

Consolidated Financial Results for the Fiscal Year Ended March 31, 2020

<Japanese GAAP>

May 11, 2020

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 Stock Exchange Listing: Tokyo Stock Exchange (Code number 5393)
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 Scheduled date of commencement of dividend payment: June 29, 2020

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

1. Consolidated financial results for Fiscal Year 2019 (April 1, 2019 to March 31, 2020)

(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	%
FY2019	208,876	(3.1)	20,427	(9.7)	21,633	(6.6)	14,674	(7.5)
FY2018	215,495	9.1	22,629	6.0	23,171	6.3	15,861	6.0

Note: Comprehensive income FY2019 ¥14,382 million---4.1%; FY2018 ¥13,810 million---(21.5)%

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary income on total assets	Operating Margin
	Yen	Yen	%	%	%
FY2019	221.21	—	12.1	10.4	9.8
FY2018	238.70	—	14.0	11.5	10.5

(Reference) Share of Profit or loss on investments for using the equity method: FY2019 ¥69 million
 FY2018 ¥53 million

*The 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 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, 2020	208,076	127,233	60.7	1,903.93
As of March 31, 2019	206,426	117,774	56.6	1,760.51

(Reference) Shareholders' equity: FY2019 ¥126,297 million; FY2018 ¥116,786 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
FY2019	20,094	(9,036)	(5,667)	33,108
FY2018	15,833	(11,818)	(4,197)	27,730

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	%	%
FY2018	—	16.00	—	36.00	—	4,510	28.5	4.0
FY2019	—	38.00	—	38.00	76.00	5,041	34.4	4.1
FY2020 (Forecast)	—	38.00	—	38.00	76.00		—	

* The company carried out a reverse stock split on a one-for-two basis on October 1, 2018. In regards to the dividend per share at the end of the first half of FY2018, the amount before the reverse stock split was listed, and the total annual dividend was presented as "-". Factoring in the reverse stock split, the dividend per share at the end of the first half of FY2018 comes to ¥32.00 yen, and the annual dividend per share to ¥68.00 yen.

3. Forecast of consolidated financial results for Fiscal Year 2020 (April 1, 2020 to March 31, 2021)

We have not included a consolidated earnings forecast for FY2020 because it is currently difficult to reasonably estimate earnings for the period. Please refer to "(4) Earnings forecasts" included in "1. Overview of operating results" on page 3 of the attachment for further information.

*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: | Yes |
| 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) | |
| FY2019 (As of March 31, 2020) | 67,811,917 shares |
| FY2018 (As of March 31, 2019) | 67,811,917 shares |
| 2) Number of shares of treasury stock at the end of the year | |
| FY2019 (As of March 31, 2020) | 1,476,840 shares |
| FY2018 (As of March 31, 2019) | 1,475,348 shares |
| 3) Average number of shares outstanding during the year | |
| FY2019 (As of March 31, 2020) | 66,335,888 shares |
| FY2018 (As of March 31, 2019) | 66,450,292 shares |

*The Company carried out a reverse stock split on a one-for-two basis on October 1, 2018. The average number of shares outstanding during the year is 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

We have not included a consolidated earnings forecast for FY2020 because it is currently difficult to reasonably estimate earnings for the period. Please refer to "(4) Earnings forecasts" included in "1. Overview of operating results" on page 3 of the attachment for further information.

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 2019 (April 1, 2019 to March 31, 2020)

During FY2019, the Japanese economy continued to recover moderately overall. In the manufacturing industry, exports and production weakened further, and there were signs of softness in capital investment due to the corporate sector's cautious assessment of business conditions. Overseas, the US economy continued to recover, and emerging economies recovered slowly amidst signs of weakness. However, China's economy continued to gradually slow, and was also impacted by heightened tensions surrounding the US-China trade dispute. In addition, the COVID-19 pandemic has resulted in strong downside pressure on the economy, and current conditions are severe.

In these conditions, the Group's net sales fell 3.1% year on year to ¥208,876 million. This was because demand related to semiconductor production equipment was soft, and in addition, conditions were unique in FY2018 in that sales increased due to the completion of large-scale shipbuilding construction projects and the longer consolidated fiscal period following the change in fiscal periods for some consolidated subsidiaries.

In terms of profits, operating income declined by 9.7% year on year to ¥20,427 million, ordinary income declined by 6.6% year on year to ¥21,633 million, and profit attributable to owners of the parent company declined by 7.5% year on year to ¥14,674 million.

Net sales by segment for FY2019 are as follows:

Sales in the **Energy and Industrial Plants Division** decreased by 2.2% year on year to ¥65,837 million. When excluding the large-scale shipbuilding construction projects posted in the previous fiscal year, we find that demand was solid particularly from petroleum refining and petrochemical companies as well as electricity companies.

Sales in the **Industrial Products Division** decreased by 2.9% year on year to ¥45,150 million due to slowing demand for fluoropolymer products for semiconductor-related applications. However, demand was strong for sealing materials for infrastructure and for inorganic thermal insulation materials.

Sales in the **Advanced Products Division** fell by 13.0% year on year to ¥21,633 million due to soft demand for semiconductor production equipment.

Sales in the **Autoparts Division** fell by 2.8% year on year to ¥43,739 million because of the impact of higher amounts of sales following changes to the fiscal periods of some consolidated subsidiaries in FY2018. Although overseas demand declined, domestic demand was in line with the previous year.

Sales in the **Building Materials Division** increased 2.2% year on year to ¥32,514 million. Demand for wrap-type fireproof material remained strong.

(2) Overview of financial position

Total assets at the end of FY2019 were ¥208,076 million, up ¥1,650 million compared to the end of the previous fiscal year. This was largely because electronically recorded monetary claims fell by ¥4,500 million and costs on uncompleted construction contracts declined by ¥3,571 million, while cash and deposits rose by ¥5,792 million, property, plant and equipment increased by ¥2,500 million, and merchandise and finished goods rose by ¥1,672 million.

Liabilities at the end of FY2019 were ¥80,843 million, down ¥7,808 million compared to the end of the previous fiscal year. This was largely a result of a ¥4,729 million decrease in notes and accounts payable-trade and a ¥2,971 million decrease in advances received on uncompleted construction contracts.

Net assets at the end of FY2019 were ¥127,233 million, up ¥9,459 million compared to the end of the previous fiscal year. This was largely a result of increases in retained earnings of ¥9,765 million.

(3) Cash flows

Cash and cash equivalents at the end of the FY2019 (hereinafter, "cash") increased by ¥5,377 million year on year to ¥33,108 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 ¥20,094 million (compared to receipts of ¥15,833 million in FY2018).

This was because, although cash decreased due to ¥7,383 million in income taxes paid and a ¥3,200 million increase in inventories, cash increased due to ¥21,037 million in income before income taxes, ¥6,274

million in depreciation and amortization, and a ¥3,954 million decrease in trade receivables.

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

Net cash used in investing activities was ¥9,036 million (compared to expenditures of ¥11,818 million in FY2018).

This was due to a decrease in cash due to ¥9,456 million in expenditures for the acquisition of property, plant and equipment.

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

Net cash used in financing activities was ¥5,667 million (compared to expenditures of ¥4,197 million in FY2018).

This was due to a decrease in cash due to ¥4,904 million in cash dividends paid.

(4) Earnings forecasts

Operating results in FY2019 were only mildly impacted by the COVID-19 pandemic, but it is currently difficult to estimate what impact the virus will have on operating results in FY2020. We have therefore left our earnings forecasts as "Undetermined." Once it becomes possible to provide a forecast, the Company will make prompt disclosure.

(5) Policies for distribution of profit and dividends for FY2019 and FY2020

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, we will focus on continuing to pay stable dividends, taking into account a range of factors that include the profit levels and financial conditions of the relevant fiscal year, and the availability of funds needed for capital investment and R&D to support future business development. 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.

In FY2019, we paid a first-half dividend of ¥38 per share and will pay year-end dividends of ¥38 per share.

In FY2020, we plan to pay ¥38 per share in interim dividends and a year-end dividend of ¥38 per share, based on the above policy. 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 major impact 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.

The Group is therefore reliant on industry-wide capital expenditure trends, anti-corrosion 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's earnings 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 earnings and financial status.

□ Raw materials procurement risk

The Group uses metals, coke, pulp, rubber, and fluoropolymer resin, etc. as its main raw materials. The Group's earnings and financial condition could be impacted if changes in economic conditions or reduced supply capacity in the countries that supply these materials make it difficult for the Group to procure the necessary raw materials.

□ Receivables management risk

The Group holds receivables from its clients that include accounts and notes receivable. Although the Group always pays close attention to credit management, unexpected credit losses could impact the Group's earnings and financial condition.

□ 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 ISO9001 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.

□ Information security risk

The Group holds personal and confidential information about the Company and its customers and business partners. The Group takes measures to prevent this information leaking outside, including the maintenance of internal rules, thorough education, and strengthening our security system. However, the Group's earnings and financial condition could be impacted due to compensation claims and other factors if such information is leaked.

□ Disaster risk

The Group has multiple production bases both overseas and in Japan. In the case that product supply is interrupted, we have measures in place that consider factors such as the degree of impact on customers, the importance in the market, and the possibility of switching to alternative products. However, the Group's earnings and financial condition could be impacted 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 NICHIAS 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 FY2016, has set the following management targets for FY2020 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 ¥220,000million 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)	
	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Assets		
Current assets		
Cash and deposits	28,527	34,320
Notes and accounts receivable–trade	30,849	29,767
Electronically recorded monetary claims	13,131	8,630
Accounts receivable from completed construction contracts	16,097	17,449
Merchandise and finished goods	12,351	14,023
Work in process	2,561	2,690
Raw materials and supplies	9,626	10,559
Costs on uncompleted construction contracts	9,173	5,601
Other	3,073	3,360
Allowance for doubtful accounts	(15)	(14)
Total current assets	125,376	126,390
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	52,964	57,929
Accumulated depreciation and impairment loss	(31,221)	(32,558)
Buildings and structures, net	21,743	25,371
Machinery, equipment and vehicles	72,464	76,776
Accumulated depreciation and impairment loss	(58,945)	(61,700)
Machinery, equipment and vehicles, net	13,518	15,075
Land	14,599	14,511
Lease assets	488	365
Accumulated depreciation	(254)	(218)
Lease assets, net	233	146
Construction in progress	6,753	3,427
Other	8,781	9,814
Accumulated depreciation and impairment loss	(7,864)	(8,081)
Other, net	917	1,732
Total property, plant and equipment	57,765	60,265
Intangible assets		
Software	656	735
Other	541	634
Total intangible assets	1,198	1,369
Investments and other assets		
Investment securities	15,738	13,604
Long-term loans receivable	7	4
Net defined benefit asset	869	1,174
Deferred tax assets	1,470	1,380
Other	4,042	3,922
Allowance for doubtful accounts	(42)	(35)
Total investments and other assets	22,086	20,051
Total noncurrent assets	81,050	81,686
Total assets	206,426	208,076

	(Millions of yen)	
	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	23,252	18,523
Electronically recorded monetary obligations	12,595	12,559
Current portion of bonds	5,400	400
Short-term loans payable	7,855	7,225
Lease obligations	107	153
Accounts payable–other	5,153	5,576
Income taxes payable	3,824	3,355
Advances received on uncompleted construction contracts	4,260	1,289
Provision for bonuses	3,185	3,134
Other	3,722	3,746
Total current liabilities	69,357	55,962
Noncurrent liabilities		
Bonds payable	8,800	13,400
Long-term loans payable	2,800	3,300
Lease obligations	157	565
Deferred tax liabilities	920	566
Net defined benefit liability	4,369	4,264
Reserves for litigation losses	257	416
Other	1,990	2,367
Total noncurrent liabilities	19,294	24,880
Total liabilities	88,652	80,843
Net assets		
Shareholders' equity		
Capital stock	12,128	12,128
Capital surplus	13,857	13,857
Retained earnings	91,441	101,206
Treasury stock	(4,050)	(4,053)
Total shareholders' equity	113,377	123,139
Total other cumulative comprehensive income		
Valuation difference on available-for-sale securities	6,659	5,604
Foreign currency translation adjustment	(611)	(624)
Remeasurements of defined benefit plans	(2,638)	(1,821)
Total other cumulative comprehensive income	3,409	3,158
Non-controlling interests	988	936
Total net assets	117,774	127,233
Total liabilities and net assets	206,426	208,076

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

	(Millions of yen)	
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Net sales		
Net sales of merchandise and finished goods	149,832	144,253
Net sales of completed construction contracts	65,663	64,623
Total net sales	215,495	208,876
Cost of sales		
Cost of merchandise and finished goods sold	109,143	106,414
Cost of sales of completed construction contracts	55,725	54,304
Total cost of sales	164,869	160,719
Gross profit	50,625	48,157
Selling, general and administrative expenses		
Selling expenses	8,624	8,686
General and administrative expenses	19,371	19,043
Total selling, general and administrative expenses	27,996	27,730
Operating income	22,629	20,427
Non-operating income		
Interest income	87	88
Dividends income	361	369
Rent income	535	510
Equity in earnings of affiliates	53	69
Gains on sales of investment securities	11	514
Other	506	731
Total non-operating income	1,556	2,284
Non-operating expenses		
Interest expenses	139	166
Foreign exchange losses	355	421
Cost of lease revenue	23	27
Special contribution for asbestos	44	45
Other	450	417
Total non-operating expenses	1,014	1,079
Ordinary income	23,171	21,633
Extraordinary income		
Subsidy income	100	—
Gain on sales of noncurrent assets	16	63
Total extraordinary income	116	63
Extraordinary loss		
Loss on reduction of non-current assets	98	—
Loss on sales and retirement of noncurrent assets	192	250
Loss on valuation of investment securities	—	54
Loss on valuation of shares of subsidiaries and associates	—	196
Provision for litigation loss reserves	165	158
Total extraordinary losses	456	659
Income before income taxes	22,832	21,037
Income taxes—current	6,814	6,520
Income taxes—deferred	50	(121)
Total income taxes	6,865	6,398
Net income	15,967	14,638
Profit (loss) attributable to non-controlling interests	105	(36)
Profit attributable to owners of the parent company	15,861	14,674

Consolidated comprehensive income statements

	(Millions of yen)	
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Net income	15,967	14,638
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,100)	(1,054)
Foreign currency translation adjustment	(769)	(36)
Remeasurements of defined benefit plans	(286)	835
Total other comprehensive income	(2,156)	(255)
Comprehensive income	13,810	14,382
Breakdown		
Comprehensive income attributable to owners of the parent company	13,702	14,423
Comprehensive income attributable to minority interests	108	(40)

(3) Consolidated statements of changes in shareholders' equity
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					
Dividends from surplus			(4,267)		(4,267)
Change of scope of consolidation			166		166
Profit attributable to owners of the parent company			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						
Dividends from surplus						(4,267)
Change of scope of consolidation						166
Profit attributable to owners of the parent company						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

Fiscal Year 2019 (from April 1, 2019 to March 31, 2020)

(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	91,441	(4,050)	113,377
Changes of items during the period					
Dividends from surplus			(4,908)		(4,908)
Change of scope of consolidation					—
Profit attributable to owners of the parent company			14,674		14,674
Purchase of treasury stock				(3)	(3)
Disposal of treasury stock		(0)		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(0)	9,765	(3)	9,762
Balance at the end of the current period	12,128	13,857	101,206	(4,053)	123,139

	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	6,659	(611)	(2,638)	3,409	988	117,774
Changes of items during the period						
Dividends from surplus						(4,908)
Change of scope of consolidation						—
Profit attributable to owners of the parent company						14,674
Purchase of treasury stock						(3)
Disposal of treasury stock						0
Net changes of items other than shareholders' equity	(1,054)	(13)	816	(250)	(52)	(303)
Total changes of items during the period	(1,054)	(13)	816	(250)	(52)	9,459
Balance at the end of the current period	5,604	(624)	(1,821)	3,158	936	127,233

(4) Consolidated statements of cash flows

	(Millions of yen)	
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Net cash provided by (used in) operating activities		
Income before income taxes	22,832	21,037
Depreciation & amortization	5,760	6,274
Loss (gain) on sales of property, plant and equipment	(11)	(34)
Loss on abandonment of property, plant and equipment	187	220
Loss on valuation of shares of subsidiaries and associates	—	196
Increase (decrease) in allowance for doubtful accounts	(32)	(9)
Increase (decrease) in net defined benefit liability	91	(104)
Loss (gain) on sales of investment securities	10	(514)
Increase (decrease) in provision for bonuses	186	(48)
Interest and dividends income received	(448)	(458)
Interest expenses	139	166
Foreign exchange losses (gains)	289	221
Decrease (increase) in notes and accounts receivable–trade	(4,191)	3,954
Decrease (increase) in inventories	(3,588)	(3,200)
Decrease (increase) in costs on uncompleted construction contracts	1,609	3,570
Increase (decrease) in notes and accounts payable–trade	236	(3,055)
Decrease (increase) in accounts receivable–other	603	(218)
Increase (decrease) in accounts payable–other	748	488
Increase (decrease) in advances received on uncompleted construction contracts	(2,421)	(2,972)
Loss on reduction of non-current assets	98	—
Subsidy income	(100)	—
Decrease (increase) in net defined benefit asset	356	(304)
Other	(90)	1,943
Subtotal	22,264	27,153
Interest and dividends income received	448	458
Interest expenses paid	(140)	(160)
Proceeds from subsidy income	100	—
Income taxes paid	(6,874)	(7,383)
Income taxes refund	35	27
Net cash provided by (used in) operating activities	15,833	20,094
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(62)	(391)
Expenditures for the acquisition of property, plant and equipment	(11,432)	(9,456)
Proceeds from sales of property, plant and equipment	37	442
Expenditures for the acquisition of intangible fixed assets	(476)	(382)
Purchase of investment securities	(5)	(5)
Proceeds from sales of investment securities	39	909
Payments of loans receivable	(8)	(2)
Collection of loans receivable	11	8
Other	79	(159)
Net cash provided by (used in) investing activities	(11,818)	(9,036)

	(Millions of yen)	
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(4,005)	(130)
Proceeds from long-term borrowings	2,300	1,000
Repayment of long-term loans payable	(300)	(1,000)
Proceeds from issuance of bonds	7,949	4,976
Redemption of bonds	(3,800)	(5,400)
Repayments of lease obligations	(125)	(193)
Net decrease (increase) in treasury stock	(2,010)	(3)
Cash dividends paid	(4,266)	(4,904)
Dividends paid to non-controlling interests	(11)	(11)
Other	72	—
Net cash provided by (used in) financing activities	(4,197)	(5,667)
Effect of exchange rate change on cash and cash equivalents	(158)	(13)
Net increase (decrease) in cash and cash equivalents	(341)	5,377
Cash and cash equivalents at beginning of period	26,499	27,730
Increase in cash and cash equivalents due to new consolidation	1,573	—
Cash and cash equivalents at end of period	27,730	33,108

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

(Changes to Accounting Policies)

Subsidiaries that apply International Financial Reporting Standards (IFRS) have adopted IFRS 16 "Leases" (hereafter, "IFRS 16") beginning this consolidated fiscal year. As a result, the lessee must, in principle, recognize all leases as assets and liabilities on its balance sheet. In adopting IFRS 16, the Group uses the transition method to previous periods so that the cumulative impact resulting from the changes in the accounting policy is recognized on the day on which it was adopted.

As a result, at the end of FY2019, "other" under property, plant and equipment increased by ¥608 million, "lease obligations" under current liabilities increased by ¥69 million and "lease obligations" under noncurrent liabilities rose by ¥486 million. The impact on the statements of income and the statements of cash flows in FY2019 was minimal.

(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; and
- 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 FY2021.

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)

(Related to the consolidated statements of income)

"Gains on sales of investment securities," which was included in "other" under "non-operating income" in the previous fiscal year, exceeded 10% of total non-operating income. Consequently, "gains on sales of investment securities" has been listed as a separate item this fiscal year. The consolidated financial statements for the previous fiscal year have been adjusted to reflect this change in presentation.

As a result, the amount of ¥518 million presented as "other" in "non-operating income" in the consolidated statements of income for FY2018, has been reclassified and presented as ¥11 million in "gains on sales of investment securities" and as ¥506 million in "other."

(Related to consolidated statements of cash flows)

"Gains on sales of investment securities," which was included in "other" under "net cash provided by (used in) operating activities" in the previous fiscal year, has been presented on a separate line this fiscal year because its monetary significance has increased. The consolidated financial statements for the previous fiscal year have been adjusted to reflect this change in presentation.

As a result, the amount of -¥80 million presented as "other" under "net cash provided by (used in) operating activities" in the consolidated statements of cash flows for FY2018, has been reclassified and presented as ¥10 million in "gains/losses on sales of investment securities" and as -¥90 million in "other."

"Proceeds from sales of investment securities," which was included in "other" under "net cash provided by (used in) investing activities" in FY2018, has been presented on a separate line this fiscal year because its monetary significance has increased. The consolidated financial statements for the previous fiscal year have

been adjusted to reflect this change in presentation.

As a result, the amount of ¥118 million presented as "other" under "net cash provided by (used in) investing activities" in the consolidated statements of cash flows for FY2018, has been reclassified and presented as ¥39 million in "proceeds from sales of investment securities" and as ¥79 million in "other."

(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	Manufacture 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	Manufacture and sales of fluoropolymer products, inorganic fiber insulating materials, honeycomb filters, and sealing materials for semiconductor and LCD manufacturing equipment
Autoparts	Manufacture 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	Manufacture 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, profit (loss), assets, liabilities, and other items by reporting segment
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	172,047	34,379	206,426
Other items								
Depreciation & amortization	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 "Adjustments" are 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 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.

Fiscal Year 2019 (from April 1, 2019 to March 31, 2020)

(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	65,837	45,150	21,633	43,739	32,514	208,876	—	208,876
Intersegment sales or transfers	—	8,611	—	—	—	8,611	(8,611)	—
Total	65,837	53,762	21,633	43,739	32,514	217,488	(8,611)	208,876
Segment profit (loss)	7,184	5,974	2,754	2,980	1,534	20,427	—	20,427
Segment assets	32,635	51,640	22,427	42,556	21,189	170,449	37,627	208,076
Other items								
Depreciation & amortization	314	2,416	986	2,072	485	6,274	—	6,274
Amortization of goodwill	—	—	—	—	—	—	—	—
Increase in property, plant, and equipment and intangible assets	195	3,214	1,792	2,187	558	7,948	1,029	8,978

Notes "Adjustments" are described below.

- (1) The ¥37,627 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 ¥1,029 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 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.

Fiscal Year 2019 (from April 1, 2019 to March 31, 2020)

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
172,918	27,097	8,860	208,876

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
43,733	14,780	1,751	60,265

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)

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

This information is omitted because it lacks materiality.

Fiscal Year 2019 (from April 1, 2019 to March 31, 2020)

Not applicable

(Per share information)

Net assets per share and the basis for calculation, and basic earnings per share and the basis for calculation are as follows:

(Yen)

Item	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Net assets per share	1,760.51	1,903.93
(Basis for calculation)		
Total net assets (millions of yen)	117,774	127,233
Amount to be deducted from total net assets (millions of yen)	988	936
(Of which, non-controlling interests)	(988)	(936)
Net assets attributable to common shares at the end of the fiscal year (millions of yen)	116,786	126,297
Number of common shares at the end of the fiscal year used for the calculation of net assets per share (thousand shares)	66,336	66,335

(Yen)

Item	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Basic earnings per share	238.70	221.21
(Basis for calculation)		
Net income attributable to owners of the parent company (millions of yen)	15,861	14,674
Amount not attributed to common shareholders (millions of yen)	—	—
Profit attributable to owners of the parent company related to common stock (millions of yen)	15,861	14,674
Average outstanding shares of common stock during the fiscal year (thousand shares)	66,450	66,335

Notes: 1. Diluted earnings per share 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 and basic 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.

(Important subsequent events)

Not applicable

5. Other

Status of production, orders, and sales

1. Production output by segment

(Millions of yen, %)

Name of segment	Fiscal Year 2018 (from April 1, 2018 to March 31, 2019)	Fiscal Year 2019 (from April 1, 2019 to March 31, 2020)	Change over the previous fiscal year (%)	FY2019 Composition ratio (%)
Industrial Products	37,588	35,307	(6.1)	36.6
Advanced Products	18,088	16,045	(11.3)	16.6
Autoparts	35,578	35,247	(0.9)	36.5
Building Materials	9,629	9,940	3.2	10.3
Total	100,884	96,541	(4.3)	100.0

2. Orders by segment

(Millions of yen, %)

Name of segment	Fiscal Year 2018 (from April 1, 2018 to March 31, 2019)	Fiscal Year 2019 (from April 1, 2019 to March 31, 2020)	Change over the previous fiscal year (%)	FY2019 Composition ratio (%)
Energy and Industrial Plants	66,707	63,059	(5.5)	31.0
Industrial Products	46,382	44,681	(3.7)	22.0
Advanced Products	21,768	22,467	3.2	11.1
Autoparts	45,105	43,593	(3.4)	21.5
Building Materials	32,549	29,389	(9.7)	14.5
Total	212,514	203,191	(4.4)	100.0

3. Net sales by segment

(Millions of yen, %)

Name of segment	Fiscal Year 2018 (from April 1, 2018 to March 31, 2019)	Fiscal Year 2019 (from April 1, 2019 to March 31, 2020)	Change over the previous fiscal year (%)	FY2019 Composition ratio (%)
Energy and Industrial Plants	67,298	65,837	(2.2)	31.5
Industrial Products	46,509	45,150	(2.9)	21.6
Advanced Products	24,870	21,633	(13.0)	10.4
Autoparts	45,001	43,739	(2.8)	20.9
Building Materials	31,816	32,514	2.2	15.6
Total	215,495	208,876	(3.1)	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					
	FY2015	FY2016	FY2017	FY2018	FY2019	
	Result	Result	Result	Result	Result	Change
Net sales	170,430	180,363	197,495	215,495	208,876	-3.1%
Operating income	15,104	19,600	21,357	22,629	20,427	-9.7%
Operating margin (%)	8.9%	10.9%	10.8%	10.5%	9.8%	
Ordinary income	15,480	19,756	21,804	23,171	21,633	-6.6%
Ordinary income margin (%)	9.1%	11.0%	11.0%	10.8%	10.4%	
Profit attributable to owners of the parent company	6,669	13,409	14,956	15,861	14,674	-7.5%
Net income margin (%)	3.9%	7.4%	7.6%	7.4%	7.0%	
Basic earnings per share (yen)	103.75	200.82	222.73	238.70	221.21	-7.3%
Total assets	154,922	175,999	196,459	206,426	208,076	0.8%
Net assets	85,665	97,890	109,705	117,774	127,233	8.0%
Shareholders' equity	84,879	97,367	109,195	116,786	126,297	8.1%
Equity ratio (%)	54.8%	55.3%	55.6%	56.6%	60.7%	
Interest-bearing debt	25,840	23,976	23,818	26,065	26,077	0.0%
Dependency on interest-bearing debt (%)	16.7%	13.6%	12.1%	12.6%	12.5%	
Capital expenditures	4,287	9,775	12,772	12,816	8,978	-30.0%
Depreciation & amortization	4,598	3,969	4,800	5,760	6,274	8.9%
R&D expenses	5,460	5,446	5,692	5,976	6,132	2.6%

^{*1} The Company has applied the "Partial Amendments to 'Accounting Standard for Tax Effect Accounting'" (ASBJ Guidance No. 28; February 16, 2018) beginning in FY2018. These accounting standards have been retroactively applied to the figures for major management indicators for FY2017.

^{*2} The 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 FY2015.

(2) Quarterly consolidated operating results (Trends)

(Millions of yen)

	FY2018				FY2019				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Change
Net sales	52,701	53,865	53,927	55,001	47,390	53,623	51,556	56,305	2.4%
Operating income	6,466	5,216	5,693	5,253	4,454	5,514	4,961	5,496	4.6%
Operating margin (%)	12.3%	9.7%	10.6%	9.6%	9.4%	10.3%	9.6%	9.8%	
Ordinary income	6,706	5,501	5,689	5,273	4,571	5,466	5,415	6,179	17.2%
Ordinary income margin (%)	12.7%	10.2%	10.6%	9.6%	9.6%	10.2%	10.5%	11.0%	
Profit attributable to owners of the parent company	4,647	3,638	4,026	3,549	3,311	3,729	3,511	4,122	16.1%
Net income margin (%)	8.8%	6.8%	7.5%	6.5%	7.0%	7.0%	6.8%	7.3%	

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