Consolidated Financial Results
for the Fiscal Year Ended March 31, 2017
[Japanese GAAP]

May 12, 2017

Company name: Nissha Printing Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 7915
URL: http://www.nissha.com/english
Representative: Junya Suzuki, President and CEO, Chairman of the Board
Contact: Hayato Nishihara, Senior Executive Vice President, CFO, Member of the Board
Phone: +81-75-811-8111
Scheduled date of Ordinary General Meeting of Shareholders: June 16, 2017
Scheduled date of commencing dividend payments: June 19, 2017
Scheduled date of filing annual securities report: June 16, 2017
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 March 31, 2017 (April 1, 2016 to March 31, 2017)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2017	115,802	(3.3)	(3,904)	–	(4,914)	–	(7,408)	–
Fiscal year ended March 31, 2016	119,796	2.1	10,546	22.6	9,238	(25.5)	6,896	(38.6)

(Note) Comprehensive income: Fiscal year ended March 31, 2017: ¥(2,689) million (–%)
Fiscal year ended March 31, 2016: ¥5,071 million ((64.4)%)

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2017	(169.10)	–	(10.3)	(2.9)	(3.4)
Fiscal year ended March 31, 2016	160.72	158.44	10.1	6.8	8.8

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2017: ¥(25) million
Fiscal year ended March 31, 2016: ¥(200) million

(Note) Since a new accounting method is retroactively applied in accordance with changes in accounting policies, the consolidated operating results for the fiscal year ended March 31, 2016 are stated to reflect the retroactive application.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	182,670	74,606	40.7	1,594.70
As of March 31, 2016	156,107	70,096	44.9	1,633.47

(Reference) Equity: As of March 31, 2017: ¥74,380 million
As of March 31, 2016: ¥70,096 million

(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 March 31, 2017	(2,570)	(23,290)	6,826	22,090
Fiscal year ended March 31, 2016	14,811	(21,500)	19,657	41,688

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 March 31, 2016	－	15.00	－	15.00	30.00	1,287	18.7	1.9
Fiscal year ended March 31, 2017	－	15.00	－	15.00	30.00	1,352	－	1.9
Fiscal year ending December 31, 2017 (Forecast)	－	15.00	－	15.00	30.00		31.1	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2017 (Nine Months from April 1, 2017 to December 31, 2017)

(% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	140,000	－	5,500	－	5,100	－	4,500	－	96.48

Effective from the fiscal year starting from April 1, 2017, the Company will change the fiscal year end date from March 31 to December 31 as a unified fiscal year end date for the Nissha Group, subject to the approval of the "Partial Amendments to the Company's Articles of Incorporation" at the Ordinary General Meeting of Shareholders for the 98th Business Term scheduled to be held on June 16, 2017. Since the next term is the transitional period for the change in the fiscal year end date and therefore is a nine-month period from April 1, 2017 to December 31, 2017, the figures of the Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2017 above show the forecasts for that nine-month period. Accordingly, no figures indicating changes from the previous corresponding period are provided in the above table.

[Reference: Consolidated financial results for the nine months ended December 31, 2016]

As mentioned above, since the next term is a nine-month period from April 1, 2017 to December 31, 2017, the following table describes the consolidated financial results for the nine months ended December 31, 2016 (April 1, 2016 to December 31, 2016), for reference.

(Million yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Nine months ended December 31, 2016 (April 1, 2016 to December 31, 2016)	81,839	(1,630)	(2,272)	(3,355)

Notes:

(1) Changes in significant subsidiaries during the period under review: Yes
(Changes in specified subsidiaries resulting in changes in scope of consolidation):
New: – ( ), Exclusion: 1 (Nissha Luxembourg Holdings SARL)

(2) 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: No
4) Restatements: No

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

As of March 31, 2017	46,822,153 shares
As of March 31, 2016	45,029,493 shares

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

As of March 31, 2017	179,902 shares
As of March 31, 2016	2,117,034 shares

3) Average number of shares during the period:

Fiscal year ended March 31, 2017	43,814,542 shares
Fiscal year ended March 31, 2016	42,912,740 shares

(Note) The Company has introduced a "Board Benefit Trust (BBT)" from the fiscal year ended March 31, 2017. The Company's own shares of 71,000 shares in the trust 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 or loss per share.

* This report on financial results is exempted from auditing.

* 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. Overview of Operating Results, etc. (4) Future Forecast" on page 7 of the appendix.

We are scheduled to hold a financial results briefing session for institutional investors on Friday, May 12, 2017. 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.

Effective from the fiscal year ended March 31, 2017, we have changed a method of translating revenue and expenses of overseas consolidated subsidiaries and others into yen. Since a new accounting method is retroactively applied in accordance with changes in accounting policies, the current consolidated results are compared and analyzed with the previous corresponding results that have reflected the retroactive application.

(1) Overview of consolidated operating results for the term

Reflecting on the global economy in the fiscal year ended March 31, 2017, the United States saw ongoing recovery thanks primarily to increased consumer spending and improved employment conditions. In Europe, there remained uncertainty for the future attributable to Brexit and other factors but the economy gradually recovered. In Asia, the economies of emerging countries such as China showed partial signs of recovery. As for Japan, the economy held steady on an ongoing moderate recovery trend but uncertainty over overseas economies, foreign exchange fluctuations and other factors have fueled growing opacity for the future.

The Nissha Group is pursuing growth by reorganizing its business portfolio in the Fifth Medium-term Business Plan starting from April 1, 2015 and has been in a rush to establish a business base that enables a continuous and stable revenue stream, by overcoming its over-reliance on the ever-fluctuating consumer electronics field from a viewpoint of balanced management and increasing its overseas production ratio to develop its tolerance to foreign exchange fluctuations. In the fiscal year ended March 31, 2017, the Nissha Group has made significant progress in expanding its business domain through corporate acquisition in the fields of automotive interior components and medical devices and consumables, following up on acquisitions in the metallized paper field in the previous year. Despite these efforts, the Nissha Group currently could not attain the previous estimate primarily due to the impact of foreign exchange fluctuations, sluggish demand for products in existing fields, and the posting of upfront costs for new orders and temporary expenses related to the acquisition.

As a result, the net sales for the year ended March 31, 2017 were ¥115,802 million (a decrease of 3.3% as compared to the previous year). For income, operating loss was ¥3,904 million (operating income of ¥10,546 million in the previous year), ordinary loss was ¥4,914 million (ordinary income of ¥9,238 million in the previous year), and loss attributable to owners of parent was ¥7,408 million (profit attributable to owners of parent of ¥6,896 million in the previous year).

Following is an overview by business segment.

As a result of the acquisition and inclusion of Graphic Controls Holdings, Inc. and its group companies (Graphic Controls group), a medical devices and consumables manufacturer in the United States, in the scope of consolidation in the year ended March 31, 2017, the Nissha Group established the “Life Innovation” business segment, a new reportable segment in which Graphic Controls Holdings, Inc. and its group companies promote its business operations in the medical markets. In addition, the production and sales business of our gas sensors, which had been included in the “Other” under reportable segments, was transferred to the “Devices” segment from the year ended March 31, 2017, as a result of the reorganization executed to further expand the scale of business.

Therefore, segment information for the year ended March 31, 2016 and 2017 is compared and analyzed based on the reportable segments that have reflected the above changes.

Industrial Materials

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

During the year ended March 31, 2017, demand progressed steadily for our mainstay automotive interior components in general, while demand in the other fields remained lower than the previous estimate.

As a result, segment sales for the year ended March 31, 2017 were ¥47,971 million, an increase of 21.0% as compared to the previous year. Segment income (operating income) was ¥620 million (segment loss (operating loss) of ¥590 million in the previous year).

Devices

In the Devices segment, the Nissha Group produces devices that pursue precision and functionality, including its core products, the FineTouch touch input device. The FineTouch is adopted mainly in tablet devices, mobile game consoles, industrial equipment and automotive components in global markets. In addition, the Nissha Group offers gas sensors that can detect and identify the conditions of air and gas, along with other products.

During the year ended March 31, 2017, demand for products for mobile game consoles progressed steadily but demand for our mainstay products adopted for tablet devices fell below the previous estimate. On and after the third quarter ended December 31, 2016, development costs toward new orders for the next term increased.

As a result, segment sales for the year ended March 31, 2017 were ¥47,835 million, a decrease of 24.4% as compared to the previous year. Segment loss (operating loss) was ¥157 million (segment income (operating income) of ¥14,341 million in the previous year).

Life Innovation

The Life Innovation segment is a newly established business segment in which Graphic Controls group, a medical devices and consumables manufacturer based in the United States, acts as a core company to offer high-quality and value-added products in medical devices and consumables and other related fields to contribute to healthy and affluent life. Main products of Graphic Controls group are disposable electrodes and surgical instruments for medical institutions. Graphic Controls group currently manufactures and sells its own brand products to medical institutions and also provides contract manufacturing services for major medical device manufacturers in the North and Central America and Europe.

This segment began contributing to net sales of the Nissha Group from the third quarter ended December 31, 2016. For income, however, it could not make a profit in the fiscal year ended March 31, 2017, due to the posting expenses related to the acquisition of Graphic Controls group.

As a result, segment sales for the year ended March 31, 2017 were ¥5,391 million. Segment loss (operating loss) was ¥1,311 million.

There is no comparable data and analysis for this segment against the previous year because this is a new reportable segment established as a result of the inclusion of Graphic Controls group in the scope of consolidation effective from the year ended March 31, 2017.

Information and Communication

In the Information and Communication segment, the Nissha Group offers its customers a wide range of professional products and services such as publication printing, commercial printing, sales promotion, web solutions, and digital archiving, thereby assisting a host of marketing strategies and communication strategies relating to advertising and sales promotion.

During the year ended March 31, 2017, 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 year ended March 31, 2017 were ¥14,354 million, a decrease of 14.1% as compared to the previous year. Segment loss (operating loss) was ¥93 million (segment income (operating income) of ¥81 million in the previous year).

(2) Overview of consolidated financial position for the term

Total assets at the end of the fiscal year ended March 31, 2017 increased by ¥26,562 million from the end of the previous year (the fiscal year ended March 31, 2016) to ¥182,670 million.

Current assets decreased by ¥5,780 million from the end of the previous year to ¥78,179 million. This was mainly because a ¥17,881 million decrease of cash and deposits outweighed a ¥6,619 million increase of notes and accounts receivable-trade.

Non-current assets increased by ¥32,342 million from the end of the previous year to ¥104,491 million. This was mainly because goodwill, property, plant, and equipment, trademark right and customer related assets increased by ¥13,030 million, ¥7,667 million, ¥3,857 million and ¥3,336 million, respectively, primarily due to new consolidation, and investment securities increased by ¥4,299 million mainly due to changes in the fair value of available-for-sale securities.

Total liabilities at the end of the fiscal year ended March 31, 2017 increased by ¥22,052 million from the end of the previous year to ¥108,064 million.

Current liabilities increased by ¥17,042 million from the end of the previous year to ¥65,711 million. This was mainly attributable to a ¥7,808 million increase of short-term loans payable, a ¥2,359 million increase of accounts payable-facilities included in the “other” item, and a ¥1,678 million increase of accounts payable-other.

Non-current liabilities increased by ¥5,010 million from the end of the previous year to ¥42,352 million. This was mainly because a ¥9,591 million increase of long-term loans payable and a ¥4,579 million increase of long-term deferred tax liabilities mainly due to new consolidation and changes in the fair value of available-for-sale securities outweighed a ¥8,240 million decrease of bonds payable resulting from the exercise of stock acquisition rights.

Net assets at the end of the fiscal year ended March 31, 2017 increased by ¥4,510 million from the end of the previous year to ¥74,606 million. This was mainly because a ¥2,589 million decrease of treasury shares, a ¥1,980 million increase of capital stock, and a ¥3,696 million increase of capital surplus mainly attributable to the conversion of convertible bonds with stock acquisition rights, and other increases in net assets outweighed a ¥8,704 million decrease of retained earnings mainly resulting from the posting of loss attributable to owners of parent.

(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 March 31, 2017 was ¥22,090 million, a decrease of ¥19,598 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 March 31, 2017.

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

Funds used in operating activities amounted to ¥2,570 million (funds provided by operating activities of ¥14,811 million in the previous year). This was mainly because ¥6,130 million of loss before income taxes and a ¥4,727 million increase in notes and accounts receivable-trade outweighed ¥8,351 million of depreciation.

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

Funds used in investing activities amounted to ¥23,290 million, an increase of 8.3% as compared to the previous year. This was mainly attributable to the purchase of investments in subsidiaries and others resulting in change in scope of consolidation of ¥15,366 million and the purchase of property, plant and equipment of ¥7,119 million.

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

Funds provided by financing activities amounted to ¥6,826 million, a decrease of 65.3% as compared to the previous year. This was mainly attributable to net increase in short-term loans payable of ¥7,933 million.

(4) Future Forecast

During the next term, the global economy is expected to remain on a moderate recovery trend, but we must keep our eyes on future uncertainties associated with policy trends in the United States, Brexit, and other factors. The Japanese economy is also forecasted to remain on a moderate recovery trend, but we must closely watch overseas economies and foreign exchange rates.

The next term is to be the last year of the Fifth Medium-term Business Plan starting from April 1, 2015. The Nissha Group aims for the objective set in the Medium-term vision: “We will acquire and merge new core technologies into printing technologies and completely reorganize our business portfolio in global growth markets.”

Our growth fueled by business portfolio reorganization is expected to progress as projected in the Fifth Medium-term Business Plan. Specifically, the mainstay Devices business segment is projected to drive the profit on a company-wide basis, as new large-scale orders received advance to the mass-production phase. In the Industrial Materials segment, meanwhile, the sales for the automotive and metallized paper fields are forecasted to steadily increase. In the Life Innovation Business segment, Graphic Controls group will contribute to profit throughout the term due to its full-year inclusion in the scope of consolidation.

In this way, the Company’s business domain continues to evolve and expand significantly beyond a traditional printing field. Accordingly, the Company is scheduled to change its corporate name from Nissha Printing Co., Ltd. to Nissha Co., Ltd. effective on October 6, 2017, subject to the approval of the shareholders at the Ordinary General Meeting of Shareholders for the 98th Business Term to be held on June 16, 2017.

Moreover, the materiality of the overseas consolidated subsidiaries increased, as their number increased in accordance with the M&A strategy under the Fifth Medium-term Business Plan. Therefore, it has become increasingly important to pursue enhanced management transparency and quality by promoting the concerted management of group companies, while disclosing financial results and other information in a timely and appropriate manner. To this end, the Company will change its fiscal year end date from March 31 to December 31 to set a unified fiscal year end date on a global basis. The next term, the transitional period, is the nine-month period from April 1, 2017 to December 31, 2017.

For the consolidated financial results for the fiscal year ending December 31, 2017 (the nine-month period from April 1, 2017 to December 31, 2017), we expect net sales of ¥140,000 million, operating income of ¥5,500 million, ordinary income of ¥5,100 million, and profit attributable to owners of parent of ¥4,500 million. These figures are based on an exchange rate of 1US$ = ¥110 for the fiscal year ending December 31, 2017.

Consolidated nets sales forecast by segment (April 1, 2017 to December 31, 2017)

(Million yen)

Segment	Amount	Ratio (%)	YoY (%)
Industrial Materials	38,600	27.6	+7.7
Devices	76,000	54.3	+123.8
Life Innovation	13,000	9.3	+918.0
Information and Communication	12,200	8.7	+15.3
Other	200	0.1	+13.1
Total	140,000	100.0	+71.1

(Notes) 1. Since the next term is the nine-month period from April 1, 2017 to December 31, 2017, the "YoY (%)" column shows the changes between the financial results forecasts for the fiscal year ending December 31, 2017 (April 1, 2017 to December 31, 2017) and the financial results for the nine months ended December 31, 2016 (April 1, 2016 to December 31, 2016) out of the fiscal year ended March 31, 2017. The financial results of the Company and domestic consolidated subsidiaries for the nine-month period from April 1, 2016 to December 31, 2016 and the financial results of overseas consolidated subsidiaries for the nine-month period from January 1, 2016 to September 30, 2016 are consolidated into the consolidated financial results for the nine months ended December 31, 2016 (April 1, 2016 to December 31, 2016).

2. Net sales in the Life Innovation business segment are expected to increase significantly since the financial results of Graphic Controls Holdings, Inc. and its group companies, which have been newly included in the scope of consolidation starting from the third quarter ended December 31, 2016, will be consolidated into the consolidated financial results for the full nine months of the fiscal year ending December 31, 2017 (nine-month period from April 1, 2017 to December 31, 2017), while the financial results for only a one-month portion were consolidated in the nine months ended December 31, 2016.

2. Consolidated Financial Statements and Principal Notes

(1) Consolidated balance sheets

(Million yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	40,085	22,204
Notes and accounts receivable-trade	21,665	28,284
Securities	2,033	33
Merchandise and finished goods	8,027	6,207
Work in process	3,806	5,115
Raw materials and supplies	2,721	4,605
Deferred tax assets	2,234	1,620
Consumption taxes receivable	1,722	2,594
Other	1,878	7,744
Allowance for doubtful accounts	(216)	(230)
Total current assets	83,959	78,179
Non-current assets		
Property, plant and equipment		
Buildings and structures	45,482	52,954
Accumulated depreciation	(25,195)	(26,254)
Buildings and structures, net	20,287	26,699
Machinery, equipment and vehicles	49,633	50,783
Accumulated depreciation	(36,600)	(38,468)
Machinery, equipment and vehicles, net	13,032	12,314
Tools, furniture and fixtures	7,575	9,547
Accumulated depreciation	(6,037)	(7,076)
Tools, furniture and fixtures, net	1,537	2,470
Land	5,936	6,076
Leased assets	2,337	2,568
Accumulated depreciation	(709)	(753)
Leased assets, net	1,627	1,815
Construction in progress	762	1,475
Total property, plant and equipment	43,184	50,852
Intangible assets		
Trademark right	—	3,857
Software	1,256	814
Goodwill	10,824	23,854
Technical assets	2,563	2,226
Customer related assets	3,427	6,763
Other	255	988
Total intangible assets	18,327	38,505
Investments and other assets		
Investment securities	9,848	14,147
Deferred tax assets	288	430
Other	978	1,018
Allowance for doubtful accounts	(478)	(462)
Total investments and other assets	10,636	15,133
Total non-current assets	72,148	104,491
Total assets	156,107	182,670

(Million yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	24,758	24,872
Short-term loans payable	12,485	20,294
Current portion of long-term loans payable	563	1,448
Lease obligations	170	268
Accrued expenses	3,585	5,263
Income taxes payable	1,313	484
Provision for bonuses	1,730	1,578
Provision for directors’ bonuses	60	60
Provision for management board benefit trust	—	101
Other	4,001	11,337
Total current liabilities	48,669	65,711
Non-current liabilities		
Bonds payable	20,000	11,760
Long-term loans payable	3,487	13,078
Lease obligations	1,633	1,760
Deferred tax liabilities	5,440	10,019
Net defined benefit liability	6,378	4,356
Other	402	1,377
Total non-current liabilities	37,342	42,352
Total liabilities	86,011	108,064
Net assets		
Shareholders’ equity		
Capital stock	5,684	7,664
Capital surplus	7,355	11,052
Retained earnings	54,038	45,334
Treasury shares	(2,931)	(341)
Total shareholders’ equity	64,148	63,709
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,977	7,779
Foreign currency translation adjustment	1,540	2,560
Remeasurements of defined benefit plans	(570)	331
Total accumulated other comprehensive income	5,947	10,671
Non-controlling interests	—	225
Total net assets	70,096	74,606
Total liabilities and net assets	156,107	182,670

(2) Consolidated statements of operations and comprehensive income

Consolidated statements of operations

(Million yen)

	Fiscal Year ended March 31, 2016	Fiscal Year ended March 31, 2017
Net sales	119,796	115,802
Cost of sales	90,581	98,885
Gross profit	29,215	16,916
Selling, general and administrative expenses	18,668	20,820
Operating income (loss)	10,546	(3,904)
Non-operating income		
Interest income	77	83
Dividend income	135	116
Gain on investments in partnership	22	52
Other	133	207
Total non-operating income	368	459
Non-operating expenses		
Interest expenses	220	470
Share of loss of entities accounted for using equity method	200	25
Foreign exchange losses	1,018	656
Other	237	318
Total non-operating expenses	1,677	1,470
Ordinary income (loss)	9,238	(4,914)
Extraordinary income		
Gain on sales of non-current assets	93	118
Gain on revision of retirement benefit plan	—	30
State subsidy	181	140
Total extraordinary income	274	289
Extraordinary losses		
Loss on sales and retirement of non-current assets	158	437
Loss on valuation of investment securities	493	588
Impairment loss	334	249
Amortization of goodwill	638	—
Loss on subsidy repayment	—	229
Total extraordinary losses	1,625	1,505
Profit (loss) before income taxes	7,887	(6,130)
Income taxes-current	1,905	1,160
Income taxes-deferred	(915)	138
Total income taxes	990	1,299
Profit (loss)	6,896	(7,430)
Loss attributable to non-controlling interests	—	(21)
Profit (loss) attributable to owners of parent	6,896	(7,408)

Consolidated statements of comprehensive income

(Million yen)

	Fiscal Year ended March 31, 2016	Fiscal Year ended March 31, 2017
Profit (loss)	6,896	(7,430)
Other comprehensive income		
Valuation difference on available-for-sale securities	(404)	2,814
Foreign currency translation adjustment	(1,086)	1,002
Remeasurements of defined benefit plans, net of tax	(327)	915
Share of other comprehensive income of entities accounted for using equity method	(6)	8
Total other comprehensive income	(1,825)	4,740
Comprehensive income	5,071	(2,689)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,071	(2,685)
Comprehensive income attributable to non-controlling interests	—	(3)

(3) Consolidated statements of cash flows

(Million yen)

	Fiscal Year ended March 31, 2016	Fiscal Year ended March 31, 2017
Cash flows from operating activities		
Profit (loss) before income taxes	7,887	(6,130)
Depreciation	7,879	8,351
Impairment loss	334	249
Amortization of goodwill	1,208	1,003
Gain on revision of retirement benefit plan	—	(30)
Increase (decrease) in provision for bonuses	205	(185)
Increase (decrease) in provision for directors' bonuses	17	0
Increase (decrease) in provision for management board benefit trust	—	101
Increase (decrease) in net defined benefit liability	91	(1,684)
Increase (decrease) in allowance for doubtful accounts	(211)	(11)
Interest and dividend income	(212)	(199)
Interest expenses	220	470
Foreign exchange losses (gains)	345	225
Share of (profit) loss of entities accounted for using equity method	200	25
Loss (gain) on valuation of investment securities	493	588
Loss (gain) on sales and retirement of non-current assets	65	319
Decrease (increase) in notes and accounts receivable-trade	135	(4,727)
Decrease (increase) in inventories	(3,695)	3,014
Increase (decrease) in notes and accounts payable-trade	2,584	(1,293)
Other, net	(1,344)	(164)
Subtotal	16,205	(76)
Interest and dividend income received	205	204
Interest expenses paid	(245)	(477)
Income taxes paid	(1,358)	(2,441)
Income taxes refund	4	219
Net cash provided by (used in) operating activities	14,811	(2,570)

(Million yen)

	Fiscal Year ended March 31, 2016	Fiscal Year ended March 31, 2017
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	280	370
Payments into time deposits	(439)	(106)
Purchase of property, plant and equipment	(4,181)	(7,119)
Payments for retirement of property, plant and equipment	(51)	(73)
Proceeds from sales of property, plant and equipment	—	301
Payments from sales of property, plant and equipment	(236)	—
Purchase of intangible assets	(319)	(431)
Proceeds from sales of intangible assets	9	0
Purchase of securities	(35)	—
Purchase of investment securities	(892)	(824)
Purchase of shares of subsidiaries and associates	—	(22)
Purchase of investments in other securities of subsidiaries and affiliates	(32)	(110)
Payments of loans receivable	(4)	(3)
Collection of loans receivable	10	10
Purchase of shares of subsidiaries and others resulting in change in scope of consolidation	(15,672)	(15,366)
Other, net	63	84
Net cash provided by (used in) investing activities	(21,500)	(23,290)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,464	7,933
Proceeds from long-term loans payable	—	1,485
Repayments of long-term loans payable	(291)	(1,220)
Proceeds from issuance of bonds	19,986	—
Payments for issuance of bonds	—	(23)
Commission fee paid	(91)	(42)
Repayments of lease obligations	(123)	(191)
Purchase of treasury stock-net	(1)	(1)
Cash dividends paid	(1,284)	(1,293)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	180
Net cash provided by (used in) financing activities	19,657	6,826
Effect of exchange rate change on cash and cash equivalents	(764)	(563)
Net increase (decrease) in cash and cash equivalents	12,204	(19,598)
Cash and cash equivalents at beginning of period	29,484	41,688
Cash and cash equivalents at end of period	41,688	22,090

(4) Notes to consolidated financial statements

(Changes in accounting policies)

(Changes in the method of translating revenue and expenses of overseas consolidated subsidiaries and others into yen)

The revenue and expenses of the Company's overseas consolidated subsidiaries and others were previously translated into yen at the spot exchange rates on the respective settlement dates of the consolidated subsidiaries. Effective from the fiscal year ended March 31, 2017, however, the Company has adopted a new method by which the revenue and expenses of overseas consolidated subsidiaries and others are translated into yen at the average exchange rate during the period. We adopted this change of method in order to more appropriately reflect the operating results of our overseas consolidated subsidiaries and others in the consolidated financial statements, in the expectation that the overseas net sales of the overseas consolidated subsidiaries and others will further grow in materiality in the future.

Given the 10-year retention period specified by the Company for documents and materials related to account settlement, it would be practically impossible to retroactively apply the change in general. Accordingly, the Company has retroactively applied a new method of translating the revenue and expenses of the overseas consolidated subsidiaries and others into yen at the average exchange rate during the period, effective from April 1, 2006.

As these changes in the accounting policies are retroactively applied, the consolidated financial statements for the fiscal year ended March 31, 2016 are stated to reflect the retroactive application.

As a result, net sales for the fiscal year ended March 31, 2016 increased by ¥573 million and as for profit and loss for the fiscal year ended March 31, 2016, the effect is insignificant, as compared to the figures prior to the retroactive application. In addition, since the cumulative effects of the retroactive application have been reflected in the beginning balance of net assets for the fiscal year ended March 31, 2016, the beginning balance of retained earnings for the fiscal year ended March 31, 2016 increased by ¥231 million and foreign currency translation adjustment decreased by the same amount.

(Segment information)

1. Description of reportable segments

The Nissha 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 Nissha 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 Nissha Group consists of segments by product and service based on divisions, and the reportable segments are the Industrial Materials segment, Devices segment, Life Innovation 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 touch input devices and gas sensors. The Information and Communication segment plans, manufactures, and sells products and services for commercial printing and publication printing.

As a result of the inclusion of Graphic Controls Holdings, Inc. and its group companies in the scope of consolidation in the fiscal year ended March 31, 2017, the Nissha Group established the "Life Innovation" Business segment, a new reportable segment in which Graphic Controls Holdings, Inc. and its group companies promote its business operations in the medical markets.

In addition to the above change, the production and sales business of the Company's Gas Sensors, which had been included in the "Other" under reportable segments, was transferred to the "Devices" segment from the fiscal year ended March 31, 2017, as a result of the reorganization executed to further expand the scale of business.

Segment information for the fiscal year ended March 31, 2016 is prepared and disclosed based on the reportable segments that have reflected the above changes.

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 (June 17, 2016). Inter-segment sales or transfers are based on current market prices.

As stated in "Changes in accounting policies," whereas the revenue and expenses of the Company's overseas consolidated subsidiaries and others were previously translated into yen at the spot exchange rates on the respective settlement dates of the consolidated subsidiaries, the Company has adopted a new method by which the revenue and expenses of overseas consolidated subsidiaries and others are translated into yen at the average exchange rate during the period, effective from the fiscal year ended March 31, 2017.

As these changes in the accounting policies are retroactively applied, the segment information for the fiscal year ended March 31, 2016 are stated to reflect the retroactive application.

As a result, net sales from the Industrial Materials segment and net sales from the Devices segment for the fiscal year ended March 31, 2016 increased by ¥546 million and ¥27 million, respectively, and as for segment income and loss for the fiscal year ended March 31, 2016, the effect is insignificant, as compared to the figures prior to retroactive application.

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

The fiscal year ended March 31, 2016 (April 1, 2015 to Mach 31, 2016)

(Million yen)

	Reportable segment					Other	Total	Reconcili-ations (Note 1)	Consolidated (Note 2)
	Industrial Materials	Devices	Life Innovation	Information and Communi-cation	Sub-total				
Sales									
Sales to external customers	39,641	63,274	―	16,709	119,626	170	119,796	―	119,796
Inter-segment sales or transfers	11	2,175	―	15	2,201	1,107	3,309	(3,309)	―
Total	39,652	65,449	―	16,725	121,828	1,277	123,105	(3,309)	119,796
Segment income (loss)	(590)	14,341	―	81	13,832	(59)	13,773	(3,226)	10,546
Segment assets	57,450	29,987	―	5,387	92,826	639	93,466	62,641	156,107
Other									
Depreciation	2,287	4,112	―	219	6,619	16	6,636	1,242	7,879
Amortization of goodwill	306	901	―	―	1,208	―	1,208	―	1,208
Increase in property, plant and equipment and intangible assets	2,087	1,349	―	117	3,555	78	3,634	1,277	4,911

(Notes) 1. Reconciliations are as follows:

(1) The negative ¥3,226 million of reconciliations in segment income (loss) includes unallocated corporate expenses, etc. Corporate expenses mainly consist of general and administrative expenses not attributable to any reportable segment.

(2) The positive ¥62,641 million of reconciliations in segment assets consists of the positive ¥62,874 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 ¥233 million of inter-segment elimination of receivables and payables.

(3) The positive ¥1,242 million of reconciliation in depreciation relates to corporate (R&D and administrative) non-current assets.

(4) The positive ¥1,277 million of reconciliations in increase in property, plant and equipment and intangible assets is the amount of corporate (R&D and administrative) capital investment.

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

The fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Million yen)

	Reportable segment					Other	Total	Reconciliations (Note 1)	Consolidated (Note 2)
	Industrial Materials	Devices	Life Innovation	Information and Communication	Sub-total				
Sales									
Sales to external customers	47,971	47,835	5,391	14,354	115,551	250	115,802	—	115,802
Inter-segment sales or transfers	1	2,426	—	53	2,481	1,096	3,578	(3,578)	—
Total	47,973	50,262	5,391	14,407	118,033	1,346	119,380	(3,578)	115,802
Segment income (loss)	620	(157)	(1,311)	(93)	(941)	(35)	(977)	(2,926)	(3,904)
Segment assets	55,020	38,605	29,385	4,792	127,804	783	128,587	54,082	182,670
Other									
Depreciation	2,959	3,826	294	211	7,291	16	7,308	1,043	8,351
Amortization of goodwill	625	160	217	—	1,003	0	1,003	—	1,003
Increase in property, plant and equipment and intangible assets	1,579	8,588	86	151	10,405	60	10,465	1,801	12,267

(Notes) 1. Reconciliations are as follows:

(1) The negative ¥2,926 million of reconciliations in segment income (loss) includes unallocated corporate expenses, etc. Corporate expenses mainly consist of general and administrative expenses not attributable to any reportable segment.

(2) The positive ¥54,082 million of reconciliations in segment assets consists of the positive ¥54,334 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 ¥251 million of inter-segment elimination of receivables and payables.

(3) The positive ¥1,043 million of reconciliation in depreciation relates to corporate (R&D and administrative) non-current assets.

(4) The positive ¥1,801 million of reconciliations in increase in property, plant and equipment and intangible assets is the amount of corporate (R&D and administrative) capital investment.

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