

Depreciation of lease assets is calculated using the straight-line method with the respective lease terms as the useful lives. The residual value is zero unless there is a residual value guarantee, in which case the amount of the guarantee is the residual value. For finance lease transactions where there is no transfer of ownership beginning prior to the fiscal year when these standards are first applied, the Company uses an accounting method that is based on the method used for ordinary lease transactions.

3) Accounting for significant allowances

(Allowance for doubtful accounts)

To prepare for credit losses on receivables, an allowance equal to the estimated amount of uncollectible receivables is provided for general receivables based on the historical write-off ratio, and bad receivables based on a case-by-case.

(Allowance for loss on valuation of investments of subsidiaries and affiliates)

To prepare for losses on valuation of investments in subsidiaries and affiliates, the Company provides an allowance in an appropriate amount determined by taking their financial conditions into account.

(Provision for bonuses)

To provide for employees' and director-employees' bonus obligation, the Company and its domestic consolidated subsidiaries provide an allowance in the amount accrued for the respective period based on the estimated bonus obligations.

There is no system of the bonus provision in an overseas consolidated subsidiary.

(Reserve for guarantee for after-care of products)

As warranty expenses for certain products sold by the Company are subsequently realized, a provision for product warranty has been recorded in order to reflect the results of their operations more accurately.

(Provision for retirement benefits)

To provide for employees' retirement benefits, the Company and its domestic consolidated subsidiaries provide an allowance in the amount deemed to have accrued at the end of the current fiscal year based on projected benefit obligations and pension assets at the end of the current fiscal year. Transitional obligations arising from the adoption of new accounting standards for retirement benefits is expensed using the straight-line method, based on 15 years. The actuarial difference is expensed in the following fiscal years using the straight-line method, based on the specified number of years (13 years) within the average length of remaining work period of employees.

(Provision for directors' retirement benefits)

To provide for directors' and officers' retirement benefits, the Company and its domestic consolidated subsidiaries provide an allowance for the aggregate amount payable at the end of the current fiscal year pursuant to the Company's rules on directors' retirement benefits.

4) Other significant accounting policies

(Accounting for consumption taxes)

At the Company and its domestic consolidated subsidiaries, consumption taxes are accounted by the tax-exclusion method.

5. Valuation of assets and liabilities of consolidated subsidiaries

Valuation of all the assets and liabilities of consolidated subsidiaries is based on market price method.

6. Range of funds in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows consist of vault cash, deposits that can be withdrawn on demand, and short-term investments, generally with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of change in value.

Changes in Basis of preparation of Consolidated Financial Statements

Application of “Accounting Standard for Measurement of Inventories”

Previously, Inventories held by the Company and the domestic consolidated subsidiaries for normal sales purpose were valued at cost, determined by the periodic average method for finished goods and goods in process, by the moving average method for raw materials and supplies. Effective from the current fiscal year, however, the Company has applied “Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9, issued July 5, 2006), such inventories are generally valued at cost, determined by the periodic average method (the carrying value on the Balance sheets is written down to reflect the effect of lower profit margins) for finished goods and goods in process, by the moving average method (the carrying value on the Balance sheets is written down to reflect the effect of lower profit margins) for raw materials and supplies. These corrections do not have a material effect on earnings.

Application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”

Effective from the current fiscal year, the Company has applied “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF No. 18, issued May 17, 2006).

The application of this standard does not have a material effect on earnings.

Application of “Accounting Standard for Lease Transactions”

Previously, finance lease that do not deem to transfer ownership of the leased property to the lessee were capitalized on the balance sheets. From the current fiscal year, however, companies are able to apply “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, issued March 30, 2007; revised from standard originally issued by the Corporate Accounting Council on June 17, 1993), and “Guidance on Accounting Standard for Lease Transactions,” (ASBJ Guidance No.16, issued March 30, 2007; revised from standard originally issued by the Japanese Institute of Certified Public Accountants on January 18, 1994). From the current consolidated first quarter, the Company has applied this standard, treating such leases as regular transaction. In addition, lease assets that do not deem to transfer ownership of the leased property to the lessee are depreciated using the straight-line method over the period of the lease, with zero residual value. The application of these standards has a negligible effect on earnings.

For the finance lease transaction in which ownership is not transferred whose lease commencement date is before the first year of application, accounting according to the method concerning ordinary lease transactions has been continually adopted.

(Reclassifications)

Consolidated balance sheets

With the adoption of “Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Preparation Methods of Financial Statements” (Cabinet Office Ordinance No.50, August 7, 2008), “Inventories” is divided into “Merchandise and finished goods,” “Work in process,” “Costs on uncompleted construction contracts,” and “Raw materials and supplies” in the current fiscal year.

The amount of “Merchandise and finished goods,” “Work in process,” “Costs on uncompleted construction contracts,” and “Raw materials and supplies” included in “Inventories” in the previous fiscal year was 2,453 million yen, 971 million yen, 204 million yen, 416 million yen, respectively.

(Segment Information)

1. Industry Segment Information

FY10/2008 (Nov. 1, 2007 -Oct. 31, 2008)

(Millions of yen, rounded down)

	Housing & Environmental Equipment	Tabletop	Electro-Ceramics	Other	Segment total	Elimination or corporate	Consolidated Total
1.Net sales							
(1)Sales to Outside Customers	11,174	6,436	3,633	24	21,267	-	21,267
(2)Intersegment sales or Transfers	-	-	-	-	-	-	-
Total	11,174	6,436	3,633	24	21,267	-	21,267
Operating expenses	11,109	6,420	3,979	49	21,558	755	22,314
Operating income (loss)	64	15	(346)	(25)	(290)	(755)	(1,046)
2.Assets,depreciation, and capital expenditures							
Asset	4,400	5,323	2,780	9	12,514	5,532	18,046
Depreciation	166	131	133	1	432	19	451
Capital expenditures	161	111	270	11	555	522	1,078

FY10/2009 (Nov. 1, 2008 -Oct. 31, 2009)

(Millions of yen, rounded down)

	Housing & Environmental Equipment	Tabletop	Electro-Ceramics	Other	Segment total	Elimination or corporate	Consolidated Total
1.Net sales							
(1)Sales to Outside Customers	9,756	5,007	2,268	30	17,063	-	17,063
(2)Intersegment sales or Transfers	-	-	-	-	-	-	-
Total	9,756	5,007	2,268	30	17,063	-	17,063
Operating expenses	10,103	5,615	2,971	88	18,778	606	19,385
Operating income (loss)	(347)	(607)	(703)	(57)	(1,715)	(606)	(2,322)
2.Assets,depreciation, and capital expenditures							
Asset	4,022	4,552	2,159	8	10,743	3,084	13,828
Depreciation	421	146	164	2	735	43	778
Capital expenditures	319	54	92	-	466	37	503

Notes: 1. Major products in each industry segment:

Industry segments are classified based on the similarities of products, markets and so on.

Industry Segment	Major Products
Housing & Environmental Equipment	FRP bath-tubs, Bathroom units, Septic tanks, Water treatment facilities, Tiles, Wind turbine system
Tabletop	Fine bone china, Fine vitrified china, Fine porcelain, Oven ware
Electro-Ceramics	Alumina substrates, Hybrid IC, LTCC substrates, Dielectric ceramics

2. Unallocated operating expenses included in eliminations or corporate consists primarily of expenses related to the administration division at the Company and expenses for research. Amounts are as follows:

(Millions of yen, rounded down)

FY10/2008	FY10/2009
755	606

3. Corporate assets included in eliminations or corporate consist primarily of financial assets (cash and deposits and investment securities, etc.), and assets related to the administration division and the research division at the Company. Amounts are as follows:

(Millions of yen, rounded down)

FY10/2008	FY10/2009
5,532	3,084

4. As noted in "Additional Information", pursuant to the revised taxation system in fiscal 2008, the company and its domestic consolidated subsidiaries calculate depreciation expense of machinery based on the revised useful life beginning with the fiscal year under review. As a result of this change, as for Housing & Environmental Equipment segment, Tabletop segment and Electro-Ceramics segment, operating loss increased by 2 million yen, 14 million yen and 17 million yen.

2. Information by Geographic Segment

Geographical segment information is not presented since domestic sales exceeded 90% of total segment sales.

3. Overseas Sales

FY10/2008 (Nov. 1, 2007 - Oct. 31, 2008)

(Millions of yen, rounded down)

	North America	Asia	Other	Consolidated total
Overseas sales	1,321	1,096	156	2,574
Consolidated net sales				21,267
Percentage of overseas sales against consolidated net sales	6.2%	5.2%	0.7%	12.1%

FY10/2009 (Nov. 1, 2008 - Oct. 31, 2009)

(Millions of yen, rounded down)

	North America	Asia	Other	Consolidated total
Overseas sales	870	699	46	1,616
Consolidated net sales				17,063
Percentage of overseas sales against consolidated net sales	5.1%	4.1%	0.3%	9.5%

Notes :

- The countries or areas are classified based on the geographical proximity.
- Major countries and areas which belong to each classification:
North America : U.S.A., Canada
Asia: Korea, China, Other Asian Countries
- Overseas sales include the export sales of the company and domestic subsidiaries and the domestic sales of the subsidiaries abroad.

(Sales by Segment)

(Millions of yen, rounded down)

Industry Segment	FY10/2008 (Nov. 1, 2007 - Oct. 31, 2008)		FY10/2009 (Nov. 1, 2008 - Oct. 31, 2009)	
	Net Sales	Percent of Net Sales	Net Sales	Percent of Net Sales
Housing & Environmental Equipment	11,174	52.5%	9,756	57.2%
Tabletop	6,436	30.3	5,007	29.3
Electro- Ceramics	3,633	17.1	2,268	13.3
Other	24	0.1	30	0.2
Total	21,267	100.0	17,063	100.0

Notes:

- Amounts are converted to sales prices.
- Amounts do not include consumption taxes.
- The following table indicates the Company's Overseas sales share by industry segment and percentage figures represent Overseas sales ratio.

(Millions of yen, rounded down)

Industry Segment	FY10/2008 (Nov. 1, 2007 - Oct. 31, 2008)		FY10/2009 (Nov. 1, 2008 - Oct. 31, 2009)	
	Overseas Sales	Overseas Sales Ratio	Overseas Sales	Overseas Sales Ratio
Tabletop	2,112	32.8%	1,197	23.9%
Electro- Ceramics	461	12.7	419	18.5
Total	2,574	12.1	1,616	9.5

Non-Consolidated Financial Statements
(1)Balance Sheets

	FY10/2008 (As of Oct.31,2008)	(Millions of yen) FY10/2009 (As of Oct. 31,2009)
Assets		
Current assets		
Cash and deposits	3,756	1,445
Notes receivable-trade	310	157
Accounts receivable-trade	3,072	2,309
Merchandise	249	—
Finished goods	1,121	—
Semi-finished goods	224	—
Merchandise and finished goods	—	1,354
Work in process	971	850
Costs on uncompleted construction contracts	204	231
Raw materials	360	—
Supplies	55	—
Raw materials and supplies	—	340
Prepaid expenses	27	34
Advances paid	171	33
Other	141	103
Allowance for doubtful accounts	(88)	(208)
Total current assets	<u>10,579</u>	<u>6,651</u>
Noncurrent assets		
Property, plant and equipment		
Buildings	5,868	5,910
Accumulated depreciation	(3,437)	(3,584)
Buildings, net	<u>2,430</u>	<u>2,325</u>
Structures	295	310
Accumulated depreciation	(221)	(243)
Structures, net	<u>73</u>	<u>76</u>
Machinery and equipment	6,092	5,629
Accumulated depreciation	(5,422)	(5,096)
Machinery and equipment, net	<u>669</u>	<u>533</u>
Vehicles	220	220
Accumulated depreciation	(208)	(211)
Vehicles, net	<u>12</u>	<u>8</u>
Tools, furniture and fixtures	1,022	1,258
Accumulated depreciation	(898)	(1,152)
Tools, furniture and fixtures, net	<u>124</u>	<u>106</u>
Land	924	868
Lease assets	—	333
Accumulated depreciation	—	(40)
Lease assets, net	<u>—</u>	<u>292</u>
Construction in progress	38	1
Total property, plant and equipment	<u>4,272</u>	<u>4,213</u>

	FY10/2008 (As of Oct.31,2008)	(Millions of yen) FY10/2009 (As of Oct. 31,2009)
Intangible assets		
Software	51	51
Lease assets	—	162
Telephone subscription right	13	13
Total intangible assets	<u>65</u>	<u>227</u>
Investments and other assets		
Investment securities	547	556
Stocks of subsidiaries and affiliates	512	511
Investments in capital	2	2
Long-term loans receivable from subsidiaries and affiliates	45	2,126
Lease and guarantee deposits	115	110
Claims provable in bankruptcy, claims provable in rehabilitation and other	7	250
Long-term prepaid expenses	8	5
Derivatives	23	—
Other	3	3
Allowance for doubtful accounts	(7)	(254)
Allowance for loss on valuation of investments of subsidiaries and affiliates	(99)	(157)
Total investments and other assets	<u>1,159</u>	<u>3,155</u>
Total noncurrent assets	<u>5,497</u>	<u>7,597</u>
Total assets	<u>16,076</u>	<u>14,248</u>
Liabilities		
Current liabilities		
Notes payable-trade	920	484
Accounts payable-trade	3,062	2,387
Current portion of long-term loans payable	—	100
Lease obligations	—	101
Accounts payable-other	619	491
Accrued expenses	168	142
Income taxes payable	38	37
Advances received on uncompleted construction contracts	123	103
Deposits received	265	402
Provision for bonuses	400	280
Provision for product warranties	94	105
Notes payable-facilities	540	44
Other	13	47
Total current liabilities	<u>6,247</u>	<u>4,726</u>

	FY10/2008 (As of Oct.31,2008)	(Millions of yen) FY10/2009 (As of Oct. 31,2009)
Noncurrent liabilities		
Provision for retirement benefits	988	1,149
Provision for directors' retirement benefits	68	76
Long-term loans payable	—	1,350
Provision for loss on business of subsidiaries and affiliates	483	639
Lease obligations	—	362
Long-term guarantee deposited	86	84
Deferred tax liabilities	6	6
Other	31	51
Total noncurrent liabilities	<u>1,665</u>	<u>3,719</u>
Total liabilities	<u>7,913</u>	<u>8,446</u>
Net assets		
Shareholders' equity		
Capital stock	3,200	3,200
Capital surplus		
Legal capital surplus	3,619	3,619
Other capital surplus	0	0
Total capital surpluses	<u>3,620</u>	<u>3,620</u>
Retained earnings		
Other retained earnings		
Reserve for advanced depreciation of noncurrent assets	10	9
General reserve	4,262	1,662
Retained earnings brought forward	(2,493)	(2,246)
Total earned surpluses	<u>1,778</u>	<u>(575)</u>
Treasury stock	<u>(319)</u>	<u>(333)</u>
Total shareholders' equity	<u>8,279</u>	<u>5,911</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(116)	(109)
Total valuation and translation adjustments	<u>(116)</u>	<u>(109)</u>
Total net assets	<u>8,162</u>	<u>5,802</u>
Total liabilities and net assets	<u>16,076</u>	<u>14,248</u>

(2) Statements of income

	(Millions of yen)	
	FY10/2008	FY10/2009
	(Nov.1,2007-Oct. 31,2008)	(Nov.1,2008-Oct. 31,2009)
Net sales		
Net sales of merchandise and finished goods	17,346	13,843
Net sales of completed construction contracts	1,427	1,023
Total net sales	<u>18,773</u>	<u>14,867</u>
Cost of sales		
Cost of merchandise and finished goods sold	13,668	11,711
Cost of sales of completed construction contracts	1,139	839
Total cost of sales	14,807	12,551
Gross profit	3,966	2,316
Selling, general and administrative expenses	4,889	4,563
Operating income (loss)	<u>(922)</u>	<u>(2,247)</u>
Non-operating income		
Interest income	13	3
Gain on sales of wastes	27	14
Priority use fee of products	50	100
Other	95	114
Total non-operating income	<u>186</u>	<u>233</u>
Non-operating expenses		
Interest expenses	14	36
Foreign exchange loss	111	9
Loss on valuation of derivatives	—	18
Sales discounts	18	11
Commission fee	—	18
Other	11	19
Total non-operating expenses	<u>155</u>	<u>113</u>
Ordinary income (loss)	<u>(892)</u>	<u>(2,127)</u>
Extraordinary Income		
Gain on sales of noncurrent assets	—	50
Total extraordinary Income	—	<u>50</u>
Extraordinary loss		
Loss on sales of noncurrent assets	—	9
Loss on retirement of noncurrent assets	36	20
Loss on valuation of investment securities	287	—
Loss on valuation of stocks of subsidiaries and affiliates	66	1
Provision for loss on business of subsidiaries and affiliates	256	155
Provision of allowance for loss on valuation of investments of subsidiaries and affiliates	19	58
Loss on disposal of inventories	190	—
Total extraordinary losses	<u>856</u>	<u>244</u>
Income (loss) before income taxes	<u>(1,748)</u>	<u>(2,322)</u>
Income taxes-current	35	32
Income taxes-deferred	858	0
Total income taxes	<u>894</u>	<u>31</u>
Net income (loss)	<u>(2,642)</u>	<u>(2,354)</u>

(3) Statements of changes in equity

(Millions of yen)

FY10/2008
(Nov.1,2007-Oct. 31,2008) FY10/2009
(Nov.1,2008-Oct. 31,2009)

Shareholders' equity		
Capital stock		
Balance at the end of previous period	3,200	3,200
Changes of items during the period		
Total changes of items during the period	<u>—</u>	<u>—</u>
Balance at the end of current period	<u>3,200</u>	<u>3,200</u>
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	3,619	3,619
Changes of items during the period		
Total changes of items during the period	<u>—</u>	<u>—</u>
Balance at the end of current period	<u>3,619</u>	<u>3,619</u>
Other capital surplus		
Balance at the end of previous period	0	0
Changes of items during the period		
Total changes of items during the period	<u>—</u>	<u>—</u>
Balance at the end of current period	<u>0</u>	<u>0</u>
Total capital surplus		
Balance at the end of previous period	3,620	3,620
Changes of items during the period		
Total changes of items during the period	<u>—</u>	<u>—</u>
Balance at the end of current period	<u>3,620</u>	<u>3,620</u>
Retained earnings		
Other retained earnings		
Reserve for advanced depreciation of noncurrent assets		
Balance at the end of previous period	10	10
Changes of items during the period		
Reversal of reserve for advanced depreciation of noncurrent assets	<u>(0)</u>	<u>(0)</u>
Total changes of items during the period	<u>(0)</u>	<u>(0)</u>
Balance at the end of current period	<u>10</u>	<u>9</u>
General reserve		
Balance at the end of previous period	5,062	4,262
Changes of items during the period		
Reversal of general reserve	<u>(800)</u>	<u>(2,600)</u>
Total changes of items during the period	<u>(800)</u>	<u>(2,600)</u>
Balance at the end of current period	<u>4,262</u>	<u>1,662</u>

(Millions of yen)

FY10/2008
(Nov.1,2007-Oct. 31,2008)

FY10/2009
(Nov.1,2008-Oct. 31,2009)

Retained earnings brought forward		
Balance at the end of previous period	(594)	(2,493)
Changes of items during the period		
Reversal of reserve for advanced depreciation of noncurrent assets	0	0
Dividends from surplus	(56)	—
Net income (loss)	(2,642)	(2,354)
Reversal of general reserve	800	2,600
Total changes of items during the period	<u>(1,898)</u>	<u>246</u>
Balance at the end of current period	<u>(2,493)</u>	<u>(2,246)</u>
Total retained earnings		
Balance at the end of previous period	4,478	1,778
Changes of items during the period		
Dividends from surplus	(56)	—
Net income (loss)	(2,642)	(2,354)
Total changes of items during the period	<u>(2,699)</u>	<u>(2,354)</u>
Balance at the end of current period	<u>1,778</u>	<u>(575)</u>
Treasury stock		
Balance at the end of previous period	(281)	(319)
Changes of items during the period		
Purchase of treasury stock	(38)	(14)
Total changes of items during the period	<u>(38)</u>	<u>(14)</u>
Balance at the end of current period	<u>(319)</u>	<u>(333)</u>
Total shareholders' equity		
Balance at the end of previous period	11,016	8,279
Changes of items during the period		
Dividends from surplus	(56)	—
Net income (loss)	(2,642)	(2,354)
Purchase of treasury stock	(38)	(14)
Total changes of items during the period	<u>(2,737)</u>	<u>(2,368)</u>
Balance at the end of current period	<u>8,279</u>	<u>5,911</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	(116)	(116)
Changes of items during the period		
Net changes of items other than shareholders' equity	(0)	7
Total changes of items during the period	<u>(0)</u>	<u>7</u>
Balance at the end of current period	<u>(116)</u>	<u>(109)</u>
Total valuation and translation adjustments		
Balance at the end of previous period	(116)	(116)
Changes of items during the period		
Net changes of items other than shareholders' equity	(0)	7
Total changes of items during the period	<u>(0)</u>	<u>7</u>
Balance at the end of current period	<u>(116)</u>	<u>(109)</u>
Total net assets		
Balance at the end of previous period	10,900	8,162
Changes of items during the period		
Dividends from surplus	(56)	—
Net income (loss)	(2,642)	(2,354)
Purchase of treasury stock	(38)	(14)
Net changes of	(0)	7
Total changes of items during the period	<u>(2,737)</u>	<u>(2,360)</u>
Balance at the end of current period	<u>8,162</u>	<u>5,802</u>