Information Disclosed on the Internet upon Issuing Notice of the Convocation of the Ordinary General Meeting of Shareholders for the 101st 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 January 1, 2019 to December 31, 2019

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 (https://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 January 1, 2019 to December 31, 2019)

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	12,119	15,514	53,445	(1,911)	79,168
Cumulative effects of changes in accounting policies			683		683
Effects of finalization of provisional accounting treatment			9		9
Retained earnings brought forward as restated	12,119	15,514	54,138	(1,911)	79,861
Changes of items during the period					
Dividends of surplus			(1,499)		(1,499)
Loss attributable to owners of parent			(4,131)		(4,131)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(266)		268	2
Change in ownership interest of parent due to transactions with non-controlling interests		(859)	(11)		(871)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(1,126)	(5,642)	268	(6,500)
Balance at the end of current period	12,119	14,388	48,495	(1,643)	73,360

	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	8,216	1,791	339	10,347	117	89,633
Cumulative effects of changes in accounting policies						683
Effects of finalization of provisional accounting treatment		0		0	0	9
Retained earnings brought forward as restated	8,216	1,791	339	10,347	118	90,326
Changes of items during the period						
Dividends of surplus						(1,499)
Loss attributable to owners of parent						(4,131)
Purchase of treasury shares						(0)
Disposal of treasury shares						2
Change in ownership interest of parent due to transactions with non-controlling interests						(871)
Net changes of items other than shareholders' equity	3,559	(958)	(46)	2,554	(124)	2,429
Total changes of items during the period	3,559	(958)	(46)	2,554	(124)	(4,070)
Balance at the end of current period	11,776	833	292	12,901	(6)	86,255

(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: 65

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 Nissha SB Poland Sp. Zo.o. and acquired shares of Zonnebodo Pharmaceutical Co., Ltd. These companies are therefore included in the scope of consolidation from the current consolidated fiscal year.

Nitec Printing Co., Ltd. was extinguished in an absorption-type merger with Nissha Printing Communications, Inc., the surviving company in the merger. Vermed, Inc. was extinguished in an absorption-type merger with Graphic Controls Acquisition Corp., the surviving company in the merger. Back Stickers Holding B.V. was extinguished in an absorption-type merger with Back Stickers International B.V., the surviving company in the merger. These companies are therefore excluded from the scope of consolidation from the current consolidated fiscal year. The Company sold shares of mui Lab Inc., NCI Tokyo, Inc. and Nissha Flooring Industries Sdn. Bhd. These companies are therefore excluded from the scope of consolidation 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: 2

(3) Fiscal year, etc. of consolidated subsidiaries

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

(4) Significant accounting policies

1) Standards and methods of valuation of significant assets

i. Securities

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): ···············

Straight-line method

Useful lives are principally as follows:

Buildings and structures: 15 to 50 years

Machinery, equipment and vehicles: 5 to 10 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.

iv. Provision for product warranties

To provide for the payment related to product warranties, provision for product warranties is posted based on the estimated amount of losses.

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.

(5) Change in accounting policies

(Change in accounting policies following revision of accounting standards, etc.)

Application of the "Implementation Guidance on Tax Effect Accounting"

1) Details of and reasons for the change in accounting policies

The "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) has been applied from the beginning of the current consolidated fiscal year. 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 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 retroactively.

2) Amount of impact on net assets at the beginning of the current consolidated fiscal year

As a result, retained earnings increased by ¥683 million at the beginning of the current consolidated fiscal year.

Application of IFRS 16 "Leases"

1) Details of and reasons for the change in accounting policies

The subsidiaries of the Group that adopt IFRS have applied IFRS 16 "Leases" from the beginning of the current consolidated fiscal year. 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.

2) Reasons, etc. for having not applied the change retroactively

In the application of IFRS 16 "Leases," the transition provision was followed, and 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 current consolidated fiscal year.

3) Amount of impact on major items in the consolidated financial statements

As a result of the application, in the consolidated balance sheets for the current consolidated fiscal year, other under property, plant and equipment, other under current liabilities and other under long-term liabilities increased by ¥1,508 million, ¥181 million and ¥1,386 million, respectively. The impact of this change on profit and loss and per share information in the current consolidated fiscal year is immaterial. In addition, the change has no impact on net assets at the beginning of the current consolidated fiscal year.

(6) Change in presentation methods

Application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting"

The "Ministerial Ordinance for Partial Amendments to the Regulation for Enforcement of the Companies Act and the Regulation on Corporate Accounting" (Ordinance of the Ministry of Justice No. 5 of March 26, 2018) has been applied from the beginning of the current consolidated fiscal year, following the "Partial Amendments to 'Accounting Standard for Tax Effect Accounting' (ASBJ Statement No. 28, February 16, 2018)." Accordingly, deferred tax assets are presented under investments and other assets, while deferred tax liabilities are presented under long-term liabilities.

(7) Additional information

(Introduction of a Stock Benefit Trust (J-ESOP) and a Stock Benefit Trust (Employee Shareholding Association Purchase-type))

Pursuant to the resolution of the Board of Directors meeting held on August 6, 2019, the Company introduced a Stock Benefit Trust (J-ESOP) and a Stock Benefit Trust (Employee Shareholding Purchase-type), for the purpose of providing an incentive for the improvement of the Company's corporate value in the medium and long term and advancing benefits for its employees.

Stock Benefit Trust (J-ESOP)

1) Overview of transactions

The Stock Benefit Trust (J-ESOP) is an incentive plan that grants the Company's shares to employees of the Company and a portion of its subsidiary companies (hereinafter, "Eligible Employees") who satisfy the set requirements pursuant to the Policy on the Stock Compensation prescribed in advance by the Company.

The Company will award points to Eligible Employees based on their individual degree of contribution and the like, and will grant the Company's shares equivalent to the awarded points when set terms and conditions are met and vested rights are granted. The shares granted to Eligible Employees, including future shares, will be acquired using cash funds contributed in advance to the trust E account (hereinafter, the "Trust E Account") established at Trust & Custody Services Bank, Ltd., and will be managed separately as trust assets.

2) Residual Company shares in the trust

Residual Company shares in the trust are recorded as treasury shares under net assets at book value (excluding associated costs) in the trust. The book value and number of these treasury shares as of the end of the current consolidated fiscal year were ¥150 million and 120,700 shares, respectively.

Stock Benefit Trust (Employee Shareholding Purchase-type)

1) Overview of transactions

The Stock Benefit Trust (Employee Shareholding Purchase-type) is an incentive plan that returns the merits from price increases in the Company's shares to all employees enrolled in the NISSHA Employee Shareholding Association (hereinafter, the "Shareholding Association").

Trust & Custody Service Bank, Ltd. will be entitled to collectively acquire to the Trust E Account in advance the number of the Company's shares equivalent to the number of shares anticipated to be purchased by the Shareholding Association over the next three years, and then sell the Company's shares when the shares are purchased by the Shareholding Association. If proceeds from the sale of shares are accumulated in the trust assets for the Stock Benefit Trust (Employee Shareholding Purchase-type) up through the time of the ending of the trust through the sale of the Company's shares from the Trust E Account to the Shareholding Association, this cash shall be distributed as residual assets to the members of the Shareholding Association who satisfy the beneficiary eligibility requirements.

Meanwhile, since the Company provides a guarantee when the trustee (Mizuho Trust & Banking) takes out a loan in order for the Trust E Account to acquire the Company's shares, in a case in which the trustee (Mizuho Trust & Banking) has an outstanding loan balance equal to the loss on the sale of shares as of the time of the ending of the trust due to a drop in the Company's share price or the like, the Company will pay off the outstanding loan balance pursuant to the guarantee agreement.

2) Residual Company shares in the trust

Residual Company shares in the trust are recorded as treasury shares under net assets at book value (excluding associated costs) in the trust. The book value and number of these treasury shares as of the end of the current consolidated fiscal year were ¥287 million and 231,300 shares, respectively.

3) Book value of borrowings posted by application of the gross price method

Current consolidated fiscal year ¥287 million

2. Notes to the Consolidated Balance Sheet

(1) Assets pledged as collateral and liabilities corresponding to pledged assets

Pledged assets

Cash and deposits	¥298 million
Notes and accounts receivable-trade	¥2,653 million
Merchandise and finished goods	¥1,684 million
Work in process	¥1,185 million
Raw materials and supplies	¥1,653 million
Consumption taxes receivable	¥58 million
Other (Current assets)	¥242 million
Buildings and structures	¥331 million
Machinery, equipment and vehicles	¥866 million
Tools, furniture and fixtures	¥67 million
Construction in progress	¥78 million
Trademark right	¥187 million
Software	¥207 million
Customer related assets	¥2,787 million
Other (Intangible assets)	¥521 million
Other (Investments and other assets)	¥66 million
Total	¥12,893 million

(Note) In addition, shares of subsidiaries and associates that are eliminated from the consolidated financial results (¥23,864 million) and notes and accounts receivable-trade, etc. (¥2,363 million) were pledged as collateral.

Liabilities corresponding to assets mentioned above

Short-term loans payable	¥780 million
Current portion of long-term loans payable	¥1,330 million
Long-term loans payable	¥11,065 million
Total	¥13,175 million

(2) Accumulated depreciation concerning assets

Accumulated depreciation on property, plant and equipment ¥80,944 million

3. Notes to the Consolidated Statement of Income

(1) Gain on sales of non-current assets

This is mainly related to sales of land owned by the Company (Yachiyo, Chiba Pref.).

(2) Gain on sales of shares of subsidiaries and associates

This is mainly related to sales of shares of NCI Tokyo, Inc., which was a consolidated subsidiary of the Company.

(3) Loss on closing of plants

This is related to European production base integration of the Company's consolidated subsidiaries belonging to "Medical Technologies" segment.

(4) Business structure improvement expenses

These are related to a business restructuring of the Company's consolidated subsidiaries belonging to "Information and Communication" segment.

(5) Business establishment transfer cost

This is related to business establishment transfer of Nissha GSI Technologies, Inc. (former trade name:

Nissha Si-Cal Technologies, Inc.), a consolidated subsidiary of the Company.

(6) Loss on liquidation of business

This is related to the termination of a joint venture relationship in Nissha and Lens Technologies (Changsha) Company Limited, the Company's associated company accounted for by the equity method, which was a joint venture company with Lens Technology Co., Ltd., a Chinese glass processing manufacturer, and its subsidiary, Lens International (HK) Limited.

4. 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)	50,855	—	—	50,855

(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
Meeting of the Board of Directors held on February 14, 2019	Common shares	749	15.00	December 31, 2018	March 4, 2019
Meeting of the Board of Directors held on August 6, 2019	Common shares	749	15.00	June 30, 2019	September 2, 2019
Total		1,499			

(Notes) 1. The total amount of dividends based on a resolution of the Meeting of the Board of Directors held on February 14, 2019 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 August 6, 2019 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, 2020	Common shares	Retained earnings	1,006	20.00	December 31, 2019	March 4, 2020

(Notes) 1. The total amount of dividends based on a resolution of the Meeting of the Board of Directors held on February 14, 2020 includes ¥8 million paid to Trust & Custody Services Bank, Ltd. (Trust E Account) as dividends on Company shares it holds.

2. The dividend per share based on a resolution of the Meeting of the Board of Directors held on February 14, 2020 includes commemorative dividend of ¥5 in recognition of 90th anniversary of the Company's foundation.

(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	1,285	—	—	1,285	(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.

(4) Treasury shares

Type of stock	Beginning balance	Increase	Decrease	Ending balance
Common shares (Thousand Shares)	943	352	353	942

(Note) The ending balance of treasury shares of common shares includes 430 thousand Company shares held by Trust & Custody Services Bank, Ltd. (Trust E Account) as trust assets in the Board Benefit Trust (BBT), the Stock Benefit Trust (J-ESOP) and the Stock Benefit Trust (Employee Stockholding Association Purchase-type).

(Major causes of the changes)

Breakdown of increases is as follows.

	(Thousand Shares)
Purchase of shares of less than one unit	0
Acquisition of Company shares by (Trust E Account)	352

Breakdown of decreases is as follows.

	(Thousand Shares)
Demand for sales of shares of less than one unit	0
Payment of Company shares from (Trust E Account)	0
Payment of cash upon disposal of Company shares by (Trust E Account)	0
Disposal of Company shares to (Trust E Account)	352

5. 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.

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 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, 2019 (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	17,627	17,627	—
(2) Notes and accounts receivable-trade	36,801	36,801	—
(3) Consumption taxes receivable	3,019	3,019	—
(4) Investment securities	18,476	18,476	—
Total assets	75,924	75,924	—
(1) Notes and accounts payable-trade	33,576	33,576	—
(2) Electronically recorded obligations-operating	4,548	4,548	—
(3) Short-term loans payable	20,803	20,803	—
(4) Accrued expenses	4,910	4,910	—
(5) Income taxes payable	449	449	—
(6) Bonds payable	2,840	2,854	14
(7) Long-term loans payable (*)	12,791	12,404	(386)
(8) Lease liabilities	1,552	1,451	(101)
Total liabilities	81,472	80,999	(473)

(*) 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) Investment securities

Fair values of investment securities are based on the market prices.

Notes concerning securities by purpose of holding are as follows:

Available-for-sale securities (December 31, 2019)

(Millions of Yen)

Classification	Amount on consolidated balance sheet	Acquisition cost	Valuation difference
Securities with amount on consolidated balance sheet exceeding acquisition cost Stock	18,476	1,843	16,632
Subtotal	18,476	1,843	16,632
Securities with amount on consolidated balance sheet not exceeding acquisition cost Stock	0	0	(0)
Subtotal	0	0	(0)
Total	18,476	1,844	16,632

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	936
Other	652
Total	1,588

The aforementioned financial instruments are not included among “(4) 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 with contractual maturities after the consolidated settlement date

(Millions of Yen)

	Within one year
Cash and deposits	17,627
Notes and accounts receivable-trade	36,801
Consumption taxes receivable	3,019
Total	57,447

(*) 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	20,803	―	―	―	―	―
Bonds payable	―	2,840	―	―	―	―
Long-term loans payable	1,363	2,978	689	1,161	6,472	125
Lease liabilities	212	198	138	117	101	783
Total	22,380	6,016	828	1,279	6,573	909

6. Notes to Per Share Information

Net assets per share ¥1,728.26

Net loss per share ¥82.77

In spite of some potential shares, diluted net income per share is not stated, as it was a net loss per share.

7. Notes to Significant Subsequent Events

The Company resolved to implement “Measures to Strengthen Profitability” at the meeting of the Board of Directors held on February 14, 2020. Accordingly, the Company will call voluntary retirement as follows.

(1) Reason for calling voluntary retirement

The Company Group has set the markets of mobility (automotive), medical devices and sustainable packaging materials as its focus markets, in addition to the mainstay consumer electronics (IT), and aims at “completion of balanced management” by reorganizing and optimizing its business portfolio.

Of these focus markets, the Company Group has achieved significant growth in the markets of mobility (automotive), medical devices and sustainable packaging materials mainly through efforts in the utilization of M&A and also anticipates their sustainable growths in the future. On the other hand, in the IT market, the Company Group expects market conditions to become severer primarily because of changes in technological trends, in addition to decrease in demand due to slowing growth in smartphone market and seasonal variations in demand. In anticipation of this harsh market environment, the Company Group has worked to reduce variable expenses and the burden of investments, and also cut down on fixed expenses. As a result, the Company Group is now able to control costs flexibly when demand falls, but the Company Group needs to make further improvements in profitability in order to enhance corporate value.

Based on this awareness, the Company has decided to implement the “Measures to Strengthen Profitability” and call voluntary retirement as part of its measures.

(2) Overview of calling voluntary retirement

- Number of applicants: Approximately 250 people, mainly full-time employees in the Company and its domestic subsidiaries
- Eligible employees and application period: To be determined

(3) Estimated amount of loss resulting from voluntary retirement

The Company Group plans to post loss of approximately ¥2.0 billion for the fiscal year ending December 31, 2020 as additional retirement payment and re-employment support program fees for voluntary retirement.

8. 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)

Location	Use	Type	Impairment loss
Kaga, Ishikawa Pref.	Long-lived assets for business use	Buildings and structures	46
Illinois, USA	Long-lived assets for business use	Buildings and structures	12
		Machinery, equipment and vehicles	163
		Tools, furniture and fixtures	2
		Construction in progress	0
		Software	2
		Customer-related assets	25
	—	Goodwill	52
Perak, Malaysia	Long-lived assets for business use	Buildings and structures	98
		Machinery, equipment and vehicles	383
		Tools, furniture and fixtures	3
Kunchan, China	Long-lived assets for business use	Machinery, equipment and vehicles	3
		Tools, furniture and fixtures	0
Total			794

(2) Factors leading to the recognition of impairment losses

With regard to long-lived assets for business use and goodwill in Illinois, USA, the Company Group recorded the total unamortized balance as impairment loss in extraordinary losses for the current consolidated fiscal year, since it was determined that return on investment was unlikely due to a decline in profitability.

Other long-lived assets for business use are assets to be disposed of or sold, or idle assets. 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 and goodwill 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 assets to be disposed of and idle assets were measured based on the net selling price, obtained by deducting estimated disposal expenses from market values. The recoverable amounts of goodwill were measured by considering value in use to be zero.

9. Other Notes (Notes to business combinations, etc.)

Business combination by acquisition

(1) Overview of the business combination

1) Name of acquired company and the acquired business outline

Name of the acquired company

Zonnebodo Pharmaceutical Co., Ltd. (hereinafter, “Zonnebodo Pharmaceutical”)

Details of the acquired business

Manufacturing and marketing authorization holder of pharmaceuticals and quasi drugs

2) Major reason for the business combination

In the “medical” market*1, the Company has focused on Drug Delivery Systems*2 (DDS), and has been considering an entry to the pharmaceutical market. Specifically, Nissha has been developing film type of pharmaceuticals by use of our core technologies such as printing and coating that the Company has cultivated since it was founded. Film type of pharmaceuticals are expected to contribute to improvements in dosage compliance and quality of life (QOL) for patients. The market is forecast to expand as the form of dosage shifts away from traditional pills and injections.

Zonnebodo Pharmaceutical’s history stretches back eighty years, and it is engaged in manufacturing and marketing authorization holder of in-house developed prescription pharmaceuticals (brand-name drugs) and quasi drugs. It manages long-selling products such as tablets for mitigating tinnitus and “Renovigo” for the prevention of tooth decay, and these items are sold at pharmacies and drug stores nationwide. Zonnebodo Pharmaceutical also possesses sophisticated manufacturing technologies and quality control capabilities in relation to a variety of drug forms, such as tablets, liquids and powders, and is building a robust business foundation in the pharmaceutical market.

With this acquisition, the Company obtains the business foundation necessary to put film type of pharmaceuticals on the market, including business license, GMP compliant manufacturing facilities, quality control systems, and sales channels. By means of the core technologies it has cultivated since it was founded, as well as other innovations, the Company aims to make a corporate contribution to the pharmaceutical market, as it has in other markets, in such a way as to enrich people’s lives.

*1 The Company 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 mobility (automotive), medical devices and sustainable 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.

*2 A dosing system designed to optimize operation so that the required volume of drugs is administered to the required part of the body for only the required length of time.

3) Date of business combination

November 25, 2019

4) Legal form of business combination

Acquisition of shares with cash as consideration

5) Name of the company after the combination

The company name will not change.

6) Ratios of voting rights acquired

100%

7) Grounds for determining an acquiring company

The Company acquired 100% of the voting rights through acquisition of shares with cash as consideration.

(2) The period for which the results of the acquired company are included in the consolidated financial statements

From November 26, 2019 to December 31, 2019

(3) Acquisition costs of the acquired business and related details for each consideration for acquisition

Consideration for acquisition	Cash	¥2,500 million
Acquisition costs		¥2,500 million

(4) Details and amount of major acquisition-related expenses

Remuneration, commission, etc. paid to Ernst & Young Transaction Advisory Services Co., Ltd.

¥12 million

(5) Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

1) Amount of goodwill incurred

¥1,669 million

2) Reasons for the goodwill incurred

Goodwill was incurred from expected excess earnings power in the future arising from further business development.

3) Method and period of amortization

As of December 31, 2019, the specification of identifiable assets and liabilities at the date of the business combination are being carefully examined, and allocation of the acquisition cost has not been completed. Therefore, tentative accounting treatment was applied to the amount of goodwill incurred, and the method and period of amortization are also under close examination.

(6) Assets received and liabilities undertaken on the date of the business combination, and the breakdown thereof

Current assets	¥800 million
Non-current assets	¥446 million
Total assets	¥1,246 million
Current liabilities	¥240 million
Long-term liabilities	¥175 million
Total liabilities	¥416 million

(7) Estimated amounts of the impact on consolidated statement of income when the business combination is assumed to have been completed at the beginning of the current consolidated fiscal year, and the method for calculation thereof

Net sales	¥958 million
Operating profit	¥42 million

(Method of calculating the estimated amounts)

The estimated amounts of the impact are calculated by factoring amortization of goodwill pertaining to the relevant period into net sales and operating results assuming that the business combination has been completed at the beginning of the current consolidated fiscal year.

This note has not received an audit certification.

Finalization of provisional treatment pertaining to business combinations

Business combination with Heart Sync, Inc.

Regarding business combination with Heart Sync, Inc. on May 18, 2018, the allocation amount of acquisition costs was provisionally calculated in the previous fiscal year but the actual allocation amount was determined and amount of contingent consideration for the acquisition also was finalized in the current consolidated fiscal year.

In line with the finalization, the initial allocation amount of acquisition costs was reviewed at the beginning of the current consolidated fiscal year, and there was no impact on the consolidated financial statements.

Business combination with Sequel Special Products, LLC and RSS Design, LLC

Regarding business combination with Sequel Special Products, LLC and RSS Design, LLC on June 25, 2018, the allocation amount of acquisition costs was provisionally calculated in the previous fiscal year but the actual allocation amount was determined and amount of contingent consideration for the acquisition also was finalized in the current consolidated fiscal year.

In line with the finalization, significant changes in the initial allocation amount of the acquisition costs have been reflected at the beginning of the current consolidated fiscal year.

As a result, the provisionally calculated amounts of goodwill and customer-related assets of ¥606 million and ¥508 million decreased by ¥168 million and ¥22 million to ¥438 million and ¥486 million, respectively. Also, at the beginning of the current consolidated fiscal year, goodwill and customer-related assets decreased by ¥160 million and ¥21 million, respectively, while retained earnings increased by ¥9 million.

Business divestiture

Nissha Printing Communications, Inc., a consolidated subsidiary of the Company in charge of Information and Communications business, executed an absorption-type split (summary form) of its business in Tokyo area (market and business foundation, with exceptions, in the Tokyo area) into a newly established subsidiary (Kyodo Nissha Printing Co., Ltd.), and as of January 7, 2019, transferred 90% of the issued shares of such subsidiary to Kyodo Printing Co., Ltd.

(1) Overview of the business divestiture

1) Name of successor company
Kyodo Printing Co., Ltd.

2) Outline of separated business
Information and Communications business operated by Nissha Printing Communications, Inc., a consolidated subsidiary of the Company, in Tokyo area (market and business foundation, with exceptions, in the Tokyo area)

3) Main reason for the business divestiture
The Japanese general printing market has been shrinking against a backdrop of stagnating demand and other factors triggered by the diversification of information media. In the light of this market environment, Nissha Printing Communications, Inc. and Kyodo Printing Co., Ltd. concluded the business alliance contract and the production consignment contract in March 2016, and have since worked toward constructing a collaborative relationship for the outsourcing of production from Nissha Printing Communications, Inc. to Kyodo Printing Co., Ltd., reorganizing their production system, establishing a quality control system, and streamlining and optimizing procurement activities and distribution operations.

The two companies moved to implement the transfer of the business based on their collaborative partnership and relationship of trust built from 2016 to the present. Nissha Printing Communications, Inc. will reduce its business in the Tokyo area and consolidate its business foundation in the Kansai area. The transfer seeks to appropriately allocate management resources to markets and business domains in which Nissha Printing Communications, Inc. may leverage its assets in the central field where it can maximize its strength in high-accuracy color reproduction, and thereby improve business revenues.

4) Date of business divestiture
January 7, 2019

5) Other matters pertaining to outline of transactions, including legal form
Transfer of shares with assets, including cash, as sole consideration

(2) Outline of implemented accounting treatment
1) Amount of profit and loss transferred
¥698 million

2) Appropriate book values of assets and liabilities pertaining to the transferred business, and the breakdown thereof

Current assets	¥237 million
Non-current assets	¥20 million
Total assets	¥258 million
Current liabilities	¥17 million
Long-term liabilities	¥107 million
Total liabilities	¥125 million

3) Accounting treatment
The difference between the decrease in equity resulting from the share transfer and sales value is posted as gain on sales of shares of subsidiaries and associates under extraordinary income.

(3) Reportable segment in which the separated business was included
Information and Communications business

(4) Estimated amounts of profit or loss pertaining to the separated business on the consolidated statement of income for the current consolidated fiscal year
Profit or loss pertaining to the separated business are not included in the consolidated statement of income for the current consolidated fiscal year

Transactions, etc. under common control
Additional acquisition of shares of subsidiary

(1) Overview of the transaction

1) Name of combined company and its business outline
Name of the combined company
Graphic Controls Holdings, Inc. (consolidated subsidiary of the Company)
Details of the acquired business
Management planning and control of subsidiaries and Group companies that engage in the manufacturing and sales of medical devices, consumables, etc. and businesses pertaining or related thereto

2) Date of business combination
June 28, 2019

3) Legal form of business combination
Acquisition of shares from non-controlling interests

4) Name of the company after the combination

The company name will not change.

5) Other matters pertaining to overview of the transaction

The ratio of voting rights of shares additionally acquired is 2.87%. The Company acquired shares held by non-controlling interests and made the entity a wholly owned subsidiary to further improve the corporate value of the Company Group.

(2) Overview of accounting treatment implemented

Pursuant to the “Accounting Standard for Business Combinations” and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures,” the transaction is treated as a transaction with non-controlling interests, among transactions, etc. under common control.

(3) Matters concerning additional acquisition of shares of subsidiary

Acquisition costs and breakdown of consideration by type

Consideration for acquisition	Cash	¥770 million
Acquisition costs		¥770 million

(4) Matters concerning change in equity held by the Company pertaining to transaction with non-controlling interests

1) Major factor of change in capital surplus

Additional acquisition of shares of subsidiary

2) Amount of capital surplus decreased due to transaction with non-controlling interests

¥683 million

Non-consolidated Statement of Changes in Net Assets

(From January 1, 2019 to December 31, 2019)

(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	12,119	13,550	1,937	15,487	1,230	28,766	13,993	43,989
Cumulative effects of changes in accounting policies							683	683
Restated balance	12,119	13,550	1,937	15,487	1,230	28,766	14,677	44,673
Changes of items during the period								
Dividends of surplus							(1,499)	(1,499)
Loss							(1,259)	(1,259)
Purchase of treasury shares								
Disposal of treasury shares			(266)	(266)				
Net changes of items other than shareholders' equity								
Total changes of items during the period	—	—	(266)	(266)	—	—	(2,758)	(2,758)
Balance at the end of current period	12,119	13,550	1,671	15,221	1,230	28,766	11,918	41,914

	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	(1,911)	69,685	8,075	8,075	77,761
Cumulative effects of changes in accounting policies		683			683
Restated balance	(1,911)	70,369	8,075	8,075	78,445
Changes of items during the period					
Dividends of surplus		(1,499)			(1,499)
Loss		(1,259)			(1,259)
Purchase of treasury shares	(0)	(0)			(0)
Disposal of treasury shares	268	2			2
Net changes of items other than shareholders' equity			3,536	3,536	3,536
Total changes of items during the period	268	(2,757)	3,536	3,536	779
Balance at the end of current period	(1,643)	67,612	11,611	11,611	79,224

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

ii. 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): ·········

Straight-line method

Useful lives are principally as follows:

Buildings: 15 to 50 years

Structures: 10 to 45 years

Tools, furniture and fixtures: 2 to 5 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.

(5) Change in accounting policies

(Change in accounting policies following the revision of accounting standards, etc.)

Application of the "Implementation Guidance on Tax Effect Accounting"

1) Details of and reasons for the change in accounting policies

The "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) has been applied from the beginning of the current fiscal year. 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 retroactively.

2) Amount of impact on net assets at the beginning of the current fiscal year

As a result, retained earnings increased by ¥683 million at the beginning of the current fiscal year.

(6) Change in presentation methods

Application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting"

The "Ministerial Ordinance for Partial Amendments to the Regulation for Enforcement of the Companies Act and the Regulation on Corporate Accounting" (Ordinance of the Ministry of Justice No. 5 of March 26, 2018) has been applied from the beginning of the current fiscal year, following the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). Accordingly, deferred tax assets are presented under investments and other assets, while deferred tax liabilities are presented under long-term liabilities.

In addition, the details stated in the interpretation of the "Accounting Standard for Tax Effect Accounting" (Note 8) (1) (excluding total valuation allowance) specified in Paragraph 4 of the Partial Amendments are added to Notes to Tax Effect Accounting.

(7) Additional information

(Introduction of a Stock Benefit Trust (J-ESOP) and a Stock Benefit Trust (Employee Shareholding Association Purchase-type))

Statement is omitted, since the same details are presented in "Notes to Consolidated Financial Statements 1. Basis of Presenting Consolidated Financial Statements (7) Additional information."

2. Notes to the Non-consolidated Balance Sheet

(1) Assets pledged as collateral

Pledged assets

Shares of subsidiaries and associates	¥16,303 million

(Note) Shares of subsidiaries and associates were pledged as collateral for loans payable of the Company's subsidiaries.

(2) Accumulated depreciation concerning assets

Accumulated depreciation on property, plant and equipment	¥24,200 million

(3) Contingent liabilities

Contingent liabilities

The Company guarantees electronically recorded obligations of subsidiaries and associates.

Nitec Industries, Inc.	¥323 million
Nitec Precision and Technologies, Inc.	¥2,308 million
Nissha Printing Communications, Inc.	¥131 million
Total	¥2,763 million

The Company guarantees lease liabilities of subsidiaries and associates.

Nissha Medical Technologies Ltd. and Graphic Controls Acquisition Corp.	¥438 million

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

Short-term monetary receivables	¥9,109 million
Long-term monetary receivables	¥15,968 million
Short-term monetary payables	¥4,860 million

(5) Monetary payables to Directors of the Board and Audit and Supervisory Board Members ¥21 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	¥6,668 million
Purchases	¥77,426 million
Non-operating transactions	¥1,854 million

(2) Gain on sales of non-current assets

This is mainly related to sales of land owned by the Company (Yachiyo, Chiba Pref.).

(3) Gain on sales of shares of subsidiaries and associates

This is related to sales of shares of mui Lab Inc., which was a subsidiary of the Company.

(4) Loss on valuation of shares of subsidiaries and associates

This is related to shares of Nissha Industrial and Trading Malaysia Sdn. Bhd., a subsidiary of the Company.

(5) Loss on liquidation of business

This is related to the termination of a joint venture relationship in Nissha and Lens Technologies (Changsha) Company Limited, the Company’s associated company accounted for by the equity method, which was a joint venture company with Lens Technology Co., Ltd., a Chinese glass processing manufacturer, and its subsidiary, Lens International (HK) Limited.

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)	943	352	353	942

(Note) The ending balance of treasury shares of common shares includes 430 thousand Company shares held by Trust & Custody Services Bank, Ltd. (Trust E Account) as trust assets in the Board Benefit Trust (BBT), Stock Benefit Trust (J-ESOP) and Stock Benefit Trust (Employee Shareholding Association Purchase-type).

(Major causes of the changes)

Breakdown of increases is as follows.

	(Thousand Shares)
Purchase of shares of less than one unit	0
Acquisition of Company shares by (Trust E Account)	352

Breakdown of decreases is as follows.

	(Thousand Shares)
Demand for sales of shares of less than one unit	0
Payment of Company shares from (Trust E Account)	0
Payment of cash upon disposal of Company shares by (Trust E Account)	0
Disposal of Company shares to (Trust E Account)	352

5. Notes to Tax Effect Accounting

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

Deferred tax assets	Tax loss carried forward	¥2,014 million
	Liability for retirement benefits	¥741 million
	Provision for bonuses	¥208 million
	Inventories	¥112 million
	Depreciation	¥582 million
	Impairment loss	¥1,157 million
	Investment securities	¥662 million
	Shares of subsidiaries and associates	¥1,274 million
	Allowance for doubtful accounts	¥1,306 million
	Other	¥285 million
	Subtotal deferred tax assets	¥8,345 million
	Less valuation allowance for tax loss carried forward	(¥2,014 million)
	Less valuation allowance for total deductible temporary differences, etc.	(¥6,330 million)
	Subtotal less valuation allowance	(¥8,345 million)
		¥— million
Deferred tax liabilities	Valuation difference on available-for-sale securities	¥5,019 million
	Total deferred tax liabilities	¥5,019 million
Net deferred tax assets (liabilities)		(¥5,019 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	Lending of funds	245	Short-term loans receivable Long-term loans receivable	320 4,070
				Lease of real estate assets	515	—	—
	Nitec Precision and Technologies, Inc.	(Owning) 100%	Manufacturing of products of the Company	Purchase of products	68,364	Accounts payable	3,082
				Lease of real estate assets	957	—	—
				Loan guarantees	2,308	—	—
				Lending of funds	1,722	Short-term loans receivable Long-term loans receivable	4,467 8,824
	Nissha USA, Inc.	(Owning) 100%	Sales of products of the Company Interlocking directors	Sales of products	2,997	Accounts receivable	1,626
	AR Metallizing N.V.	(Owning) 100%	Provision of collateral Interlocking directors	Provision of collateral	3,714	—	—

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 terms and conditions of the sales and purchase of products and lease of real estate assets are decided in consideration of market prices.
3. The interest rates for the lending of funds are decided in consideration of market interest rates. The provision of collateral is not allowed.
4. An allowance for doubtful accounts of ¥2,397 million is posted with regard to the funding of Nitec Industries, Inc.
   A reversal of allowance for doubtful accounts for subsidiaries and associates of ¥366 million was posted for the fiscal year under review.
5. A loan guarantee was offered to electronically recorded obligations.
6. The Company provides collateral for bank loans payable of AR Metallizing N.V.
7. 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	¥1,587.25
Net loss per share	¥25.23

In spite of some potential shares, diluted net income per share is not stated, as it was a net loss per share.

8. Notes to Significant Subsequent Events

The Company resolved to implement "Measures to Strengthen Profitability" at the meeting of the Board of Directors held on February 14, 2020. Accordingly, the Company will call voluntary retirement as follows.

(4) Reason for calling voluntary retirement

The Company Group has set the markets of mobility (automotive), medical devices and sustainable packaging materials as its focus markets, in addition to the mainstay consumer electronics (IT), and aims at "completion of balanced management" by reorganizing and optimizing its business portfolio.

Of these focus markets, the Company Group has achieved significant growth in the markets of mobility (automotive), medical devices and sustainable packaging materials mainly through efforts in the utilization of M&A and also anticipates their sustainable growths in the future. On the other hand, in the IT market, the Company Group expects market conditions to become severer primarily because of changes in technological trends, in addition to decrease in demand due to slowing growth in smartphone market and seasonal variations in demand. In anticipation of this harsh market environment, the Company Group has worked to reduce variable expenses and the burden of investments, and also cut down on fixed expenses. As a result, the Company Group is now able to control costs flexibly when demand falls, but the Company Group needs to make further improvements in profitability in order to enhance corporate value.

Based on this awareness, the Company has decided to implement the "Measures to Strengthen Profitability" and call voluntary retirement as part of its measures.

(5) Overview of calling voluntary retirement

- Number of applicants: Approximately 250 people, mainly full-time employees in the Company and its domestic subsidiaries
- Eligible employees and application period: To be determined

(6) Estimated amount of loss resulting from voluntary retirement

The Company Group plans to post loss of approximately ¥2.0 billion for the fiscal year ending December 31, 2020 as additional retirement payment and re-employment support program fees for voluntary retirement.

9. Other Notes (Notes to impairment loss)

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

(1) Overview of assets or asset groups that recorded impairment losses

(Millions of Yen)

<table>
<tr><th>Location</th><th>Use</th><th>Type</th><th>Impairment loss</th></tr>
<tr><td rowspan="7">Nakagyo-ku, Kyoto, Kyoto Pref.</td><td rowspan="7">Long-lived assets for business use</td><td>Buildings</td><td>191</td></tr>
<tr><td>Structures</td><td>0</td></tr>
<tr><td>Machinery and equipment</td><td>35</td></tr>
<tr><td>Vehicles</td><td>1</td></tr>
<tr><td>Tools, furniture and fixtures</td><td>316</td></tr>
<tr><td>Construction in progress</td><td>117</td></tr>
<tr><td>Software</td><td>21</td></tr>
<tr><td rowspan="8">Kameoka, Kyoto Pref.</td><td rowspan="8">Long-lived assets for business use</td><td>Buildings</td><td>228</td></tr>
<tr><td>Structures</td><td>2</td></tr>
<tr><td>Machinery and equipment</td><td>260</td></tr>
<tr><td>Vehicles</td><td>0</td></tr>
<tr><td>Tools, furniture and fixtures</td><td>28</td></tr>
<tr><td>Land</td><td>97</td></tr>
<tr><td>Lease assets</td><td>0</td></tr>
<tr><td>Software</td><td>1</td></tr>
</table>

Kaga, Ishikawa Pref.	Long-lived assets for business use	Buildings	47
		Structures	0
		Machinery and equipment	142
		Tools, furniture and fixtures	197
Himeji, Hyogo Pref.	Long-lived assets for business use	Buildings	9
		Machinery and equipment	181
		Tools, furniture and fixtures	46
		Software	0
Other	Long-lived assets for business use	Buildings	76
		Structures	1
		Machinery and equipment	3
		Tools, furniture and fixtures	24
		Software	5
		Other	0
Total			2,039

(2) Factors leading to the recognition of impairment losses

With regard to long-lived assets for business use in the Industrial Materials segment and the Devices segment, 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 fiscal year, since it was determined that return on investment was unlikely due to a decline in profitability.

(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 for rent, 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 were measured based on the net selling price or value in use, with the latter evaluated as zero.