

Consolidated Financial Results for the Fiscal Year Ended March 31, 2019

<Japanese GAAP>

May 7, 2019

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 Stock Exchange Listing: Tokyo Stock Exchange (Code number 5393)
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 Organization of financial results briefing: Yes (for institutional investors and analysts)
 Scheduled date of commencement of dividend payment: June 28, 2019

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

1. Consolidated financial results for Fiscal Year 2018 (April 1, 2018 to March 31, 2019)

(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	%
FY2018	215,495	9.1	22,629	6.0	23,171	6.3	15,861	6.0
FY2017	197,495	9.5	21,357	9.0	21,804	10.4	14,956	11.5

Note: Comprehensive income FY2018 ¥13,810 million, -21.5%, FY2017 ¥17,600 million, 21.4%

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary income on total assets	Operating Margin
	Yen	Yen	%	%	%
FY2018	238.70	—	14.0	11.5	10.5
FY2017	222.73	222.72	14.5	11.7	10.8

(Reference) Share of Profit or loss on investments for using the equity method: FY2018 ¥53 million
 FY2017 ¥59 million

*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	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2019	206,426	117,774	56.6	1,760.51
As of March 31, 2018	196,459	109,705	55.6	1,629.24

(Reference) Shareholders' equity: FY2018 ¥116,786 million, FY2017 ¥109,195 million

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

(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
FY2018	15,833	-11,818	-4,197	27,730
FY2017	18,122	-14,370	-6,221	26,499

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	%	%
FY2017	—	14.00	—	16.00	30.00	4,021	26.9	3.9
FY2018	—	16.00	—	36.00	—	4,510	28.5	4.0
FY2019 (Forecast)	—	36.00	—	36.00	72.00		33.0	

*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 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 for the FY2018 would be 18 yen per share and annual dividends per share would be 34 yen.

3. Forecast of consolidated financial results for Fiscal Year 2019 (April 1, 2019 to March 31, 2020)

(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
First half	98,000	-8.0	8,800	-24.7	9,000	-26.3	6,200	-25.2	93.30
Full year	208,000	-3.5	20,800	-8.1	21,200	-8.5	14,500	-8.6	218.21

*Notes

(1) Changes in significant subsidiaries during the period under review (Changes in specific subsidiaries accompanying changes in the scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatements

- 1) Changes in accounting policies due to revision of accounting standards: 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)

FY 2018	(As of March 31, 2019)	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 year

FY 2018	(As of March 31, 2019)	1,475,348 shares
FY 2017	(As of March 31, 2018)	789,608 shares
- 3) Average number of shares outstanding during the year

FY 2018	(As of March 31, 2019)	66,450,292 shares
FY 2017	(As of March 31, 2018)	67,153,743 shares

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

*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.

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 FY2018

During FY2018, the Japanese economy continued to make a modest recovery overall as a result of a better employment environment, offsetting some weakness in exports and manufacturing and a stall in improvements in corporate earnings. Overseas, the US economy continued to recover steadily, and emerging nations also remained in a modest economic recovery, but there were signs of a gradual slowdown in the Chinese economy, and the Group is therefore aware of the risk of downward deviations in the economy as a result of trade conflicts and trends in financial markets.

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 Building Materials Division, which experienced high demand for wrap-type fireproof material. As a result, net sales for the NICHIA Group overall increased by 9.1% year on year to ¥215,495 million.

In terms of profits, operating income increased by 6.0% year on year to ¥22,629 million, ordinary income increased by 6.3% year on year to ¥23,171 million, and profit attributable to owners of the parent company increased by 6.0% year on year to ¥15,861 million.

As a result of the change in the financial year for some consolidated subsidiaries, the consolidated fiscal year is a cumulative 15 months and both net sales and income rose.

The net sales by segment for the FY2018 are as follows:

Sales in the **Energy and Industrial Plants Division** increased by 19.4% year on year to ¥67,298 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 by 6.3% year on year to ¥46,509 million. This was due to robust demand for sealing materials, fluoropolymer products, and inorganic thermal insulation materials, and high demand for environmental products.

Sales in the **Advanced Products Division** increased by 1.2% year on year to ¥24,870 million. Although demand for semiconductor production equipment was high through the first three quarters, it slowed in the fourth quarter.

Sales in the **Autoparts Division** increased by 2.7% year on year to ¥45,001 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 by 9.8% year on year to ¥31,816 million. This was due to strong demand for wrap-type fireproof material and floor installation work.

(2) Overview of financial position

Total assets at the end of FY2018 were ¥206,426 million, up ¥9,967 million compared to the end of the previous fiscal year. This was largely because, although investment securities decreased by ¥3,098 million, buildings and structures, net, increased by ¥3,641 million, machinery, equipment and vehicles, net, increased by ¥3,169 million, electronically recorded monetary claims increased by ¥3,099 million, raw materials and supplies rose by ¥2,017 million, and merchandise and finished goods were up ¥1,545 million.

Liabilities at the end of FY2018 were ¥88,652 million, up ¥1,898 million compared to the end of the previous fiscal year. This was largely a result of ¥4,200 million increase in bonds payable (including the current portion of bonds), offsetting the ¥2,005 million decrease in short-term loans payable and long-term loans payable.

Net assets at the end of FY2018 were ¥117,774 million, up ¥8,068 million compared to the end of the previous fiscal year. This was largely a result of increases in retained earnings of ¥11,760 million, outweighing ¥2,010 million yen for the acquisition of treasury stock, a ¥1,100 million decrease in valuation differences on available-for-sale securities, and a ¥770 million decrease in foreign currency translation adjustments.

(3) Cash flows

Cash and cash equivalents at the end of the FY2018 (hereinafter, "cash") increased by ¥1,231 million year on year to ¥27,730 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 ¥15,833 million (compared to receipts of ¥18,122 million

year on year).

This was due to inflows in cash that included ¥22,832 million in income before income taxes, ¥5,760 million in depreciation and amortization, and ¥1,609 million in advances received on uncompleted construction contracts, which outweighed outflows of cash that included ¥6,874 million in income taxes paid, ¥4,191 million in notes and accounts payable-trade and ¥3,588 million in inventories.

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

Net cash used in investing activities was ¥11,818 million (compared to expenditures of ¥14,370 million year on year).

This was due to a reduction in cash resulting from ¥11,432 million in expenditures for the acquisition of property, plant and equipment and ¥476 million in expenditures for the acquisition of intangible fixed assets.

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

Net cash used in financing activities was ¥4,197 million (compared to expenditures of ¥6,221 million year on year).

This was because cash decreased due to ¥4,266 million in cash dividends paid, ¥4,005 million for the repayment of short-term loans and ¥3,800 million for payments for the redemption of cash bonds, offsetting the increase in cash from ¥7,949 million in proceeds from the issuance of cash bonds.

(4) Earnings forecasts

In the FY2019, we expect a solid performance from the Industrial Products division. However, in the Advanced Products Division, the outlook for the semiconductor market looks uncertain in the first half, while in the Energy and Industrial Plants Division, a reactionary decline from large-scale shipbuilding construction projects has been expected.

Given these conditions, we expect earnings to be as follows in the FY2019.

A 3.5% year-on-year decrease in sales to ¥208.0 billion, an 8.1% decrease in operating income to ¥20.8 billion, an 8.5% decrease in ordinary income to ¥21.2 billion, and an 8.6% decrease in net income attributable to owners of the parent company to ¥14.5 billion have been forecasted.

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 FY2018 and 2019

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, we paid ¥16 per share in interim dividends (taking into account the one-for-two reverse stock split, the interim dividend would be ¥32 per share) and will pay year-end dividends of ¥36 per share.

In the FY2019, we plan to pay ¥36 per share in interim dividends and year-end dividends of ¥36 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)	
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	27,252	28,527
Notes and accounts receivable-trade	30,297	30,849
Electronically recorded monetary claims	10,031	13,131
Accounts receivable from completed construction contracts	15,504	16,097
Merchandise and finished goods	10,806	12,351
Work in process	2,253	2,561
Raw materials and supplies	7,609	9,626
Costs on uncompleted construction contracts	10,789	9,173
Other	3,990	3,073
Allowance for doubtful accounts	-15	-15
Total current assets	118,519	125,376
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	48,266	52,964
Accumulated depreciation and impairment loss	-30,164	-31,221
Buildings and structures, net	18,101	21,743
Machinery, equipment and vehicles	67,877	72,464
Accumulated depreciation and impairment loss	-57,527	-58,945
Machinery, equipment and vehicles, net	10,349	13,518
Land	14,043	14,599
Lease assets	421	488
Accumulated depreciation	-159	-254
Lease assets, net	261	233
Construction in progress	7,439	6,753
Other	8,326	8,781
Accumulated depreciation and impairment loss	-7,455	-7,864
Other, net	870	917
Total property, plant and equipment	51,067	57,765
Intangible assets		
Software	905	656
Other	352	541
Total intangible assets	1,257	1,198
Investments and other assets		
Investment securities	18,837	15,738
Long-term loans receivable	13	7
Net defined benefit asset	1,226	869
Deferred tax assets	1,649	1,470
Other	3,965	4,042
Allowance for doubtful accounts	-76	-42
Total investments and other assets	25,615	22,086
Total noncurrent assets	77,940	81,050
Total assets	196,459	206,426

	(Millions of yen)	
	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	24,844	23,252
Electronically recorded monetary obligations	9,674	12,595
Current portion of bonds	3,800	5,400
Short-term loans payable	11,160	7,855
Lease obligations	107	107
Accounts payable-other	4,881	5,153
Income taxes payable	3,566	3,824
Advances received on uncompleted construction contracts	6,684	4,260
Provision for bonuses	2,995	3,185
Other	3,248	3,722
Total current liabilities	70,963	69,357
Noncurrent liabilities		
Bonds payable	6,200	8,800
Long-term loans payable	1,500	2,800
Lease obligations	196	157
Deferred tax liabilities	1,565	920
Net defined benefit liability	4,277	4,369
Reserves for litigation losses	92	257
Other	1,958	1,990
Total noncurrent liabilities	15,790	19,294
Total liabilities	86,753	88,652
Net assets		
Shareholders' equity		
Capital stock	12,128	12,128
Capital surplus	13,857	13,857
Retained Earnings	79,680	91,441
Treasury stock	-2,039	-4,050
Total shareholders' equity	103,626	113,377
Total other cumulative comprehensive income		
Valuation difference on available-for-sale securities	7,759	6,659
Foreign currency translation adjustment	158	-611
Remeasurements of defined benefit plans	-2,349	-2,638
Total other cumulative comprehensive income	5,568	3,409
Non-controlling interests	510	988
Total net assets	109,705	117,774
Total liabilities and net assets	196,459	206,426

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

	(Millions of yen)	
	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Net sales		
Net sales of merchandise and finished goods	142,422	149,832
Net sales of completed construction contracts	55,073	65,663
Total net sales	197,495	215,495
Cost of sales		
Cost of merchandise and finished goods sold	103,059	109,143
Cost of sales of completed construction contracts	46,486	55,725
Total cost of sales	149,545	164,869
Gross profit	47,949	50,625
Selling, general and administrative expenses		
Selling expenses	8,260	8,624
General and administrative expenses	18,331	19,371
Total selling, general and administrative expenses	26,592	27,996
Operating income	21,357	22,629
Non-operating income		
Interest income	63	87
Dividends income	334	361
Rent income	381	535
Equity in earnings of affiliates	59	53
Other	320	518
Total non-operating income	1,158	1,556
Non-operating expenses		
Interest expenses	148	139
Foreign exchange gains	293	355
Cost of lease revenue	31	23
Special contribution for asbestos	43	44
Other	193	450
Total non-operating expenses	710	1,014
Ordinary income	21,804	23,171
Extraordinary income		
Subsidy income	—	100
Gain on sales of noncurrent assets	55	16
Total extraordinary income	55	116
Extraordinary loss		
Loss on reduction of non-current assets	—	98
Loss on sales and retirement of noncurrent assets	267	192
Losses on suspension of operations at plants	275	—
Provision for litigation losses	92	165
Total extraordinary losses	635	456
Income before income taxes	21,225	22,832
Income taxes-current	6,391	6,814
Income taxes-deferred	-126	50
Total income taxes	6,265	6,865
Net income	14,959	15,967
Net income attributable to non-controlling interests	3	105
Net income attributable to owners of the parent company	14,956	15,861

Consolidated comprehensive income statements

	(Millions of yen)	
	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Net income	14,959	15,967
Other comprehensive income		
Valuation difference on available-for-sale securities	1,661	-1,100
Foreign currency translation adjustment	586	-769
Remeasurements of defined benefit plans	392	-286
Total other comprehensive income	2,640	-2,156
Comprehensive income	17,600	13,810
Breakdown		
Comprehensive income attributable to owners of the parent company	17,601	13,702
Comprehensive income attributable to minority interests	-1	108

(3) Consolidated statements of changes in shareholders' equity
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					
Changes in ownership interests in parent company related to transactions with non-controlling interests		24			24
Dividends from surplus			-3,775		-3,775
Change of scope of consolidation					—
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						
Changes in ownership interests in parent company related to transactions with non-controlling interests						24
Dividends from surplus						-3,775
Change of scope of consolidation						—
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

Fiscal Year 2018 (from April 1, 2018 to March 31, 2019)

(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	13,857	79,680	-2,039	103,626
Changes of items during the period					
Changes in ownership interests in parent company related to transactions with non-controlling interests					—
Dividends from surplus			-4,267		-4,267
Change of scope of consolidation			166		166
Profit attributable to owners of parent			15,861		15,861
Purchase of treasury stock				-2,010	-2,010
Disposal of treasury stock		-0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	-0	11,760	-2,010	9,750
Balance at the end of the current period	12,128	13,857	91,441	-4,050	113,377

	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	7,759	158	-2,349	5,568	510	109,705
Changes of items during the period						
Changes in ownership interests in parent company related to transactions with non-controlling interests						—
Dividends from surplus						-4,267
Change of scope of consolidation						166
Profit attributable to owners of parent						15,861
Purchase of treasury stock						-2,010
Disposal of treasury stock						0
Net changes of items other than shareholders' equity	-1,100	-770	-288	-2,159	477	-1,681
Total changes of items during the period	-1,100	-770	-288	-2,159	477	8,068
Balance at the end of the current period	6,659	-611	-2,638	3,409	988	117,774

(4) Consolidated statements of cash flows

(Millions of yen)

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Net cash provided by (used in) operating activities		
Income before income taxes	21,225	22,832
Depreciation and amortization	4,800	5,760
Loss (gain) on sales of property, plant and equipment	-31	-11
Loss on abandonment of property, plant and equipment	57	187
Increase (decrease) in allowance for doubtful accounts	34	-32
Increase (decrease) in retirement benefits	289	91
Increase (decrease) in provision for bonuses	250	186
Interest and dividends income received	-397	-448
Interest expenses	148	139
Foreign exchange losses (gains)	357	289
Decrease (increase) in notes and accounts receivable-trade	-3,155	-4,191
Decrease (increase) in inventories	-2,231	-3,588
Decrease (increase) in costs on uncompleted construction contracts	-4,177	1,609
Increase (decrease) in notes and accounts payable-trade	3,084	236
Decrease (increase) in accounts receivable-other	-535	603
Increase (decrease) in accounts payable-other	33	748
Increase (decrease) in advances received on uncompleted construction contracts	4,849	-2,421
Loss on reduction of non-current assets	—	98
Subsidy income	—	-100
Decrease (increase) in retirement benefit obligations	-763	356
Other	479	-80
Subtotal	24,317	22,264
Interest and dividends income received	397	448
Interest expenses paid	-157	-140
Proceeds from subsidy income	—	100
Income taxes paid	-6,473	-6,874
Refund of income taxes	37	35
Net cash provided by (used in) operating activities	18,122	15,833
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	-30	-62
Purchase of investments in subsidiaries	-1,693	—
Purchase of property, plant and equipment	-12,300	-11,432
Proceeds from sales of property, plant and equipment	140	37
Purchase of intangible assets	-240	-476
Purchase of investment securities	-117	-5
Payments of loans receivable	-197	-8
Collection of loans receivable	698	11
Other	-628	118
Net cash provided by (used in) investing activities	-14,370	-11,818

(Millions of yen)

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	60	-4,005
Proceeds from long-term loans payable	—	2,300
Repayment of long-term loans payable	-20	-300
Proceeds from issuance of bonds	—	7,949
Expenditures on redemption of bonds	-400	-3,800
Repayments of lease obligations	-76	-125
Net decrease (increase) in treasury stock	-2,023	-2,010
Cash dividends paid	-3,769	-4,266
Cash dividends paid to non-controlling shareholders	-4	-11
Proceeds from the acquisition of subsidiary shares not accompanying changes in the scope of consolidation	-18	—
Other	31	72
Net cash provided by (used in) financing activities	-6,221	-4,197
Effect of exchange rate change on cash and cash equivalents	-229	-158
Net increase (decrease) in cash and cash equivalents	-2,699	-341
Cash and cash equivalents at beginning of period	29,198	26,499
Increase in cash and cash equivalents from newly consolidated subsidiary	—	1,573
Cash and cash equivalents at end of period	26,499	27,730

- (5) Notes to 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 years 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 consolidated fiscal year for the profit/loss of these consolidated subsidiaries is the fifteen-month period from January 1, 2018 to March 31, 2019.

(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)

Changes resulting from 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 are classified under "Investments and other assets" and deferred tax liabilities are classified under noncurrent liabilities.

As a result, in the consolidated balance sheets for the previous fiscal year, "deferred tax assets" stated under "current assets" decreased by ¥2,116 million and "deferred tax assets" stated under "investments and other assets" increased by ¥736 million. In addition, "deferred tax liabilities" stated under "noncurrent liabilities" decreased by ¥1,380 million.

Deferred tax assets and liabilities are offset when the income taxes are levied by the same taxation authority. Total assets decreased by ¥1,380 million compared to before the change.

(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 accessories, 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.

The 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 segment assets for the previous fiscal year.

3. Information on net sales, income (loss), assets, liabilities, and other items by reporting segment
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	34,303	47,211	16,547	40,457	20,040	158,559	37,899	196,459
Other items								
Depreciation and amortization	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 ¥37,899 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 ¥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.

Fiscal Year 2018 (from April 1, 2018 to March 31, 2019)

(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	67,298	46,509	24,870	45,001	31,816	215,495	—	215,495
Intersegment sales or transfers	—	8,922	—	—	—	8,922	-8,922	—
Total	67,298	55,432	24,870	45,001	31,816	224,418	-8,922	215,495
Segment profit (loss)	6,177	7,463	4,199	3,905	884	22,629	—	22,629
Segment assets	35,320	50,470	20,267	43,876	22,111	172,476	34,379	206,426
Other items								
Depreciation expenses	401	1,816	906	2,056	579	5,760	—	5,760
Amortization of goodwill	35	—	—	—	—	35	—	35
Increase in property, plant, and equipment and intangible assets	250	3,424	3,525	3,853	389	11,444	1,372	12,816

Notes "Adjustment" is described below.

- (1) The ¥34,379 million adjustment in "segment assets" consists of assets relating to Group assets that do not belong to specific reporting segments. Group assets mainly consist of the filing company's surplus operating capital (cash and deposits), assets attributable to the administrative and research divisions, deferred tax assets, etc.
- (2) The ¥1,372 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
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 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 2018 (from April 1, 2018 to March 31, 2019)

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
176,916	29,057	9,522	215,495

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
41,804	14,316	1,645	57,765

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 earnings per share and the basis for calculation are as follows:

(Yen)

Item	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)
Net assets per share	1,629.24	1,760.51
(Basis for calculation)		
Total net assets (millions of yen)	109,705	117,774
Amount to be deducted from total net assets (millions of yen)	510	988
'Of which, minority interests'	'510'	'988'
Net assets attributable to common shares at the end of the fiscal year (millions of yen)	109,195	116,786
Number of common shares at the end of the fiscal year used for the calculation of net assets per share (thousand shares)	67,022	66,336

(Yen)

Item	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Basic earnings per share	222.73	238.70
(Basis for calculation)		
Net income attributable to owners of the parent company (millions of yen)	14,956	15,861
Amount not attributed to common shareholders (millions of yen)	—	—
Profit attributable to owners of the parent related to common stock (millions of yen)	14,956	15,861
Average outstanding shares of common stock during the fiscal year (thousand shares)	67,153	66,450
Diluted earnings per share	222.72	—
(Basis for calculation)		
Adjustment of profit attributable to owners of the parent company (millions of yen)	—	—
Increase in number of common shares (thousand shares)	1	—
'Of which, bonds with subscription rights'	'1'	—
Overview of potential shares that were not included in the calculation of diluted earnings per share because they have no dilutive effects	—	—

Notes: 1. Diluted earnings per share in FY2018 is not noted because there is no potential share.

2. The Company carried out a reverse stock split on a one-for-two basis on October 1, 2018. Net assets per share, 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.

(Significant subsequent events)

Not applicable.

5. Other

Status of production, orders, and sales

1. Production output by segment

(Millions of yen)

Name of segment	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	Change over the previous year (%)	FY2018 Composition ratio (%)
Industrial Products	32,193	37,588	16.8	37.3
Advanced Products	17,146	18,088	5.5	17.9
Autoparts	33,183	35,578	7.2	35.3
Building Materials	8,247	9,629	16.8	9.5
Total	90,771	100,884	11.1	100.0

2. Orders by segment

(Millions of yen)

Name of segment	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	Change over the previous year (%)	FY2018 Composition ratio (%)
Energy and Industrial Plants	61,324	66,707	8.8	31.4
Industrial Products	45,743	46,382	1.4	21.8
Advanced Products	27,166	21,768	-19.9	10.2
Autoparts	43,726	45,105	3.2	21.2
Building Materials	29,182	32,549	11.5	15.3
Total	207,143	212,514	2.6	100.0

3. Net sales by segment

(Millions of yen, %)

Name of segment	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	Change over the previous year (%)	FY2018 Composition ratio (%)
Energy and Industrial Plants	56,386	67,298	19.4	31.2
Industrial Products	43,760	46,509	6.3	21.6
Advanced Products	24,564	24,870	1.2	11.5
Autoparts	43,812	45,001	2.7	20.9
Building Materials	28,971	31,816	9.8	14.8
Total	197,495	215,495	9.1	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							
	FY2014	FY2015	FY2016	FY2017	FY2018		FY2019	
	Result	Result	Result	Result	Result	Change	Forecast	Change
Net sales	158,939	170,430	180,363	197,495	215,495	9.1%	208,000	-3.5%
Operating income	11,490	15,104	19,600	21,357	22,629	6.0%	20,800	-8.1%
Operating margin (%)	7.2%	8.9%	10.9%	10.8%	10.5%		10.0%	
Ordinary income	12,913	15,480	19,756	21,804	23,171	6.3%	21,200	-8.5%
Ordinary income margin (%)	8.1%	9.1%	11.0%	11.0%	10.8%		10.2%	
Profit attributable to owners of parent	7,532	6,669	13,409	14,956	15,861	6.0%	14,500	-8.6%
Net income margin (%)	4.7%	3.9%	7.4%	7.6%	7.4%		7.0%	
Basic earnings per share (yen)	125.68	103.75	200.82	222.73	238.70	7.2%	218.21	-8.6%
Total assets	156,234	154,922	175,999	196,459	206,426	5.1%	-	-
Net assets	78,893	85,665	97,890	109,705	117,774	7.4%	-	-
Shareholders' equity	78,132	84,879	97,367	109,195	116,786	7.0%	-	-
Equity ratio (%)	50.0%	54.8%	55.3%	55.6%	56.6%		-	
Interest-bearing debt	33,830	25,840	23,976	23,818	26,065	9.4%	-	-
Interest-bearing debt ratio (%)	21.7%	16.7%	13.6%	12.1%	12.6%		-	
Capital expenditures	2,788	4,287	9,775	12,772	12,816	0.3%	11,000	-14.2%
Depreciation & amortization	4,659	4,598	3,969	4,800	5,760	20.0%	6,500	12.8%
R&D expenses	5,602	5,460	5,446	5,692	5,976	5.0%	6,000	0.4%

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 previous fiscal year.

²The company carried out a reverse stock split on a one-for-two basis on October 1, 2018. Basic earnings per share are calculated based on the assumption that the reverse stock split was carried out at the beginning of FY2014.

(2) Quarterly consolidated operating results (Trends)

(Millions of yen)

	FY2017				FY2018				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Change
Net sales	44,424	47,679	48,767	56,624	52,701	53,865	53,927	55,001	-2.9%
Operating income	4,661	4,910	5,500	6,285	6,466	5,216	5,693	5,253	-16.4%
Operating margin (%)	10.5%	10.3%	11.3%	11.1%	12.3%	9.7%	10.6%	9.6%	
Ordinary income	4,831	5,048	5,818	6,106	6,706	5,501	5,689	5,273	-13.6%
Ordinary income margin (%)	10.9%	10.6%	11.9%	10.8%	12.7%	10.2%	10.6%	9.6%	
Profit attributable to owners of parent	3,400	3,351	3,915	4,289	4,647	3,638	4,026	3,549	-17.3%
Net income margin (%)	7.7%	7.0%	8.0%	7.6%	8.8%	6.8%	7.5%	6.5%	

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.