Consolidated Financial Results
For the Fiscal Year Ended March 31, 2017
<Japanese GAAP>

May 8, 2017

Company Name: **NICHIAS Corporation**
Stock Exchange Listing: Tokyo Stock Exchange (Code number 5393)
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Scheduled date of Ordinary General Meeting of Shareholders: June 29, 2017
Scheduled date of filing the consolidated financial statements: June 29, 2017
Supplementary materials for financial results: Available
Organization of financial results briefing: Yes (for institutional investors and analysts)
Scheduled date of commencement of dividend payment: June 30, 2017

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

1. Consolidated financial results for the year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Operating results (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2017	180,363	5.8	19,600	29.8	19,756	27.6	13,409	101.1
Fiscal year ended March 31, 2016	170,430	7.2	15,104	31.4	15,480	19.9	6,669	(11.5)

Note: Comprehensive income
Fiscal year ended March 31, 2017............. ¥14,495 million 665.0%
Fiscal year ended March 31, 2016............. ¥1,894 million ....(83.9)%

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary income on total assets	Operating income on net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2017	100.41	98.66	14.7	11.9	10.9
Fiscal year ended March 31, 2016	51.88	48.55	8.2	10.0	8.9

(Reference) Equity in earnings (losses) of affiliates
Fiscal year ended March 31, 2017............. ¥69 million
Fiscal year ended March 31, 2016............. ¥66 million

(2) Financial status

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	175,999	97,890	55.3	718.00
As of March 31, 2016	154,922	85,665	54.8	639.55

(Reference) Shareholders 'equity

Fiscal year ended March 31, 2017…………. ¥97,367 million

Fiscal year ended March 31, 2016…………. ¥84,879 million

(3) Cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of fiscal year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2017	24,798	(10,617)	(4,965)	29,198
Fiscal year ended March 31, 2016	13,424	(4,443)	(3,717)	19,800

2. Dividends

	Annual dividends					Annual dividend amount	Dividend payout ratio	Dividend on net assets
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2016	—	9.00	—	12.00	21.00	2,777	40.5	3.3
Fiscal year ended March 31, 2017	—	12.00	—	14.00	26.00	3,497	25.9	3.8
Fiscal year ending March 31, 2018 (Forecast)	—	14.00	—	14.00	28.00		27.8	

3. Forecast of consolidated financial results for the year ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	90,000	6.3	8,900	0.3	9,000	7.7	6,100	7.9	45.36
Full year	190,000	5.3	19,700	0.5	19,900	0.7	13,500	0.7	100.56

***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: Yes

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)

As of March 31, 2017	135,623,834 shares	As of March 31, 2016	132,804,711 shares

2) Number of shares of treasury stock at the end of the year

As of March 31, 2017	15,356 shares	As of March 31, 2016	87,112 shares

3) Average number of shares outstanding during the year

As of March 31, 2017	133,550,154 shares	As of March 31, 2016	128,569,967 shares

***This summary of financial statements is exempt from audit procedures.**

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

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 2 for information concerning financial forecasts such as the assumptions used for financial forecasts and factors that could cause these assumptions to change.

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1. Overview of operating results

(1) Overview of operating results in fiscal year under review

During the fiscal year under review (April 1, 2016 to March 31, 2017), the Japanese economy continued to make a modest recovery as a result of improvements in corporate earnings and the employment environment. 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, which experienced high demand for products for semiconductor production equipment, and the Building Materials Division, which benefitted from solid demand for fire-resistant covering material and other non-residential products. As a result, net sales for the NICHIAS Group overall increased 5.8% year on year to ¥180,363 million.

In terms of profits, operating income increased 29.8% year on year to ¥19,600 million, ordinary income increased 27.6% year on year to ¥19,756 million, and profit attributable to owners of the parent company increased 101.1% year on year to ¥13,409 million.

The net sales by segment for the fiscal year under review are as follows.

Sales in the **Energy and Industrial Plants Division** increased 1.9% year on year to ¥52,444 million. This was due to strong performances by construction and sales departments that responded to maintenance demand.

Sales in the **Industrial Products Division** increased 1.3% year on year to ¥41,385 million. This was due to robust demand for products such as fluoropolymer products and environmental products.

Sales in the **Advanced Products Division** increased 25.5% year on year to ¥19,458 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 6.4% year on year to ¥37,803 million. This was due to solid overseas demand particularly in North America.

Sales in the **Building Materials Division** increased 8.0% year on year to ¥29,271 million. This was due to an increase in demand for fire-resistant covering material and completion of floor installation in a large-scale building.

(2) Overview of financial position

Total assets at the end of the fiscal year ended March 31, 2017 were ¥175,999 million, up ¥21,077 million compared with the end of the previous fiscal year. This was largely because cash and deposits increased by ¥9,528 million, electronically recorded monetary claims by ¥6,051 million, construction in progress by ¥3,527 million, machinery, equipment and vehicles (net) by ¥2,250 million, and investment securities by ¥2,028 million, while notes and accounts receivable–trade decreased by ¥4,775 million.

Liabilities at the end of the fiscal year ended March 31, 2017 were ¥78,109 million, up ¥8,852 million compared with the end of the previous fiscal year. This was largely a result of increases in notes and accounts payable–trade of ¥2,365 million, electronically recorded monetary obligations of ¥2,346 million, corporate bonds of ¥2,000 million, long-term loans payable of ¥1,501 million, and advances received on uncompleted construction contracts of ¥1,166 million, offsetting the ¥3,380 million decrease in short-term loans payable.

Net assets at the end of the fiscal year ended March 31, 2017 were ¥97,890 million, up ¥12,225 million compared with the end of the previous fiscal year. This was largely a result of increases in retained earnings of ¥10,217 million, valuation difference on available-for-sale securities of ¥1,491 million, capital stock of ¥707 million, and capital surplus of ¥517 million, outweighing a decrease in foreign currency translation adjustment of ¥796 million.

(3) Cash flows

Cash and cash equivalents at the end of the fiscal year (hereinafter, “cash”) increased by ¥9,398 million year on year to ¥29,198 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 ¥24,798 million (compared to receipts of ¥13,424 million year on year).

This was due to inflows in cash that included ¥19,011 million in income before income taxes and ¥3,969 million in depreciation and amortization, a ¥3,553 million increase in notes and accounts payable–trade and a ¥2,887 million decrease in accounts receivable, which outweighed outflows of cash that included ¥4,703 million in income taxes paid and ¥2,775 million in inventories.

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

Net cash used in investing activities was ¥10,617 million (compared to expenditures of ¥4,443 million year on year).

This was due to outflows of cash that included ¥8,539 million used for the purchase of property, plant and equipment and ¥1,783 million used for the purchase of shares in a subsidiary following a change in the scope of consolidation.

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

Net cash used in financing activities was ¥4,965 million (compared to expenditures of ¥3,717 million year on year).

This was due to outflows of cash, including ¥3,519 million for the repayment of long-term borrowings, ¥3,189 million in dividend payments, and a ¥1,523 million net increase in own stock, which offset the increase in the inflow of cash from ¥1,983 million in revenue from the issuance of corporate bonds.

(4) Earnings forecasts

In the fiscal year ending March 2018, we expect solid demand, primarily in the Advanced Products division.

Given these conditions, we expect earnings to be as follows in the fiscal year ending in March 2018.

We forecast a 5.3% year-on-year increase in sales to ¥190.0 billion, a 0.5% increase in operating income to ¥19.7 billion, a 0.7% increase in ordinary income to ¥19.9 billion, and a 0.7% increase in net income attributable to owners of the parent company to ¥13.5 billion.

The Company prepared these earnings forecasts based on the information obtainable on the day that these materials were released, and actual results could differ from forecasts depending on a range of factors.

(5) Policies for distribution of profit and dividends for fiscal 2017 and 2018

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, the decision to pay dividends is made after careful consideration of a range of factors that include the availability of capital investment funds and investment in R&D to support future business development. In finalizing this decision, emphasis is given to profit levels for the fiscal year, financial status, and the outlook for future business performance.

In the “Establishment of the Medium-term Management 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.

Based on this policy, the Company will pay interim dividends of ¥12 per share and a year-end dividend of ¥14 per share.

In terms of dividends for fiscal 2018, although an annual dividend of ¥28 per share has been planned, a final decision will be made after careful consideration is given to the Company’s financial status and business performance next fiscal year.

(6) Risk factors

This section reviews matters that are believed likely to have a material effect 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 manufacture and sales of sealing materials such as gaskets and packing; manufacture and sales of varieties of inorganic insulation materials using mainly rock wool and ceramic fibers; manufacture and sales of corrosion-resistant materials and machine parts using high-performance resin polymer such as fluoropolymer; manufacture and sales of autoparts including sealing materials for engines and engine peripherals and parts with thermal insulation and soundproofing attributes; manufacture 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.

In this manner, the Group is reliant on industry-wide capital expenditure trends, corrosion-resistant materials are reliant on semiconductor demand trends, autoparts 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 could ultimately be affected by business and economic fluctuations both overseas and in Japan.

□ Overseas business risk

The Group conducts business in Asia and other locations overseas. In its business overseas, 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 business performance and financial status.

□ Receivables management risk

The Group holds receivables from its clients that include accounts and notes receivable. Although the Group always pays sufficient attention to credit management, recovery risk could manifest itself in some situations.

□ 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.

□ Disaster risk

The Group has multiple production bases both overseas and in Japan, and the Group's business performance and financial position could be affected 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 health problems relating to asbestos in the future.

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 NICHAS 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 Management Plan, which was launched in fiscal 2016, has set the following management targets for fiscal 2018 to achieve its goal of becoming "a company trusted by customers where people can work with pride."

1) Pursue further business growth and profitability
・Sales target of ¥200 billion and operating profit margin of 10% or higher

2) Manage operations with a focus on improvements and efficiency
・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 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 Japanese-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 in 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 basic guidelines, the Group will implement its business strategies and various measures based on its fundamental function 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 considering circumstances in Japan and overseas.

4. Consolidated financial statements and important notes

(1) Consolidated balance sheets

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Assets		
Current assets		
Cash and deposits	20,352	29,881
Notes and accounts receivable–trade	35,371	30,595
Electronically recorded monetary claims	2,518	8,569
Accounts receivable from completed construction contracts	16,453	13,334
Merchandise and finished goods	9,345	10,121
Work in process	1,341	1,824
Raw materials and supplies	6,018	6,110
Costs on uncompleted construction contracts	4,680	6,590
Deferred tax assets	1,708	1,795
Other	2,245	3,323
Allowance for doubtful accounts	(13)	(5)
Total current assets	100,022	112,142
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	42,424	43,649
Accumulated depreciation and impairment loss	(28,589)	(29,598)
Buildings and structures, net	13,835	14,050
Machinery, equipment and vehicles	64,697	66,212
Accumulated depreciation and impairment loss	(58,238)	(57,503)
Machinery, equipment and vehicles, net	6,458	8,708
Land	13,647	14,053
Lease assets	370	290
Accumulated depreciation	(216)	(142)
Lease assets, net	153	147
Construction in progress	1,304	4,832
Other	7,573	8,040
Accumulated depreciation and impairment loss	(6,999)	(7,156)
Other, net	573	884
Total property, plant and equipment	35,972	42,676
Intangible assets		
Software	1,557	1,195
Other	436	399
Total intangible assets	1,993	1,595
Investments and other assets		
Investment securities	12,535	14,564
Long-term loans receivable	22	195
Net defined benefit asset	274	462
Deferred tax assets	584	801
Other	3,554	3,613
Allowance for doubtful accounts	(38)	(52)
Total investments and other assets	16,933	19,585
Total noncurrent assets	54,899	63,857

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Total assets	154,922	175,999

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable–trade	18,547	20,913
Electronically recorded monetary obligations	7,331	9,677
Current portion of bonds	—	400
Current portion of bonds with subscription rights	—	5
Short-term loans payable	14,197	10,817
Lease obligations	68	69
Accounts payable–other	4,416	5,075
Income taxes payable	2,593	3,632
Advances received on uncompleted construction contracts	659	1,826
Provision for bonuses	2,398	2,755
Other	2,563	3,509
Total current liabilities	52,775	58,681
Noncurrent liabilities		
Bonds payable	8,000	10,000
Bonds with subscription rights to shares	2,575	—
Long-term loans payable	300	1,801
Lease obligations	107	123
Deferred tax liabilities	937	1,715
Net defined benefit liability	3,415	3,987
Other	1,146	1,800
Total noncurrent liabilities	16,481	19,427
Total liabilities	69,256	78,109
Net assets		
Shareholders' equity		
Capital stock	11,421	12,128
Capital surplus	13,314	13,832
Retained Earnings	58,281	68,498
Treasury stock	(33)	(16)
Total shareholders' equity	82,982	94,443
Total other cumulative comprehensive income		
Valuation difference on available-for-sale securities	4,606	6,098
Foreign currency translation adjustment	363	(432)
Remeasurements of defined benefit plans	(3,073)	(2,741)
Total other cumulative comprehensive income	1,896	2,923
Non-controlling interests	786	523
Total net assets	85,665	97,890
Total liabilities and net assets	154,922	175,999

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

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales		
Net sales of merchandise and finished goods	121,052	128,868
Net sales of completed construction contracts	49,377	51,494
Total net sales	170,430	180,363
Cost of sales		
Cost of merchandise and finished goods sold	89,189	92,094
Cost of sales of completed construction contracts	42,082	43,251
Total cost of sales	131,271	135,346
Gross profit	39,158	45,016
Selling, general and administrative expenses		
Selling expenses	7,793	7,895
General and administrative expenses	16,260	17,521
Total selling, general and administrative expenses	24,054	25,416
Operating income	15,104	19,600
Non-operating income		
Interest income	50	43
Dividends income	299	320
Rent income	284	309
Equity in earnings of affiliates	66	69
Other	327	355
Total non-operating income	1,028	1,097
Non-operating expenses		
Interest expenses	192	183
Foreign exchange gains	218	416
Cost of lease revenue	79	109
Special contribution for asbestos	43	43
Other	117	188
Total non-operating expenses	651	941
Ordinary income	15,480	19,756
Extraordinary income		
Gain on liquidation of subsidiaries	35	—
Gain on sales of noncurrent assets	5	8
Total extraordinary income	40	8

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	134	287
Impairment loss	3,111	—
Loss (gain) on devaluation of investment securities	—	226
Valuation loss on stock of subsidiary	—	32
Loss due to disaster	—	207
Total extraordinary losses	3,246	754
Income before income taxes	12,274	19,011
Income taxes–current	4,867	5,640
Income taxes–deferred	661	(98)
Total income taxes	5,529	5,541
Net income	6,744	13,470
Net income attributable to non-controlling interests	74	60
Net income attributable to owners of the parent company	6,669	13,409

Consolidated comprehensive income statements

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net income	6,744	13,470
Other comprehensive income		
Valuation difference on available-for-sale securities	(161)	1,491
Foreign currency translation adjustment	(1,478)	(799)
Remeasurements of defined benefit plans	(3,209)	333
Total other comprehensive income	(4,849)	1,025
Comprehensive income	1,894	14,495
Breakdown		
Comprehensive income attributable to owners of the parent company	1,865	14,437
Comprehensive income attributable to minority interests	29	58

(3) Consolidated statements of changes in shareholders' equity

Fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the current period	9,283	10,249	53,642	(1,455)	71,720
Changes of items during the period					
Issuance of new shares (exercise of new stock acquisition rights)	2,137	2,137			4,275
Changes in ownership interests in parent company related to transactions with non-controlling interests		(4)			(4)
Dividends from surplus			(2,271)		(2,271)
Change of scope of consolidation			239		239
Change of scope of consolidation―foreign currency translation					―
Net income attributable to owners of parent company			6,669		6,669
Purchase of treasury stock				(26)	(26)
Disposal of treasury stock		931		1,448	2,380
Net changes of items other than shareholders' equity					
Total changes of items during the period	2,137	3,064	4,638	1,421	11,262
Balance at the end of the current period	11,421	13,314	58,281	(33)	82,982

	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 current period	4,768	1,527	115	6,411	761	78,893
Changes of items during the period						
Issuance of new shares (exercise of new stock acquisition rights)						4,275
Changes in ownership interests in parent company related to transactions with non-controlling interests						(4)
Dividends from surplus						(2,271)
Change of scope of consolidation						239
Change of scope of consolidation—foreign currency translation		288		288		288
Net income attributable to owners of parent company						6,669
Purchase of treasury stock						(26)
Disposal of treasury stock						2,380
Net changes of items other than shareholders' equity	(161)	(1,452)	(3,189)	(4,804)	24	(4,779)
Total changes of items during the period	(161)	(1,164)	(3,189)	(4,515)	24	6,771
Balance at the end of the current period	4,606	363	(3,073)	1,896	786	85,665

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the current period	11,421	13,314	58,281	(33)	82,982
Changes of items during the period					
Issuance of new shares (exercise of new stock acquisition rights)	707	707			1,414
Changes in ownership interests in parent company related to transactions with non-controlling interests		180			180
Dividends from surplus			(3,191)		(3,191)
Change of scope of consolidation					–
Change of scope of consolidation—foreign currency translation					–
Net income attributable to owners of parent company			13,409		13,409
Purchase of treasury stock				(1,523)	(1,523)
Disposal of treasury stock		(369)		1,541	1,171
Net changes of items other than shareholders' equity					
Total changes of items during the period	707	517	10,217	17	11,460
Balance at the end of the current period	12,128	13,832	68,498	(16)	94,443

	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 current period	4,606	363	(3,073)	1,896	786	85,665
Changes of items during the period						
Issuance of new shares (exercise of new stock acquisition rights)						1,414
Changes in ownership interests in parent company related to transactions with non-controlling interests						180
Dividends from surplus						(3,191)
Change of scope of consolidation						—
Change of scope of consolidation—foreign currency translation						—
Net income attributable to owners of parent company						13,409
Purchase of treasury stock						(1,523)
Disposal of treasury stock						1,171
Net changes of items other than shareholders' equity	1,491	(796)	331	1,027	(262)	764
Total changes of items during the period	1,491	(796)	331	1,027	(262)	12,225
Balance at the end of the current period	6,098	(432)	(2,741)	2,923	523	97,890

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net cash provided by (used in) operating activities		
Income before income taxes	12,274	19,011
Depreciation and amortization	4,598	3,969
Impairment loss	3,111	—
Loss (gain) on sales of property, plant and equipment	(5)	(4)
Loss on abandonment of property, plant and equipment	112	36
Loss (gain) on devaluation of investment securities	—	226
Valuation loss on stock of subsidiary	—	32
Increase (decrease) in allowance for doubtful accounts	(31)	5
Increase (decrease) in net defined benefit liability	241	188
Increase (decrease) in provision for bonuses	159	305
Interest and dividends income received	(349)	(364)
Interest expenses	192	183
Foreign exchange losses (gains)	100	(104)
Decrease (increase) in notes and accounts receivable–trade	112	2,887
Decrease (increase) in inventories	(879)	(2,775)
Increase (decrease) in notes and accounts payable–trade	550	3,553
Decrease (increase) in accounts receivable–other	30	(101)
Increase (decrease) in accounts payable–other	(568)	65
Increase (decrease) in advances received on uncompleted construction contracts	(202)	1,169
Loss (gain) on liquidation of subsidiaries	(35)	—
Decrease (increase) in retirement benefit obligations	3,080	(188)
Other	(4,482)	1,222
Subtotal	18,008	29,318
Interest and dividends income received	349	364
Interest expenses paid	(190)	(180)
Income taxes paid	(4,742)	(4,703)
Net cash provided by (used in) operating activities	13,424	24,798
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(133)	(141)
Purchase of investments in subsidiaries	(54)	(53)
Proceeds from liquidation of subsidiaries	38	—
Purchase of property, plant and equipment	(4,070)	(8,539)
Proceeds from sales of property, plant and equipment	8	69
Purchase of intangible assets	(198)	(183)
Purchase of investment securities	(3)	(3)
Payments of loans receivable	(133)	(1)
Collection of loans receivable	185	105
Expenditures for the purchase of shares in subsidiaries resulting in change in scope of consolidation	—	(1,783)
Other	(79)	(86)
Net cash provided by (used in) investing activities	(4,443)	(10,617)

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(506)	(7)
Proceeds from long-term loans payable	300	1,500
Repayment of long-term loans payable	(675)	(3,519)
Proceeds from issuance of bonds	—	1,983
Expenditures on redemption of bonds	(450)	—
Repayments of lease obligations	(80)	(68)
Net decrease (increase) in treasury stock	(26)	(1,523)
Cash dividends paid	(2,271)	(3,189)
Cash dividends paid to non-controlling shareholders	(9)	(11)
Proceeds from the sale of subsidiary shares not accompanying changes in the scope of consolidation	1	—
Proceeds from the acquisition of subsidiary shares not accompanying changes in the scope of consolidation	—	(129)
Net cash provided by (used in) financing activities	(3,717)	(4,965)
Effect of exchange rate change on cash and cash equivalents	(309)	182
Net increase (decrease) in cash and cash equivalents	4,954	9,398
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	19,800	29,198

(5) Notes to Consolidated Financial Statements

(Notes regarding going concern assumption)

Not applicable

(Change in accounting policy)

The Company applied the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016 (PITF No. 32, June 17, 2016) following the revision of the Corporation Tax act, and changed the method of depreciation for structures and facilities attached to buildings on and after April 1, 2016 from the declining-balance method to the straight-line method.

This application had no material impact on consolidated net income for the fiscal year under review.

(Change in reporting method)

(Related to consolidated balance sheet)

As the “electronically recorded monetary claims” included in “notes and accounts receivable–trade” under “current assets” in the previous fiscal year became more significant in terms of the amount, the Company stated this item independently beginning in the consolidated fiscal year under review. The consolidated financial statements for the previous consolidated fiscal year have been replaced to reflect this change in the presentation method.

As a result, the ¥37,889 million in “notes and accounts receivable–trade” under “current assets” posted in the consolidated balance sheet for the previous fiscal year was replaced with ¥35,371 million in “notes and accounts receivable–trade” and ¥2,518 million in “electronically recorded monetary claims.”

As the “electronically recorded monetary obligations” included in “notes and accounts payable–trade” under “current liabilities” in the previous fiscal year became more significant in terms of the amount, the Company stated this item independently beginning in the consolidated fiscal year under review. The consolidated financial statements for the previous consolidated fiscal year have been replaced to reflect this change in the presentation method.

As a result, the ¥25,878 million in “notes and accounts payable–trade” under “current liabilities” posted in the consolidated balance sheet for the previous fiscal year was replaced with ¥18,547 million in “notes and accounts payable–trade” and ¥7,331 million in “electronically recorded monetary obligations.”

(Additional information)

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company has applied Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, issued March 28, 2016).

(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 Management 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 those of the Company, 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

APJ Corporation (name changed as of April 1, 2017)

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 consolidated financial statements

From January 1 to March 31, 2017.

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

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

(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.

(6) Assets and liabilities received on corporate acquisition date and main breakdown

Current assets	¥3,284 million
Non-current assets	1,591
Total assets	4,876
Current liabilities	1,314
Non-current liabilities	881
Total liabilities	2,196

(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 autoparts including sealing materials for engines and engine peripherals, and parts with thermal insulation, soundproofing, 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 floor 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, income (loss), assets, liabilities, and other items by reporting segment

Fiscal year ended March 31, 2016

(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	51,453	40,836	15,509	35,533	27,097	170,430	—	170,430
Intersegment sales or transfers	—	7,498	—	—	—	7,498	(7,498)	—
Total	51,453	48,335	15,509	35,533	27,097	177,928	(7,498)	170,430
Segment profit (loss)	3,793	5,978	2,203	4,438	(1,309)	15,104	—	15,104
Segment assets	26,099	37,621	10,764	29,966	19,037	123,489	31,432	154,922
Other items								
Depreciation and amortization	342	1,389	475	1,323	1,066	4,598	—	4,598
Amortization of goodwill	38	—	—	—	—	38	—	38
Increase in property, plant and equipment and intangible assets	33	850	349	1,367	428	3,028	1,259	4,287

Notes “Adjustment” is described below.

(1) The ¥31,432 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 ¥1,259 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 ended March 31, 2017

(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	52,444	41,385	19,458	37,803	29,271	180,363	—	180,363
Intersegment sales or transfers	—	7,912	—	—	—	7,912	(7,912)	—
Total	52,444	49,298	19,458	37,803	29,271	188,275	(7,912)	180,363
Segment profit (loss)	4,580	6,014	3,654	4,114	1,235	19,600	—	19,600
Segment assets	27,817	40,129	12,617	36,710	20,575	137,850	38,149	175,999
Other items								
Depreciation expenses	311	1,299	485	1,349	523	3,969	—	3,969
Amortization of goodwill	38	—	—	—	—	38	—	38
Increase in property, plant, and equipment and intangible assets	91	3,086	346	4,086	442	8,053	1,722	9,775

Notes “Adjustment” is described below.

(1) The ¥38,194 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 surplus operating capital (cash and deposits), assets attributable to the administrative and research divisions, deferred tax assets, etc.

(2) The ¥1,722 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 ended March 31, 2016

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
140,048	22,673	7,707	170,430

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
29,334	5,591	1,045	35,972

3. Information by 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 ended March 31, 2017

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
151,062	21,904	7,396	180,363

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
33,498	8,031	1,146	42,676

3. Information by 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 relating to impairment loss of noncurrent assets by reporting segment)

Fiscal year ended March 31, 2016

(Significant impairment loss on noncurrent assets)

In the fiscal year under review, impairment losses on buildings and structures and machinery, equipment and vehicles included in the Building Materials Division are posted as the investments are not expected to be recovered due to a decline in profitability. The amount of this impairment loss was ¥3,111 million for the current fiscal year.

Fiscal year ended March 31, 2017

(Significant impairment loss on noncurrent assets)

Nothing applicable.

(Information relating to goodwill amortization and unamortized balance by reporting segment)

This information is omitted because it lacks materiality.

(Per share information)

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

Item	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net assets per share (yen)	639.55	718. 00
(Basis for calculation)		
Total net assets (millions of yen)	85,665	97,890
Amount to be deducted from total net assets (millions of yen)	786	523
(Of which, minority interests)	(786)	(523)
Net assets attributable to common shares at the end of the fiscal year (millions of yen)	84,879	97,367
Number of common shares at the end of the fiscal year used for the calculation of net assets per share (thousand shares)	132,717	135,608

Item	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Basic earnings per share (yen)	51.88	100.41
(Basis for calculation)		
Net income attributable to owners of the parent company (millions of yen)	6,669	13,409
Amount not attributed to common shareholders (millions of yen)	—	—
Net income attributable to owners of the parent company related to common stock (millions of yen)	6,669	13,409
Average outstanding shares of common stock during the fiscal year (thousand shares)	128,569	133,550
Diluted earnings per share (yen)	48.55	98.66
(Basis for calculation)		
Net income attributable to owners of the parent company related to common stock (millions of yen)	—	—
Increase in number of common shares (thousand shares)	8,817	2,366
(Of which, bonds with subscription rights)	(8,817)	(2,366)
Overview of potential shares that were not included in the calculation of diluted net income per share because they have no dilutive effects	————————	————————

(Significant subsequent events)

Following a resolution at its board of directors meeting on May 8, 2017, the Company bought back its shares in accordance with the provisions of Article 156 of the Companies Act applicable pursuant to Article 165, Paragraph 3 of this Act. The details are as follows.

(1) Reason for conducting the share repurchase:
Shares were acquired to enhance capital efficiency and increase shareholder returns.
(2) Type of shares purchased Common stock
(3) Total number of shares to be repurchased 3 million (maximum)
(4) Total amount to be paid for repurchase ¥2,000 million (maximum)
(5) Period of share repurchase May 9 – July 31, 2017
(6) Method of repurchase Purchase in the market on the Tokyo Stock Exchange

5. Other

(1) Status of production, orders, and sales

1. Production output by segment

(Millions of yen, %)

Name of segment	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	YoY Percentage change	Current fiscal year composition ratio
Industrial Products	29,205	30,343	3.9	37.6
Advanced Products	11,039	14,257	29.2	17.6
Autoparts	25,360	28,031	10.5	34.7
Building Materials	8,411	8,134	(3.3)	10.1
Total	74,017	80,767	9.1	100.0

2. Orders by segment

(Millions of yen, %)

Name of segment	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	YoY Percentage change	Current fiscal year composition ratio
Energy and Industrial Plants	55,732	56,253	0.9	30.1
Industrial Products	40,621	41,955	3.3	22.4
Advanced Products	15,354	21,120	37.5	11.3
Autoparts	35,340	38,289	8.3	20.5
Building Materials	29,517	29,346	(0.6)	15.7
Total	176,566	186,965	5.9	100.0

3. Net sales by segment

(Millions of yen, %)

Name of segment	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	YoY Percentage change	Current fiscal year composition ratio
Energy and Industrial Plants	51,453	52,444	1.9	29.1
Industrial Products	40,836	41,385	1.3	22.9
Advanced Products	15,509	19,458	25.5	10.8
Autoparts	35,533	37,803	6.4	21.0
Building Materials	27,097	29,271	8.0	16.2
Total	170,430	180,363	5.8	100.0

6. Supplementary materials

May 8, 2017

Financial results supplementary materials for fiscal year ended March 31, 2016

NICHIAS Corporation

(1) Key consolidated figures

(Millions of yen)

	Full year							
	Fiscal year 2013	Fiscal year 2014	Fiscal year 2015	Fiscal year 2016	Fiscal year 2017		Fiscal year 2018	
						Year-on-year change	Forecast	Year-on-year change
Net sales	137,008	147,118	158,939	170,430	180,363	5.8%	190,000	5.3%
Operating income	9,414	10,216	11,490	15,104	19,600	29.8%	19,700	0.5%
Operating income margin (%)	6.9%	6.9%	7.2%	8.9%	10.9%		10.4%	
Ordinary income	9,752	11,057	12,913	15,480	19,756	27.6%	19,900	0.7%
Ordinary income margin (%)	7.1%	7.5%	8.1%	9.1%	11.0%		10.5%	
Profit attributable to owners of parent	5,936	6,317	7,532	6,669	13,409	101.1%	13,500	0.7%
Net income margin (%)	4.3%	4.3%	4.7%	3.9%	7.4%		7.1%	
Basic earnings per share (yen)	49.81	52.89	62.84	51.88	100.41	93.5%	100.56	0.1%
Total assets	135,401	141,311	156,234	154,922	175,999	13.6%	—	—
Net assets	62,299	67,956	78,893	85,665	97,890	14.3%	—	—
Shareholders' equity	61,291	67,276	78,132	84,879	97,367	14.7%	—	—
Equity ratio (%)	45.3%	47.6%	50.0%	54.8%	55.3%		—	
Interest-bearing debt	36,289	33,825	33,830	25,840	23,976	(7.2%)	—	—
Interest-bearing debt ratio (%)	26.8%	23.9%	21.7%	16.7%	13.6%		—	
Capital expenditures	6,537	8,299	2,788	4,287	9,775	128.0%	15,000	53.4%
Depreciation and amortization	3,260	3,802	4,659	4,598	3,969	(13.7%)	4,900	23.5%
Research and development expenses	5,189	5,545	5,602	5,460	5,446	(0.3%)	5,500	1.0%

(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	Fourth quarter	Year-on-year change
Net sales	38,648	42,672	41,435	47,674	39,230	45,473	45,332	50,327	5.6%
Operating income	3,140	3,567	3,204	5,191	3,876	5,000	5,408	5,315	2.4%
Operating income margin (%)	8.1%	8.4%	7.7%	10.9%	9.9%	11.0%	11.9%	10.6%	
Ordinary income	3,416	3,701	3,180	5,182	3,639	4,716	5,962	5,438	4.9%
Ordinary income margin (%)	8.8%	8.7%	7.7%	10.9%	9.3%	10.4%	13.2%	10.8%	
Profit attributable to owners of parent	2,071	2,429	2,103	65	2,378	3,275	4,062	3,693	5,547.0%
Net income margin (%)	5.4%	5.7%	5.1%	0.1%	6.1%	7.2%	9.0%	7.3%	

*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.