NISSHA

Consolidated Financial Results
for the Nine Months Ended December 31, 2016
[Japanese GAAP]

February 9, 2017

Company name: Nissha Printing 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
Contact: Hayato Nishihara, Senior Executive Vice President, CFO, Member of the Board
Phone: +81-75-811-8111
Scheduled date of filing quarterly securities report: February 10, 2017
Scheduled date of commencing dividend payments: -
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 Nine Months Ended December 31, 2016 (April 1, 2016 to December 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2016	81,839	(5.3)	(1,630)	－	(2,272)	－	(3,355)	－
Nine months ended December 31, 2015	86,439	(9.1)	8,350	(19.1)	8,580	(40.5)	7,620	(38.7)

(Note) Comprehensive income: Nine months ended December 31, 2016: ¥(3,878) million (–%)
Nine months ended December 31, 2015: ¥6,894 million ((48.4)%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2016	(77.58)	－
Nine months ended December 31, 2015	177.57	－

(Note) Since a new accounting method is retroactively applied in accordance with changes in accounting policies, the consolidated operating results for the nine months ended December 31, 2015 are stated to reflect the retroactive application.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2016	168,874	68,158	40.2
As of March 31, 2016	156,107	70,096	44.9

(Reference) Equity: As of December 31, 2016: ¥67,931 million
As of March 31, 2016: ¥70,096 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, 2016	–	15.00	–	15.00	30.00
Fiscal year ending March 31, 2017	–	15.00	–		
Fiscal year ending March 31, 2017 (Forecast)				15.00	30.00

(Note) Revision of cash dividend forecast: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	118,000	(1.5)	(2,000)	–	(3,500)	–	(5,000)	–	(112.94)

(Note) Revision of consolidated financial results forecast: Yes
Changes from the previous corresponding period are calculated using figures that have reflected the retroactive application in accordance with the changes in accounting policies.

Notes:

(1) Changes in significant subsidiaries during the period under review: Yes

(Changes in specified subsidiaries resulting in changes in scope of consolidation):

New: 1 (Graphic Controls Acquisition Corp.), Exclusion: 1 (Nissha Luxembourg Holdings SARL)

(Note) For details, please see “2. Matters regarding the Summary Information (Notes) (1) Changes in significant subsidiaries during the period under review” on page 7 of the appendix.

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

(Note) For details, please see “2. Matters regarding the Summary Information (Notes) (2) Adoption of special accounting treatment for preparing quarterly consolidated financial statements” on page 7 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: Yes

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 December 31, 2016	45,029,493 shares
As of March 31, 2016	45,029,493 shares

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

As of December 31, 2016	759,203 shares
As of March 31, 2016	2,117,034 shares

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

Nine months ended December 31, 2016	43,247,334 shares
Nine months ended December 31, 2015	42,912,822 shares

(Note) The Company has introduced a “Board Benefit Trust (BBT)” from the second quarter ended September 30, 2016. The Company’s own shares in the trust recorded as treasury shares under shareholders’ equity are included in the treasury shares to be deducted when calculating the average number of shares during the period for the purpose of determining basic earnings or loss per share.

<u>* Presentation regarding the implementation status of the quarterly review process</u>

This report on quarterly financial results is exempted from quarterly review process under the Financial Instruments and Exchange Act. Review process for quarterly financial statements under the Financial Instruments and Exchange Act have not been completed at the time of disclosure of this report.

<u>* Explanation of the proper use of financial results forecast and other notes</u>

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 Thursday, February 9, 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 first quarter ended June 30, 2016, we have changed a method of translating revenue and expenses of overseas consolidated subsidiaries and others into yen. Since a new accounting method is retroactively applied in accordance with changes in accounting policies, the current consolidated results are compared and analyzed with the previous corresponding results that have reflected the retroactive application.

In addition, allocation of acquisition costs, which was provisionally calculated in the nine months ended December 31, 2015, related to business combination with Nissha Luxembourg Holdings SARL (it was liquidated on September 16, 2016) and AR Metallizing N.V. (a business company previously under the control of Nissha Luxembourg Holdings SARL) and the group companies of AR Metallizing N.V. has been completed in the fiscal year ended March 31, 2016.

Therefore, the current consolidated results are compared and analyzed with the previous corresponding results that have reflected the above adjustments.

(1) Explanation of operating results

Reflecting on the global economy in the nine months ended December 31, 2016, 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 gradually slowed down despite partial signs of recovery. As for Japan, the economy held steady on an ongoing moderate recovery trend but uncertainty over overseas economies, foreign exchange fluctuations and other factors have fueled growing opacity for the future.

Under these circumstances, in accordance with the strategy of the Fifth Medium-term Business Plan starting from April 1, 2015, the Nissha Group has been in a rush to establish a business base that enables a continuous and stable revenue stream, by expanding new business fields such as automotive components, metallized paper and medical devices and increasing its overseas production ratio in order to develop its tolerance to foreign exchange fluctuations. Despite these efforts, the Nissha Group currently could not attain the previous estimate primarily due to sluggish demand for products in existing fields and the impact of foreign exchange fluctuations.

As a result, the net sales for the nine months ended December 31, 2016 were ¥81,839 million (a decrease of 5.3% as compared to the same period of the previous year). For income, operating loss was ¥1,630 million (operating income of ¥8,350 million in the same period of the previous year), ordinary loss was ¥2,272 million (ordinary income of ¥8,580 million in the same period of the previous year), and loss attributable to owners of parent was ¥3,355 million (profit attributable to owners of parent of ¥7,620 million in the same period of the previous year).

Following is an overview by business segment.

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” Business segment, a new reportable segment in which Graphic Controls Holdings, Inc. and its group companies promotes its business operations in the medical markets. In addition, the production and sales business of our 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.
Therefore, segment information for the nine months ended December 31, 2015 and 2016 is compared and analyzed based on the reportable segments that have reflected the above changes.

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, which facilitates simultaneous molding and printing of plastic products, is 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 nine months ended December 31, 2016, demand progressed steadily for our mainstay automotive interior components in general, while demand in the other fields remained slightly lower than the previous estimate. As a result, segment sales for the nine months ended December 31, 2016 were ¥35,845 million, an increase of 33.2% as compared to the same period of the previous year. Segment income (operating income) was ¥571 million, an increase of 260.2% 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, including its core products, the FineTouch touch input device. The FineTouch is adopted mainly in tablet devices, mobile game consoles, industrial equipment and automotive components in global markets. In addition, the Nissha Group offers gas sensors that can detect gas, exhaled air, etc. and other products.
During the nine months ended December 31, 2016, demand for products for mobile game consoles progressed steadily in general but demand for our mainstay products adopted for tablet devices fell below the previous estimate. As a result, segment sales for the nine months ended December 31, 2016 were ¥33,957 million, a decrease of 27.8% as compared to the same period of the previous year. Segment income (operating income) was ¥631 million, a decrease of 94.1% as compared to 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 based in the United States, acts as a core company to offer high-quality, value-added products in medical devices and consumables and other related fields to contribute to healthy and affluent life. Main products in this segment are disposable products and surgical instruments for medical institutions. The Nissha Group currently manufactures and sells Graphic Controls group's brand products to medical institutions in the North and Central America and Europe while also providing contract manufacturing services for major medical device manufacturers.
This segment began contributing to net sales of the Nissha Group from the third quarter ended December 31, 2016. For income, however, it could not make a profit due to the posting expenses related to the acquisition of Graphic Controls group.

As a result, segment sales for the nine months ended December 31, 2016 were ¥1,277 million. Segment loss (operating loss) was ¥565 million.
There is no comparable data and analysis for this segment against the corresponding period of the previous year because 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 nine months ended December 31, 2016, 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 market into a highly competitive climate.
As a result, segment sales for the nine months ended December 31, 2016 were ¥10,582 million, a decrease of 14.3% as compared to the same period of the previous year. Segment loss (operating loss) was ¥107 million (segment loss (operating loss) of ¥95 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 third quarter ended December 31, 2016 increased by ¥12,766 million from the end of the previous year (the fiscal year ended March 31, 2016) to ¥168,874 million.

Current assets decreased by ¥6,721 million from the end of the previous year to ¥77,237 million. This was mainly because a ¥15,373 million decrease of cash and deposits outweighed a ¥5,476 million increase of notes and accounts receivable-trade.

Non-current assets increased by ¥19,488 million from the end of the previous year to ¥91,636 million. This was mainly because goodwill, trademark right and customer related assets increased by ¥10,448 million, ¥2,973 million and ¥2,110 million, respectively, primarily due to new consolidation, and investment securities increased by ¥3,612 million mainly due to changes in the fair value of available-for-sale securities.

Total liabilities at the end of the third quarter ended December 31, 2016 increased by ¥14,704 million from the end of the previous year to ¥100,715 million.

Current liabilities increased by ¥6,785 million from the end of the previous year to ¥55,455 million. This was mainly attributable to a ¥7,676 million increase of short-term loans payable.

Non-current liabilities increased by ¥7,918 million from the end of the previous year to ¥45,260 million. This was mainly because a ¥9,095 million increase of long-term loans payable, and a ¥3,226 million increase of long-term deferred tax liabilities included in the "other" item mainly due to new consolidation and changes in the fair value of available-for-sale securities outweighed a ¥3,000 million decrease of bonds payable resulting from the exercise of stock acquisition rights.

Net assets at the end of the third quarter ended December 31, 2016 decreased by ¥1,937 million from the end of the previous year to ¥68,158 million.

2) Cash flows

The balance of cash and cash equivalents (the "funds") on a consolidated basis at the end of the nine months ended December 31, 2016 was ¥24,610 million, a decrease of ¥17,078 million compared to the end of the previous year.

The following describes the conditions of each cash flow and the underlying causes for the nine months ended December 31, 2016.

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

Funds used in operating activities amounted to ¥5,825 million (funds provided by operating activities of ¥6,526 million in the same period of the previous year). This was mainly because a ¥4,918 million increase in notes and accounts receivable-trade, ¥2,913 million of loss before income taxes, and a ¥2,387 million decrease in notes and accounts payable-trade outweighed ¥5,849 million of depreciation.

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

Funds used in investing activities amounted to ¥17,770 million, a decrease of 6.3% as compared to the same period of the previous year. This was mainly attributable to the purchase of investments in subsidiaries and others resulting in change in scope of consolidation of ¥13,162 million and the purchase of property, plant and equipment and intangible assets of ¥4,623 million.

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

Funds provided by financing activities amounted to ¥7,976 million, a decrease of 24.2% as compared to the same period of the previous year. This was mainly attributable to net increase in short-term loans payable of ¥7,947 million.

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

The consolidated financial forecasts for the fiscal year ending March 31, 2017 announced on November 7, 2016 have been reviewed and revised in consideration of the consolidated operating results for the nine months ended December 31, 2016, the latest trends in product demand, the current movement of foreign exchange rates, and other factors.

For details, please see the "Notice of Revision to Business Forecast for FY2017" announced on February 9, 2017.

2. Matters regarding the Summary Information (Notes)

(1) Changes in significant subsidiaries during the period under review

Nissha Luxembourg Holdings SARL, a consolidated subsidiary at the end of the previous consolidated fiscal year, completed its liquidation effective September 16, 2016. It is therefore excluded from the scope of consolidation from the second quarter ended September 30, 2016 onward and for shares of AR Metallizing N.V. (a business company previously under the control of said liquidated company), held by said liquidated company, now the Company has held them directly.

In addition, effective from the third quarter ended December 31, 2016, the Company included Graphic Controls Holdings, Inc. and its group companies in the scope of consolidation as a result of acquisition of its shares. Because Graphic Controls Acquisition Corp.'s capital stock is equivalent to ten percent or more of the Company's capital stock, Graphic Controls Acquisition Corp. became a specified subsidiary of the Company.

(2) 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 third quarter ended December 31, 2016. 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.

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

(Changes in accounting policies)

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

The revenue and expenses of the Company's overseas consolidated subsidiaries and others were previously translated into yen at the spot exchange rates on the respective settlement dates of the consolidated subsidiaries. Effective from the first quarter ended June 30, 2016, however, the Company has adopted a new method by which the revenue and expenses of overseas consolidated subsidiaries and others 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 and others in the consolidated financial statements, in the expectation that the overseas net sales of the overseas consolidated subsidiaries and others 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 and others 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 consolidated financial statements for the nine months ended December 31, 2015 and the fiscal year ended March 31, 2016 are stated to reflect the retroactive application.

As a result, net sales for the nine months ended December 31, 2015 increased by ¥369 million and as for profit and loss for the nine months ended December 31, 2015, the effect is insignificant, as compared to the figures prior to the retroactive application. In addition, since the cumulative effects of the retroactive application have been reflected in the beginning balance of net assets for the fiscal year ended March 31, 2016, the beginning balance of retained earnings for the fiscal year ended March 31, 2016 increased by ¥231 million and foreign currency translation adjustment decreased by the same amount.

(4) Additional information

(Application of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets)
Effective from the first quarter ended June 30, 2016, the Company has adopted the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

(Partial revision of the retirement benefit plan)
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 nine months ended December 31, 2016, 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.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	40,085	24,711
Notes and accounts receivable-trade	21,665	27,141
Securities	2,033	34
Merchandise and finished goods	8,027	6,239
Work in process	3,806	4,563
Raw materials and supplies	2,721	4,328
Other	5,836	10,442
Allowance for doubtful accounts	(216)	(223)
Total current assets	83,959	77,237
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,287	20,054
Machinery, equipment and vehicles, net	13,032	11,732
Tools, furniture and fixtures, net	1,537	1,764
Land	5,936	6,014
Leased assets, net	1,627	1,312
Construction in progress	762	2,893
Total property, plant and equipment	43,184	43,773
Intangible assets		
Trademark right	—	2,973
Software	1,256	828
Goodwill	10,824	21,272
Technical assets	2,563	2,093
Customer related assets	3,427	5,538
Other	255	845
Total intangible assets	18,327	33,552
Investments and other assets		
Investment securities	9,848	13,460
Other	1,266	1,301
Allowance for doubtful accounts	(478)	(450)
Total investments and other assets	10,636	14,310
Total non-current assets	72,148	91,636
Total assets	156,107	168,874

(Million yen)

	As of March 31, 2016	As of December 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	24,758	22,136
Short-term loans payable	12,485	20,161
Current portion of long-term loans payable	563	1,157
Income taxes payable	1,313	230
Provision for bonuses	1,730	904
Provision for directors' bonuses	60	45
Other	7,757	10,818
Total current liabilities	48,669	55,455
Non-current liabilities		
Bonds payable	20,000	17,000
Long-term loans payable	3,487	12,583
Provision for management board incentive plan trust	—	90
Net defined benefit liability	6,378	4,354
Other	7,476	11,232
Total non-current liabilities	37,342	45,260
Total liabilities	86,011	100,715
Net assets		
Shareholders' equity		
Capital stock	5,684	5,684
Capital surplus	7,355	8,594
Retained earnings	54,038	49,387
Treasury shares	(2,931)	(1,143)
Total shareholders' equity	64,148	62,523
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,977	7,339
Foreign currency translation adjustment	1,540	(2,290)
Remeasurements of defined benefit plans	(570)	359
Total accumulated other comprehensive income	5,947	5,408
Non-controlling interests	—	227
Total net assets	70,096	68,158
Total liabilities and net assets	156,107	168,874

(2) Consolidated statements of operations and comprehensive income

Consolidated statements of operations

(Million yen)

	Nine Months Ended December 31, 2015	Nine Months Ended December 31, 2016
Net sales	86,439	81,839
Cost of sales	64,745	68,952
Gross profit	21,693	12,887
Selling, general and administrative expenses	13,343	14,517
Operating income (loss)	8,350	(1,630)
Non-operating income		
Interest income	56	52
Dividend income	127	106
Foreign exchange gains	397	—
Other	109	140
Total non-operating income	690	299
Non-operating expenses		
Interest expenses	115	254
Share of loss of entities accounted for using equity method	164	37
Foreign exchange losses	—	528
Other	180	121
Total non-operating expenses	460	941
Ordinary income (loss)	8,580	(2,272)
Extraordinary income		
Gain on sales of non-current assets	89	32
Gain on revision of retirement benefit plan	—	30
State subsidy	177	140
Total extraordinary income	267	203
Extraordinary losses		
Loss on sales and retirement of non-current assets	87	204
Loss on valuation of investment securities	256	160
Impairment loss	150	249
Loss on subsidy repayment	—	229
Total extraordinary losses	494	844
Profit (loss) before income taxes	8,353	(2,913)
Income taxes	732	452
Profit (loss)	7,620	(3,365)
Loss attributable to non-controlling interests	—	(10)
Profit (loss) attributable to owners of parent	7,620	(3,355)

Consolidated statements of comprehensive income

(Million yen)

	Nine Months Ended December 31, 2015	Nine Months Ended December 31, 2016
Profit (loss)	7,620	(3,365)
Other comprehensive income		
Valuation difference on available-for-sale securities	68	2,376
Foreign currency translation adjustment	(777)	(3,854)
Remeasurements of defined benefit plans, net of tax	(6)	943
Share of other comprehensive income of entities accounted for using equity method	(11)	22
Total other comprehensive income	(725)	(513)
Comprehensive income	6,894	(3,878)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,894	(3,895)
Comprehensive income attributable to non-controlling interests	—	16

(3) Consolidated statements of cash flows

(Million yen)

	Nine Months Ended December 31, 2015	Nine Months Ended December 31, 2016
Cash flows from operating activities		
Profit (loss) before income taxes	8,353	(2,913)
Depreciation	5,680	5,849
Impairment loss	150	249
Amortization of goodwill	323	642
Gain on revision of retirement benefit plan	—	(30)
Increase (decrease) in provision for bonuses	(608)	(805)
Increase (decrease) in provision for directors' bonuses	1	(15)
Increase (decrease) in provision for management board incentive plan trust	—	90
Increase (decrease) in net defined benefit liability	130	(1,541)
Increase (decrease) in allowance for doubtful accounts	9	2
Interest and dividend income	(184)	(158)
Interest expenses	115	254
Foreign exchange losses (gains)	(314)	350
Share of (profit) loss of entities accounted for using equity method	164	37
Loss (gain) on valuation of investment securities	256	172
Loss (gain) on sales and retirement of non-current assets	(2)	171
Decrease (increase) in notes and accounts receivable-trade	(5,874)	(4,918)
Decrease (increase) in inventories	(3,506)	2,374
Increase (decrease) in notes and accounts payable-trade	4,281	(2,387)
Other, net	(1,156)	(1,132)
Subtotal	7,820	(3,707)
Interest and dividend income received	183	166
Interest expenses paid	(139)	(262)
Income taxes paid	(1,341)	(2,290)
Income taxes refund	4	269
Net cash provided by (used in) operating activities	6,526	(5,825)

(Million yen)

	Nine Months Ended December 31, 2015	Nine Months Ended December 31, 2016
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	289	374
Payments into time deposits	(451)	(105)
Purchase of property, plant and equipment and intangible assets	(3,260)	(4,623)
Proceeds from sales of property, plant and equipment and intangible assets	—	206
Payments from sales of property, plant and equipment and intangible assets	(246)	—
Purchase of investment securities	(926)	(465)
Purchase of investments in other securities of subsidiaries and affiliates	(32)	(11)
Payments of loans receivable	(3)	(3)
Collection of loans receivable	8	8
Purchase of investments in subsidiaries and others resulting in change in scope of consolidation	(14,357)	(13,162)
Other, net	16	10
Net cash provided by (used in) investing activities	(18,964)	(17,770)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	11,987	7,947
Proceeds from long-term loans payable	—	1,496
Repayments of long-term loans payable	(2)	(157)
Payments for issuance of bonds	—	(23)
Commission fee paid	(91)	(42)
Repayments of lease obligations	(87)	(132)
Purchases of treasury shares-net	(1)	(0)
Cash dividends paid	(1,281)	(1,290)
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	10,522	7,976
Effect of exchange rate change on cash and cash equivalents	(161)	(1,458)
Net increase (decrease) in cash and cash equivalents	(2,076)	(17,078)
Cash and cash equivalents at beginning of period	29,484	41,688
Cash and cash equivalents at end of period	27,408	24,610

(4) Notes to consolidated financial statements

(Notes to going concern assumptions)

Not applicable

(Notes to material changes in shareholders' equity)

In conjunction with the introduction of the "Board Benefit Trust (BBT)" plan, the Company disposed of 71,000 treasury shares on September 6, 2016 by way of third party allocation to Trust & Custody Services Bank, Ltd. (Trust E Account) as the underwriter pursuant to a resolution approved at the Board of Directors meeting held on August 19, 2016. Accordingly, capital surplus and treasury shares increased by ¥92 million respectively.

In the nine months ended December 31, 2016, the stock acquisition rights of the convertible bond-type bonds with stock acquisition rights were exercised. Accordingly, capital surplus increased by ¥1,119 million and treasury shares decreased by ¥1,880 million.

As a result, capital surplus amounted to ¥8,594 million and treasury shares amounted to ¥1,143 million at the end of the nine months ended December 31, 2016.

(Segment information, etc.)

I. The nine months ended December 31, 2015 (April 1, 2015 to December 31, 2015)

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

(Million yen)

	Reportable segment					Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
	Industrial Materials	Devices	Life innovation	Information and Communication	Sub-total				
Sales									
Sales to external customers	26,906	47,058	—	12,354	86,320	119	86,439	—	86,439
Inter-segment sales or transfers	7	1,667	—	—	1,674	890	2,564	(2,564)	—
Total	26,913	48,726	—	12,354	87,994	1,009	89,004	(2,564)	86,439
Segment income (loss)	158	10,660	—	(95)	10,723	(51)	10,671	(2,321)	8,350

(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 ¥2,321 million of reconciliations in segment income (loss) includes unallocated corporate expenses, etc. Corporate expenses mainly consist of general and administrative expenses not attributable to any reportable segment.

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

2. Information about assets by reportable segment

Mainly as a result of the acquisition of all shares of H.I.G. Luxembourg Holdings 28 S.à r.l. (corporate name changed to Nissha Luxembourg Holdings SARL as of September 15, 2015) in the second quarter ended September 30, 2015 and inclusion of said company, AR Metallizing N.V. (a business company under the control of H.I.G. Luxembourg Holdings 28 S.à r.l.), the group companies of AR Metallizing N.V. in the scope of consolidation, segment assets included in the "Industrial Materials" segment increased by ¥27,351 million from the end of the previous year.

3. Information about impairment loss and goodwill, etc. by reportable segment

(Material impairment loss of non-current assets)

We recorded impairment loss of ¥150 million for non-current assets in the "Industrial Materials" segment.

(Material changes in the amount of goodwill)

In the "Industrial Materials" segment, we acquired all shares of H.I.G. Luxembourg Holdings 28 S.à r.l. (corporate name changed to Nissha Luxembourg Holdings SARL as of September 15, 2015) effective August 6, 2015. The increase in the amount of goodwill attributable to the event was ¥9,598 million for the nine months ended December 31, 2015.

II. The nine months ended December 31, 2016 (April 1, 2016 to December 31, 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	35,845	33,957	1,277	10,582	81,662	176	81,839	—	81,839
Inter-segment sales or transfers	1	1,914	—	41	1,957	760	2,718	(2,718)	—
Total	35,847	35,872	1,277	10,623	83,620	937	84,557	(2,718)	81,839
Segment income (loss)	571	631	(565)	(107)	529	(22)	506	(2,136)	(1,630)

(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 ¥2,136 million of reconciliations in segment income (loss) includes unallocated corporate expenses, etc. Corporate expenses mainly consist of general and administrative expenses not attributable to any reportable segment.

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

4. In association with the material adjustment of an allocated amount of acquisition costs described in "Material adjustment of an allocated amount of acquisition costs within comparative information" under "Business combinations," segment information for the nine months ended December 31, 2015 is stated to reflect the adjustment.

2. Changes in reportable segments, etc.

(Changes in the reportable segments classification)

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" Business 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 nine months ended December 31, 2015 is prepared and disclosed based on the reportable segments that have reflected the above changes.

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

The revenue and expenses of the Company's overseas consolidated subsidiaries and others were previously translated into yen at the spot exchange rates on the respective settlement dates of the consolidated subsidiaries. As stated in "Changes in accounting policies", the Company has adopted a new method by which the revenue and expenses of overseas consolidated subsidiaries and others are translated into yen at the average exchange rate during the period, effective from the first quarter ended June 30, 2016.

As these changes in the accounting policies are retroactively applied, the segment information for the nine months ended December 31, 2015 are stated to reflect the retroactive application.

As a result, net sales from the Industrial Materials segment and net sales from the Devices segment for the nine months ended December 31, 2015 increased by ¥354 million and ¥15 million, respectively, and as for segment income and loss for the nine months ended December 31, 2015, the effect is insignificant, as compared to the figures prior to retroactive application.

3. Information about assets by reportable segment

Mainly as a result of the acquisition of shares of Graphic Controls Holdings, Inc. and inclusion of said company in the scope of consolidation in the third quarter ended December 31, 2016, segment assets included in the "Life Innovation" segment increased by ¥26,426 million from the end of the previous fiscal year.

The amount of segment assets is a provisional calculation because the allocation of acquisition costs has not been completed yet.

4. Information about impairment loss and goodwill, etc. by reportable segment

(Material impairment loss of non-current assets)

We recorded impairment loss of ¥184 million in the "Industrial Materials" segment and ¥64 million in the "Devices" segment for non-current assets.

(Material changes in the amount of goodwill)

In the "Life Innovation" segment, we acquired shares of Graphic Controls Holdings, Inc. on September 2, 2016. The increase in goodwill resulting from this event was ¥12,415 million in the nine months ended December 31, 2016.

The amount of goodwill is a provisional calculation because the allocation of acquisition costs has not been completed yet.

(Business Combinations)

(Business combination by acquisition)

Material adjustment of an allocated amount of acquisition costs within comparative information

Regarding business combination with H.I.G. Luxembourg Holdings 28 S.à r.l., AR Metallizing N.V. (a business company under the control of H.I.G. Luxembourg Holdings 28 S.à r.l.) and the group companies of AR Metallizing N.V. on August 6, 2015., the allocated amount of acquisition costs was provisionally calculated in the second quarter ended September 30, 2015 and the actual allocation was determined in the fiscal year ended March 31, 2016.

H.I.G. Luxembourg Holdings 28 S.à r.l. had changed its corporate name into Nissha Luxembourg Holdings SARL as of September 15, 2015 and completed its liquidation effective from September 16, 2016.

In line with the determination, the comparative date in the consolidated balance sheet for the nine months ended December 31, 2015, has been revised to reflect a significant change to the initial allocation of the acquisition costs. Primarily due to allocating ¥3,112 million to customer related assets and ¥2,707 million to technical assets classified as intangible assets, the provisionally calculated amount of goodwill related to the acquisition of ¥13,374 million was decreased by ¥3,792 million to ¥ 9,582 million.

As a result, in the consolidated statements of operations for the nine months ended December 31, 2015, operating income, ordinary income and profit before income taxes increased by ¥13 million, and also, profit and profit attributable to owners of parent increased by ¥8 million respectively.

Determination of provisional accounting treatment for business combination

Regarding business combination with Málaga Produtos Metalizados Ltda. on December 30, 2015, the allocated amount of acquisition costs was provisionally calculated in the fiscal year ended March 31, 2016 and the actual allocation was determined in the nine months ended December 31, 2016. As a result, there is no modification in the amount of goodwill calculated on provisional basis after the determination.