NISSHA

Nissha Report 2016

English

Empowering Your Vision

The Evolution of Nissha

At Nissha, we have expanded our business domain through unparalleled manufacturing with printing at the core.
We are currently implementing our Fifth Medium-term Business Plan in the aim of achieving growth through reorganization of our business/product portfolio.

Founding

1929-

Our first company president, Naoki Suzuki, launched our printing business from his home in Kyoto. His lofty ideal was that anyone can do typeset printing, so we should do art printing that no one else is doing.

Founder, first president
Naoki Suzuki
1929 Founded the Company
1946 Established Nissha Printing, Co., Ltd.

First phase of diversification

1959-

Our second president, Shozo Suzuki, believed that there would be limits to our growth if we focused on paper printing alone, so he endeavored to expand our business domains by printing on everything but water and air, giving rise to our current Industrial Materials and Devices businesses (first phase of diversification).

Second president
Shozo Suzuki
1959 Assumed post of President

Third president
Hiroshi Furukawa
1992 Assumed post of President

Globalization

1998-

Current company president Junya Suzuki is boldly promoting global expansion of our businesses. Our products have come to be used by many global companies. Our Industrial Materials Business in particular achieved rapid growth, accurately perceiving the overwhelming demand in the consumer electronics field, including mobile phones and notebook PCs. In fiscal 2008, we surpassed ¥100 billion in consolidated net sales.

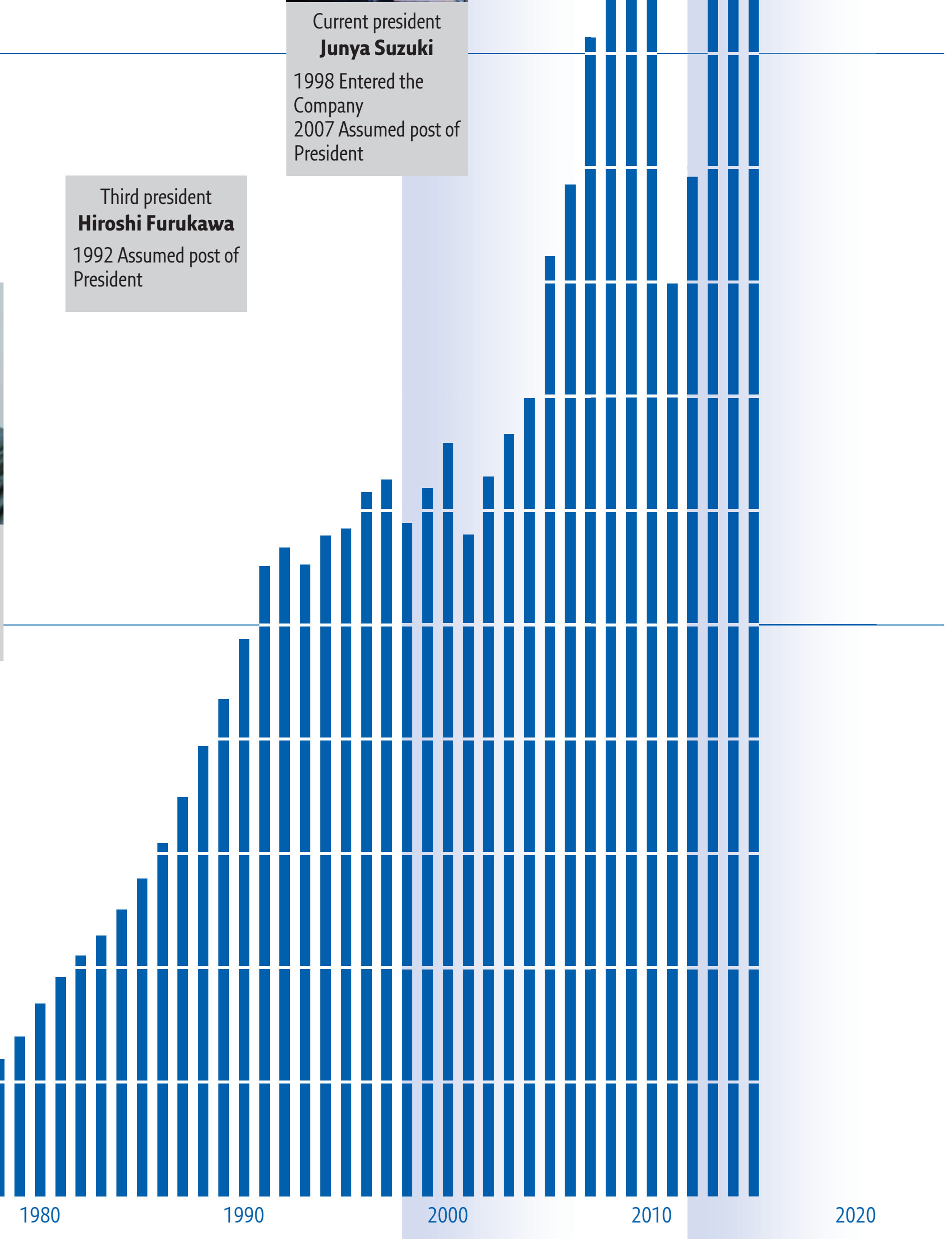
Current president
Junya Suzuki
1998 Entered the Company
2007 Assumed post of President

Second phase of diversification

2012-

Touch panels manufactured using a new method in our Devices Business drive company-wide performance. At the same time, the consumer electronics field, which is the main focus of the Devices Business, is undergoing drastic changes in the market environment, so it will be necessary for us to expand into other target markets and optimize our target market portfolio.
We hope to make automobiles, packaging (metallized paper), medical treatment/healthcare and other fields where steady market growth is expected into core businesses on the same level as consumer electronics. We will achieve steady, sustainable growth by building a balanced business portfolio.

Toward steady, sustainable growth



Net Sales from1946 (Establishment)
(Millions of yen)

Our Business Journey

Industrial Materials

2015
Net sales grow in automotive field
The automotive field is a key market where steady growth is expected. In fiscal 2016, it grew to account for about half of the business' net sales.

2015
Acquisition of world's leading metallized paper manufacturer
We entered the printing related materials field through M&A, gaining access to new markets like food, beverage and consumer products.

2000s
IMD makes rapid progress in global market
As the consumer electronics market grew, including mobile phones and notebook PCs, our IMD was adopted by one customer after another that held a large share of the global market.

1983
Development of simultaneous molding and decorative transfer system (IMD)

1967
First wood-grain transfer foil made in Japan, *Patran*
With the rapid spread of plastic products, the foil was used widely as a finishing for home appliances.

1961
Soft packaging business is launched

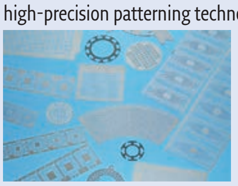
Devices

2016
Acceleration of new product development
We are accelerating development of force sensors and wireless sensor network-related products as new products to follow our touch panels.

2012
Capacitive-type touch panels made using photolithography process introduced to market

1990
Development of FineTouch (touch panel)

1970
Entry into electronic components business
We developed electronic components like printed circuit boards applying high-precision patterning technology.



Toward steady, sustainable growth

Second phase of diversification 2012-

Globalization 1998-

First phase of diversification 1959-

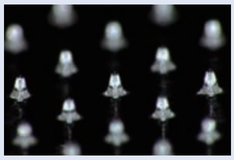
Founding 1929-

Life Innovation

2015
Establishment of Life Innovation Business
We launched a new business with the mission of introducing new products to growth markets like medical treatment and healthcare.

2014
Acquisition of gas sensor manufacturer

2013
Full-scale development of dissolving microneedle patches
We developed a dissolving microneedle patch through R&D activities employing open innovation.



2007
Establishment of Corporate R&D Department
We launched full-scale R&D in the aim of creating new businesses.

Information and Communication

2015
Information and Communication Business split-off
Demand for printed materials has declined as a result of changes in the market environment. We split the business off in order to adapt and execute bold strategies, thereby improving its autonomy. Since April 2016 we have also been working on cost restructuring through production tie-ups with another printing company.

1976
Advance of sales promotion business
In the field of commercial printing, in addition to printed materials, we began offering support for the sales promotions of our corporate customers by combining various products and services.

1949 Completion of Japanese dictionary *Genrin*

1948 Delivery of *New Japan*
The first quality Japanese dictionary after the war to use the new kana orthography, Genrin was completed through close collaboration between Nissha and the publisher and was acclaimed as a great cultural work. The annual PR magazine New Japan provided information on Japan's reconstruction to people in other countries, and the beautiful pages laid the foundation for Nissha's reputation as the go-to company for quality art printing.

Our Governance and CSR Journey

Corporate Governance

Achieving further improvement of corporate value

Improving effectiveness of governance

We are currently implementing various efforts to further increase the effectiveness of governance in the aim of further improving our corporate value.

- 2016 Performance-based stock compensation plan for Directors and corporate officers is adopted
- 2016 Number of Independent Directors is increased (50% of board)
- 2016 Board of Directors effectiveness evaluations are launched
- 2015 Nominating and Remuneration Committee is established
- 2015 Corporate Governance Policy is published
- 2015 First corporate officer of foreign nationality is appointed
- 2014 First female Director is appointed

Efforts to strengthen governance

We introduced a corporate officer system and separated strategy development and management oversight from business execution. Independent Directors are actively appointed to the Board of Directors.

- 2008 Corporate officer system is adopted
- 2007 Term of office of Directors is changed from two years to one (clarification of management responsibility)
- 2007 First Independent Director is appointed

Management leadership and governance

Since our founding, Nissha has implemented strategies that precisely address changes in the management environment under the strong leadership of our management. We believe that strengthening corporate governance based on this leadership will promote swift and bold decision-making and lead to transparency and fairness in management.

Toward steady, sustainable growth

Second phase of diversification
2012-

Globalization
1998-

First phase of diversification
1959-

CSR

Becoming a company that balances company growth with creation of social value

Promoting CSR activities from a global perspective

Corporate social responsibility covers a broad range of fields, including labor and human rights, safety and health, the environment, and ethics. We are addressing these CSR challenges from a global perspective through the implementation of a management system at the CSR Committee.

- 2015 CSR Committee is established
- 2015 New brand statement “Empowering Your Vision” is announced
- 2012 Nissha signs UN Global Compact

Empowering Your Vision

Full awareness of stakeholders arises

Committed to Co-existence with society, Nissha became fully aware of the existence of our stakeholders. Junya Suzuki, who became company president in 2007, emphasizes dialog with stakeholders and has encouraged corporate communication activities, including public and investor relations.

- 2007 Public and investor relations are launched in earnest
- 2006 CSR Department is established

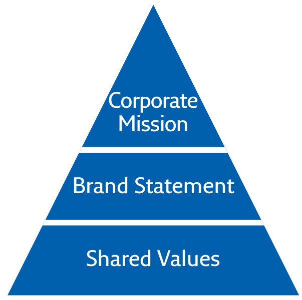
Emphasizing co-existence with society

At Nissha, we have a steadfast commitment to Co-existence with society. With the global expansion of our business, global companies facing social problems on a global scale have become our customers. Meeting each requirement of these customers has become the foundation for our current CSR activities.

- 2006 Management audit is conducted by global leader in IT industry

Corporate Philosophy

Nissha has integrated its standards of thought, rules of conduct, and corporate mission—ideals held in high regard—into a Corporate Philosophy that is greatly valued.



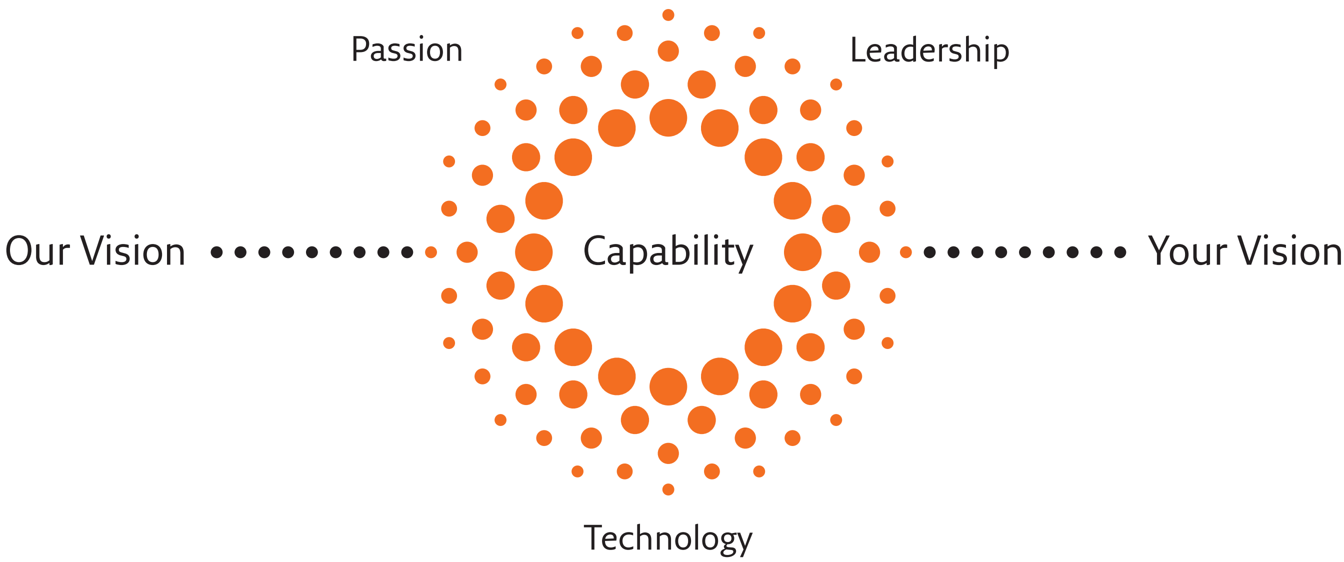
Corporate Mission

We are committed to pursuing a mutually trustful Co-existence with society through our business activities utilizing a unique technology development, based on Printing as a core.

Brand Statement

Empowering Your Vision

“Empowering Your Vision” expresses the relationship of Co-existence between Nissha and our stakeholders. Both we and our customers, shareholders, employees, suppliers, and society have visions, and we mutually affect each other toward realizing it. We maximize our capabilities driven by our technology, passion, and leadership, and with the energy infused in us by our stakeholders, together create value for the future.



Shared Values

Growth Based on Customer Satisfaction
We create new value for our customers and transform it into a driver of growth.

Commitment to Results
We set challenging goals for ourselves and deliver results.

Magnify Leadership
We exhibit leadership and resolve difficulties regardless of division or position.

Diverse Capabilities
We respect diversity that enhances our organizational capabilities and drives growth.

Sustainability Through Integrity
We value individual dignity and conduct fair business as a global corporate citizen.

Contents

Editorial Policy

"Nissha Report 2016" is put together as an integrated report consisting of both financial information and non-financial information related to topics like corporate governance and CSR. The purpose is to help our stakeholders, including shareholders and investors, gain a deeper understanding of Nissha.

- The earnings forecasts in this report for the fiscal year ending March 31, 2017 and later are based on the information announced in May 2016.
  The latest statements, earnings forecasts and other information is available in the Investors section of our website.
  http://www.nissha.com/english/ir/index.html
- More detailed CSR information is available in the CSR Report (PDF) published on our website.
  http://www.nissha.com/english/csr/download.html

Message from the CEO

We have set out to reorganize our business portfolio to ensure sustainable growth and are in the second year of our Fifth Medium-term Business Plan, which aims to achieve balanced management.

Junya Suzuki
President and CEO
Chairman of the Board

Results of reorganizing business portfolio

We have been implementing our three-year Fifth Medium-term Business Plan since April 2015, the basic strategy of which is to reorganize our business portfolio. During fiscal 2016, which is the first year of the plan, we were able to make progress on reorganization particularly in the Industrial Materials and Information and Communication businesses through specific activities in accordance with the strategy of the Fifth Medium-term Business Plan.

Incorporation of Metallized Paper Business through M&A (Industrial Materials Business)

The Fifth Medium-term Business Plan calls for the use of M&As as a means of rapidly implementing measures toward further growth, including acquisition of new markets, acquisition of new core technologies and promotion of vertical integration. In August 2015, the Industrial Materials Business acquired the AR Metallizing Group, a global leader in metallized paper for high-end labels and packaging, and made it a subsidiary. In so doing, we incorporated production and sales of metallized paper, which is a business upstream of and closely related to the printing business, into our business portfolio and expanded our reach in the global market to include food, beverage, consumer products and others. Then, in December 2015, AR Metallizing Group acquired Brazilian metallized paper manufacturer Málaga Produtos Metalizados in order to geographically expand its business. This allowed us to add the rapidly growing South American market to our existing markets of Europe and North America and acquire a local production system.

Expansion of Automotive Field, a Key Market (Industrial Materials Business)

The Industrial Materials Business has identified the automotive field, which is expected to continue steadily growing, as a key market to develop into an earnings driver. In fiscal 2016, net sales in the automotive field increased a remarkable 52% year on year.

In the automotive industry, there is a tendency for supply chains to form by region, such as North America and Mexico, Europe and Southeast Asia. We have been exporting decorative film for automotive interiors to these regions for some time, but in recent years we have been stepping up our efforts to localize the injection molding process, which is downstream of decorative film. By making decorative molded products using decorative film as well, we seek to improve the added value of our products and promote a shift from a business model based on exports to one based on local production for local consumption.

Improving Profitability through Split-off and Production Tie-up with an Another Printing Company (Information and Communication Business)

Demand for printed material continues to decline due to such factors as the diffusion of new information media and diversification of communication methods. In July 2015, we split off our Information and Communication Business and transferred it to Nissha Printing Communications, Inc. (our subsidiary) in order to respond quickly to such changes in the market environment and execute bold strategies. The swift implementation of various measures since the split-off has resulted in the Information and Communication Business turning a profit in fiscal 2016.

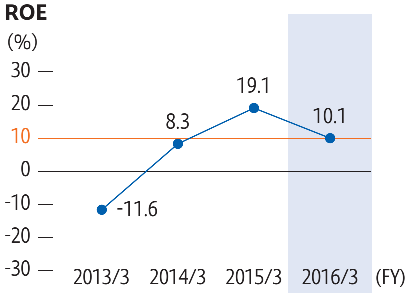
Additionally, we began a production tie-up with Kyodo Printing Co., Ltd., an another major player in the industry, in April 2016. Through this tie-up, we aim to begin restructuring the production system at our Group, accelerate reform of the business cost structure and expand into fields where growth is expected.

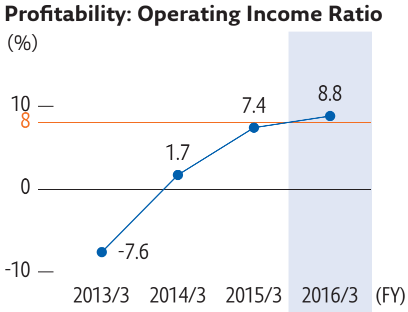
We adapt ROE (return on equity) and ROIC (return on invested capital) as management indices for measuring the effectiveness of our Fifth Medium-term Business Plan and promote reorganization of our business portfolio from the standpoint of business profitability and asset efficiency.

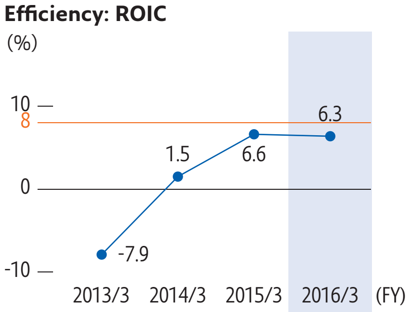
In fiscal 2016, we were able to meet the target ROE of 10% from the Fifth Medium-term Business Plan despite a loss on foreign exchange resulting from appreciation of the yen. Due to the increase in assets invested as a result of M&As and other measures implemented during the year, we were unable to meet the target ROIC of 8%.

▼ Trends in Financial Indices

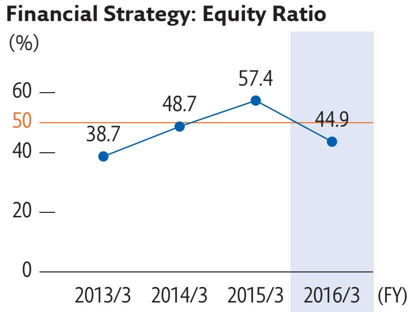
The targets of the Fifth Medium-term Business Plan are shown by the orange lines. During fiscal 2016 there were positive developments in business profitability, but there are still issues with business efficiency.







*ROIC: Operating income x (1 - Effective tax rate: 35%) / (Working capital + Property, plant and equipment + Intangible assets + Cash and deposits + Investment securities)



Key Points of Fifth Medium-term Business Plan (FY2016-FY2018)

With the advances we have made in printing technology, we have been able to expand our business into such fields as Industrial Materials and Devices. Particularly, by concentrating management resources in the consumer electronics field, including mobile phones and notebook PCs, from the 1990s to the 2000s, we were able to achieve substantial growth. However, since the global financial crisis in 2008, this field has seen drastic fluctuations in product demand and falling unit prices, and our results have been heavily impacted by these changes in the market environment.

If we are to continue to grow, we cannot rely on simply making advances in our existing printing technology. Instead, we must accelerate product development by acquiring new technologies and enter markets where stable growth is expected on a global level to end our reliance on specific industries.

Based on our awareness of these issues, the Fifth Medium-term Business Plan establishes a Medium-term Vision and sets forth numerical targets along with five basic strategies for achieving them.

Medium-term Vision

We will acquire and merge new core technologies into printing technologies and completely reorganize our business portfolio in global growth markets

Numerical Targets (FY2018)

Consolidated sales: ¥150 billion (¥170 billion including M&A potential)
Consolidated operating income: ¥12 billion
ROE: 10% or higher
ROIC: 8% or higher
At least 35% of sales ratio from new business/product development

Five Basic Strategies

1. Reorganization of product/market portfolios
   By enhancing our product lineup and entering markets where growth is expected on a global basis, we will end our overdependence on specific products and markets.
2. Withdrawal from unprofitable fields
   With discipline, we will make the decision to shrink or withdraw from businesses and products determined based on analysis of the business market to be unlikely to turn a profit and redistribute our management resources in fields more likely to grow.
3. Promotion of vertical integration in supply chain
   We aim to improve the added value of our products or enter new markets by incorporating processes upstream or downstream of our products.
4. Incorporation of new core technologies
   We will accelerate new product development by combining the technologies we have cultivated while at the same time enhancing our core technologies.
5. Achievement of growth through M&As
   We will actively utilize M&As to swiftly implement acquisition of new markets, promotion of vertical integration and acquisition of new core technologies.

Aiming for balanced management

We will continue this year (fiscal 2017) to engage in specific efforts to contribute to the strategy of reorganization set forth in our Fifth Medium-term Business Plan, and in fiscal 2018, our aim will be to achieve our Medium-term Vision of finishing the reorganization of our business portfolio.

The budget for M&As in the Fifth Medium-term Business Plan is ¥35 billion over three years, of which about ¥16.5 billion was used to acquire the metallized paper business last year (fiscal 2016). We hope to use the remainder (about ¥18.5 billion*) in M&As to facilitate reorganization. On the other hand, in light of changes in the environment of existing businesses, the budget for capital investments has been increased by ¥8 billion compared to the initial plan (¥18 billion) to ¥26 billion over three years.

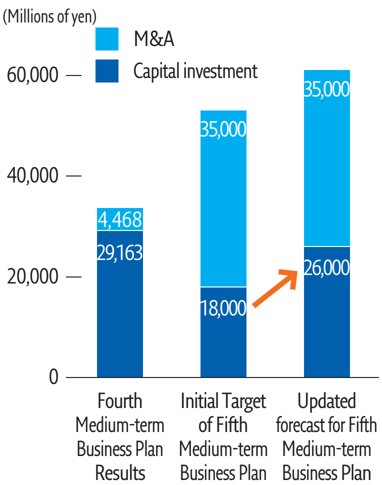
*Amounts before the announcement of the acquisition of US Headquartered global medical devices and consumables manufacture, Graphic Controls (planned in late August 2016)

By effectively utilizing these budgets for M&As and capital investments, we envision accelerated growth in fiscal 2018 and beyond. There is potential in the consumer electronics (IT) field, which is currently our focus, for further business opportunities in the future as innovation progress. However, we also recognize that overdependence on this field, which has a rapidly ups and downs business environment, is risky. As such, we believe that as market opportunities in the IT field expand it is essential that we promptly enter markets where stable growth is expected and expand business in there. The automotive field, which has continued to expand in recent years, and the metallized paper field, in which we acquired a business, are expected to continue steady growth. Our ideal business portfolio is one that maintains a balance between the rapidly changing IT field and fields where stable growth is expected.

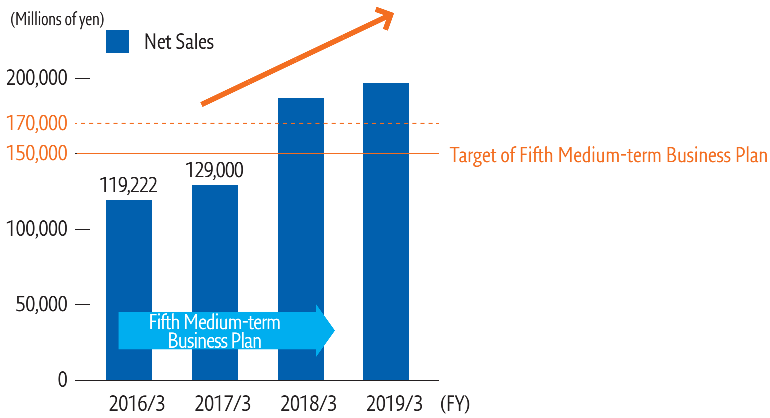
▼ Three-year Investment Budget and Envisioned Growth in Net Sales

We raised our three-year investment budget to ¥61 billion (left). Thanks to this, there is a possibility that fiscal 2018 net sales may exceed the target of the Fifth Medium-term Business Plan (right).

Three-year Investment Budget



Envisioned Growth of Net Sales



Putting "Empowering Your Vision" into practice and providing value to society

In conjunction with the launch of implementation of our Fifth Medium-term Business Plan in April 2015, we put forth the new brand statement of "Empowering Your Vision." This brand statement is an expression of our commitment to growing together with our shareholders, customers, employees, suppliers and society, influencing each other as we work to achieve our respective visions.

Our mission is to continue providing new value to society while working together with our stakeholders and to achieve sustainable growth. We are currently putting our strategy of reorganization into practice in order to make that possible and hope to finish putting together a balanced business foundation as soon as possible. Our stakeholders have cause to be excited about the future growth and potential of our Group.

President and CEO
Chairman of the Board

Progress of the Fifth Medium-term Business Plan: Acquire US Headquartered global medical devices and consumables manufacture

We announced the acquisition of US Headquartered global medical devices and consumables manufacture, Graphic Controls, on August 5, 2016. In its main medical devices business, Graphic Controls Group manufactures and sells its own brand products to medical institutions such as hospitals in the North and Central America and Europe, while also providing contract manufacturing services for major medical device manufacturers. The medical devices and consumables sector in which the Graphic Controls Group is involved is forecast to grow on a global basis, against a backdrop of an increasingly aging society and proliferation of preventative medicine. Additionally, there is an increasing trend for major medical device manufacturers to focus on research and development and outsource the manufacture of medical devices to contract manufacturing providers. Accordingly, Graphic Controls Group is expected to demonstrate steady growth in the future in both its branded medical products and medical device contract manufacturing businesses.

In the Fifth Medium-term Business Plan (FY2016 - FY2018) we pursues the establishment of business foundation that can secure sustained and stable profits. We has promoted research and study in the medical market as a high potential target market, which is expected to grow on a global basis. This acquisition will provide us a broad product portfolio of medical devices and consumables, manufacturing capabilities for medical devices, and sales channels in the North and Central America and Europe to expand its business in the medical devices and consumables sector.

The acquisition of Graphic Controls is the second round of large scale M&A following the acquisition of AR Metallizing in FY2015. We are pouring our energies into achieving Medium-term Vision as: "completely reorganize our business portfolio in global growth markets".

About Graphic Controls

Founded	1909
Performance (FY2015, ended Decemder 2015)	*Net Sales 16,889 millions of yen EBITDA 2,480 millions of yen (EBITDA Ratio: 14.7%) *¥110/$, including performance of CEA Group acquired in May 2016 (Sales: 3,758 millions of yen EBITDA: 280 millions of yen)
Main Bases	USA (Headquarters, sales, production), Canada (Sales), UK, Germany, Austria, France (Sales, production), Dominican Republic (Production), Belgium, Poland (Sales)
Employees	Approximately 1,000 (As of May 2016)
Business	Medical Devices, Business Media

Message from the CFO (Financial Strategy)

We raised the growth funds necessary to achieve the targets of the Fifth Medium-term Business Plan and will use them in the aim of becoming a company that earns steady, high profits.

Hayato Nishihara
Director, Member of the Board
Senior Executive Vice President
Chief Financial Officer

Signs of recovery in Industrial Materials and Information and Communication Businesses

In the fiscal year ended March 31, 2016, we were able to achieve increases in both sales and profits, with net sales coming in at ¥119,222 million (an increase of 0.4% year on year) and operating income at ¥10,541 million (an increase of 20.5% year on year). However, the rapid appreciation of the yen at the end of the year resulted in a foreign exchange loss of ¥1,023 million (last year we posted a gain of ¥4,546 million). As such, ordinary income fell to ¥9,237 million (a decrease of 26.1% year on year), and net profit attributable to parent company owners fell to ¥6,898 million (a decrease of 38.7% year on year).

An assessment of the fiscal 2016 results by business is provided below.

Industrial Materials

Net sales in the Industrial Materials Business increased 32.7% year on year to ¥39,095 million thanks to increased sales to the automotive industry as well as the inclusion of four months of results from the AR Metallizing Group, which was acquired in August 2015, in our consolidated results. In the fiscal year ending March 31, 2017, the AR Metallizing Group will contribute to the full-year results, so we expect an even further increase in net sales. These past few years, the Industrial Materials Business has been struggling with slumping net sales, but the shift upward is very promising. Operating income was minus ¥593 million, but this was due to temporary expenses related to the acquisition of the AR Metallizing Group, and if these are excluded there was a slight profit.

Devices

Net sales in the Devices Business were down 11.9% year on year at ¥61,912 million, but improvements in yield and improvements in productivity through thorough cost control contributed to an 8.0% increase in operating income year on year.

Life Innovation

Launched in April 2015, the Life Innovation Business achieved net sales of ¥1,337 million, but it did not contribute in terms of income. It is urgent that the business first turn a profit and then establish the ability to move forward independently.

Information and Communication

In the Information and Communication Business, net sales were down 6.6% year on year to ¥16,709 million, but operating income was in the black, albeit only slightly at ¥81 million (last year it was in the red). Efforts carried out since the business was split off in July 2015 to improve profitability on the project level and achieve thorough cost structure reform on the business unit level have paid off.

As seen above, there is still overdependence of performance on the Devices Business, and the pace at which improvements are being made is less than satisfying, but the upward trend in net sales in the Industrial Materials Business and the increasing profitability of the Information and Communication Business are signs of a sure come-back.

Raising of growth funds through issuance of convertible bonds

The Medium-term Vision put forth in the Fifth Medium-term Business Plan launched in April 2015 is to “acquire and merge new core technologies into printing technologies and completely reorganize our business portfolio in global growth markets.” For us to implement our financial strategy, it is essential that we secure the funds for making growth investments to achieve this vision. In accordance with this strategy, we utilized equity financing for the first time in about 25 years in March 2016, issuing ¥20 billion in five-year euro-yen denominated convertible bonds.

The funds raised by issuing these convertible bonds are allocated to M&A-related pursuits to facilitate reorganization of our business portfolio. When these bonds are converted, we will make effective use of treasury shares and will avoid increasing the total number of issued shares (share dilution) as much as possible.

The primary focus of our financial strategy in the Fifth Medium-term Business Plan is engaging in financial operations that balance financial soundness (such as the equity ratio) with capital efficiency (such as ROE).

Our total assets increased with the acquisition of the AR Metallizing Group, so our equity ratio was 44.9% as of March 31, 2016 (a 12.5 point drop year on year). However, by securing stable, long-term funds for the five-year period of the convertible bonds, our current ratio, which is an indicator of financial soundness, has increased 23.7 points year on year to 172.5%, and our fixed assets to long term capital ratio dropped 6.6 points year on year to 67.2%. We view the drop in the equity ratio as temporary and would like to raise it to around 50% within the period of the Fifth Medium-term Business Plan. ROE (Return on Equity), which is an indicator of capital efficiency, dropped 9 points year on year due primarily to the yen appreciating in the year-end exchange rate, but we were still able to keep it in double digits at 10.1%.

Aiming to become a company with stable, high profits

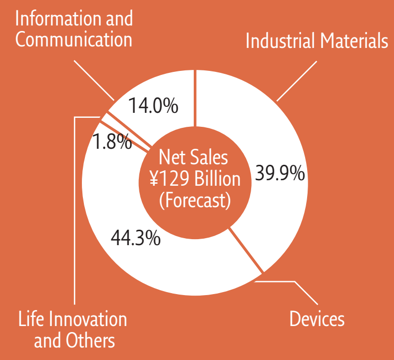
We recognize diluted EPS (earnings per share) and diluted BPS (book value per share) as very important management indicators after the issuance of convertible bonds. Our immediate target is to return them to the levels they were at prior to the issuance of the convertible bonds. The only way to do this is to build up cash flows and profits.

As mentioned earlier, our investment capital demand is very high as we attempt to reorganize our business portfolio, so we expect to leave the fiscal 2017 dividend the same as that of fiscal 2016 (30 yen per share). We have consistently held the belief that becoming a company with stable, high profits through the achievement of the Medium-term Vision set forth in the Fifth Medium-term Business Plan is precisely what will lead to improved corporate value. We believe that is the only way we will be able to continue offering steady dividends to reward the support of our shareholders and meet the expectations of our stakeholders.

Business Description

Nissha is engaged in the four businesses of Industrial Materials, Devices, Life Innovation, and Information and Communication.

▼ **Composition of Net Sales by Business (FY2017 Forecast)**



Industrial Materials

Industrial Materials is a business featuring proprietary technology for beautifying the surface of various materials. IMD, which involves transferring simultaneously as plastic is formed, is used widely in the global market, including automotive interiors, home appliances and smartphones. Our metallized paper, which offers both metallic luster and printability, has captured one of the top global market shares in the industry as packaging material for food and beverage.

Devices

Devices is a business centered on film-based capacitive-type touch panels. We possess proprietary processing technology with high mass productivity for forming fine conductive patterns on film material. Our products are used widely in tablet devices, smartphones and other such devices. We are also actively working to develop new, next-generation products like force sensors.

Life Innovation

Life Innovation is a business that seeks to contribute to safe and healthy lifestyles. The main products in this business are currently gas sensors that detect gas and expiration. At the same time, we aim to deploy the business to include new drug delivery systems (DDS) for drugs and cosmetics, and we are working to develop products like dissolving microneedle patches.

Information and Communication

Information and Communication is a business that supports the marketing strategies and the general communication strategies of our customers, like advertising and sales promotions. Building on our founding business, we offer various products and services, including printing for publishing, printing for business, sales promotions, web-based solutions and digital archives. We seek to be a partner to our customers and solve various communication-related challenges.

Industrial Materials

We are developing the printing related materials field, centering on metallized paper, into a core business on the same level as the decorative field, accelerating our strategy of reorganization.

Kiyohiko Kato
Senior Executive Vice President
General Manager of Industrial Materials Business Unit

The challenge is diversifying target markets

The Industrial Materials Business features proprietary technology for beautifying the surface of various materials. Our IMD (In-mold Decoration), which involves transferring design and function simultaneously with plastic forming, is used widely in automotive interiors, home appliances, smartphones and other products, and has been rated highly by customers in the global market.

From the 1990s to the 2000s, the Industrial Materials Business achieved rapid growth, boosted by overwhelming demand in the consumer electronics field, including mobile phones and notebook PCs. However, since the global financial crisis precipitated by the Lehman Brothers' bankruptcy in 2008, product demand in this field has been increasingly volatile, and price reductions have become the norm. Additionally, the business environment has continued to be harsh for the Industrial Materials Business, which has been driven by decorations for cover parts, with mobile phones transforming into smartphones and tablet devices taking the place of notebook PCs.

In response to these changes in the business environment, the Industrial Materials Business is accelerating its transition into a business that can earn stable profits. The key elements of our strategy include reducing our over-dependence on the consumer electronics industry and expanding into fields like automobiles and home appliances where stable growth is expected, developing a global supply chain according to changes in target markets, and entering the printing-related materials field, which is more generalized than decorative products, including printing materials and equipment that are upstream from printing and decoration. The three year period of the Fifth Medium-term Business Plan (fiscal 2016-fiscal 2018) is an important one in which we will move to quickly and steadily implement this strategy and finish the reorganization of our target market and product portfolio.

Progress on reorganization of market/product portfolio through expansion of automotive field and acquisition of metallized paper manufacturer

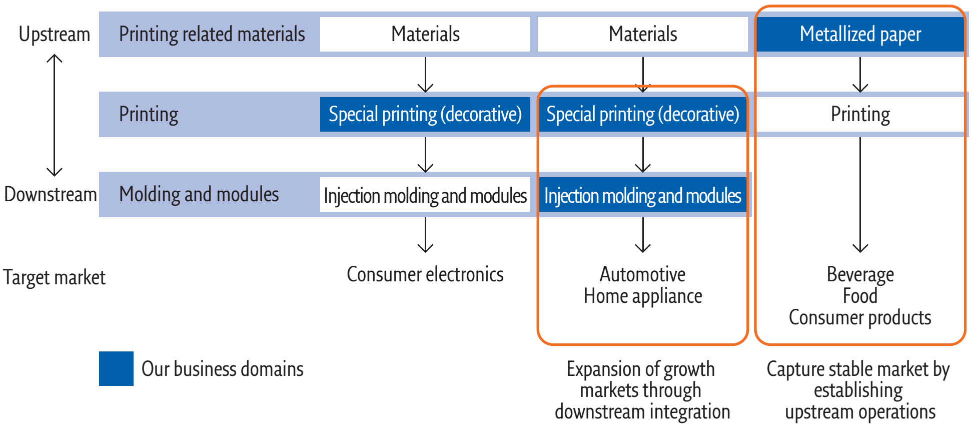
There were several developments contributing to reorganization in fiscal 2016. One was the significant 52% year-on-year growth of the automotive field, which we have designated as a key market, making it a core business to take the place of the consumer electronics field. We continue to maintain favorable relationships with leading North American, European and Japanese automobile manufacturers, and we have improved our ability to respond to

▼ **Molding base in USA (Eimo Technologies)**

customer demand for molded and module products. In so doing, we have built a supply chain that corresponds to the characteristics of the market.

Another development was acquiring the AR Metallizing Group, a global leader in metallized paper, in August 2015 and making it a subsidiary. This allowed us to incorporate metallized paper, a universal material upstream of and closely related to the printing business, into our product portfolio and acquire a stable segment within the global market that includes food, beverage, consumer products and others. Moreover, the AR Metallizing Group acquired Brazilian metallized paper manufacturer Málaga Produtos Metalizados in December 2015. The printing related materials business continues to grow into a core business on the same level as the decorative field.

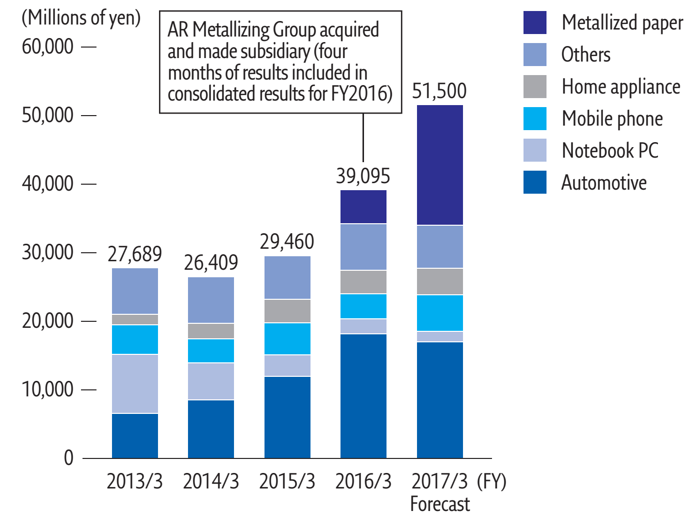
Strategy by Target Market



In fiscal 2017 we will further accelerate such efforts aimed at reorganization and, in the aim of improving business profitability, we will strengthen our quality management system and promote the development of an optimal production system.

The Industrial Materials Business will promote business development along the dual axis of the decorative field centering on IMD and the printing-related materials field centering on metallized paper, and we will pursue synergy between the two fields. Our aim is to drive company-wide performance as a core business on the same level as the Devices Business.

Trends in Net Sales by Application

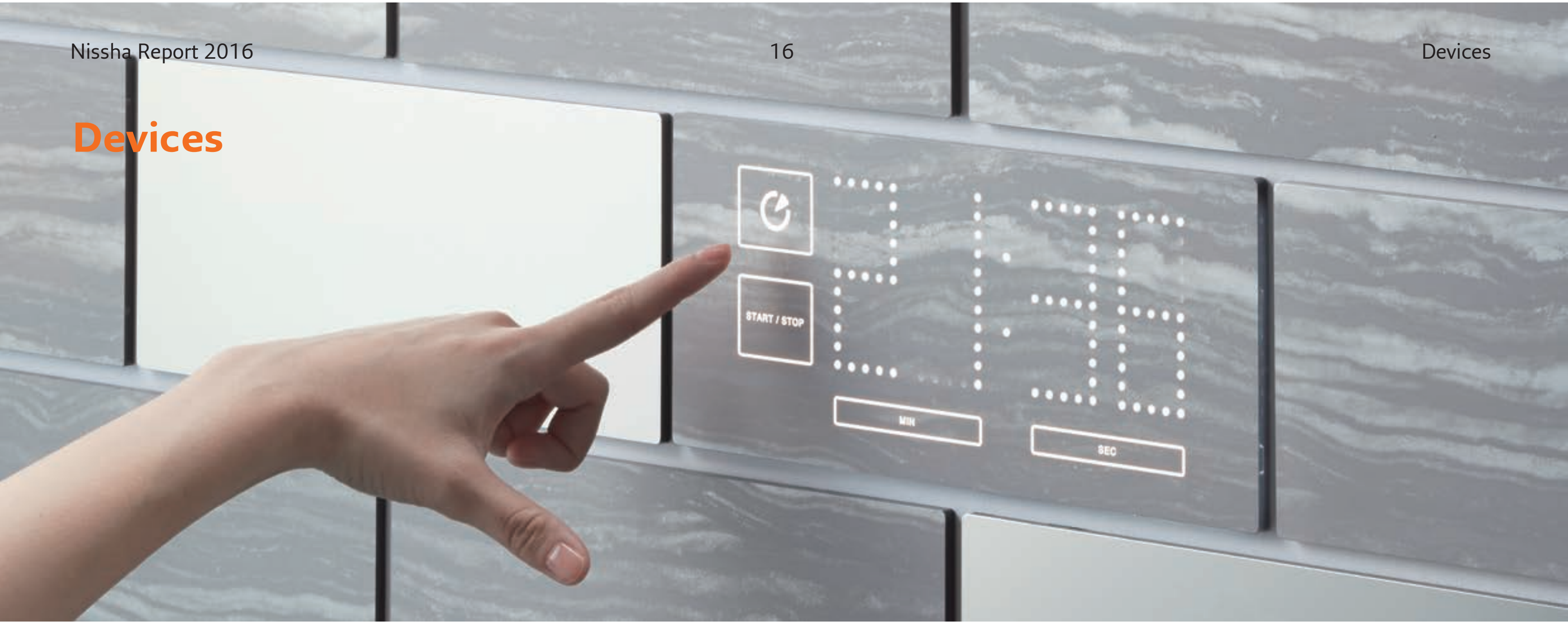


Market Environment and Our Position

- In addition to stable growth of the market for final products, trends such as lighter vehicles and an emphasis on design in major home appliances have created favorable conditions for expansion of materials for automobiles and home appliances.
- Our share of the market for automotive IMD is around 30% (global basis/internal estimate).
- We expect stable demand for metallized paper in advanced countries, and we expect demand to grow in emerging countries in South America, Africa and Southeast Asia as their economies grow.
- Our share of the market for metallized paper is around 40% (global basis/internal estimate).

Metallized paper added to product portfolio

Thanks to its excellent printability and design characteristics, the metallized paper of the AR Metallizing Group is used widely in labels and packaging for food, beverage and consumer products.



Devices

As capacitive-type touch panels drive our financial results, now is the time to accelerate expansion of the next growth products and target markets.

Capacitive-type touch panels establish strong competitiveness

The main product in our Devices Business is our functional FineTouch touch panel. Our product is used widely in tablet devices, smartphones, game consoles and other such devices in the global market.

Since the 1980s, we have been working to develop film-based touch panels, applying the printing technology we have cultivated over the years to form transparent conductive patterns on transparent film. We have expanded our business domain by continuously developing cutting-edge touch panels, launching resistive-type touch panels in the 1990s and capacitive-type touch panels in the 2000s.

More recently, in 2012, we successfully developed capacitive-type touch panels using a new photolithography process, and we began supplying competitive touch panels corresponding to market trends, such as ones with advanced optical characteristics and ultrafine patterning while still featuring thin, light and durable film. Our Himeji Plant in Hyogo and our Kaga Plant in Ishikawa, which are our production bases, possess world-class production and quality control capabilities.

Aiming to accelerate new product development and expand target markets

The current challenge facing the business is its overdependence on a product and target market in a specific field. Our capacitive-type touch panels made using a photolithography process account for the majority of our net sales, while the target market is the consumer electronics market, which is marked by heavy fluctuations in product demand and short product life cycles. For that reason, the Fifth Medium-term Business Plan (fiscal 2016-fiscal 2018) launched in April 2015 calls for acceleration of development of new products to succeed touch panels and expansion of other markets besides the consumer electronics market, including industrial machinery, medical treatment, healthcare, housing and automobiles.

Promising new products include our force sensors and our wireless sensor network products developed in anticipation of future growth of the IoT (Internet of Things) market. We plan to offer integrated system proposals to our customers that combine various sensors such as motion detectors, vibration detectors and gas detectors with technologies like energy harvesting and wireless communication.

To expand our target markets, we will need to secure new sales channels and develop a supply chain tailored to market characteristics and customer needs, including promoting

Daisuke Inoue
Executive Vice President
General Manager of Devices Business Unit

▼ **Wireless Sensor Network**
A wireless sensor network is a system that combines sensors with wireless communication. Various systems can be built, such as indoor environmental monitoring systems that gather information like occupancy, temperature, humidity and CO_2 concentration and monitor the status of office spaces.

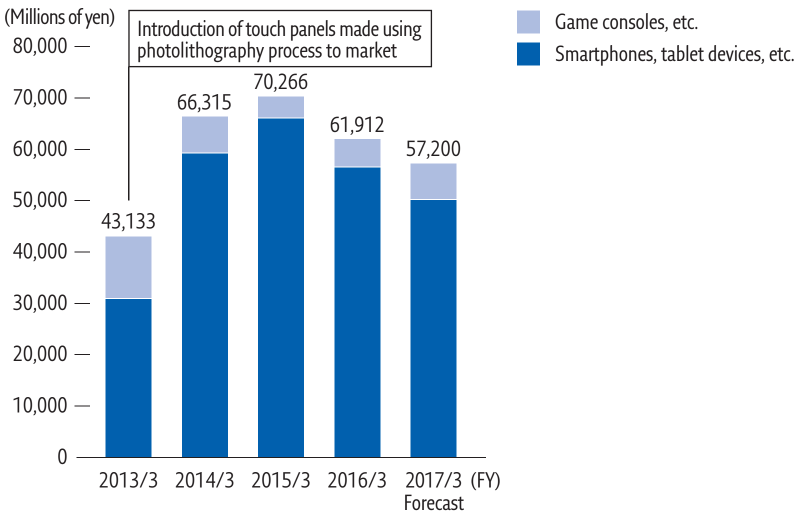
the supply of products in the form of modules that combine touch panels with cover glass, LCDs and other components. In fiscal 2016, we saw real developments, including acceptance of orders for automotive and industrial equipment touch panels as module products.

Strategy of Fifth Medium-term Business Plan

Product / Market	Existing Touch panels	New Other products
Existing Consumer electronics	Existing touch panel business	Introduction of new products to follow touch panels
New Industrial equipment, medical treatment, healthcare, housing, automotive	Development of supply system matching market characteristics, such as module products	Development of new products targeting growth markets

We expect the business environment to remain harsh in fiscal 2017 due to factors such as a stronger yen, but we also expect capacitive-type touch panels made using a photolithography process to continue driving results. The period in which your main product is going strong is precisely the time to quickly and precisely execute your next growth strategy. We hope to increase the depth of our business, accelerating new product development and expanding the target markets while being sensitive to ever-changing market needs.

Trends in Net Sales by Application



Market Environment and Our Position

- The market for smartphone and tablet device touch panels is mature in advanced countries but is growing in emerging countries.
- Our share of the market for tablet device touch panels is around 30% (global basis/internal estimate)

Life Innovation

We are accelerating our roll-out of new products for growth markets like medical treatment and healthcare.

Keiji Kishi
Senior Vice President
General Manager of Life Innovation Business Unit

New business seeking to contribute to healthy, fulfilling lifestyles

The Life Innovation Business is a new business launched in fiscal 2016. This business seeks to contribute to healthy, fulfilling lifestyles of people all over the world through innovation. Its mission is to quickly roll out new products for growth markets like medical treatment and healthcare through new product development. For the time being we will be moving forward with business activities related to our already commercialized gas sensors and our new DDS*, which is still in the product development stage.

*DDS stands for drug delivery system and refers to the dosage form for injections, tablets, ointments, medical patches and other drugs. We are focusing our attention on microneedle patch products as a new DDS.

Supplying gas sensors to various markets

In our gas sensor business, we offer gas sensors, module products with built-in gas sensors and finished products, primarily through FIS Inc., which was added to the Nissha Group in June 2014. In recent years, advances in gas sensors and applied products have broadened the scope of their use. Gas sensors made by our Group have been used in safety equipment like gas detectors, home appliances like air purifiers, alcohol checkers for preventing DUI and healthcare products like halitosis measuring devices. Additionally, our hydrogen detectors for detecting hydrogen leaks are used in fuel-cell vehicles, which run on hydrogen fuel. Hydrogen detectors made by our Group offer superior hydrogen detection speed and durability, and we expect demand for them to grow in tandem with the hydrogen society of the future.

The advanced technology cultivated by FIS serves as the foundation for our gas sensor business. In order to maintain our competitive advantage in technology, our Fifth Medium-term Business Plan (fiscal 2016-fiscal 2018) calls for enhancement of our development facilities and acquisition of new technology. Our basic strategy is to enhance our product lineup and sales as well as to increase the sales ratio of modules and finished products, which have higher added value than gas sensors (single parts), in order to increase the size and profitability of the business.

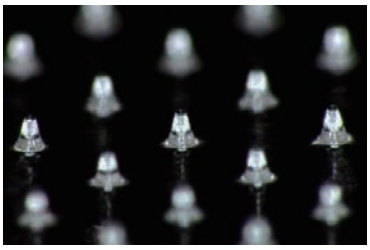
▼ **Hydrogen Detectors**
Hydrogen detectors are devices installed in fuel-cell vehicles. They immediately detect and warn of hydrogen gas leaks.

Seeking to enter the cosmetics and pharmaceutical markets with microneedle patches

In our DDS business, we seek to quickly roll out our microneedle patches to the market. Our dissolving microneedle patches are sheet-like patches formed by fine needles, and the needles are made from materials like hyaluronic acid and chondroitin sulfate, which dissolve within the body. Taking advantage of our core molding technology, we have been able to create fine needles. There is almost no pain when these patches are applied, and the ingredients are supplied directly into the skin, so they can be highly effective. We are currently engaged in product development in fields like highly permeable skin-care cosmetics and vaccines.

By rolling our microneedle patches out to the market, we hope to enter new fields like cosmetics and drugs. A medium- to long-term approach is required to produce significant results in fields like cosmetics and drugs that have high barriers to entry. The immediate challenges we face are establishing production technology and putting together a system capable of the high level of quality control required in the industry.

▼ Dissolving Microneedle Patches
Because these needles dissolve within the body, they directly supply/transmit the active ingredients into the skin.



▼ Net Sales
FY2016: ¥1,337 million
FY2017 (plan): ¥2,200 million

▼ Market Environment and Our Position

- Our share of the air purifier gas sensor market is roughly 70%, and our share of the alcohol checker gas sensor market is also around 70% (global basis/internal estimate).
- The future growth markets for gas sensors are fuel cells and medical treatment/healthcare.
- The period of full-fledged expansion of the fuel cell-related market will begin in 2020.

Information and Communication

A greater sense of speed in business. We will continue to promote improved business income.

Sunji Murase
Nissha Printing Communications, Inc.
Representative Director

Providing total support for the communication strategies of our corporate customers

The Information and Communication Business supports the marketing strategies and the general communication strategies of our customers, like advertising and sales promotions. We offer various products and services, including printing for publishing, printing for business, sales promotions, web-based solutions and digital archives.

The origins of the business lie in high-quality art printing. At the time of our founding, we found a new way in the uncharted field of high-quality art printing and developed such an overwhelming presence that we came to be known as the company to go to for such printing. Later, we took advantage of the high quality manufacturing capabilities we cultivated in high-quality art printing to expand into the fields of commercial printing and sales promotions, and in recent years we have begun providing support for various communication-related challenges faced by our customers by combining our offerings with new media like web solutions.

However, the business structure has not changed significantly as publishing and commercial printing still account for the bulk of our net sales. If we are to improve our profitability, it is not enough to simply expand our lineup of products and services. Instead, it will be necessary to engage in cost restructuring in the fields of publishing and commercial printing where we maintain a strong presence.

Improving business profitability through split-offs and production partnerships with an another printing company

Our Fifth Medium-term Business Plan (fiscal 2016-fiscal 2018), which was launched in April 2015, calls for more precise management of profitability than ever before at the project level and reduction of manufacturing and variable costs to improve business profitability.

On July 1, 2015, our Information and Communication Business was split off into Nissha Printing Communications, Inc. The purpose of this was to enable us to execute adaptive and bold strategies in response to the rapidly changing market environment. Since the split-off, our sales department has been more closely managing profitability at the project level, and our production department has developed a production system that flexibly adapts to fluctuations in demand. In these and other ways, the speed of our business management continues to improve. Thanks to such efforts, the business turned a profit in fiscal 2016.

Additionally, in March fiscal 2016, we signed a production agreement with Kyodo Printing Co., Ltd., who is major player in the industry and our Information and Communication Business launched a production partnership with them in April 2016 for the printed material mass production process handled in the Tokyo area. The companies will restructure the production system according to demand, establish a quality control system and promote collaboration in purchasing activities and distribution operations. We aim to achieve further customer satisfaction and restructure business costs, which has been a challenge.

At the same time, a solutions-based business, which solves customer challenges by enhancing products and services, has an aspect of strengthening these kinds of efforts to improve profitability. We will deepen our relationship with consulting and research companies to develop a system to provide support for our customers' communication strategies from further upstream and promote efforts to enhance our cutting-edge products and services in fields like web solutions and social media. We aim to increase customer value by providing a one-stop solution for everything from strategic proposals to execution of promotions.

▼ New Products and Services to Satisfy Market Needs

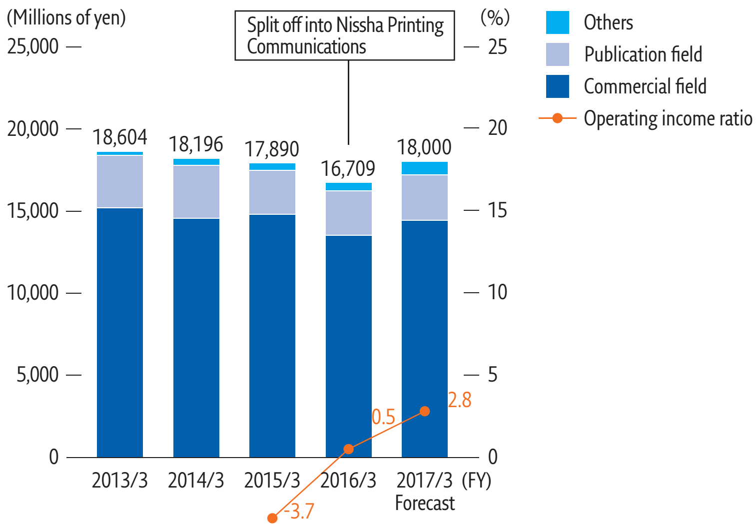
High-quality digital color printing system

Our high-quality digital color printing system enables color reproduction on par with conventional offset printing and can satisfy small lot needs for various applications, including art books, books of paintings and photograph collections.

OneDouga

This is a new personalized video marketing solution that delivers customized videos to individual customers.

▼ Trends in Net Sales by Field



Message from the CTO (Technology Strategy)

Nissha has been transforming from a printing company into a processing manufacturer and will continue to pursue the creation of unprecedented new value.

Takao Hashimoto
Director, Member of the Board
Senior Executive Vice President
Chief Technology Officer

Nissha's business domain includes all kinds of processing

Nissha is a printing company. However, all that means is that our roots lie in our printing business and the products borne out of application of our printing technology form the core of our product portfolio.

Today, Nissha's technology goes beyond printing, which is the forming of ultrafine lines into patterns, to include coating technologies like vapor deposition, lamination technologies like pasting and transferring, molding technologies like injection molding and forming, and cutting technologies that make things like precision punching possible. These five technologies may be viewed as an application of printing technology, but we think it is more appropriate to group them under the broader concept of processing technology.

Processing technology is the collective name we give to technology that creates some kind of added value by combining different materials and methods and is different from assembly, which simply entails putting parts together. By expanding the materials and methods we use, we have been transforming from a printing company into a processing manufacturer. I believe that enriching our processing technology will drive our growth.

The appeal of a processing manufacturer lies in the creation of unprecedented new value by changing combinations of materials and process. At the same time, the weakness of a processing manufacturer is that anyone can imitate you if they just procure the same materials and methods (equipment). As such, the key to establishing a competitive advantage is having the technology for integration, allowing the combination of materials and methods and bringing some kind of originality to it. This is our definition of fundamental technology. Our fundamental technology can be broken down into the categories of material design/evaluation and mechatronics.

To create new value, it is important to predict market needs, listen to the voice of customers and come up with bold blue prints. After that, competitive products are only created when we integrate our processing technologies of printing, coating, lamination, molding and cutting, with our fundamental technologies of material design/evaluation and mechatronics on a high level and go through a process of trial and error.

These five processing technologies and two fundamental technologies are currently our core technologies.

▼ **7 Core Technologies**

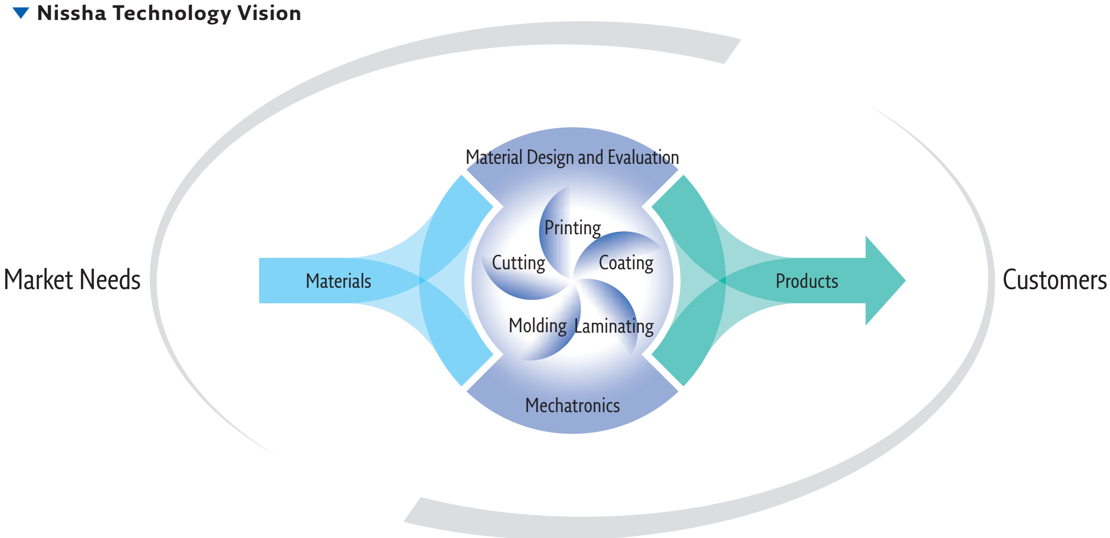
Processing Technology

- Printing
- Coating
- Laminating
- Molding
- Cutting

Fundamental Technology

- Material Design and Evaluation
- Mechatronics

▼ **Nissha Technology Vision**



Stepping into the second phase of diversification

At the time of our founding, we found a new way in the specific field of high-quality art printing, and by concentrating on that field, we earned a reputation for being the company to go to for such printing. Later, in the 1960s, we were filled with a sense of impending crisis that our growth would be limited in the future if we focused solely on printing to paper. We began developing transfer foil, and our Industrial Materials business was born. Since the 1970s we have actively worked to apply the ultrafine patterning technology we cultivated to electronic components, and we launched our Devices Business (first phase of diversification).

Going into the 1990s, the field of consumer electronics, including mobile phones and notebook PCs took off globally. We concentrated our management resources on IMDs and touch panels, two products we were competitive with, and we were able to achieve solid growth together with the industry as a whole. However, after the global financial crisis in 2008 precipitated by the Lehman Brothers bankruptcy, product demand fluctuated heavily, and as companies from emerging countries caught up, market prices dropped rapidly. The market environment changed dramatically due to such factors, and our relative competitiveness declined.

In the midst of this harsh market environment, we established an overwhelming competitive advantage in touch panels with our new photolithography process introduced in 2012, and they came to be used widely in smartphones and tablet devices. However, we are only halfway there when it comes to new product development, and the consumer electronics industry has entered a period of sluggish growth. Based on this recognition, we have begun implementing our Medium-term Business Plan, which is focused on reorganization of our businesses, products and target markets (second phase of diversification). We believe that in addition to fields like automotive, packaging materials, and medicine and healthcare, which are expected to grow steadily on a global basis, Nissha's technology can be rolled out in fields like agriculture and livestock, water, and energy in the medium to long term.

Aspiring to acquire new core technologies in the Fifth Medium-term Business Plan

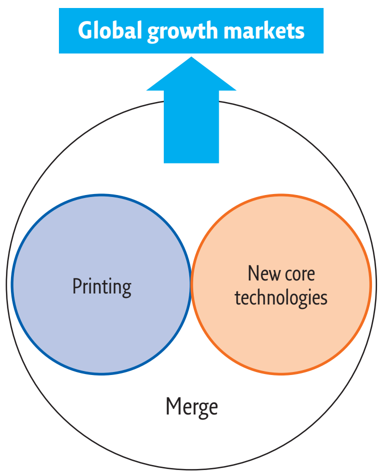
What kind of technology strategy should we employ to promote a strategy of diversification?

We launched implementation of our Fifth Medium-term Business Plan in fiscal 2016. Our Medium-term Vision is to "acquire and merge new core technologies into printing technologies and completely reorganize our business portfolio in global growth markets." This vision expresses the gist of the technology strategy we need to employ. In other words, acquiring new core technologies and merging them with our own is essential, and it will be necessary for us to create new value and seize the business opportunities offered by global growth markets.

Our basic policy is to actively utilize open innovation, engaging in technical cooperation with other companies and M&As to acquire new core technologies, thereby shortening the development period. The core technologies we will acquire through these endeavors include not only new processing technologies but also our fundamental technologies of material design/evaluation and mechatronics, which will serve as a building block for integration. We must merge these technologies with those we already possess and develop a broad and hierarchical system of technologies.

At the same time, when we refer to technological development it refers to the creation of completely new, unprecedented value that our competitors do not have. It is ultimately the market or customer that determines that value, so the technical elements of the newly developed products are important, but so is the creation of value that means something to the market and our customers. In other words, a technology-centered, product-out approach to product development will not work. We need a market-in approach needs based on the potential and growth of the markets that will be the outlets for our technologies and the products we develop.

Acquisition and Merge of New Core Technologies



Bringing out ideas and experience

There are many difficulties that come with technological development, and it is essential that we increase our sensitivity to information and tie it into business opportunities and technological trends as well as that we have the strong conviction that the technology will grow and the passion to move forward with determination once we ascertain the possibilities if we are to overcome the difficulties and achieve results.

When this is approached from the standpoint of the skills of our engineers, in order to create new technologies, it will be necessary for us to bring out ideas to come up with the concept of what kinds of things to make and bring out experience to shape the technology required to make things. Proper recognition of reality based on market trends and voice of customers and behavior patterns based on the sangen principle of going to various sites, observing many products and narrowing down a hypothesis for success are essential for bringing out and developing ideas and experience. In other words, in order to develop engineers, it is important to give young engineers many opportunities to put things into practice, which includes the implementation of proper rotations.

New businesses are not created overnight. This is to say nothing of training the engineers who will be responsible for them, which takes a very long time. Those in a position of managing a company must always be conscious of contributing to the distant future. At the same time, it is necessary for engineers to be very conscious of contributing to short-term performance, and not shrug their shoulders saying that it takes time to develop technology. I believe the best thing is for management and engineers to keep healthy checks on each other and share a balanced time perspective. Since Nissha is technology-oriented and we have strong leadership of management, it should be easy to make these things a reality.

I believe Nissha has the potential to continually provide the world with unparalleled technology if we keep taking up challenges utilizing the accumulation of processing technologies and the supporting fundamental technologies. As CTO, I am committed to fully promoting this and doing so in the timeliest fashion possible.

Directors, Audit and Supervisory Board Members and Corporate Officers

Yoshiharu Tsuji
Director,
Member of the Board

Takao Hashimoto
Director,
Member of the Board

Hayato Nishihara
Director,
Member of the Board

Kazuhito Osugi, MBA
Independent Director,
Member of the Board

Kenji Kojima
Independent Director,
Member of the Board

Junya Suzuki
President and CEO,
Chairman of the Board

Tamio Kubota
Independent Director,
Member of the Board

Sawako Nohara
Independent Director,
Member of the Board

Directors, Member of the Board

Junya Suzuki, MA
President and CEO,
Chairman of the Board

Takao Hashimoto
Director, Member of the Board

Hayato Nishihara
Director, Member of the Board

Yoshiharu Tsuji
Director, Member of the Board

Tamio Kubota, MBA
Independent Director, Member of the Board

Kenji Kojima, MBA
Independent Director, Member of the Board

Sawako Nohara
Independent Director, Member of the Board

Kazuhito Osugi, MBA
Independent Director, Member of the Board

Audit and Supervisory Board Members

Hitoshi Konishi
Audit and Supervisory Board Member

Yasuro Nonaka
Audit and Supervisory Board Member

Shigeaki Momo-o, Attorney-at-law
Independent Audit and Supervisory Board Member

Yusuke Nakano, Certified Public Accountant
Independent Audit and Supervisory Board Member

Vice Presidents and Corporate Officers

Takao Hashimoto
Senior Executive Vice President
Chief Technology Officer

Hayato Nishihara
Senior Executive Vice President
Chief Financial Officer
Senior Director of Human Resources,
General Affairs and Legal Affairs

Kiyohiko Kato
Senior Executive Vice President
General Manager of Industrial Materials Business Unit

Takuji Shibata
Executive Vice President
Chief Production Officer
Senior Director of Total Quality Management Office

Hisayuki Ito
Executive Vice President
Senior Director of Business Integration Strategies

Daisuke Inoue, MBA
Executive Vice President
General Manager of Devices Business Unit

Hidenori Yamaguchi, Ph.D.
Senior Vice President
Chief Quality Officer
Senior Director of Industrial Materials Business Unit, Quality

Yoshitami Aoyama
Senior Vice President
Chief Information Officer
Senior Director of Corporate Supply Chain Management

Ryomei Omote
Senior Vice President
Senior Director of Devices Business Unit, Development and Engineering

Keiji Kishi
Senior Vice President
Senior Director of Corporate Technology Research and Development,
General Manager of Life Innovation Business Unit

Bart Devos, Ph.D., MBA
Vice President
Chief Executive Officer, AR Metallizing N.V.

Masayuki Mitamura
Vice President
Senior Director of Industrial Materials Business Unit, Southeast Asia, Customer Relationship Management

Nobuo Kubo
Vice President
Senior Director of Industrial Materials Business Unit, Product & Business Development

Yutaka Nishimoto
Vice President
Senior Director of Devices Business Unit, Production and Procurement,
Representative Director, Nitec Precision and Technologies, Inc.

Wataru Watanabe, MBA
Vice President
Chief Strategy Officer
Senior Director of Investor Relations, Director of Corporate Strategy Planning, Director of Secretary's Office

Hisashi Iso
Vice President
Senior Director of Devices Business Unit, Customer Relationship Management

Atsushi Sugihara, MBA
Vice President
Senior Director of Industrial Materials Business Unit, Business Strategy Planning, Domestic Production Strategy

Corporate Governance

We are promoting further strengthening of corporate governance to enable swift and bold management decisions.

Aiming for a governance structure that contributes to improving corporate value

Since our founding, our Group has implemented strategies that precisely address changes in the management environment under the strong leadership of our management. We believe that strengthening corporate governance based on this strong leadership will promote swift and bold decision-making and lead to transparency and fairness in management.

Accordingly, the Nissha Group views corporate governance as a top management priority and works to ensure sustainable growth and improve corporate value in the medium to long term by maintaining and improving our corporate governance. Our basic approach and policy for implementing corporate governance are set forth in the Corporate Governance Policy established in October 2015. We make improvements to governance in a timely manner based on this policy.

▼ Strengthening Corporate Governance

*As of the date of Ordinary General Meeting of Shareholders

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Directors	14	—	→ 9	—	—	→ 7	—	—	—	—	→ 8
Independent Directors	0	1	2	—	—	—	—	—	→ 3	—	→ 4
Audit & Supervisory Board Members	4	—	—	—	—	—	—	—	—	—	→ 4
Independent Audit & Supervisory Board Members	2	—	—	—	—	—	—	—	—	—	→ 2
Corporate Offices			17	—	—	→18	16	—	→15	18	17

2007
Junya Suzuki is appointed President and CEO
Team of office of Director's is changed from 2 years to 1 year
First Independent Director is appointed

2008
Corporate Officer system is adopted

2014
First female Director is appointed

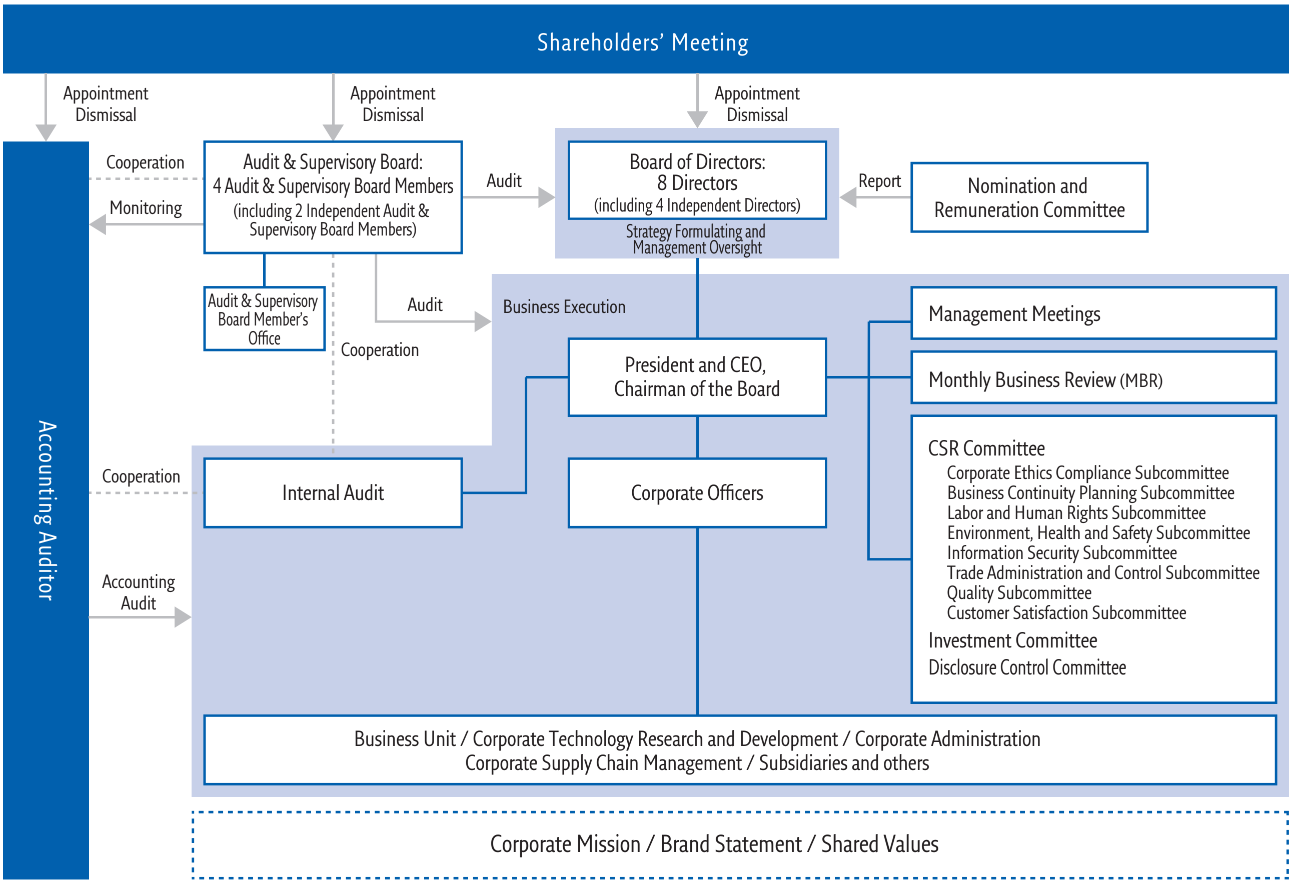
2015
First corporate officer of foreign nationality is appointed
Corporate Governance Policy is published
Nomination and Remuneration Committee is established

2016
Board of Directors effectiveness evaluations are launched
50% of the Directors are Independent Directors
Performance-based stock compensation plan for Directors and corporate officers is introduced

Corporate Governance Structure at Nissha

Our corporate governance structure is shown in the diagram on the following page. Our governance structure consists of our Corporate Mission, our Brand Statement, our Shared Values and other foundational missions and philosophies, as well as the universal concepts indicating our principles of action. The key points are provided below.

▼ Management and Business Execution System



Governance structure as company with Audit and Supervisory board

We have adopted the "Company with Audit and Supervisory Board" corporate governance system under the Companies Act of Japan. The structure allows for effective monitoring and governance of the Board of Directors by concentrating authority and responsibility for strategy development and business oversight in the hands of the Board of Directors and having Independent Audit and Supervisory Board members and the Audit and Supervisory Board conduct organizational audits.

Adoption of corporate officer system

The adoption of a corporate officer system separates the strategy development and business oversight functions of the Board of Directors from the business execution function of the corporate officers.

Board of Directors capable of lively discussions

The Board of Directors consists of eight Directors, Including four Independent Directors. The term of office for Directors is one year in order to allow for swift responses to changes in the management environment and clarify the responsibility for each fiscal year.

The president and CEO serves as chairman of the Board of Directors, holding ordinary meetings once a month and extraordinary meetings as necessary. Meetings of our Board of Directors are characterized by the small number of Directors and lively discussions.

Tracing status of business execution

As the chief executive officer (CEO), the president is responsible for overall business execution, and the corporate officers are in charge of proposing items to execute and executing them under the command and order of the president. The term of office of corporate officers is one year, and there are currently 17 corporate officers engaged in the execution of business.

The President and CEO organizes three categories of meetings, namely management meetings, the Monthly Business Review (MBR), and Investment Committee meetings, in order to ensure appropriate and effective business execution. The core members of the management meetings are inside Directors, and they deliberate on matters relating to the direction of important managerial issues within the scope of the president’s authority. The MBR is a monthly meeting to evaluate the progress of business strategies with respect to the plan based on KPI (key performance indicators) and what actions to take over the short term. The purpose of the MBR is to oversee business execution by the corporate officers and to quickly respond to changes in the business environment. The Investment Committee reviews particularly important investment matters prior to submitting them to the Board of Directors for approval.

Maintenance and improvement of internal control through organizational coordination

The Nissha Group has developed and implemented an internal control system to ensure that the organizational operations within the Group are conducted lawfully, appropriately and efficiently based on our Basic Policy for Internal Control. We have in place a CSR Committee and a Disclosure Control Committee, both chaired by the President, as organizations for demonstrating leadership in dealing with risks to lawful and appropriate business activities.

Under the direct control of the President, the Internal Audit Office conducts audits to ensure that the activities of the Nissha Group, including these committees, are carried out appropriately and efficiently. The results of audits by the Internal Audit Office are regularly reported to the president and CEO, and especially important items are reported to the Board of Directors as well. The organizations coordinate with each other to maintain and improve internal control, including regular meetings between the Internal Audit Office and full-time auditors.

Developing effective risk management

The subcommittees of the CSR Committee are in charge of risk management. Risks to be addressed are defined as “events with the potential to hinder achievement of the Nissha Group’s corporate mission.” We reduce all possible risks, such as disasters, accidents, compliance violations and risks that arise within the processes of our business activities and handle those risks that become manifest.

In particular, with respect to our BCP (business continuity plan), as a global company that is responsible for supplying customers all over the world, we are working quickly to develop BCM (business continuity management) that meets global standards. In addition to our existing desktop exercises that anticipate disaster situations, we are working to improve the effectiveness of our BCM through training offered to management and departments that will be heavily impacted in the event of an interruption in operations and BIA (business impact assessments).

Striving for effective corporate governance

In 2015, the Corporate Governance Code was established in Japan. We are currently working to further improve governance according to this code. Our basic stance is to achieve truly effective governance that contributes to swift and bold management decisions.

Promoting diversity among Directors

We emphasize diversification of Director skills to improve corporate value in the medium to long term. In June 2016 we added an Independent Director, and Independent Directors now account for half of our eight-member Board of Directors. There is one woman among our Independent Directors. We increase the transparency of management by appointing Independent Directors. Not only does this strengthen the management oversight function of the Board of Directors, but we also actively incorporate their feedback into management decisions. Our four Independent Directors possess a wide range of experience and expertise in fields such as corporate management, governance, business strategy, IT and macroeconomics and provide the Board of Directors with valuable suggestions and opinions.

The Audit and Supervisory Board is comprised by two full-time auditors and two Independent board members. Our Independent Audit and Supervisory Board members are certified accountants and lawyers. Through audits that take advantage of their advanced expertise, they contribute to the maintenance and improvement of our corporate governance structure.

Seven of our 17 corporate officers have experience working for companies outside the Nissha Group. One of these was the CEO of the AR Metallizing Group, which we acquired in August 2015 and made a consolidated subsidiary. He is our first corporate officer of foreign nationality.

Launch of evaluations of Board of Directors effectiveness

In April 2016, we launched evaluations of the effectiveness of the Board of Directors. All Directors and Audit and Supervisory Board members complete a questionnaire on the composition, roles, management and other aspects of the Board of Directors, and the Board of Directors sorts through the issues identified and then reviews and implements countermeasures. We hope to improve the effectiveness of the Board of Directors by implementing this PDCA cycle.

Establishment of Nominating and Remuneration Committee

In October 2015, we established a Nominating and Remuneration Committee as an advisory panel for the Board of Directors to ensure objectivity and fairness in appointment of Directors and members of the Audit and Supervisory Board and in Director remuneration. Independent Directors account for the majority on the Nominating and Remuneration Committee, and an Independent Director serves as chair. In these and other ways, we ensure that the opinion of Independent Directors is incorporated into management.

Adoption of performance-based stock compensation plan for Directors and corporate officers

In September 2016, we will adopt a performance-based stock compensation plan for Directors (including some Directors of our subsidiaries) and corporate officers. The Board Benefit Trust (BBT) is a system linked to business results in which Nissha shares are provided as benefits through a trust. By further clarifying the link between Director and corporate officers compensation and business results/share value and having our Directors experience together with our shareholders not only the benefits of a rise but also the risks of a decline in share prices, the system aims to increase awareness in Directors of the importance of improving business results and enhancing the Nissha corporate value over the medium to long term.

With the adoption of this system, Director and corporate officers remuneration will consist of (1) basic compensation, (2) performance-based bonuses and (3) performance-based stock compensation. (However, Independent Directors will only receive basic compensation as their role is independent from business execution.)

Compensation for Directors and Audit and Supervisory Board members will be within the upper limit as approved via resolution of the general meeting of shareholders.

▼ FY2016 Director/Audit and Supervisory Board Member Remuneration

	Remuneration
Director	¥223 million
Audit and Supervisory Board Member	¥41 million

Message from Independent Director

We have appointed four Independent Directors who possess a wealth of knowledge and experience in their respective fields.

Since the first Independent Director was appointed in 2007, Nissha has promoted diversity of Directors and worked to revitalize the Board of Directors. The board is currently comprised of eight members, including four Independent Directors, giving it a high degree of independence. Our Independent Directors have corporate management experience at other companies and possess a wealth of knowledge in their respective fields, including business strategy, IT and macroeconomics, as researchers of corporate governance and management strategy.

The major activities of and reasons for election of the Independent Directors are provided below.

Tamio Kubota

Mr. Tamio Kubota attended all of the 21 meetings of the Board of Directors held during the fiscal year ended March 31, 2016. He has given valuable advice and opinions from an independent point of view and corporate manager's perspective across the whole range of the Company's management, making the most of his international knowledge, broad experience as a manager or an Audit and Supervisory Board member in other companies and his excellent judgment gained through such experience. We put his name forward as an Independent Director, Member of the Board since we judged that he will continue to give his valuable counsel.

Kenji Kojima

Mr. Kenji Kojima attended all of the 21 meetings of the Board of Directors held during the fiscal year ended March 31, 2016. He has given his valuable advice and opinions from an independent point of view across the whole range of the Company's management, which comes from his deep knowledge as a researcher in corporate governance and corporate strategy, and also his rich experience in developing businesspersons in the Kobe University Graduate School of Business Administration MBA program. We put his name forward as an Independent Director, since we judged that he will continue to give his valuable counsel.

Sawako Nohara

Ms. Sawako Nohara attended 18 of the 21 meetings of the Board of Directors held during the fiscal year ended March 31, 2016. She has given valuable advice and opinions from an independent point of view across the whole range of the Company's management, making the most of her profound knowledge of the Internet business, broad experience as a corporate manager, Director, and an Audit and Supervisory Board member in other companies, and excellent judgment gained through such experience. We put her name forward as an Independent Director, Member of the Board since we judged that she will continue to give her valuable counsel.

Kazuhito Osugi

We elected Mr. Kazuhito Osugi as an Independent Director, Member of the Board since we judge that he will give his valuable counsel from an independent point of view and broad perspective across the whole range of the Company's management, making the most of the deep insight in the field of finance he has cultivated in the Bank of Japan over the years.

In my opinion Nissha adopts high standards of corporate governance, starting with an effective Board of Directors. The key to achieving the goal of the Fifth Medium-term Business Plan is to reform the behavior patterns of organizations and human resources.

Tamio Kubota
Independent Director,
Member of the Board

Profile

April 1972	Joined The Dai-Ichi Kangyo Bank, Limited (currently Mizuho Financial Group, Inc.)
June 1979	Received Master's degree in Business Administration from Yale University, USA
January 2001	General Manager, International Credit Supervision Department, The Dai-Ichi-Kangyo Bank, Limited
April 2002	Joined TOKYO LEASING CO., LTD. (currently Century TOKYO LEASING Corporation)
June 2006	Representative Director of the Board and Senior Executive Officer, TOKYO LEASING
June 2007	Senior Executive Officer, TOKYO LEASING
June 2007	Independent Director, Member of the Board, Nissha Printing Co., Ltd. (current position)
June 2008	Independent Audit and Suppervisory Board Member (full-time), Takashima and Co., Ltd.

Nissha Board of Directors

Evaluation of Nissha Board of Directors (Five-scale Rating)

Overall evaluation Taking into account the three items at right, what is your overall evaluation of the Nissha Board of Directors?	Composition Does the Board comprise an appropriate number of members, and is diversity ensured?	Role Does the Board appropriately deliberate on formulation of strategies and oversee execution of business?	Operation Are agenda items and information shared appropriately? Does the Board convene frequently enough, and is time used wisely?
5	5	4	4

The Nissha Board of Directors comprises seven members of which three are Independent Directors, and from June 2016, eight members of which four are Independent Directors. In size, balance, and diversity of backgrounds, I believe the composition is appropriate. Meetings of the Board of Directors cover a broad range of agenda items, both resolved and reported. Thanks to the detailed materials provided in advance, we convening members are able to organize the points at issue beforehand, and raise questions and engage in productive discussion on the day of the meeting. Having fully discussed the proposals, those requiring additional explanation or re-examination are often carried over to the next session. Considering that the results are thoroughly analyzed, reflected on, and reviewed, in my opinion the Board of Directors is sufficiently effective. Nissha ensures effective operation of its corporate governance structure, and I see no particular room for improvement.

Achievements and Issues in the First Year of the Fifth Medium-term Business Plan

The Fifth Medium-term Business Plan names reorganization of the Nissha business portfolio as a core strategy. But the achievement rate of numerical targets was inadequate in the first year. Consolidated net sales have not increased a great deal from the previous fiscal year, and recovery of operating income is falling behind in all business segments save for Devices. Although Industrial Materials has made a welcome comeback thanks to M&A activities overseas (the acquisition of AR Metallizing as a subsidiary), existing product lines remain sluggish.

Nissha recognizes that a reorganization of its business portfolio cannot be achieved without a reshuffling of organizations and human resources. The company has undertaken to rebuild its personnel system to this end, although the effects are still limited. As mentioned above, Nissha's top priority is to restructure and reinforce Industrial Materials. Yet the marketing strategies and tactics of Life Innovation and Information and Communication also lack power. All business segments require a common approach: constantly look back and check on behavior patterns. Are organizations and human resources lapsing into mannerism, unable to take steps beyond an extension of past practices? Conventional approaches alone are not enough to realize the goal of reorganization, either in terms of numerically or time.
The key to rebuild a structure for amplifying the scale and strength of marketing activities is to enhance speedy effectiveness of various aspects from a broad point of view, such as

reanalyzing data in terms of business, product and market, acknowledging obstacles and its challenges, presenting managerial approaches and specific measures, allocating and positioning human resources, and forming organization, without being constrained by restrictions and fixed ideas that Nissha used to have. Constructive destruction and reconstruction are essential to enhance such effectiveness, by collaborating between the business division and corporate division in the group's entire work process without making any off-limits. Take on challenges! I look forward to seeing a fresh round of efforts toward achieving the goal of the Fifth Medium-term Business Plan.

The presence of Independent Directors enhances the oversight functions of the Board of Directors and helps to maximize corporate value. In order to make an achievement in reorganizing product and market portfolios, both officers and employees should build awareness and capabilities, and have the tenacity to achieve targets.

Nissha Board of Directors

Evaluation of Nissha Board of Directors (Five-scale Rating)

Overall evaluation Taking into account the three items at right, what is your overall evaluation of the Nissha Board of Directors?	Composition Does the Board comprise an appropriate number of members, and is diversity ensured?	Role Does the Board appropriately deliberate on formulation of strategies and oversee execution of business?	Operation Are agenda items and information shared appropriately? Does the Board convene frequently enough, and is time used wisely?
4	4	3	4

Reforms in corporate governance structure and function are underway at Japanese companies. One major objective of the reforms is to enhance the functions of the Board of Directors. To this end, the role of the board is to effectively carry out three oversight functions, given below.

The first is, having clearly separated between business execution functions and oversight functions, to check if business execution carried out by management (corporate officers) serves the interest of stakeholders effectively. The second is to check that management carrying out business execution complies with laws and the articles of incorporation. And the third is to check that management fulfills its accountability to stakeholders by disclosing necessary information that satisfies a certain level of consistency, continuity, and transparency.

These oversight functions are effective when they ensure that business execution carried out by management serves the interest of stakeholders, and when the Board of Directors has its constitution and operation that enable to balance the advantages and disadvantages of stakeholders. The inclusion of Independent Directors in the Board of Directors helps to clarify the functions of the Board of Directors, divide business execution from oversight functions with the objective of creating corporate value, and ensure appropriate oversight of management carrying out business execution in line with this objective.

In my opinion the Nissha Board of Directors effectively carries out these three oversight functions. In future, it would help to enhance the organizational structure so that management can swiftly share accurate information regarding business execution and fully draw on the knowledge and insight of the Independent Directors.

Achievements and Issues in the First Year of the Fifth Medium-term Business Plan

Nissha has entered a new phase of growth in which ongoing, swift efforts are required to implement drastic reforms and adapt to the changing corporate environment. To this end, Nissha's top priority is to speed up reforms by using revenues from existing business as capital for new business development. In such a recognition, the Fifth Medium-term Business Plan is formulated around the medium-term vision of reorganizing the Nissha business portfolio.
Of the five basic strategies given toward achieving this reorganization of business portfolio, four have yet to see sufficient results, excluding "growth using M&A." Further efforts are

Kenji Kojima

Independent Director,
Member of the Board

Profile

April 1970	Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation)
June 1975	Received Master of Business Administration from the Kellogg School of Manage ment, Northwestern University, USA
March 1979	Completed Doctoral program in Graduate School of Business Administration, Kobe University, Japan
March 1985	Visiting Scholar, Yale School of Management, Yale University, USA
September 1988	Visiting Scholar, School of Engineering, Stanford University, USA
January 1993	Visiting Scholar, Department of Economics, Harvard University, USA
May 1999	Professor, Research Institute for Economics & Business Administration, Kobe University
June 2008	Independent Director, Member of the Board, Nissha Printing Co., Ltd. (current position)
April 2012	Specially Appointed Professor at Research Institute for Economics & Business Administration, Kobe University (current position)

The Fifth Medium-term Business Plan

Medium-term Vision

We will acquire and merge new core technologies into printing technologies and completely reorganize our business portfolio in global growth markets

Five Basic Strategies

- Reorganization of product/market portfolios
- Withdrawal from unprofitable fields
- Promotion of vertical integration in supply chain
- Incorporation of new core technologies
- Achievement of growth through M&As

needed particularly in “reorganize product and market portfolios” in order to achieve the Fifth Medium-term Business Plan by the end of FY2018. To effectively and efficiently execute the five strategies, Nissha must both reinforce and reorganize its organizational capabilities.

The organizational capabilities required to achieve the plan are accurate understanding of changes in the business environment, the drive to promptly respond to those changes, and the tenacity to achieve targets. Top management (corporate officers and department directors) should focus on building speed and persistence for executing business to deal with change. It should also perform a fundamental review of the traditional thought and action framework, and take the initiative in reorganize it based on a clear understanding of the contents and standards required.

Middle management should base its actions on an accurate understanding of the details and methods of strategy execution assigned to it. Further, it should share this with employees, translate it into personal challenges and targets, and ensure that the personal targets are steadily being met.

Both Nissha Directors and top and middle management need to be fully aware of the reality of the circumstances, and commit to reinforcing the managers’ business execution capabilities and the Directors’ oversight and checking capabilities.

I join the vigorous discussions at Nissha meetings of the Board of Directors. Amid growth through M&A activities, a challenge moving forward is risk management covering the entire global Nissha Group.

Sawako Nohara
Independent Director,
Member of the Board

Profile

December 1988	Joined Living Science Institute, Inc.
July 1995	Joined InfoCom Research, Inc.
July 1998	Head of the E-Commerce Business Development Group, InfoCom Research, Inc.
December 2000	Director, IPSe Marketing, Inc.
December 2001	Representative Director, President of IPSe Marketing, Inc. (current position)
June 2006	Independent Director, Member of the Board, NEC Corporation
November 2009	Project Professor, Keio University Graduate School of Media and Governance (current position)
June 2012	Independent Audit and Supervisory Board Member, Sompo Japan Insurance Inc.
June 2013	Independent Director, Member of the Board, NKSJ Holdings, Inc. (Currently Sompo Japan Nipponkoa Holdings, Inc.) (current position)
June 2014	Independent Director,Member of the Board Nissha Printing Co., Ltd. (current position)
June 2014	Independent Director, Member of the Board, Japan Post Bank Co., Ltd. (current position)

Nissha Board Meetings

Evaluation of Nissha Board of Directors (Five-scale Rating)

Overall evaluation Taking into account the three items at right, what is your overall evaluation of the Nissha Board of Directors?	Composition Does the Board comprise an appropriate number of members, and is diversity ensured?	Role Does the Board appropriately deliberate on formulation of strategies and oversee execution of business?	Operation Are agenda items and information shared appropriately? Does the Board convene frequently enough, and is time used wisely?
4	3	4	3

Nissha's meetings of the Board of Directors are a place for long, vigorous discussion, where corporate and Independent Directors and Audit & Supervisory Board Members as well as corporate officers when necessary, exchange candid views on a variety of management topics. With the establishment of a Nomination and Remuneration Committee in 2015, and the election of four Independent Directors in June 2016 for a board comprising an equal number of corporate and Independent Directors, Nissha continues to work actively toward strengthening its corporate governance structure.

In light of the M&A activities overseas which Nissha has conducted in a proactive manner, one challenge is to prepare a governance structure covering subsidiaries not only in Japan but also abroad. Also, the regularity with which corporate and Independent Directors and Audit and Supervisory Board Members engage in lengthy discussion poses the risk of weakening the objective standpoint of the independent officers. In an effort to avoid this, I will continue to strive to offer input from my own independent position as well as the objective viewpoint of Nissha's diverse stakeholders.

Achievements and Issues in the First Year of the Fifth Medium-term Business Plan

Nissha has entered the second year of its Fifth Medium-term Business Plan, covering the three-year period from FY2016 to FY2018. The plan aims to correct excessive reliance on the IT industry and establish balanced management through the development of new proprietary core technologies beyond printing, as well as by acquiring and merging new technologies through M&A, and expanding into global growth markets such as automobiles, packaging materials, and medical materials. In FY2016, Nissha gained entry into the metallized paper and packing materials fields with its acquisition of the AR Metallizing Group as a subsidiary, and then with that of Málaga Produtos Metalizados by the AR Metallizing Group. In other areas as well, I believe the Fifth Medium-term Business Plan is progressing smoothly.

As Nissha continues to conduct M&A activities both in Japan and abroad toward achieving the goal of the Fifth Medium-term Business Plan, an important challenge will be to build a risk management system covering the entire global Nissha Group in addition to enhancing the governance structures of individual subsidiaries.

Amid an increasingly uncertain global economy, companies are required to adapt to change and take on bold challenges. As Independent Director, I hope to contribute to the "practical" application of corporate governance at Nissha.

Kazuhito Osugi
Independent Director,
Member of the Board

Profile

April 1977	Entered the Bank of Japan
May 1984	Received Master's degree in Graduate School of Business Administration from University of Michigan, USA.
November 1986	Economist, BIS (Bank for International Settlements)
June 1999	General Manager, the Bank of Japan Matsumoto Branch
May 2001	Deputy General Manager, the Bank of Japan Osaka Branch
May 2003	Senior Director, Industrial Revitalization Corporation of Japan
July 2005	Deputy Director- General, Head of Center for Advanced Financial Technology, the Bank of Japan Financial System and Bank Examination Department
May 2006	Director-General, the Bank of Japan Internal Auditors' Office
April 2007	Director-General, the Bank of Japan Secretariat of the Policy Board
April 2009	Guest professor, Ochanomizu University
September 2011	Auditor, the Bank of Japan
October 2015	Counsel, Guarded Transportation Division, Nippon Express Co., Ltd. (present position)
June 2016	Independent Director, Member of the Board Nissha Printing Co., Ltd. (current position)

Macroeconomic Outlook and the Challenge Posed to Companies

The global economy is looking increasingly uncertain at the moment. Resource-rich countries and emerging economies are in a slump due to stagnant resource prices, the Chinese economy is sluggish, and even the prospects of US monetary policy are difficult to predict. Eight years on since the chaos in the world's financial markets in 2008, the global economy has not yet fully recovered strength and disinflation is all but ubiquitous in the developed world. Whereas deflation once appeared to be a phenomenon unique to Japan, today policymakers in other developed countries also fear the risks of a similar relapse.

In a sense, corporate administration is an endless struggle with uncertainties. Charles Darwin says, "It is not the strongest of the species that survives, but the one that is most adaptable to change." In the world today full of uncertainties, now is the time when companies must summon their entrepreneur spirit, take on bold challenges, and adapt to change.

After school I built a more than 38-year-long career at the Bank of Japan. The job of the central bank is to prepare a macro environment for facilitating the activities of private companies. I have never had a hand in economic growth, however, as this depends solely on the activities of the individual companies. Being elected as an Independent Director of Nissha has filled me with a sense of joy and pride at finally being able to contribute directly to the growth of the economy.

At this very moment, Japan is taking its first steps into a new era of corporate governance. With the revision of the Companies Act and the establishment of a Corporate Governance Code, a system has largely been set in place over the past few years. The next phase will likely put companies to the test, as it will require "practical" execution of corporate governance under the new system, and the skills to link this governance to strong, sustainable corporate growth. I hope to draw on my insight and sincerely fulfill my duties as Independent Director of Nissha.

CSR

We are promoting CSR from a global perspective in the aim of becoming a company that grows together with our stakeholders.

CSR is putting our corporate mission into practice

Our corporate mission states, “We are committed to pursuing a mutually trustful Co-existence with society through our business activities utilizing a unique technology development, based on Printing at the core,” and we believe that achieving that mission is what CSR means for us. The specific method for achieving our corporate mission is expressed in our brand statement of “Empowering Your Vision.”

We break CSR down into basic CSR and strategic CSR.

Basic CSR entails reducing CSR risks in areas like labor, human rights and the environment by developing a system for ensuring compliance with global codes of conduct like that of the EICC (Electronic Industry Citizenship Coalition) and customer CSR requirements. Basic CSR efforts are essential to being a company that customers choose in the global market.

Strategic CSR entails improving corporate value in the medium to long term by identifying materiality and promoting efforts to address those challenges. By solving social problems through business activities, strategic CSR efforts strike a balance between economic growth of the company and the creation of social value, leading to contribution to the achievement of a sustainable society.

▼ Production in Malaysia (Southern Nissha)

▼ Initiatives Incorporated Into Our CSR activities

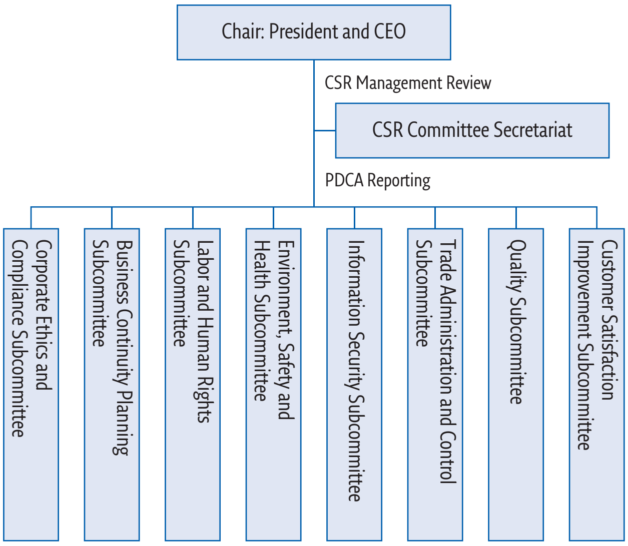
We incorporate principles, frameworks and codes of conduct from global initiatives for the achievement of a sustainable society into our CSR activities. We identify materiality, promote activities and engage in reporting in accordance with these initiatives.

- United Nations Global Compact
  In April 2012, our President and CEO signed the United Nations Global Compact and declared that we will actively model 10 principles relating to the four areas of human rights, labor, the environment and prevention of corruption.
- ISO 26000
  We refer to ISO 26000, the international guidance standard for CSR, in our efforts and structure our reporting accordingly.
- EICC
  We incorporate the EICC (Electronic Industry Citizenship Coalition) Code of Conduct into our activities within the area of basic CSR. We have management systems in place for labor, safety and health, environmental conservation and ethics, and we promote efforts within a scope that includes our supply chain.
- GRI (Global Reporting Initiative)
  Our annual CSR Report conforms to the fourth edition of the Global Reporting Initiative (G4) guidelines for international sustainability reporting.

Promotion of CSR based on management systems

As our system for promoting CSR and in conjunction with the launch of the Fifth Medium-term Business Plan in April 2015, we organized a new CSR Committee, chaired by the President and CEO, with eight subcommittees dedicated to areas such as labor and human rights and environmental conservation shown on the following page. Each subcommittee establishes basic and strategic CSR themes and implements a PDCA cycle while reporting to the Secretariat on their progress. The results of their activities are reported to the President and CEO at the annual management review.

CSR Committee Organization Chart



One year since the launch of the CSR Committee, we have finished developing management systems for the areas of “corporate ethics and compliance” and “labor and human rights.” These have been added to the ranks of our management systems for quality, environment and information security, which we had already developed and been implementing at a high level. In the aim of ensuring our operations conform to global codes of conduct like that of the EICC, we have also expanded the scope of our management systems to include our major suppliers. At the same time, we are promoting interviews, training and other efforts for management system development throughout the Nissha Group, including our major overseas bases.

In the area of strategic CSR, we identified materiality. We evaluated various CSR issues from the two standpoints of impact on the Group and impact on society, and our policy is to prioritize our efforts according to the issues of highest importance. Identifying materiality is an opportunity to recognize both issues directly related to demands of society and those that are indirectly related. It serves as the basis for actively rolling out strategic CSR activities.

Identification of Materiality

We evaluated CSR issues based on their impact on the Group and their impact on society to identify materiality and determine our priorities.

		Impact on Nissha Group	
		Small	Large
Impact on Society	Large		Issues of high materiality
	Small		

Our CSR Materiality

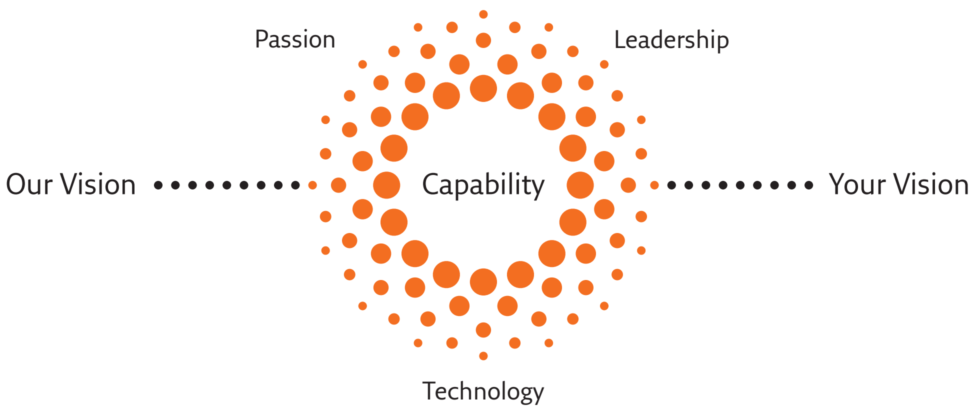
We identified the 14 items of materiality below. The subcommittees of the CSR Committee are leading our efforts.

Efficient use of energy	Prevention of global warming	Proper management of wastewater and waste
Reduction of environmental load from transportation	Ensuring of proper labor conditions	Ensuring of employee health and safety
Promotion of human resources development	Respect for diversity	Elimination of discrimination
Elimination of forced labor	Prevention of corruption	Thorough compliance
Proper information management	Promotion of CSR procurement	

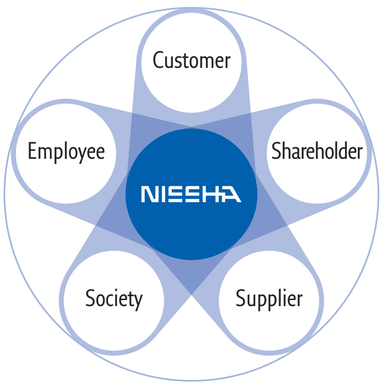
Aiming for sustainable growth while interacting with shareholders

In April 2015, we launched our Fifth Medium-term Business Plan and established our new brand statement of “Empowering Your Vision.” At Nissha, we define our stakeholders as our customers, our shareholders, our employees, our suppliers and society. We provide value to our stakeholders by fully demonstrating our capabilities, being driven by our technology, passion and leadership. We also take in various input from our stakeholders and direct it toward our future. “Empowering Your Vision” is an expression of our commitment to growing together with our stakeholders while interacting with each other.

▼ Brand Chart



▼ Nissha’s Circle of Trust



Customers: Recognizing demands of society through our customers

Our products are used widely in the global market, and most of our customers are global companies. These customers focus on global social problems as they go about their business activities, so they require that suppliers such as ourselves also actively address CSR issues and have established high-level codes of conduct.

Developing a system to ensure faithful compliance with customer requirements is essential to trade, but at the same time, it is a precious opportunity to recognize the CSR issues the global society expects us to address. We hope to grow as we learn from our customers.

Suppliers: Engaging in CSR together with our suppliers

We must have the cooperation of our suppliers in order to comply with the CSR requirements of our customers. We have been conducting CSR audits of our major suppliers since 2015. These audits are based on the EICC (Electronic Industry Citizenship Coalition) Code of Conduct and the codes of conduct that our customers have established based on it. The primary focus of the audits is on the four areas of labor, safety and health, environmental conservation and ethics and the respective management systems. The suppliers we have audited sometimes tell us that the audit was an opportunity for them to recognize issues related to global standards of CSR. By reducing CSR risks within our supply chain, we hope that both we and our suppliers will be companies chosen by society.

Shareholders: Utilizing dialog with capital market in management

Our shareholders and investors objectively evaluate our corporate value and provide us with useful suggestions for management. Based on these things, we engage in investor relations activities with an emphasis on dialog, going beyond the timely and appropriate disclosure of information required of a listed company.

We use ROE (return on equity) and ROIC (return on invested capital) with an awareness of cost of capital as a management indices, and this was introduced as an opportunity for dialog with our shareholders and investors.

Society: Co-existence with local communities

We receive various resources from the local community when we engage in our business activities.

In order to promote co-existence with our local communities, we have established four priority areas for our social contribution activities, namely environmental conservation, support for the next generation, support for and promotion of art and culture, and humanitarian assistance.

One example of our efforts to support the next generation is our environmental workshops, which have been carried out by our employees at nursery and elementary schools in communities where we have offices since 2007. Our environmental workshops includes familiar topics like prevention of global warming and separation of garbage as well as a program to foster interest in manufacturing and working. As of March 31, 2016, the project has been carried out at 82 schools, and about 4,200 students have participated.

Employees: Growing together with our employees

The growth of employees is essential for growth of the company. We aim to be a company that grows together with our employees.

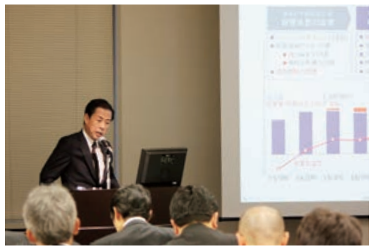
In 2013 we launched Nissha Academy for the purpose of training the next generation of human resources that will support the company's sustainable growth. It is a corporate university that offers elective training to young employees with a strong desire for personal growth and consists of "Business School," "MOT School" and "Monozukuri School."

▼ Nissha Academy Programs and Learning Content

NISSHA ACADEMY

Business School	MOT School	Monozukuri School
Acquire knowledge and skills related to developing and implementing strategies	Acquire knowledge and skills for tying technology into business development	Acquire knowledge and skills for implementing manufacturing using a strategic and scientific approach

▼ Results Briefing for Institutional Investors



▼ Environmental Workshops

▼ Corporate University "Nissha Academy"

Financial Section

11-Year Financial Summary

(Millions of yen)

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Fiscal Year											
Net sales	82,446	88,735	101,649	127,767	126,965	114,054	80,160	89,427	110,922	118,775	119,222
Japan	44,832	45,831	46,775	47,691	39,994	37,159	33,060	37,992	29,956	28,889	31,530
Overseas	37,613	42,904	54,874	80,075	86,972	76,895	47,100	51,435	80,966	89,885	87,692
Cost of sales	58,493	63,202	72,828	97,223	101,600	104,864	79,759	83,508	93,898	93,713	90,121
Selling, general and administrative expenses	8,809	10,243	12,051	14,240	14,107	14,136	12,117	12,702	15,089	16,311	18,558
Operating income	15,143	15,289	16,770	16,302	11,257	-4,946	-11,716	-6,783	1,935	8,750	10,541
Ordinary income	15,942	16,313	15,580	15,494	12,061	-5,396	-11,320	-4,643	5,182	12,494	9,237
Profit before income taxes	15,536	17,142	17,530	15,542	11,840	-3,788	-22,243	-5,010	5,151	10,761	7,883
Total income taxes	6,556	7,638	7,254	6,853	4,911	-1,312	6,440	427	1,185	-482	985
Profit attributable to owners of parent	8,979	9,503	10,274	8,689	6,934	-2,464	-28,684	-5,438	3,967	11,245	6,898
Net cash provided by (used in) operating activities	11,628	7,589	11,647	17,043	18,601	-722	3,541	13,864	14,413	21,590	14,815
Net cash provided by (used in) investing activities	-14,505	-8,884	207	-20,099	-12,841	-6,672	-4,277	-7,206	-16,149	-4,141	-21,476
Net cash provided by (used in) financing activities	-703	-806	-1,617	4,697	-3,471	-378	3,076	-4,677	-4,634	-11,063	19,633
Capital expenditures	6,378	14,991	12,817	24,165	15,071	11,020	6,724	13,669	12,287	3,207	4,885
Depreciation	2,596	3,197	4,812	7,892	9,133	10,338	8,599	9,530	11,219	9,687	7,847
R&D expenses	441	740	1,015	1,365	2,601	2,477	2,543	2,699	2,351	2,334	2,519
At Year-End											
Net assets	61,855	73,757	82,245	82,266	88,700	80,396	48,986	44,491	51,676	66,313	70,096
Total assets	107,895	126,762	142,357	148,787	153,077	142,942	105,250	114,964	106,140	115,430	156,107
Cash and cash equivalents at end of period	15,362	13,489	22,938	22,761	25,473	17,107	19,490	23,692	20,272	29,484	41,688
Interest-bearing liabilities	12,087	13,032	13,283	19,454	18,078	24,278	28,336	23,668	19,209	10,393	18,340
Closing stock price (Yen)	4,430	3,120	4,890	3,130	3,650	1,795	1,083	1,663	1,359	2,195	1,648
Employees (number)	2,271	2,534	3,126	3,631	3,728	4,121	3,396	3,409	3,383	3,596	4,034
Financial Indicators											
Operating income to net sales (%)	18.4	17.2	16.5	12.8	8.9	-4.3	-14.6	-7.6	1.7	7.4	8.8
Return on assets (ROA) (%)	15.9	13.9	11.6	10.6	8.0	-3.6	-9.1	-4.2	4.7	11.3	6.8
Return on equity (ROE) (%)	15.8	14.0	13.2	10.6	8.1	-2.9	-44.3	-11.6	8.3	19.1	10.1
Return on invested capital (ROIC) (%)	12.3	10.8	10.5	9.5	6.4	-4.4	-12.2	-7.9	1.5	6.6	6.3
Equity ratio (%)	57.3	58.2	57.8	55.3	57.9	56.2	46.5	38.7	48.7	57.4	44.9
Debt-equity ratio (%)	74.4	71.9	73.1	80.9	72.6	77.8	114.9	158.4	105.4	74.1	122.7
Current ratio (%)	217.2	197.9	184.9	152.8	135.3	134.3	103.5	97.0	107.3	148.8	172.5
Fixed ratio (%)	79.3	84.5	84.6	90.8	91.4	94.7	116.8	125.2	112.4	83.6	102.9
Per Share Information											
Basic earnings per share (Yen)	205.41	219.74	237.60	200.97	160.38	-57.25	-668.40	-126.72	92.46	262.05	160.75
Net assets per share (Yen)	1,428.00	1,705.46	1,901.87	1,902.12	2,051.09	1,873.34	1,141.45	1,036.74	1,204.17	1,545.30	1,633.47
Dividend per share (Yen)	34	40	45	45	45	45	0	0	5	20	30
Diluted earnings per share (Yen)	-	-	-	-	-	-	-	-	-	-	158.46

Management's Discussion and Analysis

Actual Results for Fiscal 2016

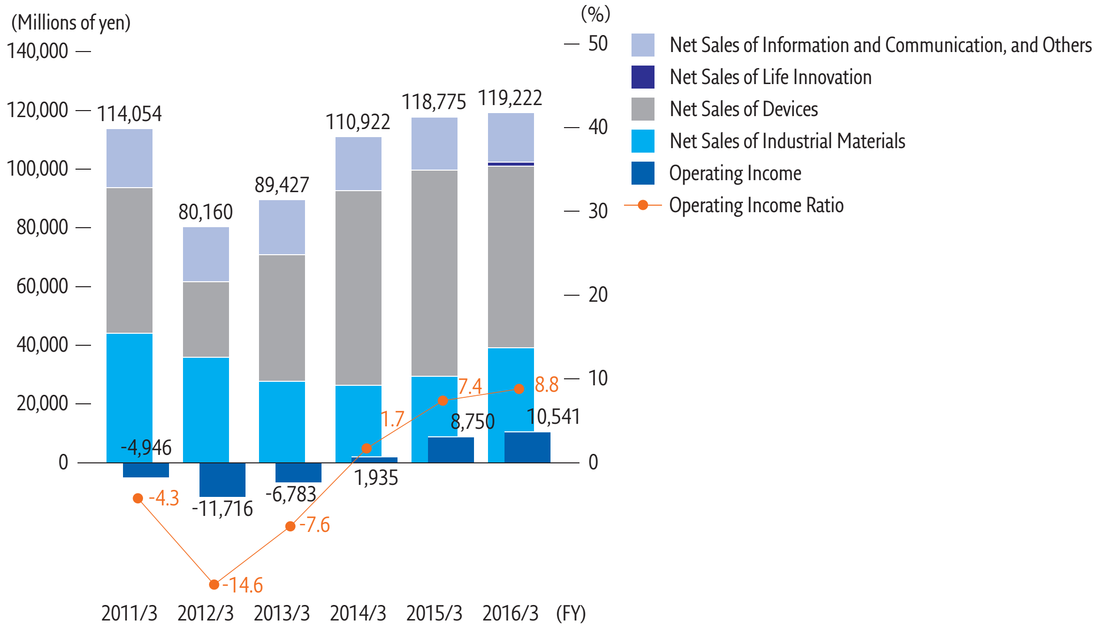
Economic Environment and Operating Results

Reflecting on the global economy in fiscal year 2016, the United States saw ongoing recovery thanks to increased consumer spending and improvement in capital expenditure, while Europe showed gradual recovery. In Asia, the economies of emerging countries such as China gradually slowed down despite partial signs of recovery. As for Japan, although the economy shows weak movement in the near-term, corporate profits are on an improving trend and the economy overall continued on a modest path to recovery.

Under these circumstances, we strove to build a lean production structure that can adapt to demand fluctuation and improve productivity in the mainstay Devices segment, which drove the profit on a company-wide basis. In the Industrial Materials segment, we strove to expand the sales of products for automotive components, which are expected to grow steadily and we promoted the realignment of our business portfolio through these efforts.

As a result, consolidated financial results for fiscal 2016 improved year on year as both sales and operating income increased. The average exchange rate for fiscal 2016 was ¥120 to the U.S. dollar (¥107 for the previous fiscal year).

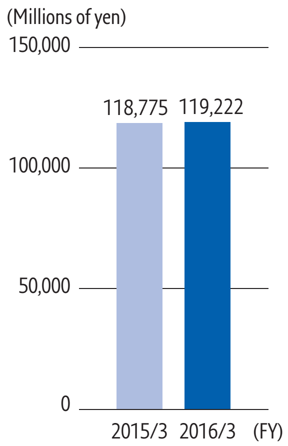
▼ Net Sales and Operating Income



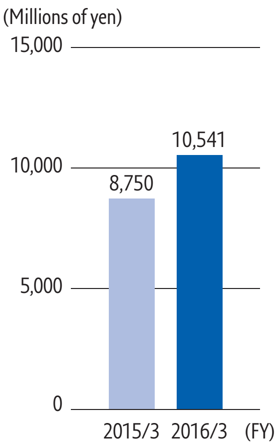
Consolidated Statements of Operations

In fiscal 2016, net sales and operating income exceeded the previous year, but ordinary income and net profit attributable to owners of parent declined year on year.

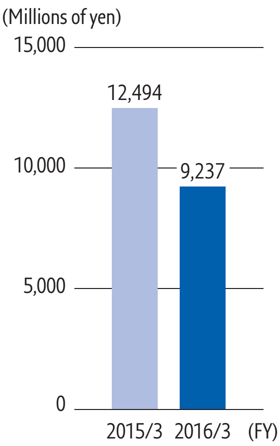
▼ Net Sales



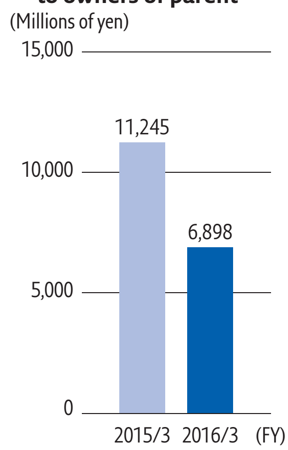
▼ Operating Income



▼ Ordinary Income



▼ Net Profit attributable to owners of parent



Net sales increased 0.4% year on year to ¥119,222 million, of which overseas sales accounted for ¥87,692 million, or 73.6% of consolidated net sales. Overseas sales were primarily from Industrial Materials and Devices.

Operating income increased year on year by 20.5% to ¥10,541 million, as yen depreciation during the term combined with cost controls and improved efficiency in the production division, among other factors.

Ordinary income decreased 26.1% year on year to ¥9,237 million. In the previous term, non-operating income of ¥5,093 million was recorded, mainly consisting of foreign exchange gains, along with ¥1,349 million in non-operating expenses, primarily from losses on investments in affiliates. In fiscal 2016, there were non-operating expenses of ¥1,656 million, mainly associated with foreign exchange loss, against non-operating income of ¥361 million, primarily dividend income.

Net profit attributable to owners of the parent decreased 38.7% year on year to ¥6,898 million, and basic earnings per share decreased ¥101.30 year on year to ¥160.75. In the previous fiscal year, extraordinary income of ¥560 million was recorded, primarily consisting of a state subsidy, against extraordinary losses of ¥2,294 million, mainly impairment loss. In fiscal 2016, extraordinary income was ¥270 million, which primarily consisted of a state subsidy, while extraordinary losses were ¥1,624 million and mainly consisted of amortization of goodwill.

Basic policy on profit distribution is to make continuous payments of stable dividends, and distribute profit after comprehensively considering our performance in the current fiscal year and expected performance in the future, payout ratio, and financial health. Based on this policy, the Company paid an annual dividend in fiscal 2016 of ¥30 per share, an increase of ¥10 from the previous year.

Overview by Business Segment

Industrial Materials

The scale of business for this segment expanded primarily due to steadily growing demand for our mainstay automotive interior components and the contributions of our metallized paper field. For income, segment income failed to attain the original estimate primarily due to the posting of expenses related to the acquisition.

As a result, consolidated segment sales for fiscal 2016 increased by 32.7% year on year to ¥39,095 million. The segment incurred a loss (operating loss) of ¥593 million (operating loss of ¥235 million the previous year).

Devices

Demand for the capacitive-type touch panels adopted for tablet devices remained lower than expected, but income significantly exceeded the original estimate mainly due to the establishment of a production structure that can adapt to demand fluctuation and the productivity improvement.

As a result, consolidated segment sales in fiscal 2016 decreased 11.9% year on year to ¥61,912 million, and segment income (operating income) rose 8% on the same basis to ¥14,677 million.

Life Innovation

The Group worked to increase sales of gas sensors for gas alarms, air purifiers and other applications and to promote products for the environment and medical markets, where growth is expected in the future.

As a result, consolidated segment sales for fiscal 2016 were ¥1,337 million.

Information and Communication

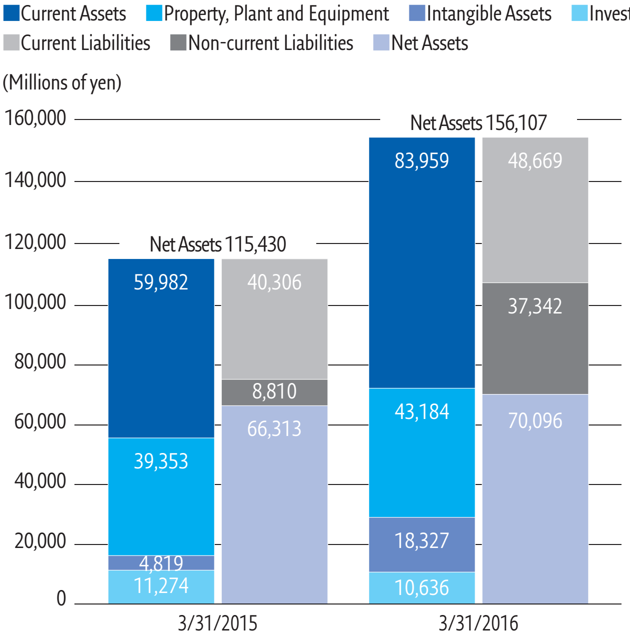
The commercial printing field, the key product field in this segment, was affected by a decrease in the volume of printed materials due to the diversification of information media. We made efforts, however, to curtail variable costs while accelerating cost structure reforms in the business on and after the company split-up on July 1, 2015.

As a result, consolidated segment sales in fiscal 2016 declined by 6.6% year on year to ¥1,679 million, and segment income (operating income) totaled ¥81 million (operating loss of ¥657 million the previous year).

Assets, Liabilities and Net Assets

Total assets as of March 31, 2016 were ¥156,107 million, an increase of ¥40,677 million over the end of the previous fiscal year.

▼ **Assets, Liabilities and Net Assets**



Current assets increased due primarily to increases of ¥10,290 million in cash and deposits, ¥4,434 million in merchandise and finished goods, ¥3,031 million in notes and accounts receivable-trade, and ¥2,033 million in securities.

Property, plant and equipment increased due largely to increases in machinery, equipment and vehicles of ¥2,564 million and leased assets of ¥1,365 million associated with an expanded scope of consolidation (AR Metallizing Group) and other factors.

Intangible assets increased due to increases in goodwill of ¥8,560 million, technical assets of ¥2,563 million and customer-related assets of ¥2,889 million associated with an expanded scope of consolidation (AR Metallizing Group) and other factors.

Investments and other assets decreased as a result of a decrease in investment securities of ¥577 million caused by changes in the market value of investment securities and other factors.

Current liabilities increased primarily owing to increases in notes and accounts payable-trade of ¥4,993 million and short-term loans payable of ¥2,371 million.

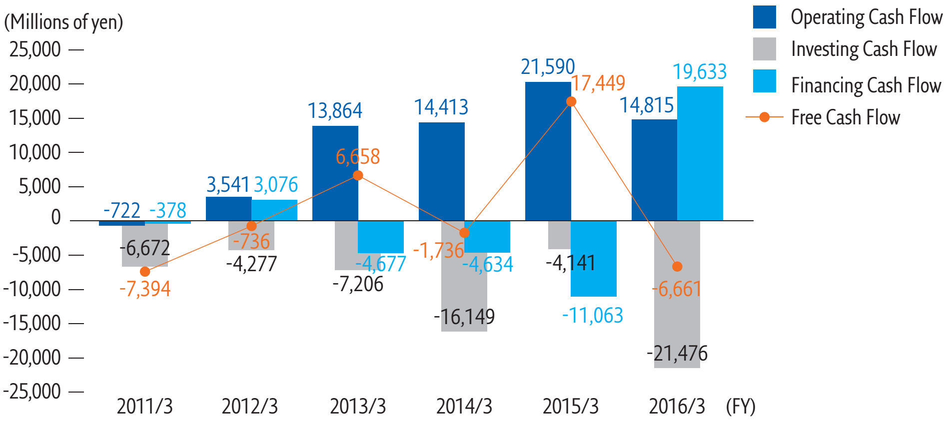
Non-current liabilities increased due primarily to stating corporate bonds of ¥20.0 billion from a new bond issue and to increases in long-term loans payable of ¥3,487 million and lease obligations of ¥1,449 million.

Net assets increased due to an increase in retained earnings and other factors. Net assets per share were ¥1,633.47, against ¥1,545.30 at the end of the previous fiscal year.

Cash Flows

Consolidated cash and cash equivalents ("funds") as of March 31, 2016 were ¥41,688 million, an increase of ¥12,204 million year on year.

▼ **Cash Flows**



Net Cash Provided by (Used in) Operating Activities

Funds provided by operating activities amounted to ¥14,815 million. This was mainly because ¥7,883 million of profit before income taxes, ¥7,847 million of depreciation, and a ¥2,578 million increase in notes and accounts payable-trade outweighed a ¥3,688 million increase in inventories.

Net Cash Provided by (Used in) Investing Activities

Funds used in investing activities amounted to ¥21,476 million. This was mainly attributable to the purchase of investments in subsidiaries and others resulting in change in scope of consolidation of ¥15,672 million and the purchase of property, plant and equipment of ¥4,154 million.

Net Cash Provided by (Used in) Financing Activities

Funds provided by financing activities amounted to ¥19,633 million. This was mainly attributable to proceeds from issuance of bonds of ¥19,986 million.

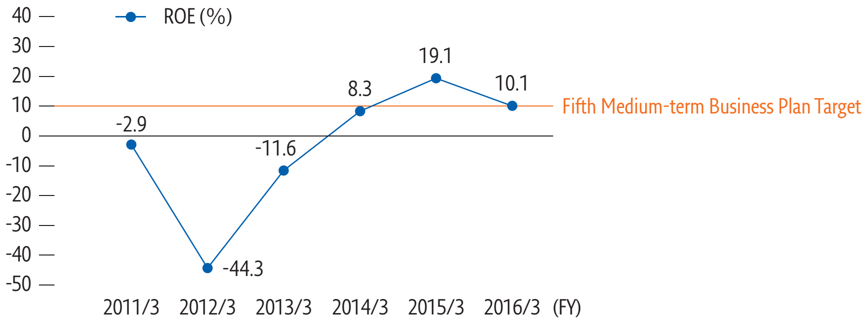
Major Management Indices

The Company uses ROE (return on equity) and ROIC (return on invested capital) as management indices for measuring the results of its Medium-term Business Plan.

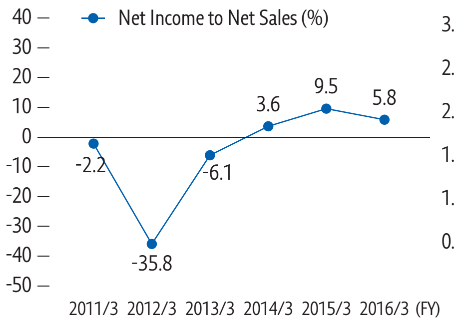
ROE

ROE can be divided into the ratio of net income to net sales, total asset turnover and financial leverage (total assets/equity). Of these, the ratio of net income to net sales, an indicator of profitability, decreased year on year, primarily due to foreign exchange gains recorded in the previous fiscal year and foreign exchange losses in fiscal 2016, caused by yen appreciation at the end of the term, among other factors. Total asset turnover, an indicator of efficiency, worsened year on year due to an increase in total assets associated with an expanded scope of consolidation (AR Metallizing Group). Financial leverage was in a leveraged position due to the issue of corporate bonds and other factors. As a result, ROE for fiscal 2016 declined to 10.1%, from 19.1% the previous fiscal year, but this exceeded the 10% mark targeted under the Fifth Medium-term Business Plan.

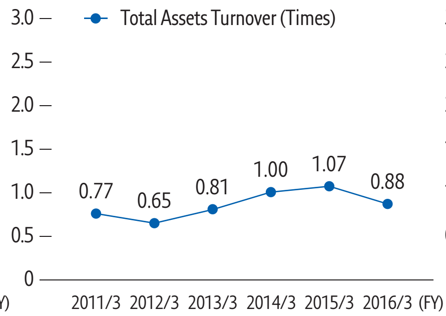
▼ ROE



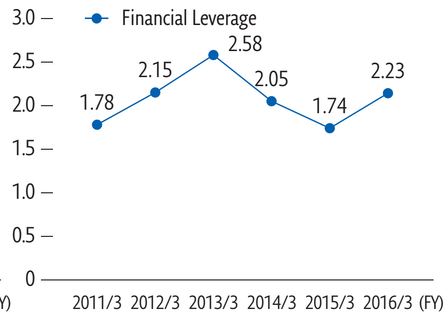
▼ Net Income to Net Sales



▼ Total Assets Turnover



▼ Financial Leverage (Total Assets / Equity)



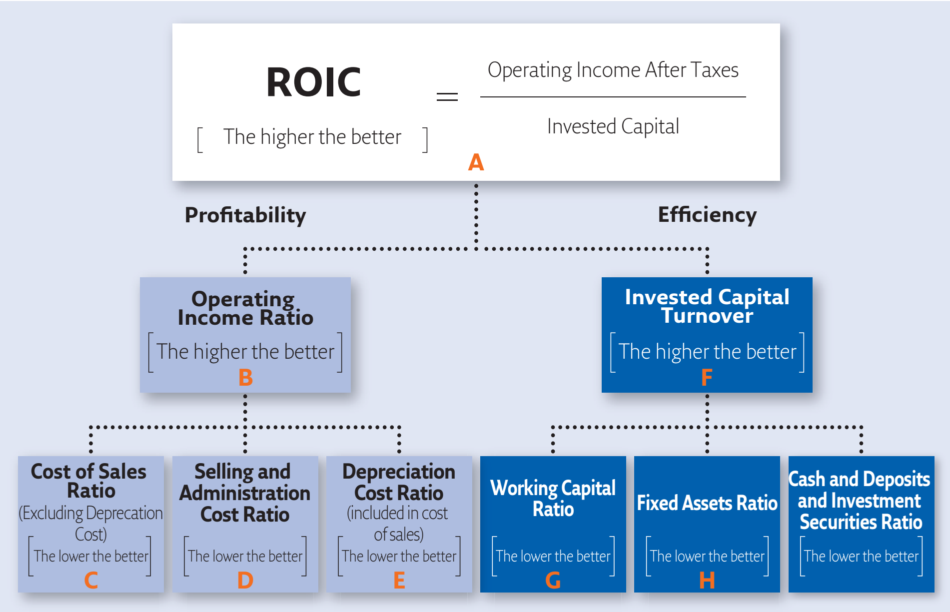
ROIC

The Company defines ROIC as follows: Operating income ×(1 − Effective tax rate of 35%) / (Working capital + Property, plant and equipment + Intangible assets + Cash and deposits + Investment securities). Raising ROIC requires either maximizing income after taxes, the numerator in the equation, or minimizing investment capital, the denominator. The Company uses the ROIC tree, shown in the chart on the following page, to enhance both profitability and efficiency aspects. The Company's ROIC bottomed out in fiscal 2012 and had been improving in both profitability and efficiency, but efficiency worsened in fiscal 2016 and ROIC fell short of the previous year's level. It also did not meet the target of 8% set in the Fifth Medium-term Business Plan.

Profitability can be divided into the operating income ratio at the top, cost of sales ratio (excluding depreciation), selling and administration cost ratio and depreciation cost ratio, etc. In fiscal 2016, the cost of sales ratio improved two percentage points from the previous fiscal year to 70.3% and the depreciation cost ratio declined, which, combined with other factors, further improved profitability.

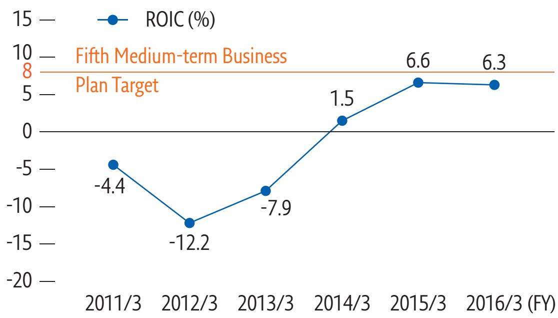
Efficiency can be divided into invested capital turnover at the top, the working capital ratio and fixed assets ratio, etc. Invested capital turnover in fiscal 2016 worsened due to consolidating the assets of the AR Metallizing Group, which was acquired in August 2015. It has also been affected by the fact that all of the invested capital of the AR Metallizing Group was consolidated, but the consolidation period for sales was limited to only four months (sales in fiscal 2017 are projected to be consolidated for the full 12 months).

▼ ROIC Tree



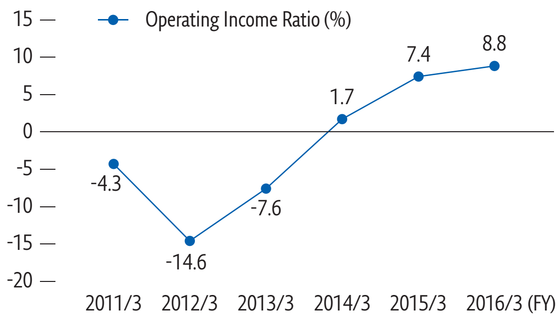
A

ROIC



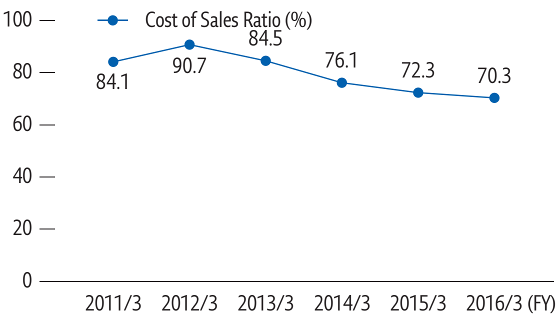
B

Operating Income Ratio



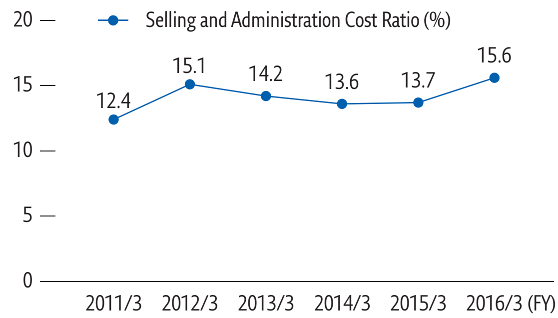
C

Cost of Sales Ratio (Excluding Depreciation Cost)



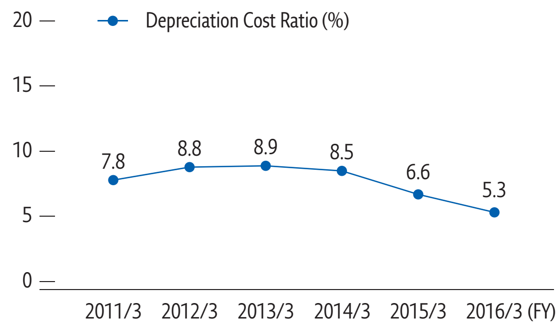
D

Selling and Administration Cost Ratio



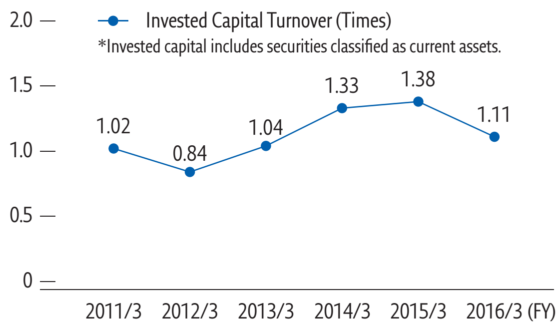
E

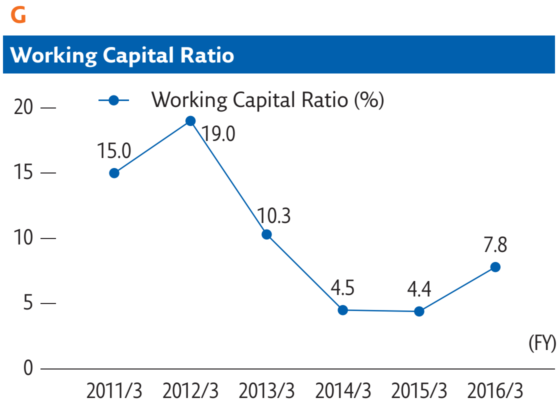
Depreciation Cost Ratio (Included in Cost of Sales)

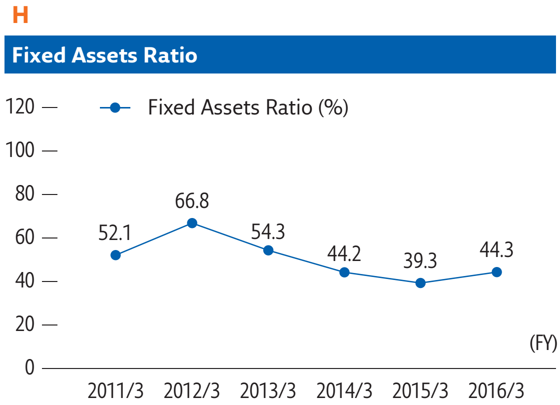


F

Invested Capital Turnover





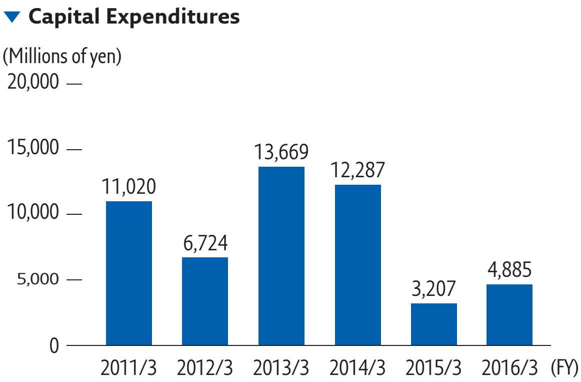


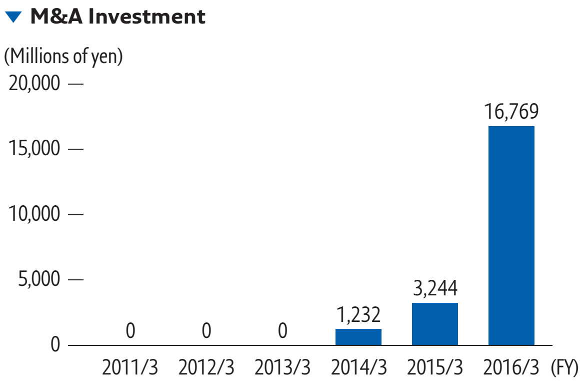
Capital Expenditures, M&A Investment, Depreciation and Goodwill Amortization

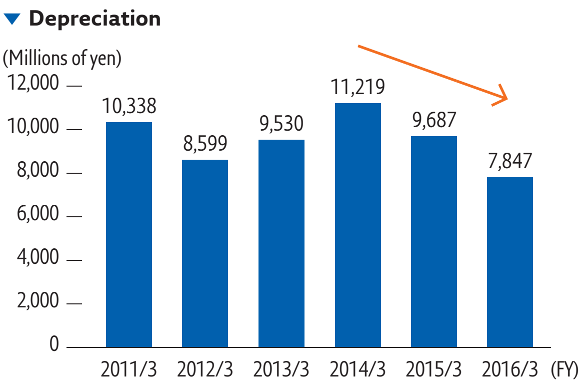
Capital expenditures in fiscal 2016 stayed at the level initially projected, but aggressive M&A investment was made to quickly achieve reorganization of the business portfolio under the Fifth Medium-term Business Plan.

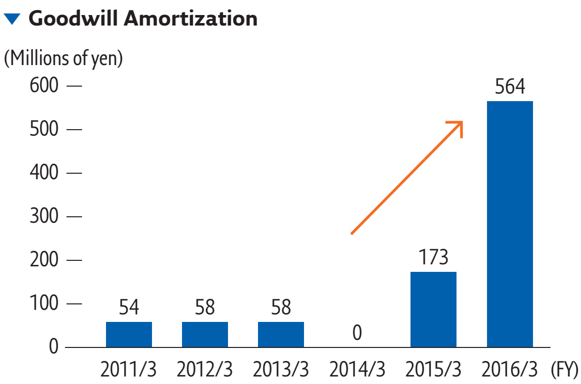
Capital expenditures in fiscal 2016 across the Group totaled ¥4,885 million. By business, they were ¥2,068 million in Industrial Materials, ¥1,323 million in Devices, ¥143 million in Life Innovation, ¥117 million in Information and Communication, and ¥1,153 in other and corporate (R&D and management). At the same time M&A investment totaling ¥16,894 million was made on an overall Group basis, including acquisition of the AR Metallizing Group by the Industrial Materials.

Depreciation has declined since peaking in fiscal 2014, but goodwill amortization has been increasing due to M&A.









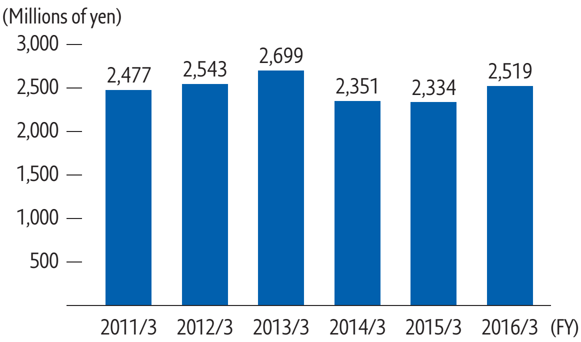
Research and Development

Research and development activities are being carried out in accordance with the Medium-term Vision stated in the Fifth Medium-term Business Plan, which is to “acquire and merge new core technologies into printing technologies and completely reorganize business portfolio in global growth markets.” The Group will strive to create completely new and unprecedented value and products by thoroughly fostering the printing technologies it has cultivated to date while working to develop new core technologies and integrating them with printing.

Medium-term product development in response to customer needs is handled by development divisions within business units while R&D and product development from a longer-term perspective is handled by the Corporate Technology Research and Development Department. This department develops a vision for product development based on future latent needs, designs development processes and creates supply chain frameworks—it handles the wide range of functions necessary for development.

Research and development expenses for the Group overall in fiscal 2016 were ¥2,519 million.

▼ R&D Expenses



Forecasts for Fiscal 2017

Conditions in the global economy going forward are expected to remain unpredictable as growth slows in China and other emerging economies and uncertainty continues in Europe’s economy, though growth is expected in the North American economy.

In fiscal 2017, product demand in the mainstay Devices business is projected to decline year on year, but in Industrial Materials and Information and Communication both sales and operating income are expected to exceed the previous fiscal year. At the same time, with the recent appreciation of the yen, the exchange rate assumption has been set at ¥110 to the U.S. dollar. Yen appreciation acts as a negative impact on the Company’s performance. Based on these conditions, in fiscal 2017, net sales is forecast at ¥129.0 billion and operating income at ¥7.0 billion, which would represent a year-on-year increase and decrease respectively.

▼ FY2017 Forecasts

(Millions of yen)

	FY2016 Results	FY2017 Forecasts	Year-on-Year
Net Sales	119,222	129,000	+8.2%
Industrial Materials	39,095	51,500	+31.7%
Devices	61,912	57,200	▲7.6%
Life Innovation	1,337	2,200	+64.5%
Information and Communication	16,709	18,000	+7.7%
Other	167	100	▲40.1%
Operating Income	10,541	7,000	▲33.6%
Operating Income Ratio	8.8%	5.4%	▲3.4pt
Ordinary Income	9,237	6,800	▲26.4%
Net Profit Attributable to Owners of Parent	6,898	5,500	▲20.3%

Business Risks and Other Risks

Risks that could impact Nissha Group's business performances and financial positions as well as the Company's stock prices are described below. Future-oriented statements contained in this discussion are assumptions made currently by the management as of March 31, 2016.

Customer Needs and Market Trends

In the consumer electronics sector, where the Group's products are widely used, customer needs and market trends change quickly and technology and product lifecycles are becoming shorter.

In response to these conditions and with ultimately priority on customer satisfaction, the Nissha Group accurately identifies market trends and works to provide technologies, products and services that meet customer needs. However, if customer needs and market trends change significantly it could have an impact on the business results and financial position of the Group.

The Group's sales also tend to be weighted heavily to specific customers. Sales to these important customers could decline due to reasons unaffected by the Group's management, such as lower demand for customer products or changes in their specifications or operating strategies. In such cases, it could have an impact on the Group's business results and financial position.

Demand Trends in Related Industries

The Group's mainstay business is Devices, and it accounts for 51.9% of consolidated sales (as of fiscal 2016). This segment primarily develops business for the consumer electronics sector, including tablet devices, smartphones and game consoles, so if major changes take place in demand trends or price trends in these industries, it could impact the Group's business results and financial position.

Exchange Rate Fluctuations

The Group's overseas sales ratio was 73.6% in fiscal 2016, and transactions are primarily foreign-denominated. The Group works to mitigate future foreign exchange risk using forward exchange contracts and other instruments, but severe changes in exchange rates could impact the Group's business results and financial position.

Securities Holdings

As of the end of fiscal 2016, the Group held investment securities totaling ¥9,848 million, over half of which are equities. These securities holdings have been verified sufficiently for safety by ascertaining the financial position, performance trends, credit ratings and other attributes of the issuers, but marked changes in stock prices and other factors could impact the Group's business results and financial position.

Receivables and Inventories

The Group's notes and accounts receivable at the end of the fiscal year totaled ¥21,665 million and inventories totaled ¥14,555 million. The Group works to strengthen credit management and inventory control, but if major changes take place in the value of these assets due to credit loss or other developments, it could impact the Group's business results and financial position.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	29,794	40,085
Notes and accounts receivable-trade	18,633	21,665
Securities	—	2,033
Merchandise and finished goods	3,592	8,027
Work in process	2,645	3,806
Raw materials and supplies	1,990	2,721
Deferred tax assets	1,439	2,234
Consumption taxes receivable	931	1,722
Other	1,374	1,878
Allowance for doubtful accounts	(418)	(216)
Total current assets	59,982	83,959
Non-current assets		
Property, plant and equipment		
Buildings and structures	44,280	45,482
Accumulated depreciation	(23,189)	(25,195)
Buildings and structures, net	21,090	20,287
Machinery, equipment and vehicles	38,049	49,633
Accumulated depreciation	(27,582)	(36,600)
Machinery, equipment and vehicles, net	10,467	13,032
Tools, furniture and fixtures	7,152	7,575
Accumulated depreciation	(5,805)	(6,037)
Tools, furniture and fixtures, net	1,346	1,537
Land	5,923	5,936
Leased assets	571	2,337
Accumulated depreciation	(309)	(709)
Leased assets, net	262	1,627
Construction in progress	263	762
Total property, plant and equipment	39,353	43,184
Intangible assets		
Software	1,740	1,256
Goodwill	2,263	10,824
Technical assets	—	2,563
Customer related assets	538	3,427
Other	276	255
Total intangible assets	4,819	18,327
Investments and other assets		
Investment securities	10,425	9,848
Deferred tax assets	329	288
Other	952	978
Allowance for doubtful accounts	(432)	(478)
Total investments and other assets	11,274	10,636
Total non-current assets	55,447	72,148
Total assets	115,430	156,107

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	19,764	24,758
Short-term loans payable	10,114	12,485
Current portion of long-term loans payable	—	563
Lease obligations	95	170
Accrued expenses	3,384	3,585
Income taxes payable	899	1,313
Provision for bonuses	1,426	1,730
Provision for directors' bonuses	43	60
Other	4,579	4,001
Total current liabilities	40,306	48,669
Non-current liabilities		
Bonds payable	—	20,000
Long-term loans payable	—	3,487
Lease obligations	183	1,633
Deferred tax liabilities	2,664	5,440
Net defined benefit liability	5,861	6,378
Other	100	402
Total non-current liabilities	8,810	37,342
Total liabilities	49,117	86,011
Net assets		
Shareholders' equity		
Capital stock	5,684	5,684
Capital surplus	7,355	7,355
Retained earnings	48,198	53,808
Treasury shares	(2,930)	(2,931)
Total shareholders' equity	58,308	63,917
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,382	4,977
Foreign currency translation adjustment	2,865	1,770
Remeasurements of defined benefit plans	(242)	(570)
Total accumulated other comprehensive income	8,004	6,178
Total net assets	66,313	70,096
Total liabilities and net assets	115,430	156,107

Consolidated Statements of Operations

(Millions of yen)

	Fiscal Year ended March 31, 2015	Fiscal Year ended March 31, 2016
Net sales	118,775	119,222
Cost of sales	93,713	90,121
Gross profit	25,062	29,100
Selling, general and administrative expenses	16,311	18,558
Operating income	8,750	10,541
Non-operating income		
Interest income	107	72
Dividend income	96	135
Foreign exchange gains	4,546	—
Other	343	152
Total non-operating income	5,093	361
Non-operating expenses		
Interest expenses	102	219
Share of loss of entities accounted for using equity method	1,006	187
Foreign exchange losses	—	1,023
Compensation expenses	200	30
Other	40	204
Total non-operating expenses	1,349	1,665
Ordinary income	12,494	9,237
Extraordinary income		
Gain on sales of non-current assets	107	89
Gain on liquidation of subsidiaries and associates	177	—
State subsidy	275	181
Total extraordinary income	560	270
Extraordinary losses		
Loss on sales and retirement of non-current assets	464	157
Loss on reduction of non-current assets	86	—
Loss on valuation of investment securities	—	493
Impairment loss	1,394	334
Amortization of goodwill	—	638
Provision of allowance for doubtful accounts for subsidiaries and associates	348	—
Total extraordinary losses	2,294	1,624
Profit before income taxes	10,761	7,883
Income taxes-current	1,293	1,897
Income taxes-deferred	(1,776)	(912)
Total income taxes	(482)	985
Profit	11,244	6,898
Loss attributable to non-controlling interests	(1)	—
Profit attributable to owners of parent	11,245	6,898

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal Year ended March 31, 2015	Fiscal Year ended March 31, 2016
Profit	11,244	6,898
Other comprehensive income		
Valuation difference on available-for-sale securities	2,003	(404)
Foreign currency translation adjustment	1,134	(1,075)
Remeasurements of defined benefit plans, net of tax	(254)	(327)
Share of other comprehensive income of entities accounted for using equity method	116	(19)
Total other comprehensive income	3,000	(1,826)
Comprehensive income	14,244	5,071
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,245	5,071
Comprehensive income attributable to non-controlling interests	(1)	—

Consolidated Statements of Changes in Net Assets

From April 1, 2014 to March 31, 2015 (Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	5,684	7,355	36,558	(2,928)	46,670
Cumulative effects of changes in accounting policies			823		823
Restated balance	5,684	7,355	37,381	(2,928)	47,494
Changes of items during the period					
Dividends of surplus			(429)		(429)
Net income			11,245		11,245
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		(0)		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(0)	10,816	(1)	10,814
Balance at the end of current period	5,684	7,355	48,198	(2,930)	58,308

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	3,379	1,614	11	5,004	1	51,676
Cumulative effects of changes in accounting policies						823
Restated balance	3,379	1,614	11	5,004	1	52,499
Changes of items during the period						
Dividends of surplus						(429)
Net income						11,245
Purchase of treasury shares						(1)
Disposal of treasury shares						0
Net changes of items other than shareholders' equity	2,003	1,250	(254)	3,000	(1)	2,999
Total changes of items during the period	2,003	1,250	(254)	3,000	(1)	13,813
Balance at the end of current period	5,382	2,865	(242)	8,004	—	66,313

From April 1, 2015 to March 31, 2016

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	5,684	7,355	48,198	(2,930)	58,308
Changes of items during the period					
Dividends of surplus			(1,287)		(1,287)
Profit attributable to owners of parent			6,898		6,898
Purchase of treasury shares				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	5,610	(1)	5,609
Balance at the end of current period	5,684	7,355	53,808	(2,931)	63,917

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of current period	5,382	2,865	(242)	8,004	66,313
Changes of items during the period					
Dividends of surplus					(1,287)
Profit attributable to owners of parent					6,898
Purchase of treasury shares					(1)
Net changes of items other than shareholders' equity	(404)	(1,094)	(327)	(1,826)	(1,826)
Total changes of items during the period	(404)	(1,094)	(327)	(1,826)	3,782
Balance at the end of current period	4,977	1,770	(570)	6,178	70,096

Consolidated Statements of Cash Flows

(Millions of Yen)

	Fiscal Year ended March 31, 2015	Fiscal Year ended March 31, 2016
Cash flows from operating activities		
Profit before income taxes	10,761	7,883
Depreciation	9,687	7,847
Impairment loss	1,394	334
Amortization of goodwill	173	1,203
Increase (decrease) in provision for bonuses	445	205
Increase (decrease) in provision for directors' bonuses	43	17
Increase (decrease) in net defined benefit liability	99	91
Increase (decrease) in allowance for doubtful accounts	252	(212)
Interest and dividend income	(203)	(208)
Interest expenses	102	219
Foreign exchange losses (gains)	(1,911)	344
Share of (profit) loss of entities accounted for using equity method	1,006	187
Loss (gain) on valuation of investment securities	—	493
Loss (gain) on sales and retirement of non-current assets	357	68
Loss (gain) on liquidation of subsidiaries and associates	(177)	—
Decrease (increase) in notes and accounts receivable-trade	(1,605)	131
Decrease (increase) in inventories	350	(3,688)
Increase (decrease) in notes and accounts payable-trade	(1,571)	2,578
Other, net	2,915	(1,291)
Subtotal	22,120	16,205
Interest and dividend income received	185	200
Interest expenses paid	(101)	(243)
Income taxes paid	(644)	(1,351)
Income taxes refund	30	4
Net cash provided by (used in) operating activities	21,590	14,815

(Millions of Yen)

	Fiscal Year ended March 31, 2015	Fiscal Year ended March 31, 2016
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	42	253
Payments into time deposits	(317)	(396)
Purchase of property, plant and equipment	(2,212)	(4,154)
Payments for retirement of property, plant and equipment	(74)	(51)
Proceeds from sales of property, plant and equipment	1,416	—
Payments from sales of property, plant and equipment	—	(254)
Purchase of intangible assets	(545)	(319)
Proceeds from sales of intangible assets	0	8
Purchase of securities	—	(35)
Purchase of investment securities	(84)	(892)
Proceeds from sales of investment securities	39	—
Purchase of shares of subsidiaries and associates	(25)	—
Purchase of investments in other securities of subsidiaries and affiliates	(20)	(32)
Payments for transfer of business	(344)	—
Payments of loans receivable	(272)	(3)
Collection of loans receivable	162	10
Purchase of investments in subsidiaries and others resulting in change in scope of consolidation	(2,039)	(15,672)
Other, net	135	63
Net cash provided by (used in) investing activities	(4,141)	(21,476)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(7,099)	1,435
Repayment of long-term loans payable	(1,576)	(286)
Proceeds from issuance of bonds	—	19,986
Redemption of bonds	(165)	—
Commission fee paid	—	(91)
Repayments of lease obligations	(1,792)	(124)
Purchases of treasury shares-net	(1)	(1)
Cash dividends paid	(429)	(1,284)
Net cash provided by (used in) financing activities	(11,063)	19,633
Effect of exchange rate change on cash and cash equivalents	2,826	(769)
Net increase (decrease) in cash and cash equivalents	9,212	12,204
Cash and cash equivalents at beginning of period	20,272	29,484
Cash and cash equivalents at end of period	29,484	41,688

Company Outline

Company Outline

Name
Nissha Printing Co., Ltd.
Global Headquarters
3 Mibu Hanai-cho, Nakagyo-ku, Kyoto 604-8551, Japan
President and CEO, Chairman of the Board
Junya Suzuki
Founded
October 6, 1929
Established
December 28, 1946
Capital
¥5,684,790 thousand
Employees
790 (Consolidated number of employees: 4,034)
*As of End of March 2016
Consolidated Subsidiaries
31 *As of End of June 2016
Bases
Japan: 14 (including affiliated companies)
Overseas: 27 (including locally incorporated companies and equity method affiliates) *As of End of June 2016
End of Fiscal Year
March 31

Website
Corporate Information
http://www.nissha.com/english/
IR Information
http://www.nissha.com/english/ir/

Contact Points for Investors
Investor Relations
3 Mibu Hanai-cho, Nakagyo-ku, Kyoto 604-8551, Japan
T +81 75 811 8111 (Main Switch Board)

Stock Data (As of End of March 2016)

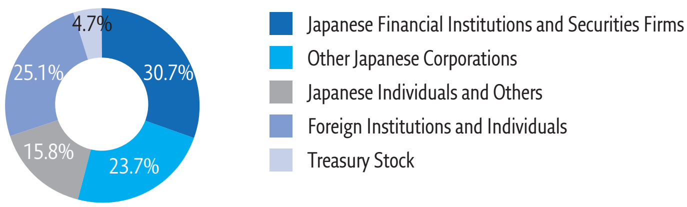
Total number of authorized shares
180,000,000 shares
Total number of outstanding shares
45,029,493 shares
Number of shareholders
8,048
Number of shares per trading unit
100
Stock exchange listings
Tokyo

Large Shareholders

	Number of share held (thousands)	Percentage of shareholding (%)
TAIYO FUND, L.P.	3,079	6.83
Suzuki Kosan Co., Ltd.	2,563	5.69
Meiji Yasuda Life Insurance Company	2,341	5.20
Mizuho Bank, Ltd.	2,076	4.61
The Bank of Kyoto, Ltd.	1,442	3.20
Nissha Kyoeikai	1,045	2.32
DIC Corporation	905	2.01
Oji Holdings Corporation	894	1.98
TAIYO HANEI FUND, L.P.	877	1.94
STATE STREET BANK AND TRUST COMPANY 505019	795	1.76

* The Company has 2,117 thousand shares of treasury stock, and it is excluded from the above list.

Breakdown of Shareholders by Type (Ration of Shares Owned)



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(For the Year Ended March 31, 2016)

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