

# Financial Results for FY2017 Q2 Ended September 30, 2016

November 7, 2016

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## Highlights

### FY2017 H1 Results

- Net sales and profit declined compared to the original forecast due to yen appreciation and sluggish demand
  - Average rate was ¥106/\$ (Q1: ¥109/\$, Q2: ¥102/\$) whereas assumed rate ¥110/\$
  - Net Sales 51.6 billion yen, operating loss 1.0 billion yen, ordinary loss 3.4 billion yen, net loss 4.1 billion yen

### FY2017 Forecast

- Full year forecast is revised
  - Assumed forex rate in H2 changed from ¥110/\$ to ¥105/\$
  - Net Sales 120.0 billion yen, operating profit 2.0 billion yen, ordinary profit 0.5 billion yen, net profit 0.0 billion yen

### Progress of the Fifth Medium-term Business Plan

- Acquired US headquartered medical devices manufacturer, Graphic Controls group (September 2016)
- Acquired German automotive plastic molding manufacturer, Schuster group (October 2016)
- Preparation for new business opportunity of Devices will be accelerated in H2

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# FY2017 H1 (6 months) Results

## FY2016 H1 (April-September) Results

(Millions of Yen)

	FY2016 H1 Results	FY2017 H1 Forecast	FY2017 H1 Results	YoY	Vs. Forecast
Net Sales	51,600	56,000	51,648	+0.1%	-7.8%
Industrial Materials	17,236	26,100	24,484	+42.1%	-6.2%
Devices	26,217	20,900	19,698	-24.9%	-5.8%
Life Innovation	586	900	751	+28.2%	-16.6%
Information and Communication	7,485	8,050	6,627	-11.5%	-17.7%
Others	73	50	86	+17.8%	+72.0%
Operating Income	2,948	500	-1,037	-	-
OPM	5.7%	0.9%	-2.0%	-7.7pt	-2.9pt
Ordinary Income	2,942	400	-3,433	-	-
Net Profit	2,268	100	-4,172	-	-

Average Rate

¥121/\$

¥110/\$

¥106/\$

\* We have changed a method of translating performance of overseas subsidiaries and others from FY2017 (spot rate → average rate). In this material, the figures of FY2016 is the results by the method before change.

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# FY2017 Q2 (3 months) Results

## FY2017 Q2 (July-September) Results

(Millions of Yen)

	FY2016 Q2 Results	FY2017 Q1 Results	FY2017 Q2 Results	YoY	Vs. Forecast
Net Sales	30,320	24,419	27,229	-10.2%	+11.5%
Industrial Materials	8,692	12,669	11,815	+35.9%	-6.7%
Devices	17,129	8,233	11,465	-33.1%	+39.3%
Life Innovation	308	375	376	+22.1%	+0.3%
Information and Communication	4,150	3,105	3,522	-15.1%	+13.4%
Others	40	35	51	+27.5%	+45.7%
Operating Income	3,213	-1,018	-19	-	-
OPM	10.6%	-4.2%	-0.1%	-10.7pt	+4.1pt
Ordinary Income	2,689	-2,959	-474	-	-
Net Profit	2,205	-3,672	-500	-	-

Average Rate

¥122/\$

¥109/\$

¥102/\$

\* We have changed a method of translating performance of overseas subsidiaries and others from FY2017 (spot rate → average rate). In this material, the figures of FY2016 is the results by the method before change.

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# FY2017 Forecast is revised

FY2017 Full Year Forecast

(Millions of Yen)

	FY2016 Results	FY2017 Original Forecast	FY2017 Revised Forecast
Net Sales	119,222	129,000	120,000
Operating Profit	10,541	7,000	2,000
OPM	8.8%	5.4%	1.7%
Ordinary Profit	9,237	6,800	500
Net Profit	6,898	5,500	0

\* We have changed a method of translating performance of overseas subsidiaries and others from FY2017 (spot rate → average rate). In this material, the figures of FY2016 is the results by the method before change.

(Billion Yen)

	Factors	Net Sales	Operating Profit
Forex	H1 yen appreciation (Assumed ¥110/\$, results ¥106/\$)	-0.9	-0.9
	Change of H2 assumed rate (¥110/\$→¥105/\$)	-1.6	-1.2
M & A	Consolidation of; <ul style="list-style-type: none"> <li>Graphic Controls: 4 months (Life Innovation)</li> <li>Schuster: 2 months (Industrial Materials)</li> </ul>	+5.7	0 (affected from goodwill amortization)
	Acquisition-related cost in H2	—	-0.7
Others	Decreasing Demand	-12.2	-3.7
	Reduction of fixed and variable costs	—	+1.5
Total		-9.0	-5.0

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## Life Innovation is a new growth driver

(Change of organization)

- Life Innovation focus on medical devices (in the North and Central America and Europe)
- Transfer gas sensors to Devices
- Transfer DDS (Micro needle patch) to Corporate R&D

\*DDS=Drug Delivery System

Name	Business	Main field of products	
		to H1	From H2
Industrial Materials	Coloring beautifully the surfaces of various materials	<ul style="list-style-type: none"> <li>Decorative film</li> <li>Molding products</li> <li>Metallized paper</li> </ul>	<ul style="list-style-type: none"> <li>Decorative film</li> <li>Molding products</li> <li>Metallized paper (Not changed)</li> </ul>
Devices	Providing devices that pursue precision and functionality	<ul style="list-style-type: none"> <li>Touch sensor</li> </ul>	<ul style="list-style-type: none"> <li>Touch sensor</li> <li>Gas sensor</li> </ul>
Life Innovation	Providing value-added products in medical market	<ul style="list-style-type: none"> <li>Gas Sensor</li> <li>DDS</li> </ul>	<ul style="list-style-type: none"> <li>Medical devices (Graphic Controls)</li> </ul>
Information and Communication	Supporting communication strategies of customers	<ul style="list-style-type: none"> <li>Publishing printing</li> <li>Commercial printing, SP</li> </ul>	<ul style="list-style-type: none"> <li>Publishing printing</li> <li>Commercial printing, SP (Not changed)</li> </ul>
Corporate	R&D Administration	<ul style="list-style-type: none"> <li>Developing products</li> </ul>	<ul style="list-style-type: none"> <li>Developing products</li> <li>DDS</li> </ul>

# FY2017 forecast by Business

## FY2017 Full Year Forecast

(Millions of Yen)

Forex H1: ¥110/\$ H1: ¥106/\$ (Results)  
 H2: ¥110/\$ H2: ¥105/\$

	FY2017 Original forecast (Announced May. 12)	FY2017 Revised forecast (Announced Nov. 7)
Net Sales	129,000	120,000
Industrial Materials	51,500	49,100
Devices	57,200	* 49,200
Life Innovation	2,200	** 5,300
Information and Communicataion	18,000	16,250
Others	100	150
Operating Income	7,000	2,000
OPM	5.4%	1.7%
Ordinary Income	6,800	500
Net Profit	5,500	0

\* Devices includes gas sensor

\*\*Life Innovation includes Graphic Controls only

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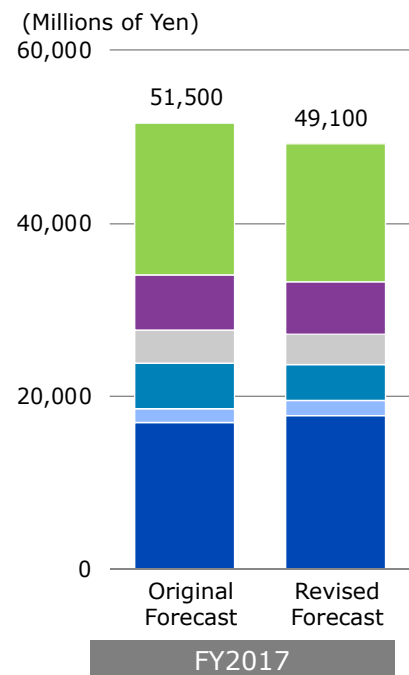
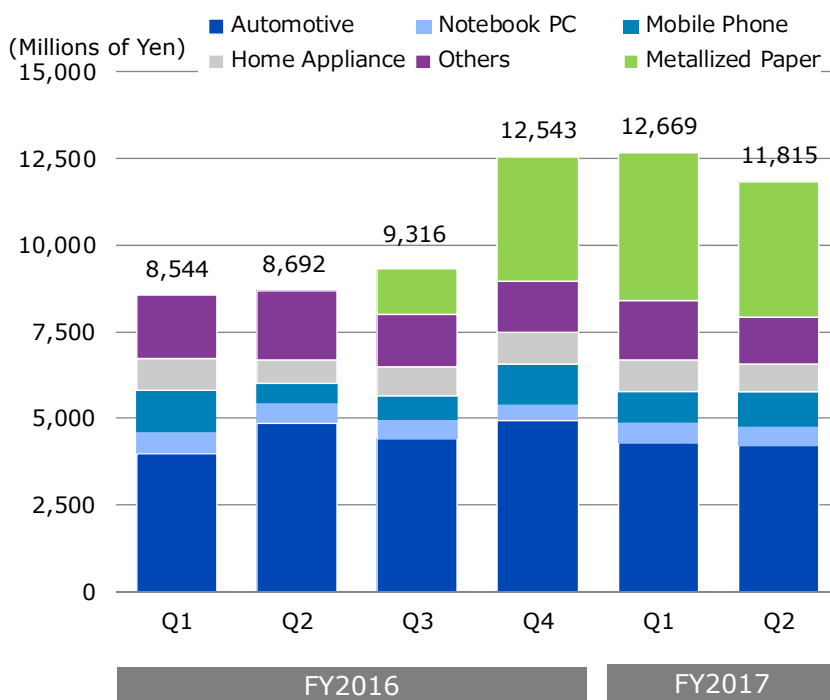
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# Industrial Materials

## Net Sales by Application (Quarter)

## (Full year)



\* We have changed a method of translating performance of overseas subsidiaries and others from FY2017 (spot rate → average rate). In this material, the figures of FY2016 is the results by the method before change.

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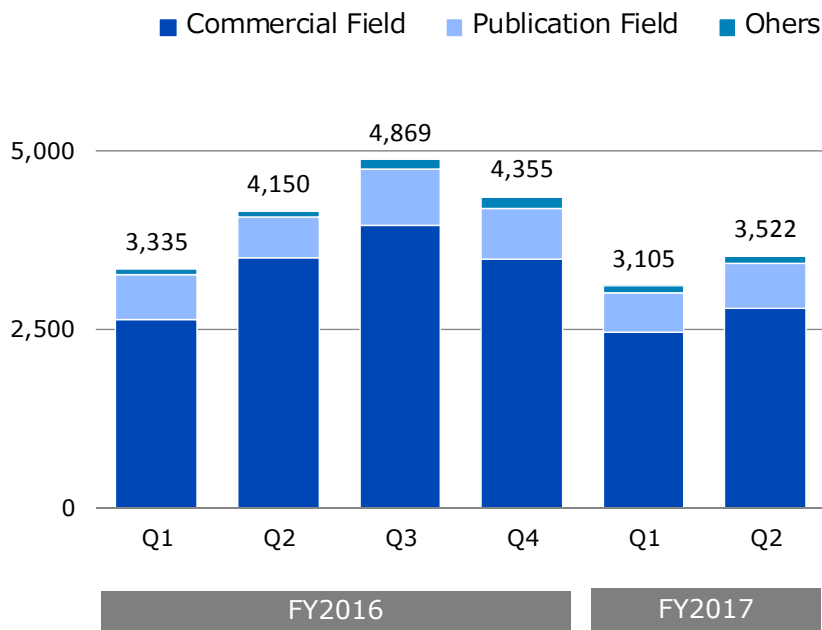
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# Information and Communication

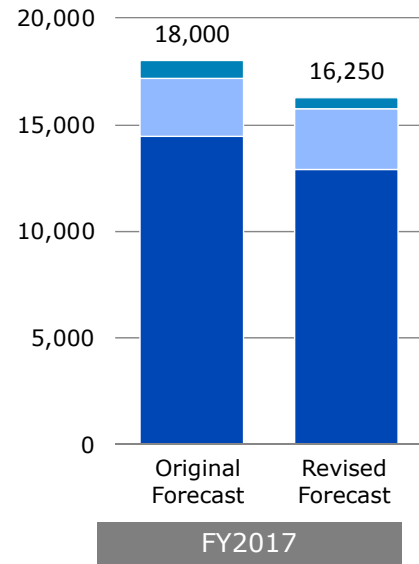
Net Sales by Field (Quarter)

(Millions of Yen)  
7,500



(Full year)

(Millions of Yen)  
25,000

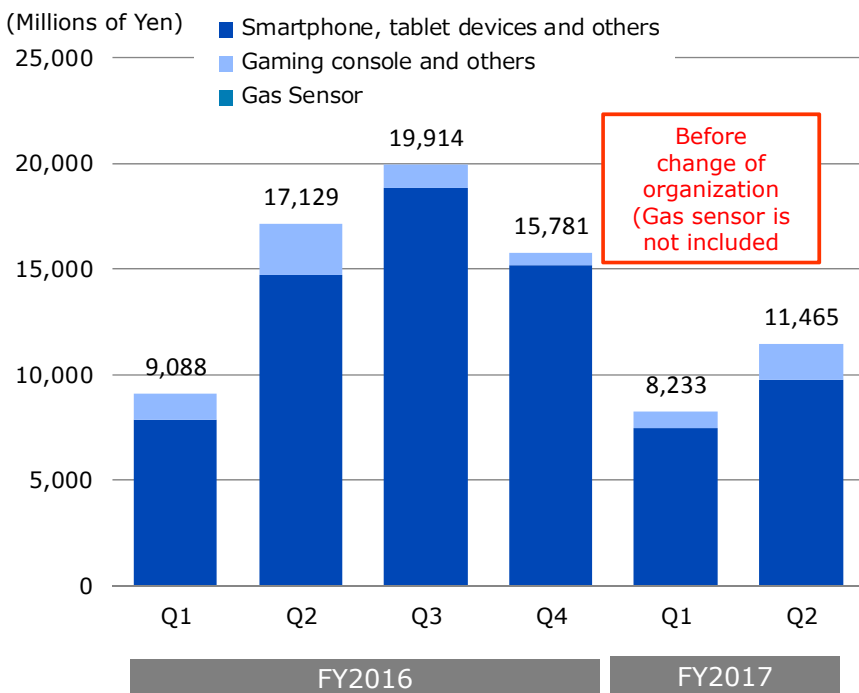


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# Devices

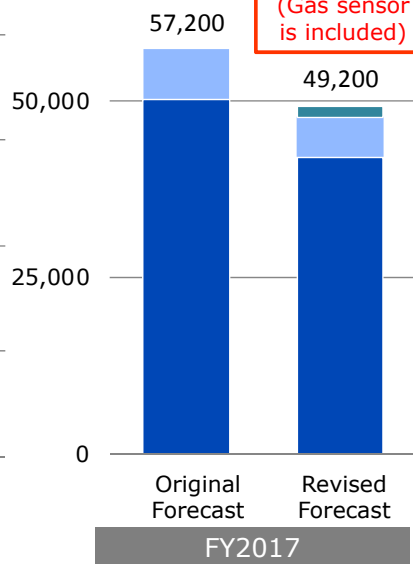
Net Sales by Application (Quarter)

(Millions of Yen)  
25,000



(Full year)

(Millions of Yen)  
75,000



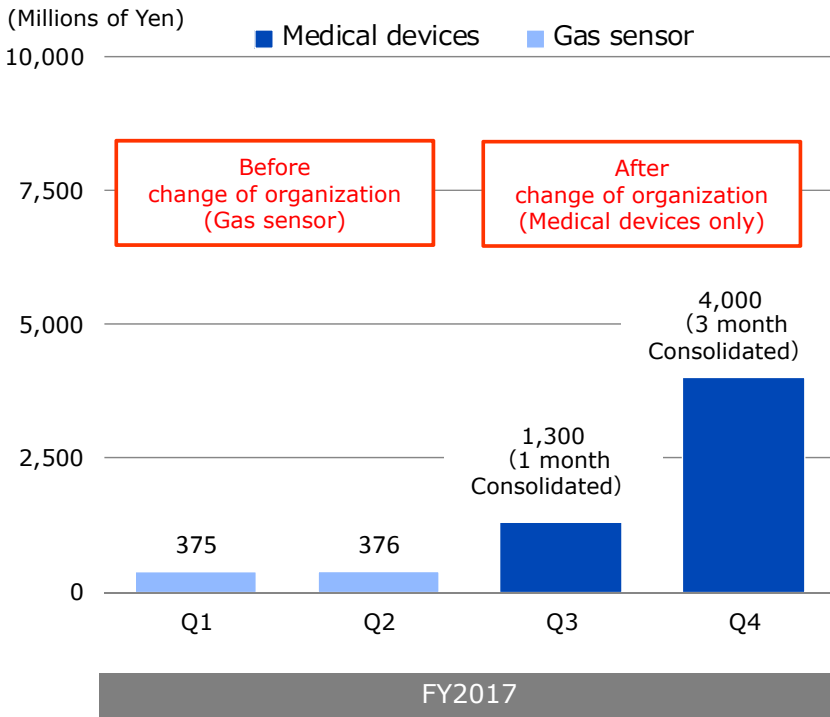
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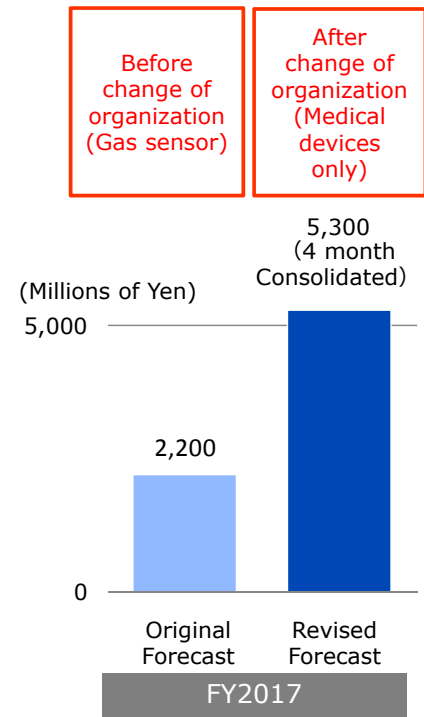
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# Life Innovation

Net Sales by Application (Quarter)



(Full year)



Before change of organization (Gas sensor)

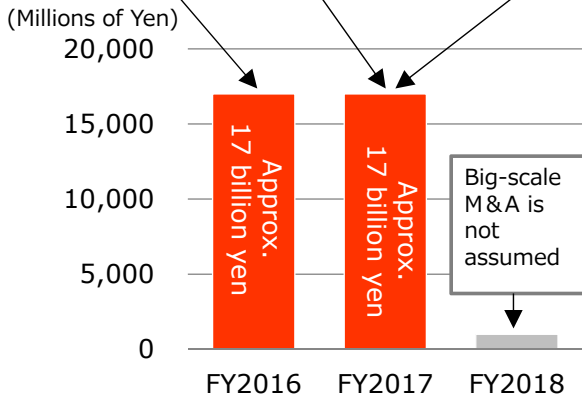
After change of organization (Medical devices only)

## Progress of the Fifth Medium-term Business Plan (FY2016 - FY2018)

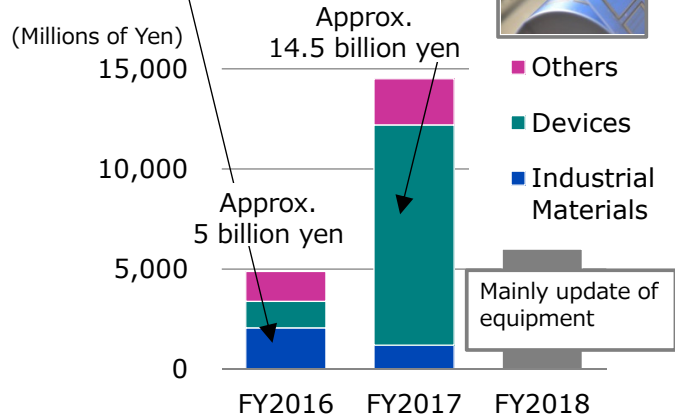
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# Investment Strategy of the Fifth Medium-term Business Plan shows progress

## M&A Budget for 3 years: 35 billion yen



## Capex Budget for 3 years: 26 billion yen (Increased from original 18 billion yen budget)



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## Life Innovation

### Acquired US Headquartered global medical devices and consumables manufacturer, Graphic Controls.

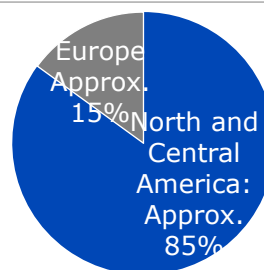
Founded	1909
Performance (FY2015, ended December 2015)	*Net Sales 16,889 millions of yen EBITDA 2,480 millions of yen (EBITDA Ratio: 14.7%)
Main Bases	USA (Headquarters, sales, production), Canada (Sales), UK, Germany, Austria, France (Sales, production), Dominican Republic (Production), Belgium, Poland (Sales)
Employees	1,002 (As of September 2016)
Business	Medical Devices, Business Media

\*¥110/\$, including performance of CEA Group acquired in May 2016 (Sales: 3,758 millions yen EBITDA: 280 millions of yen)

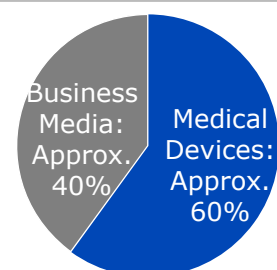
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Net Sales by Region



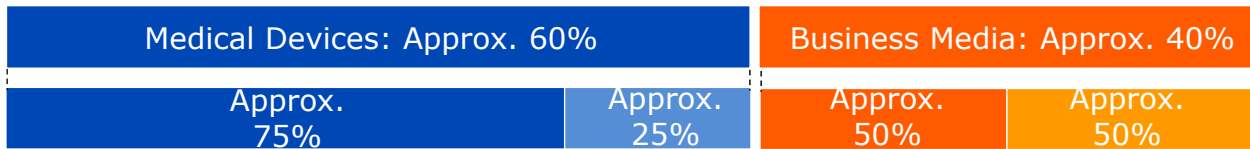
Net Sales by Business



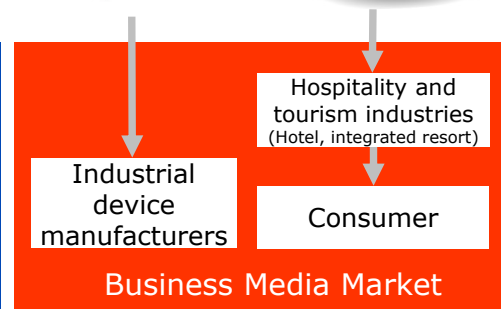
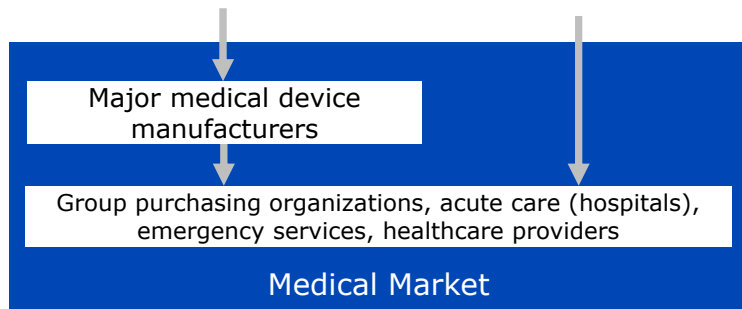
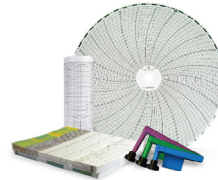
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# Medical Devices lead growth



- OEM products
- Graphic Controls' brand products
- Industrial recording materials
- Materials for tickets and cards



\*These medical devices are currently not produced and sold in Japan.

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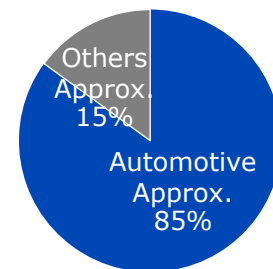


# Acquired German automotive plastic molding manufacturer, Schuster group

[Outline of Schuster group]

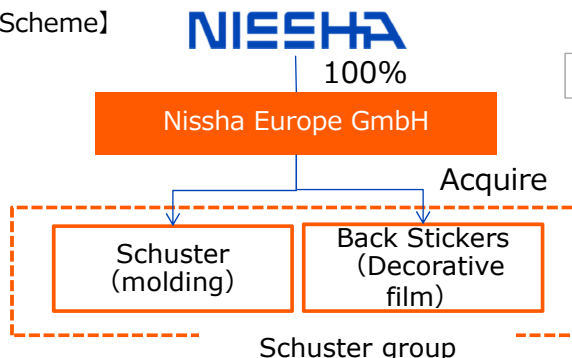
Founded	1930
Performance(FY2015, ended Dec. 2015)	*Net Sales 2,365 million of yen EBITDA 316 million of yen (EBITDA Ratio:13.3%)
Bases	Germany, Netherlands
Business	Molding and decorative film printing for automotive

Net Sales by market



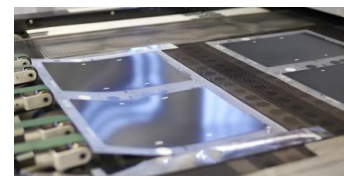
\*1Euro = 115 yen

[Scheme]



Molding

Decorative film



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# Building the global manufacturing network for automotive market

- Gain decorative film printing and molding manufacturing bases in Europe (Vertical integration strategy)
- Gain customer bases of European automobile manufacturer (Acquisition of sales channel)
- Gain IML, the technology complementary each other with IMD (Expansion of products lineups)

**Schuster (Germany)**

**Eimo Technologies (USA)**

**Si-Cal Technologies (USA)**

**PMX Technologies (Mexico)**

**Southern Nissha (Malaysia)**

**Nissha (Kunshan) Precision IMD Mold (China)**

**Guangzhou Nissha High Precision Plastics (China)**

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Thank you.



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