

Consolidated Financial Results
For the 3rd Quarter of the Fiscal Year Ending March 31, 2016
<Japanese GAAP>



February 4, 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: February 12, 2016
 Scheduled date of commencement of dividend payment: -
 Supplementary information for quarterly financial results: Not available
 Organization of quarterly financial results briefing: None

(Yen in millions, rounded down)

1. Consolidated financial results for the 3rd quarter of the fiscal year ending March 31, 2016 (April 1, 2015 to December 31, 2015)

(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 | % |
| Q3 of FY ending March 31, 2016 | 65,486 | (1.5) | 8,338 | 26.2 | 8,624 | 32.2 | 4,166 | 5.5 |
| Q3 of FY ended March 31, 2015 | 66,501 | 6.4 | 6,606 | 36.3 | 6,524 | 34.6 | 3,949 | 51.1 |

Note: Comprehensive income

Nine months ended December 31, 2015 ¥3,446 million [(49.5) %]

Nine months ended December 31, 2014 ¥6,821 million [29.4 %]

| | Profit per share | Diluted profit per share |
|--------------------------------|------------------|--------------------------|
| | Yen | Yen |
| Q3 of FY ending March 31, 2016 | 20.92 | — |
| Q3 of FY ended March 31, 2015 | 19.82 | — |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of December 31, 2015 | 146,088 | 75,654 | 51.2 |
| As of March 31, 2015 | 145,995 | 73,228 | 49.6 |

(Reference) Equity

As of December 31, 2015 ¥74,807 million

As of March 31, 2015 ¥72,385 million

2. Dividends

| | Annual dividends | | | | |
|--|-------------------|--------------------|-------------------|-----------------|-------|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2015 | — | 0.00 | — | 5.00 | 5.00 |
| Fiscal year ending March 31, 2016 | — | 0.00 | — | — | — |
| Fiscal year ending March 31, 2016 (Forecast) | — | — | — | — | — |

Note: Revision of the forecasted dividend from recently announced figures: None

The forecasted dividend for fiscal year ending March 31, 2016 is undecided.

3. Consolidated forecast for the fiscal year ending March 31, 2016 (April 1, 2015 to March 31, 2016)

(Percentage figures represent year on year changes)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | | Profit per share |
|-----------|-------------|-------|------------------|-----|-----------------|-----|---|-------|------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 85,000 | (5.8) | 9,500 | 6.9 | 9,500 | 9.7 | 4,500 | (1.9) | 22.59 |

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 December 31, 2015 | 247,677,560 shares | As of March 31, 2015 | 247,677,560 shares |
|-------------------------|--------------------|----------------------|--------------------|

(b) Number of treasury shares at end of the period

| | | | |
|-------------------------|-------------------|----------------------|-------------------|
| As of December 31, 2015 | 48,466,876 shares | As of March 31, 2015 | 48,446,317 shares |
|-------------------------|-------------------|----------------------|-------------------|

(c) Average number of shares outstanding

| | | | |
|--|--------------------|--|--------------------|
| Nine months ended December 31, 2015 | 199,220,120 shares | Nine months ended December 31, 2014 | 199,273,764 shares |
|--|--------------------|--|--------------------|

*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 2 of “Supplementary Materials” of the Consolidated Financial Results.
- Forecasts for dividends for the fiscal year ending March 31, 2016 shall be announced, upon consideration of performance trends and other factors, as soon as they are available.

Index of Supplementary Materials

| | |
|--|---|
| 1. Qualitative Information on Quarterly Financial Results | 2 |
| (1) Explanation on operation results | 2 |
| (2) Explanation on financial condition | 2 |
| (3) Explanation on consolidated forecasts and other future forecasts | 2 |
| 2. Matters Related to Summary Information (Notes)..... | 3 |
| (1) Changes in significant subsidiaries during the nine months..... | 3 |
| (2) Application of special accounting method for the preparation of quarterly consolidated financial statements..... | 3 |
| (3) Changes in accounting policies, changes in accounting estimates and retrospective restatements | 3 |
| 3. Consolidated Financial Statements | 4 |
| (1) Consolidated Balance Sheets | 4 |
| (2) Consolidated Statements of Income and Comprehensive Income..... | 6 |
| (3) Notes to Consolidated Financial Statements | 8 |
| (Notes regarding the going concern assumption) | 8 |
| (Notes to any significant changes in shareholders' equity) | 8 |
| (Segment information, etc.)..... | 8 |

1. Qualitative Information on Quarterly Financial Results

(1) Explanation on operation results

During the nine months ended December 31, 2015 (April 1, 2015 to December 31, 2015), the Japanese economy has seen weakening production and exports, and consumer spending and capital investment have also remained lacking in strength. Although the U.S. economy is on a recovery trend, the outlook for the global economy remained uncertain amid factors such as the weakness of the Asian economy. Moreover, the burden of material costs has also increased due to factors such as a weak yen.

In the “Textiles Division,” as consumption of clothing continued to stagnate, the Group endeavored to reduce costs and develop new products.

In the “Glass Fiber Yarn Division,” the Group responded to strong demands mainly for high value-added products in the reinforced plastic fields and electronic materials.

In the “Glass Fiber Cloth Division,” in response to demands for products related to smartphones and communication infrastructures, the Group worked to secure stable supply of glass cloth products for use in electronic materials and industrial materials.

In the “Glass Fiber for Industrial Materials Division,” the Group worked to expand sales of glass fiber and glass wool products for industrial and civil engineering use.

In the “Environment & Health Division,” the Group worked hard to extend the market for the products in the medical, beverage, and other business fields.

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 ¥65,486 million (down 1.5% from the same period of the previous year), operating income of ¥8,338 million (up 26.2% from the same period of the previous year), ordinary income of ¥8,624 million (up 32.2% from the same period of the previous year), and profit attributable to owners of parent of ¥4,166 million (up 5.5% from the same period of the previous year).

(2) Explanation on financial condition

Total assets were ¥146,088 million at the end of the third quarter of the fiscal year under review, an increase of ¥93 million from the end of the previous fiscal year. This was mainly attributable to an increase in investment securities.

Total liabilities were ¥70,433 million, a decrease of ¥2,333 million from the end of the previous fiscal year. This was primarily due to a decrease in net defined benefit liability.

Net assets stood at ¥75,654 million. The equity ratio rose 1.6 points from the end of the previous fiscal year to 51.2%.

(3) Explanation on consolidated forecasts and other future forecasts

During the nine months ended December 31, 2015, the Group responded to strong demand for high value-added products mainly in the “Glass Fiber Yarn Division,” and both operating income and ordinary income increased despite a decrease in net sales. The Nittobo Group has revised its consolidated earnings forecasts for the fiscal year ending March 31, 2016 as follows in light of the recent weakness of the Asian economy and other factors.

| | Net sales | Operating income | Ordinary income | Profit attributable to owners of parent | Profit per share |
|--|-------------|------------------|-----------------|---|------------------|
| | Million yen | Million yen | Million yen | Million yen | Yen |
| Previous forecast (A) | 90,000 | 8,000 | 8,000 | 4,500 | 22.59 |
| Revised forecast (B) | 85,000 | 9,500 | 9,500 | 4,500 | 22.59 |
| Amount changed (B) – (A) | (5,000) | 1,500 | 1,500 | — | — |
| Change (%) | (5.6) | 18.8 | 18.8 | — | — |
| Results for the fiscal year ended March 31, 2015 | 90,223 | 8,885 | 8,658 | 4,588 | 23.03 |

2. Matters Related to Summary Information (Notes)

- (1) Changes in significant subsidiaries during the nine 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)

Effective from the first quarter of the fiscal year under review, the Company has adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc., and accordingly has changed the presentation of net income, etc., as well as the presentation of minority interests to non-controlling interests. In order to reflect such changes in presentation, reclassification of accounts has been made to the quarterly consolidated financial statements and the consolidated financial statements for the nine months ended December 31, 2014 and the previous fiscal year.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2015 | As of December 31, 2015 |
|--|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 15,722 | 15,276 |
| Notes and accounts receivable - trade | 26,399 | 27,180 |
| Merchandise and finished goods | 5,788 | 5,016 |
| Work in process | 2,693 | 2,455 |
| Raw materials and supplies | 14,502 | 14,316 |
| Deferred tax assets | 2,279 | 1,579 |
| Other | 2,006 | 1,074 |
| Allowance for doubtful accounts | (28) | (31) |
| Total current assets | 69,363 | 66,868 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 14,126 | 13,321 |
| Machinery, equipment and vehicles, net | 8,501 | 9,478 |
| Land | 18,696 | 17,421 |
| Leased assets, net | 4,784 | 4,248 |
| Construction in progress | 883 | 906 |
| Other, net | 609 | 516 |
| Total property, plant and equipment | 47,601 | 45,892 |
| Intangible assets | 2,112 | 1,958 |
| Investments and other assets | | |
| Investment securities | 23,282 | 28,175 |
| Net defined benefit asset | 221 | 221 |
| Deferred tax assets | 2,019 | 1,451 |
| Other | 1,438 | 1,557 |
| Allowance for doubtful accounts | (44) | (36) |
| Total investments and other assets | 26,917 | 31,369 |
| Total non-current assets | 76,631 | 79,220 |
| Total assets | 145,995 | 146,088 |

(Millions of yen)

| | As of March 31, 2015 | As of December 31, 2015 |
|---|----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 8,759 | 10,123 |
| Short-term loans payable | 4,953 | 5,246 |
| Current portion of long-term loans payable | 9,289 | 8,423 |
| Lease obligations | 669 | 674 |
| Income taxes payable | 510 | 476 |
| Provision for bonuses | 1,342 | 518 |
| Other | 7,962 | 7,046 |
| Total current liabilities | 33,487 | 32,510 |
| Non-current liabilities | | |
| Long-term loans payable | 14,311 | 14,340 |
| Lease obligations | 4,792 | 4,347 |
| Provision for repairs | 4,575 | 4,819 |
| Net defined benefit liability | 13,937 | 12,741 |
| Other | 1,662 | 1,675 |
| Total non-current liabilities | 39,279 | 37,923 |
| Total liabilities | 72,767 | 70,433 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 19,699 | 19,699 |
| Capital surplus | 23,107 | 23,107 |
| Retained earnings | 30,893 | 34,064 |
| Treasury shares | (8,939) | (8,950) |
| Total shareholders' equity | 64,760 | 67,920 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 8,025 | 7,431 |
| Foreign currency translation adjustment | 1,708 | 1,353 |
| Remeasurements of defined benefit plans | (2,109) | (1,898) |
| Total accumulated other comprehensive income | 7,624 | 6,886 |
| Non-controlling interests | 843 | 847 |
| Total net assets | 73,228 | 75,654 |
| Total liabilities and net assets | 145,995 | 146,088 |

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)
[For the nine months]

(Millions of yen)

| | For the nine months ended December 31, 2014 | For the nine months ended December 31, 2015 |
|---|--|--|
| Net sales | 66,501 | 65,486 |
| Cost of sales | 45,842 | 43,425 |
| Gross profit | 20,658 | 22,060 |
| Selling, general and administrative expenses | 14,052 | 13,722 |
| Operating income | 6,606 | 8,338 |
| Non-operating income | | |
| Interest income | 11 | 12 |
| Dividend income | 398 | 424 |
| Share of profit of entities accounted for using equity method | 41 | — |
| Rent income | 63 | 62 |
| Foreign exchange gains | 456 | 202 |
| Other | 152 | 148 |
| Total non-operating income | 1,124 | 849 |
| Non-operating expenses | | |
| Interest expenses | 335 | 306 |
| Amortization of net retirement benefit obligation at transition | 335 | — |
| Other | 535 | 257 |
| Total non-operating expenses | 1,206 | 563 |
| Ordinary income | 6,524 | 8,624 |
| Extraordinary income | | |
| Gain on sales of shares of subsidiaries and associates | — | 182 |
| Other | — | 28 |
| Total extraordinary income | — | 211 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 76 | 120 |
| Impairment loss | — | 1,938 |
| Loss on step acquisitions | 417 | — |
| Other | — | 108 |
| Total extraordinary losses | 494 | 2,167 |
| Income before income taxes | 6,029 | 6,668 |
| Income taxes - current | 806 | 1,173 |
| Income taxes - deferred | 1,242 | 1,309 |
| Total income taxes | 2,049 | 2,483 |
| Profit | 3,980 | 4,185 |
| Profit attributable to non-controlling interests | 30 | 18 |
| Profit attributable to owners of parent | 3,949 | 4,166 |

(Consolidated Statements of Comprehensive Income)

[For the nine months]

(Millions of yen)

| | For the nine months ended December 31, 2014 | For the nine months ended December 31, 2015 |
|---|--|--|
| Profit | 3,980 | 4,185 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,543 | (594) |
| Foreign currency translation adjustment | 495 | (354) |
| Remeasurements of defined benefit plans, net of tax | 426 | 211 |
| Share of other comprehensive income of entities accounted for using equity method | 377 | — |
| Total other comprehensive income | 2,841 | (738) |
| Comprehensive income | 6,821 | 3,446 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 6,791 | 3,428 |
| Comprehensive income attributable to non-controlling interests | 30 | 18 |

(3) 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]

Nine months ended December 31, 2014 (April 1, 2014 to December 31, 2014)

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 statements of income (Note) 3 |
|---------------------------------|----------|------------------|-------------------|--------------------------------------|----------------------|-----------------|---------------------|---|
| Net sales | | | | | | | | |
| Net sales to external customers | 4,481 | 18,700 | 14,468 | 16,638 | 11,156 | 1,056 | — | 66,501 |
| Intersegment sales or transfers | 9 | 5,144 | 2,916 | 1,893 | 257 | 174 | (10,396) | — |
| Total | 4,490 | 23,844 | 17,385 | 18,532 | 11,414 | 1,230 | (10,396) | 66,501 |
| Segment income (loss) | (61) | 2,137 | 2,525 | 1,008 | 1,407 | 201 | (612) | 6,606 |

Notes: 1. "Others" consist of business segments not included in the reporting segments such as the property management and services.
 2. The ¥612 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 statements of income.

Nine months ended December 31, 2015 (April 1, 2015 to December 31, 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 statements of income (Note) 3 |
|---------------------------------|----------|------------------|-------------------|--------------------------------------|----------------------|-----------------|---------------------|---|
| Net sales | | | | | | | | |
| Net sales to external customers | 4,169 | 20,641 | 13,214 | 16,246 | 9,827 | 1,387 | — | 65,486 |
| Intersegment sales or transfers | 5 | 4,523 | 208 | 1,320 | 265 | 174 | (6,499) | — |
| Total | 4,175 | 25,165 | 13,422 | 17,567 | 10,093 | 1,561 | (6,499) | 65,486 |
| Segment income (loss) | (380) | 3,622 | 2,132 | 1,358 | 2,251 | 69 | (715) | 8,338 |

- Notes:
1. “Others” consist of business segments not included in the reporting segments such as the property management and services.
 2. The ¥715 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 statements of income.