Consolidated Financial Results
for the Six Months Ended June 30, 2018
[Japanese GAAP]

August 7, 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: August 8, 2018
Scheduled date of commencing dividend payments: September 3, 2018
Availability of supplementary briefing material on quarterly financial results: Available
Schedule of quarterly financial results briefing session: Scheduled (for institutional investors)

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2018 (January 1, 2018 to June 30, 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	%
Six months ended June 30, 2018	72,542	–	132	–	(4,476)	–	(5,954)	–	(6,754)	–
Six months ended September 30, 2017	95,015	84.0	7,157	124.0	1,839	–	2,216	–	1,841	–

(Note) Comprehensive income: Six months ended June 30, 2018: ¥(9,453) million (–%)
Six months ended September 30, 2017: ¥7,408 million (–%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2018	(133.77)	–
Six months ended September 30, 2017	38.88	35.38

(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 six months of the current fiscal year (January 1, 2018 to June 30, 2018) is different from the corresponding period of the previous fiscal year (April 1, 2017 to September 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 June 30, 2018	199,497	83,372	41.7
As of December 31, 2017	225,160	94,054	41.7

(Reference) Equity: As of June 30, 2018: ¥83,129 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	－	15.00			
Fiscal year ending December 31, 2018 (Forecast)			－	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
Full year	217,000	－	20,000	－	10,200	－	9,000	－	7,000	－	138.92

(Notes)
1. Revision of consolidated financial results forecast: No
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	
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.

(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 June 30, 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 June 30, 2018	415,951 shares
As of December 31, 2017	172,310 shares

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

Six months ended June 30, 2018	50,488,245 shares
Six months ended September 30, 2017	47,367,823 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 briefing session for institutional investors on Tuesday, August 7, 2018. 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. 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 six months ended June 30, 2018 below are compared with those for the same period of the previous year (January 1, 2017 to June 30, 2017).

(1) Explanation of operating results

Reflecting on the global economy in the six months ended June 30, 2018, the real economy remained solid despite the prevailing uncertainties in the outlook due to a rise in protectionist economic policies and raising concerns about 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.

We have set the four markets, i.e., the markets of consumer electronics (IT), automotive, medical devices and high-function packaging materials as our focused markets in the Sixth Medium-term Business Plan starting from January 1, 2018 and aim 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 our existing business bases acquired or developed heretofore. During the six months ended June 30, 2018, while the Medical Technologies segment steadily implemented the growth strategy of the Medium-Term Business Plan, including the successive acquisition of U.S. -based medical devices manufacturers, the sales of the mainstay Devices segment remained at the same level as the previous year with demand for products, primarily for smartphones, significantly lower than the initial forecasts.

As a result, the net sales for the six months ended June 30, 2018 were ¥72,542 million (an increase of 2.1% as compared to the same period of the previous year). EBITDA was ¥132 million (a decrease of 95.6% as compared to the same period of the previous year). Operating loss was ¥4,476 million (operating loss of ¥2,480 million in the same period of the previous year). Ordinary loss was ¥5,954 million (ordinary loss of ¥2,843 million in the same period of the previous year). Loss attributable to owners of parent was ¥6,754 million (loss attributable to owners of parent of ¥4,607 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, 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 presented in the segment information for the same period of the previous 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 six months ended June 30, 2018, demand progressed mostly as projected primarily for our mainstay decoration field for automotive; however, reduction of quality costs remained an issue given the lower-than expected yield rate for products of some of the overseas plants.

As a result, segment sales for the six months ended June 30, 2018 were ¥23,338 million (a decrease of 2.8% as compared to the same period of the previous year) and EBITDA was ¥2,253 million (a decrease of 7.9% as compared to the same period of the previous year). Segment profit (operating profit) was ¥402 million (a decrease of 20.7% 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 six months ended June 30, 2018, the operation 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 six months ended June 30, 2018 were ¥32,012 million (an increase of 1.4% as compared to the same period of the previous year) and EBITDA was negative ¥1,598 million (positive ¥1,488 million in the same period of the previous year). Segment loss (operating loss) was ¥3,086 million (segment loss (operating loss) of ¥819 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 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 hospitals.

During the six months ended June 30, 2018, while demand progressed steadily primarily for our mainstay products of contract manufacturing services, temporary expenses were incurred due to corporate acquisitions and accompanying management integration, which were implemented to enhance the added value of our businesses such as product design and development capabilities.

As a result, segment sales for the six months ended June 30, 2018 were ¥9,987 million (an increase of 16.5% as compared to the same period of the previous year), and EBITDA was ¥806 million (an increase of 359.8% as compared to the same period of the previous year). Segment loss (operating loss) was ¥24 million (segment loss (operating loss) of ¥619 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, sales promotion, etc., thereby assisting a host of marketing strategies and communication strategies relating to advertising and sales promotion.

During the six months ended June 30, 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 six months ended June 30, 2018 were ¥6,994 million (an increase of 3.0% as compared to the same period of the previous year), and EBITDA was negative ¥121 million (negative ¥99 million in the same period of the previous year). Segment loss (operating loss) was ¥245 million (segment loss (operating loss) of ¥201 million in the same period of the previous year).

(2) Explanation of financial position

1) Assets, liabilities and net assets

Total assets at the end of the second quarter ended June 30, 2018 decreased by ¥25,663 million from the end of the previous year (the fiscal year ended December 31, 2017) to ¥199,497 million.

Current assets decreased by ¥23,776 million from the end of the previous year to ¥89,929 million. This was mainly because a ¥13,956 million decrease of cash and deposits and a ¥17,441 million decrease of notes and accounts receivable-trade outweighed a ¥8,382 million increase of merchandise and finished goods.

Non-current assets decreased by ¥1,887 million from the end of the previous year to ¥109,567 million. This was mainly because a ¥535 million decrease of customer related assets and a ¥1,549 million decrease of investment securities outweighed a ¥181 million increase of goodwill.

Total liabilities at the end of the second quarter ended June 30, 2018 decreased by ¥14,981 million from the end of the previous year to ¥116,124 million.

Current liabilities decreased by ¥15,102 million from the end of the previous year to ¥82,087 million. This was mainly because a ¥25,947 million decrease of notes and accounts payable-trade outweighed a ¥20,194 million increase of short-term loans payable.

Non-current liabilities increased by ¥121 million from the end of the previous year to ¥34,036 million. This was mainly because a ¥1,101 million increase of long-term loans payable outweighed a ¥889 million decrease of long-term deferred tax liabilities mainly due to changes in the fair value of available-for-sale securities.

Net assets at the end of the second quarter ended June 30, 2018 decreased by ¥10,682 million from the end of the previous year to ¥83,372 million.

2) Cash flows

The balance of cash and cash equivalents (the "funds") on a consolidated basis at the end of the six months ended June 30, 2018 was ¥15,358 million, a decrease of ¥13,933 million compared to the end of the previous year.

The following describes the conditions of each cash flow and the underlying causes for the six months ended June 30, 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 ¥23,189 million. This was mainly because ¥5,720 million of loss before income taxes, a ¥9,608 million increase in inventory, a ¥27,807 million decrease in notes and accounts payable-trade outweighed a ¥17,419 million decrease in notes and accounts receivable-trade.

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

Funds used in investing activities amounted to ¥9,886 million. This was mainly attributable to the purchase of property, plant and equipment and intangible assets of ¥7,842 million and the purchase of investments in subsidiaries and others resulting in change in scope of consolidation of ¥1,498 million.

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

Funds provided in financing activities amounted to ¥20,346 million. This was mainly attributable to a net increase in short-term loans payable of ¥20,230 million.

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

The consolidated financial forecasts for the fiscal year ending December 31, 2018 remain the same as those 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 June 30, 2018
Assets		
Current assets		
Cash and deposits	29,790	15,833
Notes and accounts receivable-trade	48,140	30,698
Merchandise and finished goods	10,474	18,857
Work in process	8,055	9,558
Raw materials and supplies	7,095	6,888
Other	10,442	8,349
Allowance for doubtful accounts	(292)	(257)
Total current assets	113,705	89,929
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	25,495	29,230
Machinery, equipment and vehicles, net	10,731	10,746
Tools, furniture and fixtures, net	2,501	2,862
Land	6,099	6,192
Leased assets, net	1,793	1,617
Construction in progress	5,934	2,003
Total property, plant and equipment	52,555	52,652
Intangible assets		
Trademark right	3,569	3,405
Software	944	973
Goodwill	23,645	23,827
Technical assets	2,269	2,065
Customer related assets	6,306	5,770
Other	891	962
Total intangible assets	37,627	37,005
Investments and other assets		
Investment securities	20,299	18,750
Other	1,457	1,626
Allowance for doubtful accounts	(485)	(467)
Total investments and other assets	21,271	19,909
Total non-current assets	111,455	109,567
Total assets	225,160	199,497

(Million yen)

	As of December 31, 2017	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	52,862	26,915
Electronically recorded obligations - operating	8,909	6,480
Short-term loans payable	10,669	30,863
Current portion of long-term loans payable	1,356	1,785
Income taxes payable	1,441	281
Provision for bonuses	1,930	1,895
Provision for directors’ bonuses	60	35
Provision for management board benefit trust	138	—
Other	19,821	13,830
Total current liabilities	97,190	82,087
Non-current liabilities		
Bonds payable	2,940	2,840
Long-term loans payable	13,514	14,616
Provision for management board benefit trust	—	24
Net defined benefit liability	4,373	4,487
Other	13,087	12,069
Total non-current liabilities	33,915	34,036
Total liabilities	131,105	116,124
Net assets		
Shareholders’ equity		
Capital stock	12,069	12,119
Capital surplus	15,460	15,510
Retained earnings	50,653	43,139
Treasury shares	(327)	(907)
Total shareholders’ equity	77,856	69,862
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,875	10,888
Foreign currency translation adjustment	3,687	1,994
Remeasurements of defined benefit plans	395	384
Total accumulated other comprehensive income	15,958	13,266
Non-controlling interests	239	243
Total net assets	94,054	83,372
Total liabilities and net assets	225,160	199,497

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Million yen)

	Six Months Ended September 30, 2017	Six Months Ended June 30, 2018
Net sales	95,015	72,542
Cost of sales	80,719	62,954
Gross profit	14,296	9,587
Selling, general and administrative expenses	12,456	14,064
Operating profit (loss)	1,839	(4,476)
Non-operating income		
Interest income	30	54
Dividend income	190	192
Foreign exchange gains	572	—
Other	97	127
Total non-operating income	891	374
Non-operating expenses		
Interest expenses	394	363
Share of loss of entities accounted for using equity method	28	131
Foreign exchange losses	—	1,312
Other	91	44
Total non-operating expenses	514	1,852
Ordinary loss	2,216	(5,954)
Extraordinary income		
Gain on sales of non-current assets	6	143
Gain on sales of investment securities	215	—
Gain on sales of shares of subsidiaries and affiliates	—	354
State subsidy	43	58
Total extraordinary income	265	557
Extraordinary losses		
Loss on sales and retirement of non-current assets	35	287
Loss on valuation of investment securities	—	1
Loss on closing of plants	54	—
Business establishment transfer cost	—	33
Total extraordinary losses	89	323
Profit (loss) before income taxes	2,392	(5,720)
Income taxes	567	1,050
Profit (loss)	1,825	(6,770)
Loss attributable to non-controlling interests	(16)	(16)
Profit (loss) attributable to owners of parent	1,841	(6,754)

Consolidated statements of comprehensive income

(Million yen)

	Six Months Ended September 30, 2017	Six Months Ended June 30, 2018
Profit (loss)	1,825	(6,770)
Other comprehensive income		
Valuation difference on available-for-sale securities	3,685	(976)
Foreign currency translation adjustment	1,919	(1,653)
Remeasurements of defined benefit plans, net of tax	(23)	(12)
Share of other comprehensive income of entities accounted for using equity method	1	(41)
Total other comprehensive income	5,582	(2,683)
Comprehensive income	7,408	(9,453)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,421	(9,446)
Comprehensive income attributable to non-controlling interests	(13)	(7)

(3) Consolidated statements of cash flows

(Million yen)

	Six Months Ended September 30, 2017	Six Months Ended June 30, 2018
Cash flows from operating activities		
Profit (loss) before income taxes	2,392	(5,720)
Depreciation	4,584	3,844
Amortization of goodwill	733	764
Loss on closing of plants	54	—
Business establishment transfer cost	—	33
Increase (decrease) in provision for bonuses	288	(24)
Increase (decrease) in provision for directors' bonuses	(20)	(24)
Increase (decrease) in provision for management board benefit trust	19	(114)
Increase (decrease) in net defined benefit asset/liability	28	(60)
Increase (decrease) in allowance for doubtful accounts	4	(22)
Interest and dividend income	(220)	(247)
Interest expenses	394	363
Foreign exchange losses (gains)	(446)	911
Share of (profit) loss of entities accounted for using equity method	28	131
Loss (gain) on sales of investment securities	(215)	—
Gain on sales of shares of subsidiaries and affiliates	—	(354)
Loss (gain) on sales and retirement of non-current assets	28	143
Decrease (increase) in notes and accounts receivable-trade	(17,372)	17,419
Decrease (increase) in inventories	(5,472)	(9,608)
Increase (decrease) in notes and accounts payable-trade	22,589	(27,807)
Other, net	(8,671)	(1,256)
Subtotal	(1,271)	(21,628)
Interest and dividend income received	218	226
Interest expenses paid	(391)	(362)
Income taxes paid	(860)	(1,464)
Income taxes refund	789	39
Net cash provided by (used in) operating activities	(1,514)	(23,189)

(Million yen)

	Six Months Ended September 30, 2017	Six Months Ended June 30, 2018
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(7,769)	(7,842)
Payments for retirement of property, plant and equipment	(4)	(201)
Proceeds from sales of property, plant and equipment and intangible assets	—	142
Purchase of investment securities	(25)	(4)
Proceeds from sales of investment securities	226	7
Purchase of investments in subsidiaries and others resulting in change in scope of consolidation	—	(1,498)
Proceeds from sales of shares of subsidiaries and associates resulting in change in scope of consolidation	—	317
Payments for transfer of business	(280)	(697)
Other, net	(171)	(110)
Net cash provided by (used in) investing activities	(8,024)	(9,886)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	10,027	20,230
Proceeds from long-term loans payable	654	2,905
Repayments of long-term loans payable	(776)	(1,166)
Commission fee paid	(19)	(10)
Repayments of lease obligations	(131)	(133)
Purchase of treasury stock-net	0	(717)
Cash dividends paid	(699)	(761)
Net cash provided by (used in) financing activities	9,056	20,346
Effect of exchange rate change on cash and cash equivalents	786	(1,202)
Net increase (decrease) in cash and cash equivalents	303	(13,933)
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	22,105	15,358

(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 for ¥715 million in accordance with the resolution adopted at the meeting of the Board of Directors held on February 14, 2018. 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. In addition, during the six months ended June 30, 2018, based on the "Board Benefit Trust (BBT)" system, the trust provided directors, etc. with 34,200 treasury shares and also cash obtained by disposing 17,000 treasury shares. As a result, at the end of the second quarter ended June 30, 2018, treasury shares decreased by ¥137 million to ¥907 million.

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

Calculation of tax expense

When calculating tax expense, the company reasonably estimate the effective tax rate after applying tax-effect accounting for profit (loss) before income taxes in the fiscal year, including the second quarter ended June 30, 2018. The company then calculate the tax expense by multiplying profit (loss) before income taxes by the estimated effective tax rate. The company 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 six months ended June 30, 2018, operating loss, ordinary loss and loss before income taxes decreased by ¥649 million, respectively.

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

(Segment information)

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

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

(Million yen)

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

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

2. The negative ¥1,178 million of reconciliations in segment profit (loss) includes unallocated corporate expenses, etc. Corporate expenses mainly consist of general and administrative expenses not attributable to any reportable segment.

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

II. The six months ended June 30, 2018 (January 1, 2018 to June 30, 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	23,338	32,012	9,987	6,994	72,333	209	72,542	—	72,542
Inter-segment sales or transfers	464	402	—	47	913	877	1,791	(1,791)	—
Total	23,802	32,414	9,987	7,041	73,247	1,086	74,334	(1,791)	72,542
Segment profit (loss)	402	(3,086)	(24)	(245)	(2,953)	36	(2,917)	(1,559)	(4,476)

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

2. The negative ¥1,559 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 six months ended September 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 six months ended June 30, 2018 increased by ¥33 million in Industrial Materials and decreased by ¥0 million in Other. Segment loss increased by ¥7 million in Information and Communication and decreased by ¥532 million in Devices and ¥0 million in Medical technologies.