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Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2018
(April 1, 2017 to June 30, 2017) [Japanese GAAP]

August 7, 2017

Company Name: **NICHIAS Corporation**
 Stock Exchange Listing: Tokyo Stock Exchange (Code number 5393)
 URL: <http://www.nichias.co.jp/nichias-E/>
 Representative: Toshiyuki Takei, President and Chief Executive Officer
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 Scheduled date of filing of quarterly consolidated financial statements: August 10, 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 first quarter of the fiscal year ending March 31, 2018 (April 1 to June 30, 2017)

(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	%
First Quarter of Fiscal Year Ending March 31, 2018	44,424	13.2	4,661	20.3	4,831	32.7	3,400	43.0
First Quarter of Fiscal Year Ended March 31, 2017	39,230	1.5	3,876	23.4	3,639	6.5	2,378	14.8

Note: Comprehensive income

First Quarter of the Fiscal Year Ending March 31, 2018..... ¥3,668 million / 105.6%

First Quarter of the Fiscal Year Ended March 31, 2017..... ¥1,784 million / (25.3%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Quarter of Fiscal Year Ending March 31, 2018	25.18	25.17
First Quarter of Fiscal Year Ended March 31, 2017	17.98	17.39

(2) Financial status

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2017	174,736	97,652	55.6
As of March 31, 2017	175,999	97,890	55.3

(Reference) Shareholders' Equity

As of June 30, 2017 ¥97,133 million

As of March 31, 2017 ¥97,367 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, 2017	—	12.00	—	14.00	26.00
Fiscal year ending March 31, 2018	—				
Fiscal year ending March 31, 2018 (Forecast)		14.00	—	14.00	28.00

Note: Adjustments from the most recently released dividend forecast: None

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

(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
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

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: None

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 June 30, 2017	135,623,834 shares	As of March 31, 2017	135,623,834 shares
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2) Number of shares of treasury stock at the end of the period

As of June 30, 2017	1,565,581 shares	As of March 31, 2017	15,356 shares
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3) Average number of shares outstanding during the period (quarterly cumulative)

Fiscal year ending March 31, 2018 1Q	135,080,448 shares	Fiscal year ended March 31, 2017 1Q	132,248,100 shares
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*The consolidated financial results for the first quarter of the fiscal year ending March 31, 2018 are not subject to quarterly review

* 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.

Table of Contents of Appendix

1. Qualitative information on the quarter under review	2
(1) Explanation of operating results	2
(2) Explanation of financial position	2
(3) Explanation of information related to future prospects including consolidated results forecasts	3
2. Consolidated financial statements and related notes	4
(1) Quarterly consolidated balance sheets	4
(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income	6
Quarterly consolidated statements of income	6
Quarterly consolidated statements of comprehensive income	8
(3) Quarterly consolidated statements of cash flows	9
(4) Notes regarding quarterly consolidated financial statements	11
(Notes regarding going concern assumption)	11
(Notes regarding significant changes in shareholders' equity [if any])	11
(Segment information)	11
3. Supplementary materials	12

1. Qualitative information on the quarter under review

(1) Explanation of operating results

During the first quarter of the fiscal year under review (April 1, 2017 to June 30, 2017), 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 Autoparts Division, with the former experiencing high demand with respect to products for semiconductor production equipment, and the latter experiencing an increase of subsidiaries at the end of December 2016. As a result, net sales for the NICHIA Group overall increased 13.2% year on year to ¥44,424 million.

In terms of profits, operating income increased 20.3% year on year to ¥4,661 million, ordinary income increased 32.7% year on year to ¥4,831 million, and profit attributable to owners of parent increased 43.0% year on year to ¥3,400 million.

Net sales by segment for the first quarter of the year ending March 31, 2018 are as follows.

Sales in the **Energy and Industrial Plants Division** increased 12.9% year on year to ¥11,782 million. This was due to strong performances by construction and sales departments that responded to maintenance demand.

Sales in the **Industrial Products Division** increased 1.8% year on year to ¥10,183 million. This was due to the robust demand for products, including fluoropolymer products and environmental products.

Sales in the **Advanced Products Division** increased 32.8% year on year to ¥5,619 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 23.0% year on year to ¥10,960 million. This was due to solid overseas demand, particularly in North America, along with a contribution to sales by APJ Corporation, which became a consolidated subsidiary at the end of December 2016.

Sales in the **Building Materials Division** increased 4.1% year on year to ¥5,879 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 first quarter of the year ending March 31, 2018 were ¥174,736 million, down ¥1,263 million compared to the end of the previous fiscal year. This was a result of year-on-year decreases in completed construction contracts of ¥3,574 million, cash and deposits of ¥2,414 million, and deferred tax assets of ¥425 million, despite year-on-year increases in uncompleted construction contracts of ¥2,753 million investment securities of ¥1,928 million, and merchandise and finished goods of ¥423 million.

Liabilities at the end of the first quarter of the year ending March 31, 2018 were ¥77,083 million, down ¥1,025 million compared to the end of the previous fiscal year. This was largely the result of a year-on-year decrease in accrued expenses included in other current liabilities of ¥2,420 million being outweighed by a year-on-year decrease in income taxes payable of ¥2,760 million.

Net assets at the end of the first quarter of the year ending March 31, 2018 were ¥97,652 million, down ¥238 million compared to the end of the previous fiscal year. This was largely a result of year-on-year increases in retained earnings of ¥1,502 million and valuation difference on available-for-sale securities of ¥585 million being outweighed by a year-on-year increase in treasury stock of ¥2,004 million and a year-on-year decrease in foreign currency translation adjustment of ¥406 million.

2) Cash flows

Cash and cash equivalents at the end of the first quarter of the year ending March 31, 2018 (hereinafter, “cash”) decreased by ¥2,393 million to ¥26,805 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 ¥4,859 million (compared to receipts of ¥4,534 million in the same period of the previous fiscal year).

This reflects factors such as a decrease in cash due to ¥3,727 million in income taxes paid and a ¥3,059 million increase in inventories being outweighed by the factors of an increase in cash of ¥4,796 million in income before income taxes, a ¥3,679 million decrease in notes and accounts receivable-trade, a ¥2,532 million increase in accrued expenses, and a ¥1,677 million increase in advances received on uncompleted construction contracts.

(Cash flows from investing activities)

Net cash used in investing activities was ¥3,089 million (compared to expenditures of ¥1,368 million in the same period of the previous fiscal year).

This was due to outflows of cash that included ¥2,216 million used for the purchase of property, plant and equipment, and ¥1,059 million used for the purchase of investments in a subsidiary.

(Cash flows from financing activities)

Net cash used in financing activities was ¥4,039 million (compared to expenditures of ¥3,030 million in the same period of the previous fiscal year).

This was due to outflows of cash attributable to a ¥2,004 million net increase in treasury stock and ¥1,786 million in cash dividends paid.

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

The results for the first quarter of the fiscal year ending March 31, 2018 were largely in line with expectations. Therefore, the forecasts released on May 8, 2017 for the first six months of the fiscal year ending March 31, 2018, and the entire fiscal year ending March 31, 2018, 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. Consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	Fiscal year ended March 31, 2017	First Quarter of the Fiscal Year Ending March 31, 2018 (June 30, 2017)
Assets		
Current assets		
Cash and deposits	29,881	27,466
Notes and accounts receivable—trade	30,595	30,525
Electronically recorded monetary claims	8,569	8,399
Accounts receivable from completed construction contracts	13,334	9,759
Merchandise and finished goods	10,121	10,545
Work in process	1,824	1,816
Raw materials and supplies	6,110	5,898
Costs on uncompleted construction contracts	6,590	9,344
Deferred tax assets	1,795	1,370
Other	3,323	3,183
Allowance for doubtful accounts	(5)	(4)
Total current assets	112,142	108,306
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	43,649	44,226
Accumulated depreciation and impairment loss	(29,598)	(29,764)
Buildings and structures, net	14,050	14,461
Machinery, equipment and vehicles	66,212	66,391
Accumulated depreciation and impairment loss	(57,503)	(57,663)
Machinery, equipment and vehicles, net	8,708	8,727
Land	14,053	14,056
Lease assets	290	288
Accumulated depreciation	(142)	(151)
Lease assets, net	147	136
Construction in progress	4,832	5,115
Other	8,040	7,976
Accumulated depreciation and impairment loss	(7,156)	(7,152)
Other, net	884	823
Total property, plant and equipment	42,676	43,321
Intangible assets		
Software	1,195	1,107
Other	399	380
Total intangible assets	1,595	1,487
Investments and other assets		
Investment securities	14,564	16,492
Net defined benefit asset	462	503
Deferred tax assets	801	794
Other	3,808	3,881
Allowance for doubtful accounts	(52)	(52)
Total investments and other assets	19,585	21,621
Total noncurrent assets	63,857	66,429
Total assets	175,999	174,736

(Millions of yen)

	Fiscal year ended March 31, 2017	First Quarter of the Fiscal Year Ending March 31, 2018 (June 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	20,913	20,201
Electronically recorded monetary liabilities	9,677	9,766
Short-term loans payable	10,817	10,795
Accounts payable—other	5,075	4,394
Income taxes payable	3,632	872
Advances received on uncompleted construction contracts	1,826	3,503
Provision for bonuses	2,755	1,644
Other	3,983	6,403
Total current liabilities	58,681	57,583
Noncurrent liabilities		
Bonds payable	10,000	9,800
Long-term loans payable	1,801	1,800
Deferred tax liabilities	1,715	1,970
Net defined benefit liability	3,987	4,031
Other	1,923	1,898
Total noncurrent liabilities	19,427	19,500
Total liabilities	78,109	77,083
Net assets		
Shareholders' equity		
Capital stock	12,128	12,128
Capital surplus	13,832	13,832
Retained earnings	68,498	70,001
Treasury stock	(16)	(2,020)
Total shareholders' equity	94,443	93,941
Total other cumulative comprehensive income		
Valuation difference on available-for-sale securities	6,098	6,683
Foreign currency translation adjustment	(432)	(839)
Remeasurements of defined benefit plans	(2,741)	(2,652)
Total other cumulative comprehensive income	2,923	3,192
Non-controlling interests	523	519
Total net assets	97,890	97,652
Total liabilities and net assets	175,999	174,736

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

Quarterly consolidated statements of income

First quarter of consolidated fiscal year

(Millions of yen)

	First Quarter of the Fiscal Year Ended March 31, 2016 (April 1, 2016 to June 30, 2016)	First Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017 to June 30, 2017)
Net sales		
Net sales of merchandise and finished goods	30,091	34,410
Net sales of completed construction contracts	9,138	10,014
Total net sales	39,230	44,424
Cost of sales		
Cost of merchandise and finished goods sold	21,501	24,586
Cost of sales of completed construction contracts	7,833	8,542
Total cost of sales	29,335	33,129
Gross profit	9,894	11,295
Selling, general and administrative expenses		
Selling expenses	1,939	2,021
General and administrative expenses	4,079	4,611
Total selling, general and administrative expenses	6,018	6,633
Operating income	3,876	4,661
Non-operating income		
Interest income	7	12
Dividends income	135	151
Rent income	76	84
Equity in earnings of affiliates	19	20
Other	118	51
Total non-operating income	357	319
Non-operating expenses		
Interest expenses	44	39
Foreign exchange losses	498	45
Other	52	65
Total non-operating expenses	594	150
Ordinary income	3,639	4,831
Extraordinary income		
Gain on sales of noncurrent assets	2	1
Total extraordinary income	2	1
Extraordinary losses		
Loss on sales and retirement of noncurrent assets	1	36
Loss on disasters	195	—
Total extraordinary losses	197	36
Income before income taxes	3,444	4,796

(Millions of yen)

	First Quarter of the Fiscal Year Ended March 31, 2017 (April 1, 2016 to June 30, 2016)	First Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017 to June 30, 2017)
Income taxes—current	570	987
Income taxes—deferred	478	401
Total income taxes	1,048	1,389
Profit	2,396	3,407
Profit attributable to non-controlling interests	17	6
Profit attributable to owners of parent	2,378	3,400

Quarterly consolidated statements of comprehensive income
First quarter of the consolidated fiscal year

(Millions of yen)

	First Quarter of the Fiscal Year Ended March 31, 2017 (April 1, 2016 to June 30, 2016)	First Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017 to June 30, 2017)
Profit	2,396	3,407
Other comprehensive income		
Valuation difference on available-for-sale securities	(290)	585
Foreign currency translation adjustment	(426)	(414)
Remeasurements of defined benefit plans	105	89
Total other comprehensive income	(611)	261
Comprehensive income	1,784	3,668
(Breakdown)		
Comprehensive income attributable to owners of the parent company	1,775	3,669
Comprehensive income attributable to non-controlling interests	8	(0)

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	First Quarter of the Fiscal Year Ended March 31, 2017 (April 1, 2016 to June 30, 2016)	First Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017 to June 30, 2017)
Cash flows from operating activities		
Income before income taxes	3,444	4,796
Depreciation and amortization	910	1,074
Increase (decrease) in net defined benefit liability	39	43
Increase (decrease) in provision for bonuses	(1,011)	(1,116)
Interest and dividends income received	(142)	(163)
Interest expenses	44	39
Foreign exchange losses (gains)	259	79
Decrease (increase) in notes and accounts receivable—trade	3,124	3,679
Decrease (increase) in inventories	(3,313)	(3,059)
Increase (decrease) in notes and accounts payable—trade	833	(938)
Increase (decrease) in accounts payable—other	(750)	(404)
Increase (decrease) in accrued expenses	2,297	2,532
Increase (decrease) in advances received on uncompleted construction contracts	1,055	1,677
Decrease (increase) in net defined benefit asset	(140)	(41)
Other	160	237
Subtotal	6,811	8,438
Interest and dividends income received	142	163
Interest expenses paid	(37)	(53)
Income taxes paid	(2,381)	(3,727)
Income taxes refund	—	37
Net cash provided by (used in) operating activities	4,534	4,859

(Millions of yen)

	First Quarter of the Fiscal Year Ended March 31, 2017 (April 1, 2016 to June 30, 2016)	First Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017 to June 30, 2017)
Cash flows from investing activities		
Net decrease (increase) in time deposits	(3)	21
Expenditures for the acquisition of shares of subsidiaries	—	(1,059)
Expenditures for the acquisition of property, plant and equipment	(1,301)	(2,216)
Proceeds from sales of property, plant and equipment	29	6
Expenditures for the acquisition of intangible fixed assets	(35)	(29)
Payments of loans receivable	(16)	(0)
Collection of loans receivable	1	246
Other	(42)	(58)
Net cash provided by (used in) investing activities	(1,368)	(3,089)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(507)	(20)
Proceeds from long-term loans payable	500	—
Repayment of long-term loans payable	—	(4)
Redemption of bonds	—	(200)
Cash dividends paid	(1,485)	(1,786)
Net decrease (increase) in treasury stock	(1,503)	(2,004)
Dividends paid to non-controlling interests	(10)	(3)
Other	(23)	(19)
Net cash provided by (used in) financing activities	(3,030)	(4,039)
Effect of exchange rate change on cash and cash equivalents	(424)	(123)
Net increase (decrease) in cash and cash equivalents	(288)	(2,393)
Cash and cash equivalents at beginning of period	19,800	29,198
Cash and cash equivalents at end of period	19,511	26,805

(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 8, 2017 to acquire 1,546,000 treasury shares.

As a result of this acquisition of treasury stock, treasury stock increased by ¥2,004 million during the first quarter of the year ending March 31, 2018, and the amount of treasury stock at the end of the first quarter of the year ending March 31, 2018 was ¥2,020 million.

(Segment information)

I. First quarter of the fiscal year ended March 31, 2016 (April 1, 2016 to June 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	10,431	10,007	4,231	8,910	5,649	39,230	—	39,230
Intersegment sales or transfers	—	2,134	—	—	—	2,134	(2,134)	—
Total	10,431	12,141	4,231	8,910	5,649	41,364	(2,134)	39,230
Segment profit or loss	532	1,490	694	1,141	17	3,876	—	3,876

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

Not applicable

II. First quarter of the fiscal year ending March 31, 2018 (April 1, 2017 to June 30, 2017)

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	11,782	10,183	5,619	10,960	5,879	44,424	—	44,424
Intersegment sales or transfers	—	2,121	—	—	—	2,121	(2,121)	—
Total	11,782	12,304	5,619	10,960	5,879	46,546	(2,121)	44,424
Segment profit	822	1,529	1,044	1,219	46	4,661	—	4,661

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

Not applicable

3. Supplementary materials

Financial results briefing supplementary materials for the first quarter of the fiscal year ending March 31, 2018

(1) Key consolidated figures

(Millions of yen)

	Half year			Full year					
	Fiscal year 2017	Fiscal year 2018		Fiscal year 2014	Fiscal year 2015	Fiscal year 2016	Fiscal year 2017	Fiscal year 2018	
	Second quarter (cumulative)	Second quarter (cumulative) forecast	Year-on-year change					Forecast	Year-on-year change
Net sales	84,703	90,000	6.3%	147,118	158,939	170,430	180,363	190,000	5.3%
Operating income	8,876	8,900	0.3%	10,216	11,490	15,104	19,600	19,700	0.5%
Operating income margin (%)	10.5%	9.9%		6.9%	7.2%	8.9%	10.9%	10.4%	
Ordinary income	8,356	9,000	7.7%	11,057	12,913	15,480	19,756	19,900	0.7%
Ordinary income margin (%)	9.9%	10.0%		7.5%	8.1%	9.1%	11.0%	10.5%	
Profit attributable to owners of parent	5,653	6,100	7.9%	6,317	7,532	6,669	13,409	13,500	0.7%
Net income margin (%)	6.7%	6.8%		4.3%	4.7%	3.9%	7.4%	7.1%	
Basic earnings per share (yen)	42.82	45.36	5.9%	52.89	62.84	51.88	100.41	100.56	0.1%
Total assets	158,318	—	—	141,311	156,234	154,922	175,999	—	—
Net assets	87,851	—	—	67,956	78,893	85,665	97,890	—	—
Shareholders' equity	87,071	—	—	67,276	78,132	84,879	97,367	—	—
Equity ratio (%)	55.0%	—	—	47.6%	50.0%	54.8%	55.3%	—	—
Interest-bearing debt	24,621	—	—	33,825	33,830	25,840	23,976	—	—
Interest-bearing debt ratio (%)	15.6%	—	—	23.9%	21.7%	16.7%	13.6%	—	—
Capital expenditures	4,090	—	—	8,299	2,788	4,287	9,775	15,000	53.4%
Depreciation and amortization	1,835	—	—	3,802	4,659	4,598	3,969	4,900	23.5%
Research and development expenses	2,673	—	—	5,545	5,602	5,460	5,446	5,500	1.0%

(2) Quarterly consolidated financial results

(Millions of yen)

	Fiscal year 2017				Fiscal year 2018		
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Year-on-year change	Second quarter forecast
Net sales	39,230	45,473	45,332	50,327	44,424	13.2%	45,575
Operating income	3,876	5,000	5,408	5,315	4,661	20.3%	4,238
Operating income margin (%)	9.9%	11.0%	11.9%	10.6%	10.5%		9.3%
Ordinary income	3,639	4,716	5,962	5,438	4,831	32.7%	4,168
Ordinary income margin (%)	9.3%	10.4%	13.2%	10.8%	10.9%		9.1%
Profit attributable to owners of parent	2,378	3,275	4,062	3,693	3,400	43.0%	2,699
Net income margin (%)	6.1%	7.2%	9.0%	7.3%	7.7%		5.9%

*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.