NISSHA

Consolidated Financial Results for the Three Months Ended March 31, 2018 [Japanese GAAP]

May 10, 2018

Company name: Nissha Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 7915
URL: http://www.nissha.com/english
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Scheduled date of filing quarterly securities report: May 11, 2018
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 Three Months Ended March 31, 2018 (January 1, 2018 to March 31, 2018)

(1) Consolidated Operating Results (cumulative) (% 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	%
Three months ended March 31, 2018	36,314	－	515	－	(1,829)	－	(3,663)	－	(3,612)	－
Three months ended June 30, 2017	37,122	52.0	2,396	116.4	(207)	－	(200)	－	(554)	－

(Note) Comprehensive income: Three months ended March 31, 2018: ¥(4,675) million (–%)
Three months ended June 30, 2017: ¥2,854 million (–%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2018	(71.50)	－
Three months ended June 30, 2017	(11.88)	－

(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 corresponding quarter of the previous fiscal year are not provided, as the period of the first quarter of the current fiscal year (January 1, 2018 to March 31, 2018) is different from the corresponding quarter of the previous fiscal year (April 1, 2017 to June 30, 2017).
2. EBITDA is the total of operating profit, depreciation and amortization of goodwill.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2018	197,714	88,003	44.4
As of December 31, 2017	225,160	94,054	41.7

(Reference) Equity: As of March 31, 2018: ¥87,754 million
As of December 31, 2017: ¥93,815 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 December 31, 2017	—	15.00	—	15.00	30.00
Fiscal year ending December 31, 2018	—				
Fiscal year ending December 31, 2018 (Forecast)		15.00	—	15.00	30.00

(Note) Revision of cash dividend forecast: No

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

(% 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	71,000	—	(1,300)	—	(6,100)	—	(7,000)	—	(7,400)	—	(146.86)
Full year	217,000	—	20,000	—	10,200	—	9,000	—	7,000	—	138.92

(Notes)

1. Revision of consolidated financial results forecast: Yes
2. In line with the change of the fiscal year end date, the fiscal year ended December 31, 2017 (the previous fiscal year) was an irregular accounting period of nine months. Therefore, no figures indicating changes from the previous corresponding period are provided.
3. EBITDA is the total of operating profit, depreciation and amortization of goodwill.

(Reference)

% shown below indicates changes (adjusted changes) of the consolidated financial results from the previous corresponding period to the current fiscal year, which are calculated by adjusting the consolidated financial results of the previous fiscal year to the twelve-month period (January 1, 2017 to December 31, 2017). The consolidated financial results adjusted for the period of the twelve months (January 1, 2017 to December 31, 2017) is exempted from quarterly audit procedures.

(Million yen)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
First half	71,000	(0.1) %	(1,300)	—%	(6,100)	—%	(7,000)	—%	(7,400)	—%
Full year	217,000	12.2%	20,000	32.4%	10,200	154.7%	9,000	82.3%	7,000	161.1%

Notes:

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

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

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

(Note) The Company has changed its depreciation method from the first quarter of this fiscal year 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 “2. Consolidated Financial Statements and Principal Notes (4) Notes to consolidated financial statements (Changes in accounting policies, changes in accounting estimates, and restatements)” 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 March 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 March 31, 2018	467,038 shares
As of December 31, 2017	172,310 shares

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

Three months ended March 31, 2018	50,524,657 shares
Three months ended June 30, 2017	46,643,101 shares

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

<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, May 10, 2018. Reference materials to be used at the conference call are scheduled to be posted on our website on that day, as well.

Contents of Appendix

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

Effective from the fiscal year 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 three months ended March 31, 2018 below are compared with those for the same period of the previous year (January 1, 2017 to March 31, 2017).

(1) Explanation of operating results

Reflecting on the global economy in the three months ended March 31, 2018, the United States saw ongoing economic recovery thanks primarily to increased consumer spending and capital investment. In Europe, there remained uncertainty for the future attributable to Brexit and other factors, but the economy gradually recovered. In Asia, the economies of emerging countries such as China showed signs of recovery. As for Japan, the economy held steady on an ongoing moderate recovery trend, but due consideration must be given to uncertainty over overseas economies, foreign exchange fluctuations and other factors.

The Nissha Group has set the four markets, i.e., the markets of consumer electronics (IT), automotive, medical devices and high-function packaging materials as its focused markets in the Sixth Medium-term Business Plan starting from January 1, 2018 and aims to achieve a well-balanced management of the business portfolio that is further reorganized and optimized by its global based growth strategy that fully utilizes its existing business bases acquired or developed heretofore. The financial results for the three months ended March 31, 2018 progressed as projected in general. While demand for products in the Industrial Materials segment and the Medical Technologies segment progressed steadily, the mainstay Devices segment was less vigorous due to decrease in demand for products.

As a result, the net sales for the three months ended March 31, 2018 were ¥36,314 million (an increase of 6.9% as compared to the same period of the previous year) and EBITDA was ¥515 million (a decrease of 12.7% as compared to the same period of the previous year). For income, operating loss was ¥1,829 million (operating loss of ¥2,273 million in the same period of the previous year), ordinary loss was ¥3,663 million (ordinary loss of ¥2,642 million in the same period of the previous year), and loss attributable to owners of parent was ¥3,612 million (loss attributable to owners of parent of ¥4,053 million in the same period of the previous year).

Following is an overview by business segment.

Effective from the first quarter ended March 31, 2018, the Nissha Group 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 same period of the previous year.

Industrial Materials

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

During the three months ended March 31, 2018, demand progressed mostly as projected primarily for our mainstay decoration field for automotive.

As a result, segment sales for the three months ended March 31, 2018 were ¥11,775 million (a decrease of 2.9% as compared to the same period of the previous year) and EBITDA was ¥1,199 million (an increase of 15.8% as compared to the same period of the previous year). Segment profit (operating profit) was ¥267 million (an increase of 446.4% as compared to the same period of the previous year).

Devices

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

During the three months ended March 31, 2018, the operating rate of the production department largely dropped due to a sharp decrease in demand for our mainstay products adopted for smartphones, placing pressure on revenue of the segment.

As a result, segment sales for the three months ended March 31, 2018 were ¥15,687 million, an increase of 13.0% as compared to the same period of the previous year and EBITDA was negative ¥485 million, (positive ¥423 million in the same period of the previous year). Segment loss (operating loss) was ¥1,259 million (segment loss (operating loss) of ¥788 million in 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 fields to contribute to healthy and affluent life. The segment provides contract manufacturing services for major medical device manufacturers on a global basis with its main products, surgical instruments and medical electrodes. In addition to this, this segment currently manufactures and sells its own brand products to hospitals.

During the three months ended March 31, 2018, demand progressed steadily primarily for our mainstay products for contract manufacturing services.

As a result, segment sales for the three months ended March 31, 2018 were ¥4,880 million, an increase of 18.6% as compared to the same period of the previous year, and EBITDA was ¥460 million (negative ¥357 million in the same period of the previous year). Segment profit (operating profit) was ¥41 million (segment loss (operating loss) of ¥745 million in the same period of the previous year).

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, etc., thereby assisting a host of marketing strategies and communication strategies relating to advertising and sales promotion.

During the three months ended March 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.

As a result, segment sales for the three months ended March 31, 2018 were ¥3,873 million, an increase of 2.7% as compared to the same period of the previous year and EBITDA was ¥31 million, a decrease of 50.0% as compared to the same period of the previous year. Segment loss (operating loss) was ¥34 million (segment profit (operating profit) of ¥14 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 first quarter ended March 31, 2018 decreased by ¥27,445 million from the end of the previous year (the fiscal year ended December 31, 2017) to ¥197,714 million.

Current assets decreased by ¥26,553 million from the end of the previous year to ¥87,151 million. This was mainly because a ¥12,026 million decrease of cash and deposits and a ¥18,492 million decrease of notes and accounts receivable-trade outweighed a ¥6,763 million increase of merchandise and finished goods.

Non-current assets decreased by ¥891 million from the end of the previous year to ¥110,563 million. This was mainly because a ¥254 million decrease of trademark right, a ¥1,461 million decrease of goodwill and a ¥436 million decrease of customer related assets outweighed a ¥1,512 million increase of investment securities.

Total liabilities at the end of the first quarter ended March 31, 2018 decreased by ¥21,393 million from the end of the previous year to ¥109,711 million.

Current liabilities decreased by ¥20,425 million from the end of the previous year to ¥76,765 million. This was mainly due to a ¥14,611 million decrease of notes and accounts payable-trade.

Non-current liabilities decreased by ¥968 million from the end of the previous year to ¥32,946 million. This was mainly because a ¥100 million decrease of bonds payable and a ¥808 million decrease of long-term loans payable.

Net assets at the end of the first quarter ended March 31, 2018 decreased by ¥6,051 million from the end of the previous year to ¥88,003 million.

2) Cash flows

The balance of cash and cash equivalents (the "funds") on a consolidated basis at the end of the three months ended March 31, 2018 was ¥17,284 million, a decrease of ¥12,006 million compared to the end of the previous year.

The following describes the conditions of each cash flow and the underlying causes for the three months ended March 31, 2018.

The term of the previous year is the nine-month period from April 1, 2017 to December 31, 2017 due to the change of the fiscal year end date. Accordingly, year-on-year comparisons are not included.

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

Funds used in operating activities amounted to ¥4,638 million. This was mainly because a ¥3,162 million increase of profit before income taxes, ¥4,985 million increase in inventory, a decrease of ¥15,559 million in notes and accounts payable-trade outweighed a ¥18,028 million decrease in notes and accounts receivable-trade.

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

Funds used in investing activities amounted to ¥4,329 million. This was mainly attributable to the purchase of property, plant and equipment and intangible assets of ¥4,377 million.

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

Funds used in financing activities amounted to ¥1,682 million. This was mainly attributable to the purchase of treasury shares of ¥716 million and cash dividend paid of ¥758 million.

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

The consolidated financial forecasts for the fiscal year ending December 31, 2018 announced on February 14, 2018 have been reviewed and revised in consideration of the consolidated operating results for the three months ended March 31, 2018, the current movement of foreign exchange rates, the latest trends in product demand, and other factors.

For details, please see the "Notice of Revision to the First Half of FY2018 (January 1, 2018 to June 30, 2018) and FY2018 (January 1, 2018 to December 31, 2018) Business Forecast" announced on May 10, 2018.

2. Consolidated Financial Statements and Principal Notes

(1) Consolidated balance sheets

(Million yen)

	As of December 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	29,790	17,763
Notes and accounts receivable-trade	48,140	29,648
Merchandise and finished goods	10,474	17,238
Work in process	8,055	6,933
Raw materials and supplies	7,095	5,976
Other	10,442	9,860
Allowance for doubtful accounts	(292)	(268)
Total current assets	113,705	87,151
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	25,495	29,115
Machinery, equipment and vehicles, net	10,731	10,328
Tools, furniture and fixtures, net	2,501	2,903
Land	6,099	6,092
Leased assets, net	1,793	1,668
Construction in progress	5,934	2,238
Total property, plant and equipment	52,555	52,347
Intangible assets		
Trademark right	3,569	3,314
Software	944	993
Goodwill	23,645	22,184
Technical assets	2,269	2,152
Customer related assets	6,306	5,869
Other	891	779
Total intangible assets	37,627	35,294
Investments and other assets		
Investment securities	20,299	21,812
Other	1,457	1,579
Allowance for doubtful accounts	(485)	(470)
Total investments and other assets	21,271	22,921
Total non-current assets	111,455	110,563
Total assets	225,160	197,714

(Million yen)

	As of December 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	51,736	37,124
Electronically recorded obligations - operating	8,909	7,671
Short-term loans payable	10,669	10,749
Current portion of long-term loans payable	1,356	1,165
Income taxes payable	1,441	340
Provision for bonuses	1,930	2,614
Provision for directors' bonuses	60	75
Provision for management board benefit trust	138	138
Other	20,948	16,884
Total current liabilities	97,190	76,765
Non-current liabilities		
Bonds payable	2,940	2,840
Long-term loans payable	13,514	12,705
Net defined benefit liability	4,373	4,504
Other	13,087	12,896
Total non-current liabilities	33,915	32,946
Total liabilities	131,105	109,711
Net assets		
Shareholders' equity		
Capital stock	12,069	12,119
Capital surplus	15,460	15,510
Retained earnings	50,653	46,280
Treasury shares	(327)	(1,044)
Total shareholders' equity	77,856	72,866
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,875	12,945
Foreign currency translation adjustment	3,687	1,545
Remeasurements of defined benefit plans	395	396
Total accumulated other comprehensive income	15,958	14,887
Non-controlling interests	239	248
Total net assets	94,054	88,003
Total liabilities and net assets	225,160	197,714

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Million yen)

	Three Months Ended June 30, 2017	Three Months Ended March 31, 2018
Net sales	37,122	36,314
Cost of sales	31,196	31,143
Gross profit	5,925	5,171
Selling, general and administrative expenses	6,132	7,000
Operating loss	(207)	(1,829)
Non-operating income		
Interest income	9	43
Dividend income	167	13
Foreign exchange gains	3	—
Other	47	89
Total non-operating income	228	146
Non-operating expenses		
Interest expenses	167	165
Share of loss of entities accounted for using equity method	24	60
Foreign exchange losses	—	1,719
Other	29	35
Total non-operating expenses	221	1,980
Ordinary loss	(200)	(3,663)
Extraordinary income		
Gain on sales of non-current assets	1	118
Gain on sales of shares of subsidiaries and affiliates	—	354
State subsidy	32	50
Total extraordinary income	34	523
Extraordinary losses		
Loss on sales and retirement of non-current assets	26	19
Loss on valuation of investment securities	—	1
Total extraordinary losses	26	21
Loss before income taxes	(192)	(3,162)
Income taxes	375	436
Loss	(567)	(3,599)
Profit (loss) attributable to non-controlling interests	(13)	13
Loss attributable to owners of parent	(554)	(3,612)

Consolidated statements of comprehensive income

(Million yen)

	Three Months Ended June 30, 2017	Three Months Ended March 31, 2018
Loss	(567)	(3,599)
Other comprehensive income		
Valuation difference on available-for-sale securities	2,392	1,071
Foreign currency translation adjustment	1,039	(2,107)
Remeasurements of defined benefit plans, net of tax	(10)	0
Share of other comprehensive income of entities accounted for using equity method	0	(41)
Total other comprehensive income	3,422	(1,076)
Comprehensive income	2,854	(4,675)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,862	(4,683)
Comprehensive income attributable to non-controlling interests	(7)	8

(3) Consolidated statements of cash flows

(Million yen)

	Three Months Ended June 30, 2017	Three Months Ended March 31, 2018
Cash flows from operating activities		
Loss before income taxes	(192)	(3,162)
Depreciation	2,241	1,955
Amortization of goodwill	362	388
Increase (decrease) in provision for bonuses	825	696
Increase (decrease) in provision for directors’ bonuses	20	15
Increase (decrease) in provision for management board benefit trust	2	12
Increase (decrease) in net defined benefit asset/liability	60	19
Increase (decrease) in allowance for doubtful accounts	3	(12)
Interest and dividend income	(177)	(56)
Interest expenses	167	165
Foreign exchange losses (gains)	(86)	1,057
Share of (profit) loss of entities accounted for using equity method	24	60
Gain on sales of shares of subsidiaries and affiliates	—	(354)
Loss (gain) on sales and retirement of non-current assets	24	(98)
Decrease (increase) in notes and accounts receivable-trade	(2,288)	18,028
Decrease (increase) in inventories	(4,318)	(4,985)
Increase (decrease) in notes and accounts payable-trade	6,531	(15,559)
Other, net	(3,697)	(1,621)
Subtotal	(497)	(3,450)
Interest and dividend income received	175	58
Interest expenses paid	(159)	(166)
Income taxes paid	(509)	(1,108)
Income taxes refund	82	28
Net cash provided by (used in) operating activities	(908)	(4,638)

(Million yen)

	Three Months Ended June 30, 2017	Three Months Ended March 31, 2018
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(4,765)	(4,377)
Payments for retirement of property, plant and equipment	—	(199)
Proceeds from sales of property, plant and equipment and intangible assets	—	108
Proceeds from sales of shares of subsidiaries and associates resulting in change in scope of consolidation	—	317
Other, net	(96)	(178)
Net cash provided by (used in) investing activities	(4,862)	(4,329)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	34	99
Proceeds from long-term loans payable	84	19
Repayments of long-term loans payable	(459)	(251)
Commission fee paid	—	(7)
Repayments of lease obligations	(51)	(67)
Purchase of treasury stock-net	3	(716)
Cash dividends paid	(689)	(758)
Net cash provided by (used in) financing activities	(1,077)	(1,682)
Effect of exchange rate change on cash and cash equivalents	257	(1,355)
Net increase (decrease) in cash and cash equivalents	(6,590)	(12,006)
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	15,210	17,284

(4) Notes to consolidated financial statements

(Notes to going concern assumptions)

Not applicable

(Notes to material changes in shareholders' equity)

The Company purchased 294,300 treasury shares in accordance with the resolution adopted at the meeting of the Board of Directors held on February 14, 2018. As a result, in the three months ended March 31, 2018, treasury shares increased ¥715 million and at the end of the first quarter ended March 31, 2018, treasury shares amounted to ¥1,044 million.

On February 15, 2018, the purchase of treasury shares in accordance with the resolution adopted at the meeting of the Board of Directors held on February 14, 2018 was completed.

(Adoption of special accounting treatments 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 first quarter ended March 31, 2018. 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.

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

(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 first quarter ended March 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 three months ended March 31, 2018, operating loss, ordinary loss and loss before income taxes decreased by ¥248 million, respectively.

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

(Segment information)

I. The three months ended June 30, 2017 (April 1, 2017 to June 30, 2017)

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	Medical Technologies	Information and Communication	Sub-total				
Sales Sales to external customers	11,886	17,679	4,461	3,016	37,043	78	37,122	—	37,122
Inter-segment sales or transfers	—	389	—	18	407	479	886	(886)	—
Total	11,886	18,068	4,461	3,034	37,451	557	38,008	(886)	37,122
Segment profit (loss)	458	(30)	125	(215)	338	16	355	(562)	(207)

(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 ¥562 million of reconciliations in segment profit (loss) includes unallocated corporate expenses, etc. Corporate expenses mainly consist of general and administrative expenses not attributable to any reportable segment.

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

II. The three months ended March 31, 2018 (January 1, 2018 to March 31, 2018)

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	Medical Technologies	Information and Communication	Sub-total				
Sales									
Sales to external customers	11,775	15,687	4,880	3,873	36,217	97	36,314	—	36,314
Inter-segment sales or transfers	207	220	—	29	456	480	937	(937)	—
Total	11,982	15,907	4,880	3,903	36,674	577	37,252	(937)	36,314
Segment profit (loss)	267	(1,259)	41	(34)	(984)	26	(958)	(870)	(1,829)

(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 ¥870 million of reconciliations in segment profit (loss) includes unallocated corporate expenses, etc. Corporate expenses mainly consist of general and administrative expenses not attributable to any reportable segment.

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

2. Changes in reportable segments, etc.

(Change of name of reportable segment)

Effective from the first quarter ended March 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 three months ended June 30, 2017.

(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 first quarter ended March 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 three months ended March 31, 2018 increased by ¥13 million in Industrial Materials and ¥0 million in Medical technologies, and decreased by ¥0 million in Other. Segment loss increased by ¥4 million in Information and Communication and decreased by ¥208 million in Devices.