Consolidated Financial Results
for the Three Months Ended March 31, 2019
[Japanese GAAP]

May 9, 2019

Company name: Nissha Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 7915
URL: https://www.nissha.com/english
Representative: Junya Suzuki, Chairman of the Board, President and CEO
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Phone: +81-75-811-8111
Scheduled date of filing quarterly securities report: May 10, 2019
Scheduled date of commencing dividend payments: -
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 Three Months Ended March 31, 2019 (January 1, 2019 to March 31, 2019)

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

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended March 31, 2019	34,964	(3.7)	(170)	–	(2,513)	–	(2,750)	–	(3,263)	–
Three months ended March 31, 2018	36,314	–	515	–	(1,829)	–	(3,663)	–	(3,612)	–

(Note) Comprehensive income: Three months ended March 31, 2019: ¥(2,602) million (–%)
Three months ended March 31, 2018: ¥(4,675) million (–%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2019	(65.38)	–
Three months ended March 31, 2018	(71.50)	–

(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 corresponding period for the three months ended March 31, 2018 are not provided, as the period (January 1, 2018 to March 31, 2018) is different from the corresponding period of the three months ended June 30, 2017 (April 1, 2017 to June 30, 2017).
2. EBITDA is the total of operating profit, depreciation and amortization of goodwill.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2019	183,525	86,774	47.2
As of December 31, 2018	202,778	90,317	44.5

(Reference) Equity: As of March 31, 2019: ¥86,686 million
As of December 31, 2018: ¥90,199 million

(Note) 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 first three months ended March 31, 2019. Figures for the fiscal year ended December 31, 2018 have had the accounting standards applied retroactively.

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, 2018	–	15.00	–	15.00	30.00
Fiscal year ending December 31, 2019	–				
Fiscal year ending December 31, 2019 (Forecast)		15.00	–	20.00	35.00

(Notes)
1. Revision of cash dividend forecast: No
2. The year-end dividend for the fiscal year ending December 31, 2019 (forecast) includes a commemorative dividend of ¥5 in recognition of the 90th anniversary of the Company's foundation.

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

(% indicates changes from the previous corresponding period)

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

(Notes)
1. Revision of consolidated financial results forecast: No
2. EBITDA is the total of operating profit, depreciation and amortization of goodwill.

Notes:

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

(2) 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 12 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: Yes
2) Any changes other than 1) above: No
3) Changes in accounting estimates: No
4) Restatements: No
(Note) For details, please see "2. Consolidated Financial Statements and Principal Notes (4) Notes to consolidated financial statements (Changes in accounting policies)" on page 12 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 March 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 March 31, 2019	943,052 shares
As of December 31, 2018	943,121 shares

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

Three months ended March 31, 2019	49,912,548 shares
Three months ended March 31, 2018	50,524,657 shares

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

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

The performance forecasts and other forward-looking statements contained in this report are based on information available to the Company on the date of this report's release and certain premises that the Company deems to be reasonable. Therefore, the Company has not prepared these descriptions with intent to commit to realize them. Actual results, etc. may differ from the forecasts, however, as a consequence of various factors in the future. For details on the premises of the performance forecasts of the Company and the points to note when using the performance forecasts, please see "1. Qualitative Information on Consolidated Financial Results for the Period under Review (3) Explanation of consolidated operating results forecast and other forecast information" on page 5 of the appendix.

We are scheduled to hold a briefing session for institutional investors on Thursday, May 9, 2019. Reference materials to be distributed at the briefing session are scheduled to be posted on our website on that day, as well.

Contents of Appendix

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

(1) Explanation of operating results

The global economy, on the whole, gradually recovered in the three months ended March 31, 2019, despite the prevailing uncertainties in the outlook due to protectionist economic policies and trade frictions, and the weakness found in some areas. The United States saw ongoing economic recovery thanks primarily to increased consumer spending and capital investment. In Europe, the economy gradually recovered, though there was some weakness. In China, the economy started to slow down, and in other Asian emerging countries, the economic recovery turned out to be weak. The Japanese economy has continued a gradual recovery, although there is some weakness in its export and production.

The Group has been currently operating the Sixth Medium-term Business Plan (three-year plan) centering on the growth by reorganizing and optimizing its business portfolio. We have set the markets of automotive, medical devices and high-function packaging materials as our focused markets, in addition to the mainstay consumer electronics (IT), and aim to develop well-balanced business bases and enhance our corporate value by implementing global based growth strategy. The financial results for the three months ended March 31, 2019 lacked vigor on the whole. Though the Medical Technologies segment performed well, the demand fell short of the projection in the mainstay Devices segment and the Industrial Materials segment.

As a result, regarding the consolidated financial results for the three months ended March 31, 2019, the net sales were ¥34,964 million (a decrease of 3.7% as compared to the same period of the previous year). EBITDA was negative ¥170 million (positive ¥515 million in the same period of the previous year). Operating loss was ¥2,513 million (operating loss of ¥1,829 million in the same period of the previous year). Ordinary loss was ¥2,750 million (ordinary loss of ¥3,663 million in the same period of the previous year). Loss attributable to owners of parent was ¥3,263 million (loss attributable to owners of parent of ¥3,612 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 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 three months ended March 31, 2019, demand was mostly solid primarily for our mainstay automotive components, and metallized paper, while demand for other products fell short of the projection. Furthermore, reduction of quality costs remained an issue at some overseas molding plants.

As a result, segment sales for the three months ended March 31, 2019 were ¥11,672 million (a decrease of 0.9% as compared to the same period of the previous year), and EBITDA was ¥439 million (a decrease of 63.4% as compared to the same period of the previous year). Segment loss (operating loss) was ¥477 million (segment profit (operating profit) of ¥267 million in 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 three months ended March 31, 2019, the operation rate of the production department dropped, as demand for smartphones and portable game players fell short of the initial projection, placing pressure on revenue of the segment.

As a result, segment sales for the three months ended March 31, 2019 were ¥15,072 million (a decrease of 3.9% as compared to the same period of the previous year), and EBITDA was negative ¥790 million (negative ¥485 million in the same period of the previous year). Segment loss (operating loss) was ¥1,545 million (segment loss (operating loss) of ¥1,259 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 manufacture) 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 three months ended March 31, 2019, demand progressed steadily primarily for our mainstay products of contract manufacturing services.

As a result, segment sales for the three months ended March 31, 2019 were ¥6,145 million (an increase of 25.9% as compared to the same period of the previous year), and EBITDA was ¥724 million (an increase of 57.2% as compared to the same period of the previous year). Segment profit (operating profit) was ¥220 million (an increase of 427.2% as compared to 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 three months ended March 31, 2019, segment sales exceeded the original forecast although it decreased compared with the same period of the previous year, as impacts of the business restructuring. Also, the operation rate of our plants declined temporarily, due primarily to the relocation and consolidation of the plants.

As a result, segment sales for the three months ended March 31, 2019 were ¥1,977 million (a decrease of 48.9% as compared to the same period of the previous year), and EBITDA was ¥12 million (a decrease of 60.5% as compared to the same period of the previous year). Segment loss (operating loss) was ¥21 million (segment loss (operating loss) of ¥34 million in the same period of the previous year).

(2) Explanation of financial position

1) Assets, liabilities and net assets

Total assets at the end of the first quarter ended March 31, 2019 decreased by ¥19,252 million from the end of the previous year (the fiscal year ended December 31, 2018) to ¥183,525 million.

Current assets decreased by ¥20,601 million from the end of the previous year to ¥75,257 million. This was mainly because a ¥2,714 million decrease of cash and deposits, a ¥14,822 million decrease of notes and accounts receivable-trade, and ¥1,415 million decrease of work in process outweighed a ¥1,395 million increase of merchandise and finished goods.

Non-current assets increased by ¥1,349 million from the end of the previous year to ¥108,267 million. This was mainly because a ¥961 million increase of other, net in property, plant and equipment as a result that the subsidiaries of the Group that adopt IFRS have applied IFRS 16 “Leases” from the beginning of the first quarter ended March 31, 2019, as stated in “2. Consolidated Financial Statements and Principal Notes (4) Notes to consolidated financial statements (Changes in accounting policies)”, and a ¥1,503 million increase of investment securities outweighed a ¥522 million decrease of goodwill and a ¥240 million decrease of customer related assets.

Total liabilities at the end of the first quarter ended March 31, 2019 decreased by ¥15,709 million from the end of the previous year to ¥96,751 million.

Current liabilities decreased by ¥17,825 million from the end of the previous year to ¥64,883 million. This was mainly because a ¥17,317 million decrease of notes and accounts payable-trade and a ¥1,689 million decrease of electronically recorded obligations - operating outweighed a ¥5,235 million increase of short-term loans payable.

Non-current liabilities increased by ¥2,116 million from the end of the previous year to ¥31,867 million. This was mainly attributable to a ¥542 million increase of long-term loans payable, and a ¥841 million increase of lease liabilities which are included in other as a result that the subsidiaries of the Group that adopt IFRS have applied IFRS 16 “Leases”.

Net assets at the end of the first quarter ended March 31, 2019 decreased by ¥3,543 million from the end of the previous year to ¥86,774 million.

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 first quarter ended March 31, 2019. Accordingly, the figures in the financial position 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.

2) Cash flows

The balance of cash and cash equivalents (the “funds”) on a consolidated basis at the end of the three months ended March 31, 2019 was ¥14,042 million, a decrease of ¥2,714 million compared to the end of the previous year.

The following describes the conditions of each cash flow and the underlying causes for the three months ended March 31, 2019.

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

Funds used in operating activities amounted to ¥5,367 million (an increase of 15.7% as compared to the same period of the previous year). This was mainly because a ¥2,470 million of loss before income taxes and a ¥18,994 million decrease in notes and accounts payable-trade outweighed a ¥14,814 million decrease in notes and accounts receivable-trade.

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

Funds used in investing activities amounted to ¥2,018 million (a decrease of 53.4% as compared to the same period of the previous year). This was mainly attributable to the purchase of property, plant and equipment and intangible assets of ¥2,164 million.

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

Funds provided by financing activities amounted to ¥4,724 million (¥1,682 million used in the same period of the previous year). This was mainly attributable to the net increase in short-term loans payable of ¥5,250 million.

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

The consolidated financial forecasts for the six months ending June 30, 2019 and the fiscal year ending December 31, 2019 remain the same as those announced on February 14, 2019.

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

(Million yen)

	As of December 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	16,762	14,048
Notes and accounts receivable-trade	40,867	26,044
Merchandise and finished goods	12,337	13,733
Work in process	8,101	6,685
Raw materials and supplies	7,144	7,128
Other	10,923	7,907
Allowance for doubtful accounts	(277)	(289)
Total current assets	95,859	75,257
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,408	29,591
Machinery, equipment and vehicles, net	11,678	11,438
Tools, furniture and fixtures, net	3,063	2,919
Land	6,192	6,191
Leased assets, net	1,475	1,545
Construction in progress	2,406	2,297
Other, net	—	961
Total property, plant and equipment	54,225	54,944
Intangible assets		
Trademark right	3,431	3,380
Software	1,026	1,037
Goodwill	22,199	21,677
Technical assets	1,965	1,888
Customer related assets	6,791	6,551
Other	995	1,032
Total intangible assets	36,409	35,566
Investments and other assets		
Investment securities	14,797	16,301
Other	1,955	1,920
Allowance for doubtful accounts	(468)	(465)
Total investments and other assets	16,284	17,756
Total non-current assets	106,918	108,267
Total assets	202,778	183,525

(Million yen)

	As of December 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	44,484	27,166
Electronically recorded obligations - operating	6,772	5,082
Short-term loans payable	10,858	16,093
Current portion of long-term loans payable	1,716	1,603
Income taxes payable	840	402
Provision for bonuses	1,963	2,621
Provision for directors' bonuses	71	86
Provision for management board benefit trust	—	2
Provision for product warranties	74	69
Other	15,928	11,754
Total current liabilities	82,709	64,883
Non-current liabilities		
Bonds payable	2,840	2,840
Long-term loans payable	13,525	14,068
Provision for management board benefit trust	46	54
Net defined benefit liability	4,305	4,270
Other	9,034	10,635
Total non-current liabilities	29,751	31,867
Total liabilities	112,460	96,751
Net assets		
Shareholders' equity		
Capital stock	12,119	12,119
Capital surplus	15,514	15,338
Retained earnings	54,129	50,104
Treasury shares	(1,911)	(1,911)
Total shareholders' equity	79,852	75,651
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,216	9,057
Foreign currency translation adjustment	1,791	1,646
Remeasurements of defined benefit plans	339	330
Total accumulated other comprehensive income	10,347	11,034
Non-controlling interests	117	87
Total net assets	90,317	86,774
Total liabilities and net assets	202,778	183,525

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Million yen)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2019
Net sales	36,314	34,964
Cost of sales	31,143	30,487
Gross profit	5,171	4,476
Selling, general and administrative expenses	7,000	6,989
Operating loss	(1,829)	(2,513)
Non-operating income		
Interest income	43	18
Dividend income	13	15
Other	89	72
Total non-operating income	146	106
Non-operating expenses		
Interest expenses	165	241
Share of loss of entities accounted for using equity method	60	2
Foreign exchange losses	1,719	90
Other	35	9
Total non-operating expenses	1,980	344
Ordinary loss	(3,663)	(2,750)
Extraordinary income		
Gain on sales of non-current assets	118	37
Gain on sales of shares of subsidiaries and associates	354	698
State subsidy	50	14
Total extraordinary income	523	751
Extraordinary losses		
Loss on sales and retirement of non-current assets	19	159
Loss on valuation of investment securities	1	184
Loss on closing of plants	－	68
Business structure improvement expenses	－	47
Business establishment transfer cost	－	10
Total extraordinary losses	21	471
Loss before income taxes	(3,162)	(2,470)
Income taxes	436	789
Loss	(3,599)	(3,260)
Profit attributable to non-controlling interests	13	2
Loss attributable to owners of parent	(3,612)	(3,263)

Consolidated statements of comprehensive income

(Million yen)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2019
Loss	(3,599)	(3,260)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,071	824
Foreign currency translation adjustment	(2,107)	(144)
Remeasurements of defined benefit plans, net of tax	0	(22)
Share of other comprehensive income of entities accounted for using equity method	(41)	—
Total other comprehensive income	(1,076)	657
Comprehensive income	(4,675)	(2,602)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(4,683)	(2,605)
Comprehensive income attributable to non-controlling interests	8	2

(3) Consolidated statements of cash flows

(Million yen)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2019
Cash flows from operating activities		
Loss before income taxes	(3,162)	(2,470)
Depreciation	1,955	1,943
Amortization of goodwill	388	400
Loss on closing of plants	—	68
Business structure improvement expenses	—	47
Business establishment transfer cost	—	10
Increase (decrease) in provision for bonuses	696	673
Increase (decrease) in provision for directors' bonuses	15	15
Increase (decrease) in provision for management board benefit trust	12	9
Increase (decrease) in provision for product warranties	6	(3)
Increase (decrease) in net defined benefit asset/liability	19	29
Increase (decrease) in allowance for doubtful accounts	(12)	13
Interest and dividend income	(56)	(34)
Interest expenses	165	241
Foreign exchange losses (gains)	1,057	65
Share of loss (profit) of entities accounted for using equity method	60	2
Loss (gain) on valuation of investment securities	1	184
Gain on sales of shares of subsidiaries and affiliates	(354)	(698)
Loss (gain) on sales and retirement of non-current assets	(98)	121
Decrease (increase) in notes and accounts receivable-trade	18,028	14,814
Decrease (increase) in inventories	(4,985)	(126)
Increase (decrease) in notes and accounts payable-trade	(15,559)	(18,994)
Other, net	(1,630)	(798)
Subtotal	(3,450)	(4,484)
Interest and dividend income received	58	34
Interest expenses paid	(166)	(241)
Income taxes paid	(1,108)	(712)
Income taxes refund	28	36
Net cash provided by (used in) operating activities	(4,638)	(5,367)

(Million yen)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2019
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(4,377)	(2,164)
Payments for retirement of property, plant and equipment	(199)	(162)
Proceeds from sales of property, plant and equipment and intangible assets	108	94
Purchase of investment securities	(1)	(501)
Purchase of investments in other securities of subsidiaries and affiliates	—	(29)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	698
Proceeds from sales of shares of subsidiaries and associates	317	—
Other, net	(176)	47
Net cash provided by (used in) investing activities	(4,329)	(2,018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	99	5,250
Proceeds from long-term loans payable	19	725
Repayments of long-term loans payable	(251)	(233)
Commission fee paid	(7)	(0)
Repayments of lease obligations	(67)	(62)
Proceeds from sales and purchase of treasury stock, net	(716)	(0)
Cash dividends paid	(758)	(744)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(180)
Other, net	—	(30)
Net cash provided by (used in) financing activities	(1,682)	4,724
Effect of exchange rate change on cash and cash equivalents	(1,355)	(53)
Net increase (decrease) in cash and cash equivalents	(12,006)	(2,714)
Cash and cash equivalents at beginning of period	29,291	16,757
Cash and cash equivalents at end of period	17,284	14,042

(4) Notes to consolidated financial statements

(Notes to going concern assumptions)

Not applicable

(Notes to material changes in shareholders' equity)

Not applicable

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

Calculation of tax expense

When calculating tax expense, we reasonably estimate the effective tax rate after applying tax-effect accounting for profit (loss) before income taxes in the fiscal year, including the first quarter ended March 31, 2019. We then calculate the tax expense by multiplying profit (loss) before income taxes by the estimated effective tax rate. We use the statutory effective tax rate, however, if the estimated effective tax rate is unavailable.

(Changes in accounting policies)

(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 first quarter ended March 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 give any impact on the profit (loss) for the first quarter ended in March 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 first quarter ended March 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 first quarter ended March 31, 2019.

As a result of the application, in consolidated balance sheets for the first quarter ended March 31, 2019, other, net in property, plant and equipment increased by ¥961 million, other in current liabilities increased by ¥124 million and other in non-current liabilities increased by ¥841 million.

This change in accounting policy gave little impact on the profit (loss) for the first quarter ended in March 31, 2019.

(Additional information)

(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 first quarter ended March 31, 2019.

Accordingly, deferred tax assets are presented under investments and other assets and deferred tax liabilities are presented under non-current liabilities.

(Segment information)

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

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

(Million yen)

	Reportable segment					Other (Note 1)	Total	Reconcili-ations (Note 2)	Consolidated (Note 3)
	Industrial Materials	Devices	Medical Technologies	Information and Communi-cation	Sub-total				
Sales									
Sales to external customers	11,775	15,687	4,880	3,873	36,217	97	36,314	—	36,314
Inter-segment sales or transfers	207	220	—	29	456	480	937	(937)	—
Total	11,982	15,907	4,880	3,903	36,674	577	37,252	(937)	36,314
Segment profit (loss)	267	(1,259)	41	(34)	(984)	26	(958)	(870)	(1,829)

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

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

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

II. The three months ended March 31, 2019 (January 1, 2019 to March 31, 2019)

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	11,672	15,072	6,145	1,977	34,868	95	34,964	—	34,964
Inter-segment sales or transfers	128	41	—	16	186	415	602	(602)	—
Total	11,801	15,114	6,145	1,993	35,055	511	35,566	(602)	34,964
Segment profit (loss)	(477)	(1,545)	220	(21)	(1,823)	8	(1,815)	(698)	(2,513)

(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 ¥698 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.

(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 first quarter ended March 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.

This change in accounting policy gave little impact on segment profit (loss) for the first quarter ended in March 31, 2019.