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

November 6, 2017

Company Name: **NICHIAS Corporation**
 Stock Exchange Listing: Tokyo Stock Exchange (Code number 5393)
 URL: <http://www.nichias.co.jp/nichias-E/>
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 Scheduled date of filing of quarterly consolidated financial statements: November 9, 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: December 4, 2017

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

1. Consolidated financial results for the second quarter of the fiscal year ending March 31, 2018 (April 1 to September 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	%
Second Quarter of Fiscal Year Ending March 31, 2018	92,103	8.7	9,572	7.8	9,880	18.2	6,752	19.4
Second Quarter of Fiscal Year Ended March 31, 2017	84,703	4.2	8,876	32.3	8,356	17.4	5,653	25.6

Note: Comprehensive income

Second Quarter of the Fiscal Year Ending March 31, 2018.....¥8,200 million / 104.1%

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Second Quarter of Fiscal Year Ending March 31, 2018	50.18	50.18
Second Quarter of Fiscal Year Ended March 31, 2017	42.82	41.51

(2) Financial status

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2017	182,612	102,194	55.7
As of March 31, 2017	175,999	97,890	55.3

(Reference) Shareholders' Equity

As of September 30, 2017¥101,681 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	—	14.00			
Fiscal year ending March 31, 2018 (Forecast)			—	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		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
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 September 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 September 30, 2017	1,571,262 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 2Q	134,565,197 shares	Fiscal year ended March 31, 2017 2Q	132,036,937 shares
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*The consolidated financial results for the second 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.

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1. Qualitative information on the quarter under review

(1) Explanation of operating results

During the Second quarter of the fiscal year under review (April 1, 2017 to September 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 NICHIAS Group overall increased 8.7% year on year to ¥92,103 million.

In terms of profits, operating income increased 7.8% year on year to ¥9,572 million, ordinary income increased 18.2% year on year to ¥9,880 million, and profit attributable to owners of parent increased 19.4% year on year to ¥6,752 million.

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

Sales in the **Energy and Industrial Plants Division** increased 7.4% year on year to ¥26,377 million. This was due to strong performances by construction and sales departments that responded to maintenance demand.

Sales in the **Industrial Products Division** increased 2.1% year on year to ¥20,743 million. This was due to the robust demand for products, including fluoropolymer products, inorganic heat insulating materials, and environmental products.

Sales in the **Advanced Products Division** increased 24.9% year on year to ¥10,962 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 19.4% year on year to ¥21,440 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** decreased 3.9% year on year to ¥12,579 million. This was because, although demand for wrap-type fire-resistant covering material increased, floor installation work posted as completed in this quarter decreased.

(2) Explanation of financial position

1) Assets, liabilities, and net assets

Total assets at the end of the second quarter of the year ending March 31, 2018 were ¥182,612 million, up ¥6,612 million compared to the end of the previous fiscal year. This was largely because cash and deposits decreased by ¥5,383 million, but investment securities increased by ¥3,698 million, construction in progress by ¥3,694 million, and costs on uncompleted construction contracts by ¥3,354 million.

Liabilities at the end of the second quarter of the year ending March 31, 2018 were ¥80,417 million, up ¥2,308 million compared to the end of the previous fiscal year. This was largely a result of increases in advances received on uncompleted construction contracts of ¥2,697 million, offsetting the ¥847 million decrease in income taxes payable.

Net assets at the end of the second quarter of the year ending March 31, 2018 were ¥102,194 million, up ¥4,304 million compared to the end of the previous fiscal year. This was largely a result of increases in retained earnings of ¥4,854 million and a valuation difference on available-for-sale securities of ¥1,375 million, outweighing a ¥2,012 million increase in treasury stock and a decrease in foreign currency translation adjustment of ¥103 million.

2) Cash flows

Cash and cash equivalents at the end of the second quarter of the year ending March 31, 2018 (hereinafter, “cash”) decreased by ¥5,513 million to ¥23,685 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 ¥5,902 million (compared to receipts of ¥10,689 million in the same period of the previous fiscal year).

This was due to inflows in cash that included ¥9,635 million in income before income taxes, ¥2,695 million in advances received on uncompleted construction contracts, and ¥2,199 in depreciation and amortization, which outweighed outflows of cash that included ¥4,325 million in inventories and ¥3,865 million in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was ¥7,081 million (compared to expenditures of ¥3,951 million in the same period of the previous fiscal year).

This was due to outflows of cash that included ¥5,295 million used for the purchase of property, plant and equipment, and ¥1,686 million used for the purchase of investments in a subsidiary.

(Cash flows from financing activities)

Net cash used in financing activities was ¥4,198 million (compared to expenditures of ¥3,125 million in the same period of the previous fiscal year).

This was due to outflows of cash attributable to a ¥2,012 million net increase in treasury stock and ¥1,895 million in cash dividends paid.

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

The results for the second 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 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	Second Quarter of the Fiscal Year Ending March 31, 2018 (September 30, 2017)
Assets		
Current assets		
Cash and deposits	29,881	24,497
Notes and accounts receivable—trade	30,595	29,880
Electronically recorded monetary claims	8,569	10,217
Accounts receivable from completed construction contracts	13,334	12,053
Merchandise and finished goods	10,121	10,609
Work in process	1,824	2,075
Raw materials and supplies	6,110	6,330
Costs on uncompleted construction contracts	6,590	9,945
Deferred tax assets	1,795	1,848
Other	3,323	3,257
Allowance for doubtful accounts	(5)	(4)
Total current assets	112,142	110,711
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	43,649	44,380
Accumulated depreciation and impairment loss	(29,598)	(29,786)
Buildings and structures, net	14,050	14,594
Machinery, equipment and vehicles	66,212	65,373
Accumulated depreciation and impairment loss	(57,503)	(56,533)
Machinery, equipment and vehicles, net	8,708	8,840
Land	14,053	14,002
Lease assets	290	256
Accumulated depreciation	(142)	(130)
Lease assets, net	147	125
Construction in progress	4,832	8,526
Other	8,040	8,095
Accumulated depreciation and impairment loss	(7,156)	(7,260)
Other, net	884	834
Total property, plant and equipment	42,676	46,924
Intangible assets		
Software	1,195	1,000
Other	399	370
Total intangible assets	1,595	1,370
Investments and other assets		
Investment securities	14,564	18,262
Net defined benefit asset	462	545
Deferred tax assets	801	795
Other	3,808	4,086
Allowance for doubtful accounts	(52)	(83)
Total investments and other assets	19,585	23,606
Total noncurrent assets	63,857	71,901
Total assets	175,999	182,612

(Millions of yen)

	Fiscal year ended March 31, 2017	Second Quarter of the Fiscal Year Ending March 31, 2018 (September 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	20,913	20,940
Electronically recorded monetary liabilities	9,677	9,716
Short-term loans payable	10,817	11,055
Accounts payable—other	5,075	4,992
Income taxes payable	3,632	2,785
Advances received on uncompleted construction contracts	1,826	4,523
Provision for bonuses	2,755	3,304
Other	3,983	3,738
Total current liabilities	58,681	61,057
Noncurrent liabilities		
Bonds payable	10,000	9,400
Long-term loans payable	1,801	1,500
Deferred tax liabilities	1,715	2,321
Net defined benefit liability	3,987	4,098
Provision for loss on litigation	—	92
Other	1,923	1,947
Total noncurrent liabilities	19,427	19,359
Total liabilities	78,109	80,417
Net assets		
Shareholders' equity		
Capital stock	12,128	12,128
Capital surplus	13,832	13,857
Retained earnings	68,498	73,353
Treasury stock	(16)	(2,028)
Total shareholders' equity	94,443	97,310
Total other cumulative comprehensive income		
Valuation difference on available-for-sale securities	6,098	7,473
Foreign currency translation adjustment	(432)	(535)
Remeasurements of defined benefit plans	(2,741)	(2,566)
Total other cumulative comprehensive income	2,923	4,371
Non-controlling interests	523	512
Total net assets	97,890	102,194
Total liabilities and net assets	175,999	182,612

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

Quarterly consolidated statements of income

Second quarter of consolidated fiscal year

(Millions of yen)

	Second Quarter of the Fiscal Year Ended March 31, 2017 (April 1, 2016 to September 30, 2016)	Second Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017 to September 30, 2017)
Net sales		
Net sales of merchandise and finished goods	61,489	68,085
Net sales of completed construction contracts	23,213	24,018
Total net sales	84,703	92,103
Cost of sales		
Cost of merchandise and finished goods sold	43,803	48,844
Cost of sales of completed construction contracts	19,650	20,514
Total cost of sales	63,453	69,359
Gross profit	21,249	22,744
Selling, general and administrative expenses		
Selling expenses	3,850	4,085
General and administrative expenses	8,522	9,086
Total selling, general and administrative expenses	12,372	13,172
Operating income	8,876	9,572
Non-operating income		
Interest income	19	28
Dividends income	196	203
Foreign exchange gains	—	18
Rent income	154	164
Equity in earnings of affiliates	36	30
Other	190	110
Total non-operating income	597	556
Non-operating expenses		
Interest expenses	87	80
Foreign exchange losses	872	—
Other	157	167
Total non-operating expenses	1,118	248
Ordinary income	8,356	9,880
Extraordinary income		
Gain on sales of noncurrent assets	3	12
Total extraordinary income	3	12
Extraordinary losses		
Loss on facility inactivity	—	68
Provision for loss on litigation	—	92
Loss on sales and retirement of noncurrent assets	61	95
Loss on disasters	207	—
Total extraordinary losses	268	256
Income before income taxes	8,091	9,635

(Millions of yen)

	Second Quarter of the Fiscal Year Ended March 31, 2017 (April 1, 2016 to September 30, 2016)	Second Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017 to September 30, 2017)
Income taxes—current	2,445	2,986
Income taxes—deferred	(38)	(111)
Total income taxes	2,406	2,875
Profit	5,685	6,759
Profit attributable to non-controlling interests	31	6
Profit attributable to owners of parent	5,653	6,752
Profit	5,685	6,759
Other comprehensive income		
Valuation difference on available-for-sale securities	99	1,375
Foreign currency translation adjustment	(1,980)	(109)
Remeasurements of defined benefit plans	214	175
Total other comprehensive income	(1,667)	1,441
Comprehensive income	4,018	8,200
(Breakdown)		
Comprehensive income attributable to owners of the parent company	4,013	8,200
Comprehensive income attributable to non-controlling interests	4	0

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Second Quarter of the Fiscal Year Ended March 31, 2017 (April 1, 2016 to September 30, 2016)	Second Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017 to September 30, 2017)
Cash flows from operating activities		
Income before income taxes	8,091	9,635
Depreciation and amortization	1,835	2,199
Increase (decrease) in net defined benefit liability	45	110
Increase (decrease) in provision for bonuses	646	547
Interest and dividends income received	(216)	(231)
Interest expenses	87	80
Foreign exchange losses (gains)	319	116
Decrease (increase) in notes and accounts receivable—trade	2,421	292
Decrease (increase) in inventories	(2,360)	(4,325)
Increase (decrease) in notes and accounts payable—trade	1,132	(580)
Increase (decrease) in accounts payable—other	(671)	(864)
Increase (decrease) in accrued expenses	62	(252)
Increase (decrease) in advances received on uncompleted construction contracts	1,657	2,695
Decrease (increase) in net defined benefit asset	(181)	(82)
Other	182	246
Subtotal	13,051	9,587
Interest and dividends income received	216	231
Interest expenses paid	(90)	(89)
Income taxes paid	(2,487)	(3,865)
Income taxes refund	—	37
Net cash provided by (used in) operating activities	10,689	5,902

(Millions of yen)

	Second Quarter of the Fiscal Year Ended March 31, 2017 (April 1, 2016 to September 30, 2016)	Second Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017 to September 30, 2017)
Cash flows from investing activities		
Net decrease (increase) in time deposits	(84)	(120)
Expenditures for the acquisition of shares of subsidiaries	(53)	(1,686)
Expenditures for the acquisition of property, plant and equipment	(3,841)	(5,295)
Proceeds from sales of property, plant and equipment	63	55
Expenditures for the acquisition of intangible fixed assets	(75)	(60)
Payments of loans receivable	(0)	(190)
Collection of loans receivable	24	338
Other	17	(121)
Net cash provided by (used in) investing activities	(3,951)	(7,081)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	628	(55)
Proceeds from long-term loans payable	500	—
Repayment of long-term loans payable	(1,100)	(9)
Redemption of bonds	—	(200)
Cash dividends paid	(1,590)	(1,895)
Net decrease (increase) in treasury stock	(1,509)	(2,012)
Dividends paid to non-controlling interests	(11)	(4)
Other	(42)	(21)
Net cash provided by (used in) financing activities	(3,125)	(4,198)
Effect of exchange rate change on cash and cash equivalents	(806)	(135)
Net increase (decrease) in cash and cash equivalents	2,805	(5,513)
Cash and cash equivalents at beginning of period	19,800	29,198
Cash and cash equivalents at end of period	22,606	23,685

(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 ¥2,012 million during the second quarter of the year ending March 31, 2018, and the amount of treasury stock at the end of the second quarter of the year ending March 31, 2018 was ¥2,028 million.

(Segment information)

I. Second quarter of the fiscal year ended March 31, 2017 (April 1, 2016 to September 30, 2016)

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

(Millions of yen)

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

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

Not applicable

II. Second quarter of the fiscal year ending March 31, 2018 (April 1, 2017 to September 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	26,377	20,743	10,962	21,440	12,579	92,103	—	92,103
Intersegment sales or transfers	—	3,869	—	—	—	3,869	(3,869)	—
Total	26,377	24,612	10,962	21,440	12,579	95,973	(3,869)	92,103
Segment profit	1,879	3,002	2,105	2,289	295	9,572	—	9,572

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

Not applicable

(Additional information)

On October 27, 2017, the Tokyo High Court ordered the government and forty-three construction-material manufacturers to pay damages to former construction workers and bereaved family members of former construction workers who had worked in Kanagawa Prefecture for health problems caused by asbestos. In response, the Company has posted the 92 million yen in compensation that the Company was ordered to pay in this decision as provisions for loss on litigation (including delayed damages). The Company plans to appeal this decision to the Supreme Court.

(Significant subsequent events)

Consolidation of shares

At a meeting of board members held on October 16, 2017, the Company decided to make a partial amendment to the Articles of Incorporation related to a change in the number of shares constituting one unit. In addition, the Company resolved to propose a consolidation of shares (consolidating two shares into one) at the 202nd Ordinary General Meeting of Shareholders to be held in June 2018.

(1) Reason for share consolidation

Based on a plan to aggregate sales units for stock trading, stock exchanges nationwide are undertaking efforts to consolidate the unit of trading (number of shares constituting one unit) of ordinary shares of domestic companies listed on national stock exchanges to 100 shares. These stock exchanges have decided to set the deadline for transitioning to a trading unit of 100 shares as October 1, 2018.

As a company listed on the Tokyo Stock Exchange, Inc., the Company has decided to change its number of shares constituting one unit from 1,000 shares to 100 shares based on Article 195, Clause 1 of the Company Act.

In changing the number of shares constituting one unit from 1,000 shares to 100 shares, the Company has decided to implement a consolidation of two shares of the Company's stock into one share for the purpose of adjusting the number of shares constituting one unit (the purchase amount per number of shares constituting one unit) to an appropriate level.

(2) Details of the consolidation

1) Type of shares to be consolidated

Common stock

2) Method of consolidation and consolidation ratio

On October 1, 2018, two shares of the Company's stock will be consolidated into one share based on the number of outstanding shares held by shareholders in the final Register of Shareholders as of September 30 (effectively September 28), 2018.

3) Decrease in shares due to consolidation

Total number of issued shares prior to consolidation (as of September 30, 2017)	135,623,834 shares
Number of shares decreased due to the consolidation	67,811,917 shares
Total number of issued shares following consolidation	67,811,917 shares

Note: The "number of shares decreased due to the consolidation" and "total number of issued shares following consolidation" are theoretical values calculated from the "total number of issued shares prior to consolidation" under the share consolidation ratio.

(3) Impact on per-share information

Per-share information in the first half of this fiscal year on the assumption that the stock consolidation had been implemented at the beginning of the fiscal year is as follows.

Net assets per share: 1,517.04 yen

Basic earnings per share: 100.36 yen

3. Supplementary materials

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

November 6, 2017

NICHIAS Corporation

(1) Key consolidated figures

(Millions of yen)

	Half year			Full year					
	Fiscal year 2017 2nd quarter cumulative results	Fiscal year 2018		Fiscal year 2014 Results	Fiscal year 2015 Results	Fiscal year 2016 Results	Fiscal year 2017 Results	Fiscal year 2018	
		2nd quarter cumulative results	Year-on-year change					Forecast	Year-on-year change
Net sales	84,703	92,103	8.7%	147,118	158,939	170,430	180,363	190,000	5.3%
Operating income	8,876	9,572	7.8%	10,216	11,490	15,104	19,600	19,700	0.5%
Operating income margin (%)	10.5%	10.4%		6.9%	7.2%	8.9%	10.9%	10.4%	
Ordinary income	8,356	9,880	18.2%	11,057	12,913	15,480	19,756	19,900	0.7%
Ordinary income margin (%)	9.9%	10.7%		7.5%	8.1%	9.1%	11.0%	10.5%	
Profit attributable to owners of parent	5,653	6,752	19.4%	6,317	7,532	6,669	13,409	13,500	0.7%
Net income (loss) margin (%)	6.7%	7.3%		4.3%	4.7%	3.9%	7.4%	7.1%	
Net income (loss) per share (yen)	42.82	50.18	17.2%	52.89	62.84	51.88	100.41	100.56	0.1%
Total assets	158,318	182,612	15.3%	141,311	156,234	154,922	175,999	—	—
Net assets	87,851	102,194	16.3%	67,956	78,893	85,665	97,890	—	—
Shareholders' equity	87,071	101,681	16.8%	67,276	78,132	84,879	97,367	—	—
Equity ratio (%)	55.0%	55.7%		47.6%	50.0%	54.8%	55.3%	—	
Interest-bearing debt	24,621	23,762	(3.5%)	33,825	33,830	25,840	23,976	—	—
Interest-bearing debt ratio (%)	15.6%	13.0%		23.9%	21.7%	16.7%	13.6%	—	
Capital expenditures	4,090	6,357	55.4%	8,299	2,788	4,287	9,775	15,000	53.4%
Depreciation and amortization	1,835	2,199	19.8%	3,802	4,659	4,598	3,969	4,900	23.5%
Research and development expenses	2,673	2,950	10.3%	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		
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	Year-on-year change
Net sales	39,230	45,473	45,332	50,327	44,424	47,679	4.9%
Operating income	3,876	5,000	5,408	5,315	4,661	4,910	(1.8%)
Operating income margin (%)	9.9%	11.0%	11.9%	10.6%	10.5%	10.3%	
Ordinary income	3,639	4,716	5,962	5,438	4,831	5,048	7.0%
Ordinary income margin (%)	9.3%	10.4%	13.2%	10.8%	10.9%	10.6%	
Profit attributable to owners of parent	2,378	3,275	4,062	3,693	3,400	3,351	2.3%
Net income (loss) margin (%)	6.1%	7.2%	9.0%	7.3%	7.7%	7.0%	

*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.