Information Disclosed on the Internet upon Issuing Notice of the Convocation of the Ordinary General Meeting of Shareholders for the 98th Business Term

Consolidated Statements of Changes in Net Assets

Notes to Consolidated Financial Statements

Non-consolidated Statements of Changes in Net Assets

Notes to Non-consolidated Financial Statements

From April 1, 2016 to March 31, 2017

Nissha Printing Co., Ltd.

Nissha Printing Co., Ltd. provides “Consolidated Statements of Changes in Net Assets,” “Notes to Consolidated Financial Statements,” “Non-consolidated Statements of Changes in Net Assets,” and “Notes to Non-consolidated Financial Statements” to Shareholders by posting them on its website (http://www.nissha.com/english/) pursuant to the provisions of laws, regulations and Article 16 of its Articles of Incorporation.

Consolidated Statements of Changes in Net Assets

(From April 1, 2016 to March 31, 2017)

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	5,684	7,355	53,808	(2,931)	63,917
Cumulative effects of changes in accounting policies			230		230
Restated balance	5,684	7,355	54,038	(2,931)	64,148
Changes of items during the period					
Issuance of new shares	1,980	1,980			3,960
Dividends of surplus			(1,295)		(1,295)
Loss attributable to owners of parent			(7,408)		(7,408)
Purchase of treasury shares				(191)	(191)
Disposal of treasury shares		1,689		2,781	4,470
Change in ownership interest of parent due to transactions with non-controlling interests		26			26
Net changes of items other than shareholders' equity					
Total changes of items during the period	1,980	3,696	(8,704)	2,589	(438)
Balance at the end of current period	7,664	11,052	45,334	(341)	63,709

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	4,977	1,770	(570)	6,178	—	70,096
Cumulative effects of changes in accounting policies		(230)		(230)		—
Restated balance	4,977	1,540	(570)	5,947	—	70,096
Changes of items during the period						
Issuance of new shares						3,960
Dividends of surplus						(1,295)
Loss attributable to owners of parent						(7,408)
Purchase of treasury shares						(191)
Disposal of treasury shares						4,470
Change in ownership interest of parent due to transactions with non-controlling interests						26
Net changes of items other than shareholders' equity	2,801	1,019	901	4,723	225	4,948
Total changes of items during the period	2,801	1,019	901	4,723	225	4,510
Balance at the end of current period	7,779	2,560	331	10,671	225	74,606

(Note: Amounts are rounded down to the nearest million yen.)

Notes to Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

(1) Scope of consolidation

1) Number of consolidated subsidiaries: 57

Names of major consolidated subsidiaries

Nitec Industries, Inc., Nitec Precision and Technologies, Inc., Nissha Printing Communications, Inc., Eimo Technologies, Inc., Graphic Controls Acquisition Corp., PMX Technologies, S.A. de C.V., AR Metallizing N.V., Nissha (Kunshan) Precision IMD Mold Co. Ltd.

The Company incorporated Nissha Medical International, Inc. and Nissha Vietnam Co., Ltd. These companies are therefore included in the scope of consolidation from the current consolidated fiscal year. The Company acquired shares of Graphic Controls Holdings, Inc. Therefore, Graphic Controls Holdings, Inc. and its group companies are included in the scope of consolidation from the current consolidated fiscal year. The Company acquired shares of Schuster Kunststofftechnik GmbH and Back Stickers GmbH. Therefore, Schuster Kunststofftechnik GmbH and Back Stickers GmbH, as well as their group companies, are included in the scope of consolidation from the current consolidated fiscal year. The Company acquired shares of Rakuhoku Landscape Co., Ltd. Therefore, Rakuhoku Landscape Co., Ltd. is included in the scope of consolidation from the current consolidated fiscal year.

ARM Holding S.r.l. was extinguished in an absorption-type merger with AR Metallizing S.r.l., the surviving company in the merger. Nissha Luxembourg Holdings SARL, NCP Co., Ltd., and TAP & BOX Co., Ltd. completed their liquidation. These companies are therefore excluded from the scope of consolidation from the current consolidated fiscal year. The shares of AR Metallizing N.V. formerly held by Nissha Luxembourg Holdings SARL are now directly held by the Company.

2) Names, etc. of major non-consolidated subsidiaries

Bridge Venture 2014 Investment Enterprise, L.P.

(Reason for excluding the non-consolidated subsidiary from the scope of consolidation)

This non-consolidated subsidiary is small and its total assets, net sales, profit (loss) (in the amount commensurate with equity), retained earnings (in the amount commensurate with equity), and other items do not largely influence the consolidated financial statements.

(2) Application of equity method

1) Number of non-consolidated companies accounted for by the equity method: 1

Names of major companies, etc.

Bridge Venture 2014 Investment Enterprise, L.P.

2) Number of affiliated companies accounted for by the equity method: 3

Names of major companies, etc.

NS Tech Co., Ltd., TPK Film Solutions Limited, and Nissha and Lens Technologies (Changsha) Company Limited

The Company acquired shares of Nissha and Lens Technologies (Changsha) Company Limited, so the company is included in the scope of the companies accounted for by the equity method from the current consolidated fiscal year.

3) Matters to be specifically noted for the procedures of application of the equity method

Among the companies accounted for by the equity method, the respective financial statements for the latest fiscal year have been used for those companies whose respective balance sheet date differ from the consolidated balance sheet date.

(3) Fiscal year, etc. of consolidated subsidiaries

The balance sheet date of foreign 47 consolidated subsidiaries is December 31.

When preparing consolidated financial statements, we used the financial statements of the aforementioned consolidated subsidiaries as of their balance sheet date, and made the necessary consolidation adjustments for material transactions concluded between the consolidated balance sheet date and the balance sheet date of these subsidiaries.

(4) Significant accounting policies

1) Standards and methods of valuation of significant assets

i. Securities

Held-to-maturity debt securities: Stated at the amortized cost determined by the straight-line method.

Available-for-sale securities

-Available-for-sale securities with market values: Stated at fair value based on market prices as of the balance sheet date.

(Differences in valuation are included directly in net assets and the cost of securities sold is determined based on the moving-average method.)

-Available-for-sale securities without market values: Stated at cost determined by the moving-average method.

ii. Derivatives: Stated at fair value.

iii. Inventories

- Finished products (excluding Decorative Film products, etc. of Industrial Materials) and work in process: ············ Stated at cost determined by the specific identification method, and by the first-in first-out method. (The balance sheet amount is written down based on the decrease of profit.)
- Finished products (Decorative Film products, etc. of Industrial Materials): ············ Stated at cost determined by the moving-average method. (The balance sheet amount is written down based on the decrease of profit.)
- Raw materials and supplies: ············ Stated at cost determined mainly by the periodic average method, and by the first-in first-out method. (The balance sheet amount is written down based on the decrease of profit.)

2) Depreciation methods of significant non-current assets

i. Property, plant and equipment (excluding lease assets): ················ Declining-balance method (However, the straight-line method is principally applied to foreign consolidated subsidiaries, etc.)

Useful lives are principally as follows:
Buildings and structures: 7 to 50 years
Machinery, equipment and vehicles: 3 to 17 years

ii. Intangible assets (excluding lease assets) ································ Straight-line method

Depreciation periods are principally as follows:
Trademark right: 20 years
Software: 5 years (Usable life of internal use)
Technical assets: 15 years
Customer related assets: 8 to 17 years

iii. Lease assets

- Lease assets concerning finance leases that deem to transfer ownership of the leased property to the lessee: ············ Depreciated by the same depreciation method as applied to the Company’s own non-current assets
- Lease assets concerning finance ············ Depreciated by the straight-line method over

leases except those that deem to transfer ownership of the leased property to the lessee:	the lease terms as useful lives with no residual value.

3) Standards for accounting for significant reserves

i. Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount of possible losses from uncollectible receivables based on the actual loan loss ratio from bad debt for ordinary receivables and on the estimated recoverability for specific doubtful accounts.

ii. Provision for bonuses

To provide for the payment of bonuses to employees, the amount deemed necessary for employees’ bonuses in the consolidated fiscal year under review is posted based on the estimated amount of payment.

iii. Provision for directors' bonuses

To provide for the payment of bonuses to Directors, members of the Board, the amount deemed necessary for bonuses for Directors, members of the Board in the consolidated fiscal year under review is posted based on the estimated amount of payment.

iv. Provision for management board benefit trust

To provide for the award of the Company’s shares to Directors, members of the Board, etc. pursuant to the Policy on Directors' Stock Compensation, provision for management board benefit trust is posted based on the estimated amount of share award obligations at the consolidated balance sheet date.

4) Other significant items for presenting consolidated financial statements

i. Accounting standard for retirement benefits

To provide for the payment of retirement benefits to employees, the Company posts an amount equal to retirement benefit liability less the value of plan assets as net defined benefit liability, based on their projected amounts at the end of the consolidated fiscal year under review. When calculating retirement benefit liability, the method for allocating the projected amounts to periods up to the current consolidated fiscal year is a benefit formula basis.

Prior service cost is recognized as expenses and is amortized over a fixed number of years within the average remaining service period of current employees (10 years) using the straight-line method.

Actuarial gain/loss is recognized as expenses starting from the following consolidated fiscal year and is amortized in an amount calculated by the straight-line method over a fixed number of years within the average remaining service period of current employees (10 years).

(Additional information)

The Company and certain consolidated subsidiaries partially revised their retirement benefit plans effective October 1, 2016 in accordance with an agreement concluded on March 31, 2016 between labor and management.

In accordance with this revision, the Company and certain consolidated subsidiaries introduced a point system for a lump-sum retirement plan and a defined benefit corporate pension plan based on the employee's salary and years of service, and a part of the lump-sum retirement plan is transferred to a defined contribution pension plan.

For the accounting relating to this transfer, etc., we have adopted the “Guidance on Accounting for Transfers between Retirement Benefit Plans” (ASBJ Guidance No. 1, January 31, 2002) and the “Practical Solution on Accounting for Transfer between Retirement Benefit Plans” (ASBJ Practical Issues Task Force (PITF) No. 2, revised on February 7, 2007).

As a result, in the current consolidated fiscal year, the Company incurred past service cost (reduction of debt) of negative ¥1,126 million in line with the revision of the plan and posted gain on revision of retirement benefit plan under extraordinary income of ¥30 million as a result of the said transfer.

ii. Standard for translating major foreign-currency-denominated assets or liabilities into Japanese yen

Foreign-currency-denominated monetary claims and debts are translated into Japanese yen at the spot exchange rates in effect at the consolidated balance sheet date, and exchange differences are scored as profits/losses. Assets and liabilities of overseas consolidated subsidiaries, etc., are translated into Japanese yen at the spot exchange rates in effect at the balance sheet date of the relevant consolidated subsidiaries, etc., and earnings and expenses are translated into Japanese yen at the average exchange rate during the period, and exchange differences are included in foreign currency translation adjustments and non-controlling interests under net assets.

iii. Accounting for consumption taxes

Transactions subject to the consumption tax and the local consumption tax are recorded at amounts exclusive of the consumption tax.

iv. Method and period of amortization of goodwill

Goodwill is amortized equally within a period no more than 20 years that is decided on the basis of an estimate for the period during which its effect will be revealed.

v. Accounting treatment of convertible bond-type bonds with stock acquisition rights

Consideration of bonds is not distinguished from consideration of stock acquisition rights, and is therefore accounted for according to the issuance of straight bonds.

(5) Change in accounting policy

(Changes in the method of translating revenue and expenses of overseas consolidated subsidiaries, etc. into yen)

The revenue and expenses of the Company’s overseas consolidated subsidiaries, etc. were previously translated into yen at the spot exchange rates on the respective settlement dates of the consolidated subsidiaries. Effective from the current consolidated fiscal year, however, the Company has adopted a new method by which the revenue and expenses of overseas consolidated subsidiaries, etc. are translated into yen at the average exchange rate during the period. We adopted this change of method in order to more appropriately reflect the operating results of our overseas consolidated subsidiaries, etc. in the consolidated financial statements, in the expectation that the overseas net sales of the overseas consolidated subsidiaries, etc. will further grow in materiality in the future.

Given the 10-year retention period specified by the Company for documents and materials related to account settlement, it would be practically impossible to retroactively apply the change in general. Accordingly, the Company has retroactively applied a new method of translating the revenue and expenses of the overseas consolidated subsidiaries, etc. into yen at the average exchange rate during the period, effective from April 1, 2006.

As these changes in the accounting policies are retroactively applied, the cumulative effects of the retroactive application have been reflected in the book value of net assets at the beginning of the current consolidated fiscal year. As a result, the beginning balance of retained earnings for the consolidated statements of changes in net assets after retrospective application increased by ¥230 million and foreign currency translation adjustment decreased by the same amount.

(6) Additional information

(Application of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the current consolidated fiscal year, the Company has adopted the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

(Introduction of Board Benefit Trust (BBT))

The Company introduced a new stock compensation plan called the "Board Benefit Trust(BBT)" (hereinafter, the "Compensation Plan") for the directors, members of the board and corporate officers of the Company, and for part of the directors of the Company's subsidiaries (hereinafter together, the "Directors"), based on a resolution at the Ordinary General Meeting of Shareholders for the 97th Business Term held on June 17, 2016.

1) Summary of transaction

The Compensation Plan is a stock compensation plan whereby shares in the Company are acquired through a trust using funds contributed by the Company, and shares in the Company and cash equivalents of such shares at their market value (hereinafter together, "Company Shares") are paid through the Trust to the Directors pursuant to the Policy on Directors' Stock Compensation (hereinafter, the "Policy") established by the Company and its subsidiaries. The time for Directors to receive payments of Company Shares shall in principle be the payment date set out in the Policy which follows the date within the designated period in the three fiscal years set out in the Policy on which the designated Beneficiary Confirmation Procedures set out in the Policy are carried out, or the date on which the Directors retire, whichever is the earliest.

2) The Company's own shares remaining in the trust

The Company shares remaining in the trust are recorded at book value (excluding incidental expenses) in the trust as treasury shares in net assets. The book value and number of Company shares as treasury shares were ¥190 million and 71,000, respectively, as of March 31, 2017.

2. Notes to the Consolidated Balance Sheets

(1) Accumulated depreciation concerning assets
Accumulated depreciation on property, plant and equipment: ¥72,553 million

(2) Guarantee liabilities
Discount on notes receivable-trade: ¥87 million

3. Notes to the Consolidated Statements of Changes in Net Assets

(1) Items concerning shares issued

Type of stock	Beginning balance	Increase	Decrease	Ending balance
Common stock (Thousand Shares)	45,029	1,792	－	46,822

(Major causes for changes)
Breakdown of increases is as follows.

	(Thousand Shares)
Issuance of new shares resulting from the exercise of stock acquisition rights	1,792

(2) Items concerning dividends

1) Dividends paid

Resolution	Type of stock	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders held on June 17, 2016	Common stock	643	15.00	March 31, 2016	June 20, 2016
Board of Directors Meeting held on November 7, 2016	Common stock	652	15.00	September 30, 2016	December 2, 2016
Total		1,295			

(Note) The total amount of dividends based on a resolution of the Board of Directors meeting held on November 7, 2016 includes ¥1 million paid to Trust & Custody Services Bank, Ltd. (Trust E Account) as dividends on Company shares it holds.

2) Of dividends whose base dates belong to the consolidated fiscal year under review, dividends that take effect in the following consolidated fiscal year

Resolution	Type of stock	Dividend resource	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders to be held on June 16, 2017	Common stock	Retained earnings	700	15.00	March 31, 2017	June 19, 2017

(*) The total amount of dividends to be distributed and the dividend per share are stated as a proposal in the Reference Materials for the General Meeting of Shareholders.

(3) Stock acquisition rights

Name of company	Itemization	Type of stock	Number of shares (Thousand Shares)				Balance (Millions of Yen)
			Beginning balance	Increase	Decrease	Ending balance	
Submitting company	Zero Coupon Convertible Bonds due 2021 (bonds with stock acquisition rights) (issued on March 7, 2016)	Common stock	9,052	−	3,730	5,322	(Notes)

(Notes)
1. A convertible bonds with stock acquisition rights are accounted for by the all-inclusive method.
2. The number of shares is stated as the number of shares on the assumption that stock acquisition rights have been exercised.
3. The decrease in Zero Coupon Convertible Bonds due 2021 (bonds with stock acquisition rights) (issued on March 7, 2016) is a result of the exercise of stock acquisition rights.

(4) Treasury shares

Type of stock	Beginning balance	Increase	Decrease	Ending balance
Common stock (Thousand Shares)	2,117	71	2,008	179

(Note) The ending balance of treasury shares of common stock includes 71 thousand Company shares held by Trust & Custody Services Bank, Ltd. (Trust E Account) as trust assets in the Board Benefit Trust (BBT).

(Major causes of the changes)

Breakdown of increases is as follows.

	(Thousand Shares)
Purchase of shares of less than one unit	0
Acquisition of Company shares by (Trust E Account)	71

Breakdown of decreases is as follows.

	(Thousand Shares)
Disposal resulting from the exercise of stock acquisition rights	1,937
Disposal of Company shares to (Trust E Account)	71

4. Notes to Financial Instruments

(1) Items concerning the status of financial instruments

1) Financial instrument guidelines

The Company Group focuses on highly safe financial assets in its fund management, and procures funds mainly through borrowings from banks and issuance of bonds. It carries out optimum fund procurements at each time while giving full consideration to the management environment. The Company Group uses derivative transactions to hedge foreign exchange risk, and does not enter into derivative transactions for speculative purposes.

2) Details and risks of financial instruments

Notes and accounts receivable are exposed to credit risk of customers. As operating receivables denominated in foreign currencies, which arise from global business development, are exposed to the risk of fluctuating foreign exchange risk, for some of them, the Company Group uses forward exchange contracts to hedge against such risk.

Securities and investment securities mostly consist of stock of companies with which the Company has business relationships. Stock trading in markets is exposed to the risk of fluctuating market prices.

Notes payable, accounts payable, and accrued expenses are all due within one year. Although some of these are denominated in foreign currencies and are exposed to foreign exchange risk, they are kept constantly within the scope of the outstanding balance of accounts receivable respectively denominated in the same foreign currencies.

Borrowings and bonds are used to procure funds for operational transactions, capital expenditures, and loans and investment. Borrowings are exposed to the risk of fluctuating interest rates because most of them are borrowed at variable interest rates.

3) Financial instrument risk control structure

The credit status of major customers is assessed periodically through the management of due dates and outstanding balance by customer in accordance with Credit Management Regulations.

The Company Group uses forward exchange contracts to hedge foreign exchange risk associated with operating receivables/payables denominated in foreign currencies.

The operation and management of derivative transactions are conducted by the finance division in accordance with Exchange Contract Management Regulations. The status of transactions is reported quarterly to Chief Financial Officer.

The finance division periodically assesses the fair value of securities and investment securities and the financial status, etc., of their issuers.

The finance division manages liquidity risk concerning fund procurement by preparing and/or updating fund management plans in a timely manner.

(2) Items concerning fair value, etc., of financial instruments

Book value, fair value, and net unrealized gains/losses as of March 31, 2017 (consolidated balance sheet date of the current term) are as follows. Those whose fair value is difficult to assess are not included in the following table. (Refer to Note 2.)

(Millions of Yen)

	Book value	Fair value	Net unrealized gains/losses
(1) Cash and deposits	22,204	22,204	—
(2) Notes and accounts receivable-trade	28,284	28,284	—
(3) Consumption taxes receivable	2,594	2,594	—
(4) Securities and investment securities			
1) Held-to-maturity debt securities	33	33	—
2) Available-for-sale securities	12,905	12,905	—
Total assets	66,021	66,021	—
(1) Notes and accounts payable-trade	24,872	24,872	—
(2) Short-term borrowings	20,294	20,294	—
(3) Accrued expenses	5,263	5,263	—
(4) Accrued income taxes	484	484	—
(5) Bonds payable	11,760	14,641	2,881
(6) Long-term loans payable (*)	14,527	13,658	(868)
(7) Lease liabilities	2,028	1,827	(201)
Total liabilities	79,232	81,043	1,811

(*) Includes the current portion of long-term loans payable.

(Note 1) Items concerning method of calculating fair values of financial instruments and securities

Assets

(1) Cash and deposits

(2) Notes and accounts receivable-trade

(3) Consumption taxes receivable

Because these are settled within a short period, fair value is almost the same as book value. Therefore, fair value is based on the relevant book value.

(4) Securities and investment securities

Because securities are settled within a short period, fair value is almost the same as book value. Therefore, fair value is based on the relevant book value. Fair values of investment securities are based on the market prices.

Notes concerning securities by purpose of holding are as follows:

1) Held-to-maturity debt securities (March 31, 2017)

(Millions of Yen)

Classification	Amount on consolidated balance sheets	Fair value	Net unrealized gains/losses
Securities with fair value exceeding the amount on consolidated balance sheets Other	—	—	—
Subtotal	—	—	—
Securities with fair value not exceeding the amount on consolidated balance sheets Other	33	33	—
Subtotal	33	33	—
Total	33	33	—

2) Available-for-sale securities (March 31, 2017)

(Millions of Yen)

Classification	Amount on consolidated balance sheets	Acquisition cost	Net unrealized gains/losses
Securities with amount on consolidated balance sheets exceeding acquisition cost			
Stock	12,504	1,587	10,917
Subtotal	12,504	1,587	10,917
Securities with amount on consolidated balance sheets not exceeding acquisition cost			
Stock	400	401	(1)
Subtotal	400	401	(1)
Total	12,905	1,989	10,916

Liabilities

(1) Notes and accounts payable-trade

(2) Short-term borrowings

(3) Accrued expenses

(4) Accrued income taxes

Because these are settled within a short period, fair value is almost the same as book value. Therefore, fair value is based on the relevant book value.

(5) Bonds payable

Fair value is estimated at present value, which is calculated by discounting principal at a rate considering the remaining terms and a rate adjusted for credit risk.

(6) Long-term loans payable

Fair value is calculated by discounting principal and interest at a rate assumed to be applied to a new similar borrowing.

(7) Lease liabilities

Fair value is estimated at present value, which is calculated by discounting principal and interest at a rate assumed to be applied to a new similar lease transaction.

(Note 2) Financial instruments whose fair value is deemed to be very difficult to assess

(Millions of Yen)

Classification	Book value
Unlisted stock	676
Other	565
Total	1,242

The aforementioned financial instruments are not included among “(4) Securities and investment securities” because they have no market prices and it is deemed to be very difficult to assess their fair values. Impairment losses were recognized for the aforementioned unlisted stocks in the consolidated fiscal year under review and a loss on valuation of investment securities of ¥588 million was posted.

(Note 3) Projected redemption amounts for monetary claims with maturities after the consolidated settlement date

(Millions of Yen)

	Within one year
Cash and deposits	22,204
Notes and accounts receivable	28,284
Securities	33
Consumption taxes receivable	2,594
Total	53,115

(*) Investment securities are not presented because there are no investment securities with maturities.

(Note 4) Projected repayment amounts of bonds payable, long-term loans payable, lease liabilities and other interest-bearing liabilities after the consolidated settlement date

(Millions of Yen)

	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Short-term borrowings	20,294	—	—	—	—	—
Bonds payable	—	—	—	11,760	—	—
Long-term loans payable	1,448	1,508	1,493	1,746	8,325	4
Lease liabilities	268	240	178	140	113	1,087
Total	22,011	1,749	1,672	13,647	8,439	1,091

5. Notes to Per Share Information

Net assets per share ¥1,594.70

Basic loss per share ¥169.10

Diluted earnings per share for the current consolidated fiscal year are not presented because the Company reported basic loss per share, although there are potential common shares with dilutive effects.

6. Other Notes (Notes to impairment loss)

The Company Group has recognized impairment losses on the following classes of assets for the consolidated fiscal year under review.

(1) Overview of assets or asset group recorded impairment losses

(Millions of Yen)

Use	Location	Type	Impairment loss
Manufacturing facilities	Tsu, Mie Pref.	Buildings and structures	151
		Machinery, equipment and vehicles	1
Manufacturing facilities	Koka, Shiga Pref.	Buildings and structures	24
		Machinery, equipment and vehicles	3
Manufacturing facilities	Himeji, Hyogo Pref.	Machinery, equipment and vehicles	50
Manufacturing facilities	Kaga, Ishikawa Pref.	Buildings and structures	14
Idle asset	São Paulo state, Brazil	Construction in progress	3
Total			249

(2) Factors leading to the recognition of impairment losses

With regard to assets to be disposed of and idle assets not expected to be used in the future, the Company Group wrote down their book values to recoverable amounts and recorded the reduced amounts as impairment losses in extraordinary losses for the current consolidated fiscal year.

(3) Assets grouping method

The business assets of the Company Group are grouped based on the business segment used for monitoring operations for management accounting purposes. However, assets to be disposed of (assets to be disposed of by disposal or sale, etc.) and idle assets are grouped on an individual basis.

(4) Method of evaluating recoverable amounts

The recoverable amounts of the assets to be disposed of and idle assets were measured based on a net realizable value and evaluated based on memorandum value.

7. Other Notes (Notes to business combinations)

Business combination by acquisition

Business combination with Graphic Controls Holdings, Inc.

(1) Overview of the business combination

1) Name of acquired company and description of its business

Name of the acquired company	Graphic Controls Holdings, Inc.
Description of business	Corporate planning and management of subsidiaries that engages in the production and sales of medical devices, consumable medical products, etc., and its group companies, and ancillary or related businesses to the above

2) Major reason for the business combination

In its Fifth Medium-term Business Plan for three years announced in April 2015, the Company has established its medium-term vision as: "We will acquire and merge new core technologies into printing technologies and completely reorganize our business portfolio in global growth markets." Due to increasing volatility in product demand and price reduction pressures for products and services in the consumer electronics industry, which includes the Company's mainstay smartphone and tablet devices, the Company is seeking to diversify its business and establish a foundation that can secure sustained sales growth and stable profits. Within its Fifth Medium-term Business Plan, the Company has identified M&A as one important tool to diversify its business portfolio. As part of its M&A strategy, the Company has promoted research and study in the medical market as a high potential target market, which is expected to grow on a global basis.

Graphic Controls Group is a medical devices and consumables manufacturer headquartered in the United States. Since its founding in 1909, it has applied its convening and printing technologies to business media and medical devices. In its main medical devices business, Graphic Controls Group manufactures and sells its own brand products to medical institutions such as hospitals, while also providing contract manufacturing services for major medical device manufacturers.

The medical devices and consumables sector in which the Graphic Controls Group is involved is forecast to grow on a global basis, against a backdrop of an increasingly aging society and proliferation of preventative medicine. Additionally, there is an increasing trend for major medical device manufacturers to focus on research and development and outsource the manufacture of medical devices to contract manufacturing providers. Accordingly, Graphic Controls Group is expected to demonstrate steady growth in the future in both its branded medical products and medical device contract manufacturing businesses.

This acquisition will provide the Company a broad product portfolio of medical devices and consumables, manufacturing capabilities for medical devices, and global sales channels to expand its business in the medical devices and consumables sector. Moving forward, the Company will utilize Graphic Controls Group as a platform to expand its business in the medical market, while creating a balanced business portfolio with its existing consumer electronics business. Additionally, Graphic Controls Group products, such as mainstay patient monitoring disposable electrodes and medical surgical consumables, and manufacturing capabilities, such as converting technologies, patterning formation on film and injection molding, have high compatibility with the Company's core technologies. This allows for acceleration of initiatives including production efficiency improvement and new product development over the medium term by integrating the core technologies of both companies.

3) Date of business combination

September 2, 2016

4) Legal form of business combination

Share acquisition in consideration of cash

5) Name of the company after the combination
Graphic Controls Holdings, Inc.

6) Ratio of voting rights acquired
97.1%

7) Grounds for determining an acquiring company
The Company's subsidiary acquired 97.1% of the voting rights resulting from a share acquisition in consideration of cash.

(2) The period for which the results of the acquired company are included in the consolidated financial statements
From September 2, 2016 to December 31, 2016
Though the balance sheet date of the acquired company is different from the consolidated balance sheet date, the Company has prepared consolidated financial statements based on the closing figures of the subsidiary because the difference of the balance sheet date of the subsidiary and the consolidated balance sheet date is within three months.

(3) Acquisition costs of the acquired company and related details for each consideration for acquisition

Consideration for acquisition	Cash	¥14,192 million
Acquisition costs		¥14,192 million

(4) Details and amount of major acquisition-related expenses
Remuneration, fees, etc. paid to BDA Partners ¥164 million

(5) Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

1) Amount of goodwill incurred
¥12,398 million

2) Reasons for the goodwill incurred
Goodwill incurred from expected excess earnings power in the future arising from further business development.

3) Method and period of amortization
Goodwill is amortized equally over 20 years.

(6) Assets received and liabilities undertaken on the date of the business combination, and the breakdown thereof

Current assets	¥6,353 million
Non-current assets	¥9,565 million
Total assets	¥15,919 million
Current liabilities	¥1,687 million
Non-current liabilities	¥12,373 million
Total liabilities	¥14,061 million

Business combination by acquisition
Business combination with Schuster Kunststofftechnik GmbH and Back Stickers GmbH

(1) Overview of the business combination

1) Name of acquired company and description of its business
Name of the acquired company Schuster Kunststofftechnik GmbH (hereinafter, "Schuster")

Description of business	Production and sales of plastic molded components used for automotive peripheral components and interior & exterior components
Name of the acquired company	Back Stickers GmbH (hereinafter, “Back Stickers”)
Description of business	Production and sales of decorative films used for automotive peripheral components and interior & exterior components

2) Major reason for the business combination

In the Company’s Fifth Medium-term Business Plan implemented since April 2015, the Company has established its medium-term vision as: “We will acquire and merge new core technologies into printing technologies and completely reorganize our business portfolio in global growth markets.” Due to normalized volatility in product demand and price reduction pressures for products and services in the consumer electronics industry, which includes the Company’s mainstay smartphone and tablet devices, the Company thinks it is necessary to diversify its business and establish a foundation that can secure sustained sales growth and stable profits. Within its Fifth Medium-term Business Plan, the Company has identified M&A as one of the important methods to diversify its business portfolio. As part of its M&A strategy, the Company has been aiming to enter into new markets, promote vertical integration and acquire new core technologies.

The Company’s Industrial Materials business unit aims to expand the printing-related materials field following the acquisition of metallized paper-related business in August 2015, and to widen the scope in the automotive field which is expected to grow on a global basis and is designated as a key market.

The Industrial Materials business unit is improving product line-ups and building supply chains adapting to the needs of our automotive customers. As the supply chains of the automotive market are spread in all parts of the world, the Industrial Materials business unit has expanded molding production bases in Southeast Asia, USA and Mexico so far, shifting toward a business model based on local production and consumption rather than exports. Through this acquisition, the Company will gain manufacturing bases in Europe which is important to the automotive market complimenting its existing networks in Asia, North America, and Central and South America.

Schuster, and Back Stickers and its group companies (hereinafter, the “Back Stickers Group”), have decoration technologies which supplement mutually the Company’s existing decoration technologies. In addition, their production know-how is class leading. Furthermore, they have established strong customer relations with a focus on the major automotive manufacturers in Europe.

In the future, the Company is planning to integrate Schuster and the Back Stickers Group decoration technology, production know-how and sales channels with the Company’s existing network for the purpose of expanding its business in the automotive market.

3) Date of business combination

October 31, 2016

4) Legal form of business combination

Share acquisition in consideration of cash

5) Name of the company after the combination

Schuster Kunststofftechnik GmbH
Back Stickers GmbH

6) Ratio of voting rights acquired

100%

7) Grounds for determining an acquiring company

The Company’s subsidiary acquired 100% of the voting rights resulting from a share acquisition in consideration of cash.

(2) The period for which the results of the acquired company are included in the consolidated financial statements

From November 1, 2016 to December 31, 2016

Though the balance sheet date of the acquired company is different from the consolidated balance sheet date, the Company has prepared consolidated financial statements based on the closing figures of the subsidiary because the difference of the balance sheet date of the subsidiary and the consolidated balance sheet date is within three months.

(3) Acquisition costs of the acquired company and related details for each consideration for acquisition

Consideration for acquisition	Cash	¥2,160 million
Acquisition costs		¥2,160 million

(4) Details and amount of major acquisition-related expenses

Remuneration, fees, etc. paid to Oaklins Angermann AG	¥43 million

(5) Amount of goodwill incurred, reasons for goodwill incurred, and the method and period of amortization

1) Amount of goodwill incurred

¥564 million

2) Reasons for goodwill incurred

Goodwill incurred from expected excess earnings power in the future arising from further business development.

3) Method and period of amortization

Goodwill is amortized equally over 20 years.

(6) Assets received and liabilities undertaken on the date of the business combination, and the breakdown thereof

Current assets	¥1,829 million
Non-current assets	¥1,912 million
Total assets	¥3,741 million
Current liabilities	¥1,322 million
Non-current liabilities	¥823 million
Total liabilities	¥2,145 million

Settlement of provisional accounting treatment for business combination

The business combination with Málaga Produtos Metalizados Ltda. dated December 30, 2015 was accounted for on a provisional basis in the previous consolidated fiscal year but is settled in the current consolidated fiscal year. The amount of goodwill has not been changed.

Non-consolidated Statements of Changes in Net Assets

(From April 1, 2016 to March 31, 2017)

(Millions of Yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings
Balance at the beginning of current period	5,684	7,115	240	7,355	1,230	28,766	8,207	38,203
Changes of items during the period								
Issuance of new shares	1,980	1,980		1,980				
Dividends of surplus							(1,295)	(1,295)
Loss							(1,807)	(1,807)
Purchase of treasury shares								
Disposal of treasury shares			1,689	1,689				
Increase due to sales of shares of subsidiaries							93	93
Net changes of items other than shareholders' equity								
Total changes of items during the period	1,980	1,980	1,689	3,669	—	—	(3,009)	(3,009)
Balance at the end of current period	7,664	9,095	1,930	11,025	1,230	28,766	5,198	35,194

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	(2,931)	48,312	4,839	4,839	53,152
Changes of items during the period					
Issuance of new shares		3,960			3,960
Dividends of surplus		(1,295)			(1,295)
Loss		(1,807)			(1,807)
Purchase of treasury shares	(191)	(191)			(191)
Disposal of treasury shares	2,781	4,470			4,470
Increase due to sales of shares of subsidiaries		93			93
Net changes of items other than shareholders' equity			2,825	2,825	2,825
Total changes of items during the period	2,589	5,229	2,825	2,825	8,055
Balance at the end of current period	(341)	53,542	7,665	7,665	61,207

(Note: Amounts are rounded down to the nearest million yen.)

Notes to Non-consolidated Financial Statements

1. Notes to Items Concerning Significant Accounting Policies

(1) Standards and methods of valuation of assets

1) Securities

i. Held-to-maturity debt securities — Stated at the amortized cost determined by the straight-line method.

ii. Stocks of subsidiaries and affiliates — Stated at cost determined by the moving-average method.

iii. Available-for-sale securities

Available-for-sale securities with market values: — Stated at fair value based on market prices as of the balance sheet date.

(Differences in valuation are included directly in net assets and the cost of securities sold is determined based on the moving-average method.)

Available-for-sale securities without market values: — Stated at cost determined by the moving-average method.

2) Derivatives — Stated at fair value.

3) Inventories

-Finished products (excluding Decorative Film products, etc. of Industrial Materials) and work in process: ………… Stated at cost determined by the specific identification method.
(The balance sheet amount is written down based on the decrease of profit.)

-Finished products (Decorative Film products, etc. of Industrial Materials) ………… Stated at cost determined by the moving-average method.
(The balance sheet amount is written down based on the decrease of profit.)

-Raw materials and supplies: ………… Stated at cost determined mainly by the periodic average method.
(The balance sheet amount is written down based on the decrease of profit.)

(2) Depreciation methods of non-current assets

1) Property, plant and equipment (excluding lease assets): ………

Declining-balance method
Useful lives are principally as follows:
Buildings and structures: 7 to 50 years
Machinery, equipment and vehicles: 4 to 10 years

2) Intangible assets (excluding lease assets) ………………………

Straight-line method
Depreciation periods are principally as follows:
Software: 5 years (Usable life of internal use)

3) Lease assets

- Lease assets concerning finance leases except those that deem to transfer ownership of the leased property to the lessee: ………… Depreciated for by the straight-line method over the lease terms as useful lives with no residual value.

(3) Standards of accounting for significant reserves

1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount of possible losses from uncollectible receivables based on the actual loan loss ratio from bad debt for ordinary receivables and on the estimated recoverability for specific doubtful receivables.

2) Provision for bonuses

To provide for the payment of bonuses to employees, the amount deemed necessary for employees' bonuses in the fiscal year under review is posted based on the estimated amount of payment.

3) Provision for directors' bonuses

To provide for the payment of bonuses to Directors, members of the Board, the amount deemed necessary for bonuses for Directors, members of the Board in the fiscal year under review is posted based on the estimated amount of payment.

4) Provision for management board benefit trust

To provide for the award of the Company's shares to Directors, members of the Board, etc. pursuant to the Policy on Directors' Stock Compensation, provision for management board benefit trust is posted based on the estimated amount of share award obligations at the balance sheet date.

5) Liability for retirement benefits

To provide for the payment of retirement benefits to employees, the Company posts an amount that is deemed to have accrued at the end of the fiscal year under review, based on projected benefit liability and plan assets at the end of the fiscal year under review. When calculating retirement benefit liability, the method for allocating the projected amounts to periods up to the current fiscal year is a benefit formula basis.

Prior service cost is recognized as expenses starting from the fiscal year in which such cost was incurred and is amortized over a fixed number of years within the average remaining service period of current employees (10 years) using the straight-line method.

Actuarial gain/loss is recognized as expenses starting from the following fiscal year and is amortized over a fixed number of years within the average remaining service period of current employees (10 years) using the straight-line method.

(4) Other items of basis of presenting non-consolidated financial statements

1) Accounting for retirement benefits

The accounting method adopted for unrecognized actuarial gain/loss and the unamortized amount of unrecognized prior service cost in the non-consolidated financial statements differs from the accounting method for the same items in the consolidated financial statements.

(Additional information)

The Company partially revised their retirement benefit plans effective October 1, 2016 in accordance with an agreement concluded on March 31, 2016 between labor and management.

In accordance with this revision, the Company introduced a point system for a lump-sum retirement plan and a defined benefit corporate pension plan based on the employee's salary and years of service, and a part of the lump-sum retirement plan is transferred to a defined contribution pension plan.

For the accounting relating to this transfer, etc., we have adopted the "Guidance on Accounting for Transfers between Retirement Benefit Plans" (ASBJ Guidance No. 1, January 31, 2002) and the "Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (ASBJ Practical Issues Task Force (PITF) No. 2, revised on February 7, 2007).

As a result, in the current fiscal year, the Company incurred past service cost (reduction of debt) of negative ¥794 million in line with the revision of the plan and posted gain on revision of retirement benefit plan under extraordinary income of ¥19 million as a result of the said transfer.

2) Accounting for consumption tax

Transactions subject to the consumption tax and the local consumption tax are recorded at amounts exclusive of the consumption tax.

3) Accounting treatment of convertible bond-type bonds with stock acquisition rights

Consideration of bonds is not distinguished from consideration of stock acquisition rights, and is therefore accounted for according to the issuance of straight bonds.

2. Additional Information

(Application of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the current fiscal year, the Company has adopted the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

(Introduction of the Board Benefit Trust (BBT))

Notes are omitted herein since the same information is provided in “Notes to Consolidated Financial Statements, 1. Basis of Presenting Consolidated Financial Statements, (6) Additional information.”

3. Notes to the Non-consolidated Balance Sheets

(1) Accumulated depreciation concerning assets

Accumulated depreciation on property, plant and equipment:	¥21,564 million

(2) Guarantee liabilities

1) Guarantee liabilities ¥3,026 million

The Company guarantees electronically recorded obligations and factoring debts of subsidiaries and affiliates.

2) Discount on notes receivable-trade: ¥87 million

(3) Monetary claims receivable from and monetary debts payable to subsidiaries and affiliates

Short-term monetary claims	¥13,495 million
Long-term monetary claims	¥9,101 million
Short-term monetary debts	¥3,267 million

(4) Monetary debts payable to Directors, members of the Board and Audit & Supervisory Board Members ¥56 million

Long-term monetary debts payable to Directors, members of the Board and Audit & Supervisory Board Members are liabilities concerning amounts equivalent to payments of retirement allowances to each of them, corresponding to the period up until the day the Company terminated its unfunded retirement allowance plan for Directors, members of the Board and Audit & Supervisory Board Members. They are included in “Other” under Long-term liabilities.

4. Notes to the Non-consolidated Statements of Income

(1) Transactions with subsidiaries and affiliates

Operating transactions	
Net sales	¥7,148 million
Purchases	¥50,165 million
Non-operating transactions	¥2,246 million

(2) Gain on sales of shares of subsidiaries and associates

Gain on sales of shares of subsidiaries and associates arefor the partial sales of stock of Nissha Printing Communications, Inc., a consolidated subsidiary of the Company.

(3) Loss on valuation of shares of subsidiaries and associates

Loss on valuation of shares of subsidiaries and associates is for stock of SiMICS Co., Ltd., a consolidated subsidiary of the Company, and TPK Film Solutions Limited, a company accounted for by the equity method.

5. Notes to the Non-consolidated Statements of Changes in Net Assets

(1) Treasury shares

Type of stock	Beginning balance	Increase	Decrease	Ending balance
Common stock (Thousand Shares)	2,117	71	2,008	179

(Note) The ending balance of treasury shares of common stock includes 71 thousand Company shares held by Trust & Custody Services Bank, Ltd. (Trust E Account) as trust assets in the Board Benefit Trust (BBT).

(Major causes of the changes)

Breakdown of increases is as follows.

	(Thousand Shares)
Purchase of shares of less than one unit	0
Acquisition of Company shares by (Trust E Account)	71

Breakdown of decreases is as follows.

	(Thousand Shares)
Disposal resulting from the exercise of stock acquisition rights	1,937
Disposal of Company shares to (Trust E Account)	71

6. Notes to Tax Effect Accounting

Significant cause-specific components of deferred tax assets and deferred tax liabilities

1) Current

Deferred tax assets	Inventories	¥159 million
	Allowance for doubtful accounts	¥34 million
	Provision for bonuses	¥184 million
	Tax loss carried forward	¥315 million
	Other	¥228 million
	Subtotal deferred tax assets	¥922 million
	Less valuation allowance	(¥— million)
Total deferred tax assets		¥922 million

2) Non-current

Deferred tax assets	Depreciation	¥551 million
	Impairment loss	¥613 million
	Investment securities	¥527 million
	Stocks of subsidiaries	¥905 million
	Allowance for doubtful accounts	¥843 million
	Liability for retirement benefits	¥768 million
	Tax loss carried forward	¥4,371 million
	Other	¥240 million
	Subtotal deferred tax assets	¥8,823 million
	Less valuation allowance	(¥8,715 million)
	Total deferred tax assets	¥107 million
Deferred tax liabilities	Unrealized gain on available-for-sale securities	(¥3,258 million)
	Stocks of subsidiaries	(¥683 million)
	Total deferred tax liabilities	(¥3,942 million)
Net deferred tax assets (liabilities)		(¥3,835million)

7. Notes to Related Party Transactions

Type	Company name	Ownership (owned) percentage	Relationship	Description of transaction	Transaction amount (Millions of Yen)	Items	Balance at the end of the fiscal year (Millions of Yen)
Subsidiaries	Nitec Industries, Inc.	(Owning) 100%	Manufacturing of products of the Company	Purchase of products	12,168	Accounts payable-trade	1,217
				Collection of funds	1,793	Short-term loans receivable	142
						Long-term loans receivable	4,382
	Nitec Precision and Technologies, Inc.	(Owning) 100%	Manufacturing of products of the Company	Purchase of products	34,796	Accounts payable-trade	1,251
				Lease of real estate assets	654	—	—
				Loan guarantees	2,628	—	—
				Lending of funds	3,676	Short-term loans receivable	6,295
						Long-term loans receivable	3,600

Transaction condition and policy for deciding transaction condition

(Notes):
1. Offset elimination processing is conducted for onerous transactions of materials in the Non-consolidated Statements of Income.
2. The purchase of products and others are decided in consideration of market prices.
3. The lending of funds is decided in consideration of market prices. The provision of collateral is not allowed.
4. An allowance for doubtful accounts of ¥1,990 million is posted with regard to the funding of Nitec Industries, Inc. A reversal of allowance for doubtful accounts for subsidiaries and associates of ¥1,446 million was posted for the fiscal year under review.
5. A loan guarantee was offered to electronically recorded monetary obligations and factoring obligations.
6. Consumption taxes are not included in the transaction amount. They are included in the balance at the end of the fiscal year.

8. Notes to Per Share Information

Net assets per share	¥1,312.29
Basic loss per share	¥41.24

Diluted earnings per share for the current fiscal year are not presented because the Company reported basic loss per share, although there are potential common shares with dilutive effects.

9. Other Notes (Notes to impairment loss)

The Company has recognized impairment losses on the following classes of assets for the fiscal year under review.

(1) Overview of assets or asset group recorded impairment losses

(Millions of Yen)

Use	Location	Type	Impairment loss
Manufacturing facilities	Koka, Shiga Pref.	Buildings	23

(2) Factors leading to the recognition of impairment losses

With regard to assets to be disposed of, the Company wrote down their book values to recoverable amounts and recorded the reduced amounts as impairment losses in extraordinary losses for the current fiscal year.

(3) Assets grouping method

The business assets of the Company are grouped based on the business segment used for monitoring operations for management accounting purposes. However, assets to be disposed of (assets to be disposed of by disposal or sale, etc.) and idle assets are grouped on an individual basis.

(4) Method of evaluating recoverable amounts

The recoverable amounts of the assets to be disposed were measured based on a net realizable value and evaluated based on memorandum value.