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

February 6, 2017

Company Name: **NICHIAS Corporation**
 Stock Exchange Listing: Tokyo Stock Exchange (Code number 5393)
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 Representative: Toshiyuki Takei, President and Chief Executive Officer
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 Scheduled date of filing of quarterly consolidated financial statements: February 9, 2017
 Supplementary materials for financial results: Available
 Organization of financial results briefing: None
 Scheduled date of commencement of dividend payment: —

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

1. Consolidated financial results for the third quarter of the fiscal year ending March 31, 2017 (April 1 to December 31, 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	%
Third Quarter of Fiscal Year Ending March 31, 2017	130,035	5.9	14,285	44.1	14,318	39.0	9,715	47.1
Third Quarter of Fiscal Year Ended March 31, 2016	122,755	7.2	9,912	24.2	10,298	13.7	6,604	23.9

Note: Comprehensive income

Third Quarter of Fiscal Year Ending March 31, 2017..... ¥8,663 million / 48.3%

Third Quarter of Fiscal Year Ended March 31, 2016..... ¥5,840 million / (20.6%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
Third Quarter of Fiscal Year Ending March 31, 2017	73.12	71.43
Third Quarter of Fiscal Year Ended March 31, 2016	51.89	48.07

(2) Financial status

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2016	167,664	92,155	54.5
As of March 31, 2016	154,922	85,665	54.8

(Reference) Shareholders' Equity

As of December 31, 2016 ¥91,362 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: None

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: None

* 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 December 31, 2016	135,623,834 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 December 31, 2016	10,754 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 December 31, 2016	132,875,848 shares	As of December 31, 2016	127,286,657 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.

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1. Qualitative information on the quarter under review

(1) Explanation of operating results

During the first three quarters of the fiscal year under review (April 1, 2016 to December 31, 2016), the Japanese economy remained on a path of moderate recovery overall as a result of an improvement in corporate earnings and a more favorable employment environment. In terms of performance overseas, the US economy was strong and there were signs of recovery in the economies of China and other emerging countries.

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 5.9% year on year to ¥130,035 million.

In terms of profits, operating income increased 44.1% year on year to ¥14,285 million, ordinary income increased 39.0% year on year to ¥14,318 million, and profit attributable to owners of parent increased 47.1% year on year to ¥9,715 million.

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

Sales in the **Energy and Industrial Plants Division** increased 5.8% year on year to ¥37,627 million. This was due to strong performances by construction and sales departments that responded to maintenance demand.

Sales in the **Industrial Products Division** increased 2.0% year on year to ¥30,664 million. This was due to the robust demand for products including fluoropolymer products and sealing material products.

Sales in the **Advanced Products Division** increased 22.3% year on year to ¥13,818 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 2.7% year on year to ¥27,166 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 7.0% year on year to ¥20,758 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 third quarter of the year ending March 31, 2017 were ¥167,664 million, up ¥12,742 million compared with the end of the previous fiscal year. This was largely a result of a decrease in accounts receivable from completed construction contracts of ¥2,157 million being outweighed by increases in cash and deposits of ¥4,088 million, construction in progress of ¥3,397 million, costs on uncompleted construction contracts of ¥3,001 million, investment securities of ¥1,733 million, and notes and accounts receivable—trade of ¥1,152 million. Liabilities at the end of the third quarter of the year ending March 31, 2017 were ¥75,509 million, up ¥6,252 million compared with the end of the previous fiscal year. This was largely a result of a decrease in bonds with subscription rights to shares of ¥2,575 million being outweighed by increases in notes and accounts payable—trade of ¥3,528 million, bonds payable of ¥2,400 million, and advances received on uncompleted construction contracts of ¥2,172 million.

Net assets at the end of the third quarter of the fiscal year ending March 31, 2017 were ¥92,155 million, up ¥6,490 million compared with the end of the previous fiscal year. This was largely a result of a decrease in foreign currency translation adjustment of ¥2,549 million being outweighed by increases in retained earnings of ¥6,524 million, valuation difference on available-for-sale securities of ¥1,125 million, and capital stock of ¥707 million.

2) Cash flows

Cash and cash equivalents at the end of the third quarter of the year ending March 31, 2017 (hereinafter, “cash”) increased by ¥4,047 million to ¥23,848 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 ¥15,380 million (compared to receipts of ¥6,802 million in the same period of the previous fiscal year).

This reflects factors such as a decrease in cash due to ¥4,567 million in income taxes paid and a ¥3,589 million increase in inventories being outweighed by the factors of an increase in cash of ¥13,964 million in income before income taxes, a ¥2,825 million increase in notes and accounts payable—trade, ¥2,823 million in depreciation and amortization, and a ¥2,177 million increase in advances received on uncompleted construction contracts.

(Cash flows from investing activities)

Net cash used in investing activities was ¥7,930 million (compared to expenditures of ¥3,438 million in the same period of the previous fiscal year).

This was due to outflows of cash that included ¥5,900 million used for the purchase of property, plant and equipment and ¥1,783 million used for the purchase of investments in subsidiaries accompanying a change in the scope of consolidation.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,667 million (compared to expenditures of ¥3,536 million in the same period of the previous fiscal year).

This reflects factors such as an increase in cash due to ¥1,983 million in proceeds from issuance of bonds being outweighed by the factors of a decrease in cash of ¥3,088 million in cash dividends paid and a ¥1,518 million net increase in treasury stock.

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

The results for the third quarter of the fiscal year ending March 31, 2017 were largely in line with expectations. Therefore, the forecasts released on November 7, 2016 for the entire fiscal year ending March 31, 2017 remain unchanged at this point in time.

Note that the result 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 third 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) was applied beginning with 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	Third Quarter of Fiscal Year Ending March 31, 2017 (December 31, 2016)
Assets		
Current assets		
Cash and deposits	20,352	24,441
Notes and accounts receivable—trade	37,889	39,042
Accounts receivable from completed construction contracts	16,453	14,295
Merchandise and finished goods	9,345	9,633
Work in process	1,341	1,707
Raw materials and supplies	6,018	5,977
Costs on uncompleted construction contracts	4,680	7,682
Deferred tax assets	1,708	1,315
Other	2,245	3,008
Allowance for doubtful accounts	(13)	(9)
Total current assets	100,022	107,095
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	42,424	42,461
Accumulated depreciation and impairment loss	(28,589)	(29,177)
Buildings and structures, net	13,835	13,283
Machinery, equipment and vehicles	64,697	63,056
Accumulated depreciation and impairment loss	(58,238)	(56,528)
Machinery, equipment and vehicles, net	6,458	6,527
Land	13,647	14,028
Lease assets	370	304
Accumulated depreciation	(216)	(154)
Lease assets, net	153	149
Construction in progress	1,304	4,701
Other	7,573	7,919
Accumulated depreciation and impairment loss	(6,999)	(7,021)
Other, net	573	897
Total property, plant and equipment	35,972	39,588
Intangible assets		
Software	1,557	1,276
Other	436	396
Total intangible assets	1,993	1,673
Investments and other assets		
Investment securities	12,535	14,269
Net defined benefit asset	274	503
Deferred tax assets	584	775
Other	3,576	3,807
Allowance for doubtful accounts	(38)	(46)
Total investments and other assets	16,933	19,308
Total noncurrent assets	54,899	60,569
Total assets	154,922	167,664

(Millions of yen)

	Fiscal year ended March 31, 2016	Third Quarter of Fiscal Year Ending March 31, 2017 (December 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	25,878	29,407
Current portion of bonds with subscription rights to shares	—	5
Short-term loans payable	14,197	13,859
Accounts payable—other	4,416	4,238
Income taxes payable	2,593	1,940
Advances received on uncompleted construction contracts	659	2,831
Provision for bonuses	2,398	1,899
Other	2,631	3,233
Total current liabilities	52,775	57,414
Noncurrent liabilities		
Bonds payable	8,000	10,400
Bonds with subscription rights to shares	2,575	—
Long-term loans payable	300	840
Deferred tax liabilities	937	1,564
Net defined benefit liability	3,415	3,864
Other	1,253	1,424
Total noncurrent liabilities	16,481	18,094
Total liabilities	69,256	75,509
Net assets		
Shareholders' equity		
Capital stock	11,421	12,128
Capital surplus	13,314	13,652
Retained earnings	58,281	64,805
Treasury stock	(33)	(10)
Total shareholders' equity	82,982	90,574
Total other cumulative comprehensive income		
Valuation difference on available-for-sale securities	4,606	5,731
Foreign currency translation adjustment	363	(2,185)
Remeasurements of defined benefit plans	(3,073)	(2,758)
Total other cumulative comprehensive income	1,896	787
Non-controlling interests	786	793
Total net assets	85,665	92,155
Total liabilities and net assets	154,922	167,664

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

Quarterly consolidated statements of income

Third quarter of consolidated fiscal year

(Millions of yen)

	Third Quarter of Fiscal Year Ended March 31, 2016 (April 1, 2015 to December 31, 2015)	Third Quarter of Fiscal Year Ending March 31, 2017 (April 1, 2016 to December 31, 2016)
Net sales		
Net sales of merchandise and finished goods	89,695	93,925
Net sales of completed construction contracts	33,060	36,110
Total net sales	122,755	130,035
Cost of sales		
Cost of merchandise and finished goods sold	66,532	66,580
Cost of sales of completed construction contracts	28,414	30,442
Total cost of sales	94,947	97,023
Gross profit	27,808	33,012
Selling, general and administrative expenses		
Selling expenses	5,684	5,745
General and administrative expenses	12,211	12,981
Total selling, general and administrative expenses	17,895	18,726
Operating income	9,912	14,285
Non-operating income		
Interest income	35	30
Dividends income	291	312
Rent income	211	232
Equity in earnings of affiliates	52	48
Other	177	250
Total non-operating income	767	874
Non-operating expenses		
Interest expenses	142	135
Foreign exchange losses	78	477
Other	160	228
Total non-operating expenses	381	841
Ordinary income	10,298	14,318
Extraordinary income		
Gain on sales of noncurrent assets	6	7
Gains on liquidation of subsidiaries	35	—
Total extraordinary income	41	7
Extraordinary losses		
Loss on sales and retirement of noncurrent assets	80	154
Loss on disasters	—	207
Total extraordinary losses	80	361
Income before income taxes	10,259	13,964

(Millions of yen)

	Third Quarter of Fiscal Year Ended March 31, 2016 (April 1, 2015 to December 31, 2015)	Third Quarter of Fiscal Year Ending March 31, 2017 (April 1, 2016 to December 31, 2016)
Income taxes—current	2,610	3,768
Income taxes—deferred	977	432
Total income taxes	3,588	4,201
Profit	6,671	9,763
Profit attributable to non-controlling interests	66	47
Profit attributable to owners of parent	6,604	9,715

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

(Millions of yen)

	Third Quarter of Fiscal Year Ended March 31, 2016 (April 1, 2015 to December 31, 2015)	Third Quarter of Fiscal Year Ending March 31, 2017 (April 1, 2016 to December 31, 2016)
Profit	6,671	9,763
Other comprehensive income		
Valuation difference on available-for-sale securities	845	1,125
Foreign currency translation adjustment	(1,724)	(2,542)
Remeasurements of defined benefit plans	47	317
Total other comprehensive income	(830)	(1,099)
Comprehensive income	5,840	8,663
(Breakdown)		
Comprehensive income attributable to owners of the parent company	5,816	8,645
Comprehensive income attributable to non-controlling interests	23	18

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Third Quarter of Fiscal Year Ended March 31, 2016 (April 1, 2015 to December 31, 2015)	Third Quarter of Fiscal Year Ending March 31, 2017 (April 1, 2016 to December 31, 2016)
Cash flows from operating activities		
Income before income taxes	10,259	13,964
Depreciation and amortization	3,412	2,823
Increase (decrease) in net defined benefit liability	50	65
Increase (decrease) in provision for bonuses	(464)	(529)
Interest and dividends income received	(326)	(342)
Interest expenses	142	135
Foreign exchange losses (gains)	99	260
Decrease (increase) in notes and accounts receivable—trade	1,728	1,479
Decrease (increase) in inventories	(3,398)	(3,589)
Increase (decrease) in notes and accounts payable—trade	60	2,825
Increase (decrease) in accounts payable—other	(409)	(275)
Increase (decrease) in advances received on uncompleted construction contracts	773	2,177
Loss (gain) on liquidation of subsidiaries	(35)	—
Decrease (increase) in net defined benefit asset	(1,128)	(228)
Other	246	976
Subtotal	11,011	19,744
Interest and dividends income received	326	342
Interest expenses paid	(136)	(138)
Income taxes paid	(4,400)	(4,567)
Income taxes refund	0	—
Net cash provided by (used in) operating activities	6,802	15,380

(Millions of yen)

	Third Quarter of Fiscal Year Ended March 31, 2016 (April 1, 2015 to December 31, 2015)	Third Quarter of Fiscal Year Ending March 31, 2017 (April 1, 2016 to December 31, 2016)
Cash flows from investing activities		
Net decrease (increase) in time deposits	(153)	(118)
Purchase of property, plant and equipment	(3,140)	(5,900)
Proceeds from sales of property, plant and equipment	7	70
Purchase of intangible assets	(151)	(121)
Payments of loans receivable	(23)	(1)
Collection of loans receivable	62	26
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,783)
Other	(39)	(102)
Net cash provided by (used in) investing activities	(3,438)	(7,930)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(525)	628
Proceeds from long-term loans payable	300	500
Repayment of long-term loans payable	(675)	(1,100)
Proceeds from issuance of bonds	—	1,983
Redemption of bonds	(450)	—
Cash dividends paid	(2,089)	(3,088)
Net decrease (increase) in treasury stock	(23)	(1,518)
Dividends paid to non-controlling interests	(9)	(11)
Other	(62)	(61)
Net cash provided by (used in) financing activities	(3,536)	(2,667)
Effect of exchange rate change on cash and cash equivalents	(133)	(735)
Net increase (decrease) in cash and cash equivalents	(306)	4,047
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	14,539	23,848

(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 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 three quarters of the fiscal year ending in March 2017, capital stock and capital surplus increased by 707 million and ¥330 million, respectively, and ¥1,532 million in treasury stock was sold.

As a result, the balance of capital stock, capital surplus and treasury stock was ¥12,128 million, ¥13,652 million and ¥10 million at the end of the third quarters of the fiscal year.

(Segment information)

I. Third quarter of fiscal year ended March 31, 2016 (April 1, 2015 to December 31, 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	35,550	30,060	11,297	26,440	19,406	122,755	—	122,755
Intersegment sales or transfers	—	5,550	—	—	—	5,550	(5,550)	—
Total	35,550	35,610	11,297	26,440	19,406	128,305	(5,550)	122,755
Segment profit or loss	2,196	4,165	1,538	3,247	(1,235)	9,912	—	9,912

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

Not applicable

II. Third quarter of fiscal year ending March 31, 2017 (April 1, 2016 to December 31, 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	37,627	30,664	13,818	27,166	20,758	130,035	—	130,035
Intersegment sales or transfers	—	5,922	—	—	—	5,922	(5,922)	—
Total	37,627	36,586	13,818	27,166	20,758	135,958	(5,922)	130,035
Segment profit	3,160	4,580	2,497	3,244	802	14,285	—	14,285

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

Not applicable

(Related to business merger etc.)

Business combination through an acquisition

(1) Overview of the business combination

(1) Name and description of business of acquired company

Name of acquired company: NIPPON REINZ CO., LTD.

Description of business: Manufacturing and sales of autoparts

(2) Main reasons for the business combination

The Group has set forth the pursuit of further business growth and profitability and the promotion of management with an awareness of improvements and efficiency as management targets in its medium-term business plan, and through these efforts it is building the foundations for becoming a company with sustainable competitive strength.

NIPPON REINZ CO., LTD., which is being converted into a subsidiary, is an autoparts manufacturing company with advanced technical capabilities that develops, manufactures, and sells autoparts, including seal materials for the outside of engine cylinder head gaskets for engines ranging from high load engines to high capacity diesel engines, as well as insulating and heat-blocking parts and exhaust system parts.

As the subsidiary's business areas are closely related to the Company's business areas, we believe that we can generate synergies and respond to the needs of customers by combining and taking full advantage of the unique technical capabilities and networks of both companies.

Accordingly, the decision was made to acquire the shares of this company as it was deemed that conversion into a subsidiary would contribute to the sustainable growth of the Group and the Company's autoparts business and to improvements in corporate value.

(3) Business combination date

November 30, 2016 (share acquisition date)

December 31, 2016 (deemed acquisition date)

(4) Legal form of the business combination

Share acquisition for cash consideration

(5) Name of company after the business combination

NIPPON REINZ CO., LTD.

(6) Ratio of voting rights acquired

100%

(7) Main basis that led to determining the acquiring company

The Company has acquired shares with cash as consideration.

(2) Period of results of the acquired company included in the quarterly consolidated financial statements for the quarterly consolidated cumulative period

Because the deemed acquisition date is December 31, 2016, the results of the acquired company are not included in the quarterly consolidated financial statements for the first three quarters of the fiscal year under review.

(3) Acquisition cost of the acquired company and breakdown of the type of consideration

Acquisition consideration: cash	¥2,680 million
Acquisition cost	2,680

(4) Breakdown and amounts of main acquisition-related expenses

Advisory expenses, etc. ¥188 million

(5) Amount of goodwill, causes of occurrence, amortization method, and amortization period

There was no goodwill or negative goodwill.

4. Supplementary materials

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

February 6, 2017
NICHIAS Corporation

(1) Key consolidated figures

(Millions of yen)

	Third quarter (cumulative)			Full year					
	Fiscal year 2016 Third quarter (cumulative)	Fiscal year 2017		Fiscal year 2013	Fiscal year 2014	Fiscal year 2015	Fiscal year 2016	Fiscal year 2017	
		Third quarter (cumulative)	Year-on-year change					Forecast	Year-on-year change
Net sales	122,755	130,035	5.9%	137,008	147,118	158,939	170,430	175,000	2.7%
Operating income	9,912	14,285	44.1%	9,414	10,216	11,490	15,104	17,300	14.5%
Operating income margin (%)	8.1%	11.0%		6.9%	6.9%	7.2%	8.9%	9.9%	
Ordinary income	10,298	14,318	39.0%	9,752	11,057	12,913	15,480	16,800	8.5%
Ordinary income margin (%)	8.4%	11.0%		7.1%	7.5%	8.1%	9.1%	9.6%	
Profit attributable to owners of parent	6,604	9,715	47.1%	5,936	6,317	7,532	6,669	11,300	69.4%
Net income (loss) margin (%)	5.4%	7.5%		4.3%	4.3%	4.7%	3.9%	6.5%	
Net income (loss) per share (yen)	51.89	73.12	40.9%	49.81	52.89	62.84	51.88	84.86	63.6%
Total assets	158,998	167,664	5.5%	135,401	141,311	156,234	154,922	—	—
Net assets	89,353	92,155	3.1%	62,299	67,956	78,893	85,665	—	—
Shareholders' equity	88,577	91,362	3.1%	61,291	67,276	78,132	84,879	—	—
Equity ratio (%)	55.7%	54.5%		45.3%	47.6%	50.0%	54.8%	—	—
Interest-bearing debt	26,176	26,040	(0.5%)	36,289	33,825	33,830	25,840	—	—
Interest-bearing debt ratio (%)	16.5%	15.5%		26.8%	23.9%	21.7%	16.7%	—	—
Capital expenditures	3,167	6,366	101.0%	6,537	8,299	2,788	4,287	10,000	133.2%
Depreciation and amortization	3,412	2,823	(17.3%)	3,260	3,802	4,659	4,598	3,900	(15.2%)
Research and development expenses	4,062	3,971	(2.2%)	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	Third quarter	Year-on-year change
Net sales	38,648	42,672	41,435	47,674	39,230	45,473	45,332	9.4%
Operating income	3,140	3,567	3,204	5,191	3,876	5,000	5,408	68.8%
Operating income margin (%)	8.1%	8.4%	7.7%	10.9%	9.9%	11.0%	11.9%	
Ordinary income	3,416	3,701	3,180	5,182	3,639	4,716	5,962	87.5%
Ordinary income margin (%)	8.8%	8.7%	7.7%	10.9%	9.3%	10.4%	13.2%	
Profit attributable to owners of parent	2,071	2,429	2,103	65	2,378	3,275	4,062	93.1%
Net income (loss) margin (%)	5.4%	5.7%	5.1%	0.1%	6.1%	7.2%	9.0%	

*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.