Consolidated Financial Results
for the Fiscal Year Ended December 31, 2018
[Japanese GAAP]

February 14, 2019

Company name: Nissha Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 7915
URL: https://www.nissha.com/english
Representative: Junya Suzuki, Chairman of the Board, President and CEO
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Phone: +81-75-811-8111
Scheduled date of Ordinary General Meeting of Shareholders: March 22, 2019
Scheduled date of commencing dividend payments: March 4, 2019
Scheduled date of filing annual securities report: March 22, 2019
Availability of supplementary briefing material on financial results: Available
Schedule of financial results briefing session: Scheduled (for institutional investors)

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

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2018 (January 1, 2018 to December 31, 2018)

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

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended December 31, 2018	207,404	―	17,343	―	8,071	―	7,370	―	4,308	―
Fiscal year ended December 31, 2017	159,518	―	14,509	―	6,278	―	7,578	―	6,734	―

(Note) Comprehensive income: Fiscal year ended December 31, 2018: ¥(1,434) million (–%)
Fiscal year ended December 31, 2017: ¥13,320 million (–%)

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2018	85.52	83.39	4.7	3.4	3.9
Fiscal year ended December 31, 2017	139.72	129.37	8.0	3.7	3.9

(Reference) Equity in earnings (losses) of affiliated companies:
Fiscal year ended December 31, 2018: ¥(184) million
Fiscal year ended December 31, 2017: ¥(38) million

(Notes)
1. Effective from the fiscal year ended December 31, 2017, the Company changed the fiscal year end date from March 31 to December 31. Therefore, figures indicating changes from the previous fiscal year are not provided, as the period of the fiscal year ended December 31, 2018 (January 1, 2018 to December 31, 2018) is different from the period of the fiscal year ended December 31, 2017 (April 1, 2017 to December 31, 2017).
2. EBITDA is the total of operating profit, depreciation and amortization of goodwill.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2018	203,543	89,633	44.0	1,793.45
As of December 31, 2017	225,160	94,054	41.7	1,852.67

(Reference) Equity: As of December 31, 2018: ¥89,515 million
As of December 31, 2017: ¥93,815 million

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended December 31, 2018	4,232	(14,181)	(2,448)	16,757
Fiscal year ended December 31, 2017	28,784	(11,685)	(11,216)	29,291

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended December 31, 2017	－	15.00	－	15.00	30.00	1,494	21.5	1.7
Fiscal year ended December 31, 2018	－	15.00	－	15.00	30.00	1,506	35.1	1.6
Fiscal year ending December 31, 2019 (Forecast)	－	15.00	－	20.00	35.00		29.1	

(Note) The year-end dividend for the fiscal year ending December 31, 2019 (forecast) includes a commemorative dividend of ¥5 in recognition of the 90th anniversary of the Company’s foundation.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2019 (January 1, 2019 to December 31, 2019)

(% indicates changes from the previous corresponding period)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	78,000	7.5	1,080	714.7	(4,000)	－	(4,300)	－	(4,000)	－	(80.14)
Full year	195,000	(6.0)	18,800	8.4	8,500	5.3	7,800	5.8	6,000	39.2	120.21

(Note) EBITDA is the total of operating profit, depreciation and amortization of goodwill.

Notes:

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

(2) 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: Yes
4) Restatements: No
(Note) The Company has changed its depreciation method from the fiscal year ended December 31, 2018 and this change is applicable to "a case in which it is difficult to distinguish between a change in accounting policies and a change in accounting estimates." For details, please see "3. Consolidated Financial Statements and Principal Notes (4) Notes to consolidated financial statements (Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)" on page 13 of the appendix.

(3) 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, 2018	50,855,638 shares
As of December 31, 2017	50,810,369 shares

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

As of December 31, 2018	943,121 shares
As of December 31, 2017	172,310 shares

3) Average number of shares during the period:

Fiscal year ended December 31, 2018	50,384,701 shares
Fiscal year ended December 31, 2017	48,200,902 shares

(Note) The Company's own shares in the trust (67,600 shares and 79,400 shares at the end of the fiscal year ended December 31, 2017 and December 31, 2018, respectively) 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 per share. The shares in the trust are also included as treasury shares to be deducted from the total number of issued shares at the end of the period for the purpose of determining net assets per share.

* This report on consolidated financial results is exempted from auditing by certified public accountant or auditing corporation.

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

The performance forecasts and other forward-looking statements contained in this report are based on information available to the Company on the date of this report's release and certain premises that the Company deems to be reasonable. Therefore, the Company has not prepared these descriptions with intent to commit to realize them. Actual results, etc. may differ from the forecasts, however, as a consequence of various factors in the future. For details on the premises of the performance forecasts of the Company and the points to note when using the performance forecasts, please see "1. Overview of Consolidated Operating Results, etc. (4) Forecast for the fiscal year ending December 31, 2019" on page 6 of the appendix.

We are scheduled to hold a financial results briefing session for institutional investors on Thursday, February 14, 2019. Reference materials to be distributed at the briefing session are scheduled to be posted on our website on that day, as well.

Contents of Appendix

1. Overview of Consolidated Operating Results, etc.

Effective from the fiscal year ended December 31, 2017, the Company changed the fiscal year end date from March 31 to December 31. In line with this change, the term of the fiscal year ended December 31, 2017, which served as the transitional period, was nine months from April 1, 2017 to December 31, 2017. Therefore, business results for the fiscal year ended December 31, 2018 below are compared with those for the same period of the previous year (January 1, 2017 to December 31, 2017).

(1) Overview of consolidated operating results for the term

Reflecting on the global economy in the fiscal year ended December 31, 2018, the real economy remained solid despite the prevailing uncertainties in the outlook due to protectionist economic policies and trade frictions. The United States saw ongoing economic recovery thanks primarily to increased consumer spending and capital investment. In Europe, the economy gradually recovered, while in Asia, the economies of emerging countries such as China showed signs of recovery. As for Japan, the economy held steady on an ongoing moderate recovery trend.

The Group has been currently operating the Sixth Medium-term Business Plan (three-year plan) centering on the growth by reorganizing and optimizing its business portfolio. We have set the markets of automotive, medical devices and high-function packaging materials as our focused markets, in addition to the mainstay consumer electronics (IT), and aim to develop well-balanced business bases and enhance our corporate value by implementing global based growth strategy. During the fiscal year ended December 31, 2018, demand in the mainstay Devices segment, which was stagnant in the first half, turned into expansion trend in the second half resulting in improved revenue, and the companies acquired as a part of our growth strategy began to contribute to the operating results in the Medical Technologies segment.

As a result, regarding the consolidated financial results for the fiscal year ended December 31, 2018, the net sales were ¥207,404 million (an increase of 7.2% as compared to the same period of the previous year). EBITDA was ¥17,343 million (an increase of 14.9% as compared to the same period of the previous year). Operating profit was ¥8,071 million (an increase of 101.5% as compared to the same period of the previous year). Ordinary profit was ¥7,370 million (an increase of 49.3% as compared to the same period of the previous year). Profit attributable to owners of parent was ¥4,308 million (an increase of 60.7% as compared to the same period of the previous year).

Following is an overview by business segment.

Effective from the fiscal year ended December 31, 2018, we changed the name of the reportable segment, from Life Innovation to Medical Technologies. This change was only a change of the segment name and had no effect on information on the segment. The changed name of the segment is also used in the segment information for the previous fiscal year.

Industrial Materials

In the Industrial Materials segment, we mainly offer proprietary technologies that enable to create added value on the surfaces of various materials. IMD and IML, which facilitate simultaneous in-mold decoration and design of plastic products, are extensively adopted in automotive 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 high-function packaging materials for beverages and foods on a global basis.
During the fiscal year ended December 31, 2018, demand for products was mostly solid primarily for our mainstay automotive components, and metallized paper, while demand for other products fell slightly short of the projection. Furthermore, reduction of quality costs remained an issue, such as the lower-than-expected yield rate for products at some overseas plants.
As a result, segment sales for the fiscal year ended December 31, 2018 were ¥47,124 million (a decrease of 4.6% as compared to the same period of the previous year) and EBITDA was ¥3,675 million (a decrease of 30.3% as compared to the same period of the previous year). Segment profit (operating profit) was ¥138 million (a decrease of 89.6% as compared to the same period of the previous year).

Devices

In the Devices segment, we produce devices that pursue precision and functionality. Our main products, film-based Touch Sensors are widely adopted mainly in smartphones, tablets, portable game players, industrial equipment and automotive components in global markets. In addition, we offer gas sensors that can detect gas conditions, along with other products.
During the fiscal year ended December 31, 2018, although demand for our mainstay products adopted for smartphones turned into an expansion trend in the second half, it fell short of the initial projection. Meanwhile, business profitability improved compared to the same period of the previous year mainly due to the yield rate.
As a result, segment sales for the fiscal year ended December 31, 2018 were ¥123,541 million (an increase of 11.2% as compared to the same period of the previous year) and EBITDA was ¥14,444 million (an increase of 32.6% as compared to the same period of the previous year). Segment profit (operating profit) was ¥11,449 million (an increase of 83.9% as compared to the same period of the previous year).

Medical Technologies

The Medical Technologies segment is a business segment that offers high-quality and value-added products in medical devices and other related markets to contribute to healthy and affluent life. The segment provides contract manufacturing services (a business handling a series of processes ranging from product design and development to production) for major medical device manufacturers on a global basis with its main products, surgical instruments and medical electrodes used for heart disease treatment, etc. In addition to this, the segment currently manufactures and sells its own brand products to medical institutions.
During the fiscal year ended December 31, 2018, demand progressed steadily primarily for our mainstay products of contract manufacturing services, while the sales of our brand's new product, Vermed Claravue™, remained steady. In addition, the segment business scale expanded with the consolidation of the operating results of three companies acquired during the fiscal year ended December 31, 2018. Meanwhile, the temporary expenses such as acquisition-related expenses and expenses for integration of bases were incurred.

As a result, segment sales for the fiscal year ended December 31, 2018 were ¥22,351 million (an increase of 22.8% as compared to the same period of the previous year), and EBITDA was ¥1,829 million (an increase of 54.6% as compared to the same period of the previous year). Segment loss (operating loss) was ¥60 million (segment loss (operating loss) of ¥500 million in the same period of the previous year).

Information and Communication

In the Information and Communication segment, we offer its customers a wide range of professional products and services such as publication printing, commercial printing, art solution, sales promotion, etc., thereby assisting a host of marketing strategies and communication strategies relating to advertising and sales promotion.

During the fiscal year ended December 31, 2018, the commercial printing field, the key product field in this segment, was affected by a decrease in the volume of printed materials due to the diversification of information media. These movements led the business into a highly competitive climate. Also, the temporary expenses were incurred for a business restructuring in January 2019.

As a result, segment sales for the fiscal year ended December 31, 2018 were ¥13,935 million (a decrease of 3.5% as compared to the same period of the previous year), and EBITDA was negative ¥402 million (negative ¥233 million in the same period of the previous year). Segment loss (operating loss) was ¥618 million (segment loss (operating loss) of ¥431 million in the same period of the previous year).

In addition, this segment completed a business restructuring on January 7, 2019 with the aim of revenue improvement of the segment.

(2) Overview of consolidated financial position for the term

Total assets at the end of the fiscal year ended December 31, 2018 decreased by ¥21,617 million from the end of the previous year (the fiscal year ended December 31, 2017) to ¥203,543 million.

Current assets decreased by ¥16,890 million from the end of the previous year to ¥96,814 million. This was mainly attributable to a ¥13,028 million decrease of cash and deposits, a ¥7,273 million decrease of notes and accounts receivable-trade.

Non-current assets decreased by ¥4,726 million from the end of the previous year to ¥106,728 million. This was mainly because a ¥1,446 million decrease of goodwill and a ¥5,502 million decrease of investment securities outweighed a ¥1,669 million increase of property, plant and equipment.

Total liabilities at the end of the fiscal year ended December 31, 2018 decreased by ¥17,195 million from the end of the previous year to ¥113,909 million.

Current liabilities decreased by ¥14,481 million from the end of the previous year to ¥82,709 million. This was mainly attributable to a ¥7,252 million decrease of notes and accounts payable-trade, a ¥2,137 million decrease of electronically recorded obligations - operating.

Non-current liabilities decreased by ¥2,714 million from the end of the previous year to ¥31,200 million. This was mainly due to a ¥2,772 million decrease of deferred tax liabilities.

Net assets at the end of the fiscal year ended December 31, 2018 decreased by ¥4,421 million from the end of the previous year to ¥89,633 million. This was mainly because a ¥3,658 million decrease of valuation difference on available-for-sale securities and a ¥1,896 million decrease of foreign currency translation adjustment outweighed a ¥2,791 million increase of retained earnings mainly resulting from the posting of profit attributable to owners of parent.

(3) Overview of consolidated cash flows for the term

The balance of cash and cash equivalents (the "funds") on a consolidated basis at the end of the fiscal year ended December 31, 2018 was ¥16,757 million, a decrease of ¥12,533 million compared to the end of the previous year.

The following describes the conditions of each cash flow and the underlying causes for the fiscal year ended December 31, 2018.

Effective from the fiscal year ended December 31, 2017, the Company changed the fiscal year end date from March 31 to December 31. Therefore, changes from the previous fiscal year are not provided, as the period of this fiscal year (January 1, 2018 to December 31, 2018) differs from the period of previous fiscal year (April 1, 2017 to December 31, 2017).

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

Funds provided by operating activities amounted to ¥4,232 million. This was mainly because a ¥7,672 million of depreciation and a ¥7,166 million decrease in notes and accounts receivable-trade outweighed a ¥9,196 million decrease in notes and accounts payable-trade.

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

Funds used in investing activities amounted to ¥14,181 million. This was mainly attributable to the purchase of property, plant and equipment of ¥11,697 million and the purchase of investments in subsidiaries and others resulting in change in scope of consolidation of ¥1,519 million.

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

Funds used in financing activities amounted to ¥2,448 million. This was mainly attributable to net decrease in the purchase of treasury stock of ¥1,714 million.

(4) Forecast for the fiscal year ending December 31, 2019

During the next term, the global economy is expected to remain on a moderate recovery trend, but it shows signs of slowdown in the economic recovery. We must continue to keep our eyes on uncertainties associated with movements in trade issues and policy trends in each country, impact from fluctuation in financial and capital markets, and other factors.

The Group has been currently implementing the Sixth Medium-term Business Plan (three-year plan) centering on the growth by reorganizing and optimizing its business portfolio. We have set the markets of automotive, medical devices and high-function packaging materials as our focused markets, in addition to the mainstay consumer electronics (IT), and aim to develop well-balanced business bases and enhance its corporate value by implementing global based growth strategy. During the next term which is the second year of the Sixth Medium-term Business Plan, we intend to promote the growth of the focused markets by utilizing the methods including corporate acquisition in addition to the development of new products, and optimize the business portfolio.

For the consolidated financial results for the fiscal year ending December 31, 2019, we expect net sales of ¥195,000 million, EBITDA of ¥18,800 million, operating profit of ¥8,500 million, ordinary profit of ¥7,800 million, and profit attributable to owners of parent of ¥6,000 million. These figures are based on an exchange rate of 1US$ = ¥105 for the fiscal year ending December 31, 2019. In line with the business situation including global business expansion and increasing number of overseas consolidated subsidiaries, the Group employs EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) as a major profitability indicator of the Sixth Medium-term Business Plan.

Consolidated nets sales forecast by segment (January 1, 2019 to December 31, 2019)

Segment	Amount (Million yen)	Ratio (%)	YoY (%)
Industrial Materials	51,800	26.6	+9.9
Devices	110,600	56.7	(10.5)
Medical Technologies	25,000	12.8	+11.8
Information and Communication	7,100	3.6	(49.1)
Other	500	0.3	+10.6
Total	195,000	100.0	(6.0)

2. Basic Approach to the Selection of Accounting Standards

The Group has been preparing for the adoption of IFRS during the Sixth Medium-term Business Plan for the purpose of enhancing international comparability of financial information in the capital market.

3. Consolidated Financial Statements and Principal Notes
(1) Consolidated balance sheets

(Million yen)

	As of December 31, 2017	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	29,790	16,762
Notes and accounts receivable - trade	48,140	40,867
Securities	33	—
Merchandise and finished goods	10,474	12,337
Work in process	8,055	8,101
Raw materials and supplies	7,095	7,144
Deferred tax assets	1,828	955
Consumption taxes receivable	4,099	3,739
Other	4,481	7,183
Allowance for doubtful accounts	(292)	(277)
Total current assets	113,705	96,814
Non-current assets		
Property, plant and equipment		
Buildings and structures	53,764	58,453
Accumulated depreciation	(28,268)	(29,045)
Buildings and structures, net	25,495	29,408
Machinery, equipment and vehicles	52,307	53,196
Accumulated depreciation	(41,576)	(41,517)
Machinery, equipment and vehicles, net	10,731	11,678
Tools, furniture and fixtures	10,317	11,323
Accumulated depreciation	(7,815)	(8,260)
Tools, furniture and fixtures, net	2,501	3,063
Land	6,099	6,192
Leased assets	2,817	2,567
Accumulated depreciation	(1,023)	(1,092)
Leased assets, net	1,793	1,475
Construction in progress	5,934	2,406
Total property, plant and equipment	52,555	54,225
Intangible assets		
Trademark right	3,569	3,431
Software	944	1,026
Goodwill	23,645	22,199
Technical assets	2,269	1,965
Customer related assets	6,306	6,791
Other	891	995
Total intangible assets	37,627	36,409
Investments and other assets		
Investment securities	20,299	14,797
Deferred tax assets	407	393
Net defined benefit asset	—	227
Other	1,049	1,142
Allowance for doubtful accounts	(485)	(468)
Total investments and other assets	21,271	16,093
Total non-current assets	111,455	106,728
Total assets	225,160	203,543

(Million yen)

	As of December 31, 2017	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	51,736	44,484
Electronically recorded obligations - operating	8,909	6,772
Short-term loans payable	10,669	10,858
Current portion of long-term loans payable	1,356	1,716
Lease obligations	268	206
Accrued expenses	6,918	7,101
Income taxes payable	1,441	840
Provision for bonuses	1,930	1,963
Provision for directors' bonuses	60	71
Provision for management board benefit trust	138	—
Provision for product warranties	25	74
Other	13,735	8,620
Total current liabilities	97,190	82,709
Non-current liabilities		
Bonds payable	2,940	2,840
Long-term loans payable	13,514	13,525
Lease obligations	1,666	1,396
Deferred tax liabilities	10,509	7,736
Provision for management board benefit trust	—	46
Net defined benefit liability	4,373	4,305
Other	912	1,350
Total non-current liabilities	33,915	31,200
Total liabilities	131,105	113,909
Net assets		
Shareholders' equity		
Capital stock	12,069	12,119
Capital surplus	15,460	15,514
Retained earnings	50,653	53,445
Treasury shares	(327)	(1,911)
Total shareholders' equity	77,856	79,168
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,875	8,216
Foreign currency translation adjustment	3,687	1,791
Remeasurements of defined benefit plans	395	339
Total accumulated other comprehensive income	15,958	10,347
Non-controlling interests	239	117
Total net assets	94,054	89,633
Total liabilities and net assets	225,160	203,543

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Million yen)

	Fiscal Year ended December 31, 2017	Fiscal Year ended December 31, 2018
Net sales	159,518	207,404
Cost of sales	133,292	170,113
Gross profit	26,226	37,291
Selling, general and administrative expenses	19,948	29,220
Operating profit	6,278	8,071
Non-operating income		
Interest income	47	98
Dividend income	255	288
Foreign exchange gains	1,585	－
Gain on investments in partnership	10	78
Other	148	141
Total non-operating income	2,047	607
Non-operating expenses		
Interest expenses	576	842
Share of loss of entities accounted for using equity method	38	184
Foreign exchange losses	－	186
Other	131	95
Total non-operating expenses	747	1,308
Ordinary profit	7,578	7,370
Extraordinary income		
Gain on sales of non-current assets	26	133
Gain on sales of investment securities	215	－
Gain on sales of shares of subsidiaries and associates	－	354
State subsidy	44	142
Insurance income	－	640
Total extraordinary income	286	1,270
Extraordinary losses		
Loss on sales and retirement of non-current assets	80	642
Loss on valuation of investment securities	－	37
Impairment loss	191	246
Loss on disaster	－	478
Loss on closing of plants	145	351
Loss on the change of company name	124	－
Business structure improvement expenses	－	627
Business establishment transfer cost	－	167
Total extraordinary losses	542	2,552
Profit before income taxes	7,323	6,088
Income taxes - current	2,049	2,111
Income taxes - deferred	(1,455)	(199)
Total income taxes	594	1,911
Profit	6,728	4,176
Loss attributable to non-controlling interests	(5)	(132)
Profit attributable to owners of parent	6,734	4,308

Consolidated statements of comprehensive income

(Million yen)

	Fiscal Year ended December 31, 2017	Fiscal Year ended December 31, 2018
Profit	6,728	4,176
Other comprehensive income		
Valuation difference on available-for-sale securities	4,098	(3,659)
Foreign currency translation adjustment	2,426	(1,853)
Remeasurements of defined benefit plans, net of tax	60	(57)
Share of other comprehensive income of entities accounted for using equity method	5	(40)
Total other comprehensive income	6,591	(5,611)
Comprehensive income	13,320	(1,434)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,319	(1,302)
Comprehensive income attributable to non-controlling interests	0	(131)

(3) Consolidated statements of cash flows

(Million yen)

	Fiscal Year ended December 31, 2017	Fiscal Year ended December 31, 2018
Cash flows from operating activities		
Profit before income taxes	7,323	6,088
Depreciation	7,105	7,672
Impairment loss	191	246
Amortization of goodwill	1,126	1,599
Loss on disaster	—	478
Loss on closing of plants	145	351
Loss on the change of company name	124	—
Business structure improvement expenses	—	627
Business establishment transfer cost	—	167
Insurance income	—	(640)
Increase (decrease) in provision for bonuses	293	45
Increase (decrease) in provision for directors' bonuses	(0)	10
Increase (decrease) in provision for management board benefit trust	36	(91)
Increase (decrease) in provision for product warranties	(5)	51
Increase (decrease) in net defined benefit asset/liability	56	(337)
Increase (decrease) in allowance for doubtful accounts	24	(0)
Interest and dividend income	(302)	(387)
Interest expenses	576	842
Foreign exchange losses (gains)	(1,107)	(237)
Share of loss (profit) of entities accounted for using equity method	38	184
Loss (gain) on valuation of investment securities	—	37
Gain on sales of shares of subsidiaries and affiliates	—	(354)
Loss (gain) on sales and retirement of non-current assets	54	509
Decrease (increase) in notes and accounts receivable - trade	(18,547)	7,166
Decrease (increase) in inventories	(8,774)	(2,462)
Increase (decrease) in notes and accounts payable - trade	36,711	(9,196)
Other, net	4,430	(5,837)
Subtotal	29,500	6,534
Interest and dividend income received	296	358
Interest expenses paid	(581)	(831)
Insurance income received	—	640
Income taxes paid	(1,237)	(2,597)
Income taxes refund	806	127
Net cash provided by (used in) operating activities	28,784	4,232

(Million yen)

	Fiscal Year ended December 31, 2017	Fiscal Year ended December 31, 2018
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	—	477
Payments into time deposits	(370)	—
Purchase of property, plant and equipment	(9,377)	(11,697)
Payments for retirement of property, plant and equipment	(4)	(238)
Proceeds from sales of property, plant and equipment	95	7
Purchase of intangible assets	(588)	(687)
Purchase of investment securities	(88)	(26)
Proceeds from sales of investment securities	226	7
Purchase of investments in capital of subsidiaries and affiliates	(200)	—
Purchase of investments in other securities of subsidiaries and affiliates	(41)	—
Purchase of shares of subsidiaries and others resulting in change in scope of consolidation	(853)	(1,519)
Proceeds from sales of shares of subsidiaries and associates	—	317
Payments for transfer of business	(332)	(697)
Other, net	(149)	(125)
Net cash provided by (used in) investing activities	(11,685)	(14,181)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(9,971)	228
Proceeds from long-term loans payable	1,595	3,433
Repayments of long-term loans payable	(1,179)	(2,570)
Commission fee paid	(19)	(25)
Repayments of lease obligations	(202)	(281)
Purchase of treasury stock-net	(0)	(1,714)
Cash dividends paid	(1,437)	(1,519)
Net cash provided by (used in) financing activities	(11,216)	(2,448)
Effect of exchange rate change on cash and cash equivalents	1,606	(136)
Net increase (decrease) in cash and cash equivalents	7,489	(12,533)
Cash and cash equivalents at beginning of period	22,090	29,291
Decrease in cash and cash equivalents from change of accounting period	(289)	—
Cash and cash equivalents at end of period	29,291	16,757

(4) Notes to consolidated financial statements

(Notes to going concern assumptions)

Not applicable

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

Change in depreciation method of property, plant and equipment

Until the end of the previous fiscal year, to depreciate property, plant and equipment (excluding leased assets), the Company and its domestic consolidated subsidiaries mainly used the declining-balance method while the Company's overseas consolidated subsidiaries used the straight-line method. However, since the fiscal year ended December 31, 2018, the Company and its domestic consolidated subsidiaries have changed to use the straight-line method. The Group formulated the Sixth Medium-term Business Plan starting from January 1, 2018 and reviewed the status of operation of property, plant and equipment of the Company and its domestic consolidated subsidiaries to realize its global based growth strategy that fully utilizes the Group's existing business bases acquired or developed before January 1, 2018. As a result of such review, as the Group expected stable operation of property, plant and equipment, the Group concluded that the straight-line method to distribute expenses evenly for the asset's useful life would be more appropriate and changed the depreciation method of property, plant and equipment to the straight-line method.

Compared to the previous method, for the fiscal year ended December 31, 2018, operating profit, ordinary profit and profit before income taxes increased by ¥1,739 million, respectively.

The impact of the change on segment information is described below.

(Segment information)

1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the board of directors is being performed in order to decide the allocation of management resources and to review business results.

The Group sets up divisions by product or service. Each division draws up a plan for comprehensive strategies in Japan and overseas for the products and services it handles, and thereupon develops its business activities.

Accordingly, the Group consists of segments by product and service based on divisions, and the reportable segments are the Industrial Materials segment, Devices segment, Medical Technologies segment, and Information and Communication segment.

The Industrial Materials segment manufactures and sells decorative films, molds, molded plastic products, and metallized papers. The Devices segment manufactures and sells film-based Touch Sensors and gas sensors and others. The Medical Technologies segment manufactures and sells medical electrodes and surgical instruments for medical institution and also provides contract manufacturing services for major medical device manufacturers. The Information and Communication segment plans, manufactures, and sells products and services for commercial printing, publication printing, art solution, sales promotion, etc.

Effective from the fiscal year ended December 31, 2018, the Company changed the name of the reportable segment, from Life Innovation to Medical Technologies. This change was only a change of the segment name and had no effect on information on the segment. The changed name of the segment is also presented in the segment information for the previous fiscal year.

2. Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

The accounting methods for the reportable segments are generally those set forth in the "Basis for the preparation of the consolidated financial statements" disclosed in the latest annual securities report (March 23, 2018). Inter-segment sales or transfers are based on current market prices.

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

As stated in “Changes in accounting policies which are difficult to distinguish from changes in accounting estimates” above, until the end of the previous fiscal year, to depreciate property, plant and equipment (excluding leased assets), the Company and its domestic consolidated subsidiaries mainly used the declining-balance method while the Company’s overseas consolidated subsidiaries used the straight-line method. However, since the fiscal year ended December 31, 2018, the Company and its domestic consolidated subsidiaries have changed to use the straight-line method.

Compared to the previous method, segment profits for the fiscal year ended December 31, 2018 increased by ¥134 million in Industrial Materials, ¥1,410 million in Devices and ¥23 million in Other, respectively. Segment loss increased by ¥9 million in Information and Communication and decreased by ¥0 million in Medical Technologies.

3. Information about sales, profit (loss), assets, and other items by reportable segment

The fiscal year ended December 31, 2017 (April 1, 2017 to December 31, 2017)

(Million yen)

	Reportable segment					Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
	Industrial Materials	Devices	Medical Technologies	Information and Communication	Sub-total				
Sales									
Sales to external customers	37,283	97,206	14,081	10,673	159,245	273	159,518	—	159,518
Inter-segment sales or transfers	570	1,059	—	67	1,697	1,464	3,161	(3,161)	—
Total	37,854	98,266	14,081	10,741	160,943	1,737	162,680	(3,161)	159,518
Segment profit (loss)	1,281	7,016	244	(445)	8,097	85	8,183	(1,904)	6,278
Segment assets	54,578	67,131	29,050	4,933	155,693	768	156,462	68,698	225,160
Other									
Depreciation	2,390	3,270	774	124	6,559	13	6,573	532	7,105
Amortization of goodwill	517	84	522	—	1,124	1	1,126	—	1,126
Increase in property, plant and equipment and intangible assets	1,759	3,857	179	64	5,860	16	5,876	3,187	9,063

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

2. Reconciliations are as follows:

(1) The negative ¥1,904 million of reconciliations in segment profit (loss) includes unallocated corporate expenses, etc. Corporate expenses mainly consist of general and administrative expenses not attributable to any reportable segment.

(2) The positive ¥68,698 million of reconciliations in segment assets consists of the positive ¥68,982 million in total of cash and deposits, investment securities, corporate (R&D and administrative) non-current assets, etc., not allocated to reportable segments and the negative ¥284 million of inter-segment elimination of receivables and payables.

(3) The positive ¥532 million of reconciliations in depreciation relates to corporate (R&D and administrative) non-current assets.

(4) The positive ¥3,187 million of reconciliations in increase in property, plant and equipment and intangible assets is the amount of corporate (R&D and administrative) capital investment.

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

The fiscal year ended December 31, 2018 (January 1, 2018 to December 31, 2018)

(Million yen)

	Reportable segment					Other (Note 1)	Total	Reconcili-ations (Note 2)	Consolidated (Note 3)
	Industrial Materials	Devices	Medical Technologies	Information and Communi-cation	Sub-total				
Sales									
Sales to external customers	47,124	123,541	22,351	13,935	206,952	452	207,404	—	207,404
Inter-segment sales or transfers	750	627	—	116	1,495	1,838	3,333	(3,333)	—
Total	47,874	124,169	22,351	14,051	208,447	2,290	210,738	(3,333)	207,404
Segment profit (loss)	138	11,449	(60)	(618)	10,909	108	11,017	(2,946)	8,071
Segment assets	53,502	60,959	31,680	3,932	150,074	796	150,871	52,671	203,543
Other									
Depreciation	2,839	2,882	1,102	215	7,039	20	7,060	612	7,672
Amortization of goodwill	697	112	788	—	1,598	1	1,599	—	1,599
Increase in property, plant and equipment and intangible assets	3,064	5,043	538	17	8,664	45	8,709	1,913	10,622

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

2. Reconciliations are as follows:

(1) The negative ¥2,946 million of reconciliations in segment profit (loss) includes unallocated corporate expenses, etc. Corporate expenses mainly consist of general and administrative expenses not attributable to any reportable segment.

(2) The positive ¥52,671 million of reconciliations in segment assets consists of the positive ¥52,874 million in total of cash and deposits, investment securities, corporate (R&D and administrative) non-current assets, etc., not allocated to reportable segments and the negative ¥202 million of inter-segment elimination of receivables and payables.

(3) The positive ¥612 million of reconciliations in depreciation relates to corporate (R&D and administrative) non-current assets.

(4) The positive ¥1,913 million of reconciliations in increase in property, plant and equipment and intangible assets is the amount of corporate (R&D and administrative) capital investment.

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