



NISSHA

Financial Results for FY2019.12 Q3 Ended September 30, 2019

November 8, 2019

Junya Suzuki

President and CEO

Nissha Co., Ltd.

FY2019.12 Q3 result

- In spite that the demand for Devices expanded, the total demand was lower than expected (1USD=JPY106)
 - Net sales 52.3 billion yen, EBITDA 3.8 billion yen, Operating profit 1.4 billion yen, Ordinary profit 1.3 billion yen, Net profit 5.4 billion yen
 - Devices: Lower demand for smartphones than expected.
 - Industrial Materials: Demand decrease for Chinese market caused low operation of domestic production. Challenge for profit improvement continues at an overseas molding factory.
 - Medical Technologies: Demand progressed steadily.
 - Extraordinary profit out of the transfer of idle fixed assets.

Forecast for FY2019.12

- The forecast was revised downward (1USD=JPY108)
 - Net sales 173 billion yen, EBITDA 6.0 billion yen, Operating loss 3.8 billion yen, Ordinary loss 5.0 billion yen, Net loss 2.1 billion yen
 - Devices: More lower demand for smartphones than expected.
 - Industrial Materials: Revised by reflecting Q3 result and reviewing demands for Q4.

Topics

- Optimization of business portfolio, the growth strategy for non-IT, progresses
 - Medical Devices: Acquisition of Advant Medical in Ireland
 - DDS (New dosage form of pharmaceuticals): Acquisition of Zonnebodo Pharmaceutical in Japan
 - Sustainable Packaging Materials: Acquisition of Eurofoil Paper Coating in Germany

FY2019.12 Q3 (9 months) Results

(Millions of JPY)

	FY2018.12 Jan. – Sep. Results	FY2019.12 Jan. – Sep. Results	YoY
Net Sales	140,860	125,409	-11.0%
Industrial Materials	34,518	35,119	+1.7%
Devices	80,041	66,723	-16.6%
Medical Technologies	16,015	18,207	+13.7%
Information and Communication	9,961	5,063	*-49.2%
Other	322	296	-8.1%
EBITDA	8,966	2,757	-69.2 %
EBITDA margin	6.4%	2.2%	-4.2pt
Operating profit	1,963	-4,372	-
Operating profit margin	1.4%	-3.5%	-4.9pt
Ordinary profit	1,400	-5,067	-
Net profit	456	-2,125	-
Forex	¥109/\$	¥108/\$	

* Due to the business restructuring in January 2019

FY2019.12 Q3 (3months) Results

(Millions of JPY)

	FY2019.12 Q1 Result	FY2019.12 Q2 Result	FY2019.12 Q3 Result	QoQ
Net Sales	34,964	38,136	52,309	+37.2%
Industrial Materials	11,672	11,882	11,565	-2.7%
Devices	15,072	18,394	33,257	+80.8%
Medical Technologies	6,145	6,140	5,922	-3.6%
Information and Communication	1,977	1,624	1,462	-10.0%
Other	95	96	105	+9.4%
EBITDA	-170	-910	3,837	Turned to black
EBITDA margin	-0.5%	-2.4%	7.3%	+9.7pt
Operating profit	-2,508	-3,321	1,457	Turned to black
Operating profit margin	-7.2%	-8.7%	2.8%	+11.5pt
Ordinary profit	-2,746	-3,641	1,320	Turned to black
Net profit	-3,258	-4,311	5,444	Turned to black
Forex	¥109/\$	¥110/\$	¥106/\$	

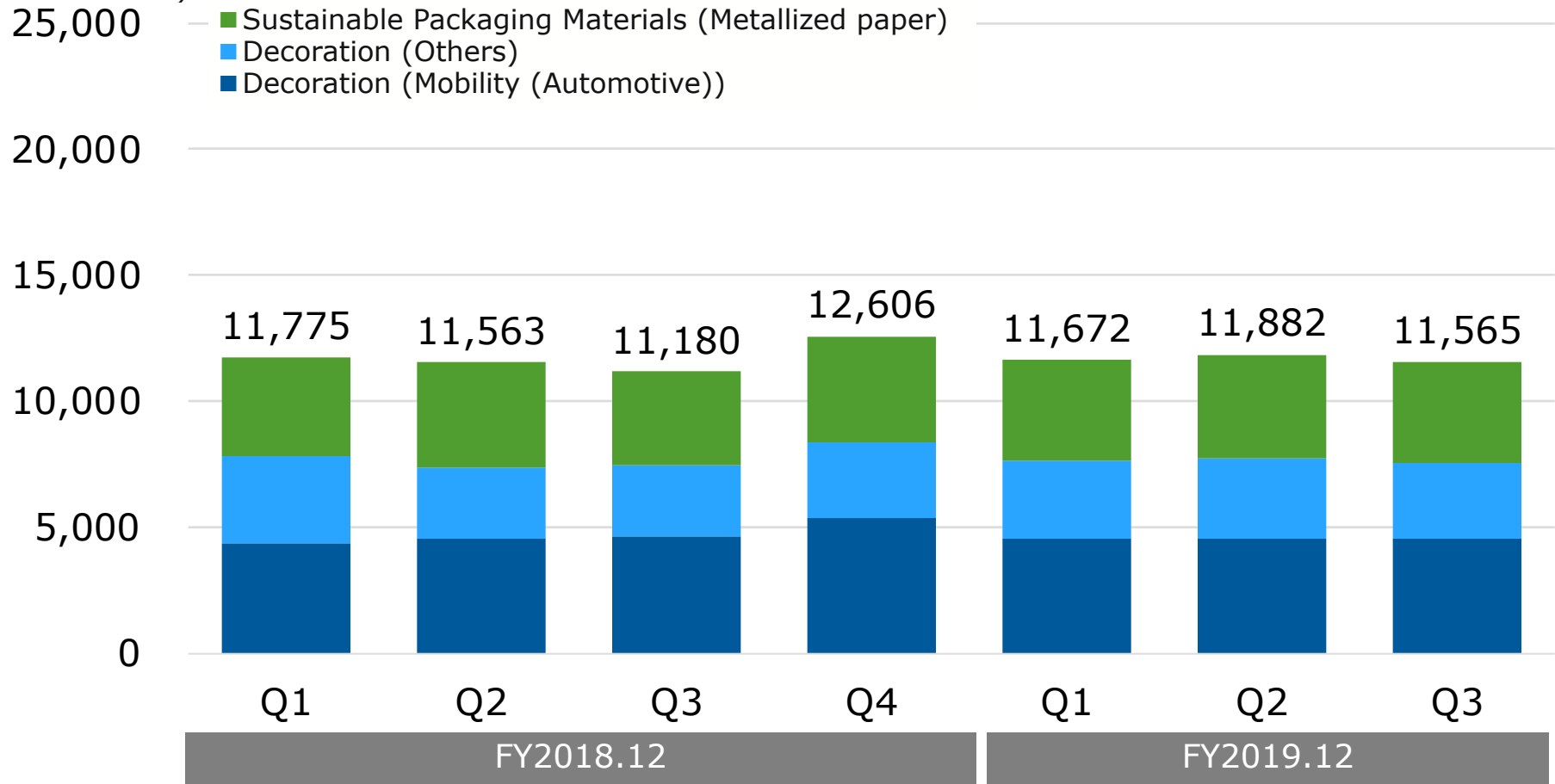
Industrial Materials

EMPOWERING YOUR VISION

Demand decrease for Chinese market, causing lower operation in the domestic factory

Net sales trend by application (by quarter)

(Millions of JPY)



Industrial Materials

Europe

- Flat demand for automotive
- Market share extension for metallized paper (Sustainable Packaging Materials)

Japan

- Lower factory operation due to lower demand from China

North and Central America

- Robust demand for automotive
- Profit improvement continues at Mexico factory, in spite of strong demand for home appliance

China and Asia

- Lower demand for automotive and smartphones
- Quality issues addressed at the injection molding factory in Malaysia

2019

Industrial Materials EBITDA

(Millions of JPY)

8,000
6,000
4,000
2,000
0

Original Forecast (Feb.) Revised Forecast (Nov.)

Reasons for EBITDA down

Demand decrease

- Automotive and smartphones for China

Injection molding factory in Mexico
- Improving production efficiency and getting more solid to be in black.

Amount

-1.5 billion JPY

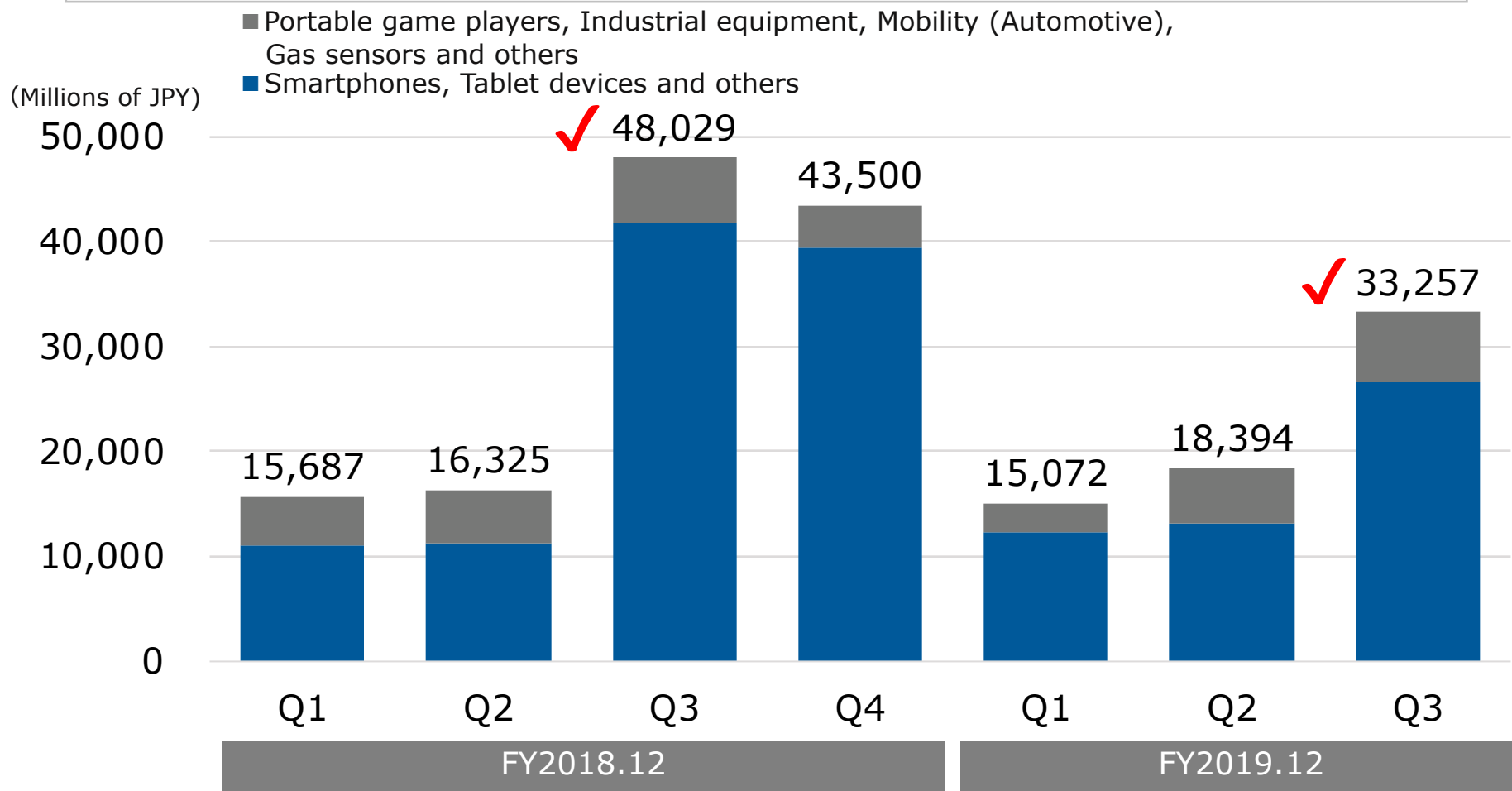
-1.0 billion JPY

Devices

EMPOWERING YOUR VISION

In spite that the demand expanded overall, the demand for smartphones was lower than expected

Net sales trend by application (by quarter)



Medical Technologies

Robust demand continues

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Net sales trend by application (by quarter)

(Millions of JPY)

10,000

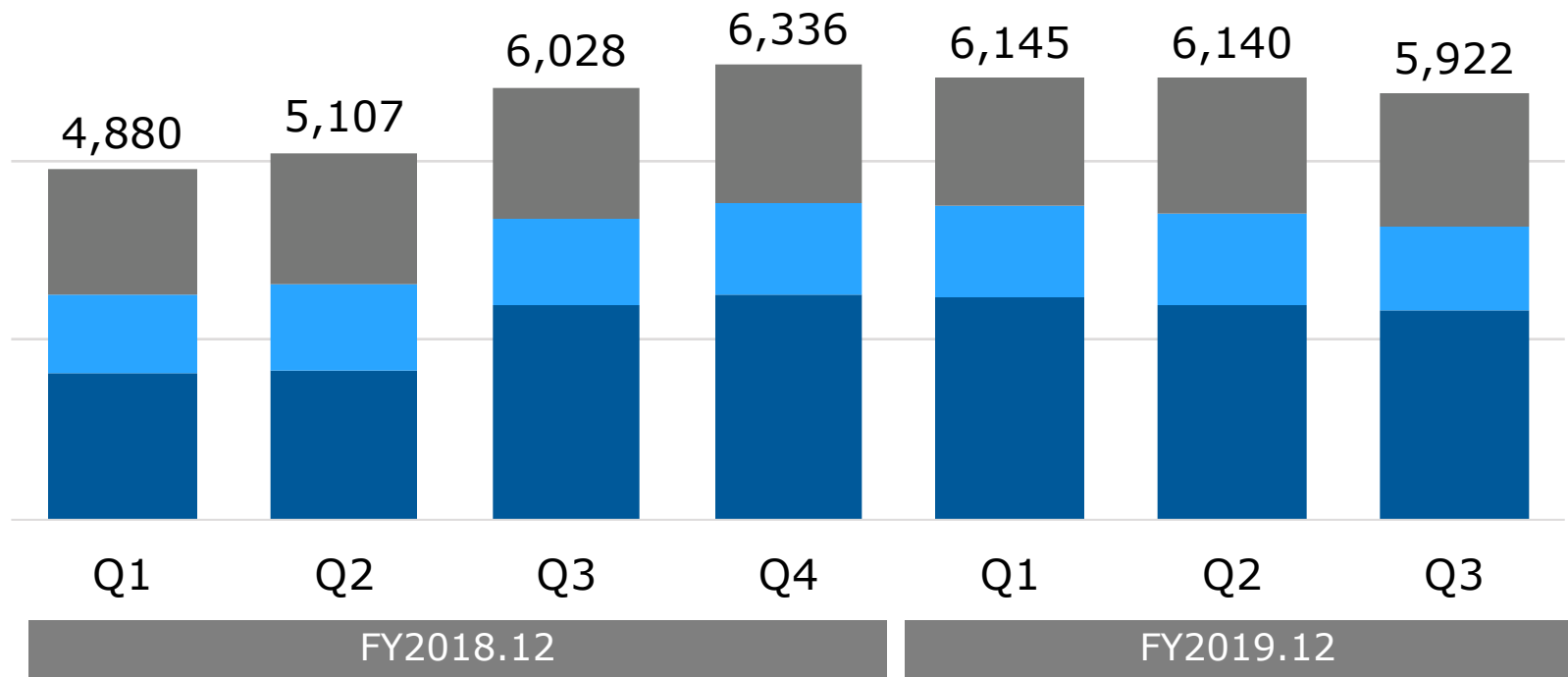
- Business media
- Medical Devices (Own brand)
- Medical Devices (Contract manufacturing)

7,500

5,000

2,500

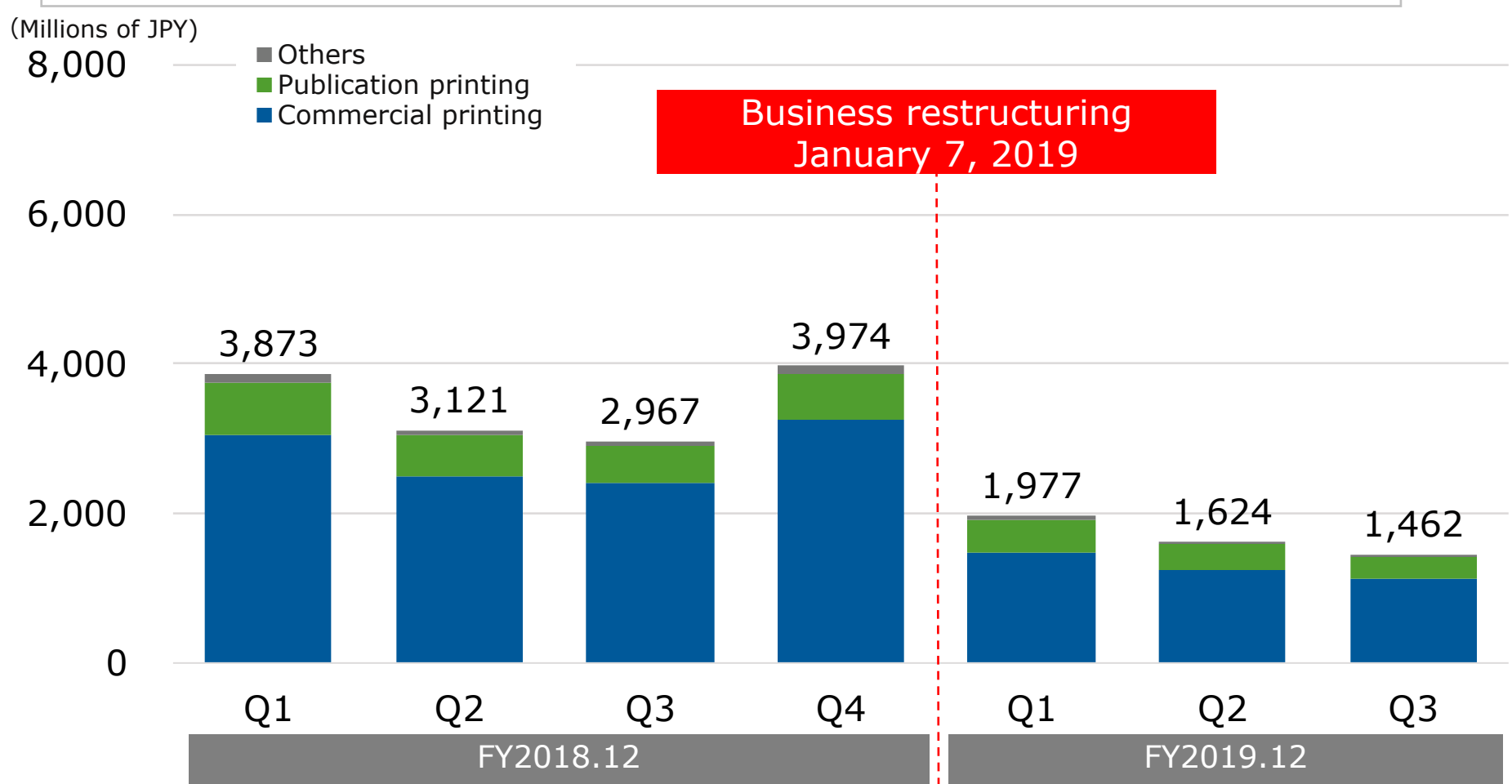
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Information and Communication

Seasonal demand decrease in Q3

Net sales trend by application (by quarter)



Revision to the Business Forecast

EMPOWERING YOUR VISION

(Millions of JPY)

	Previous Forecast (Aug. 6)			Revised Forecast (Nov. 8)		
	FY2019.12 Plan	FY2019.12 H1 Results	FY2019.12 H2 Plan	FY2019.12 Plan	FY2019.12 H1 Results	FY2019.12 H2 Plan
Net sales	180,000	73,100	106,900	173,000	73,100	99,900
Industrial Materials	48,000	23,554	24,446	46,800	23,554	23,246
Devices	99,500	33,466	66,034	94,500	33,466	61,034
Medical Technologies	25,000	12,285	12,715	24,200	12,285	11,915
Information and Communication	7,100	3,601	3,499	7,100	3,601	3,499
Other	400	191	209	400	191	209
EBITDA	11,800	-1,080	12,880	6,000	-1,080	7,080
EBITDA margin	6.6%	-1.5%	12.0%	3.5%	-1.5%	7.1%
Industrial Materials	2,600	954	1,646	1,800	954	846
Devices	9,400	-2,023	11,423	4,600	-2,023	6,623
Medical Technologies	2,400	1,263	1,137	2,300	1,263	1,037
Information and Communication	200	-65	265	100	-65	165
Other	-2,800	-1,208	-1,592	-2,800	-1,208	-1,592
Operating profit	1,500	-5,829	7,329	-3,800	-5,829	2,029
Operating profit margin	0.8%	-8.0%	6.9%	-2.2%	-8.0%	2.0%
Ordinary profit	500	-6,387	6,887	-5,000	-6,387	1,387
Net profit	0	-7,569	7,569	-2,100	-7,569	5,469
Forex	¥107/\$	¥110/\$	¥105/\$	¥108/\$	¥110/\$	¥106/\$

Update on The 6th Medium-term Business Plan (2018-2020)

Medium-term Vision: Aim for “Completion of Balanced Management in Our Business Portfolio”

IT

- Profitability and efficiency

IT



non-IT

- Growth through M&A

Medical Devices








Sustainable Packaging Materials



Mobility (Automotive)



3 actions

	Previous assumption	Present	Actions
IT	<ul style="list-style-type: none"> Increasing demand 	<ul style="list-style-type: none"> Decreasing demand High seasonal fluctuation in demand 	 <ul style="list-style-type: none"> 1. Save of fixed cost
Capital for investment	<ul style="list-style-type: none"> Generated out of IT 	<ul style="list-style-type: none"> Not enough only from IT 	  <ul style="list-style-type: none"> 2. Encashment of non-business properties
Non-IT	<ul style="list-style-type: none"> Expansion, Strong magnitude 	<ul style="list-style-type: none"> Expansion, Medium magnitude 	  <ul style="list-style-type: none"> 3. Attentive M&A

Capital for the growth strategy for non-IT (M&A)









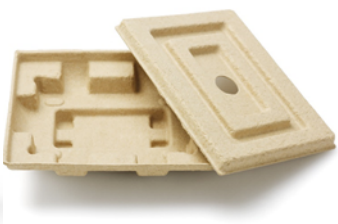



- Operating cash flow out of IT business is decreasing
- Financing (Debt)
- ✓ ● Encashment of non-business properties: in scale of 10 billion yen by 2020 end

1. Unused fixed assets	About JPY 5 billion by sale of ex-Yachiyo factory (2019 September) Completed
2. Strategic holding shares	✓ About JPY 5 billion by the end of 2020



For execution of the growth strategy
for non-IT (M&A)

Target areas: 3 M&A to be completed (Q4)

<p>Medical</p> 	<p>✓ Medical Devices</p> <p>To enrich product lineup To extend design and development capabilities</p> <p>NISSHA MEDICAL TECHNOLOGIES</p> <ul style="list-style-type: none">● Cardiology● Acute care● Consumables  	<p>✓ DDS – New dosage form</p>  
<p>Sustainable Packaging Materials</p> 	<p>✓ Share extension for metallized paper</p> <p>Rmetallizing A Nissha Company</p> 	<p>New sustainable packaging materials</p>  
<p>Mobility (Automotive)</p> 	<p>New opportunities</p> <p>CASE</p> <ul style="list-style-type: none">- Connected- Autonomous driving- Shared/Service- Electric	<p>Mobility Business Unit Joint of Industrial Materials (Interior/Exterior decoration) and Devices (Functional parts)</p>  

Geographical extension in Europe for contract manufacturing

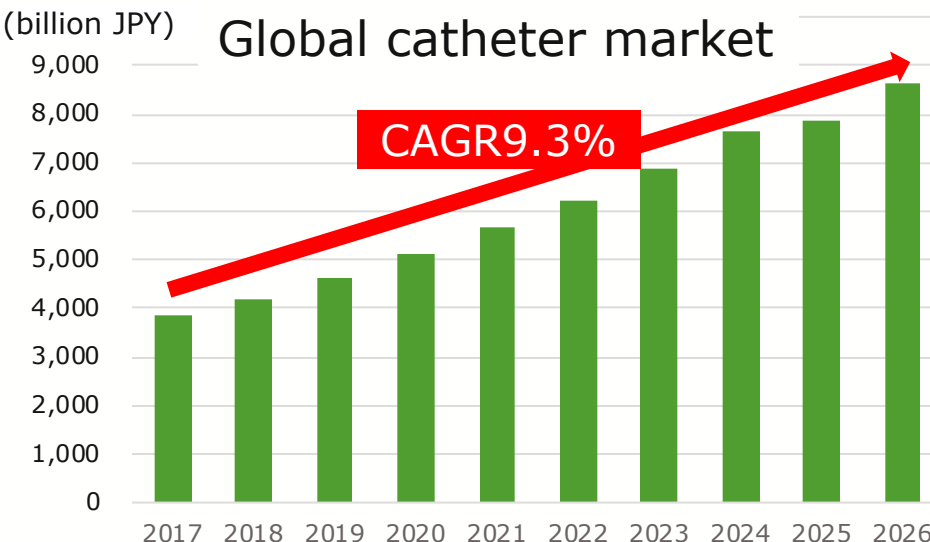
Acquisition of Advant Medical in Ireland

(1EURO=JPY120)

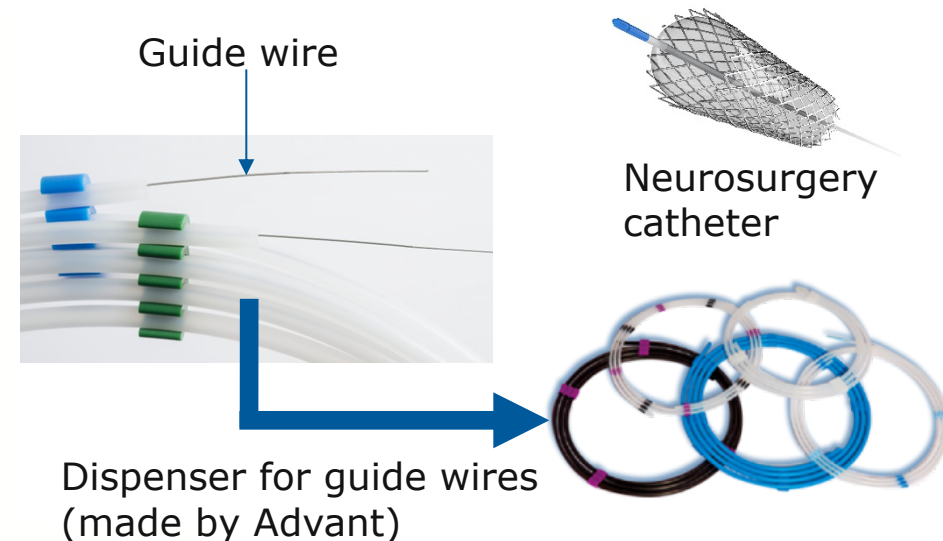
- Advant Medical is a global leading manufacturer for dispensers for cardiovascular catheters and guide wires
- Vertical integration of Advant's dispensers into our guide wire production
- Gain of Advant's production capability for neurosurgery catheters
- Ireland is one of largest medical device clusters in Europe. More customer contacts expected through enhancing R&D capability in this area

Advant Medical Limited

Net sales	15.5 million Euro (FY2018.12) (about 1,860 million JPY)
Bases	Ireland, Costa Rica
Employee	190
Business	Design, development, production and assembly of medical devices



Based on our research out of several resources



* Image is an illustration purpose

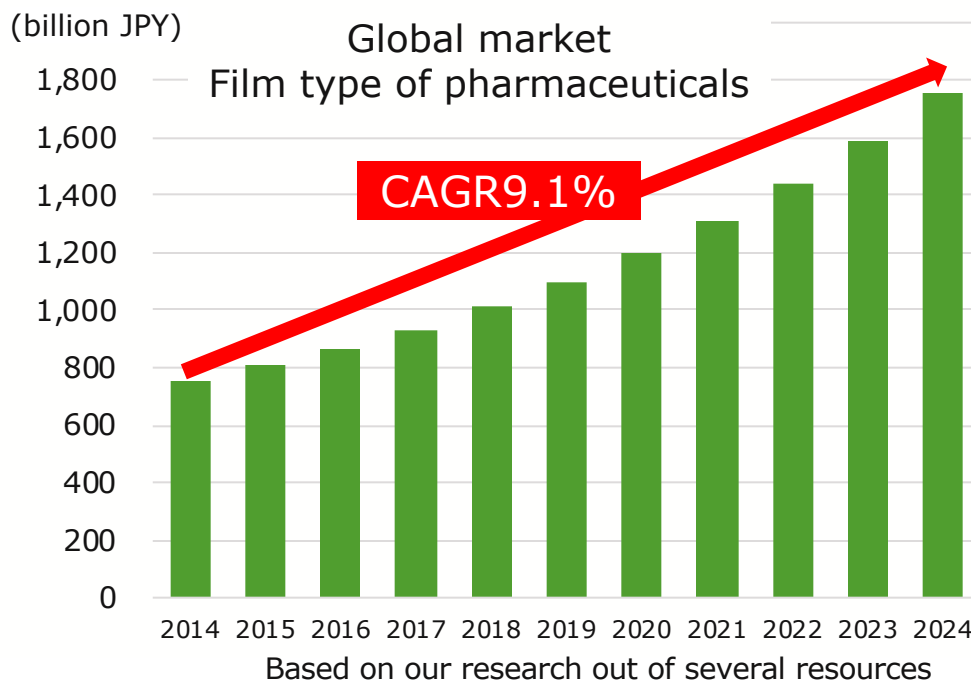
Market entry in DDS

Acquisition of Zonnebodo Pharmaceutical in Japan

- Zonnebodo possesses long-seller products (Tinnitus soother, Tooth decay prevention, etc)
- Gain of business base for pharmaceuticals as business license, manufacturing facility, quality management system, sales channels, etc
- Enhance of film type of pharmaceuticals developed out of our core technologies

Zonnebodo Pharmaceutical Co., Ltd.

Net sales	about 1,051 million JPY (FY2018.9)
Bases	Tokyo, Japan
Employee	80
Business	Manufacturing and marketing authorization holder of in-house developed prescription pharmaceuticals and quasi-drugs

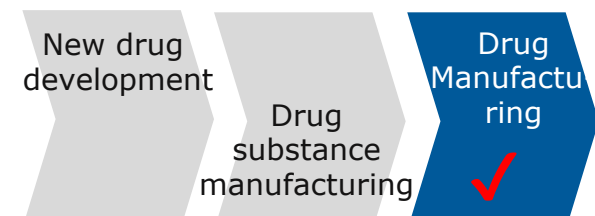


- Nissha's strategy (film type)

To seize business opportunities at dosage form change from tablets and injections



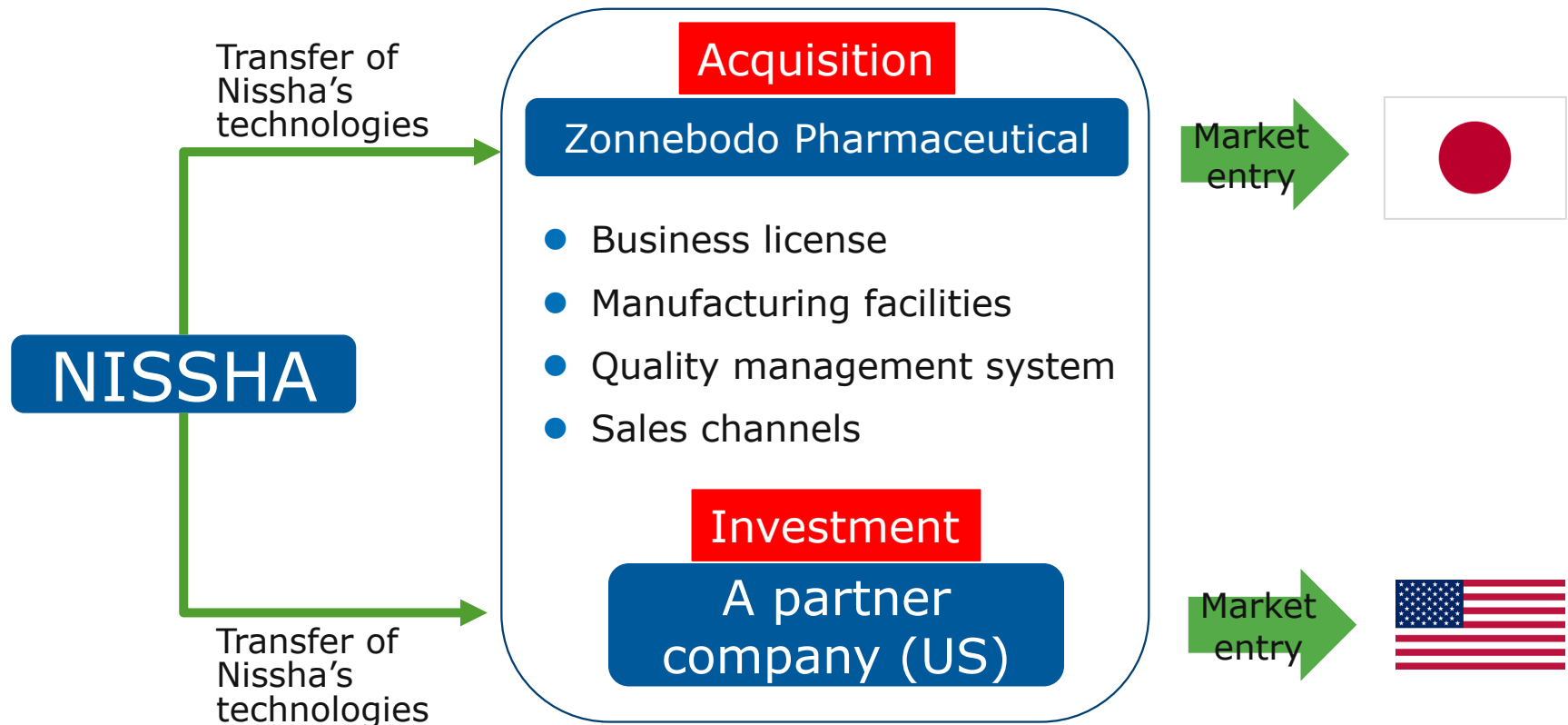
- Apply of our core technologies to drug manufacturing



Supply chain for drugs

Development of film type of pharmaceuticals by integration of our technologies and Zonnebodo's manufacturing & sales expertise for pharmaceuticals

- Target for entry in Japanese market of film type of pharmaceuticals by utilization of our technologies at Zonnebodo
- Seize business opportunities in overseas through the partnership with a company in US (2019 April).



Securing of the leading position in metallized paper market by share extension

AR Metallizing (Belgium) to acquire Eurofoil Paper Coating in Germany, a metallized paper manufacturer

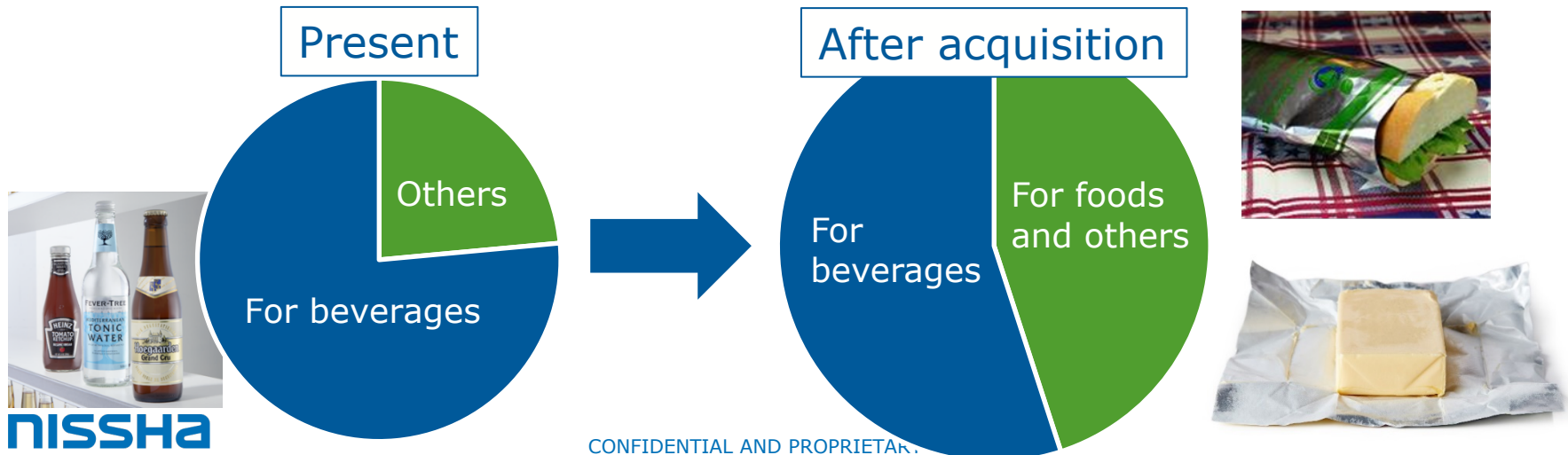
(1EURO=JPY120)

- Profitability improvement expected by leading the metallized paper market
- Enhance of R&D for new products by utilization of process engineering and production capabilities of Eurofoil
- Over net sales 22 billion JPY for metallized paper expected in 2020

Eurofoil Paper Coating GmbH

Net sales	FY2018.12: 54.7 million Euro (About 6,564 million JPY)
Bases	Germany
Employee	170
Business	Manufacturing and sales of metallized paper for food and cigarette packages

More new products to markets seeking sustainable packaging materials, mainly for food market



Sale of unused fixed assets and implementation of attentive M&A

Ex-Yachiyo factory (Chiba)



Sale

Profit on sale
about 5.0 billion JPY

Acquisition of
3 entities

About
5.5
billion
JPY

Investment for M&A

● Unused fixed assets

JPY 0	JPY 0
Net sales	EBITDA

- Investment about 5.5 billion JPY, ROIC about 11%

*ROIC on cash basis
= EBITDA * (1-tax rate 30%) / Investment

About
9.5
billion
JPY

ADVANT[®]
MEDICAL

ゾンネボード製薬株式会社

About 0.9
billion JPY

eurofoil

Net sales	EBITDA (adjusted)
Last year result	

Reference: Capital investment, Depreciation, M&A investment, Amortization of goodwill, R&D

(Million of JPY)

	FY2019.12 Q1 results	FY2019.12 Q2 results	FY2019.12 Q3 results
Capital investment	1,602	2,187	2,524
Depreciation	1,943	2,003	1,983
M&A investment	-	-	-
Amortization of goodwill	400	403	397
R&D	875	944	868

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