NISSHA

Consolidated Financial Results for the Six Months Ended September 30, 2017 [Japanese GAAP]

November 8, 2017

Company name: Nissha Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 7915
URL: http://www.nissha.com/english
Representative: Junya Suzuki, President and CEO, Chairman of the Board
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Phone: +81-75-811-8111
Scheduled date of filing quarterly securities report: November 10, 2017
Scheduled date of commencing dividend payments: December 1, 2017
Availability of supplementary briefing material on quarterly financial results: Available
Schedule of quarterly financial results briefing session: Scheduled (conference call for institutional investors)

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Six Months Ended September 30, 2017 (April 1, 2017 to September 30, 2017)

(1) Consolidated Operating Results (cumulative) (% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2017	95,015	84.0	1,839	–	2,216	–	1,841	–
Six months ended September 30, 2016	51,648	0.3	(1,037)	–	(3,433)	–	(4,172)	–

(Note) Comprehensive income: Six months ended September 30, 2017: ¥7,408 million (–%)
Six months ended September 30, 2016: ¥(5,672) million (–%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2017	38.88	35.38
Six months ended September 30, 2016	(96.92)	–

(Note) Effective from the fiscal year ending December 31, 2017, the Company changed the fiscal year end date from March 31 to December 31 as a unified fiscal year end date for the Nissha Group. Prior to this change, profits and losses of the Company and domestic consolidated subsidiaries from April 1, 2016 to September 30, 2016 and profits and losses of overseas consolidated subsidiaries from January 1, 2016 to June 30, 2016 were previously consolidated into the consolidated statements of operations for the six months ended September 30, 2016 respectively. However, as a result of the above change, profits and losses of the Company and all consolidated subsidiaries for the period from April 1, 2017 to September 30, 2017 were consolidated into the consolidated statements of operations for the six months ended September 30, 2017. Meanwhile, profits and losses of overseas consolidated subsidiaries and others for the period from January 1, 2017 to March 31, 2017 are adjusted in retained earnings.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2017	222,984	84,975	38.0
As of March 31, 2017	182,670	74,606	40.7

(Reference) Equity: As of September 30, 2017: ¥84,753 million
As of March 31, 2017: ¥74,380 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2017	–	15.00	–	15.00	30.00
Fiscal year ending December 31, 2017	–	15.00			
Fiscal year ending December 31, 2017 (Forecast)			–	15.00	30.00

(Note) Revision of cash dividend forecast: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2017 (April 1, 2017 to December 31, 2017)

(% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	140,000	–	5,500	–	5,100	–	4,500	–	96.48

(Note) Revision of consolidated financial results forecast: No
Effective from the fiscal year ending December 31, 2017, the Company changed the fiscal year end date from March 31 to December 31 as a unified fiscal year end date for the Nissha Group. In line with this change, the fiscal year ending December 31, 2017, which is a nine-month period from April 1, 2017 to December 31, 2017, serves the transitional period for the change in the fiscal year end date and therefore the figures of the Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2017 above show the forecasts for that nine-month period. Accordingly, figures indicating changes from the previous corresponding period are not provided in the above table.
[Reference: Consolidated financial results for the nine months ended December 31, 2016]
As mentioned above, since this term is a nine-month period from April 1, 2017 to December 31, 2017, the following table describes the consolidated financial results for the nine months ended December 31, 2016 (April 1, 2016 to December 31, 2016), for reference.

(Million yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Nine months ended December 31, 2016 (April 1, 2016 to December 31, 2016)	81,839	(1,630)	(2,272)	(3,355)

Notes:

(1) Changes in significant subsidiaries during the period under review: No
(Changes in specified subsidiaries resulting in changes in scope of consolidation):
New: – ( ), Exclusion: – ( )

(2) Adoption of special accounting treatment for preparing quarterly consolidated financial statements: Yes
(Note) For details, please see “2. Consolidated Financial Statements and Principal Notes (4) Notes to consolidated financial statements (Adoption of special accounting treatment for preparing quarterly consolidated financial statements)” on page 13 of the appendix.

(3) Changes in accounting policies, changes in accounting estimates, and restatements
1) Changes in accounting policies due to the revision of accounting standards: No
2) Any changes other than 1) above: No
3) Changes in accounting estimates: No
4) Restatements: No

(4) Total number of issued shares (common stock)
1) Total number of issued shares at the end of the period (including treasury shares):

As of September 30, 2017	49,044,872 shares
As of March 31, 2017	46,822,153 shares

2) Total number of treasury shares at the end of the period:

As of September 30, 2017	172,064 shares
As of March 31, 2017	179,902 shares

3) Average number of shares during the period (cumulative total):

Six months ended September 30, 2017	47,367,823 shares
Six months ended September 30, 2016	43,054,668 shares

* This report on consolidated financial results is exempted from quarterly review procedures.

* Explanation of the proper use of financial results forecast and other notes

The performance forecasts and other forward-looking statements contained in this report are based on information available to the Company on the date of this report's release and certain premises that the Company deems to be reasonable. Therefore, the Company has not prepared these descriptions with intent to commit to realize them. Actual results, etc. may differ from the forecasts, however, as a consequence of various factors in the future. For details on the premises of the performance forecasts of the Company and the points to note when using the performance forecasts, please see “1. Qualitative Information on Consolidated Financial Results for the Period under Review (3) Explanation of consolidated operating results forecast and other forecast information” on page 6 of the appendix.

We are scheduled to hold a conference call for institutional investors on Wednesday, November 8, 2017. Reference materials to be used at the conference call are scheduled to be posted on our website on that day, as well.

Contents of Appendix

1. Qualitative Information on Consolidated Financial Results for the Period under Review

Effective from the fiscal year ending December 31, 2017, the Company changed the fiscal year end date from March 31 to December 31 as a unified fiscal year end date for the Nissha Group. Prior to this change, profits and losses of the Company and domestic consolidated subsidiaries from April 1, 2016 to September 30, 2016 and profits and losses of overseas consolidated subsidiaries from January 1, 2016 to June 30, 2016 were previously consolidated into the consolidated statements of operations for the six months ended September 30, 2016 respectively. However, as a result of the above change, profits and losses of the Company and all consolidated subsidiaries for the period from April 1, 2017 to September 30, 2017 were consolidated into the consolidated statements of operations for the six months ended September 30, 2017.

Profits and losses of the overseas consolidated subsidiaries and others for the period from January 1, 2017 to March 31, 2017 are adjusted in retained earnings and the related cash flows are adjusted in cash and cash equivalents at beginning of period.

(1) Explanation of operating results

Reflecting on the global economy in the six months ended September 30, 2017, the United States saw ongoing recovery thanks primarily to increased consumer spending and improved employment conditions. In Europe, there remained uncertainty for the future attributable to Brexit and other factors but the economy gradually recovered. In Asia, the economies of emerging countries such as China showed signs of recovery. As for Japan, the economy held steady on an ongoing moderate recovery trend but due consideration must be given to uncertainty over overseas economies, foreign exchange fluctuations and other factors.

The Nissha Group is pursuing growth by reorganizing and optimizing its business portfolio in the Fifth Medium-term Business Plan starting from April 1, 2015. The Nissha Group continues to expand business opportunities in the consumer electronics (IT) field and is accelerating business developments in fields where stable growth on a global scale is expected, such as automotive components and medical devices and consumables. During the six months ended September 30, 2017, in addition to an expansion in demand for large-scale projects in the mainstay Devices business segment, demand for automotive components and medical devices and consumables, both of which are designated as priority fields, progressed steadily.

As a result, the net sales for the six months ended September 30, 2017 reached a record high of ¥95,015 million, (an increase of 84.0% as compared to the same period of the previous year). For income, operating profit was ¥1,839 million (operating loss of ¥1,037 million in the same period of the previous year), ordinary profit was ¥2,216 million (ordinary loss of ¥3,433 million in the same period of the previous year), and profit attributable to owners of parent was ¥1,841 million (loss attributable to owners of parent of ¥4,172 million in the same period of the previous year).

Following is an overview by business segment.

Industrial Materials

In the Industrial Materials segment, the Nissha Group mainly offers proprietary technologies that enable to create added value on the surfaces of various materials. IMD and IML, which facilitate simultaneous in-mold decoration and design of plastic products, are extensively adopted in automotive interior components, home appliances, and smartphones in global markets. Also, our metallized paper, which unites the properties of metallic luster and printing friendliness, has the largest market share in the industry as a packaging material for beverages and foods on a global basis.

During the six months ended September 30, 2017, demand was solid for products for smartphones. In addition, demand progressed mostly as projected for automotive components and metallized paper.

As a result, segment sales for the six months ended September 30, 2017 were ¥24,195 million, a decrease of 1.2% as compared to the same period of the previous year. Segment profit (operating profit) was ¥1,154 million, an increase of 108.3% as compared to the same period of the previous year.

Devices

In the Devices segment, the Nissha Group produces devices that pursue precision and functionality. Our main products, film based Touch Sensors are adopted mainly in smartphones, tablets, mobile game consoles, industrial equipment and automotive components in global markets. In addition, the Nissha Group offers gas sensors that can detect gas conditions, along with other products.

During the six months ended September 30, 2017, demand for products adopted for smartphones, tablets and game consoles progressed steadily, while expenses increased mainly due to the establishment of a production structure to meet vigorous demand.

As a result, segment sales for the six months ended September 30, 2017 were ¥55,289 million, an increase of 170.4% as compared to the same period of the previous year. Segment profit (operating profit) was ¥1,916 million (segment loss (operating loss) of ¥14 million in the same period of the previous year).

Life Innovation

The Life Innovation segment is a newly established business segment in which Graphic Controls group, a medical devices and consumables manufacturer, acts as a core company to offer high-quality and value-added products in medical devices and consumables and other related fields to contribute to healthy and affluent life. Main products of this segment are disposable electrodes and surgical instruments for medical institutions. Graphic Controls group currently manufactures and sells its own brand products to medical institutions and also provides contract manufacturing services for major medical device manufacturers in the North and Central America and Europe.

During the six months ended September 30, 2017, demand progressed steadily for our mainstay products for contract manufacturing services.

As a result, segment sales for the six months ended September 30, 2017 were ¥8,996 million. Segment profit (operating profit) was ¥216 million.

There is no comparable data and analysis for this segment against the same period of the previous year since this is a new reportable segment, established as a result of the inclusion of Graphic Controls group in the scope of consolidation effective from the third quarter ended December 31, 2016.

Information and Communication

In the Information and Communication segment, the Nissha Group offers its customers a wide range of professional products and services such as publication printing, commercial printing, sales promotion, web solutions, and digital archiving, thereby assisting a host of marketing strategies and communication strategies relating to advertising and sales promotion.

During the six months ended September 30, 2017, the commercial printing field, the key product field in this segment, was affected by a decrease in the volume of printed materials due to the diversification of information media. These movements led the business into a highly competitive climate.

As a result, segment sales for the six months ended September 30, 2017 were ¥6,363 million, a decrease of 4.0% as compared to the same period of the previous year. Segment loss (operating loss) was ¥329 million (segment loss (operating loss) of ¥142 million in the same period of the previous year).

(2) Explanation of financial position

1) Assets, liabilities and net assets

Total assets at the end of the second quarter ended September 30, 2017 increased by ¥40,313 million from the end of the previous year (the fiscal year ended March 31, 2017) to ¥222,984 million.

Current assets increased by ¥35,661 million from the end of the previous year to ¥113,840 million. This was mainly attributable to a ¥18,146 million increase of notes and accounts receivable-trade, a ¥11,609 million increase of “other” under current assets, and a ¥3,389 million increase of work in process.

Non-current assets increased by ¥4,652 million from the end of the previous year to ¥109,143 million. This was mainly because a ¥5,254 million increase of investment securities due to changes in the fair value of available-for-sale securities and others outweighed a ¥725 million decrease of goodwill mainly due to amortization of goodwill.

Total liabilities at the end of the second quarter ended September 30, 2017 increased by ¥29,944 million from the end of the previous year to ¥138,008 million.

Current liabilities increased by ¥33,748 million from the end of the previous year to ¥99,460 million. This was mainly attributable to a ¥22,630 million increase of notes and accounts payable-trade and a ¥10,366 million increase of short-term loans payable.

Non-current liabilities decreased by ¥3,803 million from the end of the previous year to ¥38,548 million. This was mainly attributable to a ¥4,920 million decrease of bonds payable resulting from the exercise of stock acquisition rights.

Net assets at the end of the second quarter ended September 30, 2017 increased by ¥10,369 million from the end of the previous year to ¥84,975 million. This was mainly attributable to a ¥3,685 million increase of valuation difference on available-for-sale securities mainly due to changes in the fair value of available-for-sale securities, as well as a ¥2,455 million increase of capital stock and a ¥2,458 million increase of capital surplus mainly due to the conversion of convertible bonds with stock acquisition rights.

2) Cash flows

The balance of cash and cash equivalents (the “funds”) on a consolidated basis at the end of the six months ended September 30, 2017 was ¥22,105 million, an increase of ¥14 million compared to the end of the previous year.

The following describes the conditions of each cash flow and the underlying causes for the six months ended September 30, 2017.

(Net Cash Provided by (Used in) Operating Activities)

Funds used in operating activities amounted to ¥1,514 million, a decrease of 84.1% as compared to the same period of the previous year. This was mainly because a ¥17,372 million increase in notes and accounts receivable-trade, a ¥8,671 million decrease in “other, net,” and a ¥5,472 million increase in inventories outweighed a ¥22,589 million increase in notes and accounts payable-trade, ¥4,584 million of depreciation, and ¥2,392 million of profit before income taxes.

(Net Cash Provided by (Used in) Investing Activities)

Funds used in investing activities amounted to ¥8,024 million, an increase of 165.2% as compared to the same period of the previous year. This was mainly attributable to the purchase of property, plant and equipment and intangible assets of ¥7,769 million.

(Net Cash Provided by (Used in) Financing Activities)

Funds provided in financing activities amounted to ¥9,056 million, an increase of 4.3% as compared to the same period of the previous year. This was mainly attributable to net increase in short-term loans payable of ¥10,027 million.

(3) Explanation of consolidated operating results forecast and other forecast information

The consolidated financial forecasts for the fiscal year ending December 31, 2017 remain the same as those announced on May 12, 2017.

2. Consolidated Financial Statements and Principal Notes

(1) Consolidated balance sheets

(Million yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	22,204	22,221
Notes and accounts receivable-trade	28,284	46,430
Merchandise and finished goods	6,207	7,455
Work in process	5,115	8,505
Raw materials and supplies	4,605	5,888
Other	11,992	23,601
Allowance for doubtful accounts	(230)	(263)
Total current assets	78,179	113,840
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	26,699	26,173
Machinery, equipment and vehicles, net	12,314	11,897
Tools, furniture and fixtures, net	2,470	2,465
Land	6,076	6,095
Leased assets, net	1,815	1,917
Construction in progress	1,475	2,818
Total property, plant and equipment	50,852	51,367
Intangible assets		
Trademark right	3,857	3,605
Software	814	811
Goodwill	23,854	23,128
Technical assets	2,226	2,277
Customer related assets	6,763	6,621
Other	988	976
Total intangible assets	38,505	37,421
Investments and other assets		
Investment securities	14,147	19,402
Other	1,449	1,419
Allowance for doubtful accounts	(462)	(467)
Total investments and other assets	15,133	20,354
Total non-current assets	104,491	109,143
Total assets	182,670	222,984

(Million yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	24,872	47,503
Short-term loans payable	20,294	30,660
Current portion of long-term loans payable	1,448	1,234
Income taxes payable	484	806
Provision for bonuses	1,578	1,923
Provision for directors' bonuses	60	40
Provision for management board benefit trust	101	121
Other	16,869	17,170
Total current liabilities	65,711	99,460
Non-current liabilities		
Bonds payable	11,760	6,840
Long-term loans payable	13,078	12,982
Net defined benefit liability	4,356	4,426
Other	13,157	14,299
Total non-current liabilities	42,352	38,548
Total liabilities	108,064	138,008
Net assets		
Shareholders' equity		
Capital stock	7,664	10,119
Capital surplus	11,052	13,510
Retained earnings	45,334	46,495
Treasury shares	(341)	(326)
Total shareholders' equity	63,709	69,799
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,779	11,464
Foreign currency translation adjustment	2,560	3,175
Remeasurements of defined benefit plans	331	314
Total accumulated other comprehensive income	10,671	14,954
Non-controlling interests	225	221
Total net assets	74,606	84,975
Total liabilities and net assets	182,670	222,984

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Million yen)

	Six Months Ended September 30, 2016	Six Months Ended September 30, 2017
Net sales	51,648	95,015
Cost of sales	43,424	80,719
Gross profit	8,223	14,296
Selling, general and administrative expenses	9,261	12,456
Operating profit (loss)	(1,037)	1,839
Non-operating income		
Interest income	46	30
Dividend income	80	190
Foreign exchange gains	—	572
Other	99	97
Total non-operating income	226	891
Non-operating expenses		
Interest expenses	174	394
Share of loss of entities accounted for using equity method	34	28
Foreign exchange losses	2,386	—
Other	27	91
Total non-operating expenses	2,622	514
Ordinary profit (loss)	(3,433)	2,216
Extraordinary income		
Gain on sales of non-current assets	30	6
Gain on sales of investment securities	—	215
State subsidy	136	43
Total extraordinary income	167	265
Extraordinary losses		
Loss on sales and retirement of non-current assets	133	35
Loss on valuation of investment securities	160	—
Impairment loss	249	—
Loss on closing of plants	—	54
Total extraordinary losses	544	89
Profit (loss) before income taxes	(3,810)	2,392
Income taxes	374	567
Profit (loss)	(4,185)	1,825
Loss attributable to non-controlling interests	(12)	(16)
Profit (loss) attributable to owners of parent	(4,172)	1,841

Consolidated statements of comprehensive income

(Million yen)

	Six Months Ended September 30, 2016	Six Months Ended September 30, 2017
Profit (loss)	(4,185)	1,825
Other comprehensive income		
Valuation difference on available-for-sale securities	2,246	3,685
Foreign currency translation adjustment	(3,769)	1,919
Remeasurements of defined benefit plans, net of tax	15	(23)
Share of other comprehensive income of entities accounted for using equity method	21	1
Total other comprehensive income	(1,486)	5,582
Comprehensive income	(5,672)	7,408
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(5,656)	7,421
Comprehensive income attributable to non-controlling interests	(15)	(13)

(3) Consolidated statements of cash flows

(Million yen)

	Six Months Ended September 30, 2016	Six Months Ended September 30, 2017
Cash flows from operating activities		
Profit (loss) before income taxes	(3,810)	2,392
Depreciation	3,832	4,584
Impairment loss	249	—
Amortization of goodwill	399	733
Loss on closing of plants	—	54
Increase (decrease) in provision for bonuses	(293)	288
Increase (decrease) in provision for directors' bonuses	(30)	(20)
Increase (decrease) in provision for management board benefit trust	78	19
Increase (decrease) in net defined benefit liability	(4)	28
Increase (decrease) in allowance for doubtful accounts	(0)	4
Interest and dividend income	(126)	(220)
Interest expenses	174	394
Foreign exchange losses (gains)	1,076	(446)
Share of (profit) loss of entities accounted for using equity method	34	28
Loss (gain) on sales of investment securities	—	(215)
Loss (gain) on valuation of investment securities	160	—
Loss (gain) on sales and retirement of non-current assets	103	28
Decrease (increase) in notes and accounts receivable-trade	(1,294)	(17,372)
Decrease (increase) in inventories	1,823	(5,472)
Increase (decrease) in notes and accounts payable-trade	(6,739)	22,589
Other, net	(3,942)	(8,671)
Subtotal	(8,311)	(1,271)
Interest and dividend income received	132	218
Interest expenses paid	(184)	(391)
Income taxes paid	(1,409)	(860)
Income taxes refund	263	789
Net cash provided by (used in) operating activities	(9,510)	(1,514)

(Million yen)

	Six Months Ended September 30, 2016	Six Months Ended September 30, 2017
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	247	—
Payments into time deposits	(102)	—
Purchase of property, plant and equipment and intangible assets	(2,781)	(7,769)
Purchase of investment securities	(469)	(25)
Proceeds from sales of investment securities	—	226
Payments for transfer of business	—	(280)
Other, net	80	(176)
Net cash provided by (used in) investing activities	(3,025)	(8,024)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	7,775	10,027
Proceeds from long-term loans payable	1,539	654
Repayments of long-term loans payable	(44)	(776)
Payments for issuance of bonds	(23)	—
Commission fee paid	(9)	(19)
Repayments of lease obligations	(88)	(131)
Purchase of treasury shares-net	(0)	0
Cash dividends paid	(642)	(699)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	180	—
Net cash provided by (used in) financing activities	8,686	9,056
Effect of exchange rate change on cash and cash equivalents	(2,076)	786
Net increase (decrease) in cash and cash equivalents	(5,926)	303
Cash and cash equivalents at beginning of period	41,688	22,090
Decrease in cash and cash equivalents from change of accounting period	—	(289)
Cash and cash equivalents at end of period	35,762	22,105

(4) Notes to consolidated financial statements

(Notes to going concern assumptions)

Not applicable

(Notes to material changes in shareholders' equity)

In the six months ended September 30, 2017, capital stock increased by ¥2,455 million, capital surplus increased by ¥2,458 million, and treasury shares decreased by ¥6 million due to the exercise of stock acquisition rights attached to the Zero Coupon Convertible Bonds due 2021 (bonds with stock acquisition rights).

Primarily as a result of the foregoing, capital stock amounted to ¥10,119 million, capital surplus amounted to ¥13,510 million, and treasury shares amounted to ¥326 million at the end of the second quarter ended September 30, 2017.

(Adoption of special accounting treatment for preparing quarterly consolidated financial statements)

Calculation of tax expense

When calculating tax expense, we reasonably estimate the effective tax rate after applying tax-effect accounting for profit (loss) before income taxes in the fiscal year, including the second quarter ended September 30, 2017. We then calculate the tax expense by multiplying profit (loss) before income taxes by the estimated effective tax rate. We use the statutory effective tax rate, however, if the estimated effective tax rate is unavailable.

(Segment information, etc.)

I. The six months ended September 30, 2016 (April 1, 2016 to September 30, 2016)

1. Information about sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment					Other (Note 1)	Total	Reconcili-ations (Note 2)	Consolidated (Note 3)
	Industrial Materials	Devices	Life Innovation	Information and Communi-cation	Sub-total				
Sales									
Sales to external customers	24,484	20,449	—	6,627	51,561	87	51,648	—	51,648
Inter-segment sales or transfers	1	1,228	—	28	1,259	440	1,699	(1,699)	—
Total	24,486	21,678	—	6,656	52,820	527	53,348	(1,699)	51,648
Segment profit (loss)	554	(14)	(12)	(142)	384	(9)	375	(1,412)	(1,037)

(Notes) 1. The "Other" category consists of a business segment not included in the reportable segments and includes the landscaping business, etc.

2. The negative ¥1,412 million of reconciliations in segment profit (loss) includes unallocated corporate expenses, etc. Corporate expenses mainly consist of general and administrative expenses not attributable to any reportable segment.

3. Segment profit (loss) is reconciled with operating loss recorded in the consolidated statements of operations.

II. The six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)

1. Information about sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment					Other (Note 1)	Total	Reconcili-ations (Note 2)	Consolidated (Note 3)
	Industrial Materials	Devices	Life Innovation	Information and Communi-cation	Sub-total				
Sales									
Sales to external customers	24,195	55,289	8,996	6,363	94,845	170	95,015	—	95,015
Inter-segment sales or transfers	345	713	—	30	1,089	934	2,024	(2,024)	—
Total	24,540	56,003	8,996	6,394	95,934	1,104	97,039	(2,024)	95,015
Segment profit (loss)	1,154	1,916	216	(329)	2,958	59	3,017	(1,178)	1,839

(Notes) 1. The "Other" category consists of a business segment not included in the reportable segments and includes the landscaping business, etc.

2. The negative ¥1,178 million of reconciliations in segment profit (loss) includes unallocated corporate expenses, etc. Corporate expenses mainly consist of general and administrative expenses not attributable to any reportable segment.
3. Segment profit (loss) is reconciled with operating profit recorded in the consolidated statements of operations.

2. Changes in reportable segments, etc.

As a result of the inclusion of Graphic Controls Holdings, Inc. and its group companies in the scope of consolidation in the third quarter ended December 31, 2016, the Nissha Group established the "Life Innovation" segment, a new reportable segment in which Graphic Controls Holdings, Inc. and its group companies promote its business operations in the medical markets.

In addition to the above change, the production and sales business of the Company's gas sensors, which had been included in the "Other" under reportable segments, was transferred to the "Devices" segment from the third quarter ended December 31, 2016, as a result of the reorganization executed to further expand the scale of business.

Segment information for the six months ended September 30, 2016, disclosed as comparative information for the six months ended September 30, 2017, is prepared based on the new reportable segments after the above changes. This segment information differs from the segment information for the six months ended September 30, 2016 that was disclosed in the previous fiscal year.