

Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

<Japanese GAAP>

May 7, 2018

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
 Inquiries: Masayuki Tomita, Representative Director and Senior Managing Executive Officer
 Phone: +81-3-4413-1111
 Scheduled date of Ordinary General Meeting of Shareholders: June 28, 2018
 Scheduled date of filing the consolidated financial statements: June 28, 2018
 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 29, 2018

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

1. Consolidated financial results for Fiscal Year 2017 (April 1, 2017 to March 31, 2018)

(1) Consolidated Operating Results

(Percentage figures represent changes from previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2017	197,495	9.5	21,357	9.0	21,804	10.4	14,956	11.5
FY 2016	180,363	5.8	19,600	29.8	19,756	27.6	13,409	101.1

Note: Comprehensive income FY 2017 ¥17,600million---21.4%, FY 2016 ¥14,495million¥---665.0%

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary income on total assets	Operating Margin
	Yen	Yen	%	%	%
FY 2017	111.36	111.36	14.5	11.7	10.8
FY 2016	100.41	98.66	14.7	11.9	10.9

(Reference) Share of Profit or loss on investments for using the equity method: FY 2017 ¥59 million
 FY 2016 ¥69 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	197,839	109,705	55.2	814.62
As of March 31, 2017	175,999	97,890	55.3	718.00

(Reference) Shareholders' equity: FY 2017 ¥109,105 million, FY 2016 ¥97,367 million

(3) Consolidated Cash flows

	Net cash from (used in) operating activities	Net cash from (used in) investing activities	Net cash from (used in) financing activities	Cash and cash equivalents at the end of fiscal year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY 2017	18,122	(14,370)	(6,221)	26,499
FY 2016	24,798	(10,617)	(4,965)	29,198

2. Dividends

	Annual Dividends					Total Dividends	Dividend pay-out ratio	Ratio of dividends to net assets
	End of 1 st quarter	End of first half	End of 3 rd quarter	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY 2016	—	12.00	—	14.00	26.00	3,497	25.9	3.8
FY 2017	—	14.00	—	16.00	30.00	4,021	26.9	3.9
FY 2018 (Forecast)	—	16.00	—	32.00	—		—	

*The Company plans to carry out a reverse stock split on a one-for-two basis on October 1, 2018. Accordingly, the year-end dividends per share planned for the FY2018 take into account the impact of this reverse stock split, and total annual dividends are indicated with “-.” When the reverse stock split is not taken into account, the year-end dividends per share planned for the FY 2018 would be 16 yen per share and annual dividends per share would be 32 yen. Please refer to the “Information concerning proper use of financial forecasts and other special notes.”

3. Forecast of consolidated financial results for Fiscal Year 2018 (April 1, 2018 to March 31, 2019)

(Percentage figures represent changes from previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	
First half	101,000	9.7	10,300	7.6	10,500	6.3	7,100	5.1	53.34
Full year	205,000	3.8	21,500	0.7	22,000	0.9	15,000	0.3	225.77

*The basic earnings per share in the consolidated earnings forecasts for the full FY 2018 takes into account the impact of the reverse stock split. Please refer to the “Information concerning proper use of financial forecasts and other special notes.”

*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

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|--|------|
| 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 |

(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, 2018	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 year

As of March 31, 2018	1,579,217 shares	As of March 31, 2017	15,356 shares
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3) Average number of shares outstanding during the year

As of March 31, 2018	134,307,486 shares	As of March 31, 2017	133,550,154 shares
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This summary of financial statements is not subject to audit by a certified public accountant or auditor.

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

Information concerning forward-looking statements

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

Dividend and consolidated earnings forecasts after reverse stock split

At its Board of Directors meeting held on October 16, 2017, the Company decided to change the part of its Articles of Incorporation related to changes in the number of trading units, and also decided to refer the matter of a reverse stock split to the 202nd Annual General Meeting of Shareholders to be convened in June 2018. Assuming that the reverse stock split is approved at the General Meeting of Shareholders, on October 1, 2018 we will carry out a reverse stock split on a one-for-two basis for shareholders registered in the final shareholder registry as of September 30 (effectively, September 28).

The dividend forecast for the FY 2018 consolidated earnings forecast prior to factoring in this reverse stock split is provided below.

- Dividend forecast for FY 2018: Full-year dividends of 32 yen per share
- Consolidated earnings forecast for the FY 2018: Basic earnings per share for the full year of 112.89 yen

Change in method of date presentation

Beginning with the summary of financial statements for the FY 2017, dates are presented using the Western calendar rather than the Japanese calendar.

Disclaimer: This is a Japanese-English translation of the summary of financial statements of the Company produced for your convenience. Since no auditor audited this report, officially only the Japanese version is assumed to be the summary of financial statements of the Company. This summary does not constitute any guarantee and the Company will not compensate any losses and/or damage stemming from actions taken based on these statements. In the case that there is any discrepancy between the Japanese and English versions, the Japanese version is assumed to be correct.

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1. Overview of operating results

(1) Overview of operating results in Fiscal Year 2017 (April 1, 2017 to March 31, 2018)

During the FY 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 continued to recover, and there were signs of recovery in the economies of China and other emerging nations.

In these conditions, net sales increased primarily in the Advanced Products Division, which experienced high demand for products for semiconductor production equipment, and in the Autoparts Division, which experienced an increase in subsidiaries at the end of December 2016.

As a result, net sales for the NICHIA Group overall increased 9.5% year on year to ¥197,495 million.

In terms of profits, operating income increased 9.0% year on year to ¥21,357 million, ordinary income increased 10.4% year on year to ¥21,804 million, and profit attributable to owners of the parent company increased 11.5% year on year to ¥14,956 million.

The net sales by segment for the FY 2017 are as follows;

Sales in the **Energy and Industrial Plants Division** increased 7.5% year on year to ¥56,386 million. This was due to the strong performance of the construction department, which met solid demand for construction work.

Sales in the **Industrial Products Division** increased 5.7% year on year to ¥43,760 million. This was due to robust demand for products such as fluoropolymer products, inorganic thermal insulation materials, and environmental products.

Sales in the **Advanced Products Division** increased 26.2% year on year to ¥24,564 million. This was due to high levels of demand for semiconductor and LCD production equipment.

Sales in the **Autoparts Division** increased 15.9% year on year to ¥43,812 million. This was due to solid overseas demand, primarily in North America, and the contribution to sales of APJ Corporation, which became a consolidated subsidiary at the end of December 2016.

Sales in the **Building Materials Division** decreased 1.0% year on year to ¥28,971 million. This was due to few floor installation projects posted as completed, despite higher demand for wrap-type fireproof material.

(2) Overview of financial position

Total assets at the end of the FY 2017 were ¥197,839 million, up ¥21,839 million compared with the end of the previous fiscal year. This was largely because cash and deposits decreased by ¥2,628 million, offset by increases in investment securities by ¥4,272 million, in costs on uncompleted construction contracts by ¥4,198 million, in buildings and structures, net by ¥4,051 million, in construction in progress by ¥2,607 million, and in accounts receivable from completed construction contracts by ¥2,169 million.

Liabilities at the end of the FY 2017 were ¥88,133 million, up ¥10,024 million compared with the end of the previous fiscal year. This was largely a result of increases in advances received on uncompleted construction contracts of ¥4,858 million, notes and accounts payable—trade by ¥3,931 million, and deferred tax liabilities of ¥1,227 million, offsetting the ¥194 million decrease in income taxes payable.

Net assets at the end of the FY 2017 were ¥109,705 million, up ¥11,815 million compared with the end of the previous fiscal year. This was largely a result of increases in retained earnings of ¥11,181 million and a valuation difference on available-for-sale securities of ¥1,661 million, outweighing a ¥2,023 million decrease in acquisition of treasury stock.

(3) Cash flows

Cash and cash equivalents at the end of the FY 2017 (hereinafter, "cash") decreased by ¥2,699 million year on year to ¥26,499 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 ¥18,122 million (compared to receipts of ¥24,798 million year on year).

This was due to inflows in cash that included ¥21,225 million in income before income taxes, ¥4,849 million in advances received on uncompleted construction contracts, ¥4,800 million in depreciation and amortization, and ¥3,084 million in notes and accounts payable—trade, which outweighed outflows of cash that included ¥6,473 million in income taxes paid, an increase of ¥4,177 million in costs on uncompleted construction contracts, ¥3,155 million in notes and accounts receivable—trade, and ¥2,231 million in inventories.

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

Net cash used in investing activities was ¥14,370 million (compared to expenditures of ¥10,617 million year on year).

This was due to outflows of cash that included ¥12,300 million used for the purchase of property, plant and equipment and ¥1,693 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 ¥6,221 million (compared to expenditures of ¥4,965 million year on year).

This was due to outflows of cash attributable to ¥3,769 million in cash dividends paid and ¥2,023 million for acquisition of treasury stock.

(4) Earnings forecasts

In the FY 2018, we expect solid demand, particularly in the Energy and Industrial Plants Division and the Advanced Products Division.

Given these conditions, we expect earnings to be as follows in the FY 2018.

We forecast a 3.8% year-on-year increase in sales to ¥205.0 billion, a 0.7% increase in operating income to ¥21.5 billion, a 0.9% increase in ordinary income to ¥22.0 billion, and a 0.3% increase in net income attributable to owners of the parent company to ¥15.0 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 FY 2017 and FY 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 Business 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 ¥14 per share and a year-end dividend of ¥16 per share.

In the FY 2018, we plan to pay ¥16 per share in interim dividends and year-end dividends of ¥32 per share, taking into account the one-for-two reverse stock split (when not taking this into account, the year-end dividend would be ¥16 per share). However, the final decision on dividends will be made based on a comprehensive assessment of financial conditions and earnings in the 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 manufacturing and sales of sealing materials such as gaskets and packing; manufacturing and sales of varieties of insulation materials using mainly rock wool and inorganic fibers; manufacturing and sales of corrosion-resistant materials and machine parts using high-performance resin polymer such as fluoropolymer; manufacturing and sales of automotive parts including sealing materials for engines and engine accessory, parts with thermal insulation and soundproofing attributes; manufacturing 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, automotive parts 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 overseas, especially in the Asian region. 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.

NICHIAS Corporation has been sued for compensation for health problems caused by asbestos, and the Company will continue to respond appropriately.

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 Business Plan, which was launched in FY 2016, has set the following management targets for FY 2020 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 ¥220 billion and operating profit margin of 10% or higher in FY2020.

2) Manage operations with a focus on improvements and efficiency (promoting NKK [Nichias Kaizen Katsudo, or Nichias Improvement Activities])

- 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 that 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 Japan-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 from 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 guidelines, the Group will implement its business strategies and various measures based on its fundamental functional 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 fully considering circumstances in Japan and overseas.

4. Consolidated financial statements and important notes

(1) Consolidated balance sheets

	(Millions of yen)	
	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	29,881	27,252
Notes and accounts receivable-trade	30,595	30,297
Electronically recorded monetary claims	8,569	10,031
Accounts receivable from completed construction contracts	13,334	15,504
Merchandise and finished goods	10,121	10,806
Work in process	1,824	2,253
Raw materials and supplies	6,110	7,609
Costs on uncompleted construction contracts	6,590	10,789
Deferred tax assets	1,795	2,116
Other	3,323	3,990
Allowance for doubtful accounts	(5)	(15)
Total current assets	112,142	120,636
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	43,649	48,266
Accumulated depreciation and impairment loss	(29,598)	(30,164)
Buildings and structures, net	14,050	18,101
Machinery, equipment and vehicles	66,212	67,877
Accumulated depreciation and impairment loss	(57,503)	(57,527)
Machinery, equipment and vehicles, net	8,708	10,349
Land	14,053	14,043
Lease assets	290	421
Accumulated depreciation	(142)	(159)
Lease assets, net	147	261
Construction in progress	4,832	7,439
Other	8,040	8,326
Accumulated depreciation and impairment loss	(7,156)	(7,455)
Other, net	884	870
Total property, plant and equipment	42,676	51,067
Intangible assets		
Software	1,195	905
Other	399	352
Total intangible assets	1,595	1,257
Investments and other assets		
Investment securities	14,564	18,837
Long-term loans receivable	195	13
Net defined benefit asset	462	1,226
Deferred tax assets	801	913
Other	3,613	3,965
Allowance for doubtful accounts	(52)	(76)
Total investments and other assets	19,585	24,878
Total noncurrent assets	63,857	77,203
Total assets	175,999	197,839

	(Millions of yen)	
	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	20,913	24,844
Electronically recorded monetary obligations	9,677	9,674
Current portion of bonds	400	3,800
Current portion of bonds with subscription rights	5	—
Short-term loans payable	10,817	11,160
Lease obligations	69	107
Accounts payable-other	5,075	4,881
Income taxes payable	3,632	3,566
Advances received on uncompleted construction contracts	1,826	6,684
Provision for bonuses	2,755	2,995
Other	3,509	3,251
Total current liabilities	58,681	70,966
Noncurrent liabilities		
Bonds payable	10,000	6,200
Long-term loans payable	1,801	1,500
Lease obligations	123	196
Deferred tax liabilities	1,715	2,943
Net defined benefit liability	3,987	4,277
Reserves for litigation losses	—	92
Other	1,800	1,958
Total noncurrent liabilities	19,427	17,167
Total liabilities	78,109	88,133
Net assets		
Shareholders' equity		
Capital stock	12,128	12,128
Capital surplus	13,832	13,857
Retained Earnings	68,498	79,680
Treasury stock	(16)	(2,039)
Total shareholders' equity	94,443	103,626
Total other cumulative comprehensive income		
Valuation difference on available-for-sale securities	6,098	7,759
Foreign currency translation adjustment	(432)	158
Remeasurements of defined benefit plans	(2,741)	(2,349)
Total other cumulative comprehensive income	2,923	5,568
Non-controlling interests	523	510
Total net assets	97,890	109,705
Total liabilities and net assets	175,999	197,839

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

	(Millions of yen)	
	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)
Net sales		
Net sales of merchandise and finished goods	128,868	142,422
Net sales of completed construction contracts	51,494	55,073
Total net sales	180,363	197,495
Cost of sales		
Cost of merchandise and finished goods sold	92,094	103,059
Cost of sales of completed construction contracts	43,251	46,486
Total cost of sales	135,346	149,545
Gross profit	45,016	47,949
Selling, general and administrative expenses		
Selling expenses	7,895	8,260
General and administrative expenses	17,521	18,331
Total selling, general and administrative expenses	25,416	26,592
Operating income	19,600	21,357
Non-operating income		
Interest income	43	63
Dividends income	320	334
Rent income	309	381
Equity in earnings of affiliates	69	59
Other	355	320
Total non-operating income	1,097	1,158
Non-operating expenses		
Interest expenses	183	148
Foreign exchange gains	416	293
Cost of lease revenue	109	31
Special contribution for asbestos	43	43
Other	188	193
Total non-operating expenses	941	710
Ordinary income	19,756	21,804
Extraordinary income		
Gain on sales of noncurrent assets	8	55
Total extraordinary income	8	55

	(Millions of yen)	
	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	287	267
Loss (gain) on devaluation of investment securities	226	—
Valuation loss on stock of subsidiary	32	—
Loss due to disaster	207	—
Losses on suspension of operations at plants	—	275
Provision for litigation losses	—	92
Total extraordinary losses	754	635
Income before income taxes	19,011	21,225
Income taxes-current	5,640	6,391
Income taxes-deferred	(98)	(126)
Total income taxes	5,541	6,265
Net income	13,470	14,959
Net income attributable to non-controlling interests	60	3
Net income attributable to owners of the parent company	13,409	14,956

Consolidated comprehensive income statements

	(Millions of yen)	
	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)
Net income	13,470	14,959
Other comprehensive income		
Valuation difference on available-for-sale securities	1,491	1,661
Foreign currency translation adjustment	(799)	586
Remeasurements of defined benefit plans	333	392
Total other comprehensive income	1,025	2,640
Comprehensive income	14,495	17,600
Breakdown		
Comprehensive income attributable to owners of the parent company	14,437	17,601
Comprehensive income attributable to minority interests	58	(1)

(3) Consolidated statements of changes in shareholders' equity
Fiscal Year 2016 (from April 1, 2016 to 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)
Profit attributable to owners of parent			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)
Profit attributable to owners of parent						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

Fiscal Year 2017 (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the current period	12,128	13,832	68,498	(16)	94,443
Changes of items during the period					
Issuance of new shares (exercise of new stock acquisition rights)					—
Changes in ownership interests in parent company related to transactions with non-controlling interests		24			24
Dividends from surplus			(3,775)		(3,775)
Profit attributable to owners of parent			14,956		14,956
Purchase of treasury stock				(2,023)	(2,023)
Disposal of treasury stock					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	24	11,181	(2,023)	9,182
Balance at the end of the current period	12,128	13,857	79,680	(2,039)	103,626

	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	6,098	(432)	(2,741)	2,923	523	97,890
Changes of items during the period						
Issuance of new shares (exercise of new stock acquisition rights)						—
Changes in ownership interests in parent company related to transactions with non-controlling interests						24
Dividends from surplus						(3,775)
Profit attributable to owners of parent						14,956
Purchase of treasury stock						(2,023)
Disposal of treasury stock						—
Net changes of items other than shareholders' equity	1,661	591	391	2,645	(12)	2,632
Total changes of items during the period	1,661	591	391	2,645	(12)	11,815
Balance at the end of the current period	7,759	158	(2,349)	5,568	510	109,705

(4) Consolidated statements of cash flows

(Millions of yen)

	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)
Net cash provided by (used in) operating activities		
Income before income taxes	19,011	21,225
Depreciation and amortization	3,969	4,800
Loss (gain) on sales of property, plant and equipment	(4)	(31)
Loss on abandonment of property, plant and equipment	36	57
Loss (gain) on devaluation of investment securities	226	—
Valuation loss on stock of subsidiary	32	—
Increase (decrease) in allowance for doubtful accounts	5	34
Increase (decrease) in retirement benefits	188	289
Increase (decrease) in provision for bonuses	305	250
Interest and dividends income received	(364)	(397)
Interest expenses	183	148
Foreign exchange losses (gains)	(104)	357
Decrease (increase) in notes and accounts receivable—trade	2,887	(3,155)
Decrease (increase) in inventories	(848)	(2,231)
Decrease (increase) in costs on uncompleted construction contracts	(1,927)	(4,177)
Increase (decrease) in notes and accounts payable—trade	3,553	3,084
Decrease (increase) in accounts receivable—other	(101)	(535)
Increase (decrease) in accounts payable—other	65	33
Increase (decrease) in advances received on uncompleted construction contracts	1,169	4,849
Decrease (increase) in retirement benefit obligations	(188)	(763)
Other	1,222	479
Subtotal	29,318	24,317
Interest and dividends income received	364	397
Interest expenses paid	(180)	(157)
Income taxes paid	(4,703)	(6,473)
Refund of income taxes	—	37
Net cash provided by (used in) operating activities	24,798	18,122
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(141)	(30)
Purchase of investments in subsidiaries	(53)	(1,693)
Purchase of property, plant and equipment	(8,539)	(12,300)
Proceeds from sales of property, plant and equipment	69	140
Purchase of intangible assets	(183)	(240)
Purchase of investment securities	(3)	(117)
Payments of loans receivable	(1)	(197)
Collection of loans receivable	105	698
Expenditures for the purchase of shares in subsidiaries resulting in change in scope of consolidation	(1,783)	—
Other	(86)	(628)
Net cash provided by (used in) investing activities	(10,617)	(14,370)

	(Millions of yen)	
	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(7)	60
Proceeds from long-term loans payable	1,500	—
Repayment of long-term loans payable	(3,519)	(20)
Proceeds from issuance of bonds	1,983	—
Expenditures on redemption of bonds	—	(400)
Repayments of lease obligations	(68)	(76)
Net decrease (increase) in treasury stock	(1,523)	(2,023)
Cash dividends paid	(3,189)	(3,769)
Cash dividends paid to non-controlling shareholders	(11)	(4)
Proceeds from the acquisition of subsidiary shares not accompanying changes in the scope of consolidation	(129)	(18)
Other	—	31
Net cash provided by (used in) financing activities	(4,965)	(6,221)
Effect of exchange rate change on cash and cash equivalents	182	(229)
Net increase (decrease) in cash and cash equivalents	9,398	(2,699)
Cash and cash equivalents at beginning of period	19,800	29,198
Cash and cash equivalents at end of period	29,198	26,499

(5) Notes to Consolidated Financial Statements
(Notes regarding going concern assumption)
Not applicable

(Accounting Standards not adopted)

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29, March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Guidance No. 30, March 30, 2018)

1. Overview

This is a comprehensive accounting standard for revenue recognition. Revenue is recognized using the following five steps.

Step 1: Identify the contract with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the reporting organization satisfies a performance obligation.

2. Date of introduction

These accounting standards will be applied at the start of the FY 2021.

3. Impact of application of these accounting standards

The amount of the impact was still being assessed when these consolidated financial statements were prepared.

(Changes in presentation)

(Consolidated statements of cash flows)

In the FY 2016, the "Decrease (increase) costs on uncompleted construction contracts" included in "Decrease (increase) in inventories" under "Cash flows from operating activities" had a greater monetary impact, and is thus reported separately beginning in the FY 2017. To reflect this change in presentation, the consolidated financial statements for the FY 2016 have been replaced.

As a result, in the consolidated balance sheets for the FY 2016, the ¥2,775 million "Decrease (increase) in inventories" under "Cash flows from operating activities" is now presented as a ¥848 million "Decrease (increase) in inventories" and a ¥1,927 million "Decrease (increase) costs on uncompleted construction contracts."

(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 automotive parts including sealing materials for engines and engine accessory, and parts with thermal insulation, noise reduction, 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 2016 (from April 1, 2016 to 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 and amortization	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 ¥38,149 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 ¥1,722 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.

Fiscal Year 2017 (from April 1, 2017 to March 31, 2018)

(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	56,386	43,760	24,564	43,812	28,971	197,495	—	197,495
Intersegment sales or transfers	—	7,752	—	—	—	7,752	(7,752)	—
Total	56,386	51,512	24,564	43,812	28,971	205,247	(7,752)	197,495
Segment profit (loss)	4,730	6,554	4,635	4,399	1,037	21,357	—	21,357
Segment assets	34,304	47,244	16,553	40,532	20,056	158,691	39,147	197,839
Other items								
Depreciation expenses	342	1,367	630	1,908	550	4,800	—	4,800
Amortization of goodwill	38	—	—	—	—	38	—	38
Increase in property, plant, and equipment and intangible assets	52	3,147	3,172	2,051	271	8,695	4,077	12,772

Notes "Adjustment" is described below.

- (1) The ¥39,147 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 ¥4,077 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 2017 (from April 1, 2017 to March 31, 2018)

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.

Fiscal Year 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
163,030	25,570	8,894	197,495

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
37,767	11,841	1,458	51,067

3. Information on 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 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 basic earnings per share and the basis for calculation are as follows.

(Yen)

Item	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
Net assets per share	718.00	814.62
(Basis for calculation)		
Total net assets (millions of yen)	97,890	109,705
Amount to be deducted from total net assets (millions of yen)	523	510
(Of which, minority interests)	(523)	(510)
Net assets attributable to common shares at the end of the fiscal year (millions of yen)	97,367	109,195
Number of common shares at the end of the fiscal year used for the calculation of net assets per share (thousand shares)	135,608	134,044

(Yen)

Item	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)
Basic earnings per share	100.41	111.36
(Basis for calculation)		
Net income attributable to owners of the parent company (millions of yen)	13,409	14,956
Amount not attributed to common shareholders (millions of yen)	—	—
Profit attributable to owners of the parent related to common stock (millions of yen)	13,409	14,956
Average outstanding shares of common stock during the fiscal year (thousand shares)	133,550	134,307
Diluted earnings per share	98.66	111.36
(Basis for calculation)		
Profit attributable to owners of the parent related to common stock (millions of yen)	—	—
Increase in number of common shares (thousand shares)	2,366	2
(Of which, bonds with subscription rights)	(2,366)	(2)
Overview of potential shares that were not included in the calculation of diluted earnings per share because they have no dilutive effects	—	—

(Significant subsequent events)

Following a resolution at its board of directors meeting on May 7, 2018, 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: | 2 million (maximum) |
| (4) Total amount to be paid for repurchase : | ¥2,000 million (maximum) |
| (5) Period of share repurchase: | May 8 – July 31, 2018 |
| (6) Method of repurchase: | Purchase in the market on the Tokyo Stock Exchange |

5. Other

Status of production, orders, and sales

1. Production output by segment

(Millions of yen)

Name of segment	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)	Change over the previous year (%)	FY2017 Composition ratio (%)
Industrial Products	30,343	32,193	6.1	35.5
Advanced Products	14,257	17,146	20.3	18.9
Autoparts	28,031	33,183	18.4	36.5
Building Materials	8,134	8,247	1.4	9.1
Total	80,767	90,771	12.4	100.0

2. Orders by segment

(Millions of yen)

Name of segment	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)	Change over the previous year (%)	FY2017 Composition ratio (%)
Energy and Industrial Plants	56,253	61,324	9.0	29.6
Industrial Products	41,955	45,743	9.0	22.1
Advanced Products	21,120	27,166	28.6	13.1
Autoparts	38,289	43,726	14.2	21.1
Building Materials	29,346	29,182	(0.6)	14.1
Total	186,965	207,143	10.8	100.0

3. Net sales by segment

(Millions of yen)

Name of segment	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)	Change over the previous year (%)	FY2017 Composition ratio (%)
Energy and Industrial Plants	52,444	56,386	7.5	28.6
Industrial Products	41,385	43,760	5.7	22.2
Advanced Products	19,458	24,564	26.2	12.4
Autoparts	37,803	43,812	15.9	22.2
Building Materials	29,271	28,971	(1.0)	14.6
Total	180,363	197,495	9.5	100.0

6. Supplementary Materials

Financial results supplementary materials

(Percentage figures represent changes from previous fiscal year)

(1) Key consolidated financial figures (Trends)

(Millions of yen)

	Full Year							
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017		FY 2018	
	Result	Result	Result	Result	Result	Change	Forecast	Change
Net sales	147,118	158,939	170,430	180,363	197,495	9.5%	205,000	3.8%
Operating income	10,216	11,490	15,104	19,600	21,357	9.0%	21,500	0.7%
Operating margin (%)	6.9%	7.2%	8.9%	10.9%	10.8%		10.5%	
Ordinary income	11,057	12,913	15,480	19,756	21,804	10.4%	22,000	0.9%
Ordinary income margin (%)	7.5%	8.1%	9.1%	11.0%	11.0%		10.7%	
Profit attributable to owners of parent	6,317	7,532	6,669	13,409	14,956	11.5%	15,000	0.3%
Net income margin (%)	4.3%	4.7%	3.9%	7.4%	7.6%		7.3%	
Basic earnings per share (yen)	52.89	62.84	51.88	100.41	111.36	10.9%	225.77	—
Total assets	141,311	156,234	154,922	175,999	197,839	12.4%	—	—
Net assets	67,956	78,893	85,665	97,890	109,705	12.1%	—	—
Shareholders' equity	67,276	78,132	84,879	97,367	109,195	12.1%	—	—
Equity ratio (%)	47.6%	50.0%	54.8%	55.3%	55.2%		—	
Interest-bearing debt	33,825	33,830	25,840	23,976	23,818	(0.7%)	—	—
Interest-bearing debt ratio (%)	23.9%	21.7%	16.7%	13.6%	12.0%		—	
Capital expenditures	8,299	2,788	4,287	9,775	12,772	30.7%	14,000	9.6%
Depreciation & amortization	3,802	4,659	4,598	3,969	4,800	20.9%	5,500	14.6%
R&D expenses	5,545	5,602	5,460	5,446	5,692	4.5%	6,000	5.4%

(2) Quarterly consolidated operating results (Trends)

(Millions of yen)

	FY 2016				FY 2017				
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Change
Net sales	39,230	45,473	45,332	50,327	44,424	47,679	48,767	56,624	12.5%
Operating income	3,876	5,000	5,408	5,315	4,661	4,910	5,500	6,285	18.2%
Operating margin (%)	9.9%	11.0%	11.9%	10.6%	10.5%	10.3%	11.3%	11.1%	
Ordinary income	3,639	4,716	5,962	5,438	4,831	5,048	5,818	6,106	12.3%
Ordinary income margin (%)	9.3%	10.4%	13.2%	10.8%	10.9%	10.6%	11.9%	10.8%	
Profit attributable to owners of parent	2,378	3,275	4,062	3,693	3,400	3,351	3,915	4,289	16.1%
Net income margin (%)	6.1%	7.2%	9.0%	7.3%	7.7%	7.0%	8.0%	7.6%	

All forecasts and plan that are not historical facts in this document are future business result related forecast. These are showed by based on information and data currently available to the company.

Various uncertain factors could cause actual results to differ.