Consolidated Financial Results
for the Nine Months Ended September 30, 2018
[Japanese GAAP]

November 7, 2018

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 filing quarterly securities report: November 9, 2018
Scheduled date of commencing dividend payments: ー
Availability of supplementary briefing material on quarterly financial results: Available
Schedule of quarterly financial results briefing session: Scheduled (conference call for institutional investors)

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

1. Consolidated Financial Results for the Nine Months Ended September 30, 2018 (January 1, 2018 to September 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	%
Nine months ended September 30, 2018	140,860	ー	8,966	ー	1,958	ー	1,395	ー	451	ー
Nine months ended December 31, 2017	ー	ー	ー	ー	ー	ー	ー	ー	ー	ー

(Note) Comprehensive income: Nine months ended September 30, 2018: ¥(313) million (–%)
Nine months ended December 31, 2017: ¥ー million (–%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2018	8.95	8.73
Nine months ended December 31, 2017	ー	ー

(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 consolidated operating results (cumulative) for the nine months of the previous fiscal year (April 1, 2017 to December 31, 2017) and changes from the corresponding quarter of the previous fiscal year are not provided, as quarterly consolidated financial statements for the nine months ended December 31, 2017 were not prepared.
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 September 30, 2018	225,695	91,757	40.6
As of December 31, 2017	225,160	94,054	41.7

(Reference) Equity: As of September 30, 2018: ¥91,530 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 September 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 September 30, 2018	416,092 shares
As of December 31, 2017	172,310 shares

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

Nine months ended September 30, 2018	50,473,650 shares
Nine months ended December 31, 2017	ー shares

(Note) Effective from the fiscal year ended December 31, 2017, the Company changed the fiscal year end date from March 31 to December 31. Therefore, figure indicating average number of shares during the period (cumulative total) for the nine months of the previous fiscal year (April 1, 2017 to December 31, 2017) is not provided, as quarterly consolidated financial statements for the nine months ended December 31, 2017 were not prepared.

* 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 Wednesday, November 7, 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 nine months ended September 30, 2018 below are compared with those for the same period of the previous year (January 1, 2017 to September 30, 2017).

(1) Explanation of operating results

Reflecting on the global economy in the nine months ended September 30, 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.

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 nine months ended September 30, 2018, demand in the Devices segment, which was stagnant in the first half, turned into expansion trend since the beginning of the second half, 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, the net sales for the nine months ended September 30, 2018 were ¥140,860 million (an increase of 9.2% as compared to the same period of the previous year). EBITDA was ¥8,966 million (an increase of 15.7% as compared to the same period of the previous year). Operating profit was ¥1,958 million (operating loss of ¥434 million in the same period of the previous year). Ordinary profit was ¥1,395 million (ordinary loss of ¥426 million in the same period of the previous year). Profit attributable to owners of parent was ¥451 million (loss attributable to owners of parent of ¥2,211 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.

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 nine months ended September 30, 2018, demand for our mainstay products for automotive was solid, 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 nine months ended September 30, 2018 were ¥34,518 million (a decrease of 5.0% as compared to the same period of the previous year) and EBITDA was ¥3,188 million (a decrease of 22.7% as compared to the same period of the previous year). Segment profit (operating profit) was ¥406 million (a decrease of 66.2% 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 nine months ended September 30, 2018, revenue of the segment improved as demand for our mainstay products adopted for smartphones turned into an expansion trend since July and thanks to favorable yield rate for products.

As a result, segment sales for the nine months ended September 30, 2018 were ¥80,041 million (an increase of 15.7% as compared to the same period of the previous year) and EBITDA was ¥6,412 million (an increase of 40.1% as compared to the same period of the previous year). Segment profit (operating profit) was ¥4,171 million (an increase of 269.9% 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 nine months ended September 30, 2018, demand progressed steadily primarily for our mainstay products of contract manufacturing services, and the segment business scale expanded with the consolidation of the operating results of the acquired companies.

As a result, segment sales for the nine months ended September 30, 2018 were ¥16,015 million (an increase of 22.2% as compared to the same period of the previous year), and EBITDA was ¥1,333 million (an increase of

98.6% as compared to the same period of the previous year). Segment loss (operating loss) was ¥11 million (segment loss (operating loss) of ¥528 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 nine months ended September 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 nine months ended September 30, 2018 were ¥9,961 million (a decrease of 1.7% as compared to the same period of the previous year), and EBITDA was negative ¥260 million (negative ¥165 million in the same period of the previous year). Segment loss (operating loss) was ¥431 million (segment loss (operating loss) of ¥314 million in the same period of the previous year).

In addition, this segment announced a business restructuring on September 4, 2018 with the aim of revenue improvement of the segment. This business restructuring is scheduled to be effective from January 7, 2019.

(2) Explanation of financial position

1) Assets, liabilities and net assets

Total assets at the end of the third quarter ended September 30, 2018 increased by ¥534 million from the end of the previous year (the fiscal year ended December 31, 2017) to ¥225,695 million.

Current assets decreased by ¥1,198 million from the end of the previous year to ¥112,507 million. This was mainly because a ¥12,099 million decrease of cash and deposits outweighed a ¥2,558 million increase of notes and accounts receivable-trade, a ¥3,220 million increase of merchandise and finished goods and a ¥3,359 million increase of work in process.

Non-current assets increased by ¥1,732 million from the end of the previous year to ¥113,187 million. This was mainly because a ¥2,160 million increase of property, plant and equipment and a ¥487 million increase of goodwill outweighed a ¥513 million decrease of customer related assets and a ¥426 million decrease of investment securities.

Total liabilities at the end of the third quarter ended September 30, 2018 increased by ¥2,832 million from the end of the previous year to ¥133,937 million.

Current liabilities increased by ¥2,072 million from the end of the previous year to ¥99,262 million. This was mainly because a ¥20,087 million increase of short-term loans payable outweighed a ¥11,448 million decrease of notes and accounts payable-trade, a ¥2,100 million decrease of electronically recorded obligations - operating and a ¥1,329 million decrease of income taxes payable.

Non-current liabilities increased by ¥759 million from the end of the previous year to ¥34,675 million. This was mainly because a ¥1,688 million increase of long-term loans payable outweighed a ¥998 million decrease of long-term deferred tax liabilities, which is included in other.

Net assets at the end of the third quarter ended September 30, 2018 decreased by ¥2,297 million from the end of the previous year to ¥91,757 million.

2) Cash flows

The balance of cash and cash equivalents (the “funds”) on a consolidated basis at the end of the nine months ended September 30, 2018 was ¥17,685 million, a decrease of ¥11,605 million compared to the end of the previous year.

The following describes the conditions of each cash flow and the underlying causes for the nine months ended September 30, 2018.

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, quarterly consolidated financial statements for the nine months ended December 31, 2017 were not prepared and therefore year-on-year comparisons are not presented.

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

Funds used in operating activities amounted to ¥19,323 million. This was mainly because a ¥2,326 million increase in notes and accounts receivable-trade, a ¥6,975 million increase in inventory and a ¥13,061 million decrease in notes and accounts payable-trade outweighed a ¥5,782 million of depreciation.

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

Funds used in investing activities amounted to ¥11,538 million. This was mainly attributable to the purchase of property, plant and equipment and intangible assets of ¥9,997 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 ¥19,743 million. This was mainly attributable to a net increase in short-term loans payable of ¥20,098 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 September 30, 2018
Assets		
Current assets		
Cash and deposits	29,790	17,690
Notes and accounts receivable - trade	48,140	50,698
Merchandise and finished goods	10,474	13,694
Work in process	8,055	11,414
Raw materials and supplies	7,095	7,862
Other	10,442	11,416
Allowance for doubtful accounts	(292)	(270)
Total current assets	113,705	112,507
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	25,495	29,471
Machinery, equipment and vehicles, net	10,731	11,821
Tools, furniture and fixtures, net	2,501	3,058
Land	6,099	6,197
Leased assets, net	1,793	1,604
Construction in progress	5,934	2,563
Total property, plant and equipment	52,555	54,716
Intangible assets		
Trademark right	3,569	3,451
Software	944	927
Goodwill	23,645	24,133
Technical assets	2,269	2,090
Customer related assets	6,306	5,792
Other	891	993
Total intangible assets	37,627	37,389
Investments and other assets		
Investment securities	20,299	19,873
Other	1,457	1,684
Allowance for doubtful accounts	(485)	(476)
Total investments and other assets	21,271	21,081
Total non-current assets	111,455	113,187
Total assets	225,160	225,695

(Million yen)

	As of December 31, 2017	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	52,862	41,414
Electronically recorded obligations - operating	8,909	6,809
Short-term loans payable	10,669	30,757
Current portion of long-term loans payable	1,356	2,007
Income taxes payable	1,441	111
Provision for bonuses	1,930	2,837
Provision for directors' bonuses	60	53
Provision for management board benefit trust	138	—
Other	19,821	15,271
Total current liabilities	97,190	99,262
Non-current liabilities		
Bonds payable	2,940	2,840
Long-term loans payable	13,514	15,202
Provision for management board benefit trust	—	35
Net defined benefit liability	4,373	4,589
Other	13,087	12,006
Total non-current liabilities	33,915	34,675
Total liabilities	131,105	133,937
Net assets		
Shareholders' equity		
Capital stock	12,069	12,119
Capital surplus	15,460	15,514
Retained earnings	50,653	49,588
Treasury shares	(327)	(911)
Total shareholders' equity	77,856	76,311
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,875	11,724
Foreign currency translation adjustment	3,687	3,121
Remeasurements of defined benefit plans	395	373
Total accumulated other comprehensive income	15,958	15,219
Non-controlling interests	239	226
Total net assets	94,054	91,757
Total liabilities and net assets	225,160	225,695

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Million yen)

	Nine Months Ended September 30, 2018
Net sales	140,860
Cost of sales	117,483
Gross profit	23,377
Selling, general and administrative expenses	21,418
Operating profit	1,958
Non-operating income	
Interest income	132
Dividend income	204
Other	191
Total non-operating income	528
Non-operating expenses	
Interest expenses	642
Share of loss of entities accounted for using equity method	182
Foreign exchange losses	232
Other	34
Total non-operating expenses	1,091
Ordinary profit	1,395
Extraordinary income	
Gain on sales of non-current assets	129
Gain on sales of shares of subsidiaries and associates	354
State subsidy	91
Total extraordinary income	575
Extraordinary losses	
Loss on sales and retirement of non-current assets	414
Loss on valuation of investment securities	1
Business establishment transfer cost	53
Total extraordinary losses	470
Profit before income taxes	1,501
Income taxes	1,077
Profit	423
Loss attributable to non-controlling interests	(28)
Profit attributable to owners of parent	451

Consolidated statements of comprehensive income

(Million yen)

	Nine Months Ended September 30, 2018
Profit	423
Other comprehensive income	
Valuation difference on available-for-sale securities	(150)
Foreign currency translation adjustment	(522)
Remeasurements of defined benefit plans, net of tax	(23)
Share of other comprehensive income of entities accounted for using equity method	(40)
Total other comprehensive income	(737)
Comprehensive income	(313)
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	(287)
Comprehensive income attributable to non-controlling interests	(25)

(3) Consolidated statements of cash flows

(Million yen)

	Nine Months Ended September 30, 2018
Cash flows from operating activities	
Profit before income taxes	1,501
Depreciation	5,782
Amortization of goodwill	1,224
Business establishment transfer cost	53
Increase (decrease) in provision for bonuses	910
Increase (decrease) in provision for directors' bonuses	(7)
Increase (decrease) in provision for management board benefit trust	(102)
Increase (decrease) in net defined benefit asset/liability	(27)
Increase (decrease) in allowance for doubtful accounts	(15)
Interest and dividend income	(336)
Interest expenses	642
Foreign exchange losses (gains)	332
Share of (profit) loss of entities accounted for using equity method	182
Gain on sales of shares of subsidiaries and associates	(354)
Loss (gain) on sales and retirement of non-current assets	285
Decrease (increase) in notes and accounts receivable - trade	(2,326)
Decrease (increase) in inventories	(6,975)
Increase (decrease) in notes and accounts payable - trade	(13,061)
Other, net	(4,295)
Subtotal	(16,587)
Interest and dividend income received	253
Interest expenses paid	(643)
Income taxes paid	(2,446)
Income taxes refund	100
Net cash provided by (used in) operating activities	(19,323)

(Million yen)

	Nine Months Ended September 30, 2018
Cash flows from investing activities	
Proceeds from withdrawal of time deposits	477
Purchase of property, plant and equipment and intangible assets	(9,997)
Payments for retirement of property, plant and equipment	(206)
Proceeds from sales of property, plant and equipment and intangible assets	134
Purchase of investment securities	(4)
Proceeds from sales of investment securities	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	317
Payments for transfer of business	(697)
Other, net	(70)
Net cash provided by (used in) investing activities	(11,538)
Cash flows from financing activities	
Net increase (decrease) in short-term loans payable	20,098
Proceeds from long-term loans payable	3,328
Repayments of long-term loans payable	(1,243)
Commission fee paid	(11)
Repayments of lease obligations	(200)
Purchase of treasury shares-net	(713)
Cash dividends paid	(1,514)
Net cash provided by (used in) financing activities	19,743
Effect of exchange rate change on cash and cash equivalents	(487)
Net increase (decrease) in cash and cash equivalents	(11,605)
Cash and cash equivalents at beginning of period	29,291
Cash and cash equivalents at end of period	17,685

(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 nine months ended September 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, treasury shares decreased by ¥137 million. Furthermore, due to additional contribution to the "Board Benefit Trust (BBT)" system, the Company disposed of 63,000 treasury shares through a third-party allocation to Trust & Custody Services Bank, Ltd. (trust account E) on September 10, 2018, in accordance with the resolution adopted at the meeting of the Board of Directors held on August 24, 2018. As a result, capital surplus and treasury shares increased by ¥3 million each. Due to the effects of these factors, at the end of the third quarter ended September 30, 2018, capital surplus and treasury shares amounted to ¥15,514 million and ¥911 million, respectively.

(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 third quarter ended September 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 nine months ended September 30, 2018, operating profit, ordinary profit and profit before income taxes increased by ¥1,180 million, respectively.

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

(Segment information)
The nine months ended September 30, 2018 (January 1, 2018 to September 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	34,518	80,041	16,015	9,961	140,537	322	140,860	—	140,860
Inter-segment sales or transfers	724	523	—	61	1,309	1,315	2,625	(2,625)	—
Total	35,243	80,565	16,015	10,023	141,847	1,637	143,485	(2,625)	140,860
Segment profit (loss)	406	4,171	(11)	(431)	4,135	69	4,205	(2,246)	1,958

(Notes) 1. The "Other" category consists of a business segment not included in the reportable segments and includes the landscaping business, etc.
2. The negative ¥2,246 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.

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.

(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 nine months ended September 30, 2018 increased by ¥68 million in Industrial Materials, ¥945 million in Devices and ¥0 million in Other, respectively. Segment loss increased by ¥8 million in Information and Communication and decreased by ¥0 million in Medical Technologies.

(Significant subsequent event)

Acquisition of treasury stock

The Company resolved, at its Board of Directors' meeting held on November 7, 2018, the matters regarding the acquisition of treasury stock pursuant to the provisions of Article 156 of the Companies Act, as applied in replacement of the provisions of Article 165, Paragraph 3 of the Companies Act.

For the details, please see "Notice of Determination of Matters Regarding Acquisition of Treasury Stock" disclosed on November 7, 2018.