

Consolidated Financial Results
For the 2nd Quarter of the Fiscal Year Ending March 31, 2017
<Japanese GAAP>



November 2, 2016

Company Name: **Nittobo** (Registered as **NITTO BOSEKI CO., LTD.**)
 Stock Code: 3110
 Stock Exchange Listing: Tokyo Stock Exchange
 URL: <http://www.nittobo.co.jp/>
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 Scheduled date of filing quarterly securities report: November 11, 2016
 Scheduled date of commencement of dividend payment: December 19, 2016
 Supplementary information for quarterly financial results: Available
 Organization of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Yen in millions, rounded down)

1. Consolidated financial results for the 2nd quarter of the fiscal year ending March 31, 2017 (April 1, 2016 to September 30, 2016)

(1) Consolidated results of operations (Cumulative)

(Percentage figures represent the change from the same period in the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q2 of FY ending March 31, 2017	40,893	(6.7)	5,476	(2.8)	5,280	(7.3)	3,634	35.4
Q2 of FY ended March 31, 2016	43,808	0.7	5,634	39.0	5,697	44.3	2,684	20.8

Note: Comprehensive income

Six months ended September 30, 2016..... ¥(1,034) million [-%]

Six months ended September 30, 2015..... ¥2,540 million [(33.0)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q2 of FY ending March 31, 2017	18.25	—
Q2 of FY ended March 31, 2016	13.48	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2016	138,498	73,211	52.2
As of March 31, 2016	142,755	75,455	52.3

(Reference) Equity

As of September 30, 2016..... ¥72,344 million

As of March 31, 2016..... ¥74,599 million

2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended March 31, 2016	Yen —	Yen 0.00	Yen —	Yen 6.00	Yen 6.00
Fiscal year ending March 31, 2017	—	3.00			
Fiscal year ending March 31, 2017 (Forecast)			—	3.00	6.00

Note: Revision of the forecasted dividend from recently announced figures: Yes

3. Consolidated forecast for the fiscal year ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	
Full year	83,000	(3.7)	10,800	(0.9)	10,500	(4.3)	6,000	7.2	30.12	

Note: Revision of the consolidated forecast from recently announced figures: Yes

* Notes

(1) Changes in significant subsidiaries during the period

(Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None

New: None

Excluded: None

(2) Application of special accounting method for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, accounting estimates and retrospective restatements

(a) Changes in accounting policies due to revision of accounting standards: Yes

(b) Changes in accounting policies other than (a): No

(c) Changes in accounting estimates: No

(d) Retrospective restatements: No

(4) Number of shares outstanding (common shares)

(a) Number of shares outstanding at end of the period (including treasury shares)

As of September 30, 2016	247,677,560 shares	As of March 31, 2016	247,677,560 shares
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(b) Number of treasury shares at end of the period

As of September 30, 2016	48,489,697 shares	As of March 31, 2016	48,480,946 shares
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(c) Average number of shares outstanding

Six months ended September 30, 2016	199,192,667 shares	Six months ended September 30, 2015	199,223,103 shares
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*Presentation of present status of quarterly review procedures

These “Consolidated Financial Results” are not subject to quarterly review procedures pursuant to the Financial Instruments and Exchange Act, and as of the date of publication of these financial results, the quarterly review procedures of the quarterly financial statements were in progress.

*Explanation on the appropriate use of performance forecasts and other special notes

(Cautions on forward-looking statements, etc.)

Forward-looking statements such as business prospects described in this material are based on information of which the Company is currently in possession and certain assumptions that are considered to be reasonable, and the Company does not intend to promise their achievement. Moreover, actual results may significantly differ from these forecasts due to changes in business conditions and other factors. For preconditions for the forecasts and cautions for using the forecasts, please see “1. Qualitative Information on Quarterly Financial Results (3) Explanation on consolidated forecasts and other future forecasts” on page 3 of “Supplementary Materials” of the Consolidated Financial Results.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation on operation results

During the six months ended September 30, 2016 (April 1, 2016 to September 30, 2016), consumer spending and capital investment have remained lacking in strength and the appreciation of the yen lingered, and therefore, the Japanese economy remained flat. Although the U.S. economy maintained its modest recovery, it was fraught with unpredictable factors including the outcome of the presidential election. Together with this, lingering concerns about the impact of a slowdown in the Chinese economy and the UK's decision to leave the European Union maintained a sense of uncertainty in the outlook for the global economy.

In the "Textiles Division," mainstay interlining products saw a slump in sales in Japan as well as for local customers in China, and weaker shipment from China to overseas markets. Meanwhile, finished products including "Nittobo Dishcloth" posted solid sales and the Group commenced retail sales of such products through the Internet to strengthen its efforts to extend the market.

In a severe business environment due to the appreciation of the yen, the "Glass Fiber Yarn Division," "Glass Fiber Cloth Division" and "Glass Fiber for Industrial Materials Division," which belong to the "Glass Fiber Division," endeavored to improve their profitability by accelerating their shift towards high value-added products, strengthening their sales activities and reducing costs. Details of measures by each division in the "Glass Fiber Division" are as follows:

In the "Glass Fiber Yarn Division," the Group recorded weak sales of products for use in the reinforced plastic fields due to a short-term slump in demand for our high value-added products for smartphones and tablets as well as the impact of severer competition with imported products fueled by the progression of the appreciation of the yen. To cope with this, the Group focused on pursuing sales activities of higher quality that can satisfy the needs of our customers and improved production efficiency and fuel cost efficiency.

In the "Glass Fiber Cloth Division," despite severer competition with overseas manufacturers, the Group responded to demand for products for use in electronic materials that are principally supplied to high-performance servers for network or base stations, and further pressed ahead with its shift towards high value-added products.

In the "Glass Fiber for Industrial Materials Division," the Group endeavored to increase its market share and acquire new customers of thermal insulation materials for detached houses that showed steady demand, while working to expand sales of products for use in industrial materials. The Group also improved production efficiency and reduced costs to increase profitability.

In the "Environment & Health Division," while enjoying steady sales of reagents for invitro diagnostic in the immunology field among other products in Japan, the Group worked to win orders of specialty chemical products for new overseas projects. The Group also responded to demands for various types of products in small lot in the beverage business field.

In Other Operations, the Group endeavored to secure revenue in the property management and services business.

As a result, the Nittobo Group recorded net sales of ¥40,893 million (down 6.7% from the same period of the previous year), operating income of ¥5,476 million (down 2.8% from the same period of the previous year), ordinary income of ¥5,280 million (down 7.3% from the same period of the previous year), and profit attributable to owners of parent of ¥3,634 million (up 35.4% from the same period of the previous year).

(2) Explanation on financial condition

1) Financial condition

Total assets were ¥138,498 million at the end of the second quarter of the fiscal year under review, a decrease of ¥4,256 million from the end of the previous fiscal year. This was mainly attributable to a decrease in investment securities.

Total liabilities were ¥65,287 million, a decrease of ¥2,012 million from the end of the previous fiscal year. This was primarily due to a decrease in current portion of long-term loans payable.

Net assets stood at ¥73,211 million. The equity ratio declined 0.1 points from the end of the previous fiscal year to 52.2%.

2) Status of cash flows

Net cash provided by operating activities was ¥5,303 million for the six months ended September 30, 2016. This was mainly attributable to ¥5,230 million in profit before income taxes as well as ¥2,012 million in depreciation.

Net cash used in investing activities was ¥924 million, which was primarily due to ¥583 million in purchase of non-current assets.

Net cash used in financing activities was ¥2,116 million. This was mainly attributable to ¥3,850 million in proceeds from long-term loans payable, ¥5,018 million in repayments of long-term loans payable, and ¥1,195 million in cash dividends paid.

As a result, cash and cash equivalents at the end of the second quarter of the fiscal year under review totaled ¥19,256 million,

an increase of ¥1,790 million from the end of the previous fiscal year.

(3) Explanation on consolidated forecasts and other future forecasts

In light of the actual consolidated results for the six months ended September 30, 2016 and recent performance trends, the Nittobo Group has revised its consolidated earnings forecasts for the fiscal year ending March 31, 2017 released on August 3, 2016.

2. Matters Related to Summary Information (Notes)

(1) Changes in significant subsidiaries during the six months

Not Applicable

(2) Application of special accounting method for the preparation of quarterly consolidated financial statements

Not Applicable

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatements

(Changes in Accounting Policies)

Following the amendments to the Corporation Tax Act, effective from the first quarter of the fiscal year under review, the Company has adopted the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (PITF No.32, June 17, 2016). Accordingly, the Company has changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of the change on the profit and loss for the six months ended September 30, 2016 is immaterial.

(4) Additional information

From the first quarter of the fiscal year under review, the Company has adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	17,891	19,617
Notes and accounts receivable - trade	23,898	24,030
Merchandise and finished goods	4,787	5,002
Work in process	2,828	3,159
Raw materials and supplies	13,579	13,456
Deferred tax assets	1,884	1,431
Other	1,016	699
Allowance for doubtful accounts	(27)	(7)
Total current assets	65,859	67,389
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,245	12,582
Machinery, equipment and vehicles, net	9,579	8,309
Land	17,396	17,239
Leased assets, net	4,086	3,820
Other, net	764	808
Total property, plant and equipment	45,072	42,760
Intangible assets	1,891	1,755
Investments and other assets		
Investment securities	26,599	22,155
Net defined benefit asset	209	209
Deferred tax assets	1,695	2,882
Other	1,464	1,381
Allowance for doubtful accounts	(36)	(36)
Total investments and other assets	29,932	26,593
Total non-current assets	76,895	71,108
Total assets	142,755	138,498

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,424	7,695
Short-term loans payable	4,636	5,059
Current portion of long-term loans payable	8,855	7,822
Lease obligations	637	602
Income taxes payable	787	591
Provision for bonuses	1,267	1,234
Other	5,611	4,839
Total current liabilities	29,221	27,845
Non-current liabilities		
Long-term loans payable	14,439	14,303
Lease obligations	4,104	3,798
Provision for repairs	4,861	5,078
Net defined benefit liability	12,879	12,424
Other	1,793	1,836
Total non-current liabilities	38,078	37,441
Total liabilities	67,299	65,287
Net assets		
Shareholders' equity		
Capital stock	19,699	19,699
Capital surplus	23,107	23,107
Retained earnings	35,495	37,935
Treasury shares	(8,954)	(8,958)
Total shareholders' equity	69,347	71,784
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,177	3,087
Foreign currency translation adjustment	1,315	(432)
Remeasurements of defined benefit plans	(2,241)	(2,094)
Total accumulated other comprehensive income	5,251	560
Non-controlling interests	856	866
Total net assets	75,455	73,211
Total liabilities and net assets	142,755	138,498

(2) Consolidated Statement of Income and Comprehensive Income
(Consolidated Statement of Income)
[For the six months]

(Millions of yen)

	For the six months ended September 30, 2015	For the six months ended September 30, 2016
Net sales	43,808	40,893
Cost of sales	29,232	26,237
Gross profit	14,576	14,656
Selling, general and administrative expenses	8,941	9,179
Operating income	5,634	5,476
Non-operating income		
Interest income	8	6
Dividend income	245	276
Rent income	42	40
Foreign exchange gains	52	—
Other	79	71
Total non-operating income	428	394
Non-operating expenses		
Interest expenses	206	171
Foreign exchange losses	—	297
Other	158	121
Total non-operating expenses	365	590
Ordinary income	5,697	5,280
Extraordinary income		
Gain on sales of non-current assets	28	5
Gain on sales of shares of subsidiaries and associates	182	—
Total extraordinary income	211	5
Extraordinary losses		
Loss on disposal of non-current assets	75	55
Impairment loss	1,469	—
Total extraordinary losses	1,544	55
Profit before income taxes	4,363	5,230
Income taxes - current	882	1,079
Income taxes - deferred	785	493
Total income taxes	1,668	1,573
Profit	2,695	3,657
Profit attributable to non-controlling interests	10	22
Profit attributable to owners of parent	2,684	3,634

(Consolidated Statement of Comprehensive Income)

[For the six months]

(Millions of yen)

	For the six months ended September 30, 2015	For the six months ended September 30, 2016
Profit	2,695	3,657
Other comprehensive income		
Valuation difference on available-for-sale securities	(689)	(3,090)
Foreign currency translation adjustment	393	(1,748)
Remeasurements of defined benefit plans, net of tax	140	147
Total other comprehensive income	(154)	(4,691)
Comprehensive income	2,540	(1,034)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,529	(1,056)
Comprehensive income attributable to non-controlling interests	10	22

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2015	For the six months ended September 30, 2016
Cash flows from operating activities		
Profit before income taxes	4,363	5,230
Depreciation	2,218	2,012
Impairment loss	1,469	—
Increase (decrease) in net defined benefit liability	(412)	(236)
Increase (decrease) in provision for repairs	51	216
Interest and dividend income	(254)	(282)
Interest expenses	206	171
Loss (gain) on sales and retirement of non-current assets	46	50
Decrease (increase) in notes and accounts receivable - trade	891	(322)
Decrease (increase) in inventories	1,107	(659)
Increase (decrease) in notes and accounts payable - trade	13	415
Other, net	(921)	(122)
Subtotal	8,780	6,473
Interest and dividend income received	254	282
Interest expenses paid	(213)	(185)
Income taxes paid	(1,016)	(1,267)
Income taxes refund	1,080	—
Net cash provided by (used in) operating activities	8,883	5,303
Cash flows from investing activities		
Purchase of non-current assets	(3,018)	(583)
Purchase of investment securities	(3,004)	(0)
Other, net	(102)	(340)
Net cash provided by (used in) investing activities	(6,124)	(924)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	672	603
Proceeds from long-term loans payable	4,070	3,850
Repayments of long-term loans payable	(4,134)	(5,018)
Cash dividends paid	(996)	(1,195)
Repayments of finance lease obligations	(334)	(341)
Other, net	(23)	(14)
Net cash provided by (used in) financing activities	(745)	(2,116)
Effect of exchange rate change on cash and cash equivalents	55	(472)
Net increase (decrease) in cash and cash equivalents	2,068	1,790
Cash and cash equivalents at beginning of period	15,481	17,466
Cash and cash equivalents at end of period	17,550	19,256

(4) Notes to Consolidated Financial Statements
 (Notes regarding the going concern assumption)
 Not Applicable

(Notes to any significant changes in shareholders' equity)
 Not Applicable

(Segment information, etc.)
 [Segment information]

Six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)
 Information on net sales and income (loss) by reporting segment

(Millions of yen)

	Textiles	Glass Fiber Yarn	Glass Fiber Cloth	Glass Fiber for Industrial Materials	Environment & Health	Others (Note) 1	Adjustment (Note) 2	Operating income reported in consolidated statement of income (Note) 3
Net sales								
Net sales to external customers	2,708	13,940	8,969	10,457	6,783	948	—	43,808
Intersegment sales or transfers	4	2,994	131	890	170	119	(4,311)	—
Total	2,713	16,935	9,101	11,348	6,954	1,068	(4,311)	43,808
Segment income (loss)	(206)	2,271	1,392	676	1,648	67	(215)	5,634

- Notes: 1. "Others" consist of business segments not included in the reporting segments such as the property management and services.
 2. The ¥215 million loss under Adjustment consists of corporate expenses that are not allocated to specific reporting segments.
 3. "Segment income (loss)" has been adjusted to the operating income reported in the consolidated statement of income.

Six months ended September 30, 2016 (April 1, 2016 to September 30, 2016)

Information on net sales and income (loss) by reporting segment

(Millions of yen)

	Textiles	Glass Fiber Yarn	Glass Fiber Cloth	Glass Fiber for Industrial Materials	Environment & Health	Others (Note) 1	Adjustment (Note) 2	Operating income reported in consolidated statement of income (Note) 3
Net sales								
Net sales to external customers	2,495	11,552	8,687	10,484	6,764	909	—	40,893
Intersegment sales or transfers	2	3,606	114	710	186	149	(4,769)	—
Total	2,497	15,158	8,802	11,194	6,950	1,059	(4,769)	40,893
Segment income (loss)	(227)	2,193	1,327	928	1,720	91	(557)	5,476

Notes: 1. “Others” consist of business segments not included in the reporting segments such as the property management and services.

2. The ¥557 million loss under Adjustment consists of corporate expenses that are not allocated to specific reporting segments.

3. “Segment income (loss)” has been adjusted to the operating income reported in the consolidated statement of income.