Information Disclosed on the Internet upon Issuing Notice of the Convocation of the Ordinary General Meeting of Shareholders for the 102nd Business Term

Consolidated Statement of Changes in Equity

Notes to Consolidated Financial Statements

Non-consolidated Statement of Changes in Net Assets

Notes to Non-consolidated Financial Statements

From January 1, 2020 to December 31, 2020

Nissha Co., Ltd.

Nissha Co., Ltd. provides "Consolidated Statement of Changes in Equity," "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 Statements of Changes in Equity

(From January 1, 2020 to December 31, 2020)

(Millions of Yen)

	Equity attributable to owners of parent										
					Other components of equity						
	Share capital	Capital surplus	Retained earnings	Treasury shares	Net change in fair value of financial assets measured through other compre-hensive income	Remeasure-ments of defined benefit plans	Exchange differences on translation of foreign operations	Total other compo-nents of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2020	12,119	14,931	42,359	(1,899)	9,955	—	(2,461)	7,494	75,006	(3)	75,002
Profit	—	—	7,069	—	—	—	—	—	7,069	0	7,070
Other comprehensive income	—	—	—	—	2,706	47	(1,101)	1,652	1,652	0	1,653
Total comprehensive income	—	—	7,069	—	2,706	47	(1,101)	1,652	8,722	1	8,723
Purchase of treasury shares	—	—	—	(0)	—	—	—	—	(0)	—	(0)
Disposal of treasury shares	—	(85)	—	178	—	—	—	—	93	—	93
Dividends of surplus	—	—	(1,747)	—	—	—	—	—	(1,747)	—	(1,747)
Share-based payment transactions	—	10	—	—	—	—	—	—	10	—	10
Transfer from other components of equity to retained earnings	—	—	4,293	—	(4,245)	(47)	—	(4,293)	—	—	—
Total transactions with owners, etc.	—	(75)	2,546	178	(4,245)	(47)	—	(4,293)	(1,644)	—	(1,644)
Balance at December 31, 2020	12,119	14,856	51,974	(1,720)	8,416	—	(3,562)	4,853	82,083	(2)	82,081

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

Notes to Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

(1) Standards of preparation of Consolidated Financial Statements

The Consolidated Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (hereinafter, "IFRS") pursuant to the provisions of Article 120, Paragraph 1 of the Regulation on Corporate Accounting. Based on the provisions of the second sentence of the said Paragraph, part of the disclosures required under IFRS has been omitted in the Consolidated Financial Statements.

(2) Scope of consolidation

1) Number of consolidated subsidiaries: 66

2) Names of major consolidated subsidiaries

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

3) Major changes in the scope of consolidation

The Company incorporated Nissha Medical Technologies (Ohio), Inc. and acquired shares of Eurofoil Paper Coating GmbH. These companies are therefore included in the scope of consolidation from the current fiscal year. Eurofoil Paper Coating GmbH changed its trade name to AR Metallizing GmbH.

S.A.R.L. Societe Francaise DIA-Nielsen completed its liquidation. The company is therefore excluded from the scope of consolidation from the current fiscal year.

(3) Application of equity method

1) Number of affiliated companies accounted for using equity method: 2

2) Names of major entities accounted for using equity method

Sparsha Pharma USA, Inc.

3) Major changes in the scope of application of equity method

The Company acquired shares of Sparsha Pharma USA, Inc. The company is therefore included in the scope of application of equity method from the current fiscal year.

(4) Significant accounting policies

1) Standards and methods of valuation of financial instruments

i. Non-derivative financial assets

(i) Initial recognition and measurement

The Group initially recognizes trade and other receivables on the date of occurrence and all the other financial assets on the transaction date when the Group becomes a party to the contract.

At initial recognition, all financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except when they are classified as financial assets measured at fair value through profit or loss. Transaction costs of financial assets measured at fair value through profit or loss are recognized in profit or loss.

(ii) Classification and subsequent measurement

The Group classifies its financial assets as (a) financial assets measured at amortized cost, (b) debt instruments measured at fair value through other comprehensive income, (c) equity instruments measured at fair value through other comprehensive income or (d) financial assets measured at fair value through profit or loss. The classification is determined at initial recognition, and the financial assets are subsequently measured based on their classification as follows:

(a) Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets measured at amortized cost are measured at amortized cost using the effective interest method, less impairment losses. Interest income based on the effective interest method is recognized as finance income in profit or loss.

(b) Debt instruments measured at fair value through other comprehensive income

A debt instrument that meets both of the following conditions is classified as a financial asset measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, such debt instruments are measured at fair value. Subsequent changes in the fair value are recognized in other comprehensive income, except that foreign exchange gains or losses, impairment gains or losses, and interest income based on the effective interest method are recognized in profit or loss. When these debt instruments are derecognized, cumulative gains or losses recognized in other comprehensive income are reclassified from other components of equity to profit or loss as reclassification adjustments.

(c) Equity instruments measured at fair value through other comprehensive income

The Group has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of investments in equity instruments, which are classified as financial assets measured at fair value through other comprehensive income.

After initial recognition, such equity instruments are measured at fair value. Subsequent changes in the fair value are recognized in other comprehensive income. When these equity instruments are derecognized, cumulative gains or losses recognized in other comprehensive income are reclassified from other components of equity to retained earnings.

Dividends from financial assets measured at fair value through other comprehensive income are recognized as finance income in profit or loss unless the dividend clearly represents a return of the investment.

(d) Financial assets measured at fair value through profit or loss

Financial assets other than financial assets measured at amortized cost or at fair value through other comprehensive income as mentioned above are classified as financial assets measured at fair value through profit or loss.

There are no financial assets that the Group has elected to irrevocably designate as financial assets measured at fair value through profit or loss at initial recognition.

Financial assets measured at fair value through profit or loss are recognized at fair value at initial recognition, and the transaction costs are recognized in profit or loss as incurred.

After initial recognition, such financial assets are measured at fair value. Subsequent changes in the fair value, net of dividends and interest income, are recognized in profit or loss.

(iii) Impairment of financial assets

An allowance for doubtful accounts is recognized for expected credit losses on financial assets subject to impairment, including financial assets measured at amortized cost.

The Group assesses at each fiscal year-end whether the credit risk on financial instruments has increased significantly since initial recognition.

If the credit risk on a financial instrument has not increased significantly since initial recognition, the allowance for doubtful accounts for the financial instrument is measured at an amount equal to the 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition, the allowance for doubtful accounts for the financial instrument is measured at an amount equal to the lifetime expected credit losses.

When contractual payments are more than 30 days past due, the Group determines in principle that there has been a significant increase in credit risk. In assessing whether credit risk has increased significantly, the Group considers reasonably available and supportable information as well as past due information on contractual payments.

For financial assets including trade receivables that do not contain a significant financing component, the allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses irrespective of whether there has been a significant increase in credit risk since initial recognition.

The expected credit losses of a financial instrument are measured in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

A provision of allowance for doubtful accounts for financial assets is recognized in profit or loss. In the event that the recognized allowance for doubtful accounts is reduced, a reversal of allowance for doubtful accounts is recognized in profit or loss.

(iv) Derecognition of financial assets

The Group derecognizes a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the financial asset so that substantially all the risks and rewards of ownership of the financial asset are transferred.

ii. Non-derivative financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified at initial recognition as (a) financial liabilities measured at amortized cost or (b) financial liabilities measured at fair value through profit or loss. Financial liabilities are initially recognized on the transaction date when the Group becomes a party to the contract. Financial liabilities measured at amortized cost are initially measured at fair value less transaction costs that are directly attributable to the financial liabilities, while financial liabilities measured at fair value through profit or loss are initially measured at fair value.

(ii) Classification and subsequent measurement

(a) Financial liabilities measured at amortized cost

After initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. Interest expenses based on the effective interest method are recognized as finance costs in profit or loss.

(b) Financial liabilities measured at fair value through profit or loss

After initial recognition, financial liabilities measured at fair value through profit or loss are measured at fair value. Subsequent changes in the fair value are recognized in profit or loss.

(iii) Derecognition of financial liabilities

The Group derecognizes a financial liability when it is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expires.

iii. Derivative financial instruments

The Group utilizes forward exchange contracts and currency swaps to mitigate the risk of fluctuations in foreign exchange rates and utilizes interest rate swaps to mitigate the risk of fluctuations in interest rates. These derivatives are initially measured at the time when the contract is entered into, and are subsequently remeasured at fair value. Changes in the fair value of derivatives are all recognized in profit or loss.

Hedge accounting is not applied to the above derivatives. Accordingly, derivative financial instruments are classified as financial assets or financial liabilities measured at fair value through profit or loss.

2) Standards and methods of valuation of inventories

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

Valuation method for each inventory item is as follows:

- Finished goods (excluding Decorative Film products, etc. of Industrial Materials) and work in process
  Mainly by the specific identification method
- Finished goods (Decorative Film products, etc. of Industrial Materials)
  By the moving average method
- Raw materials and supplies
  Mainly by the periodic average method

3) Standards and methods of valuation and depreciation methods of property, plant and equipment

Property, plant and equipment are measured using the cost model and are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciable property, plant and equipment are depreciated using the straight-line method over their useful lives.

The useful lives used in determining depreciation are as follows:

Buildings and structures: 15 to 50 years
Machinery, equipment and vehicles: 5 to 10 years
Tools, furniture and fixtures: 2 to 10 years

The cost includes any costs directly attributable to the acquisition of the asset; the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located; and borrowing costs eligible for capitalization.

The costs of the day-to-day servicing for the repairs and maintenance of property, plant and equipment are expensed as incurred.

When an item of property, plant and equipment consists of components with different useful lives, each component is recognized as a separate item of property, plant and equipment.

The gain or loss arising from the derecognition of property, plant and equipment is included in profit or loss when the asset is derecognized.

The depreciation method, useful life and residual value of an asset are reviewed at each fiscal year-end, and any changes are accounted for prospectively as changes in accounting estimates.

4) Standards and methods of valuation and amortization methods of intangible assets

Intangible assets are measured using the cost model and are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite useful lives are amortized using the straight-line method over their useful lives.

The estimated useful lives of major intangible assets are as follows:

Software: 5 years

Customer related assets: 8 to 17 years

Technical assets: 15 years

The useful lives and amortization method are reviewed at each fiscal year-end, and any changes are accounted for prospectively as changes in accounting estimates.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortized but tested for impairment individually or as part of the cash-generating unit to which the asset belongs, at least once a year or whenever there is an indication that the asset may be impaired.

The gain or loss arising from the derecognition of intangible assets is included in profit or loss when the asset is derecognized.

5) Standards and methods of valuation and amortization methods of goodwill

Goodwill is measured as the excess, if any, of the consideration transferred over the net amount of identifiable assets and liabilities as of the acquisition date. If the difference is negative, it is immediately recognized in profit or loss.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized but tested for impairment at least once a year or whenever there is an indication that the asset may be impaired.

6) Leases

(Lessee)

The Group assesses whether a contract is, or contains, a lease by considering whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For leases as lessee, in principle, right-of-use assets and the corresponding lease liabilities are recognized. For short-term leases (with a lease term of 12 months or less) and leases for which the underlying asset is of low value, the lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis.

Right-of-use assets are measured at cost at the commencement date, and lease liabilities are measured at the present value of the lease payments that are not made as of the commencement date. If the interest rate implicit in the lease cannot be readily determined, the present value is measured using the lessee's incremental borrowing rate, which is the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain a similar asset over a similar term.

After the commencement date of the lease, the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses, and are depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Lease liabilities are measured by increasing the book value to reflect interest on the lease liability based on the effective interest method and reducing the book value to reflect the lease payments made.

In cases such as where there is a change in the lease term or a lease modification is not accounted for as a separate lease, the lease liability is remeasured with a corresponding adjustment to the right-of-use asset.

7) Impairment of non-financial assets

Non-financial assets other than inventories and deferred tax assets are assessed at the end of each reporting period whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset or the cash-generating unit (or a group of cash-generating units) is estimated. Goodwill and intangible assets with indefinite useful lives or not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication of impairment.

The recoverable amount of an asset or a cash-generating unit (or a group of cash-generating units) is the higher of its fair value less costs of disposal and its value in use. The value in use is determined by discounting the estimated future cash flows of the asset or the cash-generating unit (or a group of cash-generating units) to the present value at a pre-tax discount rate that reflects the time value of money and risks specific to the asset. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If the recoverable amount of an asset or a cash-generating unit is less than its book value, an impairment loss is recognized in profit or loss.

At the end of each reporting period, it is assessed whether there is an indication that impairment losses recognized previously for an asset may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. If the estimated recoverable amount exceeds the book value of the asset, impairment losses are reversed. The book value after the reversal is recognized to the extent that it does not exceed the book value (net of accumulated depreciation or amortization) that would have been determined had no impairment loss been recognized previously for the asset. The amount of reversal of impairment losses is recognized in profit or loss.

Impairment losses recognized for goodwill are not reversed.

8) Standards for accounting for provisions

The Group recognizes a provision when the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

A provision is recognized for the best estimate of the expenditure required to settle the present obligation at the fiscal year-end. Where the effect of the time value of money is material, a provision is measured at the present value of the expenditure discounted at a discount rate that reflects the risks specific to the liability. Where discounting is applied, an increase in the provision arising from the passage of time is recognized as finance costs.

9) Employee benefits

i. Post-employment benefits

The Group has adopted defined benefit plans and defined contribution plans as post-employment benefit plans.

(i) Defined benefit plans

The present value of defined benefit obligations and the related current service cost and past service cost are determined using the projected unit credit method for each plan separately.

The discount rate is determined by reference to yields at the fiscal year-end on high quality corporate bonds with a term to maturity corresponding to the discount period, which is set based on the period until the expected maturity of benefit payments in each future fiscal year.

The present value of defined benefit obligations less the fair value of plan assets is recognized as a liability or an asset.

Current service cost, past service cost and net interest on the net defined benefit liability (asset) are recognized in profit or loss. Remeasurements of the net defined benefit liability (asset) are recognized collectively in other comprehensive income for the period in which they are incurred and immediately reclassified to retained earnings.

(ii) Defined contribution plans

Retirement benefit expenses of the defined contribution plans are recognized as expenses for the period in which employees render the related services.

ii. Short-term employee benefits

Short-term employee benefits are not discounted but are expensed at the time when employees render the related services.

When the Group has a present legal or constructive obligation to make payments as a result of past service rendered by employees, and a reliable estimate can be made of the amount of the obligation, the estimated amount to be paid is recognized as a liability.

iii. Other long-term employee benefits

Long-term employee benefits other than post-employment benefits are determined by discounting to the present value the future benefits that employees have earned in return for their services rendered in the current and prior fiscal years.

10) Sales recognition

Except for interest and dividend income and other income items under IFRS 9, the Group recognizes sales in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the transfer of goods or services to customers, based on the following five-step approach:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to each distinct performance obligation in the contract.
Step 5: Recognize sales when (or as) a performance obligation is satisfied.

For products that the Group has promised to deliver to a customer, the performance obligation in the contract is satisfied at a point at which the customer is deemed to have obtained control of the product in light of contractual terms and conditions, and the Group recognizes net sales primarily upon delivery of the product to the customer or the customer’s acceptance, or based on terms and conditions of trade. For performance obligations in service contracts and other contracts that meet the criteria for determining whether control of goods or services is transferred over time, net sales are recognized over time by measuring the progress based on input methods, such as costs incurred.

Sales are measured at the amount net of returned products, rebates and discounts.

The consideration in the sales contracts on goods is collected mainly within one year from the time when control of the goods has been transferred to the customer. Those contracts do not contain a significant financing component.

11) Foreign currency translation

Transactions in foreign currencies are translated into the functional currency of each Group company using the exchange rate at the transaction date or a rate that approximates such rate. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of each Group company using the exchange rate at the fiscal year-end. Exchange differences arising from the translation and settlement are recognized in profit or loss. However, exchange differences arising from the translation of investments in equity instruments measured at fair value through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

The assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate at the fiscal year-end, and the income and expenses of foreign operations are translated into Japanese yen using the average exchange rate for the fiscal year, except in cases where the exchange rate fluctuates significantly. Exchange differences arising from the translation are recognized in other comprehensive income. On the disposal of a foreign operation that results in a loss of control or significant influence over the foreign operation, the cumulative exchange differences relating to the foreign operation are recognized in profit or loss for the period of disposal.

12) Business combinations

Business combinations are accounted for using the acquisition method.

The consideration transferred is measured at the sum of the acquisition-date fair values of the assets transferred, liabilities assumed, and equity interests issued in exchange for control over the acquiree.

The identifiable assets, liabilities and contingent liabilities in the acquiree are measured at their acquisition-date fair values, except that:

- Deferred tax assets (or deferred tax liabilities) and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits," respectively.
- Liabilities or equity instruments that are related to the acquiree's share-based payment transactions or the replacement of the acquiree's share-based payment transactions with the acquirer's share-based payment transactions are recognized and measured in accordance with IFRS 2 "Share-based Payment."
- Non-current assets or disposal groups that are classified as held for sale at the acquisition date in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that IFRS.

Goodwill is measured as the excess, if any, of the consideration transferred over the net amount of identifiable assets and liabilities as of the acquisition date. If the difference is negative, it is immediately recognized in profit or loss.

If the initial accounting for a business combination is incomplete at the end of the reporting period in which the combination occurs, the items for which the accounting is incomplete are measured at provisional amounts. If new information obtained during the measurement period, which shall not exceed one year from the acquisition date, if known, affects the measurement of the amounts recognized as of the acquisition date, the provisional amounts recognized at the acquisition date are retrospectively adjusted.

Acquisition-related costs incurred to achieve a business combination are expensed as incurred. The acquisition of additional non-controlling interests is accounted for as an equity transaction without recognition of goodwill.

13) Other significant items for presenting Consolidated Financial Statements

i. Accounting for consumption taxes

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

ii. Significant accounting estimates and judgements involving estimations

In preparing the Consolidated Financial Statements in compliance with IFRS, management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and their underlying assumptions are reviewed on an ongoing basis. The effects of revisions to accounting estimates are recognized in the accounting period in which the estimates were revised and in any future accounting periods affected.

As for the impact of COVID-19 pandemic, it is still impossible to predict when the pandemic will be contained. Accordingly, accounting estimates for impairment of non-financial assets, etc. have been made on the assumption that the impact of the pandemic will continue over a certain period in and after the next fiscal year.

2. Notes to the Consolidated Statements of Financial Position

(1) Assets pledged as collateral and corresponding liabilities

Assets pledged as collateral

Cash and cash equivalents	¥575 million
Trade and other receivables	¥2,455 million
Inventories	¥5,281 million
Other current assets	¥235 million
Property, plant and equipment	¥2,519 million
Intangible assets	¥2,725 million
Other financial assets (non-current)	¥2 million
Other non-current assets	¥59 million
Total	¥13,856 million

Corresponding liabilities

Bonds and borrowings	¥5,692 million
Bonds	¥8,639 million
Total	¥14,331 million

(Note) Other than those listed above, there are assets pledged as collateral that were eliminated in the Consolidated Financial Statements, including shares of subsidiaries and associates of ¥24,095 million and notes and accounts receivable-trade of ¥2,278 million.

(2) Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	¥352 million
Other financial assets (current)	¥8 million
Other financial assets (non-current)	¥458 million

(3) Accumulated depreciation and accumulated impairment loss on property, plant and equipment ¥93,828 million

3. Notes to the Consolidated Statements of Profit or Loss

(1) Other income and other expenses

(Other income)	
Gain on sale of non-current assets	¥304 million
Government grants (Note 1)	(¥57 million)
Compensation income	¥114 million
Change in fair value of contingent considerations (Note 2)	¥471 million
Gain on bargain purchase (Note 3)	¥804 million
Other	¥87 million
Total	¥1,725 million

(Other expenses)	
Loss on sale and retirement of non-current assets	¥321 million
Foreign exchange loss	¥1,119 million
Impairment loss (Note 4)	¥989 million
Loss on closing of plants (Note 5)	¥210 million
Business restructuring expenses (Note 6)	¥2,051 million
Loss on revision of retirement benefit plan	¥442 million
Other	¥80 million
Total	¥5,214 million

(Notes) 1. Government grants

Government grants mainly consist of ¥67 million related to subsidies for employment adjustment associated with the impact of COVID-19, etc. and ¥(157) million related to subsidy repayment in line with suspension of operations of domestic production bases whose operation rate is low.

2. Change in fair value of contingent considerations

Change in fair value of contingent considerations is mainly related to the acquisition of Sequel Special Products, LLC. Of the change in fair value of contingent considerations, the portion based on changes in time value is recorded in “Finance costs” while the portion based on changes in items other than time value is recorded in “Other income” or “Other expenses.”

3. Gain on bargain purchase

See Note 8 “Other Notes (Notes to business combinations, etc.).”

4. Impairment loss

See Note 7 “Other Notes (Notes to impairment loss).”

5. Loss on closing of plants

Loss on closing of plants consists of ¥161 million related to closing of a U.S. plant of the Company’s consolidated subsidiary in the Industrial Materials segment and ¥49 million related to European production base integration of the Company’s consolidated subsidiary in the Medical Technologies segment.

6. Business restructuring expenses

Business restructuring expenses include additional retirement payment and re-employment support program fees incurred as a result of calling voluntary retirement in line with the implementation of “Measures to Strengthen Profitability.”

4. Notes to the Consolidated Statements of Changes in Equity

(1) Type and total number of shares issued at the end of the current fiscal year

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)	Record date	Effective date
Meeting of the Board of Directors held on February 14, 2020	Common shares	1,006	20.00	December 31, 2019	March 4, 2020
Meeting of the Board of Directors held on August 6, 2020	Common shares	755	15.00	June 30, 2020	September 1, 2020
Total		1,762			

(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 Custody Bank of Japan, Ltd. (formerly 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 the 90th anniversary of the Company's foundation.

3. The total amount of dividends based on a resolution of the Meeting of the Board of Directors held on August 6, 2020 includes ¥5 million paid to Custody Bank of Japan, Ltd. (formerly Trust & Custody Services Bank, Ltd.) (Trust E Account) as dividends on Company shares it holds.

2) Of dividends whose record dates belong to the current fiscal year, dividends that take effect in the next fiscal year

Resolution	Type of stock	Dividend resource	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Meeting of the Board of Directors held on February 12, 2021	Common shares	Retained earnings	755	15.00	December 31, 2020	March 1, 2021

(Note) The total amount of dividends based on a resolution of the Meeting of the Board of Directors held on February 12, 2021 includes ¥5 million paid to Custody Bank of Japan, Ltd. (formerly Trust & Custody Services Bank, Ltd.) (Trust E Account) as dividends on Company shares it holds.

(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	5	—	1,291	(Note 1)

(Notes) 1. The stock acquisition rights attached to Zero Coupon Convertible Bonds due 2021 (bonds with stock acquisition rights) are recognized as embedded derivatives. Accordingly, they are separated from the host contract, measured at fair value, and recorded as capital surplus after tax effects.

2. The number of shares is stated as the number of shares on the assumption that stock acquisition rights have been exercised.

3. The Board of Directors meeting held on February 14, 2020 approved a proposal to pay a year-end dividend of 20 yen per share for FY2019.12 (the 101st business term), bringing the annual dividend for FY2019.12 (the 101st business term to 35 yen per share. As a result, the conversion price will be adjusted in accordance with the "Zero Coupon Convertible Bonds due 2021 (bonds with stock acquisition rights)."

(4) Type and number of treasury shares at the end of the current fiscal year

Type of stock	Beginning balance	Increase	Decrease	Ending balance
Common shares (Thousand Shares)	942	0	89	853

(Note) The ending balance of treasury shares of common shares includes 341 thousand Company shares held by Custody Bank of Japan, Ltd. (formerly 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

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
Sales to Stock Benefit Trust (Employee Shareholding Association Purchase-type)	88

5. Notes to Financial Instruments

(Items concerning the status of financial instruments)

(1) Capital management

The Group's basic capital management policy is to establish and maintain a stable financial foundation in order to improve corporate value through sustainable growth.

The Group is not subject to any significant regulatory capital requirements.

(2) Financial risk management

Risk management policy

The Group's business activities are affected by the business and financial market environments. In the course of the business activities, financial instruments held by the Group are exposed to specific risks.

Such risks primarily include 1) market risk ((a) foreign exchange risk, (b) price risk, (c) interest rate risk), 2) credit risk and 3) liquidity risk. In order to mitigate these risks, risk management is conducted.

The 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 Group uses derivative transactions to hedge foreign exchange risk, and does not enter into derivative transactions for speculative purposes. Derivative transactions are executed and managed with approval from the authorized persons in accordance with the internal rules that stipulate transaction authority, limits, and other matters.

1) Market risk

(a) Foreign exchange risk

Trade receivables and payables denominated in foreign currencies, which arise from the Group's global business development, are exposed to the risk of fluctuating foreign currency exchange rate. Part of such risk is hedged using forward exchange contracts. These derivative transactions, for which hedge accounting is not applied, are considered to effectively offset the effects of foreign exchange fluctuations.

(b) Price risk

As the Group owns listed shares in companies with which the Group has business relationships, it is exposed to the risk of price fluctuations in equity instruments. The Group regularly assesses the fair values and financial condition of issuers (business partners) and continually reviews the holding status.

(c) Interest rate risk

Of the Group's interest-bearing liabilities, those with floating rates are exposed to the risk of interest rate fluctuations.

To mitigate the risk of interest rate fluctuations, the Group continually monitors interest rate fluctuations for interest-bearing liabilities with floating rates.

2) Credit risk

The Group's trade and other receivables and other financial assets are exposed to credit risk. Credit risk is the risk of financial loss of the Group in the event that a customer or a counterparty (including financial institutions) fails to meet its contractual obligations.

The Group sets up lines of credit in accordance with Credit Management Regulations by business and country or region. In addition, the sales division and the finance division regularly monitor the credit status of counterparties of trade receivables, and manage the due dates and outstanding balances by counterparty to identify at an early stage and mitigate recoverability concerns, such as due to deterioration of a counterparty's financial condition. Derivative transactions are entered into only with highly creditworthy financial institutions in order to mitigate credit risk, and therefore the credit risk is considered to be extremely low.

The allowance for doubtful accounts for trade receivables is always measured at an amount equal to the lifetime expected credit losses. For receivables other than trade receivables and other financial assets, the allowance for doubtful accounts is measured at an amount equal to the 12-month expected credit losses if the credit risk has not increased significantly since initial recognition, and at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition, such as upon a past due event.

When measuring the expected credit losses for trade receivables, in principle, the receivables are grouped depending on the level of credit risk, provision rates are calculated for each group by reflecting forward-looking information in historical credit loss experience, and the expected credit losses for trade receivables are determined by multiplying the outstanding balance of the assets by a corresponding provision rate. For receivables other than trade receivables and other financial assets whose credit risk has not increased significantly since initial recognition, provision rates are calculated for each group of similar assets by reflecting forward-looking information in historical credit loss experience, and the expected credit losses are determined by multiplying the outstanding balance of the assets by a corresponding provision rate. For receivables other than trade receivables and other financial assets whose credit risk has increased significantly since initial recognition as well as credit-impaired assets, the expected credit losses are determined as a difference between the book value and the present value of expected future cash flows to be received from the assets, discounted using the effective interest rate at initial recognition. If all or a portion of trade and other receivables and other financial assets are considered not to be recovered or extremely difficult to be recovered, they are determined to be credit-impaired.

The book value after impairment of financial assets stated in the consolidated statements of financial position represents the Group’s maximum exposure to the credit risk of financial assets.

3) Liquidity risk

The Group is exposed to liquidity risk that the Group is unable to fulfill its repayment obligations for financial liabilities.

To manage the liquidity risk, the finance division takes measures such as preparing and updating fund management plans in a timely manner, and consolidating fund flows to the Company through the cash management system (CMS) introduced across the Group companies in Japan.

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

Estimation of fair value

1) Measurement of fair value of financial instruments

The Group determines the fair value of major financial assets and financial liabilities as follows. The fair value of financial instruments is estimated using available market prices, or is measured by appropriate valuation techniques when market prices are not available.

(Cash and cash equivalents, trade and other receivables, trade and other payables, short-term borrowings)

Since these are settled within a short period, the fair value approximates the book value. Therefore, the fair value is based on the relevant book value.

(Other financial assets and other financial liabilities)

The fair value of marketable equity instruments (listed shares) is measured based on market prices at the fiscal year-end. The fair value of equity instruments (unlisted shares) with no available market prices and debt instruments (preference shares, etc.) classified as financial assets measured at fair value through profit or loss is measured using valuation techniques, primarily based on discounted future cash flows, market prices of similar companies or net asset values. Since other financial assets and financial liabilities are settled within a short period, the fair value approximates the book value. One of the main unobservable inputs used to measure the fair value of these financial instruments with no available market prices was valuation multiple derived from the comparable peer company analysis. The fair value increases (decreases) as the valuation multiple rises (declines).

(Derivative assets and liabilities)

The fair value of derivative assets and liabilities is measured at the market quotation of derivative transactions under the same terms and conditions as of the fiscal year-end.

(Contingent consideration)

Contingent consideration in a business combination is measured at fair value as of the acquisition date of the business combination. Contingent consideration that meets the definition of a financial liability is remeasured at fair value at each subsequent reporting date. The fair value is determined on the basis of the scenario-based method or Monte Carlo simulation model, where the key assumptions considered are the probability of meeting each performance target, the projected future operating results and the discount rate. The fair value decreases (increases) as the discount rate rises (declines).

(Long-term borrowings)

The fair value of long-term borrowings is measured by discounting the principal and interest at an interest rate that would be applied to a new similar borrowing.

(Bonds)

The fair value of bonds is measured at the present value of the principal discounted at a rate that reflects the remaining term and credit risk of the bonds.

2) Book value and fair value of financial instruments measured at amortized cost

The book value and fair value of financial instruments measured at amortized cost are as follows. Financial instruments measured at fair value in the consolidated statements of financial position and financial instruments whose book value approximates the fair value are not disclosed.

	Book value	Fair value
Financial liabilities		
Financial liabilities measured at amortized cost		
Long-term borrowings	¥12,022 million	¥12,378 million
Bonds	¥2,840 million	¥2,835 million

6. Notes to Per Share Data

Equity per share attributable to owners of parent	¥1,641.61
Basic earnings per share	¥141.50
Diluted earnings per share	¥137.94

7. Other Notes (Notes to impairment loss)

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

(1) Overview of assets or asset groups on which impairment losses were recorded

(Millions of Yen)

Location	Use	Type	Impairment loss
Tsu, Mie Pref.	Idle assets	Buildings and structures	15
		Machinery, equipment and vehicles	596
		Tools, furniture and fixtures	0
Minato-ku, Tokyo	Long-lived assets for business use	Buildings and structures	23
		Tools, furniture and fixtures	1
		Lease assets (buildings)	23
Connecticut, USA	Long-lived assets for business use	Customer related assets	329
Total			989

(2) Factors leading to the recognition of impairment losses

For idle assets in Tsu, Mie Prefecture, the Group wrote down their book values to recoverable amounts and recognized impairment losses, since the assets are not expected to be used in the future.

With regard to long-lived assets for business use in Minato-ku, Tokyo, the Group wrote down their book values to recoverable amounts and recognized impairment losses, since it was determined that return on investment was unlikely due to a decline in profitability.

As for long-lived assets for business use in Connecticut, USA, the Group wrote down their book values to recoverable amounts and recognized impairment losses, since profitability initially assumed is not expected.

(3) Assets grouping method

The long-lived assets for business use and goodwill of the Group are grouped based on the smallest cash-generating unit that generates cash inflows largely independent from other assets. 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 in Tsu, Mie Prefecture were assessed at fair value less costs of disposal, and the amounts were assessed at zero.

The recoverable amounts of long-lived assets for business use in Minato-ku, Tokyo and Connecticut, USA were measured at value in use, and the amounts were assessed at zero.

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

Acquisition of Eurofoil Paper Coating GmbH

(1) Outline of the business combination

1) Name of the acquired company and the acquired business outline

Name of the acquired company

Eurofoil Paper Coating GmbH (hereinafter, "Eurofoil")

Acquired business outline

Production and sale of metallized paper used in packaging for food and cigarettes

2) Major reason for the business combination

The Group has been currently operating the Sixth Medium-term Business Plan (three-year plan) centering on the growth by reorganizing and optimizing its business portfolio. We have set the markets of mobility (automotive and transport equipment), 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.

In August 2015, the Company acquired AR Metallizing Group (hereinafter, "ARM"), the world's largest supplier of metallized paper (special paper on the surface of which is formed a metal layer, which brings decorative effects or functional characteristics), and made it a subsidiary. ARM's metallized paper has superior printability and recyclability and is widely used in such applications as packaging for beverage, food and daily goods. The need for materials with reduced environmental impact to substitute for traditional plastic packaging materials is rising globally, and we expect to see further expansion in business opportunities going forward.

Like ARM, Eurofoil is a manufacturer of metallized paper. In addition to having sales channels and production capacity for food and cigarette packaging in the European region, its proprietary processing technology, in areas such as coating and lamination, complements that of ARM. In addition to increasing its share of the metallized paper market in the European region, this acquisition will allow ARM to expedite the development of new products by utilizing Eurofoil's processing technology.

3) Acquisition date

January 31, 2020

4) Method by which the acquiring company obtained control of the acquired company

Acquisition of shares for cash consideration

5) Name of the company after the combination

AR Metallizing GmbH (renamed from Eurofoil Paper Coating GmbH on April 30, 2020)

(2) Consideration transferred

Cash	¥1,251 million
Contingent consideration	¥177 million
Total consideration transferred	¥1,428 million

(Note) Contingent consideration is not finalized at the present time.

(3) Contingent consideration

Contingent consideration is included in the consideration transferred as part of the contract. The contingent consideration is an obligation to make additional payments of up to EUR 1.5 million (undiscounted) in accordance with the EBITDA achievement level of the acquired company over the three years following the business combination.

The contingent consideration was determined using the scenario-based method. The key assumptions considered were the probability of meeting the EBITDA target, the projected future operating results and the discount rate.

Changes in the contingent consideration, which is recorded in other financial liabilities, consisted of the following:

(Millions of Yen)

Balance at January 1, 2020	—
Increase resulting from the business combination	177
Change in fair value	1
Effect of changes in exchange rates	9
Balance at December 31, 2020	188

(4) Acquisition-related costs

Acquisition-related costs of ¥69 million were recorded in selling, general and administrative expenses.

(5) Amount of negative goodwill incurred and reasons for the negative goodwill incurred

1) Amount of negative goodwill incurred

¥804 million

2) Reasons for the negative goodwill incurred

Negative goodwill was incurred because the net fair value of assets acquired and liabilities assumed exceeded the consideration transferred.

(6) Ratio of voting equity interests acquired

100%

(7) Amounts recognized of assets acquired and liabilities assumed

Current assets	
Cash and cash equivalents	¥132 million
Trade and other receivables (Note 1)	¥710 million
Inventories	¥515 million
Other	¥160 million
Non-current assets	
Property, plant and equipment	¥2,051 million
Intangible assets (Note 2)	¥185 million
Other	¥347 million
Total assets	¥4,102 million
Current liabilities	¥556 million
Non-current liabilities	¥1,312 million
Total liabilities (Note 3)	¥1,869 million

(Notes) 1. For the fair value of ¥710 million of the trade and other receivables acquired in this acquisition, the gross contractual amount receivable is ¥710 million.

2. The major component allocated to intangible assets is customer related assets of ¥124 million.

3. There are no contingent liabilities.

(8) Impact on the consolidated statements of profit or loss

1) The acquired company's results recognized in the consolidated statements of profit or loss on and after the acquisition date

Net sales	¥5,962 million
Profit attributable to owners of parent	¥878 million

2) Pro forma information assuming that the business combination was conducted at the beginning of the fiscal year

Net sales	¥180,491 million
Profit attributable to owners of parent	¥7,053 million

This note has not been audited by the audit firm.

Finalization of provisional accounting pertaining to business combinations

For the business combination with Zonnebodo Pharmaceutical Co., Ltd. conducted on November 25, 2019, the amounts of assets acquired and liabilities assumed were provisional as allocation of the cost was not completed in the previous fiscal year. The amounts were finalized and adjusted as per the following table in the current fiscal year.

In line with the finalization, the consolidated statements of financial position for the previous fiscal year were retrospectively adjusted. As major changes resulting from the retrospective adjustments, property, plant and equipment, intangible assets and deferred tax liabilities for the previous fiscal year increased by ¥275 million, ¥1,370 million and ¥560 million, respectively, while goodwill decreased by ¥1,089 million.

Amounts recognized of assets acquired and liabilities assumed

(Millions of Yen)

Items	Provisional amount	Adjusted amount	Finalized amount
Current assets			
Cash and cash equivalents	65	—	65
Trade and other receivables (Note 1)	505	—	505
Inventories	98	—	98
Other	124	—	124
Non-current assets			
Property, plant and equipment	340	277	617
Intangible assets (Note 2)	0	1,375	1,375
Other	116	—	116
Total assets	1,252	1,652	2,904
Current liabilities	262	—	262
Non-current liabilities	177	563	740
Total liabilities (Note 3)	439	563	1,002

(Notes) 1. For the fair value of ¥505 million of the trade and other receivables acquired in this acquisition, the gross contractual amount receivable is ¥509 million.
2. The major component allocated to intangible assets is customer related assets of ¥1,375 million.
3. There are no contingent liabilities.

Acquisition of Norwalk, Ohio medical manufacturing operation of Olympus Surgical Technologies America

(1) Outline of the business combination

1) Name of the counterparty and the acquired business outline

Name of the counterparty

Olympus Surgical Technologies America

Acquired business outline

Manufacturing rigid scopes for urology and gynecology and components of therapeutic devices

2) Major reason for the business combination

The Group has been currently operating the Sixth Medium-term Business Plan (three-year plan) centering on the growth by reorganizing and optimizing its business portfolio. We have set the markets of mobility (automotive and transport equipment), 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.

The Medical Technologies business serves the medical device sector of the Group through three unique divisions; Design & Manufacturing for Medical Device contract manufacturing and development, Healthcare Solutions for direct to hospital patient monitoring supplies and surgical consumables, and Custom Labeled Products for large volume private labeling opportunities. The Design & Manufacturing division is the globally trusted partner in the Design and Manufacturing of single use medical technologies with a streamlined process combining decades of experience to deliver high quality medical products for OEMs like OSTA. The Medical Technologies business leverages innovative technologies across our global footprint of unique capabilities to efficiently meet our customer’s demanding specifications and timelines.

This strategic acquisition provides value to all OEM customers of the Medical Technologies business through increased vertical integration for our global manufacturing services. This agreement further enhances the business's design services and manufacturing capabilities related to machined components, increased production capacity in North America to support the business's global growth and operations.

3) Acquisition date
November 2, 2020

4) Method by which the acquiring company obtained control of the acquired company
Transfer of business for cash consideration

5) Name of the company after the combination
Nissha Medical Technologies (Ohio), Inc.

(2) Consideration transferred

Cash (including payables)	¥3,080 million
Total consideration transferred	¥3,080 million

(3) Acquisition-related costs

Acquisition-related costs of ¥87 million were recorded in selling, general and administrative expenses.

(4) Amount of goodwill incurred and reasons for the goodwill incurred

1) Amount of goodwill incurred
¥527 million

As the fair values of assets acquired and liabilities assumed have not been finalized, the amount of goodwill has been determined provisionally. The goodwill is expected to be fully deducted for tax purposes.

2) Reasons for the goodwill incurred

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

(5) Ratio of voting equity interests acquired
100%

(6) Amounts recognized of assets acquired and liabilities assumed

Current assets	
Cash and cash equivalents	¥0 million
Inventories	¥877 million
Non-current assets	
Property, plant and equipment	¥1,188 million
Intangible assets	¥534 million
Total assets (Note 1)	¥2,600 million
Current liabilities	¥46 million
Total liabilities (Notes 1 and 2)	¥46 million

(Notes) 1. As allocation of the cost has not been completed in the current fiscal year, the amounts of assets acquired and liabilities assumed are determined provisionally based on information available at the present time.
2. There are no contingent liabilities.

(7) Impact on the consolidated statements of profit or loss

1) The acquired company's results recognized in the consolidated statements of profit or loss on and after the acquisition date

Net sales	¥299 million

Profit attributable to owners of parent	¥1 million

2) Pro forma information assuming that the business combination had been conducted at the beginning of the fiscal year

Net sales	¥182,092 million
Profit attributable to owners of parent	¥7,474 million

This note has not been audited by the audit firm.

Non-consolidated Statement of Changes in Net Assets

(From January 1, 2020 to December 31, 2020)

(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	1,671	15,221	1,230	28,766	11,918	41,914
Changes of items during the period								
Dividends of surplus							(1,762)	(1,762)
Profit							5,543	5,543
Purchase of treasury shares								
Disposal of treasury shares			(0)	(0)				
Net changes of items other than shareholders' equity								
Total changes of items during the period	—	—	(0)	(0)	—	—	3,781	3,781
Balance at the end of current period	12,119	13,550	1,671	15,221	1,230	28,766	15,700	45,696

	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	(1,643)	67,612	11,611	11,611	79,224
Changes of items during the period					
Dividends of surplus		(1,762)			(1,762)
Profit		5,543			5,543
Purchase of treasury shares	(0)	(0)			(0)
Disposal of treasury shares	111	111			111
Net changes of items other than shareholders' equity			(1,655)	(1,655)	(1,655)
Total changes of items during the period	111	3,892	(1,655)	(1,655)	2,237
Balance at the end of current period	(1,532)	71,505	9,956	9,956	81,461

(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

Marketable available-for-sale securities: 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.)

Non-marketable available-for-sale securities: 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 provisions

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 current fiscal year 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 current fiscal year is posted based on the estimated amount of payment.

4) Provision for stock benefit trust

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

5) 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.

6) Provision 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 current fiscal year, based on projected benefit liability and plan assets at the end of the current fiscal year. 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 next 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.

2. Notes to the Non-consolidated Balance Sheet

(1) Assets pledged as collateral

Shares of subsidiaries and associates	¥16,303 million

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

(2) Accumulated depreciation concerning assets

Accumulated depreciation on property, plant and equipment	¥25,319 million

(3) Contingent liabilities

The Company guarantees electronically recorded obligations of subsidiaries and associates.

Nitec Industries, Inc.	¥557 million
Nitec Precision and Technologies, Inc.	¥1,027 million
Nissha Printing Communications, Inc.	¥120 million
Total	¥1,706 million

The Company guarantees bank loans payable of subsidiaries and associates.

Graphic Controls Acquisition Corp.	¥9,043 million

The Company guarantees lease obligations of subsidiaries and associates.

Nissha Medical Technologies Ltd. and Graphic Controls Acquisition Corp.	¥414 million
Graphic Controls Acquisition Corp.	¥1,434 million
Total	¥1,848 million

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

Short-term monetary receivables	¥5,415 million
Long-term monetary receivables	¥14,993 million
Short-term monetary payables	¥4,888 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	¥6,531 million
Purchases	¥91,275 million
Non-operating transactions	¥1,877 million

(2) Gain on sales of investment securities

Gain on sales of investment securities is related to sales of part of the cross-shareholdings held by the Company.

(3) Business structure improvement expenses

Business structure improvement expenses include additional retirement payment and re-employment support program fees incurred as a result of calling voluntary retirement in line with the implementation of "Measures to Strengthen Profitability."

(4) Loss on subsidy repayment

Loss on subsidy repayment is mainly related to subsidy repayment in line with suspension of operations of domestic production bases whose operation rate is low.

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)	942	0	89	853

(Note) The ending balance of treasury shares of common shares includes 341 thousand Company shares held by Custody Bank of Japan, Ltd. (formerly 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)

Increases consisted of the following:

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

Decreases consisted of the following:

	(Thousand Shares)
Demand for sales of shares of less than one unit	0
Payment of Company shares from (Trust E Account)	0
Sales to Stock Benefit Trust (Employee Shareholding Association Purchase-type)	88

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	¥1,160 million
	Net defined benefit liability	¥690 million
	Provision for bonuses	¥199 million
	Inventories	¥74 million
	Property, plant and equipment and intangible assets	¥1,476 million
	Investment securities	¥697 million
	Shares of subsidiaries and associates	¥1,274 million
	Allowance for doubtful accounts	¥1,400 million
	Other	¥379 million
	Subtotal deferred tax assets	¥7,353 million
	Less valuation allowance for tax loss carried forward	(¥1,160 million)
	Less valuation allowance for total deductible temporary differences, etc.	(¥6,192 million)
	Subtotal less valuation allowance	(¥7,353 million)
	Total deferred tax assets	¥— million
Deferred tax liabilities	Valuation difference on available-for-sale securities	¥4,311 million
	Total deferred tax liabilities	¥4,311 million
Net deferred tax assets (liabilities)		(¥4,311 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	569	Short-term loans receivable	679
						Long-term loans receivable	4,281
				Lease of real estate assets	530	—	—
	Nitec Precision and Technologies, Inc.	(Owning) 100%	Manufacturing of products of the Company	Purchase of products	79,297	Accounts payable	3,037
				Lease of real estate assets	816	—	—
				Collection of funds	6,136	Short-term loans receivable	370
						Long-term loans receivable	6,784
	Nissha USA, Inc.	(Owning) 100%	Sales of products of the Company Interlocking directors	Lending of funds	1,091	Short-term loans receivable	307
						Long-term loans receivable	1,435
	AR Metallizing N.V.	(Owning) 100%	Provision of collateral Interlocking directors	Provision of collateral	4,884	—	—
	Graphic Controls Acquisition Corp.	(Owning) 100%	Manufacturing of products of the Company	Loan guarantees	10,891	—	—

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 ¥2,793 million is posted with regard to the funding of Nitec Industries, Inc.
   Provision of allowance for doubtful accounts for subsidiaries and associates of ¥395 million was posted for the current fiscal year.
5. A loan guarantee was offered mainly to bank loans.
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 Data**

Net assets per share	¥1,629.17
Basic earnings per share	¥110.97
Diluted earnings per share	¥108.17