

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 to September 30, 2019) <Japanese GAAP>

November 5, 2019

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Scheduled date of filing of quarterly consolidated financial statements: November 7, 2019
 Supplementary materials for financial results: Available
 Organization of financial results briefing: Available (for institutional investors and analysts)
 Scheduled date of commencement of dividend payment: December 2, 2019

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

1. Consolidated financial results for the second quarter of the Fiscal Year 2019 (April 1, 2019 to September 30, 2019)

(1) Operating Results (cumulative)

(Percentages represent year-on-year changes)

	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 Q2	101,014	(5.2)	9,969	(14.7)	10,038	(17.8)	7,040	(15.0)
FY2018 Q2	106,567	15.7	11,682	22.1	12,208	23.6	8,285	22.7

Note: Comprehensive income FY2019 Q2 ¥7,170 million---(7.8)%, FY2018 Q2 ¥7,772 million---(5.2)%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2019 Q2	106.14	—
FY2018 Q2	124.48	—

*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
	Millions of yen	Millions of yen	%
As of September 30, 2019	205,558	122,544	59.2
As of March 31, 2019	206,426	117,774	56.6

(Reference) Shareholders' equity FY2019 Q2 ¥121,627 million; As of March 31, 2019 (FY2018) ¥116,786 million

2. Dividends

	Annual Dividends				
	End of 1 st quarter	End of 1 st half	End of 3 rd quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2018	—	16.00	—	36.00	—
FY2019	—	38.00			
FY2019 (Forecast)			—	36.00	74.00

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

*The Company carried out a reverse stock split on a one-for-two basis on October 1, 2018. Accordingly, the year-end dividends per share 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
Full year	208,000	(3.5)	20,800	(8.1)	21,200	(8.5)	14,500	(8.6)	218.21

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

*Notes

- (1) Changes in significant subsidiaries during the consolidated quarter under review: None
- (2) Application of specific accounting methods in the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatements
 - 1) Changes in accounting policies due to revision of accounting standards: Yes
 - 2) Changes other than those in 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Restatements: None

(4) Number of shares outstanding (ordinary shares)

- 1) Number of shares issued at the end of the period (including treasury stock)

FY2019 Q2	(As of September 30, 2019)	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 period

FY2019 Q2	(As of September 30, 2019)	1,475,772 shares
FY2018	(As of March 31, 2019)	1,475,348 shares
- 3) Average number of shares outstanding during the period

FY2019 Q2	(As of September 30, 2019)	66,336,256 shares
FY2018 Q2	(As of September 30, 2018)	66,562,972 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 period is calculated based on the assumption that the reverse stock split was carried out at the beginning of the previous fiscal year.

*The consolidated financial results for the second quarter of the fiscal year ending March 31, 2020 are not subject to quarterly review by a certified public accountant or auditor.

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

Information concerning forward-looking statements

Forward-looking statements concerning financial forecasts contained in these materials are based on information available to the Company when the forecasts were made and certain assumptions judged to be reasonable. However, the Company makes no guarantee that these forecasts will be achieved. Actual results may differ significantly from the forecasts due to a variety of factors.

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.

○ **Attachment index**

1. Qualitative information on the quarter under review.....	2
(1) Explanation of operating results	2
(2) Explanation of financial position	2
(3) Explanation of information related to future prospects including consolidated results forecasts	3
2. Consolidated financial statements and related notes	4
(1) Quarterly consolidated balance sheets	4
(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income.....	6
Quarterly consolidated statements of income	6
Quarterly consolidated statement of comprehensive income	7
(3) Quarterly consolidated statements of cash flows	8
(4) Notes regarding quarterly consolidated financial statements	9
(Notes regarding going concern assumption)	9
(Notes regarding significant changes in shareholders' equity [if any])	9
(Changes to Accounting Policies)	9
(Segment information)	10
3. Supplementary Materials	11

1. Qualitative information on the quarter under review

(1) Explanation of operating results

During the second quarter of the fiscal year, the Japanese economy continued to make a steady recovery, but in the manufacturing industry, exports and production remained weak, and there were signs of softness in capital investment due to the corporate sector's cautious assessment of business conditions.

Overseas, the US economy continues to recover, and emerging economies are recovering slowly amidst signs of weakness. However, China's economy is gradually slowing. Moreover, the Group must take into account downside risks to the economy resulting from trends in crude oil prices and the impact of heightened tensions over the US-China trade dispute.

In these conditions, the Group's net sales fell by 5.2% to ¥101,014 million. This was because demand related to semiconductor production equipment was low, and in addition, conditions were unique in the same period in the previous fiscal year 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 decreased by 14.7% year on year to ¥9,969 million, ordinary income decreased by 17.8% year on year to ¥10,038 million, and profit attributable to owners of the parent company decreased by 15.0% year on year to ¥7,040 million.

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

Sales in the **Energy and Industrial Plants Division** decreased by 6.5% year on year to ¥30,911 million. When excluding the large-scale shipbuilding construction projects posted in the previous 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 1.8% year on year to ¥22,452 million due to slowing demand for fluoropolymer products for semiconductor-related applications as a result of the impact of the US-China trade conflict, as well as sluggish demand for electrical parts. However, demand was strong for sealing materials for infrastructure and for inorganic thermal insulation materials.

Sales in the **Advanced Products Division** fell by 21.8% year on year to ¥10,352 million due to low demand for semiconductor production equipment.

Sales in the **Autoparts Division** fell by 1.1% year on year to ¥22,295 million because of the impact of higher amounts of sales following changes to the fiscal periods of some consolidated subsidiaries in the first quarter of the fiscal year 2018. Although overseas demand declined, domestic demand was in line with the previous year.

Sales in the **Building Materials Division** rose by 0.9% year on year to ¥15,002 million due to the ongoing strength of demand for wrap-type fireproof materials.

(2) Explanation of financial position

1) Assets, liabilities, and net assets

Total assets at the end of the second quarter of the year ending March 31, 2020 were ¥205,558 million, down ¥868 million compared to the end of the previous fiscal year. This was largely because property, plant and equipment increased by ¥2,310 million, costs on uncompleted construction contracts increased by ¥1,736 million, cash and deposits increased by ¥1,367 million, and merchandise and finished goods rose by ¥831 million, while accounts receivable from completed construction contracts decreased by ¥3,934 million and electronically recorded monetary claims fell by ¥3,114 million.

Liabilities at the end of the second quarter of the year ending March 31, 2020 were ¥83,014 million, down ¥5,638 million compared to the end of the previous fiscal year. This was largely a result of a ¥3,936 million decrease in notes and accounts payable-trade and a ¥662 million decrease in income taxes payable.

Net assets at the end of the second quarter of the year ending March 31, 2020 were ¥122,544 million, up ¥4,769 million compared to the end of the previous fiscal year. This was largely a result of increases in retained earnings of ¥4,652 million.

2) Cash flows

Cash and cash equivalents at the FY2019 Q2 (hereinafter, "cash") increased by ¥1,278 million to ¥29,009 million compared with the end of the previous fiscal year. Cash flows and factors affecting cash flows are as follows:

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

Net cash provided by operating activities was ¥9,881 million (compared to receipts of ¥5,413 million in the same period of the previous fiscal year).

This was because, although cash decreased due to ¥3,939 million in income taxes paid and a ¥2,703

million decrease in notes and accounts payable - trade, cash increased due to ¥10,031 million in income before income taxes and a ¥7,386 million decrease in notes and accounts receivable - trade.

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

Net cash used in investing activities was ¥5,623 million (compared to expenditures of ¥5,796 million in the same period of the previous fiscal year).

This was due to a decrease in cash due to ¥6,159 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 ¥2,922 million (compared to receipts of ¥214 million in the same period of the previous fiscal year).

This was due to a decrease in cash due to ¥2,385 million in cash dividends paid.

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

Earnings in the first half of the consolidated fiscal year have been generally in line with forecasts, and as a result, we have not revised our earnings forecasts for the full year for the fiscal year ending on March 31, 2020, released on May 7, 2019.

The Company prepared these earnings forecasts based on the information obtainable on the day that these materials were released, and actual results could differ from forecasts depending on a range of factors.

2. Consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

	(Millions of yen)	
	FY2018 (As of March 31, 2019)	FY2019 Q2 (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	28,527	29,895
Notes and accounts receivable-trade	30,849	30,099
Electronically recorded monetary claims	13,131	10,017
Accounts receivable from completed construction contracts	16,097	12,162
Merchandise and finished goods	12,351	13,182
Work in process	2,561	2,792
Raw materials and supplies	9,626	9,815
Costs on uncompleted construction contracts	9,173	10,910
Other	3,073	3,220
Allowance for doubtful accounts	(15)	(18)
Total current assets	125,376	122,077
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	52,964	55,856
Accumulated depreciation and impairment loss	(31,221)	(31,768)
Buildings and structures, net	21,743	24,087
Machinery, equipment and vehicles	72,464	74,150
Accumulated depreciation and impairment loss	(58,945)	(60,034)
Machinery, equipment and vehicles, net	13,518	14,116
Land	14,599	14,420
Lease assets	488	430
Accumulated depreciation	(254)	(240)
Lease assets, net	233	189
Construction in progress	6,753	5,727
Other	8,781	9,649
Accumulated depreciation and impairment loss	(7,864)	(8,115)
Other, net	917	1,533
Total property, plant and equipment	57,765	60,075
Intangible assets		
Software	656	730
Other	541	565
Total intangible assets	1,198	1,296
Investments and other assets		
Investment securities	15,738	15,949
Net defined benefit asset	869	931
Deferred tax assets	1,470	1,391
Other	4,050	3,872
Allowance for doubtful accounts	(42)	(36)
Total investments and other assets	22,086	22,108
Total noncurrent assets	81,050	83,480
Total assets	206,426	205,558

	(Millions of yen)	
	FY2018	FY2019 Q2
	(As of March 31, 2019)	(As of September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	23,252	19,315
Electronically recorded monetary obligations	12,595	12,221
Current portion of bonds	5,400	400
Short-term loans payable	7,855	8,155
Accounts payable-other	5,153	5,039
Income taxes payable	3,824	3,161
Advances received on uncompleted construction contracts	4,260	3,903
Provision for bonuses	3,185	3,580
Other	3,829	3,132
Total current liabilities	69,357	58,910
Noncurrent liabilities		
Bonds payable	8,800	13,600
Long-term loans payable	2,800	2,300
Deferred tax liabilities	920	984
Net defined benefit liability	4,369	4,325
Reserves for litigation losses	257	257
Other	2,147	2,635
Total noncurrent liabilities	19,294	24,103
Total liabilities	88,652	83,014
Net assets		
Shareholders' equity		
Capital stock	12,128	12,128
Capital surplus	13,857	13,857
Retained earnings	91,441	96,093
Treasury stock	(4,050)	(4,050)
Total shareholders' equity	113,377	118,028
Total other cumulative comprehensive income		
Valuation difference on available-for-sale securities	6,659	7,010
Foreign currency translation adjustment	(611)	(1,148)
Remeasurements of defined benefit plans	(2,638)	(2,263)
Total other cumulative comprehensive income	3,409	3,598
Non-controlling interests	988	916
Total net assets	117,774	122,544
Total liabilities and net assets	206,426	205,558

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

Quarterly consolidated statements of income

Second quarter of consolidated fiscal year

	(Millions of yen)	
	FY2018 Q2 (From April 1, 2018 to September 30, 2018)	FY2019 Q2 (From April 1, 2019 to September 30, 2019)
Net sales		
Net sales of merchandise and finished goods	74,559	72,230
Net sales of completed construction contracts	32,007	28,783
Total net sales	106,567	101,014
Cost of sales		
Cost of merchandise and finished goods sold	54,089	52,990
Cost of sales of completed construction contracts	26,900	24,276
Total cost of sales	80,989	77,267
Gross profit	25,577	23,747
Selling, general and administrative expenses		
Selling expenses	4,298	4,311
General and administrative expenses	9,595	9,466
Total selling, general and administrative expenses	13,894	13,777
Operating income	11,682	9,969
Non-operating income		
Interest income	44	37
Dividends income	215	203
Rent income	261	256
Equity in earnings of affiliates	21	43
Other	268	321
Total non-operating income	811	862
Non-operating expenses		
Interest expenses	73	87
Foreign exchange losses	17	542
Other	194	162
Total non-operating expenses	285	793
Ordinary income	12,208	10,038
Extraordinary income		
Gain on sales of noncurrent assets	10	60
Total extraordinary income	10	60
Extraordinary loss		
Provision for litigation loss reserves	165	—
Loss on sales and retirement of noncurrent assets	61	68
Total extraordinary losses	226	68
Income before income taxes	11,992	10,031
Income taxes-current	3,666	3,123
Income taxes-deferred	(18)	(108)
Total income taxes	3,647	3,015
Net income	8,345	7,016
Profit (loss) attributable to non-controlling interests	59	(24)
Net income attributable to owners of the parent company	8,285	7,040

Quarterly consolidated statement of comprehensive income

Second quarter of consolidated fiscal year

	(Millions of yen)	
	FY2018 Q2 (From April 1, 2018 to September 30, 2018)	FY2019 Q2 (From April 1, 2019 to September 30, 2019)
Net income	8,345	7,016
Other comprehensive income		
Valuation difference on available-for-sale securities	(25)	351
Foreign currency translation adjustment	(797)	(582)
Remeasurements of defined benefit plans	250	384
Total other comprehensive income	(572)	154
Comprehensive income	7,772	7,170
Breakdown		
Comprehensive income attributable to owners of the parent company	7,710	7,230
Comprehensive income attributable to minority interests	62	(60)

(3) Quarterly consolidated statements of cash flows

	(Millions of yen)	
	FY2018 Q2 (From April 1, 2018 to September 30, 2018)	FY2019 Q2 (From April 1, 2019 to September 30, 2019)
Cash flows from operating activities		
Income before income taxes	11,992	10,031
Depreciation and amortization	2,709	2,903
Increase (decrease) in net defined benefit liability	45	(43)
Increase (decrease) in provision for bonuses	561	401
Interest and dividends income received	(259)	(241)
Interest expenses	73	87
Foreign exchange losses (gains)	112	199
Decrease (increase) in notes and accounts receivable–trade	(1,187)	7,386
Decrease (increase) in inventories	(1,453)	(1,863)
Decrease (increase) in costs on uncompleted construction contracts	(6)	(1,739)
Increase (decrease) in notes and accounts payable–trade	(1,722)	(2,703)
Increase (decrease) in accounts payable–other	(184)	(821)
Increase (decrease) in accrued expenses	116	(22)
Increase (decrease) in advances received on uncompleted construction contracts	(2,565)	(357)
Decrease (increase) in net defined benefit asset	(73)	(61)
Other	854	476
Subtotal	9,013	13,632
Interest and dividends income received	259	241
Interest expenses paid	(74)	(81)
Income taxes paid	(3,820)	(3,939)
Income taxes refund	35	27
Net cash provided by (used in) operating activities	5,413	9,881
Cash flows from investing activities		
Net decrease (increase) in time deposits	(56)	(68)
Expenditures for the acquisition of property, plant and equipment	(5,610)	(6,159)
Proceeds from sales of property, plant and equipment	37	350
Expenditures for the acquisition of intangible fixed assets	(393)	(78)
Proceeds from sales of investment securities	0	346
Payments of loans receivable	(6)	(2)
Collection of loans receivable	5	5
Other	227	(16)
Net cash provided by (used in) investing activities	(5,796)	(5,623)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(30)	(200)
Proceeds from long-term borrowings	300	—
Repayment of long-term loans payable	(300)	—
Proceeds from issuance of bonds	4,997	4,976
Redemption of bonds	(600)	(5,200)
Proceeds from stock issuance to non-controlling shareholders	72	—
Cash dividends paid	(2,144)	(2,385)

Net decrease (increase) in treasury stock	(2,008)	(0)
Dividends paid to non-controlling interests	(11)	(11)
Other	(62)	(100)
Net cash provided by (used in) financing activities	214	(2,922)
Effect of exchange rate change on cash and cash equivalents	(154)	(56)
Net increase (decrease) in cash and cash equivalents	(322)	1,278
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	27,749	29,009

(4) Notes regarding quarterly consolidated financial statements

(Notes regarding going concern assumption)

Not applicable

(Notes regarding significant changes in shareholders' equity [if any])

Not applicable

(Changes to Accounting Policies)

Subsidiaries that apply International Financial Reporting Standards (IFRS) have adopted IFRS 16 "Leases" (hereafter, "IFRS 16") beginning with the first quarter of 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, in the second quarter, "other" under property, plant and equipment increased by ¥592 million, "other" under current liabilities increased by ¥55 million and "other" under noncurrent liabilities rose by ¥468 million. The impact on the statements of income and the statements of cash flows in the second quarter was minimal.

(Segment information)

Segment information

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

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

(Millions of yen)

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

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

II. Second quarter of the fiscal year 2019 (April 1, 2019 to September 30, 2019)

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

(Millions of yen)

	Reporting segments						Adjustments	Quarterly consolidated profit/loss posted
	Energy and Industrial Plants	Industrial Products	Advanced Products	Autoparts	Building Materials	Total		
Net sales								
Net sales to external customers	30,911	22,452	10,352	22,295	15,002	101,014	—	101,014
Intersegment sales or transfers	—	4,583	—	—	—	4,583	(4,583)	—
Total	30,911	27,036	10,352	22,295	15,002	105,597	(4,583)	101,014
Segment profit or loss	3,061	3,104	1,416	1,767	618	9,969	—	9,969

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

3. Supplementary Materials

Financial results supplementary materials

(Percentage figures represent changes from previous fiscal year)

(1) Key consolidated financial figures (Trends)

(Millions of yen)

	First half			Full Year					
	FY2018	FY2019		FY2015	FY2016	FY2017	FY2018	FY2019	
	Results	Results	Change	Results	Results	Results	Results	Forecast	Change
Net sales	106,567	101,014	- 5.2%	170,430	180,363	197,495	215,495	208,000	- 3.5%
Operating income	11,682	9,969	- 14.7%	15,104	19,600	21,357	22,629	20,800	- 8.1%
Operating margin (%)	11.0%	9.9%		8.9%	10.9%	10.8%	10.5%	10.0%	
Ordinary income	12,208	10,038	- 17.8%	15,480	19,756	21,804	23,171	21,200	- 8.5%
Ordinary income margin (%)	11.5%	9.9%		9.1%	11.0%	11.0%	10.8%	10.2%	
Profit attributable to owners of parent	8,285	7,040	- 15.0%	6,669	13,409	14,956	15,861	14,500	- 8.6%
Net income margin (%)	7.8%	7.0%		3.9%	7.4%	7.6%	7.4%	7.0%	
Basic earnings per share (yen)	124.48	106.14	- 14.7%	103.75	200.82	222.73	238.70	218.21	- 8.6%
Total assets	201,448	205,558	2.0%	154,922	175,999	196,459	206,426	—	—
Net assets	113,862	122,544	7.6%	85,665	97,890	109,705	117,774	—	—
Shareholders' equity	112,918	121,627	7.7%	84,879	97,367	109,195	116,786	—	—
Equity ratio (%)	56.1%	59.2%		54.8%	55.3%	55.6%	56.6%	—	—
Interest-bearing debt	28,251	26,193	- 7.3%	25,840	23,976	23,818	26,065	—	—
Interest-bearing debt ratio (%)	14.0%	12.7%		16.7%	13.6%	12.1%	12.6%	—	—
Capital expenditures	6,135	5,434	- 11.4%	4,287	9,775	12,772	12,816	11,000	- 14.2%
Depreciation & amortization	2,709	2,903	7.2%	4,598	3,969	4,800	5,760	6,500	12.8%
R&D expenses	2,899	3,021	4.2%	5,460	5,446	5,692	5,976	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 FY2018. These accounting standards have been retroactively applied to the figures for major management indicators for FY2017.

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 FY2015.

(2) Quarterly consolidated operating results (Trends)

(Millions of yen)

	FY2018				FY2019		
	Q1	Q2	Q3	Q4	Q1	Q2	Change
Net sales	52,701	53,865	53,927	55,001	47,390	53,623	- 0.4%
Operating income	6,466	5,216	5,693	5,253	4,454	5,514	5.7%
Operating margin (%)	12.3%	9.7%	10.6%	9.6%	9.4%	10.3%	
Ordinary income	6,706	5,501	5,689	5,273	4,571	5,466	- 0.6%
Ordinary income margin (%)	12.7%	10.2%	10.6%	9.6%	9.6%	10.2%	
Profit attributable to owners of parent	4,647	3,638	4,026	3,549	3,311	3,729	2.5%
Net income margin (%)	8.8%	6.8%	7.5%	6.5%	7.0%	7.0%	

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.