Information Disclosed on the Internet upon Issuing Notice of the Convocation of the Ordinary General Meeting of Shareholders for the 99th Business Term

Consolidated Statement of Changes in Net Assets

Notes to Consolidated Financial Statements

Non-consolidated Statement of Changes in Net Assets

Notes to Non-consolidated Financial Statements

From April 1, 2017 to December 31, 2017

Nissha Co., Ltd.

Nissha Co., Ltd. provides "Consolidated Statement of Changes in Net Assets," "Notes to Consolidated Financial Statements," "Non-consolidated Statement of Changes in Net Assets," and "Notes to Non-consolidated Financial Statements" to Shareholders by posting them on its website (http://www.nissha.com/english/) pursuant to the provisions of laws, regulations and Article 16 of its Articles of Incorporation.

Consolidated Statement of Changes in Net Assets

(From April 1, 2017 to December 31, 2017)

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	7,664	11,052	45,334	(341)	63,709
Changes of items during the period					
Issuance of new shares	4,405	4,405			8,810
Dividends of surplus			(1,434)		(1,434)
Profit attributable to owners of parent			6,734		6,734
Increase (decrease) in surplus of overseas consolidated subsidiaries and others from change of accounting period			19		19
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		3		15	19
Net changes of items other than shareholders' equity					
Total changes of items during the period	4,405	4,408	5,319	14	14,147
Balance at the end of current period	12,069	15,460	50,653	(327)	77,856

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	7,779	2,560	331	10,671	225	74,606
Changes of items during the period						
Issuance of new shares						8,810
Dividends of surplus						(1,434)
Profit attributable to owners of parent						6,734
Increase (decrease) in surplus of overseas consolidated subsidiaries and others from change of accounting period						19
Purchase of treasury shares						(1)
Disposal of treasury shares						19
Net changes of items other than shareholders' equity	4,095	1,127	64	5,287	13	5,301
Total changes of items during the period	4,095	1,127	64	5,287	13	19,448
Balance at the end of current period	11,875	3,687	395	15,958	239	94,054

(Note: Amounts are rounded down to the nearest million yen.)

Notes to Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

(1) Scope of consolidation

1) Number of consolidated subsidiaries: 63

Names of major consolidated subsidiaries

Nitec Industries, Inc., Nitec Precision and Technologies, Inc., Nissha Printing Communications, Inc., Eimo Technologies, Inc., Graphic Controls Acquisition Corp., AR Metallizing N.V.

The Company incorporated mui Lab Inc., Graphic Controls Acquisition SAS, and Nissha Flooring Industries Sdn. Bhd. These companies are therefore included in the scope of consolidation from the current consolidated fiscal year. The Company acquired shares of Financière Intègral SAS. Therefore, Financière Intègral SAS, Integral Process SAS and its group companies are included in the scope of consolidation from the current consolidated fiscal year.

Following the change of the trade name of the Company as of October 6, 2017, FIS Inc., SiMICS Co., Ltd., Nissha F8, Inc., Nissha Business Service Co., Ltd., Si-Cal Technologies, Inc., PMX Technologies, S.A. de C.V. and Southern Nissha Sdn. Bhd. changed their trade names to Nissha FIS, Inc., Nissha SiMICS, Inc., Nissha F8, Inc. (change of trade name affects Japanese only), Nissha Business Service, Inc., Nissha Si-Cal Technologies, Inc., Nissha PMX Technologies, S.A. de C.V. and Nissha Precision Technologies Malaysia Sdn. Bhd., respectively, from the current consolidated fiscal year.

2) Names, etc. of major unconsolidated companies

Bridge Venture 2014 Investment Enterprise, L.P.

(Reason for excluding the unconsolidated company from the scope of consolidation)

This unconsolidated company is small and its total assets, net sales, profit (loss) (in the amount commensurate with equity), retained earnings (in the amount commensurate with equity), and other items do not largely influence the consolidated financial statements.

(2) Application of equity method

1) Number of unconsolidated companies accounted for by the equity method: 1

Names of major companies, etc.

Bridge Venture 2014 Investment Enterprise, L.P.

2) Number of associated companies accounted for by the equity method: 3

Names of major companies, etc.

NS Tech Co., Ltd., TPK Film Solutions Limited, and Nissha and Lens Technologies (Changsha) Company Limited

(3) Change in the consolidated settlement date

Effective from the current consolidated fiscal year, the settlement date of the Company and its domestic consolidated subsidiaries was changed from March 31 to December 31 and the consolidated settlement date was also changed from March 31 to December 31. These changes are aimed at promoting integrated group operations, and further enhancing management transparency and efficiency through the timely and adequate disclosure of financial and business information by unifying the fiscal year with that of overseas consolidated subsidiaries. In line with this change, the current consolidated fiscal year, a transitional period of the change in the fiscal year, is a nine-month period from April 1, 2017 to December 31, 2017.

Meanwhile, profits and losses of overseas consolidated subsidiaries and others for the period from January 1, 2017 to March 31, 2017 are adjusted in retained earnings.

(4) Fiscal year, etc. of consolidated subsidiaries

The settlement date of consolidated subsidiaries is the same as the consolidated settlement date.

(5) Significant accounting policies

1) Standards and methods of valuation of significant assets

i. Securities

Held-to-maturity debt securities ···· Stated at the amortized cost determined by the straight-line method.

Available-for-sale securities

- Available-for-sale securities with market values: ···· Stated at fair value based on market prices as of the settlement date.
  (Differences in valuation are included directly in net assets and the cost of securities sold is determined based on the moving-average method.)
- Available-for-sale securities without market values: ···· Stated at cost determined by the moving-average method.

ii. Derivatives Stated at fair value.

iii. Inventories

- Finished products (excluding Decorative Film products, etc. of Industrial Materials) and work in process: ···· Stated at cost determined by the specific identification method, and by the first-in first-out method.
  (Book value on the balance sheet is stated at lower of cost.)
- Finished products (Decorative Film products, etc. of Industrial Materials): ···· Stated at cost determined by the moving-average method.
  (Book value on the balance sheet is stated at lower of cost.)
- Raw materials and supplies: ···· Stated at cost determined mainly by the periodic average method, and by the first-in first-out method.
  (Book value on the balance sheet is stated at lower of cost.)

2) Depreciation methods of significant non-current assets

i. Property, plant and equipment (excluding lease assets): ················

Declining-balance method (However, the straight-line method is principally applied to overseas consolidated subsidiaries, etc.)

Useful lives are principally as follows:
Buildings and structures: 7 to 50 years
Machinery, equipment and vehicles: 3 to 17 years

ii. Intangible assets (excluding lease assets) ································

Straight-line method

Depreciation periods are principally as follows:
Trademark right: 20 years
Software: 5 years (Usable life of internal use)
Technical assets: 15 years
Customer related assets: 8 to 17 years

iii. Lease assets

- Lease assets concerning finance leases that deem to transfer ownership of the leased property to the lessee:	···· Depreciated by the same depreciation method as applied to the Company's own non-current assets
- Lease assets concerning finance leases except those that deem to transfer ownership of the leased property to the lessee:	···· Depreciated by the straight-line method over the lease terms as useful lives with no residual value.

3) Standards for accounting for significant reserves

i. Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount of possible losses from uncollectible receivables based on the actual loan loss ratio from bad debt for ordinary receivables and on the estimated recoverability for specific doubtful accounts.

ii. Provision for bonuses

To provide for the payment of bonuses to employees, the amount deemed necessary for employees' bonuses in the consolidated fiscal year under review is posted based on the estimated amount of payment.

iii. Provision for Directors' bonuses

To provide for the payment of bonuses to Directors of the Board, the amount deemed necessary for bonuses for Directors of the Board in the consolidated fiscal year under review is posted based on the estimated amount of payment.

iv. Provision for management board benefit trust

To provide for the award of the Company's shares to Directors of the Board, etc. pursuant to the Policy on Directors' Stock Compensation, provision for management board benefit trust is posted based on the estimated amount of share award obligations at the consolidated settlement date.

4) Other significant items for presenting consolidated financial statements

i. Accounting standard for defined benefit plans

To provide for the payment of defined benefit to employees, the Company posts an amount equal to defined benefit liability less the value of plan assets as net defined benefit liability, based on their projected amounts at the end of the consolidated fiscal year under review. When calculating defined benefit liability, the method for allocating the projected amounts to periods up to the current consolidated fiscal year is a benefit formula basis.

Prior service cost is recognized as expenses and is amortized over a fixed number of years within the average remaining service period of current employees (10 years) using the straight-line method.

Actuarial gain/loss is recognized as expenses starting from the following consolidated fiscal year and is amortized in an amount calculated by the straight-line method over a fixed number of years within the average remaining service period of current employees (10 years).

ii. Standard for translating major assets or liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates in effect at the consolidated settlement date, and exchange differences are scored as profits/losses. Assets and liabilities of overseas consolidated subsidiaries, etc., are translated into Japanese yen at the spot exchange rates in effect at the settlement date of the relevant consolidated subsidiaries, etc., and earnings and expenses are translated into Japanese yen at the average exchange rate during the period, and exchange differences are included in foreign currency translation adjustments and non-controlling interests under net assets.

iii. Accounting for consumption taxes

Transactions subject to the consumption tax and the local consumption tax are recorded at amounts exclusive of the consumption tax.

iv. Method and period of amortization of goodwill

Goodwill is amortized equally within a period no more than 20 years that is decided on the basis of an estimate for the period during which its effect will be revealed.

v. Accounting treatment of convertible bonds (bonds with stock acquisition rights)

Consideration of bonds is not distinguished from consideration of stock acquisition rights, and is therefore accounted for according to the issuance of straight bonds.

(6) (Change in presentation methods)

"Electronically recorded obligations-operating" (¥1,197 million in the previous consolidated fiscal year), which were included in "Notes and accounts payable-trade" under "Current liabilities" in the previous consolidated fiscal year, are separately presented from the current consolidated fiscal year, since their materiality increased.

2. Notes to the Consolidated Balance Sheet

(1) Accumulated depreciation concerning assets
Accumulated depreciation on property, plant and equipment: ¥78,684 million

(2) Contingent liabilities
Discount on notes receivable-trade: ¥120 million

3. Notes to the Consolidated Statement of Changes in Net Assets

(1) Items concerning common shares issued

Type of stock	Beginning balance	Increase	Decrease	Ending balance
Common shares (Thousand Shares)	46,822	3,988	—	50,810

(Major causes for changes)
Breakdown of increases is as follows.

	(Thousand Shares)
Issuance of new shares resulting from the exercise of stock acquisition rights	3,988

(2) Items concerning dividends

1) Dividends paid

Resolution	Type of stock	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Base date	Effective date
General Meeting of Shareholders held on June 16, 2017	Common shares	700	15.00	March 31, 2017	June 19, 2017
Meeting of the Board of Directors held on November 8, 2017	Common shares	734	15.00	September 30, 2017	December 1, 2017
Total		1,434			

(Notes) 1. The total amount of dividends based on a resolution of the General Meeting of Shareholders held on June 16, 2017 includes ¥1 million paid to Trust & Custody Services Bank, Ltd. (Trust E Account) as dividends on Company shares it holds.
2. The total amount of dividends based on a resolution of the Meeting of the Board of Directors held on November 8, 2017 includes ¥1 million paid to Trust & Custody Services Bank, Ltd. (Trust E Account) as dividends on Company shares it holds.

2) Of dividends whose record dates belong to the consolidated fiscal year under review, dividends that take effect in the following consolidated fiscal year

Resolution	Type of stock	Dividend resource	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Base date	Effective date
Meeting of the Board of Directors held on February 14, 2018	Common shares	Retained earnings	760	15.00	December 31, 2017	March 5, 2018

(3) Stock acquisition rights

Name of company	Itemization	Type of stock	Number of shares (Thousand Shares)				Balance (Millions of Yen)
			Beginning balance	Increase	Decrease	Ending balance	
Submitting company	Zero Coupon Convertible Bonds due 2021 (bonds with stock acquisition rights) (issued on March 7, 2016)	Common shares	5,322	－	3,992	1,330	(Notes)

(Notes)

1. Convertible bonds (bonds with stock acquisition rights) are accounted for by the all-inclusive method.
2. The number of shares is stated as the number of shares on the assumption that stock acquisition rights have been exercised.
3. The decrease in Zero Coupon Convertible Bonds due 2021 (bonds with stock acquisition rights) (issued on March 7, 2016) is a result of the exercise of stock acquisition rights.

(4) Treasury shares

Type of stock	Beginning balance	Increase	Decrease	Ending balance
Common shares (Thousand Shares)	179	0	7	172

(Note) The ending balance of treasury shares of common shares includes 67 thousand Company shares held by Trust & Custody Services Bank, Ltd. (Trust E Account) as trust assets in the Board Benefit Trust (BBT).

(Major causes of the changes)

Breakdown of increases is as follows.

	(Thousand Shares)
Purchase of shares of less than one unit	0

Breakdown of decreases is as follows.

	(Thousand Shares)
Disposal resulting from the exercise of stock acquisition rights	4
Payment of Company shares from (Trust E Account)	3

4. Notes to Financial Instruments

(1) Items concerning the status of financial instruments

1) Financial instrument guidelines

The Company Group focuses on highly safe financial assets in its fund management, and procures funds mainly through loans from banks and issuance of bonds. It carries out optimum fund procurements at each time while giving full consideration to the management environment. The Company Group uses derivative transactions to hedge foreign exchange risk, and does not enter into derivative transactions for speculative purposes.

2) Details and risks of financial instruments

Notes and accounts receivable are exposed to credit risk of customers. As operating receivables denominated in foreign currencies, which arise from global business development, are exposed to the risk of fluctuating foreign exchange risk, for some of them, the Company Group uses forward exchange contracts to hedge against such risk.

Securities and investment securities mostly consist of stock of companies with which the Company has business relationships. Stock trading in markets is exposed to the risk of fluctuating market prices.

Notes and accounts payable, electronically recorded obligations and accrued expenses are all due within one year. Although some of these are denominated in foreign currencies and are exposed to foreign exchange risk, they are kept constantly within the scope of the outstanding balance of accounts receivable respectively denominated in the same foreign currencies.

Loans and bonds are used to procure funds for operational transactions, capital expenditures, and loans and investments. Loans are exposed to the risk of fluctuating interest rates because most of them are borrowed at variable interest rates.

3) Financial instrument risk control structure

The credit status of major customers is assessed periodically through the management of due dates and outstanding balance by customer in accordance with Credit Management Regulations.

The Company Group uses forward exchange contracts to hedge foreign exchange risk associated with operating receivables/payables denominated in foreign currencies.

The operation and management of derivative transactions are conducted by the finance division in accordance with Exchange Contract Management Regulations. The status of transactions is reported quarterly to Chief Financial Officer.

The finance division periodically assesses the fair value of securities and investment securities and the financial status, etc., of their issuers.

The finance division manages liquidity risk concerning fund procurement by preparing and/or updating fund management plans in a timely manner.

(2) Items concerning fair value, etc., of financial instruments

Book value, fair value, and valuation difference as of December 31, 2017 (consolidated settlement date of the current period) are as follows. Those whose fair value is difficult to assess are not included in the following table. (Refer to Note 2.)

(Millions of Yen)

	Book value	Fair value	Valuation difference
(1) Cash and deposits	29,790	29,790	—
(2) Notes and accounts receivable-trade	48,140	48,140	—
(3) Consumption taxes receivable	4,099	4,099	—
(4) Securities and investment securities			
1) Held-to-maturity debt securities	33	33	—
2) Available-for-sale securities	18,772	18,772	—
Total assets	100,836	100,836	—
(1) Notes and accounts payable-trade	52,862	52,862	—
(2) Electronically recorded obligations-operating	8,909	8,909	—
(3) Short-term loans payable	10,669	10,669	—
(4) Accrued expenses	6,918	6,918	—
(5) Income taxes payable	1,441	1,441	—
(6) Bonds payable	2,940	4,365	1,425
(7) Long-term loans payable (*)	14,870	14,101	(768)
(8) Lease liabilities	1,934	1,876	(58)
Total liabilities	100,547	101,146	599

(*) Includes the current portion of long-term loans payable.

(Note 1) Items concerning method of calculating fair values of financial instruments and securities

Assets

(1) Cash and deposits

(2) Notes and accounts receivable-trade

(3) Consumption taxes receivable

Because these are settled within a short period, fair value is almost the same as book value. Therefore, fair value is based on the relevant book value.

(4) Securities and investment securities

Because securities are settled within a short period, fair value is almost the same as book value. Therefore, fair value is based on the relevant book value. Fair values of investment securities are based on the market prices.

Notes concerning securities by purpose of holding are as follows:

Held-to-maturity debt securities (December 31, 2017)

(Millions of Yen)

Classification	Amount on consolidated balance sheet	Fair value	Valuation difference
Securities with fair value exceeding the amount on consolidated balance sheet			
Other	—	—	—
Subtotal	—	—	—
Securities with fair value not exceeding the amount on consolidated balance sheet			
Other	33	33	—
Subtotal	33	33	—
Total	33	33	—

2) Available-for-sale securities (December 31, 2017)

(Millions of Yen)

Classification	Amount on consolidated balance sheet	Acquisition cost	Valuation difference
Securities with amount on consolidated balance sheet exceeding acquisition cost			
Stock	18,772	1,995	16,776
Subtotal	18,772	1,995	16,776
Securities with amount on consolidated balance sheet not exceeding acquisition cost			
Stock	0	0	(0)
Subtotal	0	0	(0)
Total	18,772	1,996	16,776

Liabilities

(1) Notes and accounts payable-trade
(2) Electronically recorded obligations-operating
(3) Short-term loans payable
(4) Accrued expenses
(5) Income taxes payable

Because these are settled within a short period, fair value is almost the same as book value. Therefore, fair value is based on the relevant book value.

(6) Bonds payable

Fair value is estimated at present value, which is calculated by discounting principal at a rate considering the remaining terms and a rate adjusted for credit risk.

(7) Long-term loans payable

Fair value is calculated by discounting principal and interest at a rate assumed to be applied to a new similar borrowing.

(8) Lease liabilities

Fair value is estimated at present value, which is calculated by discounting principal and interest at a rate assumed to be applied to a new similar lease transaction.

(Note 2) Financial instruments whose fair value is deemed to be very difficult to assess

(Millions of Yen)

Classification	Book value
Unlisted stock	853
Other	673
Total	1,527

The aforementioned financial instruments are not included among “(4) Securities and investment securities” because they have no market prices and it is deemed to be very difficult to assess their fair values.

(Note 3) Maturity analysis for financial assets and securities with contractual maturities after the consolidated settlement date

(Millions of Yen)

	Within one year
Cash and deposits	29,790
Notes and accounts receivable	48,140
Securities	33
Consumption taxes receivable	4,099
Total	82,063

(*) Investment securities are not presented because there are no investment securities with maturities.

(Note 4) Projected repayment amounts of bonds payable, long-term loans payable, lease liabilities and other interest-bearing liabilities after the consolidated settlement date

(Millions of Yen)

	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Short-term loans payable	10,669	—	—	—	—	—
Bonds payable	—	—	—	2,940	—	—
Long-term loans payable	1,356	1,477	1,582	3,431	6,739	284
Lease liabilities	268	218	182	166	108	990
Total	12,293	1,695	1,764	6,537	6,848	1,274

5. Notes to Per Share Information

Net assets per share	¥1,852.67
Net income per share	¥139.72
Diluted net income per share	¥129.37

6. Other Notes (Notes to impairment loss)

The Company Group has recognized impairment losses on the following classes of assets for the consolidated fiscal year under review.

(1) Overview of assets or asset group recorded impairment losses

(Millions of Yen)

Use	Location	Type	Impairment loss
Idle asset	Koka, Shiga Pref.	Machinery, equipment and vehicles	147
		Tools, furniture and fixtures	0
Idle asset	Yachiyo, Chiba Pref.	Buildings and structures	44
Total			191

(2) Factors leading to the recognition of impairment losses

With regard to idle assets not expected to be used in the future, the Company Group wrote down their book values to recoverable amounts and recorded the reduced amounts as impairment losses in extraordinary losses for the current consolidated fiscal year.

(3) Assets grouping method

The long-lived assets for business use of the Company Group are grouped based on the business segments used for monitoring operations for management accounting purposes. However, assets to be disposed of (assets to be disposed of by disposal or sale, etc.) and idle assets are grouped on an individual basis.

(4) Method of evaluating recoverable amounts

The recoverable amounts of idle assets were measured based on the net selling price and evaluated based on memorandum value.

Non-consolidated Statement of Changes in Net Assets

(From April 1, 2017 to December 31, 2017)

(Millions of Yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings
Balance at the beginning of current period	7,664	9,095	1,930	11,025	1,230	28,766	5,198	35,194
Changes of items during the period								
Issuance of new shares	4,405	4,405		4,405				
Dividends of surplus							(1,434)	(1,434)
Net income							5,483	5,483
Purchase of treasury shares								
Disposal of treasury shares			3	3				
Net changes of items other than shareholders' equity								
Total changes of items during the period	4,405	4,405	3	4,408	—	—	4,048	4,048
Balance at the end of current period	12,069	13,500	1,933	15,433	1,230	28,766	9,247	39,243

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	(341)	53,542	7,665	7,665	61,207
Changes of items during the period					
Issuance of new shares		8,810			8,810
Dividends of surplus		(1,434)			(1,434)
Net income		5,483			5,483
Purchase of treasury shares	(1)	(1)			(1)
Disposal of treasury shares	15	19			19
Net changes of items other than shareholders' equity			4,070	4,070	4,070
Total changes of items during the period	14	12,877	4,070	4,070	16,947
Balance at the end of current period	(327)	66,419	11,736	11,736	78,155

(Note: Amounts are rounded down to the nearest million yen.)

Notes to Non-consolidated Financial Statements

1. Notes to Items Concerning Significant Accounting Policies

(1) Standards and methods of valuation of assets

1) Securities

i. Held-to-maturity debt securities — Stated at the amortized cost determined by the straight-line method.

ii. Stocks of subsidiaries and affiliates — Stated at cost determined by the moving-average method.

iii. Available-for-sale securities

Available-for-sale securities with market values: — Stated at fair value based on market prices as of the settlement date.

(Differences in valuation are included directly in net assets and the cost of securities sold is determined based on the moving-average method.)

Available-for-sale securities without market values: — Stated at cost determined by the moving-average method.

2) Derivatives — Stated at fair value.

3) Inventories

- Finished products (excluding Decorative Film products, etc. of Industrial Materials) and work in process: ···· Stated at cost determined by the specific identification method.
(Book value on the balance sheet is stated at lower of cost.)

- Finished products (Decorative Film products, etc. of Industrial Materials) ···· Stated at cost determined by the moving-average method.
(Book value on the balance sheet is stated at lower of cost.

- Raw materials and supplies: ···· Stated at cost determined mainly by the periodic average method.
(Book value on the balance sheet is stated at lower of cost.)

(2) Depreciation methods of non-current assets

1) Property, plant and equipment (excluding lease assets): ·········
Declining-balance method
Useful lives are principally as follows:
Buildings and structures: 7 to 50 years
Machinery, equipment and vehicles: 4 to 10 years

2) Intangible assets (excluding lease assets) ························
Straight-line method
Depreciation periods are principally as follows:
Software: 5 years (Usable life of internal use)

3) Lease assets

- Lease assets concerning finance leases except those that deem to transfer ownership of the leased property to the lessee: ···· Depreciated by the straight-line method over the lease terms as useful lives with no residual value.

(3) Standards of accounting for significant reserves

1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount of possible losses from uncollectible receivables based on the actual loan loss ratio from bad debt for ordinary receivables and on the estimated recoverability for specific doubtful receivables.

2) Provision for bonuses

To provide for the payment of bonuses to employees, the amount deemed necessary for employees' bonuses in the fiscal year under review is posted based on the estimated amount of payment.

3) Provision for Directors' bonuses

To provide for the payment of bonuses to Directors of the Board, the amount deemed necessary for bonuses for Directors of the Board in the fiscal year under review is posted based on the estimated amount of payment.

4) Provision for management board benefit trust

To provide for the award of the Company's shares to Directors of the Board, etc. pursuant to the Policy on Directors' Stock Compensation, provision for management board benefit trust is posted based on the estimated amount of share award obligations at the settlement date.

5) Liability for retirement benefits

To provide for the payment of retirement benefit to employees, the Company posts an amount that is deemed to have accrued at the end of the fiscal year under review, based on projected benefit liability and plan assets at the end of the fiscal year under review. When calculating retirement benefit liability, the method for allocating the projected amounts to periods up to the current fiscal year is a benefit formula basis.

Prior service cost is recognized as expenses starting from the fiscal year in which such cost was incurred and is amortized over a fixed number of years within the average remaining service period of current employees (10 years) using the straight-line method.

Actuarial gain/loss is recognized as expenses starting from the following fiscal year and is amortized over a fixed number of years within the average remaining service period of current employees (10 years) using the straight-line method.

(4) Other items of basis of presenting non-consolidated financial statements

1) Accounting for retirement benefits

The accounting method adopted for unrecognized actuarial gain/loss and the unamortized amount of unrecognized prior service cost in the non-consolidated financial statements differs from the accounting method for the same items in the consolidated financial statements.

2) Accounting for consumption tax

Transactions subject to the consumption tax and the local consumption tax are recorded at amounts exclusive of the consumption tax.

3) Accounting treatment of convertible bonds (bonds with stock acquisition rights)

Consideration of bonds is not distinguished from consideration of stock acquisition rights, and is therefore accounted for according to the issuance of straight bonds.

4) Change in the settlement date

Effective from the current fiscal year, the Company changed its settlement date from March 31 to December 31. This change is aimed at promoting integrated group operations, and further enhancing management transparency and efficiency through the timely and adequate disclosure of financial and business information by unifying the fiscal year of the Company with that of overseas consolidated subsidiaries. In line with this change, the current fiscal year, a transitional period of the change in the fiscal year, is a nine-month period from April 1, 2017 to December 31, 2017.

(5) (Change in presentation methods)

"Electronically recorded obligations" (¥866 million in the previous fiscal year), which were included in "Notes payable" under "Current liabilities" in the previous fiscal year, are presented separately from the current fiscal year, since their materiality increased.

2. Notes to the Non-consolidated Balance Sheet

(1) Accumulated depreciation concerning assets

Accumulated depreciation on property, plant and equipment: ¥22,806 million

(2) Contingent liabilities

1) Contingent liabilities ¥3,474 million

The Company guarantees electronically recorded obligations of subsidiaries and associates.

2) Trade notes discounted: ¥120 million

(3) Monetary claims receivable from and monetary debts payable to subsidiaries and associates

Short-term monetary receivables ¥7,500 million

Long-term monetary receivables ¥13,029 million

Short-term monetary payables ¥2,672 million

(4) Monetary payables to Directors of the Board and Audit and Supervisory Board Members ¥56 million

Long-term monetary payables to Directors of the Board and Audit and Supervisory Board Members are liabilities concerning amounts equivalent to payments of retirement allowances to each of them, corresponding to the period up until the day the Company terminated its unfunded retirement allowance plan for Directors of the Board and Audit and Supervisory Board Members. They are included in "Other" under Long-term liabilities.

3. Notes to the Non-consolidated Statement of Income

(1) Transactions with subsidiaries and associates

Operating transactions

Net sales ¥5,205 million

Purchases ¥93,974 million

Non-operating transactions ¥1,361 million

4. Notes to the Non-consolidated Statement of Changes in Net Assets

(1) Treasury shares

Type of stock	Beginning balance	Increase	Decrease	Ending balance
Common shares (Thousand Shares)	179	0	7	172

(Note) The ending balance of treasury shares of common shares includes 67 thousand Company shares held by Trust & Custody Services Bank, Ltd. (Trust E Account) as trust assets in the Board Benefit Trust (BBT).

(Major causes of the changes)

Breakdown of increases is as follows.

	(Thousand Shares)
Purchase of shares of less than one unit	0

Breakdown of decreases is as follows.

	(Thousand Shares)
Disposal resulting from the exercise of stock acquisition rights	4
Payment of Company shares from (Trust E Account)	3

5. Notes to Tax Effect Accounting

Significant cause-specific components of deferred tax assets and deferred tax liabilities

1) Current

Deferred tax assets	Inventories	¥220 million
	Allowance for doubtful accounts	¥33 million
	Provision for bonuses	¥208 million
	Other	¥251 million
	Subtotal deferred tax assets	¥713 million
	Less valuation allowance	(¥0 million)
Total deferred tax assets		¥712 million

2) Non-current

Deferred tax assets	Depreciation	¥619 million
	Impairment loss	¥604 million
	Investment securities	¥481 million
	Stocks of subsidiaries and associates	¥1,000 million
	Allowance for doubtful accounts	¥903 million
	Liability for retirement benefits	¥755 million
	Tax loss carried forward	¥3,462 million
	Other	¥156 million
	Subtotal deferred tax assets	¥7,982 million
	Less valuation allowance	(¥7,982 million)
	Total deferred tax assets	¥— million
Deferred tax liabilities	Valuation difference on available-for-sale securities	(¥5,046 million)
	Stocks of subsidiaries and associates	(¥683 million)
	Total deferred tax liabilities	(¥5,730 million)
Net deferred tax assets (liabilities)		(¥5,730 million)

6. Notes to Related Party Transactions

Type	Company name	Ownership (owned) percentage	Relationship	Description of transaction	Transaction amount (Millions of Yen)	Items	Balance at the end of the fiscal year (Millions of Yen)
Subsidiaries	Nitec Industries, Inc.	(Owning)100%	Manufacturing of products of the Company	Collection of funds	20	Short-term loans receivable	122
						Long-term loans receivable	4,382
	Nitec Precision and Technologies, Inc.	(Owning)100%	Manufacturing of products of the Company	Purchase of products	82,225	Accounts payable	271
				Lease of real estate assets	701	—	—
				Loan guarantees	2,975	—	—
				Collection of funds	700	Short-term loans receivable	1,696
						Long-term loans receivable	7,500

Transaction condition and policy for deciding transaction condition

(Notes):
1. Offset elimination processing is conducted for onerous transactions of materials in the Non-consolidated Statement of Income.
2. The purchase of products and others are decided in consideration of market prices.
3. The lending of funds is decided in consideration of market prices. The provision of collateral is not allowed.
4. An allowance for doubtful accounts of ¥2,215 million is posted with regard to the funding of Nitec Industries, Inc.
   A provision of allowance for doubtful accounts for subsidiaries and associates of ¥225 million was posted for the fiscal year under review.
5. A loan guarantee was offered to electronically recorded obligations.
6. Consumption taxes are not included in the transaction amount. They are included in the balance at the end of the fiscal year.

7. Notes to Per Share Information

Net assets per share	¥1,543.42
Net income per share	¥113.77
Diluted net income per share	¥105.34