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Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2017
(April 1, 2016 to September 30, 2016) [Japanese GAAP]

November 7, 2016

Company Name: **NICHIAS Corporation**
 Stock Exchange Listing: Tokyo Stock Exchange (Code number 5393)
 URL: <http://www.nichias.co.jp>
 Representative: Toshiyuki Takei, President and Chief Executive Officer
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 Scheduled date of filing of quarterly consolidated financial statements: November 10, 2016
 Supplementary materials for financial results: Available
 Organization of financial results briefing: Available (for institutional investors and analysts)
 Scheduled date of commencement of dividend payment: December 2, 2016

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

1. Consolidated financial results for the second quarter of the fiscal year ending March 31, 2017 (April 1 to September 30, 2016)

(1) Operating results (cumulative)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Second Quarter of Fiscal Year Ending March 31, 2017	84,703	4.2	8,876	32.3	8,356	17.4	5,653	25.6
Second Quarter of Fiscal Year Ended March 31, 2016	81,320	9.2	6,708	33.4	7,117	29.3	4,501	45.8

Note: Comprehensive income

Second Quarter of Fiscal Year Ending March 31, 2017..... ¥4,018 million / (2.7%)

Second Quarter of Fiscal Year Ended March 31, 2016..... ¥3,911 million / (6.2%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
Second Quarter of Fiscal Year Ending March 31, 2017	42.82	41.51
Second Quarter of Fiscal Year Ended March 31, 2016	36.01	32.76

(2) Financial status

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2016	158,318	87,851	55.0
As of March 31, 2016	154,922	85,665	54.8

(Reference) Shareholders' Equity

As of September 30, 2016 ¥87,071 million

As of March 31, 2016 ¥84,879 million

2. Dividends

	Annual dividends				
	1 st quarter-end	2 nd quarter-end	3 rd quarter-end	Fiscal year-end	Annual total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	—	9.00	—	12.00	21.00
Fiscal year ending March 31, 2017	—	12.00			
Fiscal year ending March 31, 2017 (Forecast)			—	12.00	24.00

Note: Adjustments from the most recently released dividend forecast: Yes

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	175,000	2.7	17,300	14.5	16,800	8.5	11,300	69.4	84.86

Note: Adjustments from the most recently released consolidated results forecast: Yes

* Notes

(1) Changes in significant subsidiaries during the consolidated quarter under review

(Change in the scope of consolidation for a significant subsidiary): None

(2) Application of specific accounting methods in the preparation of quarterly consolidated financial statements: None

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

1) Changes in accounting policies due to revision of accounting standards: Yes

2) Changes other than those in 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of shares outstanding (ordinary shares)

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

As of September 30, 2016	134,907,529 shares	As of March 31, 2016	132,804,711 shares
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2) Number of shares of treasury stock at the end of the period

As of September 30, 2016	1,663,586 shares	As of March 31, 2016	87,112 shares
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3) Average number of shares outstanding during the period (quarterly cumulative)

As of September 30, 2016	132,036,937 shares	As of September 30, 2015	124,983,334 shares
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* Items related to the conduct of quarterly review procedures

These quarterly financial results are not subject to quarterly review based on the Financial Instrument and Exchange Act. At the time of disclosure of this report, review procedures for quarterly consolidated financial statements were under way.

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

Forward-looking statements concerning financial forecasts contained in these materials are based on certain assumptions judged to be reasonable and on the information available when the forecasts were made. 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 the “Notice of Adjustments to Financial Forecasts” that was released on November 7, 2016 for information concerning financial forecasts, such as each of these assumptions used for financial forecasts and factors, that could cause these assumptions to change.

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1. Qualitative information on the quarter under review

(1) Explanation of operating results

During the first two quarters of the fiscal year under review (April 1, 2016 to September 30, 2016), while the Japanese economy remained on a path of moderate recovery overall, uncertainty toward the future grew as a result of factors that included a slowdown in the improvement in corporate performance due to the drastic yen appreciation. Meanwhile, conditions in overseas economies remained uncertain despite the strong state of the US economy, as the Chinese economy and other emerging economies experienced a slowdown and the UK decided to leave the EU.

Against this backdrop, net sales increased primarily in the Advanced Products Division and the Building Materials Division, with the former experiencing high demand with respect to products for semiconductor production equipment, and the latter benefiting from solid demand for fire resistant covering material and other non-residential products. As a result, net sales for the NICHIAS Group overall increased 4.2% year on year to ¥84,703 million.

In terms of profits, operating income increased 32.3% year on year to ¥8,876 million, ordinary income increased 17.4% year on year to ¥8,356 million, and profit attributable to owners of parent increased 25.6% year on year to ¥5,653 million.

Net sales by segment for the second quarter of the year ending March 31, 2017 are as follows.

Sales in the **Energy and Industrial Plants Division** increased 1.4% year on year to ¥24,565 million. This was due to strong performances by sales departments that responded to maintenance demand, despite a decline in completions of power-related work.

Sales in the **Industrial Products Division** increased 1.6% year on year to ¥20,312 million. This was due to the robust demand for products including fluoropolymer products and sealing material products.

Sales in the **Advanced Products Division** increased 16.9% year on year to ¥8,774 million. This was due to high levels of demand with respect to products for semiconductor and liquid crystal production equipment.

Sales in the **Autoparts Division** increased 2.8% year on year to ¥17,956 million. This was due to solid overseas demand, particularly in North America, along with an increase in overseas sales.

Sales in the **Building Materials Division** increased 7.9% year on year to ¥13,094 million. This was due to an increase in demand for fire resistant covering material and completion of floor installation in a large-scale building project.

(2) Explanation of financial position

1) Assets, liabilities, and net assets

Total assets at the end of the second quarter of the year ending March 31, 2017 were ¥158,318 million, up ¥3,396 million year on year. This was a result of year-on-year decreases in completed construction contracts of ¥2,709 million, buildings and structures of ¥467 million, and raw materials and supplies of ¥401 million being outweighed by year-on-year increases in cash and deposits of ¥2,817 million, costs on uncompleted construction contracts of ¥2,166 million, and construction in progress of ¥2,103 million.

Liabilities at the end of the second quarter of the year ending March 31, 2017 were ¥70,466 million, up ¥1,210 million year on year. This was largely the result of a year-on-year decrease in bonds with subscription rights to shares of ¥2,575 million being outweighed by year-on-year increases in uncompleted construction contracts of ¥1,646 million, current portion of bonds with subscription rights to share of ¥1,310 million, and notes and accounts payable-trade of ¥866 million.

Net assets at the end of the second quarter of the fiscal year ending March 31, 2017 were ¥87,851 million, up ¥2,186 million year-on-year. This was a result of a year-on-year decrease in foreign currency translation adjustment of ¥1,952 million and a ¥1,340 million increase in treasury stock being outweighed by year-on-year increases in retained earnings of ¥4,060 million, capital stock of ¥576 million, and capital surplus of ¥535 million.

2) Cash flows

Cash and cash equivalents at the end of the second quarter of the year ending March 31, 2017 (hereinafter, “cash”) increased by ¥2,805 million to ¥22,606 million compared with the end of the previous fiscal year. Cash flows and factors affecting cash flows are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥10,689 million (compared to receipts of ¥6,412 million in the same period of the previous fiscal year).

This reflects factors such as a decrease in cash due to ¥2,487 million in income taxes paid and a ¥2,360 million increase in inventories being outweighed by the factors of an increase in cash of ¥8,091 million in income before income taxes, a ¥2,421 million decrease in notes and accounts receivable—trade, ¥1,835 million in depreciation and amortization, and a ¥1,657 million increase in advances received on uncompleted construction contracts.

(Cash flows from investing activities)

Net cash used in investing activities was ¥3,951 million (compared to expenditures of ¥2,282 million in the same period of the previous fiscal year).

This was due to outflows of cash that included expenditures of ¥3,841 million for purchases of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥3,125 million (compared to expenditures of ¥2,405 million in the same period of the previous fiscal year).

This was due to outflows of cash attributable to a ¥1,509 million net increase in treasury stock and ¥1,590 million in cash dividends paid.

(3) Explanation of information related to future prospects including consolidated results forecasts

In consideration of business performance during the first two quarters of the fiscal year ending March 31, 2017, the full-year earnings forecasts for the year ending March 31, 2017 that were announced on May 9, 2016 have been revised.

Note that the results forecasts are based on information that was currently available at the time this report was announced and are judgments of the Group. Actual results may differ from the forecasts due to a variety of factors.

2. Summary information (Notes)

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

(Changes in accounting policies)

Accompanying a change in the Corporation Tax Act, the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ Practical Issues Task Force No. 32, issued June 17, 2016) will be applied from the first quarter of the year ending March 31, 2017, and the depreciation method for building-attached facilities and structures acquired from April 1, 2016 will be changed from a fixed-rate method to a straight-line method.

Note that this will not have a material impact on the quarterly consolidated financial statements for the second quarter of the year ending March 31, 2017.

(2) Additional Information

(Implementation Guidance on Recoverability of Deferred Tax Assets)

The “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26 of March 28, 2016) has been applied from the first quarter of the year ending March 31, 2017.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	Fiscal year ended March 31, 2016	Second Quarter of Fiscal Year Ending March 31, 2017 (September 30, 2016)
Assets		
Current assets		
Cash and deposits	20,352	23,170
Notes and accounts receivable—trade	37,889	37,492
Accounts receivable from completed construction contracts	16,453	13,744
Merchandise and finished goods	9,345	9,133
Work in process	1,341	1,524
Raw materials and supplies	6,018	5,617
Costs on uncompleted construction contracts	4,680	6,847
Deferred tax assets	1,708	1,710
Other	2,245	2,614
Allowance for doubtful accounts	(13)	(9)
Total current assets	100,022	101,843
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	42,424	42,173
Accumulated depreciation and impairment loss	(28,589)	(28,805)
Buildings and structures, net	13,835	13,367
Machinery, equipment and vehicles	64,697	64,443
Accumulated depreciation and impairment loss	(58,238)	(58,038)
Machinery, equipment and vehicles, net	6,458	6,404
Land	13,647	13,569
Lease assets	370	291
Accumulated depreciation	(216)	(139)
Lease assets, net	153	152
Construction in progress	1,304	3,407
Other	7,573	7,618
Accumulated depreciation and impairment loss	(6,999)	(7,012)
Other, net	573	606
Total property, plant and equipment	35,972	37,508
Intangible assets		
Software	1,557	1,354
Other	436	391
Total intangible assets	1,993	1,746
Investments and other assets		
Investment securities	12,535	12,782
Net defined benefit asset	274	456
Deferred tax assets	584	537
Other	3,576	3,490
Allowance for doubtful accounts	(38)	(47)
Total investments and other assets	16,933	17,219
Total noncurrent assets	54,899	56,474
Total assets	154,922	158,318

(Millions of yen)

	Fiscal year ended March 31, 2016	Second Quarter of Fiscal Year Ending March 31, 2017 (September 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	25,878	26,745
Current portion of bonds with subscription rights to shares	—	1,310
Short-term loans payable	14,197	13,610
Accounts payable—other	4,416	3,711
Income taxes payable	2,593	2,527
Advances received on uncompleted construction contracts	659	2,305
Provision for bonuses	2,398	3,034
Other	2,631	2,572
Total current liabilities	52,775	55,818
Noncurrent liabilities		
Bonds payable	8,000	8,000
Bonds with subscription rights to shares	2,575	—
Long-term loans payable	300	800
Deferred tax liabilities	937	994
Net defined benefit liability	3,415	3,460
Other	1,253	1,393
Total noncurrent liabilities	16,481	14,648
Total liabilities	69,256	70,466
Net assets		
Shareholders' equity		
Capital stock	11,421	11,997
Capital surplus	13,314	13,850
Retained earnings	58,281	62,342
Treasury stock	(33)	(1,374)
Total shareholders' equity	82,982	86,815
Total other cumulative comprehensive income		
Valuation difference on available-for-sale securities	4,606	4,705
Foreign currency translation adjustment	363	(1,588)
Remeasurements of defined benefit plans	(3,073)	(2,861)
Total other cumulative comprehensive income	1,896	255
Non-controlling interests	786	780
Total net assets	85,665	87,851
Total liabilities and net assets	154,922	158,318

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

Quarterly consolidated statements of income
Second quarter of consolidated fiscal year

(Millions of yen)

	Second Quarter of Fiscal Year Ended March 31, 2016 (April 1, 2015 to September 30, 2015)	Second Quarter of Fiscal Year Ending March 31, 2017 (April 1, 2016 to September 30, 2016)
Net sales		
Net sales of merchandise and finished goods	59,429	61,489
Net sales of completed construction contracts	21,891	23,213
Total net sales	81,320	84,703
Cost of sales		
Cost of merchandise and finished goods sold	44,061	43,803
Cost of sales of completed construction contracts	18,804	19,650
Total cost of sales	62,866	63,453
Gross profit	18,454	21,249
Selling, general and administrative expenses		
Selling expenses	3,792	3,850
General and administrative expenses	7,953	8,522
Total selling, general and administrative expenses	11,746	12,372
Operating income	6,708	8,876
Non-operating income		
Interest income	19	19
Dividends income	192	196
Foreign exchange gains	112	—
Rent income	140	154
Equity in earnings of affiliates	24	36
Other	122	190
Total non-operating income	611	597
Non-operating expenses		
Interest expenses	96	87
Foreign exchange losses	—	872
Other	106	157
Total non-operating expenses	202	1,118
Ordinary income	7,117	8,356
Extraordinary income		
Gain on sales of noncurrent assets	1	3
Gains on liquidation of subsidiaries	35	—
Total extraordinary income	36	3
Extraordinary losses		
Loss on sales and retirement of noncurrent assets	66	61
Loss on disasters	—	207
Total extraordinary losses	66	268
Income before income taxes	7,088	8,091

(Millions of yen)

	Second Quarter of Fiscal Year Ended March 31, 2016 (April 1, 2015 to September 30, 2015)	Second Quarter of Fiscal Year Ending March 31, 2017 (April 1, 2016 to September 30, 2016)
Income taxes—current	2,187	2,445
Income taxes—deferred	366	(38)
Total income taxes	2,554	2,406
Profit	4,533	5,685
Profit attributable to non-controlling interests	32	31
Profit attributable to owners of parent	4,501	5,653

Quarterly consolidated statements of comprehensive income
Second quarter of consolidated fiscal year

(Millions of yen)

	Second Quarter of Fiscal Year Ended March 31, 2016 (April 1, 2015 to September 30, 2015)	Second Quarter of Fiscal Year Ending March 31, 2017 (April 1, 2016 to September 30, 2016)
Profit	4,533	5,685
Other comprehensive income		
Valuation difference on available-for-sale securities	(310)	99
Foreign currency translation adjustment	(344)	(1,980)
Remeasurements of defined benefit plans	31	214
Total other comprehensive income	(622)	(1,667)
Comprehensive income	3,911	4,018
(Breakdown)		
Comprehensive income attributable to owners of the parent company	3,892	4,013
Comprehensive income attributable to non-controlling interests	19	4

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Second Quarter of Fiscal Year Ended March 31, 2016 (April 1, 2015 to September 30, 2015)	Second Quarter of Fiscal Year Ending March 31, 2017 (April 1, 2016 to September 30, 2016)
Cash flows from operating activities		
Income before income taxes	7,088	8,091
Depreciation and amortization	2,246	1,835
Increase (decrease) in net defined benefit liability	35	45
Increase (decrease) in provision for bonuses	487	646
Interest and dividends income received	(212)	(216)
Interest expenses	96	87
Foreign exchange losses (gains)	1	319
Decrease (increase) in notes and accounts receivable—trade	3,215	2,421
Decrease (increase) in inventories	(1,941)	(2,360)
Increase (decrease) in notes and accounts payable—trade	(608)	1,132
Increase (decrease) in accounts payable—other	(671)	(671)
Increase (decrease) in accrued expenses	74	62
Increase (decrease) in advances received on uncompleted construction contracts	153	1,657
Loss (gain) on liquidation of subsidiaries	(35)	—
Decrease (increase) in net defined benefit asset	(755)	(181)
Other	(332)	182
Subtotal	8,841	13,051
Interest and dividends income received	212	216
Interest expenses paid	(96)	(90)
Income taxes paid	(2,550)	(2,487)
Income taxes refund	6	—
Net cash provided by (used in) operating activities	6,412	10,689

(Millions of yen)

	Second Quarter of Fiscal Year Ended March 31, 2016 (April 1, 2015 to September 30, 2015)	Second Quarter of Fiscal Year Ending March 31, 2017 (April 1, 2016 to September 30, 2016)
Cash flows from investing activities		
Net decrease (increase) in time deposits	(98)	(84)
Proceeds from liquidation of subsidiaries	38	—
Purchase of property, plant and equipment	(2,149)	(3,841)
Proceeds from sales of property, plant and equipment	14	63
Purchase of intangible assets	(102)	(75)
Payments of loans receivable	(22)	(0)
Collection of loans receivable	23	24
Other	14	(36)
Net cash provided by (used in) investing activities	(2,282)	(3,951)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(552)	628
Proceeds from long-term loans payable	300	500
Repayment of long-term loans payable	(550)	(1,100)
Redemption of bonds	(450)	—
Cash dividends paid	(1,086)	(1,590)
Net decrease (increase) in treasury stock	(19)	(1,509)
Dividends paid to non-controlling interests	(9)	(11)
Other	(37)	(42)
Net cash provided by (used in) financing activities	(2,405)	(3,125)
Effect of exchange rate change on cash and cash equivalents	(54)	(806)
Net increase (decrease) in cash and cash equivalents	1,669	2,805
Cash and cash equivalents at beginning of period	14,460	19,800
Increase in cash and cash equivalents from newly consolidated subsidiary	385	—
Cash and cash equivalents at end of period	16,515	22,606

(4) Notes regarding quarterly consolidated financial statements

(Notes regarding going concern assumption)

Not applicable

(Notes regarding significant changes in shareholders' equity (if any))

In accordance with Article 156 of the Companies Act replacing the phrases pursuant to the provisions of Article 165-3 of the Companies Act, a resolution was made at the meeting of the Board of Directors held on May 9, 2016 to acquire 1,793,000 treasury shares for 1,499 million yen as described below.

As a result of the conversion of Japanese yen-denominated convertible bond-type bonds with subscription rights to shares maturing in 2017, in the first two quarters of the fiscal year ending in March 2017, capital stock and capital surplus increased ¥576 million and ¥528 million, respectively, and ¥159 million in treasury stock was sold.

As a result, the balance of capital stock, capital surplus and treasury stock was ¥11,997 million, ¥13,850 million and ¥1,374 million at the end of the first two quarters of the fiscal year.

(Segment information)

I. Second quarter of fiscal year ended March 31, 2016 (April 1, 2015 to September 30, 2015)

1. Information on net sales and profit (loss) by reporting segment

(Millions of yen)

	Reporting segments						Adjustments	Amount stated in quarterly consolidated financial statements
	Energy and Industrial Plants	Industrial Products	Advanced Products	Autoparts	Building Materials	Total		
Net sales								
Net sales to external customers	24,238	19,983	7,504	17,460	12,133	81,320	—	81,320
Intersegment sales or transfers	—	3,789	—	—	—	3,789	(3,789)	—
Total	24,238	23,772	7,504	17,460	12,133	85,110	(3,789)	81,320
Segment profit or loss	1,659	2,700	1,059	2,319	(1,031)	6,708	—	6,708

2. Information related to impairment loss of noncurrent assets and goodwill by reporting segment:

Not applicable

II. Second quarter of fiscal year ending March 31, 2017 (April 1, 2016 to September 30, 2016)

1. Information on net sales and profit (loss) by reporting segment

(Millions of yen)

	Reporting segments						Adjustments	Amount stated in quarterly consolidated financial statements
	Energy and Industrial Plants	Industrial Products	Advanced Products	Autoparts	Building Materials	Total		
Net sales								
Net sales to external customers	24,565	20,312	8,774	17,956	13,094	84,703	—	84,703
Intersegment sales or transfers	—	4,195	—	—	—	4,195	(4,195)	—
Total	24,565	24,507	8,774	17,956	13,094	88,899	(4,195)	84,703
Segment profit	1,897	2,905	1,556	2,166	350	8,876	—	8,876

2. Information related to impairment loss of noncurrent assets and goodwill by reporting segment:

Not applicable

4. Supplementary materials

Financial results briefing supplementary materials for the second quarter of the fiscal year ending March 31, 2017

November 7, 2016

NICHIAS Corporation

(1) Key consolidated figures

(Millions of yen)

	Half year			Full year					
	Fiscal year 2016	Fiscal year 2017		Fiscal year 2013	Fiscal year 2014	Fiscal year 2015	Fiscal year 2016	Fiscal year 2017	
	Second quarter (cumulative)	Second quarter (cumulative) forecast	Year-on-year change					Forecast	Year-on-year change
Net sales	81,320	84,703	4.2%	137,008	147,118	158,939	170,430	175,000	2.7%
Operating income	6,708	8,876	32.3%	9,414	10,216	11,490	15,104	17,300	14.5%
Operating income margin (%)	8.2%	10.5%		6.9%	6.9%	7.2%	8.9%	9.9%	
Ordinary income	7,117	8,356	17.4%	9,752	11,057	12,913	15,480	16,800	8.5%
Ordinary income margin (%)	8.8%	9.9%		7.1%	7.5%	8.1%	9.1%	9.6%	
Profit attributable to owners of parent	4,501	5,653	25.6%	5,936	6,317	7,532	6,669	11,300	69.4%
Net income (loss) margin (%)	5.5%	6.7%		4.3%	4.3%	4.7%	3.9%	6.5%	
Net income (loss) per share (yen)	36.01	42.82	18.9%	49.81	52.89	62.84	51.88	84.86	63.6%
Total assets	158,866	158,318	(0.3%)	135,401	141,311	156,234	154,922	—	—
Net assets	88,263	87,851	(0.5%)	62,299	67,956	78,893	85,665	—	—
Shareholders' equity	87,491	87,071	(0.5%)	61,291	67,276	78,132	84,879	—	—
Equity ratio (%)	55.1%	55.0%		45.3%	47.6%	50.0%	54.8%	—	—
Interest-bearing debt	26,538	24,621	(7.2%)	36,289	33,825	33,830	25,840	—	—
Interest-bearing debt ratio (%)	16.7%	15.6%		26.8%	23.9%	21.7%	16.7%	—	—
Capital expenditures	2,622	4,090	56.0%	6,537	8,299	2,788	4,287	10,000	133.2%
Depreciation and amortization	2,246	1,835	(18.3%)	3,260	3,802	4,659	4,598	3,900	(15.2%)
Research and development expenses	2,582	2,673	3.5%	5,189	5,545	5,602	5,460	5,500	0.7%

(2) Quarterly consolidated financial results

(Millions of yen)

	Fiscal year 2016				Fiscal year 2017		
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Year-on-year change
Net sales	38,648	42,672	41,435	47,674	39,230	45,473	6.6%
Operating income	3,140	3,567	3,204	5,191	3,876	5,000	40.2%
Operating income margin (%)	8.1%	8.4%	7.7%	10.9%	9.9%	11.0%	
Ordinary income	3,416	3,701	3,180	5,182	3,639	4,716	27.4%
Ordinary income margin (%)	8.8%	8.7%	7.7%	10.9%	9.3%	10.4%	
Profit attributable to owners of parent	2,071	2,429	2,103	65	2,378	3,275	34.8%
Net income (loss) margin (%)	5.4%	5.7%	5.1%	0.1%	6.1%	7.2%	

*The statements contained in this material, which refer to current plans and projections, other than historical facts, represent forward-looking statements made at the discretion of top management based on information currently available.

Therefore, please note that the actual results may considerably differ from those projected due to various factors.