

Consolidated Financial Results for the Fiscal Year Ended March 31, 2021

<Japanese GAAP>

May 10, 2021

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 Stock Exchange Listing: Tokyo Stock Exchange (Code number 5393)
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 Organization of financial results briefing: Yes (for institutional investors and analysts)
 Scheduled date of commencement of dividend payment: June 30, 2021

(Fractional amounts of less than ¥1 million are discarded.)

1. Consolidated financial results for Fiscal Year 2020 (April 1, 2020 to March 31, 2021)

(1) Consolidated Operating Results

(Percentage figures represent changes from previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2020	196,372	(6.0)	19,616	(4.0)	21,279	(1.6)	10,715	(27.0)
FY2019	208,876	(3.1)	20,427	(9.7)	21,633	(6.6)	14,674	(7.5)

Note: Comprehensive income FY2020 ¥14,269 million---(0.8)%; FY2019 ¥14,382 million---4.1%

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary income on total assets	Operating Margin
	Yen	Yen	%	%	%
FY2020	161.53	—	8.2	10.0	10.0
FY2019	221.21	—	12.1	10.4	9.8

(Reference) Share of profit or loss on investments for using the equity method: FY2020 ¥46 million
 FY2019 ¥69 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2021	219,602	136,450	61.7	2,041.63
As of March 31, 2020	208,076	127,233	60.7	1,903.93

(Reference) Shareholders' equity: FY2020 ¥135,429 million; FY2019 ¥126,297 million

(3) Consolidated Cash flows

	Net cash from (used in) operating activities	Net cash from (used in) investing activities	Net cash from (used in) financing activities	Cash and cash equivalents at the end of fiscal year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2020	18,683	(6,799)	(5,469)	39,589
FY2019	20,094	(9,036)	(5,667)	33,108

2. Dividends

	Annual Dividends					Total Dividends	Dividend pay-out ratio	Ratio of dividends to net assets
	End of 1 st quarter	End of first half	End of 3 rd quarter	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2019	—	38.00	—	38.00	76.00	5,041	34.4	4.1
FY2020	—	38.00	—	40.00	78.00	5,174	48.3	4.0
FY2021 (Forecast)	—	40.00	—	40.00	80.00		37.9	

3. Forecast of consolidated financial results for Fiscal Year 2021 (April 1, 2021 to March 31, 2022)

(Percentage figures represent changes from previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	97,000	—	9,300	—	9,300	—	6,300	—	94.97
Full year	205,000	—	20,500	—	20,500	—	14,000	—	211.05

* Since the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29), etc., was applied from the start of FY2021, the above consolidated earnings forecasts are the amounts after applying these accounting standards, etc., and the rate of change from the previous fiscal year and the same quarter of the previous fiscal year is not stated.

*Notes

(1) Changes in significant subsidiaries during the period under review (Changes in specific subsidiaries accompanying changes in the scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatements

- 1) Changes in accounting policies due to revision of accounting standards: None
- 2) Changes other than those in 1) above: None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

(3) Number of shares outstanding (ordinary shares)

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

FY2020	(As of March 31, 2021)	67,811,917 shares
FY2019	(As of March 31, 2020)	67,811,917 shares
- 2) Number of shares of treasury stock at the end of the year

FY2020	(As of March 31, 2021)	1,477,947 shares
FY2019	(As of March 31, 2020)	1,476,840 shares
- 3) Average number of shares outstanding during the year

FY2020	(As of March 31, 2021)	66,334,673 shares
FY2019	(As of March 31, 2020)	66,335,888 shares

*This summary of financial statements is not subject to audit by a certified public accountant or auditor.

*Information concerning proper use of financial forecasts and other special notes

(Information concerning forward-looking statements)

Forward-looking statements concerning financial forecasts contained in these materials are based on information available to the Company when the forecasts were made and certain assumptions judged to be reasonable. However, the Company makes no guarantee that these forecasts will be achieved. Actual results may differ significantly from the forecasts due to a variety of factors. Please refer to "1. Overview of operating results (4) Earnings forecasts" on page 3 for information concerning financial forecasts such as the assumptions used for financial forecasts and factors that could cause these assumptions to change.

Disclaimer: This is a Japanese-English translation of the summary of financial statements of the Company produced for your convenience. Since no auditor audited this report, officially only the Japanese version is assumed to be the summary of financial statements of the Company. This summary does not constitute any guarantee and the Company will not compensate any losses and/or damage stemming from actions taken based on these statements. In the case that there is any discrepancy between the Japanese and English versions, the Japanese version is assumed to be correct.

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1. Overview of operating results

(1) Overview of operating results in FY2020 (April 1, 2020 to March 31, 2021)

During FY2020, the economy remained in severe conditions due to the impact of the global spread of the COVID-19 pandemic. In Japan, the manufacturing industry saw a recovery in production and exports, and while corporate sentiment remains subdued, there are signs of improvement. Overseas, although economic conditions remain severe in emerging countries, there are signs of improvement in the US and China is gradually recovering.

In these conditions, the Group's net sales fell by 6.0% year on year to ¥196,372 million, due to production adjustments resulting from a decline in global demand for automobiles, mainly in the first half of the fiscal year.

In terms of profits, operating income declined by 4.0% year on year to ¥19,616 million and ordinary income declined by 1.6% year on year to ¥21,279 million. Profit attributable to owners of the parent declined by 27.0% to ¥10,715 million as an impairment loss of ¥3,515 million on idle assets was posted as an extraordinary loss due to the reorganization of noncurrent assets and facilities at overseas rock wool insulating materials manufacturing bases.

Net sales by segment for FY2020 are as follows:

Sales in the **Energy and Industrial Plants Division** fell by 3.5% year on year to ¥63,530 million because while demand was solid particularly from petroleum refining and petrochemical companies as well as electricity companies, large-scale shipbuilding construction projects and overseas construction projects were completed in the previous fiscal year.

Sales in the **Industrial Products Division** decreased by 4.9% year on year to ¥42,925 million, despite a pick up in demand for inorganic thermal insulation materials for electronic parts, which had been hurt by the COVID-19 pandemic.

Sales in the **Advanced Products Division** rose by 14.9% year on year to ¥24,855 million due to strong demand for semiconductors.

Sales in the **Autoparts Division** fell by 12.6% year on year to ¥38,245 million, due to the impact of production adjustments in the automotive industry as demand for automobiles declined worldwide with the spread of COVID-19 in the first half of the fiscal year, although the demand in Japan and overseas began to recover in the third quarter of the fiscal year.

Sales in the **Building Materials Division** fell by 17.5% year on year to ¥26,814 million as the pandemic resulted in the delay and postponement of construction projects as well as a decline in demand.

(2) Overview of financial position

Total assets at the end of FY2020 were ¥219,602 million, up ¥11,525 million compared to the end of the previous fiscal year. This was largely because property, plant and equipment fell by ¥2,874 million, while cash and deposits rose by ¥5,479 million, investment securities increased by ¥4,774 million, and electronically recorded monetary claims rose by ¥1,877 million.

Liabilities at the end of FY2020 were ¥83,151 million, up ¥2,308 million compared to the end of the previous fiscal year. This was largely a result of a ¥1,698 million increase in deferred tax liabilities and a ¥660 million increase in notes and accounts payable-trade.

Net assets at the end of FY2020 were ¥136,450 million, up ¥9,217 million compared to the end of the previous fiscal year. This was largely a result of increases in retained earnings of ¥5,673 million and in valuation difference on available-for-sale securities of ¥3,317 million.

(3) Cash flows

Cash and cash equivalents at the end of FY2020 (hereinafter, "cash") increased by ¥6,481 million year on year to ¥39,589 million. Cash flows and factors affecting cash flows are as follows:

(Net cash provided by [used in] operating activities)

Net cash provided by operating activities was ¥18,683 million (compared to receipts of ¥20,094 million in FY2019).

This was because cash decreased due to ¥6,076 million in income taxes paid and a ¥3,156 million increase in trade receivables, while cash increased due to ¥17,532 million in income before income taxes and ¥6,536 million in depreciation and amortization.

(Net cash provided by [used in] investing activities)

Net cash used in investing activities was ¥6,799 million (compared to expenditures of ¥9,036 million in FY2019).

This was due to a decrease in cash due to ¥8,068 million in expenditures for the acquisition of property, plant and equipment.

(Net cash provided by [used in] financing activities)

Net cash used in financing activities was ¥5,469 million (compared to expenditures of ¥5,667 million in FY2019).

This was because of a decrease in cash due to ¥5,040 million in cash dividends paid.

(4) Earnings forecasts

In FY2021, we expect solid performance in the Industrial Products, Advanced Products, and Autoparts segments. Based on these conditions, our earnings forecasts for FY2021 are as follows:

Net sales of ¥205,000 million, operating income of ¥20,500 million, ordinary income of ¥20,500 million, and profit attributable to owners of the parent company of ¥14,000 million.

The Company prepared these earnings forecasts based on information available on the day that these materials were released, and actual results could differ from forecasts due to a variety of factors.

(5) Policies for distribution of profit and dividends for FY2020 and FY2021

In addition to strengthening the management base in order to enhance earnings power, the basic policy of the NICHIAS Group with respect to the distribution of profits is to strive for the long-term and appropriate return of profits to shareholders by expanding the level of such profits available as dividends and increasing shareholder value, while retaining sufficient reserves for reinvestment.

Guided by this basic policy, we will focus on continuing to pay stable dividends, taking into account a range of factors that include the profit levels and financial conditions of the relevant fiscal year, and the availability of funds needed for capital investment and R&D to support future business development. In the "Medium-term business Plan" released in May 2016, the NICHIAS Group sets a dividend payout ratio of about 25-35% as its target to return profits to shareholders.

In FY2020, we paid a first-half dividend of ¥38 per share and will pay year-end dividends of ¥40 per share.

In FY2021, we plan to pay ¥40 per share in interim dividends and a year-end dividend of ¥40 per share, based on the above policy. However, the final decision on dividends will be made based on a comprehensive assessment of financial conditions and earnings in the next fiscal year.

(6) Risk factors

This section reviews matters that are believed likely to have a major impact on the decisions of investors. Note that matters related to future developments that are mentioned in this section are judgments of the Group that were made at the end of the fiscal year under review.

□ Business and economic fluctuation risk

The Group conducts manufacturing and sales of sealing materials such as gaskets and packing; manufacturing and sales of varieties of insulation materials using mainly rock wool and inorganic fibers; manufacturing and sales of corrosion-resistant materials and machine parts using high-performance resin polymer such as fluoropolymer; manufacturing and sales of automotive parts including sealing materials for engines and engine accessory parts with thermal insulation and soundproofing attributes; manufacturing and sales of non-combustible building materials centered on calcium silicate boards and insulation materials; and industrial thermal insulation work for energy, gas, petroleum refining and petrochemicals plants, and free-access floor work. The Group's customers comprise a wide range of industries, including petroleum, petrochemical, chemical, steel, electricity, gas, automotive, semiconductor, and construction. The Group is therefore reliant on industry-wide capital expenditure trends, anti-corrosion materials are reliant on semiconductor demand trends, automotive parts are reliant on production and unit sales trends in the automotive industry, and building materials are reliant on residential and building construction trends. Accordingly, the Group's earnings could ultimately be affected by business and economic fluctuations both overseas and in Japan.

□ Overseas business risk

The Group conducts business overseas, especially in the Asian region. In its overseas business, the Group is exposed to the risk of the occurrence of unfavorable economic factors and political turbulence, such as unpredictable changes in laws and regulations or drastic changes in financial conditions. If these types of risk were to manifest themselves it would interfere with the Group's business overseas, and this could affect the Group's earnings and financial status.

□ Raw materials procurement risk

The Group uses metals, coke, pulp, rubber, and fluoropolymer resin, etc. as its main raw materials. The Group's earnings and financial condition could be impacted if changes in economic conditions or reduced supply capacity in the countries that supply these materials make it difficult for the Group to procure the necessary raw materials.

□ Receivables management risk

The Group holds receivables from its clients that include accounts and notes receivable. Although the Group always pays close attention to credit management, unexpected credit losses could impact the Group's earnings and financial condition.

□ Risks associated with accounting estimates

The Group estimates the total cost of work related to the percentage-of-completion method, recoverable amounts related to impairment accounting of noncurrent assets, and the recoverability of deferred tax assets. These estimates are based on certain assumptions about the future, and the revision of such assumptions could impact the Group's business performance and financial position.

□ Retirement benefits obligation risk

The Group could incur losses if the market value of its pension assets dropped, investment returns on its pension assets fell, or if there were changes in the actuarial assumptions used to calculate the projected benefit obligations.

□ Product quality maintenance risk

Although the Group manufactures products based on the international quality assurance standard ISO 9001 at each of its manufacturing bases, there is no guarantee that all of its products will be free of defects and that there will be no complaints from customers in the future. Product defects could have an impact on the Group's reputation and as a result affect the Group's business performance and financial status.

□ Information security risk

The Group holds personal and confidential information about the Company and its customers and business partners. The Group takes measures to prevent this information leaking externally, including the maintenance of internal rules, thorough education, and strengthening of our security system. However, the Group's earnings and financial condition could be impacted due to compensation claims and other factors if such information is leaked.

□ Disaster risk

The Group has multiple production bases both overseas and in Japan. In the case that product supply is interrupted, we have measures in place that consider factors such as the degree of impact on customers, the importance in the market, and the possibility of switching to alternative products. However, the Group's earnings and financial condition could be impacted if a natural disaster such as an earthquake were to damage one of these production bases and cause problems with business operations.

□ Risk of compensation being payable to sufferers of health problems due to asbestos

NICHIAS Corporation and some of its domestic subsidiaries have paid compensation in accordance with in-house regulations to employees and former employees who have died or received medical treatment in response to asbestos-related diseases caused by the Group. In addition, NICHIAS Corporation and some of its domestic subsidiaries have paid financial compensation to neighboring citizens for cases in which certain standards have been fulfilled. It is possible that the Group could continue to be required to make compensation payments to sufferers of asbestos-related health problems in the future.

NICHIAS Corporation has been sued for compensation for health problems caused by asbestos, and the Company will continue to respond appropriately.

2. Management policies

(1) The Group's basic management policy

The NICHIAS Group got its start in 1896 as a pioneer in Japan's heating and insulation industry, and has achieved its growth by supplying products and services based on its insulation and protection technologies to a range of industrial sectors.

The Group established the NICHIAS Philosophy in 2011.

The NICHIAS Philosophy

NICHIAS contributes to the Earth's bright future through our Insulation and Protection technologies.

Under the specific action guidelines of "improving communications within the organization," "working more cooperatively with other employees," and "thinking about what is best for the entire organization," the Group manages its business based on the following three "Our Promises."

- We will abide by community standards and work together with the communities we serve.
- We will strive for customer satisfaction while never forgetting a sense of gratitude.
- We will believe in mutual trust and continue to grow together.

(2) Target management indicators

Under the NICHIAS Philosophy, the Medium-term business plan, which ended in FY2020 (FY2016–FY2020) was formulated to achieve management's vision of creating "a company trusted by customers where people can work with pride." However, as the Group's business environment has changed dramatically due to the worldwide spread of the COVID-19 pandemic, we have extended the plan for an extra year and revised our sales target as follows.

- 1) Pursue further business growth and profitability
 - Sales target of ¥205,000 million and operating profit margin of 10% or higher in FY2021
- 2) Manage operations with a focus on improvements and efficiency (promoting NKK [Nichias Kaizen Katsudo, or Nichias Improvement Activities])
 - Maintain ROE over 10%

(3) Company's medium- and long-term management strategies

The Group will implement measures based on the following five basic guidelines to achieve its management vision.

□ Rigorous enforcement of compliance

We will rigorously enforce compliance so that the NICHIAS Group can achieve stable growth. Specifically, guided by our compliance program and spearheaded by the Compliance Committee through cooperation with subcommittees and the labor union at each of the Group's business sites, we will take steps to assess the status of legal compliance and focus on increasing compliance awareness among employees.

□ Improvement of corporate value and the provision of value to stakeholders

To provide products and services that customers can use with peace of mind, the NICHIAS Group has paid careful attention to safety and the environment in its manufacturing activities, while further reinforcing research and development, production technologies, facilities technologies, and technical services. The Group will continue to develop these activities in an aim to improve corporate value and share that value with stakeholders.

□ Advancement of global business operations

The Group has expanded its business overseas through its production and sales bases in order to supply products to companies in Japan and Japan-affiliated companies overseas. In the future, the Group will expand its global business operations so as to provide services to customers in even larger global markets.

□ Promotion and development of personnel to lead the way into the future

To ensure future growth and development, the NICHIAS Group will conduct personnel development aimed at nurturing the next generation of executive managers, while actively promoting mid-career employees as well. The Group will also further enhance systems to support the growth of Group employees as a company.

□ Strengthening risk management

Based on the lessons learned from past earthquakes, the Group will strengthen its risk management system throughout the entire organization so that it can continue operations even in the event of major earthquakes and other natural disasters.

Based on the above guidelines, the Group will implement its business strategies and various measures based on its fundamental functional strategy to achieve its medium-term management plan.

3. Basic stance towards the selection of accounting standards

The NICHIAS Group prepares its consolidated financial statements based on J-GAAP to ensure that consolidated financial statements can be compared across time. In terms of the application of IFRS, an appropriate response will be made after fully considering circumstances in Japan and overseas.

4. Consolidated financial statements and important notes

(1) Consolidated balance sheets

	(Millions of yen)	
	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Assets		
Current assets		
Cash and deposits	34,320	39,799
Notes and accounts receivable-trade	29,767	29,589
Electronically recorded monetary claims	8,630	10,508
Accounts receivable from completed construction contracts	17,449	18,869
Merchandise and finished goods	14,023	15,401
Work in process	2,690	2,823
Raw materials and supplies	10,559	9,591
Costs on uncompleted construction contracts	5,601	5,851
Others	3,360	3,229
Allowance for doubtful accounts	(14)	(18)
Total current assets	126,390	135,645
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	57,929	59,520
Accumulated depreciation and impairment loss	(32,558)	(34,880)
Buildings and structures, net	25,371	24,640
Machinery, equipment and vehicles	76,776	78,226
Accumulated depreciation and impairment loss	(61,700)	(66,161)
Machinery, equipment and vehicles, net	15,075	12,064
Land	14,511	14,118
Lease assets	365	372
Accumulated depreciation	(218)	(251)
Lease assets, net	146	120
Construction in progress	3,427	4,885
Others	9,814	10,500
Accumulated depreciation and impairment loss	(8,081)	(8,940)
Other, net	1,732	1,560
Total property, plant and equipment	60,265	57,391
Intangible assets		
Software	735	761
Others	634	574
Total intangible assets	1,369	1,335
Investments and other assets		
Investment securities	13,604	18,379
Long-term loans receivable	4	4
Net defined benefit asset	1,174	1,635
Deferred tax assets	1,380	1,301
Others	3,922	3,941
Allowance for doubtful accounts	(35)	(30)
Total investments and other assets	20,051	25,230
Total noncurrent assets	81,686	83,957
Total assets	208,076	219,602

	(Millions of yen)	
	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	18,523	19,184
Electronically recorded monetary obligations	12,559	12,240
Current portion of bonds	400	400
Short-term loans payable	7,225	6,805
Lease obligations	153	170
Accounts payable–other	5,576	4,887
Income taxes payable	3,355	3,750
Advances received on uncompleted construction contracts	1,289	1,188
Provision for bonuses	3,134	3,175
Others	3,746	4,053
Total current liabilities	55,962	55,857
Noncurrent liabilities		
Bonds payable	13,400	13,000
Long-term loans payable	3,300	3,912
Lease obligations	565	511
Deferred tax liabilities	566	2,264
Net defined benefit liability	4,264	4,352
Reserves for litigation losses	416	837
Others	2,367	2,416
Total noncurrent liabilities	24,880	27,294
Total liabilities	80,843	83,151
Net assets		
Shareholders' equity		
Capital stock	12,128	12,128
Capital surplus	13,857	13,857
Retained earnings	101,206	106,880
Treasury stock	(4,053)	(4,056)
Total shareholders' equity	123,139	128,810
Total other cumulative comprehensive income		
Valuation difference on available-for-sale securities	5,604	8,922
Foreign currency translation adjustment	(624)	(1,027)
Remeasurements of defined benefit plan	(1,821)	(1,275)
Total other cumulative comprehensive income	3,158	6,618
Non-controlling interests	936	1,021
Total net assets	127,233	136,450
Total liabilities and net assets	208,076	219,602

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

Consolidated statements of income

	(Millions of yen)	
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)
Net sales		
Net sales of merchandise and finished good	144,253	136,677
Net sales of completed construction contracts	64,623	59,694
Total net sales	208,876	196,372
Cost of sales		
Cost of merchandise and finished goods sold	106,414	100,672
Cost of sales of completed construction contracts	54,304	49,635
Total cost of sales	160,719	150,307
Gross profit	48,157	46,064
Selling, general and administrative expenses		
Selling expenses	8,686	8,194
General and administrative expenses	19,043	18,253
Total selling, general and administrative expenses	27,730	26,448
Operating income	20,427	19,616
Non-operating income		
Interest income	88	84
Dividends income	369	404
Foreign exchange gain	—	36
Rent income	510	522
Equity in earnings of affiliates	69	46
Subsidies for employment adjustment	—	314
Gains on sales of investment securities	514	208
Others	731	539
Total non-operating income	2,284	2,158
Non-operating expenses		
Interest expenses	166	170
Foreign exchange losses	421	—
Cost of lease revenue	27	27
Special contribution for asbestos	45	46
Others	417	249
Total non-operating expenses	1,079	494
Ordinary income	21,633	21,279
Extraordinary income		
Subsidy income	—	206
Gain on sales of noncurrent assets	63	396
Total extraordinary income	63	602
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	250	134
Loss on reduction of noncurrent assets	—	116
Impairment losses	—	3,515
Provision for litigation loss reserves	158	479
Loss related to COVID-19 pandemic	—	103
Loss on valuation of investment securities	54	—
Loss on valuation of shares of subsidiaries and associates	196	—
Total extraordinary losses	659	4,349
Income before income taxes	21,037	17,532
Income taxes—current	6,520	6,643
Income taxes—deferred	(121)	102
Total income taxes	6,398	6,745
Net income	14,638	10,787
Profit (loss) attributable to non-controlling interests	(36)	71
Profit attributable to owners of the parent company	14,674	10,715

Consolidated comprehensive income statements

	(Millions of yen)	
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)
Net income	14,638	10,787
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,054)	3,317
Foreign currency translation adjustment	(36)	(380)
Remeasurements of defined benefit plans	835	545
Total other comprehensive income	(255)	3,482
Comprehensive income	14,382	14,269
Breakdown		
Comprehensive income attributable to owners of the parent company	14,423	14,176
Comprehensive income attributable to minority interests	(40)	93

(3) Consolidated statements of changes in shareholders' equity
Fiscal Year 2019 (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	12,128	13,857	91,441	(4,050)	113,377
Changes of items during the period					
Dividends from surplus			(4,908)		(4,908)
Profit attributable to owners of the parent company			14,674		14,674
Purchase of treasury stock				(3)	(3)
Disposal of treasury stock		(0)		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(0)	9,765	(3)	9,762
Balance at the end of the period	12,128	13,857	101,206	(4,053)	123,139

	Total other cumulative comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other cumulative comprehensive income		
Balance at the beginning of the period	6,659	(611)	(2,638)	3,409	988	117,774
Changes of items during the period						
Dividends from surplus						(4,908)
Profit attributable to owners of the parent company						14,674
Purchase of treasury stock						(3)
Disposal of treasury stock						0
Net changes of items other than shareholders' equity	(1,054)	(13)	816	(250)	(52)	(303)
Total changes of items during the period	(1,054)	(13)	816	(250)	(52)	9,459
Balance at the end of the period	5,604	(624)	(1,821)	3,158	936	127,233

Fiscal Year 2020 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	12,128	13,857	101,206	(4,053)	123,139
Changes of items during the period					
Dividends from surplus			(5,041)		(5,041)
Profit attributable to owners of the parent company			10,715		10,715
Purchase of treasury stock				(3)	(3)
Disposal of treasury stock		(0)		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(0)	5,673	(2)	5,671
Balance at the end of the period	12,128	13,857	106,880	(4,056)	128,810

	Total other cumulative comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other cumulative comprehensive income		
Balance at the beginning of the period	5,604	(624)	(1,821)	3,158	936	127,233
Changes of items during the period						
Dividends from surplus						(5,041)
Profit attributable to owners of the parent company						10,715
Purchase of treasury stock						(3)
Disposal of treasury stock						0
Net changes of items other than shareholders' equity	3,317	(402)	546	3,460	85	3,546
Total changes of items during the period	3,317	(402)	546	3,460	85	9,217
Balance at the end of the period	8,922	(1,027)	(1,275)	6,618	1,021	136,450

(4) Consolidated statements of cash flows

	(Millions of yen)	
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)
Net cash provided by (used in) operating activities		
Income before income taxes	21,037	17,532
Depreciation & amortization	6,274	6,536
Impairment losses	—	3,515
Loss (gain) on sales of property, plant and equipment	(34)	(396)
Loss on abandonment of property, plant and equipment	220	133
Loss on valuation of shares of subsidiaries and associates	196	—
Increase (decrease) in allowance for doubtful accounts	(9)	0
Increase (decrease) in net defined benefit liability	(104)	87
Loss (gain) on sales of investment securities	(514)	(208)
Increase (decrease) in provision for bonuses	(48)	41
Interest and dividends income received	(458)	(488)
Interest expenses	166	170
Foreign exchange losses (gains)	221	73
Decrease (increase) in notes and accounts receivable—trade	3,954	(3,156)
Decrease (increase) in inventories	(3,200)	(654)
Decrease (increase) in costs on uncompleted construction contracts	3,570	(248)
Increase (decrease) in notes and accounts payable—trade	(3,055)	885
Decrease (increase) in accounts receivable—other	(218)	331
Increase (decrease) in accounts payable—other	488	(426)
Increase (decrease) in advances received on uncompleted construction contracts	(2,972)	(98)
Increase (decrease) in provisions for litigation losses	158	420
Loss on reduction of noncurrent assets	—	116
Subsidy income	—	(206)
Subsidies for employment adjustment	—	(314)
Loss related to COVID-19 pandemic	—	103
Decrease (increase) in net defined benefit asset	(304)	(460)
Others	1,784	558
Subtotal	27,153	23,850
Interest and dividends income received	458	488
Interest expenses paid	(160)	(170)
Proceeds from subsidy income	—	135
Subsidies for employment adjustment received	—	296
Loss related to COVID-19 pandemic paid	—	(55)
Income taxes paid	(7,383)	(6,076)
Income taxes refund	27	214
Net cash provided by (used in) operating activities	20,094	18,683
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(391)	1,007
Expenditures for the acquisition of property, plant and equipment	(9,456)	(8,068)
Proceeds from sales of property, plant and equipment	442	434
Expenditures for the acquisition of intangible fixed assets	(382)	(230)
Purchase of investment securities	(5)	(4)
Proceeds from sales of investment securities	909	216
Payments of loans receivable	(2)	(3)
Collection of loans receivable	8	4
Others	(159)	(155)
Net cash provided by (used in) investing activities	(9,036)	(6,799)

	(Millions of yen)	
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(130)	80
Proceeds from long-term borrowings	1,000	615
Repayment of long-term loans payable	(1,000)	(500)
Proceeds from issuance of bonds	4,976	—
Redemption of bonds	(5,400)	(400)
Repayments of lease obligations	(193)	(214)
Net decrease (increase) in treasury stock	(3)	(2)
Cash dividends paid	(4,904)	(5,040)
Dividends paid to non-controlling interests	(11)	(8)
Cash flows from financing activities	(5,667)	(5,469)
Effect of exchange rate change on cash and cash equivalents	(13)	67
Net increase (decrease) in cash and cash equivalents	5,377	6,481
Cash and cash equivalents at beginning of period	27,730	33,108
Cash and cash equivalents at end of period	33,108	39,589

(5) Notes to Consolidated Financial Statements

(Notes regarding going concern assumption)

Not applicable

(Accounting Standards not adopted)

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29; March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Guidance No. 30; March 26, 2021)

1. Overview

This is a comprehensive accounting standard for revenue recognition. Revenue is recognized using the following five steps:

- Step 1: Identify the contract with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize revenue when (or as) the reporting organization satisfies a performance obligation.

2. Date of introduction

These accounting standards will be applied at the start of FY2021.

3. Impact of application of these accounting standards

The amount of the impact was still being assessed when these consolidated financial statements were prepared.

(Changes in presentation)

(Related to consolidated statements of cash flows)

"Increase (decrease) in reserves for litigation losses," which was included in "other" under "net cash provided by (used in) operating activities" in the previous fiscal year, has been presented on a separate line this fiscal year because its monetary significance has increased. The consolidated financial statements for the previous fiscal year have been adjusted to reflect this change in presentation.

As a result, the amount of ¥1,943 million presented as "other" under "net cash provided by (used in) operating activities" in the consolidated statements of cash flows for FY2019, has been reclassified and presented as ¥158 million in "increase (decrease) in reserves for litigation losses" and as ¥1,784 million in "other."

(Segment information)

Segment information

1. Overview of reporting segments

(1) Method of determining reporting segments

The Group's reporting segments are components of the Group for which separate financial information is available, and that are evaluated regularly by decision-making bodies such as the Board of Directors in order to determine the allocation of resources and in assessing performance.

The Group consists of multiple business divisions in different markets, with each division conducting business based on comprehensive strategies formulated for the products and services they handle both in Japan and overseas.

Accordingly, the Group is composed of segments based on these business divisions. The five reporting segments are Energy and Industrial Plants, Industrial Products, Advanced Products, Autoparts, and Building Materials.

(2) Types of products and services included in each reporting segment

The main businesses of each reporting segment are as follows:

Name of segment	Main businesses
Energy and Industrial Plants	Design, installation work, and maintenance of thermal insulation, cryogenic insulation, fireproofing, soundproofing, and disaster prevention work for plants in industries including power, petroleum, petrochemicals, etc.; sales of sealing materials (gaskets and packing), thermal insulation materials made of inorganic fiber, and fluoropolymer products for plant facilities in petroleum and petrochemicals industries
Industrial Products	Manufacturing and sales of sealing materials (gaskets and packing), inorganic fiber insulating materials, fluoropolymer molding materials and processed goods, anticorrosive lining materials, and honeycomb filters for a broad range of industries including power, gas, steel, environment, medical, and food
Advanced Products	Manufacturing and sales of fluoropolymer products, inorganic fiber insulating materials, honeycomb filters, and sealing materials for semiconductor and LCD manufacturing equipment
Autoparts	Manufacturing and sales of automotive parts including sealing materials for engines and engine accessories, and parts with thermal insulation, noise reduction, and vibration control attributes
Building Materials	Manufacturing and sales of non-combustible interior & decorative boards composed mainly of calcium silicate, non-combustible building materials such as residential insulation with rock wool as the base material, and insulating materials; construction of fireproofing protection with non-combustible building materials for office buildings, etc.; and design and installation work of free-access floors with various flooring materials

2. The methods of calculating the amounts of net sales, income (loss), assets, liabilities, and other items by reporting segment

Methods of accounting procedures for reporting business segments are generally the same as those used in the preparation of consolidated financial statements. The income of each reporting segment is an amount based on operating income. Note that intersegment sales and transfers are recorded at internal transfer prices that are reasonably calculated based on prevailing market prices.

3. Information on net sales, profit (loss), assets, liabilities, and other items by reporting segment
Fiscal Year 2019 (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reporting segments						Adjustments Notes	Amount stated in consolidated financial statements
	Energy and Industrial Plants	Industrial Products	Advanced Products	Autoparts	Building Materials	Total		
Net sales								
Net sales to external customers	65,837	45,150	21,633	43,739	32,514	208,876	—	208,876
Intersegment sales or transfers	—	8,611	—	—	—	8,611	(8,611)	—
Total	65,837	53,762	21,633	43,739	32,514	217,488	(8,611)	208,876
Segment profit (loss)	7,184	5,974	2,754	2,980	1,534	20,427	—	20,427
Segment assets	32,635	51,640	22,427	42,556	21,189	170,449	37,627	208,076
Other items								
Depreciation & amortization	314	2,416	986	2,072	485	6,274	—	6,274
Increase in property, plant and equipment and intangible assets	195	3,214	1,792	2,187	558	7,948	1,029	8,978

Notes: "Adjustments" are described below.

- (1) The ¥37,627 million adjustment in "segment assets" consists of assets relating to Group assets that do not belong to specific reporting segments. Group assets mainly consist of the filing company's cash and deposits, assets attributable to the administrative and research divisions, deferred tax assets, etc.
- (2) The ¥1,029 million adjustment in "increase in property, plant and equipment and intangible assets" consists of capital investments in assets attributable to the administrative and research divisions.

Fiscal Year 2020 (from April 1, 2020 to March 31, 2021)

	Reporting segments						(Millions of yen)	
	Energy and Industrial Plants	Industrial Products	Advanced Products	Autoparts	Building Materials	Total	Adjustments Notes	Amount stated in consolidated financial statements
Net sales								
Net sales to external customers	63,530	42,925	24,855	38,245	26,814	196,372	—	196,372
Intersegment sales or transfers	—	8,296	—	—	—	8,296	(8,296)	—
Total	63,530	51,222	24,855	38,245	26,814	204,668	(8,296)	196,372
Segment profit (loss)	7,998	5,904	3,601	1,894	218	19,616	—	19,616
Segment assets	35,690	53,211	21,915	41,150	21,481	173,449	46,152	219,602
Other items								
Depreciation & amortization	300	2,312	1,119	2,122	680	6,536	—	6,536
Increase in property, plant and equipment and intangible assets	193	3,971	325	1,221	632	6,344	1,358	7,703

Notes: "Adjustments" are described below.

- (1) The ¥46,152 million adjustment in "segment assets" consists of assets relating to Group assets that do not belong to specific reporting segments. Group assets mainly consist of the filing company's cash and deposits, assets attributable to the administrative and research divisions, deferred tax assets, etc.
- (2) The ¥1,358 million adjustment in "increase in property, plant and equipment and intangible assets" consists of capital investments in assets attributable to the administrative and research divisions.

(Related information)

Fiscal Year 2019 (from April 1, 2019 to March 31, 2020)

1. Information by product and service

Information by product and service is omitted, because similar information is provided in "segment information."

2. Information by region

(1) Sales

(Millions of yen)			
Japan	Asia	Others	Total
172,918	27,097	8,860	208,876

Note: Net sales are based on the customer's location and are divided by country and region.

(2) Property, plant and equipment

(Millions of yen)			
Japan	Asia	Others	Total
43,733	14,780	1,751	60,265

3. Information on main customers

Because there are no customers that account for over 10% of sales stated in the consolidated statements of income for sales to external customers, this information is omitted.

Fiscal Year 2020 (from April 1, 2020 to March 31, 2021)

1. Information by product and service

Information by product and service is omitted, because similar information is provided in "segment information."

2. Information by region

(1) Sales

(Millions of yen)

Japan	Asia	Others	Total
162,797	26,216	7,358	196,372

Note: Net sales are based on the customer's location and are divided by country and region.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	Others	Total
45,354	10,469	1,566	57,391

3. Information on main customers

Because there are no customers that account for over 10% of sales stated in the consolidated statements of income for sales to external customers, this information is omitted.

(Information related to impairment losses on noncurrent assets by reporting segment)

Fiscal Year 2019 (from April 1, 2019 to March 31, 2020)

Not applicable

Fiscal Year 2020 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reporting segments						Adjustments	Amount stated in consolidated financial statements
	Energy and Industrial Plants	Industrial Products	Advanced Products	Autoparts	Building Materials	Total		
Impairment losses	—	2,998	431	—	84	3,515	—	3,515

(Per share information)

Net assets per share and the basis for calculation, and basic earnings per share and the basis for calculation are as follows:

Item	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Net assets per share	1,903.93	2,041.63
(Basis for calculation)		
Total net assets (millions of yen)	127,233	136,450
Amount to be deducted from total net assets (millions of yen)	936	1,021
(Of which, non-controlling interests)	(936)	(1,021)
Net assets attributable to common shares at the end of the fiscal year (millions of yen)	126,297	135,429
Number of common shares at the end of the fiscal year used for the calculation of net assets per share (thousand shares)	66,335	66,333

Item	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)
Basic earnings per share	221.21	161.53
(Basis for calculation)		
Net income attributable to owners of the parent company (millions of yen)	14,674	10,715
Amount not attributed to common shareholders (millions of yen)	—	—
Profit attributable to owners of the parent company related to common stock (millions of yen)	14,674	10,715
Average outstanding shares of common stock during the fiscal year (thousand shares)	66,335	66,334

Notes: Diluted earnings per share is not noted because there is no potential share.

(Important subsequent events)

Not applicable

5. Others

Status of production, orders, and sales

1. Production output by segment

(Millions of yen, %)

Name of segment	Fiscal Year 2019 (from April 1, 2019 to March 31, 2020)	Fiscal Year 2020 (from April 1, 2020 to March 31, 2021)	Change over the previous fiscal year (%)	FY2020 Composition ratio (%)
Industrial Products	35,307	33,176	(6.0)	36.7
Advanced Products	16,045	16,701	4.1	18.5
Autoparts	35,247	32,017	(9.2)	35.5
Building Materials	9,940	8,401	(15.5)	9.3
Total	96,541	90,296	(6.5)	100.0

2. Orders by segment

(Millions of yen, %)

Name of segment	Fiscal Year 2019 (from April 1, 2019 to March 31, 2020)	Fiscal Year 2020 (from April 1, 2020 to March 31, 2021)	Change over the previous fiscal year (%)	FY2020 Composition ratio (%)
Energy and Industrial Plants	63,059	61,014	(3.2)	30.6
Industrial Products	44,681	43,638	(2.3)	21.9
Advanced Products	22,467	27,089	20.6	13.6
Autoparts	43,593	38,867	(10.8)	19.5
Building Materials	29,389	28,864	(1.8)	14.5
Total	203,191	199,473	(1.8)	100.0

3. Net sales by segment

(Millions of yen, %)

Name of segment	Fiscal Year 2019 (from April 1, 2019 to March 31, 2020)	Fiscal Year 2020 (from April 1, 2020 to March 31, 2021)	Change over the previous fiscal year (%)	FY2020 Composition ratio (%)
Energy and Industrial Plants	65,837	63,530	(3.5)	32.4
Industrial Products	45,150	42,925	(4.9)	21.9
Advanced Products	21,633	24,855	14.9	12.7
Autoparts	43,739	38,245	(12.6)	19.5
Building Materials	32,514	26,814	(17.5)	13.7
Total	208,876	196,372	(6.0)	100.0

6. Supplementary Materials

Financial results supplementary materials

(Percentage figures represent changes from previous fiscal year)

(1) Key consolidated financial figures (Trends)

(Millions of yen)

	Full Year							
	FY2016	FY2017	FY2018	FY2019	FY2020		FY2021	
	Result	Result	Result	Result	Result	Change	Forecast	Change
Net sales	180,363	197,495	215,495	208,876	196,372	(6.0)%	205,000	—
Operating income	19,600	21,357	22,629	20,427	19,616	(4.0)%	20,500	—
Operating margin (%)	10.9%	10.8%	10.5%	9.8%	10.0%		10.0%	
Ordinary income	19,756	21,804	23,171	21,633	21,279	(1.6)%	20,500	—
Ordinary income margin (%)	11.0%	11.0%	10.8%	10.4%	10.8%		10.0%	
Profit attributable to owners of the parent	13,409	14,956	15,861	14,674	10,715	(27.0)%	14,000	—
Net income margin (%)	7.4%	7.6%	7.4%	7.0%	5.5%		6.8%	
Basic earnings per share (yen)	200.82	222.73	238.70	221.21	161.53	(27.0)%	211.05	—
Total assets	175,999	196,459	206,426	208,076	219,602	5.5%	—	—
Net assets	97,890	109,705	117,774	127,233	136,450	7.2%	—	—
Shareholders' equity	97,367	109,195	116,786	126,297	135,429	7.2%	—	—
Equity ratio (%)	55.3%	55.6%	56.6%	60.7%	61.7%		—	
Interest-bearing debt	23,976	23,818	26,065	26,077	25,861	(0.8)%	—	—
Dependency on interest-bearing debt (%)	13.6%	12.1%	12.6%	12.5%	11.8%		—	
Capital expenditures	9,775	12,772	12,816	8,978	7,703	(14.2)%	10,000	29.8%
Depreciation & amortization	3,969	4,800	5,760	6,274	6,536	4.2%	6,300	(3.6)%
R&D expenses	5,446	5,692	5,976	6,132	6,168	0.6%	6,000	(2.7)%

¹The Company has applied the "Partial Amendments to 'Accounting Standard for Tax Effect Accounting'" (ASBJ Guidance No. 28, February 16, 2018) beginning in FY2018. These accounting standards have been retroactively applied to the figures for major management indicators for FY2017.

²The Company carried out a reverse stock split on a one-for-two basis on October 1, 2018. Basic earnings per share are calculated based on the assumption that the reverse stock split was carried out at the beginning of FY2016.

³Since the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29, March 31, 2020), etc., was applied from the start of FY2021, the above consolidated earnings forecasts are the amounts after applying these accounting standards, etc., and the percentage change from the previous fiscal year is not stated.

(2) Quarterly consolidated operating results (Trends)

(Millions of yen)

	FY2019				FY2020				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Change
Net sales	47,390	53,623	51,556	56,305	43,048	46,322	49,300	57,700	2.5%
Operating income	4,454	5,514	4,961	5,496	3,803	3,333	5,208	7,270	32.3%
Operating margin (%)	9.4%	10.3%	9.6%	9.8%	8.8%	7.2%	10.6%	12.6%	
Ordinary income	4,571	5,466	5,415	6,179	3,320	4,380	5,412	8,166	32.2%
Ordinary income margin (%)	9.6%	10.2%	10.5%	11.0%	7.7%	9.5%	11.0%	14.2%	
Profit attributable to owners of the parent	3,311	3,729	3,511	4,122	1,829	2,836	3,792	2,257	(45.2)%
Net income margin (%)	7.0%	7.0%	6.8%	7.3%	4.3%	6.1%	7.7%	3.9%	

All forecasts and plans that are not historical facts in this document are future business results-related forecasts. These are based on information and data currently available to the company, and various uncertain factors could cause actual results to differ.