# Consolidated Financial Results for the Fiscal Year Ended December 31, 2019 [Japanese GAAP]

February 14, 2020

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
Contact: Hayato Nishihara, Senior Executive Vice President, CFO, Director of the Board
Phone: +81-75-811-8111
Scheduled date of Ordinary General Meeting of Shareholders: March 24, 2020
Scheduled date of commencing dividend payments: March 4, 2020
Scheduled date of filing annual securities report: March 25, 2020
Availability of supplementary briefing material on financial results: Available
Schedule of financial results briefing session: Scheduled (for institutional investors)

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

**1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2019 (January 1, 2019 to December 31, 2019)**

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

| | Net sales | | EBITDA | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended December 31, 2019 | 173,189 | (16.5) | 5,221 | (69.9) | (4,307) | – | (4,696) | – | (4,131) | – |
| Fiscal year ended December 31, 2018 | 207,404 | – | 17,343 | – | 8,080 | – | 7,380 | – | 4,318 | – |

(Note) Comprehensive income: Fiscal year ended December 31, 2019: ¥(1,607) million (–%)
Fiscal year ended December 31, 2018: ¥(1,424) million (–%)

| | Basic earnings per share | Diluted earnings per share | Rate of return on equity | Ordinary profit to total assets | Operating profit to net sales |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| Fiscal year ended December 31, 2019 | (82.77) | – | (4.7) | (2.4) | (2.5) |
| Fiscal year ended December 31, 2018 | 85.70 | 83.57 | 4.7 | 3.5 | 3.9 |

(Reference) Equity in earnings (losses) of affiliated companies:
Fiscal year ended December 31, 2019: ¥(6) million
Fiscal year ended December 31, 2018: ¥(184) million

(Notes)
1. Effective from the fiscal year ended December 31, 2017, the Company changed the fiscal year end date from March 31 to December 31. Therefore, figures indicating changes from the previous fiscal year for the fiscal year ended December 31, 2018 are not provided, as the period of the fiscal year ended December 31, 2018 (January 1, 2018 to December 31, 2018) is different from the period of the fiscal year ended December 31, 2017 (April 1, 2017 to December 31, 2017).
2. EBITDA is the total of operating profit, depreciation and amortization of goodwill.
3. In the fiscal year ended December 31, 2019, the Company finalized provisional accounting treatments for business combination, which is reflected in the relevant figures for the fiscal year ended December 31, 2018.

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| As of December 31, 2019 | 190,634 | 86,255 | 45.3 | 1,728.26 |
| As of December 31, 2018 | 202,596 | 90,326 | 44.5 | 1,807.34 |

(Reference) Equity: As of December 31, 2019: ¥86,262 million
As of December 31, 2018: ¥90,208 million

(Notes)

1. In the fiscal year ended December 31, 2019, the Company finalized provisional accounting treatments for business combination, which is reflected in the relevant figures for the fiscal year ended December 31, 2018.
2. The Company has been applying “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the fiscal year ended December 31, 2019. Figures for the fiscal year ended December 31, 2018 have had the accounting standards applied retroactively.

(3) Consolidated Cash Flows

| | Net cash provided by (used in) operating activities | Net cash provided by (used in) investing activities | Net cash provided by (used in) financing activities | Cash and cash equivalents at end of period |
|---|---|---|---|---|
| | Million yen | Million yen | Million yen | Million yen |
| Fiscal year ended December 31, 2019 | 164 | (4,750) | 5,077 | 17,622 |
| Fiscal year ended December 31, 2018 | 4,232 | (14,181) | (2,448) | 16,757 |

## 2. Dividends

| | Annual dividends | | | | | Total dividends | Payout ratio (consolidated) | Dividends to net assets (consolidated) |
|---|---|---|---|---|---|---|---|---|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| Fiscal year ended December 31, 2018 | – | 15.00 | – | 15.00 | 30.00 | 1,506 | 35.0 | 1.6 |
| Fiscal year ended December 31, 2019 | – | 15.00 | – | 20.00 | 35.00 | 1,756 | – | 2.0 |
| Fiscal year ending December 31, 2020 (Forecast) | – | – | – | – | – | | – | |

(Note)

1. The year-end dividend for the fiscal year ended December 31, 2019 includes a commemorative dividend of ¥5 in recognition of the 90th anniversary of the Company’s foundation.
2. Dividends for the fiscal year ending December 31, 2020 have not been determined.

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2020 (January 1, 2020 to December 31, 2020)

(% indicates changes from the previous corresponding period)

| | Revenue | | Operating profit | | Profit before tax | | Profit attributable to owners of parent | | Basic earnings per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| First half | 75,000 | – | (6,000) | – | (6,300) | – | (6,900) | – | (138.24) |
| Full year | 166,000 | – | (2,000) | – | (2,700) | – | (3,500) | – | (70.12) |

(Note) The Company has voluntarily applied the International Financial Reporting Standards (IFRS) for the consolidated financial statements in the annual securities report for the fiscal year ended December 31, 2019 onward. Therefore, the consolidated financial results forecast for the fiscal year ending December 31, 2020 has been prepared based on IFRS, and figures indicating changes from the fiscal year ended December 31, 2019 to which Japanese GAAP had been applied are not provided.

**Notes:**

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

(2) Changes in accounting policies, changes in accounting estimates, and restatements
1) Changes in accounting policies due to the revision of accounting standards: Yes
2) Any changes other than 1) above: No
3) Changes in accounting estimates: No
4) Restatements: No
(Note) For details, please see "3. Consolidated Financial Statements and Principal Notes (4) Notes to consolidated financial statements (Changes in accounting policies)" on page 14 of the appendix.

(3) Total number of issued shares (common stock)
1) Total number of issued shares at the end of the period (including treasury shares):

| | |
|---|---|
| As of December 31, 2019 | 50,855,638 shares |
| As of December 31, 2018 | 50,855,638 shares |

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

| | |
|---|---|
| As of December 31, 2019 | 942,657 shares |
| As of December 31, 2018 | 943,121 shares |

3) Average number of shares during the period:

| | |
|---|---|
| Fiscal year ended December 31, 2019 | 49,912,769 shares |
| Fiscal year ended December 31, 2018 | 50,384,701 shares |

(Note) The Company's own shares in the "Board Benefit Trust (BBT)", the "Stock Benefit Trust (J-ESOP)", and the "Stock Benefit Trust (Employee Shareholding Association Purchase-type) (79,400 shares and 430,400 shares at the end of the fiscal year ended December 31, 2018 and December 31, 2019, respectively) recorded as treasury shares under shareholders' equity are included in the treasury shares to be deducted when calculating the average number of shares during the period for the purpose of determining basic earnings per share. The shares in the said trusts are also included as treasury shares to be deducted from the total number of issued shares at the end of the period for the purpose of determining net assets per share.

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

<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. Overview of Consolidated Operating Results, etc. (4) Forecast for the fiscal year ending December 31, 2020" on page 6 of the appendix.

We are scheduled to hold a briefing session for institutional investors on Friday, February 14, 2020. Reference materials to be distributed at the briefing session are scheduled to be posted on our website on that day, as well.

Contents of Appendix

1. Overview of Consolidated Operating Results, etc. .... 2
(1) Overview of consolidated operating results for the term .... 2
(2) Overview of consolidated financial position for the term .... 4
(3) Overview of consolidated cash flows for the term .... 5
(4) Forecast for the fiscal year ending December 31, 2020 .... 6
2. Basic Approach to the Selection of Accounting Standards .... 7
3. Consolidated Financial Statements and Principal Notes .... 8
(1) Consolidated balance sheets .... 8
(2) Consolidated statements of income and comprehensive income .... 10
(3) Consolidated statements of cash flows .... 12
(4) Notes to consolidated financial statements .... 14
(Notes to going concern assumptions) .... 14
(Changes in accounting policies) .... 14
(Changes in presentation) .... 14
(Business combinations) .... 15
(Segment information) .... 16

## 1. Overview of Consolidated Operating Results, etc.

Business combinations with Heart Sync, Inc. on May 18, 2018 and with Sequel Special Products, LLC and RSS Design, LLC on June 25, 2018 were finalized in the fiscal year ended December 31, 2019. Accordingly, previous year-end amounts, used for comparison and analysis below, reflect the adjustment for the finalization of provisional accounting treatment.

In addition, the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) have been applied from the beginning of the fiscal year ended December 31, 2019. Accordingly, the figures in the financial position presented in "(2) Overview of consolidated financial position for the term" are compared to and analyzed with the figures in the previous year that have been retrospectively restated to reflect the above-mentioned changes in the accounting standard.

### (1) Overview of consolidated operating results for the term

Regarding the global economy in the fiscal year ended December 31, 2019, the recovery was gradual on the whole. On the other hand, due to the US-China trade friction and concerns over the UK's withdrawal from the EU, etc., uncertainty over the future widened and the speed of recovery had slowed down. While the United States saw ongoing economic recovery thanks primarily to increased consumer spending, recovery in the European economy was weak. In China, the gradual economic slowdown continued, and in other Asian emerging countries, the economic recovery turned out to be weak. The Japanese economy has continued a gradual recovery overall, although there are some recent weaknesses in export and production.

The Group has been operating the Sixth Medium-term Business Plan (three-year plan), centering on growth by reorganizing and optimizing its business portfolio. We have set the markets of mobility (automotive), medical devices and sustainable packaging materials as our focus markets, in addition to the mainstay consumer electronics (IT), and aim to develop well-balanced business bases and enhance our corporate value by implementing a global-based growth strategy. During the fiscal year ended December 31, 2019, using funds gained from selling non-current assets which are no longer business assets, we conducted efforts such as corporate acquisitions in our focus markets, and steadily made progress in the reorganization of the business portfolio. Regarding the financial results for the fiscal year ended December 31, 2019, demand for the Devices segment fell far below the initial projection, despite demand for our mainstay smartphone turning into an expansion trend in the second half of the year. In the Industrial Materials segment, the operation rate of domestic plants declined, and we still face challenges in improving the profitability of some overseas plants. The Medical Technologies segment experienced robust demand.

As a result, regarding the consolidated financial results for the fiscal year ended December 31, 2019, the net sales were ¥173,189 million (a decrease of 16.5% as compared to the same period of the previous year). EBITDA was ¥5,221 million (a decrease of 69.9% as compared to the same period of the previous year). Operating loss was ¥4,307 million (operating profit of ¥8,080 million in the same period of the previous year). Ordinary loss was ¥4,696 million (ordinary profit of ¥7,380 million in the same period of the previous year). Loss attributable to owners of parent was ¥4,131 million (profit attributable to owners of parent of ¥4,318 million in the same period of the previous year).

Following is an overview by business 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, IML, and IME, which facilitate simultaneous in-mold decoration, design and function adding of plastic products, are extensively adopted in mobility (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 sustainable packaging materials for beverages and foods on a global basis.

During the fiscal year ended December 31, 2019, the operation at domestic plants was not fully active on account of sluggish demand for Chinese market and furthermore, challenge to improve profitability continues at some overseas plants.

As a result, segment sales for the fiscal year ended December 31, 2019 were ¥46,463 million (a decrease of 1.4% as compared to the same period of the previous year), and EBITDA was ¥1,438 million (a decrease of 60.9% as compared to the same period of the previous year). Segment loss (operating loss) was ¥2,297 million (segment profit (operating profit) of ¥138 million in the same period of the previous year).

Devices

In the Devices segment, we produce components and module products that pursue precision and functionality. Our main products, film-based Touch Sensors are widely adopted mainly in smartphones, tablets, portable game players, industrial equipment, mobility (automotive) components, etc. in global markets. In addition, we offer gas sensors that can detect gas conditions, along with other products.

During the fiscal year ended December 31, 2019, although demand for products turned into an expansion trend in the second half of the year and revenue of the segment recovered, because demand for smartphones fell far below the initial projection, the segment’s performance was lackluster.

As a result, segment sales for the fiscal year ended December 31, 2019 were ¥94,706 million (a decrease of 23.3% as compared to the same period of the previous year), and EBITDA was ¥4,251 million (a decrease of 70.6% as compared to the same period of the previous year). Segment profit (operating profit) was ¥1,151 million (a decrease of 89.9% 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 manufacture) for major medical device manufacturers on a global basis with products such as surgical instruments for minimal invasive treatments and medical wearable sensor used for a wide range of conditions, primarily heart disease. In addition to this, the segment currently manufactures and sells its own brand products to medical institutions.

During the fiscal year ended December 31, 2019, although temporary expenses were incurred relating to corporate acquisitions in accordance with the growth strategy, demand progressed steadily primarily for our mainstay products of contract manufacturing services.
As a result, segment sales for the fiscal year ended December 31, 2019 were ¥24,068 million (an increase of 7.7% as compared to the same period of the previous year), and EBITDA was ¥2,089 million (an increase of 14.2% as compared to the same period of the previous year). Segment profit (operating profit) was ¥174 million (segment loss (operating loss) of ¥50 million in the same period of the previous year).

Information and Communication
In the Information and Communication segment, we focus on the fields such as publication printing and art solution, where we can make the most of our high-definition and high-quality tone reproduction capabilities, and also offer commercial printing and services related to sales promotion.
During the fiscal year ended December 31, 2019, profitability improved owing to the consolidation of business bases in the Kansai region, and the implementation of rationalization measures for the production system, despite a temporary decrease in the operation rate of our plants, due to the relocation and integration of the plants.
As a result, segment sales for the fiscal year ended December 31, 2019 were ¥7,417 million (a decrease of 46.8% as compared to the same period of the previous year), and EBITDA was negative ¥15 million (negative ¥402 million in the same period of the previous year). Segment loss (operating loss) was ¥150 million (segment loss (operating loss) of ¥618 million in the same period of the previous year).

**(2) Overview of consolidated financial position for the term**
Total assets at the end of the fiscal year ended December 31, 2019 decreased by ¥11,962 million from the end of the previous year (the fiscal year ended December 31, 2018) to ¥190,634 million.
Current assets decreased by ¥16,271 million from the end of the previous year to ¥79,587 million. This was mainly attributable to a ¥4,066 million decrease of notes and accounts receivable - trade, a ¥7,506 million decrease of inventories such as merchandise and finished goods, and a ¥720 million decrease of consumption taxes receivable, despite a ¥865 million increase of cash and deposits.
Non-current assets increased by ¥4,309 million from the end of the previous year to ¥111,047 million. This was mainly because other, net in property, plant and equipment increased by ¥1,508 million due to application of IFRS 16 "Leases" by the subsidiaries of the Group that adopt IFRS from the beginning of the fiscal year ended December 31, 2019, as stated in "3. Consolidated Financial Statements and Principal Notes (4) Notes to consolidated financial statements (Changes in accounting policies)," and investment securities increased by ¥5,267 million, which outweighed a ¥247 million decrease of trademark right, a ¥409 million decrease of goodwill, and a ¥900 million decrease of customer related assets.
Total liabilities at the end of the fiscal year ended December 31, 2019 decreased by ¥7,891 million from the end of the previous year to ¥104,378 million.
Current liabilities decreased by ¥9,091 million from the end of the previous year to ¥73,617 million. This was mainly because a ¥10,907 million decrease of notes and accounts payable - trade, a ¥2,224 million decrease of electronically recorded obligations - operating, a ¥2,190 million decrease of accrued expenses, and a ¥1,155 million

decrease of accounts payable - other included in other, outweighed a ¥9,945 million increase of short-term loans payable.

Non-current liabilities increased by ¥1,200 million from the end of the previous year to ¥30,761 million. This was mainly because a ¥2,295 million increase of deferred tax liabilities, a ¥1,386 million increase of lease liabilities which are included in other, due to the application of IFRS 16 "Leases" by the subsidiaries of the Group that adopt IFRS, which is similar to other, net in property, plant and equipment, outweighed a ¥2,098 million decrease of long-term loans payable.

Net assets at the end of the fiscal year ended December 31, 2019 decreased by ¥4,070 million from the end of the previous year to ¥86,255 million. This was mainly because a ¥1,126 million decrease of capital surplus due to the additional acquisition of shares of consolidated subsidiaries and a ¥5,642 million decrease of retained earnings due to factors such as the recording of a loss attributable to owners of parent outweighed a ¥3,559 million increase of valuation difference on available-for-sale securities.

**(3) Overview of consolidated cash flows for the term**

The balance of cash and cash equivalents (the "funds") on a consolidated basis at the end of the fiscal year ended December 31, 2019 was ¥17,622 million, an increase of ¥865 million compared to the end of the previous year.

The following describes the conditions of each cash flow and the underlying causes for the fiscal year ended December 31, 2019.

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

Funds provided by operating activities amounted to ¥164 million (a decrease of 96.1% as compared to the same period of the previous year). This was mainly because there was ¥2,213 million of loss before income taxes, ¥4,338 million of gain on sales and retirement of non-current assets, and ¥12,986 million of decrease in notes and accounts payable – trade, but on the other hand, there was ¥7,935 million of depreciation, ¥4,270 million of decrease in notes and accounts receivable - trade, and ¥7,139 million of decrease in inventories.

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

Funds used in investing activities amounted to ¥4,750 million (a decrease of 66.5% as compared to the same period of the previous year). This was mainly because ¥7,108 million of purchase of property, plant and equipment and ¥2,311 million of purchase of investments in subsidiaries and others resulting in change in scope of consolidation outweighed ¥6,009 million of proceeds from sales of property, plant and equipment.

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

Funds provided by financing activities amounted to ¥5,077 million (funds used in financing activities was ¥2,448 million in the same period of the previous year). This was mainly because ¥9,999 million of a net increase in short-term loans payable outweighed ¥3,408 million of repayments of long-term loans payable and ¥1,499 million of cash dividends paid.

**(4) Forecast for the fiscal year ending December 31, 2020**

During the next term, the global economy is expected to remain on a moderate recovery trend, despite traces of a sluggish recovery remaining. However, we have to continue keeping an eye on movements revolving around the US-China trade conflicts, the future prospects of the Chinese economy, effects on UK's withdrawal from the EU, impact from fluctuations in financial and capital markets, and other factors.

Since January 2018, the Group has been implementing the Sixth Medium-term Business Plan (three-year plan), centering on growth by reorganizing and optimizing its business portfolio. We have set the markets of mobility (automotive), medical devices and sustainable packaging materials as our focus markets, in addition to the mainstay consumer electronics (IT), and aim to develop well-balanced business bases and enhance our corporate value by implementing a global-based growth strategy.

During the implementation, through active efforts in the utilization of M&A, in the market of medical devices, we endeavored to enhance our product design and development capabilities as well as our product line-up, and in the sustainable packaging materials market, we realized the expansion of our market share of metallized paper. Furthermore, we newly established a Mobility Business Unit, which integrates the strengths of the Industrial Materials segment and the Devices segment, and accelerated business development in the mobility (automotive) market, thereby steadily making progress in the reorganization of the business portfolio.

During the next term which is the final year of the Sixth Medium-term Business Plan, we expect to see stable growth in mobility (automotive), medical devices and sustainable packaging materials among our focus markets. On the other hand, in the IT market, we expect market conditions to become severer, because of a decrease in demand due to slowdown in our mainstay smartphone market growth, seasonal variations in demand, and changes in technological trends. In anticipation of this harsh market environment, we have worked to reduce variable expenses and the burden of investments, and also cut down on fixed expenses. As a result, we are now able to control costs flexibly when demand falls, but we need to make further improvements in profitability in order to enhance corporate value. Based on this awareness, we shall implement the "Measures to Strengthen Profitability," and construct a foundation for regrowth of net sales and expanding equilibrium.

For the consolidated financial results for the fiscal year ending December 31, 2020, we expect revenue of ¥166,000 million, operating loss of ¥2,000 million, loss before tax of ¥2,700 million and loss attributable to owners of parent of ¥3,500 million. These figures are based on an exchange rate of 1US$ = ¥105 for the fiscal year ending December 31, 2020. Beginning from the consolidated financial statements in the annual securities report for the fiscal year ended December 31, 2019, the Group has voluntarily applied IFRS. Therefore, the consolidated financial results forecast has been calculated based on IFRS.

Consolidated revenue forecast by segment (January 1, 2020 to December 31, 2020)

| Segment | Amount (Million yen) | Ratio (%) | YoY (%) |
|---|---|---|---|
| Industrial Materials | 53,000 | 31.9 | +14.1 |
| Devices | 77,600 | 46.8 | (18.1) |
| Medical Technologies | 25,700 | 15.5 | +6.8 |
| Information and Communication | 7,800 | 4.7 | +5.2 |
| Other | 1,900 | 1.1 | +255.8 |
| Total | 166,000 | 100.0 | (4.2) |

(Note) The year-on-year comparison (%) is the rate of change between the results forecast for the next term based on IFRS and the actual results for the current term based on Japanese GAAP.

**2. Basic Approach to the Selection of Accounting Standards**

For the purposes of enhancing international comparability of financial information and strengthening global Group management control, beginning from the consolidated financial statements in the annual securities report for the fiscal year ended December 31, 2019, the Group has voluntarily adopted IFRS in place of the existing Japanese GAAP.

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

(Million yen)

| | As of December 31, 2018 | As of December 31, 2019 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 16,762 | 17,627 |
| Notes and accounts receivable - trade | 40,867 | 36,801 |
| Merchandise and finished goods | 12,337 | 8,084 |
| Work in process | 8,101 | 5,880 |
| Raw materials and supplies | 7,144 | 6,111 |
| Consumption taxes receivable | 3,739 | 3,019 |
| Other | 7,183 | 2,432 |
| Allowance for doubtful accounts | (277) | (370) |
| Total current assets | 95,859 | 79,587 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 58,453 | 59,109 |
| Accumulated depreciation | (29,045) | (29,872) |
| Buildings and structures, net | 29,408 | 29,237 |
| Machinery, equipment and vehicles | 53,196 | 54,185 |
| Accumulated depreciation | (41,517) | (41,508) |
| Machinery, equipment and vehicles, net | 11,678 | 12,676 |
| Tools, furniture and fixtures | 11,323 | 11,130 |
| Accumulated depreciation | (8,260) | (8,412) |
| Tools, furniture and fixtures, net | 3,063 | 2,717 |
| Land | 6,192 | 6,364 |
| Leased assets | 2,567 | 2,349 |
| Accumulated depreciation | (1,092) | (954) |
| Leased assets, net | 1,475 | 1,395 |
| Construction in progress | 2,406 | 1,021 |
| Other | — | 1,703 |
| Accumulated depreciation | — | (195) |
| Other, net | — | 1,508 |
| Total property, plant and equipment | 54,225 | 54,921 |
| Intangible assets | | |
| Trademark right | 3,431 | 3,183 |
| Software | 1,026 | 1,055 |
| Goodwill | 22,039 | 21,630 |
| Technical assets | 1,965 | 1,734 |
| Customer related assets | 6,770 | 5,870 |
| Other | 995 | 1,011 |
| Total intangible assets | 36,228 | 34,486 |
| Investments and other assets | | |
| Investment securities | 14,797 | 20,065 |
| Deferred tax assets | 584 | 663 |
| Retirement benefit asset | 227 | 265 |
| Other | 1,142 | 1,408 |
| Allowance for doubtful accounts | (468) | (764) |
| Total investments and other assets | 16,284 | 21,639 |
| Total non-current assets | 106,737 | 111,047 |
| Total assets | 202,596 | 190,634 |

(Million yen)

| | As of December 31, 2018 | As of December 31, 2019 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 44,484 | 33,576 |
| Electronically recorded obligations - operating | 6,772 | 4,548 |
| Short-term loans payable | 10,858 | 20,803 |
| Current portion of long-term loans payable | 1,716 | 1,363 |
| Lease obligations | 206 | 212 |
| Accrued expenses | 7,101 | 4,910 |
| Income taxes payable | 840 | 449 |
| Provision for bonuses | 1,963 | 1,895 |
| Provision for bonuses for directors (and other officers) | 71 | 63 |
| Provision for product warranties | 74 | 35 |
| Other | 8,620 | 5,757 |
| Total current liabilities | 82,709 | 73,617 |
| Non-current liabilities | | |
| Bonds payable | 2,840 | 2,840 |
| Long-term loans payable | 13,525 | 11,427 |
| Lease obligations | 1,396 | 1,340 |
| Deferred tax liabilities | 6,287 | 8,582 |
| Provision for management board benefit trust | 46 | 88 |
| Retirement benefit liability | 4,305 | 4,521 |
| Other | 1,159 | 1,961 |
| Total non-current liabilities | 29,560 | 30,761 |
| Total liabilities | 112,270 | 104,378 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 12,119 | 12,119 |
| Capital surplus | 15,514 | 14,388 |
| Retained earnings | 54,138 | 48,495 |
| Treasury shares | (1,911) | (1,643) |
| Total shareholders' equity | 79,861 | 73,360 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 8,216 | 11,776 |
| Foreign currency translation adjustment | 1,791 | 833 |
| Remeasurements of defined benefit plans | 339 | 292 |
| Total accumulated other comprehensive income | 10,347 | 12,901 |
| Non-controlling interests | 118 | (6) |
| Total net assets | 90,326 | 86,255 |
| Total liabilities and net assets | 202,596 | 190,634 |

## (2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Million yen)

| | Fiscal Year ended December 31, 2018 | Fiscal Year ended December 31, 2019 |
|---|---|---|
| Net sales | 207,404 | 173,189 |
| Cost of sales | 170,113 | 149,254 |
| Gross profit | 37,291 | 23,935 |
| Selling, general and administrative expenses | 29,210 | 28,242 |
| Operating profit (loss) | 8,080 | (4,307) |
| Non-operating income | | |
| Interest income | 98 | 44 |
| Dividend income | 288 | 396 |
| Foreign exchange gains | — | 387 |
| Gain on investments in partnership | 78 | 12 |
| Other | 141 | 221 |
| Total non-operating income | 607 | 1,062 |
| Non-operating expenses | | |
| Interest expenses | 842 | 1,043 |
| Share of loss of entities accounted for using equity method | 184 | 6 |
| Foreign exchange losses | 186 | — |
| Provision of allowance for doubtful accounts | — | 306 |
| Other | 95 | 95 |
| Total non-operating expenses | 1,308 | 1,452 |
| Ordinary profit (loss) | 7,380 | (4,696) |
| Extraordinary income | | |
| Gain on sales of non-current assets | 133 | 5,040 |
| Gain on sales of investment securities | — | 253 |
| Gain on sales of shares of subsidiaries and associates | 354 | 907 |
| State subsidy | 142 | 82 |
| Insurance income | 640 | — |
| Total extraordinary income | 1,270 | 6,283 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 642 | 701 |
| Loss on valuation of investment securities | 37 | 565 |
| Impairment loss | 246 | 794 |
| Loss on disaster | 478 | — |
| Loss on closing of plants | 351 | 264 |
| Business structure improvement expenses | 627 | 47 |
| Business establishment transfer cost | 167 | 24 |
| Loss on liquidation of business | — | 1,402 |
| Total extraordinary losses | 2,552 | 3,801 |
| Profit (loss) before income taxes | 6,097 | (2,213) |
| Income taxes - current | 2,111 | 1,118 |
| Income taxes - deferred | (199) | 797 |
| Total income taxes | 1,911 | 1,916 |
| Profit (loss) | 4,186 | (4,129) |
| Profit (loss) attributable to non-controlling interests | (131) | 1 |
| Profit (loss) attributable to owners of parent | 4,318 | (4,131) |

Consolidated statements of comprehensive income

(Million yen)

| | Fiscal Year ended December 31, 2018 | Fiscal Year ended December 31, 2019 |
|---|---|---|
| Profit (loss) | 4,186 | (4,129) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (3,659) | 3,543 |
| Foreign currency translation adjustment | (1,853) | (961) |
| Remeasurements of defined benefit plans, net of tax | (57) | (60) |
| Share of other comprehensive income of entities accounted for using equity method | (40) | – |
| Total other comprehensive income | (5,611) | 2,522 |
| Comprehensive income | (1,424) | (1,607) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (1,293) | (1,606) |
| Comprehensive income attributable to non-controlling interests | (131) | (1) |

### (3) Consolidated statements of cash flows

(Million yen)

| | Fiscal Year ended December 31, 2018 | Fiscal Year ended December 31, 2019 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | 6,097 | (2,213) |
| Depreciation | 7,671 | 7,935 |
| Impairment loss | 246 | 794 |
| Amortization of goodwill | 1,591 | 1,593 |
| Loss on disaster | 478 | ― |
| Loss on closing of plants | 351 | 264 |
| Business structure improvement expenses | 627 | 47 |
| Business establishment transfer cost | 167 | 24 |
| Loss on liquidation of business | ― | 1,402 |
| Insurance income | (640) | ― |
| Increase (decrease) in provision for bonuses | 45 | (81) |
| Increase (decrease) in provision for bonuses for directors (and other officers) | 10 | (8) |
| Increase (decrease) in provision for management board benefit trust | (91) | 41 |
| Increase (decrease) in provision for product warranties | 51 | (35) |
| Increase (decrease) in net defined benefit asset/liability | (337) | 168 |
| Increase (decrease) in allowance for doubtful accounts | (0) | 403 |
| Interest and dividend income | (387) | (441) |
| Interest expenses | 842 | 1,043 |
| Foreign exchange losses (gains) | (237) | (527) |
| Share of loss (profit) of entities accounted for using equity method | 184 | 6 |
| Loss (gain) on sales of investment securities | (3) | (253) |
| Loss (gain) on valuation of investment securities | 37 | 565 |
| Gain on sales of shares of subsidiaries and affiliates | (354) | (907) |
| Loss (gain) on sales and retirement of non-current assets | 509 | (4,338) |
| Decrease (increase) in notes and accounts receivable - trade | 7,166 | 4,270 |
| Decrease (increase) in inventories | (2,462) | 7,139 |
| Increase (decrease) in notes and accounts payable - trade | (9,196) | (12,986) |
| Other, net | (5,833) | 130 |
| Subtotal | 6,534 | 4,037 |
| Interest and dividend income received | 358 | 439 |
| Interest expenses paid | (831) | (1,029) |
| Payments for loss on liquidation of business | ― | (1,402) |
| Proceeds from insurance income | 640 | ― |
| Income taxes paid | (2,597) | (1,939) |
| Income taxes refund | 127 | 58 |
| Net cash provided by (used in) operating activities | 4,232 | 164 |

(Million yen)

| | Fiscal Year ended December 31, 2018 | Fiscal Year ended December 31, 2019 |
|---|---|---|
| Cash flows from investing activities | | |
| Proceeds from withdrawal of time deposits | 477 | — |
| Purchase of property, plant and equipment | (11,697) | (7,108) |
| Payments for retirement of property, plant and equipment | (238) | (496) |
| Proceeds from sales of property, plant and equipment | 7 | 6,009 |
| Purchase of intangible assets | (687) | (682) |
| Purchase of investment securities | (26) | (966) |
| Proceeds from sales of investment securities | 7 | 422 |
| Purchase of investments in other securities of subsidiaries and affiliates | — | (29) |
| Purchase of investments in subsidiaries and others resulting in change in scope of consolidation | (1,519) | (2,311) |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation | — | 617 |
| Proceeds from sales of shares of subsidiaries and associates | 317 | — |
| Payments for acquisition of businesses | (697) | — |
| Other, net | (125) | (204) |
| Net cash provided by (used in) investing activities | (14,181) | (4,750) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 228 | 9,999 |
| Proceeds from long-term loans payable | 3,433 | 1,305 |
| Repayments of long-term loans payable | (2,570) | (3,408) |
| Commission fee paid | (25) | (1) |
| Repayments of lease obligations | (281) | (233) |
| Purchase of treasury stock-net | (1,714) | 1 |
| Cash dividends paid | (1,519) | (1,499) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | — | (950) |
| Other, net | — | (135) |
| Net cash provided by (used in) financing activities | (2,448) | 5,077 |
| Effect of exchange rate change on cash and cash equivalents | (136) | 373 |
| Net increase (decrease) in cash and cash equivalents | (12,533) | 865 |
| Cash and cash equivalents at beginning of period | 29,291 | 16,757 |
| Cash and cash equivalents at end of period | 16,757 | 17,622 |

**(4) Notes to consolidated financial statements**

(Notes to going concern assumptions)

Not applicable

(Changes in accounting policies)

(Application of the “Implementation Guidance on Tax Effect Accounting”)

The “Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018)” has been applied from the beginning of the fiscal year ended December 31, 2019. Accordingly, our accounting policy has been changed and we now recognize deferred tax liabilities for taxable temporary differences associated with the stocks in subsidiaries in non-consolidated financial statements, expect for the time when we have no intention to sell the said stocks for the foreseeable future.

The above-mentioned change in accounting policy has been applied retrospectively to the consolidated financial statements for the previous fiscal year, and the consolidated financial statements for the previous fiscal year presented in this document are those after the retrospective restatement.

Consequently, in the consolidated balance sheet for the previous fiscal year, deferred tax liabilities decreased by ¥683 million, and retained earnings increased by the same amount, as compared to those in the consolidated balance sheet for the previous fiscal year before the retrospective restatement.

This change in accounting policy did not have any impact on the consolidated statement of income for the fiscal year ended December 31, 2018.

(Application of IFRS 16 “Leases”)

The subsidiaries of the Group that adopt IFRS have applied IFRS 16 “Leases” from the beginning of the fiscal year ended December 31, 2019. Accordingly, for lessee transactions, right-of-use assets and lease liabilities are recognized for all leases, in principle, and depreciation of the right-of-use assets and interest on the lease liabilities are also recognized.

In the application of IFRS 16 “Leases”, the transition provision was followed; for the leases that were categorized as operating leases in the past, right-of-use assets and lease liabilities were recognized at the beginning of the fiscal year ended December 31, 2019.

As a result of the application, in the consolidated balance sheet for the fiscal year ended December 31, 2019, other, net in property, plant and equipment increased by ¥1,508 million, other in current liabilities increased by ¥181 million and other in non-current liabilities increased by ¥1,386 million. This change in accounting policy had little impact on the profit (loss) and earnings per share for the fiscal year ended December 31, 2019. In addition, this change in accounting policy did not have any impact on net assets at the beginning of the fiscal year ended December 31, 2019.

(Changes in presentation)

(Changes in line with Application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) have been applied from the beginning of the fiscal year ended December 31, 2019. Accordingly, the methods of presentation have changed to the following: deferred tax assets are presented under investments and other assets, and deferred tax liabilities are presented under non-current liabilities.

As a result, in the consolidated balance sheet for the fiscal year ended December 31, 2018, “deferred tax assets” under “current assets” decreased by ¥955 million, while “deferred tax assets” under “investments and other assets” increased by ¥190 million. In addition, deferred tax liabilities included in “other” under “current liabilities” decreased by ¥0 million, while “deferred tax liabilities” under “non-current liabilities” decreased by ¥765 million.

As the deferred tax assets and deferred tax liabilities of the same taxable entity are presented with their amounts offsetting each other, compared to before the change, there was a ¥765 million decrease in total assets.

(Business combinations)
Business combination by acquisition
Material review in initial allocation amount of acquisition costs in comparative information

Business combination with Heart Sync, Inc.
Regarding business combination with Heart Sync, Inc. on May 18, 2018, the allocation amount of acquisition costs was provisionally calculated in the fiscal year ended December 31, 2018 but the actual allocation amount was determined and amount of contingent consideration for the acquisition also was finalized in the fiscal year ended December 31, 2019.
In line with the finalization, the initial allocation amount of acquisition costs was reviewed in the comparative information included in the consolidated financial statements for the fiscal year ended December 31, 2019, but there was no impact on the consolidated financial statements for the fiscal year ended December 31, 2018.
Also, there was no impact on the consolidated statements of income for the fiscal year ended December 31, 2018.

Business combination with Sequel Special Products, LLC and RSS Design, LLC
Regarding business combination with Sequel Special Products, LLC and RSS Design, LLC on June 25, 2018, the allocation amount of acquisition costs was provisionally calculated in the fiscal year ended December 31, 2018 but the actual allocation amount was determined and amount of contingent consideration for the acquisition also was finalized in the fiscal year ended December 31, 2019.
In line with the finalization, significant changes in the initial allocation amount of the acquisition costs have been reflected in the comparative information included in the consolidated financial statements for the fiscal year ended December 31, 2019. As a result, at the end of the fiscal year ended December 31, 2018, goodwill decreased by ¥160 million, customer related assets decreased by ¥21 million, long-term accounts payable - other included in other of non-current liabilities decrease by ¥190 million, foreign currency translation adjustment increased by ¥0 million and non-controlling interests increased by ¥0 million.
Also, operating profit, ordinary profit, profit before income taxes, profit and profit attributable to owners of parent increased by ¥9 million respectively in the consolidated statements of income for the fiscal year ended December 31, 2018.

(Segment information)

1. Description of reportable segments

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

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

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

The Industrial Materials segment manufactures and sells decorative films, molds, molded plastic products, and metallized papers. The Devices segment manufactures and sells film-based Touch Sensors and gas sensors and others. The Medical Technologies segment manufactures and sells consumable medical products such as medical electrodes, medical chart paper and others and also provides contract manufacturing services for major medical device manufacturers. The Information and Communication segment manufactures and sells products in the fields of publication printing and art solution, and provides services related to commercial printing and sales promotion.

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

The accounting methods for the reportable segments are generally those set forth in the "Basis for the preparation of the consolidated financial statements" disclosed in the latest annual securities report (March 22, 2019). Inter-segment sales or transfers are based on current market prices.

Pursuant to the material revision to the initial allocation amount of acquisition costs described in "Material review in initial allocation amount of acquisition costs in comparative information" in "Business combinations," the effect of this revision is reflected in segment information for the fiscal year ended December 31, 2018.

Furthermore, as the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) have been applied from the fiscal year ended December 31, 2019, the presented figures of segment assets for the fiscal year ended December 31, 2018 are the figures after the retrospective restatement.

(Changes in accounting policies)

As stated in "Changes in accounting policies" above, the subsidiaries of the Group that adopt IFRS have applied IFRS 16 "Leases" from the beginning of the fiscal year ended December 31, 2019.

Accordingly, for lessee transactions, right-of-use assets and lease liabilities are recognized for all leases, in principle, and depreciation of the right-of-use assets and interest on the lease liabilities are also recognized.

The above changes had a minimal impact on segment profit (loss) for the fiscal year ended December 31, 2019.

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

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

(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 | 47,124 | 123,541 | 22,351 | 13,935 | 206,952 | 452 | 207,404 | — | 207,404 |
| Inter-segment sales or transfers | 750 | 627 | — | 116 | 1,495 | 1,838 | 3,333 | (3,333) | — |
| Total | 47,874 | 124,169 | 22,351 | 14,051 | 208,447 | 2,290 | 210,738 | (3,333) | 207,404 |
| Segment profit (loss) | 138 | 11,449 | (50) | (618) | 10,918 | 108 | 11,027 | (2,946) | 8,080 |
| Segment assets | 53,502 | 60,959 | 31,499 | 3,932 | 149,893 | 796 | 150,690 | 51,906 | 202,596 |
| Other | | | | | | | | | |
| Depreciation | 2,839 | 2,882 | 1,100 | 215 | 7,038 | 20 | 7,059 | 612 | 7,671 |
| Amortization of goodwill | 697 | 112 | 779 | — | 1,589 | 1 | 1,591 | — | 1,591 |
| Increase in property, plant and equipment and intangible assets | 3,064 | 5,043 | 538 | 17 | 8,664 | 45 | 8,709 | 1,913 | 10,622 |

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

2. Reconciliations are as follows:

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

(2) The positive ¥51,906 million of reconciliations in segment assets consists of the positive ¥52,108 million in total of cash and deposits, investment securities, corporate (R&D and administrative) non-current assets, etc., not allocated to reportable segments and the negative ¥202 million of inter-segment elimination of receivables and payables.

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

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

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

The fiscal year ended December 31, 2019 (January 1, 2019 to December 31, 2019)

(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 | 46,463 | 94,706 | 24,068 | 7,417 | 172,655 | 534 | 173,189 | — | 173,189 |
| Inter-segment sales or transfers | 1,005 | 130 | — | 55 | 1,191 | 1,665 | 2,857 | (2,857) | — |
| Total | 47,468 | 94,837 | 24,068 | 7,473 | 173,847 | 2,200 | 176,047 | (2,857) | 173,189 |
| Segment profit (loss) | (2,297) | 1,151 | 174 | (150) | (1,121) | 8 | (1,113) | (3,193) | (4,307) |
| Segment assets | 49,451 | 51,048 | 29,903 | 2,918 | 133,322 | 4,619 | 137,942 | 52,692 | 190,634 |
| Other | | | | | | | | | |
| Depreciation | 3,080 | 2,987 | 1,100 | 134 | 7,303 | 24 | 7,328 | 606 | 7,935 |
| Amortization of goodwill | 655 | 112 | 813 | — | 1,581 | 12 | 1,593 | — | 1,593 |
| Increase in property, plant and equipment and intangible assets | 2,972 | 2,283 | 689 | 596 | 6,542 | 13 | 6,555 | 1,397 | 7,953 |

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

2. Reconciliations are as follows:

(1) The negative ¥3,193 million of reconciliations in segment profit (loss) includes unallocated corporate expenses, etc. Corporate expenses mainly consist of general and administrative expenses not attributable to any reportable segment.

(2) The positive ¥52,692 million of reconciliations in segment assets consists of the positive ¥52,930 million in total of cash and deposits, investment securities, corporate (R&D and administrative) non-current assets, etc., not allocated to reportable segments and the negative ¥238 million of inter-segment elimination of receivables and payables.

(3) The positive ¥606 million of reconciliations in depreciation relates to corporate (R&D and administrative) non-current assets.

(4) The positive ¥1,397 million of reconciliations in increase in property, plant and equipment and intangible assets is the amount of corporate (R&D and administrative) capital investment.

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