

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019 (April 1, 2018 to September 30, 2018) <Japanese GAAP>

November 5, 2018

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 Stock Exchange Listing: Tokyo Stock Exchange (Code number 5393)
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 Scheduled date of commencement of dividend payment: December 3, 2018

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

1. Consolidated financial results for the second quarter of the Fiscal Year 2018

(April 1, 2018 to September 30, 2018)

(1) Operating Results (cumulative)

(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 2018 Q2	106,567	15.7	11,682	22.1	12,208	23.6	8,285	22.7
FY 2017 Q2	92,103	8.7	9,572	7.8	9,880	18.2	6,752	19.4

Note: Comprehensive income FY 2018 Q2 ¥7,772 million---(5.2)%, FY2017 Q2 ¥8,200 million---104.1%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY 2018 Q2	124.48	—
FY 2017 Q2	100.36	100.36

*The Company carried out a reverse stock split on a one-for-two basis on October 1, 2018. Basic earnings per share and diluted earnings per share are calculated based on the assumption that the reverse stock split was carried out at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	201,448	113,862	56.1
As of March 31, 2018	196,459	109,705	55.6

(Reference) Shareholders' equity: FY 2018 Q2 ¥112,918 million, As of March 31, 2018 (FY 2017) ¥109,195 million

2. Dividends

	Annual Dividends				
	End of 1 st quarter	End of 1 st half	End of 3 rd quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2017	—	14.00	—	16.00	30.00
FY 2018	—	16.00			
FY 2018 (Forecast)			—	32.00	—

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

*The Company carried 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	%	Yen
Full year	210,000	6.3	22,000	3.0	22,500	3.2	15,300	2.3	230.24

Note: Adjustments from the most recently released consolidated results forecast: None

*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 consolidated quarter under review: 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 fiscal year (including treasury stock)

FY 2018 Q2	(As of September 30, 2018)	67,811,917 shares
FY 2017	(As of March 31, 2018)	67,811,917 shares
- 2) Number of shares of treasury stock at the end of the fiscal year

FY 2018 Q2	(As of September 30, 2018)	1,474,448 shares
FY2017	(As of March 31, 2018)	789,608 shares
- 3) Average number of shares outstanding during the fiscal year

FY 2018 Q2	(As of September 30, 2018)	66,562,972 shares
FY 2017 Q2	(As of September 30, 2017)	67,282,598 shares

*The Company carried out a reverse stock split on a one-for-two basis on October 1, 2018. The number of shares issued at the end of the fiscal year, the number of shares of treasury stock at the end of the fiscal year, and the average number of shares outstanding during the fiscal year are calculated based on the assumption that the reverse stock split was carried out at the beginning of the previous fiscal year.

*The consolidated financial results for the second quarter of the fiscal year ending March 31, 2019 are not subject to quarterly review 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.

Dividend and consolidated earnings forecasts after reverse stock split

At the 202nd General Meeting of Shareholders held on June 28, 2018, a reverse stock split was approved. A reverse stock split at a ratio of 2 to 1 was carried out on October 1, 2018 based on the number of shares held by shareholders listed in the register on September 30 (in effect, September 28), 2018. In conjunction with this change, the share trading unit changed on the same date (from 1,000 to 100 shares).

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 115.12 yen

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. Qualitative information on the quarter under review

(1) Explanation of operating results

During the second quarter of the fiscal year, the Japanese economy continued to make a steady 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 a rebound and recovery in the economies of China and other emerging nations.

In these conditions, net sales increased primarily in the Energy and Industrial Plants Division, which saw solid demand from petroleum refining and petrochemical companies, and the Advanced Products Division, which experienced high demand for products for semiconductor production equipment. As a result, net sales for the NICHIAS Group overall increased 15.7% year on year to ¥106,567 million.

In terms of profits, operating income increased 22.1% year on year to ¥11,682 million, ordinary income increased 23.6% year on year to ¥12,208 million, and profit attributable to owners of the parent company increased 22.7% year on year to ¥8,285 million.

As a result of the change in the financial year for some consolidated subsidiaries, the consolidated second quarter is a cumulative nine months and both net sales and income rose.

The net sales by segment for the second quarter of the fiscal year are as follows:

Sales in the **Energy and Industrial Plants Division** increased 25.3% year on year to ¥33,061 million. With solid demand from petroleum refining and petrochemical companies, the posting of completed large-scale shipbuilding construction projects contributed.

Sales in the **Industrial Products Division** increased 10.2% year on year to ¥22,857 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 20.8% year on year to ¥13,245 million. This was due to high levels of demand for semiconductor production equipment.

Sales in the **Autoparts Division** increased 5.1% year on year to ¥22,534 million. This was due to domestic and foreign demand on par with the previous fiscal year and the impact of changes to the fiscal period of some consolidated subsidiaries.

Sales in the **Building Materials Division** increased 18.2% year on year to ¥14,866 million. This was due to the posting of completed large-scale floor installation work, in addition to higher demand for wrap-type fireproof material.

(2) Explanation of financial position

1) Assets, liabilities, and net assets

Total assets at the end of FY 2018 Q2 were ¥201,448 million, up ¥4,989 million compared to the end of the previous fiscal year. This was largely because, although investment securities decreased by ¥1,612 million, buildings and structures, net, increased by ¥2,089 million, electronically recorded monetary claims increased ¥1,818 million, cash and deposits rose by ¥1,281 million, merchandise and finished goods were up ¥842 million, and land increased by ¥552 million.

Liabilities at the end of FY 2018 Q2 were ¥87,586 million, up ¥833 million compared to the end of the previous fiscal year. This was largely a result of a ¥4,400 million increase in bonds payable (including the current portion of bonds), offsetting the ¥3,814 million decrease in notes and accounts payable—trade.

Net assets at the FY 2018 Q2 were ¥113,862 million, up ¥4,156 million compared to the end of the previous fiscal year. This was largely a result of increases in retained earnings of ¥6,307 million, outweighing a ¥2,008 million decrease in acquisition of treasury stock.

2) Cash flows

Cash and cash equivalents at the FY2018 Q2 (hereinafter, “cash”) increased by ¥1,250 million to ¥27,749 million compared with the end of the previous fiscal year. 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 ¥5,413 million (compared to receipts of ¥5,902 million in the same period of the previous fiscal year).

This was because, although cash decreased due to ¥3,820 million in income taxes paid and a ¥2,565

million decrease in advances received on uncompleted construction contracts, cash increased due to ¥11,992 million yen in income before income taxes and a ¥2,709 million increase in depreciation and amortization.

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

Net cash used in investing activities was ¥5,796 million (compared to expenditures of ¥7,081 million in the same period of the previous fiscal year).

This was due to a reduction in cash resulting from ¥5,610 million in cash dividends paid and a ¥393 million net increase in treasury stock.

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

Net cash used in financing activities was ¥214 million (compared to expenditures of ¥4,198 million in the same period of the previous fiscal year).

This was because cash increased as the result of ¥4,997 million in proceeds from the issuance of cash bonds, which offset the reduction in cash due to ¥2,144 million in cash dividends paid.

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

Earnings in the first half of the consolidated fiscal year have been generally in line with forecasts, and as a result, we have not revised our earnings forecasts for the full year for the fiscal year ending on March 31, 2019, released on August 6, 2018.

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.

2. Consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

	(Millions of yen)	
	FY 2017 (As of March 31, 2018)	FY 2018 Q2 (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	27,252	28,534
Notes and accounts receivable-trade	30,297	30,087
Electronically recorded monetary claims	10,031	11,849
Accounts receivable from completed construction contracts	15,504	15,127
Merchandise and finished goods	10,806	11,649
Work in process	2,253	2,627
Raw materials and supplies	7,609	8,025
Costs on uncompleted construction contracts	10,789	10,789
Other	3,990	3,268
Allowance for doubtful accounts	(15)	(14)
Total current assets	118,519	121,944
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	48,266	50,922
Accumulated depreciation and impairment loss	(30,164)	(30,731)
Buildings and structures, net	18,101	20,191
Machinery, equipment and vehicles	67,877	68,537
Accumulated depreciation and impairment loss	(57,527)	(58,393)
Machinery, equipment and vehicles, net	10,349	10,144
Land	14,043	14,596
Lease assets	421	493
Accumulated depreciation	(159)	(209)
Lease assets, net	261	283
Construction in progress	7,439	7,986
Other	8,326	8,657
Accumulated depreciation and impairment loss	(7,455)	(7,684)
Other, net	870	973
Total property, plant and equipment	51,067	54,175
Intangible assets		
Software	905	877
Other	352	572
Total intangible assets	1,257	1,449
Investments and other assets		
Investment securities	18,837	17,224
Net defined benefit asset	1,226	1,300
Deferred tax assets	1,649	1,396
Other	3,978	4,034
Allowance for doubtful accounts	(76)	(75)
Total investments and other assets	25,615	23,879
Total noncurrent assets	77,940	79,504
Total assets	196,459	201,448

	(Millions of yen)	
	FY 2017	FY 2018 Q2
	(As of March 31, 2018)	(As of September 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	24,844	21,029
Electronically recorded monetary obligations	9,674	11,836
Current portion of bonds	3,800	8,400
Short-term loans payable	11,160	10,830
Accounts payable-other	4,881	4,898
Income taxes payable	3,566	3,597
Advances received on uncompleted construction contracts	6,684	4,115
Provision for bonuses	2,995	3,559
Other	3,356	3,434
Total current liabilities	70,963	71,700
Noncurrent liabilities		
Bonds payable	6,200	6,000
Long-term loans payable	1,500	1,800
Deferred tax liabilities	1,565	1,343
Net defined benefit liability	4,277	4,323
Reserves for litigation losses	92	257
Other	2,155	2,162
Total noncurrent liabilities	15,790	15,886
Total liabilities	86,753	87,586
Net assets		
Shareholders' equity		
Capital stock	12,128	12,128
Capital surplus	13,857	13,857
Retained earnings	79,680	85,988
Treasury stock	(2,039)	(4,048)
Total shareholders' equity	103,626	107,925
Total other cumulative comprehensive income		
Valuation difference on available-for-sale securities	7,759	7,734
Foreign currency translation adjustment	158	(640)
Remeasurements of defined benefit plans	(2,349)	(2,101)
Total other cumulative comprehensive income	5,568	4,992
Non-controlling interests	510	943
Total net assets	109,705	113,862
Total liabilities and net assets	196,459	201,448

(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)	
	FY 2017 Q2 (From April 1, 2017 to September 30, 2017)	FY 2018 Q2 (From April 1, 2018 to September 30, 2018)
Net sales		
Net sales of merchandise and finished goods	68,085	74,559
Net sales of completed construction contracts	24,018	32,007
Total net sales	92,103	106,567
Cost of sales		
Cost of merchandise and finished goods sold	48,844	54,089
Cost of sales of completed construction contracts	20,514	26,900
Total cost of sales	69,359	80,989
Gross profit	22,744	25,577
Selling, general and administrative expenses		
Selling expenses	4,085	4,298
General and administrative expenses	9,086	9,595
Total selling, general and administrative expenses	13,172	13,894
Operating income	9,572	11,682
Non-operating income		
Interest income	28	44
Dividends income	203	215
Foreign exchange gains	18	—
Rent income	164	261
Equity in earnings of affiliates	30	21
Other	110	268
Total non-operating income	556	811
Non-operating expenses		
Interest expenses	80	73
Foreign exchange losses	—	17
Other	167	194
Total non-operating expenses	248	285
Ordinary income	9,880	12,208
Extraordinary income		
Gain on sales of noncurrent assets	12	10
Total extraordinary income	12	10
Extraordinary loss		
Loss on idle facilities	68	—
Provision for litigation loss reserves	92	165
Loss on sales and retirement of noncurrent assets	95	61
Total extraordinary losses	256	226
Income before income taxes	9,635	11,992
Income taxes-current	2,986	3,666
Income taxes-deferred	(111)	(18)
Total income taxes	2,875	3,647
Net income	6,759	8,345
Net income attributable to non-controlling interests	6	59
Net income attributable to owners of the parent company	6,752	8,285

Quarterly consolidated statement of comprehensive income
Second quarter of consolidated fiscal year

	(Millions of yen)	
	FY 2017 Q2 (From April 1, 2017 to September 30, 2017)	FY 2018 Q2 (From April 1, 2018 to September 30, 2018)
Net income	6,759	8,345
Other comprehensive income		
Valuation difference on available-for-sale securities	1,375	(25)
Foreign currency translation adjustment	(109)	(797)
Remeasurements of defined benefit plans	175	250
Total other comprehensive income	1,441	(572)
Comprehensive income	8,200	7,772
Breakdown		
Comprehensive income attributable to owners of the parent company	8,200	7,710
Comprehensive income attributable to minority interests	0	62

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	FY 2017 Q2 (From April 1, 2017 to September 30, 2017)	FY 2018 Q2 (From April 1, 2018 to September 30, 2018)
Cash flows from operating activities		
Income before income taxes	9,635	11,992
Depreciation and amortization	2,199	2,709
Increase (decrease) in net defined benefit liability	110	45
Increase (decrease) in provision for bonuses	547	561
Interest and dividends income received	(231)	(259)
Interest expenses	80	73
Foreign exchange losses (gains)	116	112
Decrease (increase) in notes and accounts receivable-trade	292	(1,187)
Decrease (increase) in inventories	(970)	(1,453)
Decrease (increase) in costs on uncompleted construction contracts	(3,354)	(6)
Increase (decrease) in notes and accounts payable-trade	(580)	(1,722)
Increase (decrease) in accounts payable-other	(864)	(184)
Increase (decrease) in accrued expenses	(252)	116
Increase (decrease) in advances received on uncompleted construction contracts	2,695	(2,565)
Decrease (increase) in net defined benefit asset	(82)	(73)
Other	246	854
Subtotal	9,587	9,013
Interest and dividends income received	231	259
Interest expenses paid	(89)	(74)
Income taxes paid	(3,865)	(3,820)
Income taxes refund	37	35
Net cash provided by (used in) operating activities	5,902	5,413
Cash flows from investing activities		
Net decrease (increase) in time deposits	(120)	(56)
Expenditures for the acquisition of shares of subsidiaries	(1,686)	—
Expenditures for the acquisition of property, plant and equipment	(5,295)	(5,610)
Proceeds from sales of property, plant and equipment	55	37
Expenditures for the acquisition of intangible fixed assets	(60)	(393)
Payments of loans receivable	(190)	(6)
Collection of loans receivable	338	5
Other	(121)	228
Net cash provided by (used in) investing activities	(7,081)	(5,796)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(55)	(30)
Proceeds from long-term borrowings	—	300
Repayment of long-term loans payable	(9)	(300)
Proceeds from issuance of bonds	—	4,997
Redemption of bonds	(200)	(600)
Proceeds from stock issuance to non-controlling shareholders	—	72
Cash dividends paid	(1,895)	(2,144)

Net decrease (increase) in treasury stock	(2,012)	(2,008)
Dividends paid to non-controlling interests	(4)	(11)
Other	(21)	(62)
Net cash provided by (used in) financing activities	(4,198)	214
Effect of exchange rate change on cash and cash equivalents	(135)	(154)
Net increase (decrease) in cash and cash equivalents	(5,513)	(322)
Cash and cash equivalents at beginning of period	29,198	26,499
Increase in cash and cash equivalents due to new consolidation	—	1,573
Cash and cash equivalents at end of period	23,685	27,749

(4) Notes regarding quarterly consolidated financial statements

(Notes regarding going concern assumption)

Not applicable

(Change in scope of consolidation or scope of equity method)

(Changes in scope of consolidation)

SUZHOU NICHIAI SEAL MATERIAL CO., LTD. and SUZHOU SHUANGYOU AUTOPARTS CO., LTD. , which were non-consolidated subsidiaries, were included in the scope of consolidation from the first quarter of the consolidated fiscal year because their impact on consolidated financial statements became more important.

(Changes in matters related to fiscal year of consolidated subsidiaries)

In the case of SUZHOU NICHIAI INDUSTRIAL PRODUCTS CO., LTD., NICHIAI (SHANGHAI) TRADING CO., LTD. and NICHIAI (SHANGHAI) AUTOPARTS TRADING CO., LTD., whose fiscal year ended on December 31, financial statements for the same day were used, and important transactions that occurred between this date and the consolidated fiscal closing date were adjusted as necessary. However, in order to disclose more appropriate consolidated financial information, beginning with the first quarter of this fiscal year, the method will be changed to a provisional settlement of accounts for the three consolidated subsidiaries and these two companies newly added to the scope of consolidation beginning with the first quarter.

As a result of this change, the second quarter consolidated accounting period for the profit/loss of these consolidated subsidiaries is the nine-month period from January 1 to September 30, 2018.

(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 7, 2018 to acquire 1,363,000 treasury shares.

As a result of this acquisition of treasury stock, treasury stock increased by ¥2,008 million during the second quarter of the year ending March 31, 2019, and the amount of treasury stock at the end of the second quarter of the year ending March 31, 2019 was ¥4,048 million.

(Segment information)

Segment information

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

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

(Millions of yen)

	Reporting segments						Adjustments	Quarterly consolidated profit/loss posted
	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 or (loss)	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

II. Second quarter of the fiscal year 2018 (April 1, 2018 to September 30, 2018)

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

(Millions of yen)

	Reporting segments						Adjustments	Quarterly consolidated profit/loss posted
	Energy and Industrial Plants	Industrial Products	Advanced Products	Autoparts	Building Materials	Total		
Net sales								
Net sales to external customers	33,061	22,857	13,245	22,534	14,866	106,567	—	106,567
Intersegment sales or transfers	—	4,746	—	—	—	4,746	(4,746)	—
Total	33,061	27,603	13,245	22,534	14,866	111,313	(4,746)	106,567
Segment profit or (loss)	3,399	3,824	2,484	1,844	130	11,682	—	11,682

2. Information related to impairment loss of noncurrent assets and goodwill by reporting segment: Not applicable

(Additional information)

Application of "Partial Amendments to 'Accounting Standard for Tax Effect Accounting'"

The Company has applied the "Partial Amendments to 'Accounting Standard for Tax Effect Accounting'" (ASBJ Guidance No. 28, revision on February 16, 2018, Accounting Standards Board of Japan) beginning in the first quarter of the fiscal year. Deferred tax assets will be classified under "Investments and other assets" and deferred tax liabilities will be classified under current liabilities.

(Important subsequent events)

(Consolidation of shares)

The 202nd Annual General Meeting of Shareholders held on June 28, 2018 approved the consolidation of the Company's common shares at a ratio of two shares to one share, with an effective date of October 1, 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 per Share Unit) of ordinary shares of domestic companies listed on national stock exchanges to 100 shares. As a company listed on the Tokyo Stock Exchange, Inc., in consideration of this purpose, the Company decided to change its number of shares constituting one unit from 1,000 shares to 100 shares, based on Article 195, Paragraph 1 of the Companies Act. Consequently, the Company proposes to consolidate shares at a ratio of two to one 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) Type and timing of share consolidation

1) Type of shares to be consolidated

Common shares

2) Consolidation method and ratio

Each share of common stock held by shareholders on record at market closing on September 30, 2018 (effective date of September 28) will be consolidated from two shares into one on October 1, 2018.

(3) Number of shares reduced as a result of the consolidation

Total number of outstanding shares before consolidation (as of September 30, 2018)	135,623,834 shares
Number of shares reduced due to consolidation	67,811,917 shares
Number of outstanding shares after consolidation	67,811,917 shares

(4) Impact on information per share

The impact of this share consolidation is reflected in the summary information.

3. Supplementary Materials

Financial results supplementary materials

November 5, 2018

(Percentage figures represent changes from previous fiscal year)

(1) Key consolidated financial figures (Trends)

(Millions of yen)

	First half			Full Year					
	FY 2017 Result	FY 2018		FY 2014 Result	FY 2015 Result	FY 2016 Result	FY 2017 Result	FY 2018	
		Result	Change					Forecast	Change
Net sales	92,103	106,567	15.7%	158,939	170,430	180,363	197,495	210,000	6.3%
Operating income	9,572	11,682	22.1%	11,490	15,104	19,600	21,357	22,000	3.0%
Operating margin (%)	10.4%	11.0%		7.2%	8.9%	10.9%	10.8%	10.5%	
Ordinary income	9,880	12,208	23.6%	12,913	15,480	19,756	21,804	22,500	3.2%
Ordinary income margin (%)	10.7%	11.5%		8.1%	9.1%	11.0%	11.0%	10.7%	
Profit attributable to owners of parent	6,752	8,285	22.7%	7,532	6,669	13,409	14,956	15,300	2.3%
Net income margin (%)	7.3%	7.8%		4.7%	3.9%	7.4%	7.6%	7.3%	
Basic earnings per share (yen)	100.36	124.48	24.0%	62.84	51.88	100.41	222.73	230.24	—
Total assets	181,284	201,448	11.1%	156,234	154,922	175,999	196,459	—	—
Net assets	102,194	113,862	11.4%	78,893	85,665	97,890	109,705	—	—
Shareholders' equity	101,681	112,918	11.1%	78,132	84,879	97,367	109,195	—	—
Equity ratio (%)	56.1%	56.1%		50.0%	54.8%	55.3%	55.6%	—	—
Interest-bearing debt	23,762	28,251	18.9%	33,830	25,840	23,976	23,818	—	—
Interest-bearing debt ratio (%)	13.1%	14.0%		21.7%	16.7%	13.6%	12.1%	—	—
Capital expenditures	6,357	6,135	-3.5%	2,788	4,287	9,775	12,772	14,000	9.6%
Depreciation & amortization	2,199	2,709	23.2%	4,659	4,598	3,969	4,800	5,500	14.6%
R&D expenses	2,950	2,899	-1.7%	5,602	5,460	5,446	5,692	6,000	5.4%

¹The Company has applied the "Partial Amendments to 'Accounting Standard for Tax Effect Accounting'" (ASBJ Guidance No. 28, February 16, 2018) beginning in the first quarter of the fiscal year. These accounting standards have been retroactively applied to the figures for major management indicators for the first half of the previous fiscal year and the previous fiscal year.

²A stock consolidation was carried out at a ratio of one to two on October 1, 2018. Basic earnings per share are calculated based on the assumption that the consolidation was carried out at the beginning of the previous fiscal year.

(2) Quarterly consolidated operating results (Trends)

(Millions of yen)

	FY 2017				FY 2018		
	Q1	Q2	Q3	Q4	Q1	Q2	Change
Net sales	44,424	47,679	48,767	56,624	52,701	53,865	13.0%
Operating income	4,661	4,910	5,500	6,285	6,466	5,216	6.2%
Operating margin (%)	10.5%	10.3%	11.3%	11.1%	12.3%	9.7%	
Ordinary income	4,831	5,048	5,818	6,106	6,706	5,501	9.0%
Ordinary income margin (%)	10.9%	10.6%	11.9%	10.8%	12.7%	10.2%	
Profit attributable to owners of parent	3,400	3,351	3,915	4,289	4,647	3,638	8.5%
Net income margin (%)	7.7%	7.0%	8.0%	7.6%	8.8%	6.8%	

All forecasts and plans that are not historical facts in this document are future business result related forecasts. These are showed by based on information and data currently available to the company.
Various uncertain factors could cause actual results to differ.