

NOF CORPORATION

Consolidated Financial Statements

For the years ended March 31, 2018 and 2017

Independent Auditor's Report

The Board of Directors
NOF CORPORATION

We have audited the accompanying consolidated financial statements of NOF CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NOF CORPORATION and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

Ernst & Young ShinNihon LLC

June 28, 2018

NOF CORPORATION and Subsidiaries

Consolidated Balance Sheet

As of March 31,

Thousands of
U.S. dollars
(Note 4)

	Millions of yen		2018
	2018	2017	2018
ASSETS			
Current assets:			
Cash and time deposits(Notes 19 and 21).....	¥ 37,665	¥ 30,077	354,534
Notes and accounts receivable (Notes 9 and 21).....	43,036	38,494	405,086
Merchandise and finished goods	19,981	18,646	188,078
Work in process.....	3,495	2,591	32,904
Raw materials and supplies.....	9,541	10,281	89,807
Deferred tax assets (Note 27).....	2,178	2,190	20,505
Other current assets	2,233	1,994	21,020
Allowance for doubtful accounts	(185)	(180)	(1,749)
Total current assets	117,946	104,096	1,110,187
Fixed assets:			
Property, plant and equipment (Notes 5 and 6):			
Buildings and structures	68,009	66,442	640,997
Accumulated depreciation.....	(45,875)	(44,552)	(431,812)
Buildings and structures, net.....	22,223	21,889	209,185
Machinery, equipment and vehicles	99,949	97,841	940,787
Accumulated depreciation.....	(88,239)	(86,505)	(830,567)
Machinery, equipment and vehicles, net.....	11,709	11,335	110,220
Land.....	20,370	20,539	191,738
Leased assets	219	348	2,070
Accumulated depreciation.....	(139)	(258)	(1,316)
Leased asset, net	80	89	753
Construction in progress	1,583	2,214	14,904
Others	14,790	14,575	139,221
Accumulated depreciation.....	(13,151)	(13,047)	(123,792)
Others, net	1,639	1,528	15,429
Total property, plant and equipment.....	57,606	57,596	542,232
Intangible assets (Note 7):			
Others, net.....	1,020	596	9,609
Total Intangible assets.....	1,020	596	9,609
Investments and other assets:			
Investments securities (Notes 5 ,8 ,21 and 23)	56,312	50,580	530,047
Long term loans.....	6	5	57
Deferred tax assets (Note 27).....	345	380	3,249
Assets for retirement benefits (Note 25).....	2,230	1,971	20,991
Other assets	2,236	1,962	21,052
Allowance for doubtful accounts	(65)	(63)	(616)
Total investments and other assets.....	61,064	54,837	574,782
Total fix assets	119,692	113,031	1,126,624
Total assets	¥ 237,638	¥ 217,127	\$ 2,236,811

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries

Consolidated Balance Sheet (continued)

As of March 31,

Thousands of
U.S. dollars
(Note 4)

	Millions of yen		2018
	2018	2017	2018
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable (Notes 9 and 21).....	¥ 19,883	¥ 18,162	\$ 187,160
Electronically recorded obligations-operating (Note 9)	780	914	7,347
Short-term bank loans (Notes 21 and 22)	1,385	1,420	13,039
Current portion of long-term debt (Notes 21 and 22).....	5,150	2,800	48,477
Lease obligations	95	53	896
Accrued expenses	1,858	1,898	17,497
Income taxes payable	4,978	4,621	46,858
Deposits received	4,315	3,993	40,624
Accrued bonuses for employees.....	3,210	3,170	30,219
Asset retirement obligations (Note 29).....	163	164	1,541
Other current liabilities	4,638	5,662	43,658
Total current liabilities	46,461	42,860	437,321
Long-term liabilities:			
Long-term debt (Notes 21 and 22)	2,913	5,294	27,425
Lease obligations	297	63	2,796
Deferred tax liabilities (Note 27)	13,327	11,334	125,447
Accrued retirement benefits for officers	65	61	613
Accrued retirement benefits for directors	0	0	3
Liabilities for retirement benefits (Note 25)	4,645	4,509	43,725
Asset retirement obligations (Note 29).....	29	31	281
Other long-term liabilities	325	406	3,067
Total long-term liabilities	21,605	21,701	203,361
Total liabilities	68,066	64,562	640,682
Commitments and contingencies (Note 9)			
Net assets:			
Shareholders' equity			
Common stock	17,742	17,742	166,999
Authorized: 347,000,000 shares at March 31, 2018 and 783,828,000 shares at March 31, 2017			
Issued: 86,841,376 shares at March 31, 2018 and 173,682,752 shares at March 31, 2017			
Capital surplus.....	15,113	15,113	142,262
Retained earnings	113,490	97,904	1,068,247
Treasury stock, at cost	(4,522)	(489)	(42,568)
Total shareholders' equity	141,824	130,270	1,334,940
Accumulated other comprehensive income			
Unrealized holding gain on securities	27,411	23,402	258,018
Translation adjustments.....	490	(86)	4,621
Retirement benefits liability adjustments	(927)	(1,822)	(8,730)
Total accumulated other comprehensive income	26,975	21,493	253,908
Non-controlling interests	773	801	7,279
Total net assets	169,572	152,564	1,596,129
Total liabilities and net assets	¥237,638	¥217,127	\$2,236,811

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries

Consolidated Statement of Income

For the Year Ended March 31,

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Net sales	¥179,935	¥174,057	\$1,693,668
Cost of sales (Notes 10 and 12).....	122,305	118,262	1,151,220
Gross profit.....	57,629	55,794	542,447
Selling, general and administrative expenses (Notes 11 and 12)	31,813	31,458	299,447
Operating income	25,816	24,336	242,999
Other income (expenses):			
Interest income.....	128	131	1,206
Dividend income.....	1,038	928	9,772
Rent income on real estate.....	242	248	2,280
Foreign exchange loss, net	(23)	(586)	(220)
Interest expenses	(80)	(70)	(754)
Liquidation cost of accounts receivables.....	(30)	(30)	(286)
Rent expenses on real estate	(83)	(83)	(787)
Removal cost on fixed assets.....	(153)	(233)	(1,442)
Gain (Loss) on sale of fixed assets (Notes 13 and 14).....	493	(4)	4,641
Loss on retirement of fixed assets (Note 16).....	(56)	(92)	(527)
Gain on sale of investments in securities (Note 23)	606	0	5,711
Impairment loss on fixed assets (Note 15)	(43)	(174)	(412)
Gain on liquidation of subsidiaries and affiliates	73	-	690
Others, net.....	575	355	5,416
Other income (expenses) total	2,686	388	25,288
Profit before income taxes.....	28,503	24,725	268,288
Income taxes (Note 26)			
Current.....	8,810	7,361	82,925
Deferred.....	(192)	(238)	(1,814)
	8,617	7,123	81,111
Profit.....	19,885	17,601	187,177
Profit (loss) attributable to:			
Non-controlling interests	(27)	14	(261)
Owners of parent (Note 30).....	¥ 19,913	¥ 17,586	\$ 187,438

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries

Consolidated Statement of Comprehensive Income

For the Year Ended March 31,

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Profit	¥19,885	¥17,601	\$187,177
Other comprehensive income (Note 17)			
Unrealized holding gain on securities	4,011	6,135	37,759
Translation adjustments.....	572	(662)	5,390
Retirement benefits liability adjustments	894	1,051	8,419
Total other comprehensive income	5,478	6,524	51,570
Comprehensive income	25,364	24,126	238,747
Total comprehensive income attributable to:			
Owners of parent	25,395	24,110	239,038
Non-controlling interests (loss).....	(30)	15	(291)

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries

Consolidated Statement of Changes in Net Assets

For the Year Ended March 31, 2018 and 2017

Millions of yen

	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non- controlling interests	Total net assets
Balance at March 31, 2016.....	180,682	¥17,742	¥15,113	¥89,735	¥(2,719)	¥119,871	¥17,270	¥ 572	¥(2,872)	¥14,969	¥795	¥135,636
Cash dividends.....	-	-	-	(3,506)	-	(3,506)	-	-	-	-	-	(3,506)
Profit attributable to owners of parent for the period.....	-	-	-	17,586	-	17,586	-	-	-	-	-	17,586
Purchase of treasury stock.....	-	-	-	-	(3,681)	(3,681)	-	-	-	-	-	(3,681)
Disposal of treasury stock.....	-	-	-	-	-	-	-	-	-	-	-	-
Retirement of treasury stock.....	(7,000)	-	(5,911)	-	5,911	-	-	-	-	-	-	-
Transfer of loss on disposal of treasury stock.....	-	-	5,911	(5,911)	-	-	-	-	-	-	-	-
Other.....	-	-	-	-	-	-	-	-	-	-	-	-
Net changes in items other than shareholders' equity....	-	-	-	-	-	-	6,132	(658)	1,050	6,523	6	6,529
Balance at March 31, 2017.....	173,682	¥17,742	¥15,113	¥97,904	¥(489)	¥130,270	¥23,402	¥ (86)	¥(1,822)	¥21,493	¥801	¥152,564
Cash dividends.....	-	-	-	(4,327)	-	(4,327)	-	-	-	-	-	(4,327)
Profit attributable to owners of parent for the period.....	-	-	-	19,913	-	19,913	-	-	-	-	-	19,913
Purchase of treasury stock.....	-	-	-	-	(4,033)	(4,033)	-	-	-	-	-	(4,033)
Disposal of treasury stock.....	-	-	0	-	0	0	-	-	-	-	-	0
Retirement of treasury stock.....	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of loss on disposal of treasury stock.....	-	-	-	-	-	-	-	-	-	-	-	-
Change in stock of parent arising from transactions with non-controlling interest shareholders.....	-	-	0	-	-	0	-	-	-	-	-	0
Other.....	(86,841)	-	-	-	-	-	-	-	-	-	-	-
Net changes in items other than shareholders' equity....	-	-	-	-	-	-	4,009	577	895	5,481	(27)	5,454
Balance at March 31, 2018.....	86,841	¥17,742	¥15,113	¥113,490	¥(4,522)	¥141,824	¥27,411	¥ 490	¥(927)	¥26,975	¥773	¥169,572

For the Year Ended March 31, 2018

Thousands of U.S. dollars (Note 4)

	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non- controlling interests	Total net assets
Balance at March 31, 2017.....	173,682	\$166,999	\$142,256	\$921,542	\$(4,608)	\$1,226,189	\$220,280	\$ (815)	\$(17,156)	\$202,308	\$7,541	\$1,436,039
Cash dividends.....	-	-	-	(40,732)	-	(40,732)	-	-	-	-	-	(40,732)
Profit attributable to owners of parent for the period.....	-	-	-	187,438	-	187,438	-	-	-	-	-	187,438
Purchase of treasury stock.....	-	-	-	-	(37,963)	(37,963)	-	-	-	-	-	(37,963)
Disposal of treasury stock.....	-	-	3	-	4	7	-	-	-	-	-	7
Retirement of treasury stock.....	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of loss on disposal of treasury stock.....	-	-	-	-	-	-	-	-	-	-	-	-
Change in stock of parent arising from transactions with non-controlling interest shareholders.....	-	-	2	-	-	2	-	-	-	-	-	2
Other.....	(86,841)	-	-	-	-	-	-	-	-	-	-	-
Net changes in items other than shareholders' equity....	-	-	-	-	-	-	37,737	5,436	8,425	51,600	(262)	51,337
Balance at March 31, 2018.....	86,841	\$166,999	\$142,262	\$1,068,247	\$(42,568)	\$1,334,940	\$258,018	\$ 4,621	\$(8,730)	\$253,908	\$7,279	\$1,596,129

The accompanying notes are an integral part of the statements.

NOF CORPORATION and Subsidiaries

Consolidated Statement of Cash Flows

For the Year Ended March 31,

Thousands of
U.S. dollars
(Note 4)

	Millions of yen		2018
	2018	2017	2018
Cash flows from operating activities:			
Profit before income taxes.....	¥28,503	¥24,725	\$268,288
Adjustments for:			
Depreciation	4,911	4,767	46,232
Impairment loss on fixed assets	43	174	412
Net changes in retirement benefit liability	62	23	585
Interest and dividend income	(1,166)	(1,059)	(10,979)
Interest expenses	80	70	754
Loss (gain) on sale of fixed assets.....	(493)	4	(4,641)
Gain on sale of investments in securities	(606)	(0)	(5,711)
Increase in notes and accounts receivable.....	(4,443)	(1,582)	(41,829)
Decrease (increase) in inventories.....	(1,469)	1,402	(13,828)
Increase (decrease) in notes and accounts payable	1,402	(169)	13,197
Others, net	715	1,658	6,733
Sub total	27,538	30,014	259,214
Interest and dividends received	1,166	1,058	10,981
Interest paid	(81)	(70)	(762)
Income taxes paid.....	(8,413)	(6,978)	(79,189)
Net cash provided by operating activities.....	20,211	24,024	190,243
Cash flows from investing activities:			
Payments for purchase of investments in securities	(173)	(528)	(1,637)
Proceeds from sale of investments in securities	874	37	8,232
Payments for purchase of fixed assets.....	(6,209)	(5,315)	(58,448)
Proceeds from sale of fixed assets.....	753	10	7,092
Net changes in short-term loans receivable	54	0	512
Payments for long-term loans receivable	(2)	(1)	(28)
Proceeds from long-term loans receivable	3	4	31
Others, net	(180)	(37)	(1,700)
Net cash used in investing activities.....	(4,881)	(5,831)	(45,944)

NOF CORPORATION and Subsidiaries

Consolidated Statement of Cash Flows (continued)

For the Year Ended March 31,

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Cash flows from financing activities:			
Decrease in short-term bank loans	(66)	(211)	(629)
Increase in long-term debt	2,800	–	26,355
Repayments of long-term debt	(2,800)	(26)	(26,357)
Purchase of treasury stock	(4,036)	(3,681)	(37,994)
Sale of treasury stock	0	–	7
Repayments of lease obligations	(73)	(96)	(690)
Cash dividends paid	(4,311)	(3,494)	(40,586)
Cash dividends paid to non-controlling shareholders	(2)	(2)	(26)
Net cash used in financing activities	(8,490)	(7,512)	(79,922)
Effect of exchange rate changes on cash and cash equivalents	410	(394)	3,862
Net increase in cash and cash equivalents	7,249	10,285	68,238
Cash and cash equivalents at beginning of year	29,215	18,930	274,998
Cash and cash equivalents at end of year (Note 19)	¥36,465	¥29,215	\$343,237

The accompanying notes are an integral part of these statements.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

1. Basis of presentation

NOF CORPORATION (the “Company”) and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their accounting records in conformity with those of their countries of domicile. Effective April 1, 2008, the Company adopted the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF No. 18). In accordance with PITF No. 18, the accompanying consolidated financial statements have been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with either International Financial Reporting Standards (IFRS) or accounting principles generally accepted in the United States as adjusted for certain items including those for goodwill, actuarial differences and capitalized development costs. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of IFRS, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

As permitted by the Financial instruments and Exchanges Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

Certain prior year amounts have been reclassified to conform to the current year’s presentation.

2. Summary of significant accounting policies

(1) Scope of consolidation

The Company had 33 subsidiaries (majority-owned companies) as of March 31, 2018 (34 for 2017). The accompanying consolidated financial statements include the accounts of the Company and 25 of its subsidiaries (collectively, the “Group”) for the year ended March 31, 2018 (25 for 2017).

The remaining 8 (9 for 2017) subsidiaries, whose combined assets, net sales, net income and retained earnings in the aggregate are not significant in relation to those of the consolidated financial statements of the Group, have been excluded from consolidation.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

The above mentioned 25 majority-owned subsidiaries are listed below:

Name of subsidiaries	Percentage of voting rights owned by the Company
	%
(Domestic subsidiaries)	
Nippon Koki Co., Ltd.....	95.0
NiGK Corporation	100.0
HOKKAIDO NOF CORPORATION	100.0
NOF METAL COATINGS ASIA PACIFIC Co., Ltd.	100.0
Showa Kinzoku Kogyo Co., Ltd.....	97.3
JAPEX Corp.	70.0
Nichiyu Trading Co., Ltd.	100.0
Nichiyu Logistics Co., Ltd.....	100.0
Nippo Kogyo Co., Ltd.....	94.0
Yuka Sangyo Co., Ltd.	100.0
Nichiyu Kogyo Co., Ltd.	100.0
NIKKA COATING Co., Ltd.	100.0
CACTUS Co., Ltd.....	100.0
(Foreign subsidiaries)	
Changshu NOF Chemical Co., Ltd.	100.0
P.T. NOF MAS Chemical Industries	89.6
NOF METAL COATINGS NORTH AMERICA Inc.....	100.0
NOF AMERICA CORPORATION.....	100.0
NOF (Shanghai) Co., Ltd.	100.0
NOF EUROPE GmbH.....	100.0
NOF METAL COATINGS EUROPE S.A.....	100.0
NOF METAL COATINGS EUROPE N.V.....	100.0
NOF METAL COATINGS KOREA Co., Ltd.	100.0
SIE s.r.l.	100.0
NOF METAL COATINGS SOUTH AMERICA Ind. E Com. Ltda.	90.0
GEORGIA METAL COATINGS COMPANY.....	100.0

The Company and all of its consolidated subsidiaries use a fiscal year ended March 31, except for NOF METAL COATINGS ASIA PACIFIC Co., Ltd., NIKKA COATING Co., Ltd. and foreign subsidiaries. Those subsidiaries use a fiscal year ended December 31. The accounts of those subsidiaries have been consolidated by using the results of operations and account balances for the fiscal year, and necessary adjustments have been made for any material transactions that occurred between the different fiscal year-ends.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

(2) Consolidation and elimination

For the purposes of preparing the accompanying consolidated financial statements, any gains/losses in relation to inter-company transactions have been eliminated, and the portion thereof attributable to non-controlling interests is charged to non-controlling interests.

Applicable inter-company accounts have been eliminated. The cost of investments in the common stock of consolidated subsidiaries is offset by the underlying equity in the net assets of such subsidiaries. Assets and liabilities in the consolidated subsidiaries are revalued at fair market value when the majority interest in the subsidiaries is purchased.

The differences between the cost of an investment and the amount of underlying equity in the net assets of such subsidiaries are amortized on a straight-line basis over their estimated useful lives or over a period of 5 years.

(3) Translation of financial statements of foreign subsidiaries

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen using the current exchange rate at the balance sheet date, except for shareholders' equity, which is translated using the historical rate. The income statements of the consolidated foreign subsidiaries are translated into Japanese yen using the average rate for the fiscal year. Related translation adjustments are recorded as "Translation adjustments" in a separate component of net assets.

(4) Application of equity method

There are no affiliates accounted for using equity method.

The unconsolidated subsidiaries and affiliates, whose combined net income and retained earnings in the aggregate are not significant in relation to those of the consolidated financial statements of the Group, have been excluded from equity method. The major unconsolidated subsidiary and affiliate are NOF METAL COATINGS SHANGHAI CO., Ltd. and Amagasaki Utility Services CO., Ltd.

(5) Other securities

Available-for-sale securities for which market quotations are available are stated at an amount based on the average market price over a period of one month prior to the balance sheet date. Net unrealized gains or losses on those securities are reported as a separate component of net assets at a net-of-tax amount.

Available-for-sale securities for which market quotations are unavailable are stated at cost, principally determined by the moving-average method.

(6) Inventories

Inventories are principally stated at the lower of cost, determined by the total-average method, or net selling value.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

(7) Property, plant and equipment (except for leased assets)

Depreciation of property is principally computed using the straight-line method, based on the estimated useful lives of the assets. The principal range of useful lives is principally from 7 to 50 years for buildings and structures and from 5 to 10 years for machinery, equipment and vehicles.

(8) Intangible assets (except for leased assets)

Intangible assets are amortized using the straight-line method.

Software for internal use is amortized using the straight-line method over the useful life of the software, which is 5 years.

(9) Leased assets

Leased assets under finance lease transactions that do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the term of contract as the useful life.

(10) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at amounts sufficient to cover probable losses on collection. It consists of the estimated uncollectible amounts with respect to identified doubtful accounts and an amount calculated by a formula based on actual collection losses incurred in the past with respect to the remaining receivables.

(11) Accrued bonuses for employees

Certain consolidated subsidiaries recognized the estimated amount of employees' bonuses to be paid in the subsequent period that is attributable to the current fiscal year.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

(12) Accrued retirement benefits for directors

Certain subsidiaries calculate the amount that would be required, based on the pertinent rules of these companies, if all directors retired at the balance sheet dates, and accounts for it as accrued retirement benefits for directors, which was presented as retirement benefit provisions for directors.

(13) Accrued retirement benefits for officers

The Company calculates the amount that would be required, based on the pertinent rules of the Company, if all officers retired at the balance sheet date, and accounts for it as accrued retirement benefits for officers, which was presented as accrued retirement benefits for officers.

(14) Retirement benefit

Accrued retirement benefits and prepaid pension cost for employees have been recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date.

The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (mainly 10 years), which are shorter than the average remaining years of service of the employees.

Prior service cost is being amortized as incurred by the straight-line method over periods (mainly 10 years), which are shorter than the average remaining years of service of the employees.

Certain consolidated subsidiaries adopt a simplified method in calculating the retirement benefit obligation and retirement benefit expenses. The retirement benefit liability calculated using the simplified method is determined to be equal to the required amount if all the employees retired voluntarily at the balance sheet date.

(15) Hedge accounting

The Company has entered into forward foreign exchange contracts to reduce its exposure to the risk of fluctuation in foreign exchange rates related to its trade accounts receivables and payables, and the Company also has entered into interest rate swap contracts to reduce its exposure to the risk of fluctuation in interest rates related to long-term bank loans. It is the Company's policy not to enter into any speculative derivatives transactions.

Gains or losses arising from changes in fair value of hedging instruments are deferred as assets or liabilities until the related gains or losses on the hedged items are recognized.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

If forward foreign exchange contracts meet certain hedging criteria, however, the existing foreign currency receivables or payables are translated at their forward rates.

In addition, if interest rate swap contracts meet certain hedging criteria, the net amount to be paid or received under these swap contracts is added to or deducted from the interest on the liabilities for which the swap contracts were executed.

The Company evaluates the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(16) Goodwill

Goodwill, which could estimate the useful life, is amortized using the estimated useful life and the others are using straight-line method over the useful life, which is 5 years.

(17) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

(18) Income taxes

The income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitant taxes and enterprise taxes.

Deferred income taxes were determined using the assets and liabilities approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(19) Consumption tax

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. The consumption tax paid is generally offset against the balance of consumption tax withheld, and the balance is included in the accompanying consolidated balance sheets in "Other current liabilities."

3. Accounting standards issued but not yet effective

Implementation Guidance on Tax Effect Accounting and Implementation Guidance on Recoverability of Deferred Tax Assets

On February 16, 2018, the Accounting Standards Board of Japan (ASBJ) issued "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28) and "Implementation Guidance on Recoverability of Deferred Tax Assets" (revised 2018) (ASBJ Guidance No. 26).

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

- (1) Overview
The accounting treatment for taxable temporary differences related to investments in subsidiaries when an entity prepares separate financial statements was modified. In addition, the accounting treatment related to the recoverability of deferred tax assets in entities that qualify as Category 1 was clarified.
- (2) Scheduled date of adoption
The Company expects to adopt the implementation guidance from the beginning of the fiscal year ending March 31, 2019.
- (3) Impact of the adoption of implementation guidance
The Company is currently evaluating the effect of the adoption of this implementation guidance on its consolidated financial statements.

Accounting Standard and Implementation Guidance on Revenue Recognition

On March 30, 2018, the ASBJ issued “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30).

- (1) Overview
This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:
 1. Identify the contract(s) with a customer
 2. Identify the performance obligations in the contract
 3. Determine the transaction price
 4. Allocate the transaction price to the performance obligations in the contract
 5. Recognize revenue when (or as) the entity satisfies a performance obligation
 - (2) Scheduled date of adoption
The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.
 - (3) Impact of the adoption of accounting standard and implementation guidance
The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.
4. United States dollar amounts

The Company maintains its accounting records in yen by round down to the million. The dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetical results of translating yen to U.S. dollars on the basis of $¥106.24 = \text{U.S.}\$1$, the approximate rate of exchange prevailing on the latest balance sheet date of March 31, 2018, and were round down to the thousand. The inclusion of such dollar amounts is solely for convenience of the reader and is not intended to imply that yen

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2018 and 2017

amounts have been or could be converted, realized or settled in U.S. dollars at ¥106.24 = U.S.\$1 or at any other rate. As a result, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

5. Collateral

The Company's assets pledged as collateral for long-term loans and to obtain credit from banks, other financial institutions (including the current portion), and suppliers of ¥58 million (US\$549 thousand) at March 31, 2018, and ¥20 million at March 31, 2017 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Investments in securities.....	¥ 13	¥ 11	\$ 123
Property, plant and equipment at book value.....	29	127	279
Total.....	¥42	¥138	\$402

6. Government grants which were deducted from acquisition costs of property, plant and equipment

The accumulative effects related to the Government grants which were deducted from acquisition costs of property, plant and equipment for the purpose of a reduction in taxable profit as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Buildings and structures.....	¥509	¥509	\$4,792
Machinery, equipment and vehicles	388	388	3,655
Other	22	22	216
Total.....	¥920	¥920	\$8,663

7. Goodwill

As of March 31, 2018 and 2017, goodwill included in "Intangible assets" amounted to ¥6 million (US\$65 thousand) and ¥14 million, respectively.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

8. Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Investments in securities	¥351	¥371	\$3,306
Capital contribution	94	94	888
Total	¥445	¥465	\$4,194

9. Commitments and contingencies

(1) As of March 31, 2018 and 2017, the Group was contingently liable for guarantees of loans as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
As a guarantor of indebtedness of:			
Amagasaki Utility Services	¥-	¥5	\$-
NOF METAL COATINGS SHANGHAI Co., Ltd.	-	55	-
	¥-	¥60	\$-

(2) As of March 31, 2018 and 2017, the Company was contingently liable for the conditional assignment of ¥1,697 million (US\$15,978 thousand) and ¥1,647 million, respectively, of trade notes and accounts receivable with recourse obligations.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

(3) The Company recognizes settlements of notes receivable, notes payable and electronically recorded obligations-operating when the bank clearance of the notes is actually made. As March 31, 2018 was a holiday for financial institutions, the following accounts include the unsettled balances of trade notes receivable, notes payable and electronically recorded obligations-operating due on that date in the accompanying consolidated balance sheet as of March 31, 2018.

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Notes and accounts receivable.....	¥44	¥-	\$418
Notes and accounts payable.....	0	-	5
Electronically recorded obligations-operating.....	201	-	1,896

10. Inventories

Write-downs of inventories for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Cost of sales.....	¥(219)	¥(260)	\$(2,069)

11. Selling, general and administrative expenses

Major elements of selling, general and administrative expenses for the years ended March 31, 2018 and 2017 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Delivery and storage charges	¥5,384	¥5,221	\$50,684
Salaries and bonuses	8,091	7,807	76,160
Retirement benefit expenses	780	813	7,347
Accrued bonuses	1,116	1,108	10,512
Retirement benefit costs for officers	22	23	209
Research and development costs	5,577	5,539	52,496
Amortization of goodwill	6	6	64
Allowance for doubtful accounts	13	27	129

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

12. Research and development costs

Research and development costs for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
	Research and development costs	¥6,694	¥6,635

13. Gain on sales of fixed assets

Gain on sales of fixed assets for the years ended March 31, 2018 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
	Buildings and structures	¥13	¥-
Machinery, equipment and vehicles	0	2	2
Land	489	-	4,611
Others	0	-	0
Total	¥503	¥2	\$4,736

14. Loss on sales of fixed assets

Loss on sales of fixed assets for the years ended March 31, 2018 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
	Machinery, equipment and vehicles	¥-	¥6
Land	10	0	95
Total	¥10	¥6	\$95

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

15. Impairment loss on fixed assets

The Company and its consolidated subsidiaries have recognized impairment losses on the following classes of assets for the years ended March 31, 2018 and 2017.

2018				
Location	Major use	Asset	Millions of yen	Thousands of U.S. dollars (Note 4)
Minato-ku Tokyo	Office Assets	Tools, Furniture and Fixtures	¥ 25	\$ 243
State of Sao Paulo, Brazil	Facilities	Machinery	¥ 17	\$ 168

The Company and its consolidated subsidiaries have grouped business-use assets according to the operating division and have grouped idle assets on an individual basis.

When there is a decrease in profitability of a business operation and no expectation of recovery in operating earnings, the book value of the assets is written down to the recoverable amount. The assets listed in the above table were written down to their respective recoverable amounts and ¥43 million (US\$412 thousand) of impairment loss on fixed assets was recognized in the consolidated statement of income for the year ended March 31, 2018.

The recoverable amounts of these groups of assets are measured at value in use or the net selling value (fair value less costs to sell). The discounted cash flow was not calculated since the estimated future cash flows are negative. The fair value is measured based on the expected selling price. The impairment loss on fixed assets consisted of ¥2 million (US\$19 thousand) for buildings and structures, ¥24 million (US\$232 thousand) for machinery, equipment and vehicles and ¥17 million (US\$160 thousand) for others.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

			2017	
Location	Major use	Asset	Millions of yen	Thousands of U.S. dollars (Note 4)
Kawasaki City, Kanagawa	Idle assets	Buildings	¥ 52	\$ 471
Toda City, Saitama	Idle assets	Buildings and Land	¥119	\$1,068
State of Georgia, USA	Idle assets	Machinery	¥ 1	\$ 14

The Company and its consolidated subsidiaries have grouped business-use assets according to the operating division and have grouped idle assets on an individual basis.

When there are no prospects for future use of idle assets, the book value of the assets is written down to the recoverable amount. The assets listed in the above table were written down to their respective recoverable amounts and ¥174 million (US\$1,554 thousand) of impairment loss on fixed assets was recognized in the consolidated statement of income for the year ended March 31, 2017.

The recoverable amounts of these groups of assets are measured at the net selling value (fair value less costs to sell). The fair value is measured based on the expected selling price. The impairment loss on fixed assets consisted of ¥103 million (US\$925 thousand) for buildings and structures, ¥1 million (US\$14 thousand) for machinery, equipment and vehicles and ¥68 million (US\$614 thousand) for others.

16. Loss on retirement of fixed assets

Loss on retirement of fixed assets for the years ended March 31, 2018 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Buildings and structures	¥32	¥69	\$305
Machinery, equipment and vehicles	18	20	169
Other.....	5	3	53
Total	¥56	¥92	\$527

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

17. Other comprehensive income

Reclassification adjustments and tax effects of each component of other comprehensive income for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Unrealized holding gain on securities:			
Amount arising during the year	¥ 6,453	¥ 8,896	\$ 60,740
Reclassification adjustments for gains and losses included in net income	(606)	(0)	(5,711)
Amount before tax effect	5,846	8,896	55,028
Tax effect	(1,834)	(2,760)	(17,268)
Unrealized holding gain on securities	4,011	6,135	37,759
Translation adjustments:			
Amount arising during the year	¥ 572	¥ (662)	\$ 5,390
Retirement benefits liability adjustments:			
Amount arising during the year	¥177	¥287	\$1,672
Reclassification adjustments for gains and losses included in net income	1,118	1,235	10,531
Amount before tax effect	1,296	1,522	12,204
Tax effect	(402)	(471)	(3,784)
Retirement benefits liability adjustments	894	1,051	8,419
Total other comprehensive income	¥5,478	¥6,524	\$51,570

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

18. Net assets

Information regarding changes in net assets for the years ended March 31, 2018 and 2017 are as follows:

(1) Shares issued and outstanding / Treasury stock

	Thousands of shares			
	2017		2018	
	Number of shares at March 31, 2017	Increase	Decrease	Number of shares at March 31, 2018
Common stock	173,682	–	86,841	86,841
Treasury stock.....	578	1,313	296	1,594

The Company conducted a consolidation of shares at the ratio of 2 shares to 1 share effective October 1, 2017.

The decrease in common stock during the year ended March 31, 2018 was due to the consolidation of shares (86,841 thousand shares).

The increase in treasury stock during the year ended March 31, 2018 was due to the purchase of 18 thousand odd-lot shares (14 thousand shares before the consolidation and 3 thousand shares after the consolidation) and 1,294 thousand shares of market purchases (after the consolidation).

The decrease in treasury stock during the year ended March 31, 2018 was due to the disposal of 0 thousand treasury stock (0 thousand shares before the consolidation and 0 thousand shares after the consolidation) and 296 thousand shares due to the consolidation of shares.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

	Thousands of shares			
	2017			
	Number of shares at March 31, 2016	Increase	Decrease	Number of shares at March 31, 2017
Common stock	180,682	–	7,000	173,682
Treasury stock.....	3,550	4,027	7,000	578

The increase in treasury stock during the year ended March 31, 2017 was due to the purchase of odd-lot shares (27 thousand shares) and the market purchases (4,000 thousand shares).

The decrease in treasury stock during the year ended March 31, 2017 was due to the retirement of treasury stock (7,000 thousand shares).

(2) Cash dividends

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) shall be transferred to the capital reserve or the legal reserve until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

Appropriations are not accrued in the consolidated financial statements for the period to which they relate, but are recorded in the subsequent accounting period when the shareholders' approval has been obtained.

Dividends paid for the year ended March 31, 2018:

	Type of shares	Millions of yen	Thousands of U.S. dollars (Note 4)	Yen	U.S. dollars (Note 4)
		Total dividends	Total dividends	Dividends per share	Dividends per share
The General Meeting of Stockholders on June 29, 2017	Common stock	¥2,596	\$24,440	¥15	\$0.14
Meeting of the Board of Directors on November 1, 2017	Common stock	¥1,730	\$16,292	¥10	\$0.09

Dividends per share ¥15 consists of ordinary dividend of ¥13 and commemorative dividend of ¥2 for the Company's 80th anniversary.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

The Company conducted a consolidation of shares at the ratio of 2 shares to 1 share effective October 1, 2017. Dividends per share are pre-consolidation.

Dividends paid for the year ended March 31, 2017:

	Type of shares	Millions of yen	Thousands of U.S. dollars (Note 4)	Yen	U.S. dollars (Note 4)
		Total dividends	Total dividends	Dividends per share	Dividends per share
The General Meeting of Stockholders on June 29, 2016	Common stock	¥1,948	\$17,367	¥11	\$0.10
Meeting of the Board of Directors on November 2, 2016	Common stock	¥1,558	\$13,888	¥9	\$0.08

Dividends with the cut-off date in the year ended March 31, 2018 and the effective date in the year ending March 31, 2019:

	Type of shares	Millions of yen	Thousands of U.S. dollars (Note 4)	Yen	U.S. dollars (Note 4)
		Total dividends	Total dividends	Dividends per share	Dividends per share
The General Meeting of Stockholders on June 28, 2018	Common stock	¥3,750	\$35,305	¥44	\$0.41

19. Supplementary cash flow information

Cash and cash equivalents as of March 31, 2018 and 2017 are reconciled to cash and deposits in the consolidated balance sheet as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Cash and time deposits	¥37,665	¥30,077	\$354,534
Time deposits with maturity of more than three months	(1,200)	(861)	(11,296)
Cash and cash equivalents	¥36,465	¥29,215	\$343,237

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

20. Leases

The Group leases certain machinery, equipment and vehicles, software and other assets.

Obligations under non-cancelable operating leases as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Due within one year	¥58	¥114	\$554
Due after one year	126	172	1,193
Total	¥185	¥286	\$1,748

21. Financial instruments

(1) Policy for financial instruments

In consideration of plans for capital investment, the Company and its consolidated subsidiaries raise funds through bank borrowings. The Group manages temporary cash surpluses through low-risk financial assets. Further, the Group raises short-term capital through bank borrowings. The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk and risk management system

Trade receivables—Trade notes and accounts receivable—are exposed to credit risk in relation to customers.

In accordance with the internal policies of the Group for managing credit risk arising from receivables, each related division monitors credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer.

Marketable securities and investment securities are exposed to market risk. Those securities are composed of mainly held-to-maturity debt securities and the shares of common stock of other companies with which the Group has business relationships, or affiliated companies.

Regarding the shares of common stock of other listed companies, the Group evaluates market value quarterly to reduce fluctuation risk.

The Group has also loans receivable from other companies with which it has business relationships.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

Short-term borrowings are raised mainly in connection with business activities, and long-term debt is taken out principally for the purpose of making capital investments. Long-term debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for long-term debt bearing interest at variable rates, the Group utilizes interest rate swap transactions as hedging instruments.

The group policy for derivative and hedge accounting is indicated in Note 24 “Derivative financial instruments.”

(3) Supplemental information on the fair value of financial instruments

The Group calculates the fair value of financial instruments based on market prices, or by using reasonable estimates when market prices are not available. These estimates include variable factors and are subject to fluctuation due to changes in underlying assumptions. The contract amounts of the derivatives indicated in Note 24 “Derivative financial instruments” are not an indicator of the market risk associated with derivatives transactions.

(4) Fair value of financial instruments

The carrying value, the estimated fair value and the difference of the financial instruments on the balance sheet as of March 31, 2018 and 2017 are as follows. Fair values that are not readily determinable are not included in the following table.

	Millions of yen		
	2018		
	Carrying value	Estimated fair value	Difference
Assets			
Cash and time deposits.....	¥37,665	¥37,665	¥ –
Trade notes and accounts receivable (less allowance for doubtful accounts) .	¥42,850	¥42,850	¥ –
Available-for-sale securities.....	¥55,065	¥55,065	¥ –
Liabilities			
Notes and accounts payable	¥19,883	¥19,883	¥ –
Short-term bank borrowings.....	¥ 1,385	¥ 1,385	¥ –
Long-term borrowings from banks and other financial institutions	¥ 8,063	¥ 8,041	¥(22)
Derivative transactions.....	¥ –	¥ –	¥ –

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

	Millions of yen		
	2017		
	Carrying value	Estimated fair value	Difference
Assets			
Cash and time deposits.....	¥30,077	¥30,077	¥ –
Trade notes and accounts receivable (less allowance for doubtful accounts) .	¥38,313	¥38,313	¥ –
Available-for-sale securities.....	¥49,458	¥49,458	¥ –
Liabilities			
Notes and accounts payable	¥18,162	¥18,162	¥ –
Short-term bank borrowings.....	¥ 1,420	¥ 1,420	¥ –
Long-term borrowings from banks and other financial institutions	¥ 8,094	¥ 8,070	¥(24)
Derivative transactions.....	¥ –	¥ –	¥ –

	Thousands of U.S. dollars (Note 4)		
	2018		
	Carrying value	Estimated fair value	Difference
Assets			
Cash and time deposits.....	\$354,534	\$354,534	\$ –
Trade notes and accounts receivable (less allowance for doubtful accounts) .	\$403,336	\$403,336	\$ –
Available-for-sale securities.....	\$518,308	\$518,308	\$ –
Liabilities			
Notes and accounts payable	\$187,160	\$187,160	\$ –
Short-term bank borrowings.....	\$ 13,039	\$ 13,039	\$ –
Long-term borrowings from banks and other financial institutions	\$ 75,902	\$ 75,691	\$(210)
Derivative transactions.....	\$ –	\$ –	\$ –

Fair value measurement of financial instruments and information relating to short-term investment securities and derivative transactions:

Assets

(1) Cash and time deposits

Since these items are subject to be settled in a short term, their carrying amounts approximate fair value.

(2) Trade notes and accounts receivable

The carrying value, less allowance for doubtful accounts, is used as the amount approximates fair value due to the short maturity of these instruments.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

(3) Available-for-sale securities

The fair value of equity securities equals quoted market price, if available. The fair value of debt securities equals quoted market price or the price provided by financial institutions.

Moreover, investment securities classified by holding purpose are described in Note 23 "Investments in securities."

Liabilities

(1) Notes and accounts payable and (2) Short-term bank borrowings

The carrying amount is used as the amount approximates fair value due to the short maturity of these instruments.

(3) Long-term borrowings from banks and other financial institutions

The fair value of long-term borrowings from banks is calculated based on each payment period by applying a discount rate to the total of future net cash flows. The discount rate is based on the interest rate considering the payment periods or credit risk.

Long-term borrowings with variable interest rates from banks are hedged by interest rate swap contracts and accounted for as debt with a fixed interest rate. The fair value of long-term borrowings from banks with variable interest is calculated based on the present value of the total of principal, interest and net cash flows of the interest rate swap contracts discounted by the same interest rate.

Derivative transactions

The contract amount, fair value, unrealized gain or loss, and others are described in Note 24 "Derivative financial instruments."

Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Unlisted stock	¥1,241	¥1,116	\$11,689
Fund certificate	¥ 5	¥ 5	\$ 50

These items are not included in short-term investments in securities and investments in securities because the fair values are not readily determinable as market prices do not exist.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

The carrying value of monetary assets as of March 31, 2018 and 2017 is as follows:

	Millions of yen			
	2018			
	Within a year	1 to 5 years	5 to 10 years	Over 10 years
Cash and time deposits.....	¥37,658	¥ –	¥ –	¥ –
Notes and accounts Receivable ...	¥43,036	¥ –	¥ –	¥ –
Available-for-sale securities.....				
Government and municipal bonds	¥ –	¥10	¥ –	¥ –

	Millions of yen			
	2017			
	Within a year	1 to 5 years	5 to 10 years	Over 10 years
Cash and time deposits.....	¥30,072	¥ –	¥ –	¥ –
Notes and accounts receivable.....	¥38,494	¥ –	¥ –	¥ –
Available-for-sale securities.....				
Government and municipal bonds	¥ –	¥10	¥ –	¥ –

	Thousands of U.S. dollars (Note 4)			
	2018			
	Within a year	1 to 5 years	5 to 10 years	Over 10 years
Cash and time deposits.....	\$354,468	\$ –	\$ –	\$ –
Notes and accounts receivable.....	\$405,086	\$ –	\$ –	\$ –
Available-for-sale securities.....				
Government and municipal bonds	\$ –	\$94	\$ –	\$ –

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

22. Short-term bank loans and long-term debt

Short-term bank loans outstanding are generally represented by notes payable issued by the Company to banks with weighted average interest rates of 0.83% at March 31, 2018, and 0.80% at March 31, 2017.

Long-term debt as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Loans, principally from banks and insurance companies, due April 2018 to September 2024 with average interest rates of 0.66% at March 31, 2018, and 0.27% at March 31, 2017	¥8,063	¥8,094	\$75,902
Less: Current maturities of:			
Long-term loans	(5,150)	(2,800)	(48,477)
Total	¥2,913	¥5,294	\$27,425

Aggregate annual maturities of long-term debt subsequent to March 31, 2018 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 4)
2020	¥113	\$1,065
2021	0	1
2022	0	1
2023	2,800	26,356
2024 and thereafter	-	-
Total	¥2,913	\$47,192

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

23. Investments in securities

- (1) The acquisition cost, book value and unrealized gains or losses on available-for-sale securities with fair value as of March 31, 2018 and 2017 are as follows:

Description	Millions of yen		
	2018		
	Acquisition cost	Book value (fair value)	Unrealized gain or loss
Book value in excess of acquisition cost			
Stocks.....	¥14,811	¥54,415	¥39,604
Bonds.....	9	10	0
Others.....	-	-	-
Sub total.....	¥14,821	¥54,425	¥39,604
Book value not in excess of acquisition cost			
Stocks.....	¥ 667	¥ 639	¥ (27)
Bonds.....	-	-	-
Others.....	-	-	-
Sub total.....	¥ 667	¥ 639	¥ (27)
Total.....	¥15,488	¥55,065	¥39,576
Description	Millions of yen		
	2017		
	Acquisition cost	Book value (fair value)	Unrealized gain or loss
Book value in excess of acquisition cost			
Stocks.....	¥13,357	¥47,263	¥33,905
Bonds.....	9	10	0
Others.....	-	-	-
Sub total.....	¥13,367	¥47,273	¥33,906
Book value not in excess of acquisition cost			
Stocks.....	¥ 2,361	¥ 2,185	¥ (175)
Bonds.....	-	-	-
Others.....	-	-	-
Sub total.....	¥ 2,361	¥ 2,185	¥ (175)
Total.....	¥15,728	¥49,458	¥33,730

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

Description	Thousands of U.S. dollars (Note 4)		
	2018		
	Acquisition cost	Book value (fair value)	Unrealized gain or loss
Book value in excess of acquisition cost			
Stocks.....	\$139,412	\$512,194	\$372,781
Bonds	94	94	0
Others.....	-	-	-
Sub total	\$139,506	\$512,288	\$372,782
Book value not in excess of acquisition cost			
Stocks.....	\$ 6,282	\$ 6,019	\$ (263)
Bonds	-	-	-
Others.....	-	-	-
Sub total	\$ 6,282	\$ 6,019	\$ (263)
Total.....	\$145,789	\$518,308	\$372,519

- (2) Available-for-sale securities sold during the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
	Proceeds from sale of available-for-sale securities	¥874	¥37
Realized gain	606	2	5,711
Realized loss	-	1	-

- (3) The book value of major securities without fair value as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
	Unlisted stocks.....	¥890	¥744
Fund certificates.....	5	5	50

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

24. Derivative financial instruments

The Group uses derivative financial instruments, which comprise principally forward exchange contracts and interest rate swap agreements, to reduce its exposure to market risks from fluctuations in foreign currency exchange and interest rates. The Group has established a control environment, which includes policies and procedures for the approval and monitoring of transactions involving derivative financial instruments. The Group does not hold or issue financial instruments for trading purposes.

The Group is exposed to certain market risks arising from its forward exchange contracts and interest rate swap agreements. The Group is also exposed to the risk of credit loss in the event of non-performance by the counterparties. However, the Group does not anticipate non-performance by any of these counterparties all of whom are domestic financial institutions with high credit ratings.

The Company does not enter into derivative contracts which do not meet hedge accounting criteria.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

Summarized below are the derivative transactions which meet hedge accounting criteria.

	Millions of yen		
	2018		
	Contract amounts		
	Total	Settled over one year	Estimated fair value
Interest swap contracts:			
To receive variable/to pay fixed	¥5,000	¥–	¥ –

	Millions of yen		
	2017		
	Contract amounts		
	Total	Settled over one year	Estimated fair value
Interest swap contracts:			
To receive variable/to pay fixed	¥5,400	¥5,000	¥ –

	Thousands of U.S. dollars (Note 4)		
	2018		
	Contract amounts		
	Total	Settled over one year	Estimated fair value
Interest swap contracts:			
To receive variable/to pay fixed	\$47,063	\$ –	\$ –

Differences between the fair market value and book value of the interest rate swaps are included in the fair market value of the underlying long-term loans payable.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

25. Retirement benefit plans

The Company and its consolidated subsidiaries have either funded and unfunded defined benefit plans and/or defined contribution plans for benefit payments to their employees. For defined benefit plans (all funded plans), a lump-sum payment or annual pension calculated based on salary paid and length of service provided will be paid. For certain lump-sum retirement plans, the lump-sum payments are also determined based on salary paid and length of service provided. For defined benefit corporate pension plans and retirement lump-sum plans offered by certain consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated by a simplified method. In addition, certain consolidated subsidiaries adopt a smaller enterprise retirement allowance mutual plan and defined contribution pension plans.

Defined benefit plan

- (1) The changes in retirement benefit obligation during the years ended March 31, 2018 and 2017 are as follows (excluding plans using the simplified method):

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Beginning balance of retirement benefit obligation	¥22,229	¥21,691	\$209,235
Service cost	1,457	1,481	13,723
Interest cost	31	31	294
Actuarial loss	3	(10)	37
Retirement benefits paid	(561)	(954)	(5,281)
Other	15	(10)	141
Ending balance of retirement benefit obligation.....	¥23,176	¥22,229	\$218,151

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

- (2) The changes in plan assets during the years ended March 31, 2018 and 2017 are as follows (excluding plans using the simplified method):

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Beginning balance of plan assets.....	¥20,987	¥20,113	\$197,551
Expected return on plan assets	378	367	3,564
Actuarial loss	178	273	1,677
Contributions by the Company.....	933	962	8,783
Retirement benefits paid	(350)	(721)	(3,303)
Other	9	(7)	91
Ending balance of plan assets.....	¥22,136	¥20,987	\$208,364

- (3) The changes in liabilities for retirement benefits calculated by using the simplified method during the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Beginning balance of net defined benefit liability.....	¥1,296	¥1,225	\$12,203
Retirement benefit expenses.....	257	247	2,421
Retirement benefits paid	(78)	(79)	(736)
Contributions by the Company.....	(99)	(96)	(941)
Ending balance of net defined benefit liability	¥1,375	¥1,296	\$12,947

- (4) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2018 and 2017 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Funded retirement benefit obligation	¥ 21,516	¥ 20,445	\$ 202,526
Plan assets	(23,369)	(22,102)	(219,964)
	(1,852)	(1,656)	(17,438)
Unfunded retirement benefit obligation	4,267	4,194	40,173
Net liabilities in consolidated balance sheet	2,415	2,537	22,734
Assets for retirement benefits	(2,230)	(1,971)	(20,991)
Liabilities for retirement benefits	4,645	4,509	43,725
Net liabilities in consolidated balance sheet	¥ 2,415	¥ 2,537	\$ 22,734

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

- (5) The components of retirement benefit expense for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Service cost	¥1,457	¥1,481	\$13,723
Interest cost	31	31	294
Expected return on plan assets	(378)	(367)	(3,564)
Amortization of actuarial loss	1,118	1,234	10,531
Retirement benefit expenses for simplified method	257	247	2,421
Retirement benefit expenses for defined benefit plans	¥2,486	¥2,627	\$23,407

- (6) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Actuarial loss	¥(1,296)	¥(1,522)	\$(12,204)
Total	¥(1,296)	¥(1,522)	\$(12,204)

- (7) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Unrecognized actuarial loss	¥1,351	¥2,648	\$12,722
Total	¥1,351	¥2,648	\$12,722

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

- (8) 1) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2018 and 2017 is as follows:

	2018	2017
Equity securities	26%	26%
Debt securities	30%	32%
General accounts	32%	32%
Other	12%	10%
Total.....	100%	100%

NOTE:

The plan assets include 9% and 10% of the retirement pension trusts for corporate pension plans as of March 31, 2018 and 2017, respectively.

- 2) The long-term expected rate of return on plan assets has been estimated based on the current and projected pension asset allocations and the current and projected return rate on various assets comprising plan assets.
- (9) The assumptions used in accounting for the above plans are as follows:

	2018	2017
Discount rate	mainly 0.00%	mainly 0.00%
Long-term expected rate of return on plan assets	mainly 2.00%	mainly 2.00%
Expected rate of salary increase.....	1.00 ~ 5.87%	1.00 ~ 5.87%

Defined contribution plans

The required contributions to the defined contribution plan for certain consolidated subsidiaries for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Defined contribution plans	¥105	¥100	\$994

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

26. Stock option

There were no applicable items.

27. Income taxes

(1) Significant components of deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Deferred tax assets:			
Accrued bonus.....	¥ 1,026	¥ 1,012	\$ 9,657
Liabilities for retirement benefits	2,582	1,568	24,304
Elimination of intercompany profits ...	505	458	4,761
Valuation loss on inventories	216	293	2,041
Accrued enterprise tax	311	275	2,931
Impairment loss on fixed assets	457	529	4,309
Accrued retirement benefits for directors and officers	20	18	189
Impairment loss on investment securities	210	336	1,981
Foreign tax credit.....	107	221	1,016
Others.....	799	1,811	7,528
Subtotal	6,238	6,526	58,721
Valuation allowance.....	(451)	(708)	(4,252)
Total deferred tax assets	5,786	5,817	54,469
Deferred tax liabilities:			
Unrealized gain on investments in securities	(12,159)	(10,325)	(114,455)
Reserve for advanced depreciation of property, plant and equipment.....	(1,602)	(1,649)	(15,084)
Valuation differences.....	(1,513)	(1,513)	(14,249)
Gain on revaluation of assets trusted for retirement benefit	(633)	(633)	(5,965)
Others.....	(680)	(458)	(6,405)
Total deferred tax liabilities	(16,590)	(14,580)	(156,161)
Net deferred tax liabilities	¥ (10,803)	¥ (8,763)	\$ (101,692)

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

Note: Deferred tax assets and liabilities as of March 31, 2018 and 2017 are reflected in the following accounts in the consolidated balance sheet:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Current assets—deferred tax assets	¥ 2,178	¥ 2,190	\$ 20,505
Investments and other	345	380	3,249
Current liabilities—deferred tax liabilities	—	—	—
Long-term liabilities—deferred tax liabilities	(13,327)	(11,334)	(125,447)

(2) Reconciliation of the effective statutory tax rate to the Company's effective tax rate

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in statutory rates of approximately 31.0% and 31.0% for the years ended March 31, 2018 and 2017, respectively. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

A reconciliation of the effective statutory tax rate to the Company's effective tax rates for years ended March 31, 2018 and 2017 is summarized as follows:

	2018	2017
Effective statutory tax rate	—	31.0%
Non-deductible expenses	—	0.2
Tax credits	—	(1.5)
Valuation allowance	—	(0.9)
Inhabitants' per capita taxes	—	0.2
Deduction of dividends received	—	(0.2)
Different tax rates applied to foreign subsidiaries...	—	(1.1)
Other	—	1.2
Effective tax rates	—	28.8%

Note: The note of 2018 is omitted, because the difference between effective statutory tax rate and effective tax rates after adoption of tax-effect accounting is less than 5% of effective statutory tax rate.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

28. Business combination

There were no applicable items.

29. Asset retirement obligations

Information on the asset retirement obligations recorded on the consolidated balance sheet at March 31, 2018 and 2017 is as follows:

A. Outline of the asset retirement obligations

Expenses allocated for obligations to remove harmful materials such as fluorocarbon and PCB (polychlorinated biphenyl) from fixed assets.

B. Calculation method of asset retirement obligations

An estimated period of use of 2-38 years and a discount rate of 0.00%-2.27% are used to calculate the amount of the asset retirement obligations.

C. Changes in the total amount of the asset retirement obligations for the fiscal years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Balance at beginning of year	¥195	¥207	\$1,843
Increase due to acquisition of property, plant and equipment	2	2	19
Accretion expenses.....	0	0	3
Decrease due to fulfillment of asset retirement obligations.....	(4)	(14)	(43)
Balance at end of year	¥193	¥195	\$1,823

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

30. Segment information

- (1) The Company's reportable segments are components for which separate financial information is available, and whose operating results are reviewed regularly by the Board of Directors in order to determine the allocation of resources and assess segment performance.

The Company's reportable segments are as follows:

1. Functional chemicals --- fatty acids, fatty acid derivatives, surfactants, ethylene oxide and propylene oxide derivatives, organic peroxides, functional polymers, functional films, electronic materials, materials for anti-corrosion
2. Life science --- MPC-related products, raw materials for DDS drug formulation, edible oils, functional foods
3. Explosive & propulsion --- industrial explosives, defense-related explosives, rocket propellant, automotive safety devices, metal manufactured products

The accounting policies of the reportable segments are mostly the same as those in Note 2 "Summary of significant accounting policies"

The amount of segment income corresponds to that of operating income.

Intersegment sales and transfer prices are calculated mainly based on market value or manufacturing cost.

Millions of yen								
2018								
Reportable segments								
	Functional chemicals	Life science	Explosive & propulsion	Subtotal	Others	Total	Adjustments	Consolidated
Sales								
Sales to customers...	¥120,636	¥27,424	¥30,301	¥178,361	¥1,573	¥179,935	¥ -	¥179,935
Inter-segment.....	1,109	4,867	12	5,989	7,642	13,631	(13,631)	-
Total.....	121,745	32,291	30,313	184,350	9,216	193,566	(13,631)	179,935
Segment income.....	¥ 18,785	¥ 7,216	¥ 1,057	¥ 27,059	¥ 212	¥ 27,272	¥ (1,456)	¥ 25,816
Assets	¥ 88,344	¥22,583	¥55,452	¥166,380	¥3,888	¥170,269	¥ 67,369	¥237,638
Depreciation.....	2,362	633	1,663	4,659	56	4,716	195	4,911
Capital expenditures ..	2,342	1,014	1,293	4,649	67	4,717	1,007	5,725

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2018 and 2017

Thousands of U.S. dollars (Note 4)

	2018							
	Reportable segments							
	Functional chemicals	Life science	Explosive & propulsion	Subtotal	Others	Total	Adjustments	Consolidated
Sales								
Sales to customers...	\$1,135,506	\$258,132	\$285,214	\$1,678,853	\$14,814	\$1,693,668	\$ -	\$1,693,668
Inter-segment.....	10,441	45,813	118	56,373	71,935	128,309	(128,309)	-
Total.....	<u>1,145,948</u>	<u>303,945</u>	<u>285,333</u>	<u>1,735,227</u>	<u>86,750</u>	<u>1,821,978</u>	<u>(128,309)</u>	<u>1,693,668</u>
Segment income	<u>\$176,825</u>	<u>\$ 67,925</u>	<u>\$ 9,954</u>	<u>\$ 254,705</u>	<u>\$ 2,002</u>	<u>\$ 256,708</u>	<u>\$ (13,708)</u>	<u>\$ 242,999</u>
Assets								
Assets	\$831,557	\$212,570	\$521,950	\$1,566,078	\$36,604	\$1,602,683	\$ 634,128	\$2,236,811
Depreciation.....	22,235	5,963	15,658	43,857	535	44,393	1,839	46,232
Capital expenditures ..	22,048	9,544	12,174	43,767	639	44,406	9,487	53,894

Notes:

1. The “Others” category represents segments other than the reportable segments, which includes transportation, real estate sales and administrative operations.

2. Adjustments

1) Adjustments and eliminations for segment income ¥ (1,456) million (\$ (13,708) thousand) include ¥ (68) million (\$ (643) thousand) of elimination of inter-segment profit and loss and ¥ (1,387) million (\$ (13,064) thousand) of corporate general administrative expense, which are not allocable to the reportable segments.

2) Adjustments and eliminations for segment assets ¥ 67,369 million (\$634,128 thousand) include ¥ (26,285) million (\$ (247,415) thousand) of elimination of inter-segment and ¥ 93,655 million (\$881,544 thousand) of corporate general administrative assets, which are not allocable to the reportable segments.

3) Adjustments for depreciation include ¥195 million (\$1,839 thousand) of depreciation and amortization for corporate assets.

4) Adjustments for capital expenditures ¥1,007 million (\$9,487 thousand) refer to the increase in corporate assets.

3. Segment income is reconciled with operating income in the consolidated financial statements.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements For the years ended March 31, 2018 and 2017

Millions of yen								
2017								
	Reportable segments			Subtotal	Others	Total	Adjustments	Consolidated
	Functional chemicals	Life science	Explosive & propulsion					
Sales								
Sales to customers...	¥110,750	¥26,494	¥35,444	¥172,690	¥1,367	¥174,057	¥ -	¥174,057
Inter-segment.....	857	3,198	14	4,071	7,446	11,517	(11,517)	-
Total.....	111,608	29,693	35,459	176,761	8,813	185,574	(11,517)	174,057
Segment income	¥ 16,909	¥ 6,208	¥ 2,386	¥ 25,504	¥ 200	¥ 25,704	¥ (1,368)	¥ 24,336
Assets								
Assets	¥ 78,599	¥21,394	¥55,791	¥155,785	¥3,180	¥158,965	¥ 58,161	¥217,127
Depreciation.....	2,343	569	1,635	4,548	55	4,604	162	4,767
Capital expenditures ..	2,739	1,004	2,022	5,766	49	5,816	603	6,420

Notes:

1. The “Others” category represents segments other than the reportable segments, which includes transportation, real estate sales and administrative operations.

2. Adjustments

1) Adjustments and eliminations for segment income ¥ (1,368) million include ¥145 million of elimination of inter-segment profit and loss and ¥ (1,513) million of corporate general administrative expense, which are not allocable to the reportable segments.

2) Adjustments and eliminations for segment assets ¥ 58,161 million include ¥ (23,998) million of elimination of inter-segment and ¥ 82,160 million of corporate general administrative assets, which are not allocable to the reportable segments.

3) Adjustments for depreciation include ¥162 million of depreciation and amortization for corporate assets.

4) Adjustments for capital expenditures ¥603 million refer to the increase in corporate assets.

3. Segment income is reconciled with operating income in the consolidated financial statements.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

(2) Information related to reportable segments

- 1) The Group's sales by geographical area for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Japan.....	¥130,335	¥129,519	\$1,226,801
Asia.....	29,386	25,680	276,602
Others	20,213	18,857	190,264
Total.....	¥179,935	¥174,057	\$1,693,668

- 2) The Group's property, plant and equipment by geographical area as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Japan.....	¥52,240	¥52,167	\$491,719
Others	5,366	5,429	50,512
Total.....	¥57,606	¥57,596	\$542,232

- (3) Impairment losses on fixed assets by reportable segments for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Functional chemicals	¥17	¥1	\$168
Life science	-	-	-
Explosive & propulsion	25	-	243
Others.....	-	172	-
Total	¥43	¥174	\$412

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

- (4) Amortization and balance of goodwill by reportable segment as of and for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen				Thousands of U.S. dollars (Note 4)	
	2018		2017		2018	
	Amortization	Ending balance	Amortization	Ending balance	Amortization	Ending balance
Functional chemicals.....	¥6	¥6	¥6	¥14	\$64	\$65
Life science ...	-	-	-	-	-	-
Explosive & propulsion....	0	0	0	0	0	0
Others.....	-	-	-	-	-	-
Total.....	¥6	¥6	¥6	¥14	\$64	\$65

31. Related party transactions

The information for the fiscal years ended March 31, 2018 and 2017 was not disclosed because there were no significant transactions with related parties.

32. Per share information

Profit attributable to owners of parent per share of common stock is based upon the weighted average number of shares outstanding during each fiscal year.

	Yen		U.S. dollars (Note 4)
	2018	2017	2018
Profit attributable to owners of parent per share:			
Basic.....	¥ 230.96	¥ 202.27	\$2.17
Diluted.....	-	-	-
Cash dividends applicable to the year.....	54.00	24.00	0.51
Net assets.....	1,980.14	1,753.44	18.64

Profit attributable to owners of parent– diluted for the years ended March 31, 2018 and 2017 is not disclosed because there are no diluted shares.

The Company conducted a consolidation of shares at the ratio of 2 shares to 1 share effective October 1, 2017. Profit attributable to owners of parent per share and net assets per share are calculated based on the assumption that the consolidation was implemented at the beginning of the fiscal year ended March 31, 2017.

NOF CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended March 31, 2018 and 2017

Cash dividends per share applicable to the period for the fiscal year ended March 31, 2018, comprise interim dividends of ¥10.00 (pre-consolidation) and year-end dividends of ¥44.00 (post-consolidation).

Basis for calculating profit attributable to owners of parent per share:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Profit attributable to owners of parent	¥19,913	¥17,586	\$187,438
Amount not available to shareholders.....	—	—	—
Profit attributable to owners of parent applicable to common stock	¥19,913	¥17,586	\$187,438
Average number of shares outstanding (1,000 shares).....	86,219	86,946	

33. Subsequent events

There were no applicable items.