

# Financial Results for FY2013 Ended March 31, 2013

May 10, 2013

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Notes: 1. In this presentation, "FY2013" and "2013/3" refer to the year ended March 31, 2013.  
2. The results and forecast presented on these materials are all consolidated basis except as otherwise noted.

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## Highlights (Results)

### FY2013 Results

- The deficit reduced comparing to the plan. Ordinary income and net income returned to the black in H2.
- Devices: Net sales landed as forecasted.
  - Volume increased for photolithography process and the earnings recovery progressed.
  - Demand for gaming console were strong until Q3, but stalled in Q4.
- Industrial Materials: Net sales surpassed the forecast.
  - Demand for notebook PC were strong in H1, but turned soft in H2.
  - Demand for mobile phone stay stagnant throughout the year.
- Information and Communication: Profitability is steadfast thanks to the structural reforms.

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# Highlights (Forecast)

## Forecast for FY2014

- Net sales increase largely by the contribution of Devices. Operating profit and loss plans to return to the black in H2 and full year.
- Devices
  - Volume for photolithography process increases (however, volume in Q1 declines largely)
  - Effect of yen depreciation expected. The price cutting pressure, however, increases accordingly.
- Industrial Materials
  - IMD demand for mobile phone and notebook PC weak.
  - Focus on promotion of new technologies (including transfer to glass and three-dimensional transfer)
- Accelerate commercializing the new technologies and products toward the reorganization of business portfolio.
  - Seeding activity progressed in FY2013, and accelerate commercializing after FY2014.

## The Fourth Medium-term Business Plan

- Maintain the course of business portfolio reorganization and improving the financial standing.

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# FY2013 Sales increased YoY, deficit reduced

## FY2013 Results

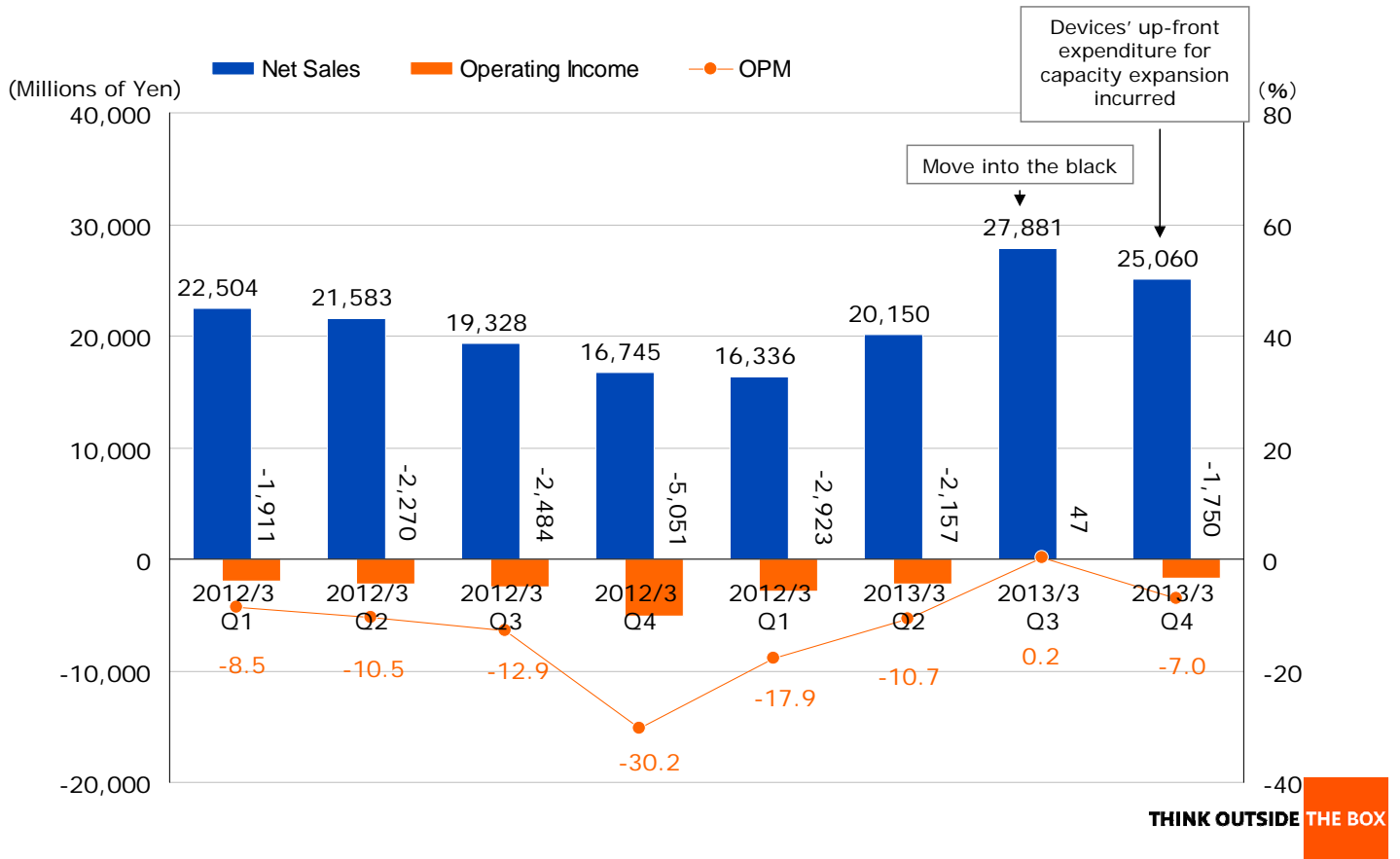
(Millions of Yen)

		FY2012 Result	FY2013 Forecast <small>(Revised on Feb. 8)</small>	FY2013 Result	YoY	Vs. forecast
Net Sales		80,160	86,500	89,427	+11.6%	+3.4%
Operating Income		-11,716	-8,400	-6,783	-	-
OPM		-14.6%	-9.7%	-7.6%	+7.0pt	+2.1pt
Ordinary Income		-11,320	-7,000	-4,643	-	-
Net Income		-28,684	-7,800	-5,438	-	-
Net Sales by Business Segments	Industrial Materials	35,825	25,000	27,689	-22.7%	+10.8%
	Devices	25,728	43,000	43,133	+67.7%	+0.3%
	Information and Communication and Others	18,605	18,500	18,604	-0.0%	+0.6%
Operating Income by Business Segments	Industrial Materials	-1,731	-	-719	Deficit reduced	-
	Devices	-4,696	-	-469	Deficit reduced largely	-
	Information and Communication and Others	301	-	337	+12.0%	-
	Administration and R&D	-5,590	-	-5,933		

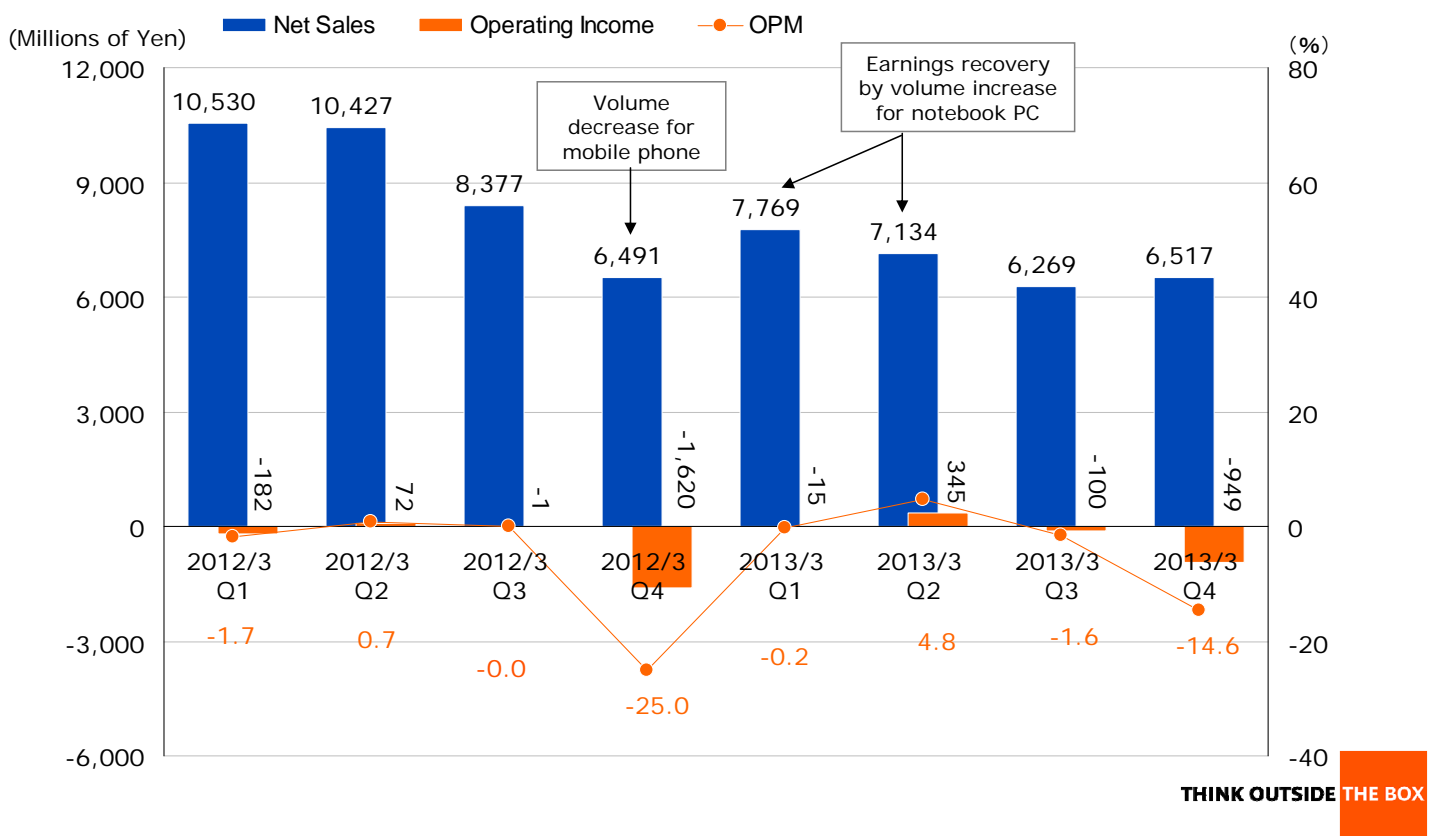
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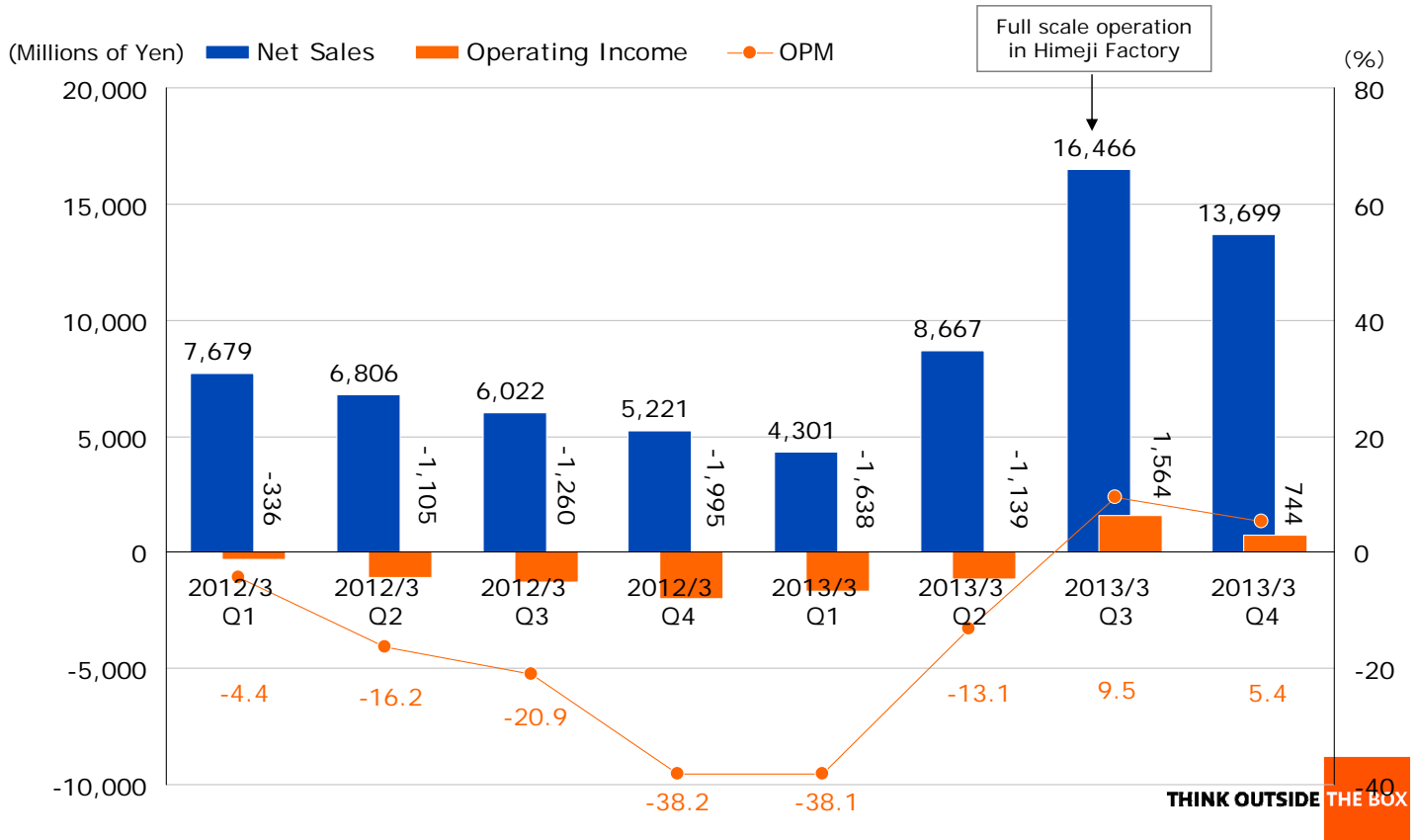
# Quarterly Trend (Corporate)



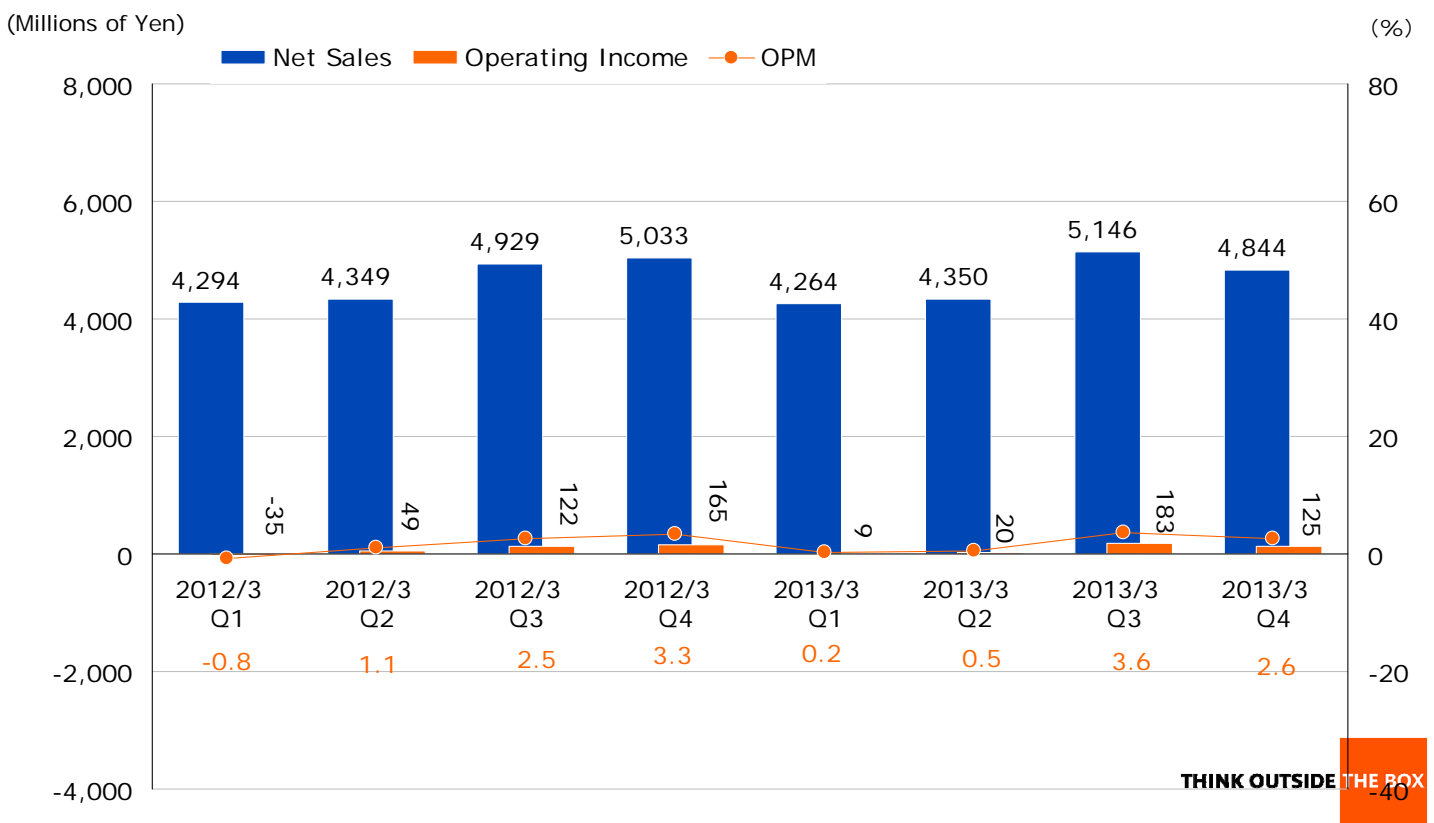
# Quarterly Trend (Industrial Materials)



# Quarterly Trend (Devices)



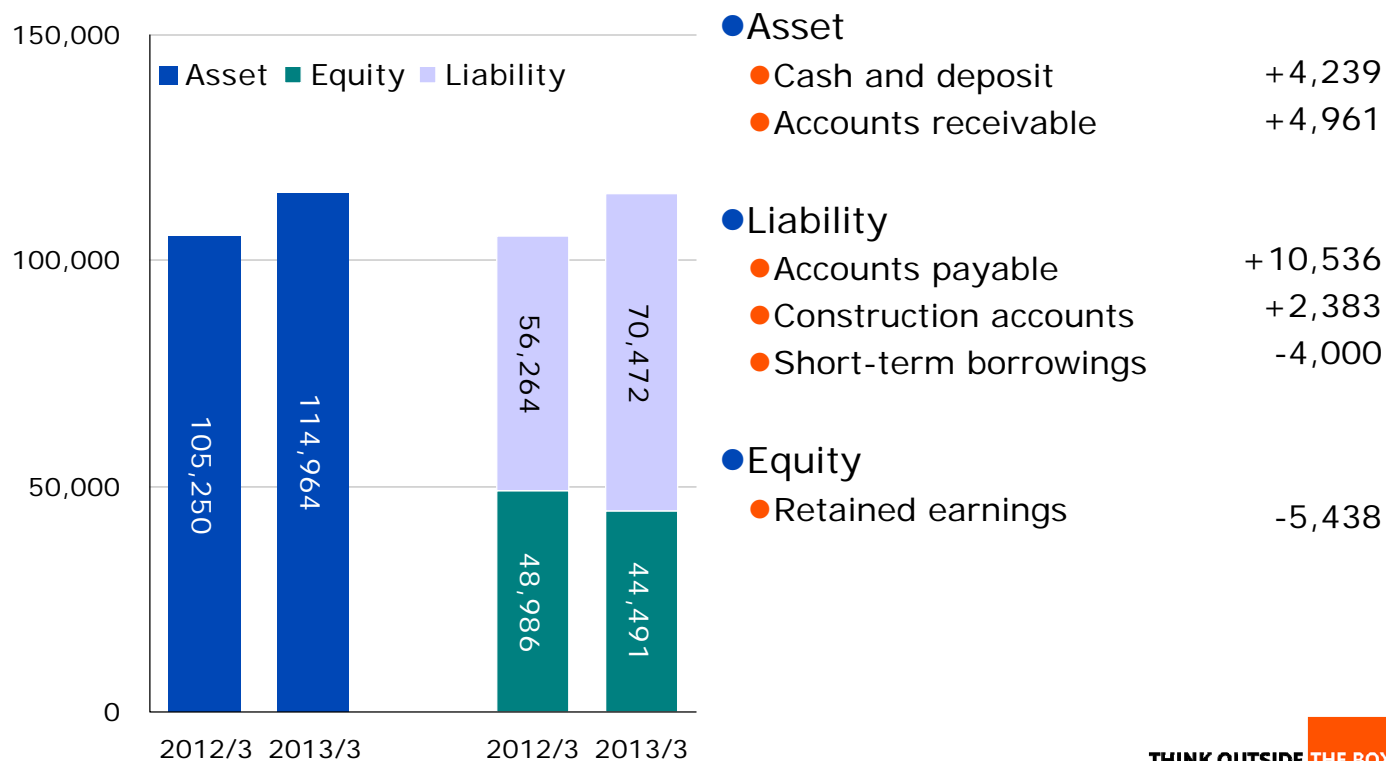
# Quarterly Trend (Information and Communication and Others)



# FY2013 B/S

## Asset, Liability and Equity YoY

(Millions of Yen)



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# FY2013 C/F

## Summary of C/F

(Millions of Yen)

	FY2012 Result	FY2013 Result	FY2013 Summary
Net cash provided by (used in) operating activities	3,541	13,864	<ul style="list-style-type: none"> <li>• Loss before tax -5,010</li> <li>• Working capital improvement, etc. +10,438</li> <li>• Depreciation +9,530</li> </ul>
Net cash provided by (used in) investing activities	-4,277	-7,206	<ul style="list-style-type: none"> <li>• Sales of PP&amp;E +2,170</li> <li>• Purchases of PP&amp;E 10,894</li> </ul>
(Free cash flow)	-736	6,658	
Net cash provided by (used in) financing activities	3,076	-4,677	<ul style="list-style-type: none"> <li>• Short-term borrowings -4,000</li> </ul>
Net cash and cash equivalents	19,490	23,692	

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# FY2014 Devices drives earnings recovery in H2

## FY2014 Forecast

(Millions of Yen)

	FY2013 Result	FY2014 H1 Forecast	FY2014 H2 Forecast	FY2014 Forecast (assumption ¥95/\$)	YoY
Net sales	89,427	53,000	77,000	130,000	+45.4%
Operating Income	-6,783	-3,500	7,500	4,000	-
OPM	-7.6%	-6.6%	9.7%	3.1%	+10.7pt
Ordinary Income	-4,643	-3,300	7,700	4,400	-
Net Income	-5,438	-4,000	7,000	3,000	-

Net sales by business segment	FY2013 Result	FY2014 Forecast	YoY
Industrial Materials	27,689	28,500	+2.9%
Devices	43,133	82,500	+91.3%
Information and Communication and Others	18,604	19,000	+2.1%

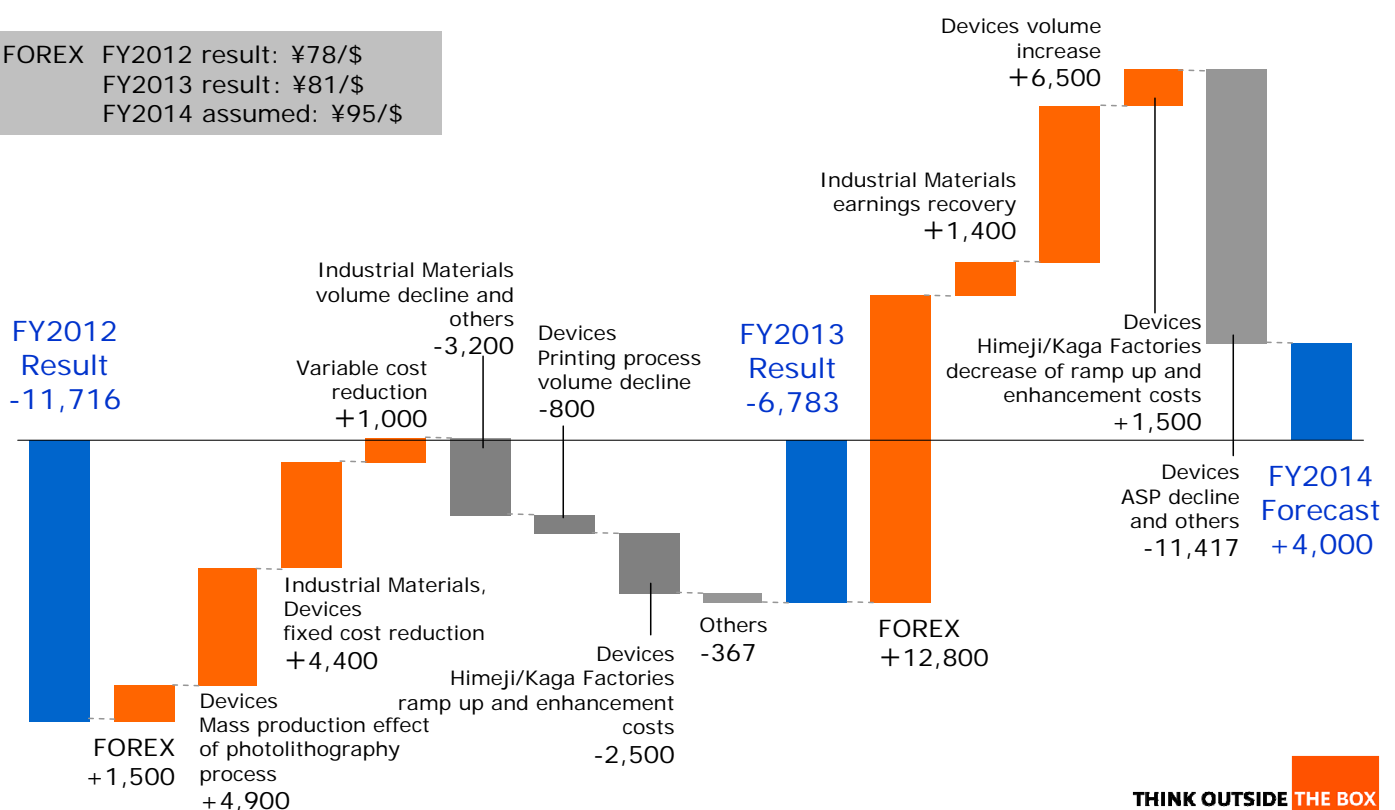
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# Analysis of OPM

## FY2012 ⇒ FY2013 ⇒ FY2014

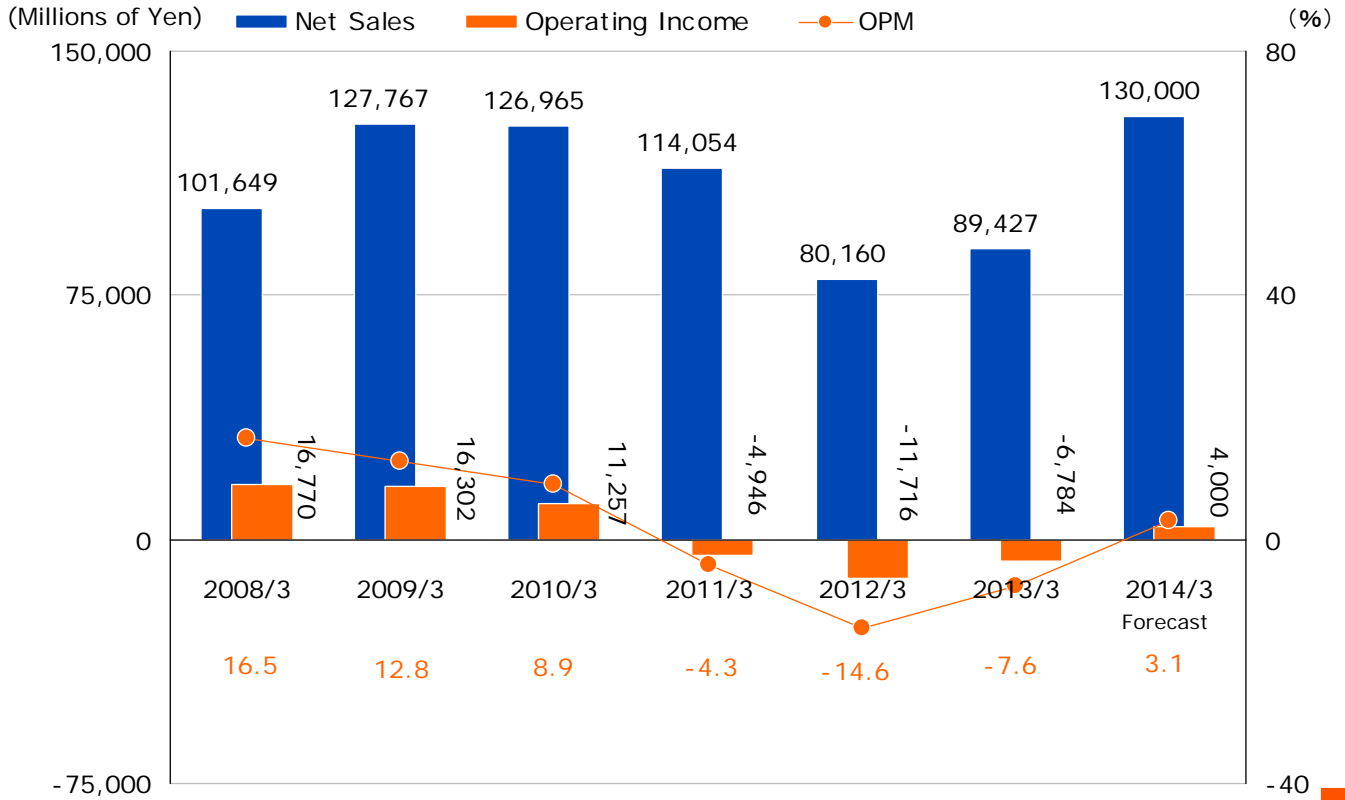
(Millions of Yen)

FOREX FY2012 result: ¥78/\$  
 FY2013 result: ¥81/\$  
 FY2014 assumed: ¥95/\$



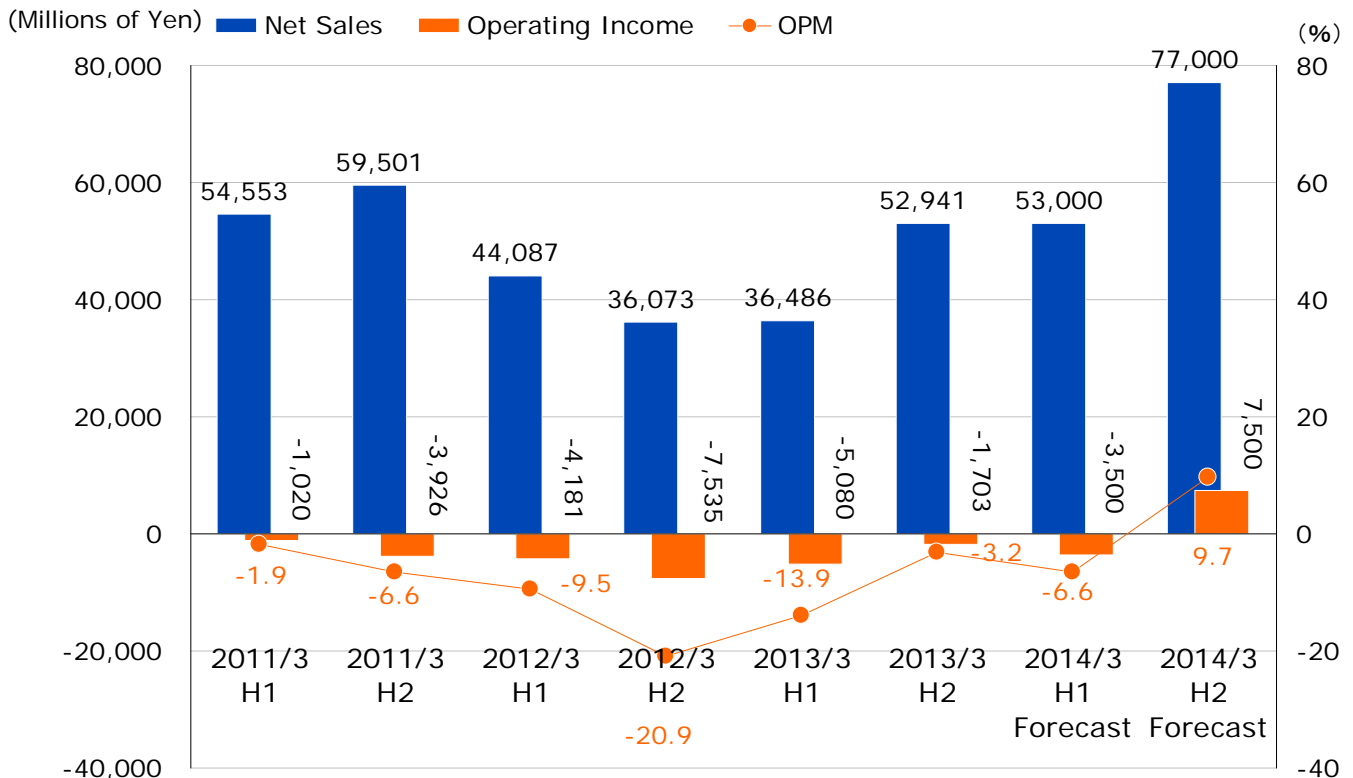
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# Business Performance Trend (Full Year)



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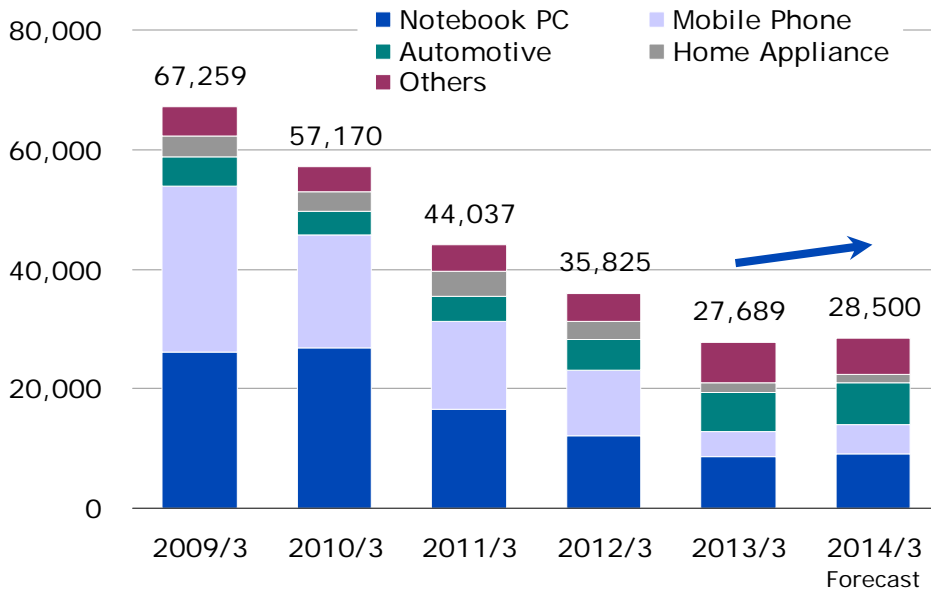
# Business Performance Trend (Half Year)



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# Industrial Materials: Bottom out by new technology input

Industrial Materials sales trend by application (Millions of Yen)



FY2014

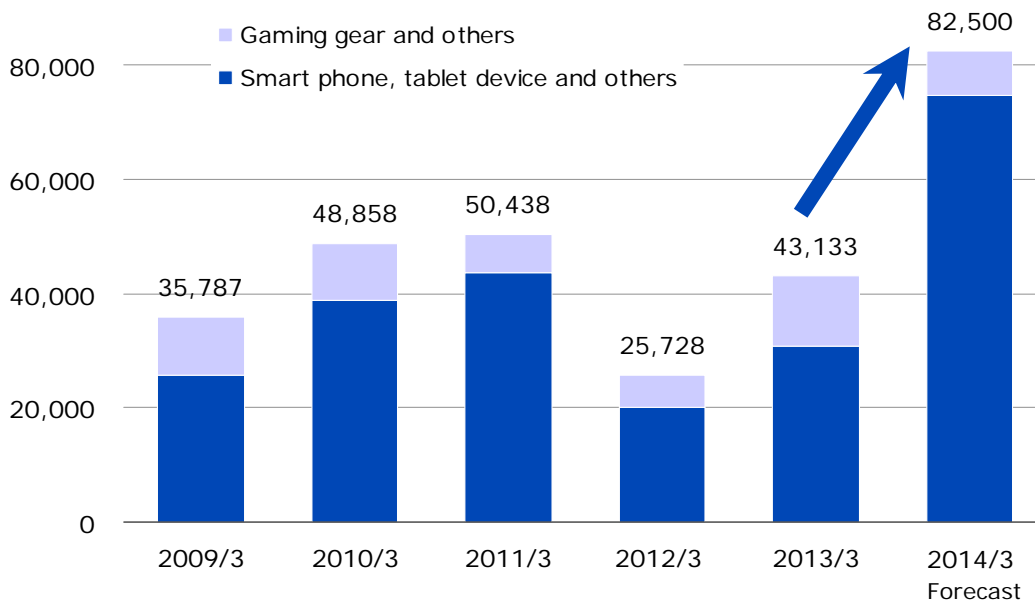
- Notebook PC: Gain order for metal housing by 3D transfer.
- Mobile phone: Gain order by glass transfer.

Notebook PC	26,231	26,775	16,542	12,231	8,617	9,200
Mobile Phone	27,606	18,996	14,642	10,838	4,265	4,700
Automotive	4,822	3,938	4,172	5,109	6,571	7,000
Home Appliance	3,532	3,176	4,254	3,025	1,559	1,600
Others	5,068	4,285	4,427	4,624	6,678	6,000

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# Devices: Volume increased for photolithography process

Devices sales trend by application (Millions of Yen)



Smart phone, tablet devices ant others	25,803	38,813	43,542	20,200	30,887	74,700
Gaming gear and others	9,984	10,046	6,897	5,530	12,245	7,800

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# Devices: Adjust production capacity by process

- Photolithography process: Himeji and Kaga, two factories (Kaga factory start production in stages from July)
- Printing process: Capacitive type transferred to the joint company in Korea. Domestic operation still continues.

## Capacity of photolithography process \*convert to 4 inch (per month)

	Process	Current	October, 2013 (Forecast)	Capital Investment (accumulated + FY2014 forecast)
Himeji Factory	Capacitive	24,000	24,000	17,427
Kaga Factory	Capacitive	-	24,000	10,000
Total		24,000 (thousand unit)	48,000 (thousand unit)	27,427 (million yen)

## Capacity of printing process \*convert to 4 inch (per month)

	Process	Capacity
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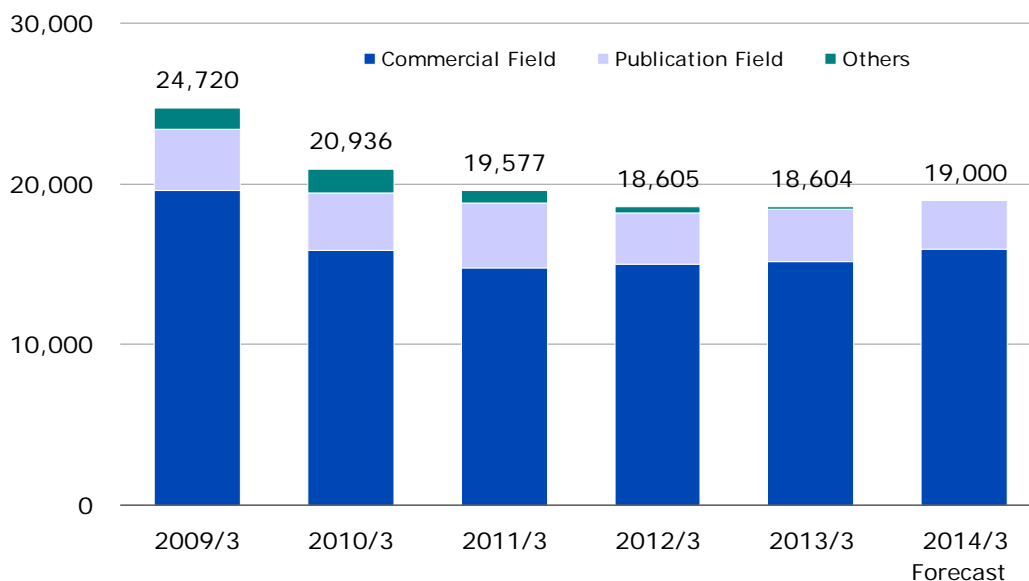
Kaga Factory	Resistive	4,000 (thousand unit)
Kyoto Factory*	Capacitive	
NS Tech (Korea)	Capacitive	

\*Kyoto Factory produce touch sensor for automotive.

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# Information and Communication: Remain steadily

Information and Communication and Others sales trend by field (Millions of Yen)



Commercial Field	19,573	15,817	14,763	14,999	15,193	15,900
Publication Field	3,858	3,641	4,022	3,196	3,223	3,060
Others	1,290	1,479	792	411	190	40

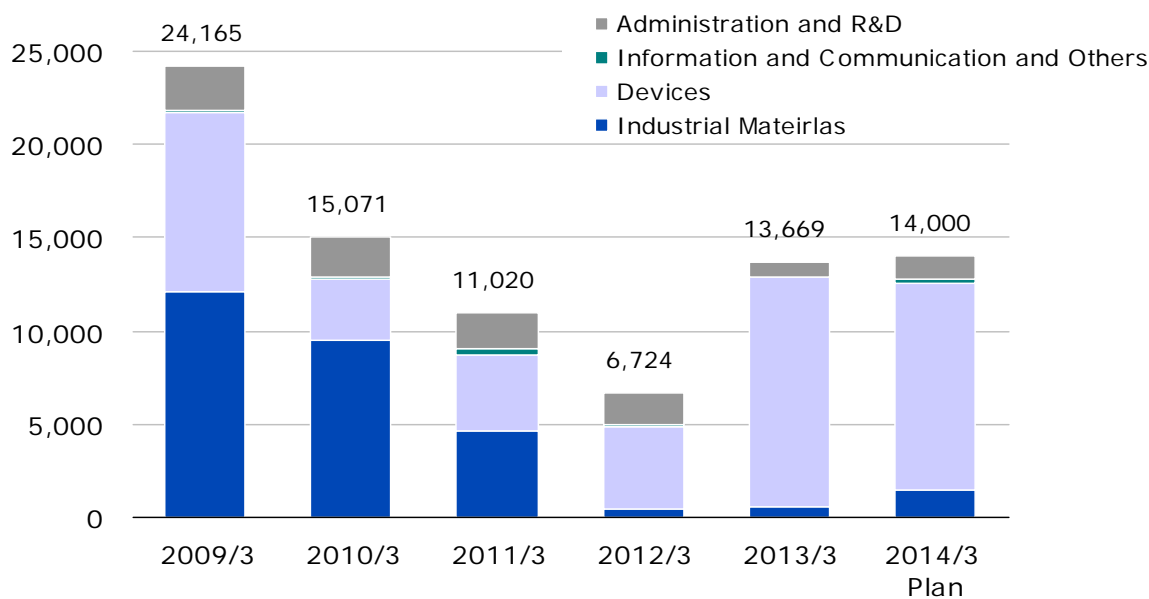
\*Others contains such as real-estate and personnel-service business that are not included in Information and Communication business.

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# Capital Expenditure Focus on Devices capacity increasing

CAPEX trend by business segment

(Millions of Yen)



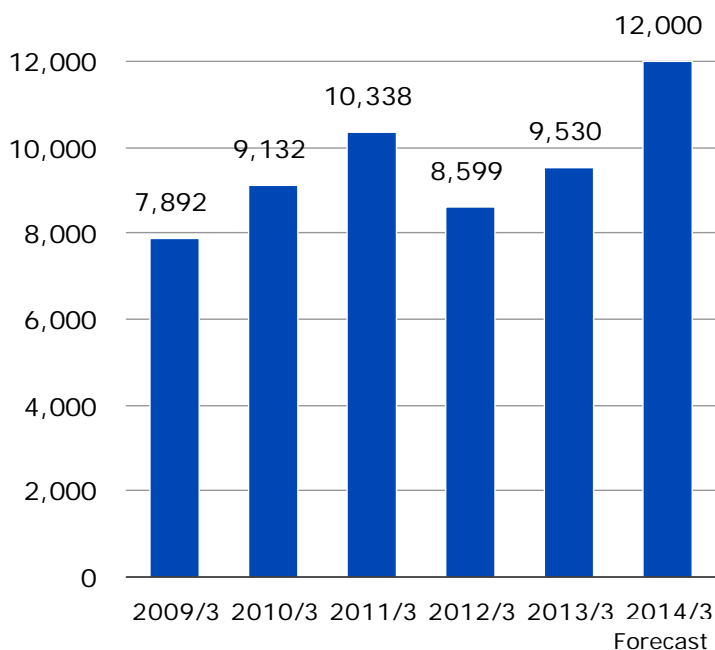
	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3 Plan
Industrial Materials	12,080	9,454	4,652	422	617	1,500
Devices (Photolithography Process)	9,585	3,278	4,100 1,417	4,470 4,117	12,225 11,893	11,000 10,000
Information and Communication and Others	117	119	342	76	13	300
Administration and R&D	2,383	2,221	1,927	1,753	812	1,200

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## Depreciation: Increase by investment for photolithography process R&D Expenses: Maintain a level of 2.5 bil. yen

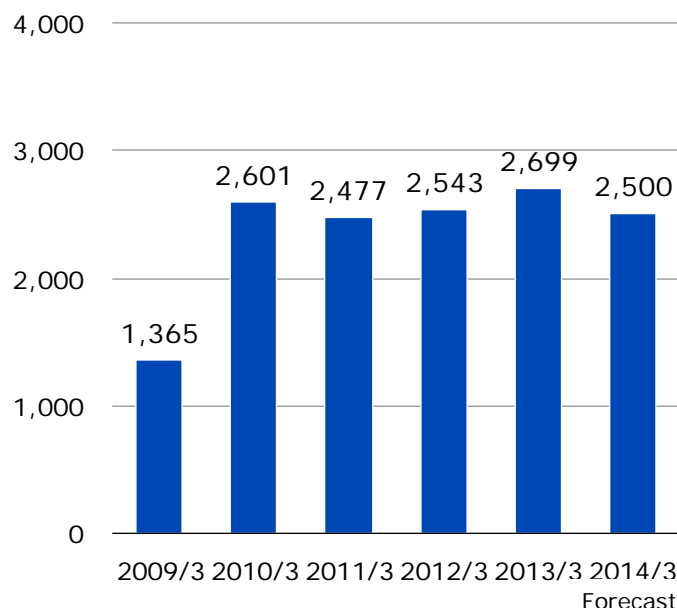
Depreciation

(Millions of Yen)



R&D Expenses

(Millions of Yen)



FY2013 breakdown:

Industrial Materials	3,131
Devices	4,578
Information and Communication and Others	267
Administration and R&D	1,552

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# The Fourth Medium-term Business Plan **NISSEHA** (FY2013-FY2015)

## Medium-term Vision

Nisseha develops cutting-edge printing technologies and creates an array of exceptional products that fundamentally redefines value for our customers.

## Key Strategies

### Strategy 1. Growth by reorganizing business and product portfolios

- Explore the expansion of printing technologies (diversification of methods and materials, pushing the limitation of process)
- Adjustment of the strategy of selection and concentration
- “Market-in” perspective

### Strategy 2. Establishment of lean structure

- Low-cost operation: reduce sales cost ratio by 15pt
- Project evaluation by profitability on investment: ROIC 6% and above

### Strategy 3. Globalization and diversification of value chain

- Enhancing local procurement, development and prototyping
- Partnering for development, production and procurement





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## Strategy 1. Growth by reorganizing business and product portfolios (Industrial Materials)

**NISSEHA**

- Film decoration on the materials other than plastic resin made possible
  - Technology development for low heat process (ink layer adhesion by low heat)

Process	Subject materials				Superiority
	Resin	Metal	Glass	Hybrid (metal + resin, etc.)	
IMD					3D geometries, simultaneous molding and decorating
Transfer to metal					Dry processing (environmental response), design flexibility
3D transfer					Decoration on multiple substances including magnesium
Glass transfer Shatter-proofing					Thinner layer than current silkscreen printing, low coat

- Expand business opportunity by enhancement of technology portfolios
  - Notebook PC for high-end consumers and for commercial use
  - Smart phone, tablet PC
  - Automotive (interior), white goods

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# Strategy 1.

## Growth by reorganizing business and product portfolios (Devices)

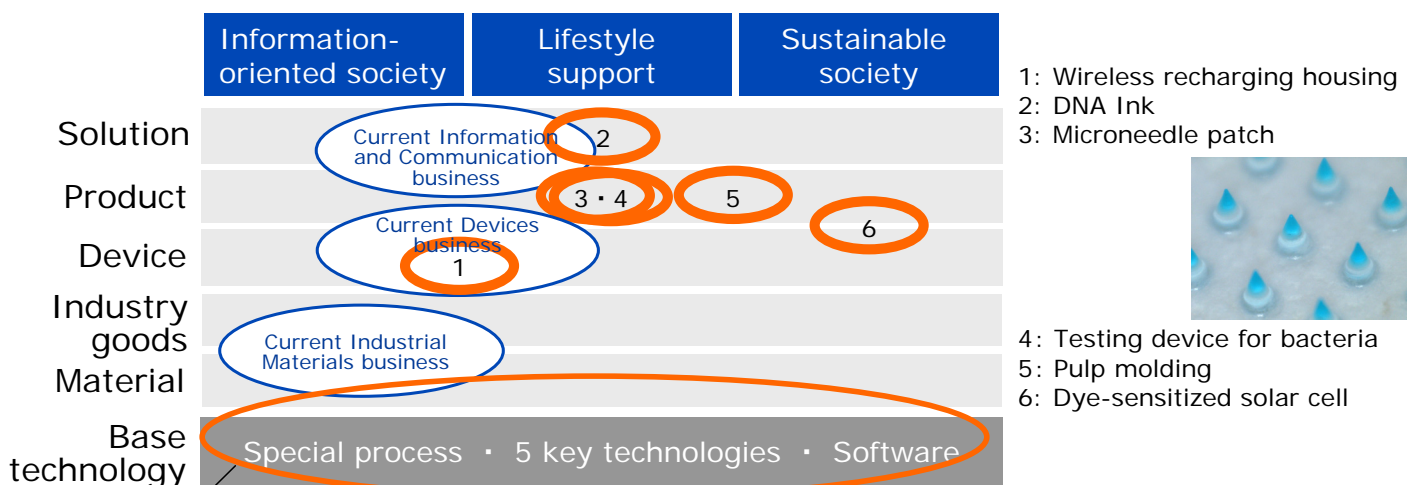
- Business expansion for photolithography process
- Evolution of printing process (pursuit for thinner line: target 40/40 μm)
- Technology development for next generation
  - MidCell™
    - Add touch function on optical film and achieve thinner display module (LCD, OLED)
  - Force sensor
    - Z-axis, pen input available
- Touch module for automotive
  - Combine with technology of Industrial Materials



# Strategy 1.

## Growth by reorganizing business and product portfolios (New business development)

- Expand business domain with 3 conceptual images of society
  - Seeding for new products proceeded. Enhance commercialization.



- Creating business opportunity through development of materials.
  - Material ConneXion Tokyo library to be opened
  - Library service and consulting service on advanced materials for designers (from October 2013)



## Strategy 2. Establishment of lean structure

### ● Improve efficiency

#### ● Invested asset turnover:

\* Invested asset = fixed asset  
+ working capital

FY2012  
(start of implementation of  
enhancement plan of  
structural reforms) **1.2** → **2.5**  
FY2014  
(forecast)

#### ● Sales cost ratio:

FY2012 **99.5%** → **93.4%**  
FY2013

### ● Elimination and consolidation of production factories

● Industrial Materials: consolidation of molding business (close domestic plant and consolidate in China)

● Devices: Unification of operation on photolithography process

● One operation-three factories structure of Kaga, Himeji and Kyoto

### ● Squeeze profit and cash flow

● Cashing out idle fixed asset

● Cut interest-bearing debt (FY2013 short-term borrowings  
-4,000 million yen)

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## Strategy 3. Globalization and diversification of value chain

### ● Devices: Transfer printing process (capacitive type) to overseas

● Start joint venture with S-MAC Co., LTD. (Korea)

● Offer license to the new company NS Tech Co., Ltd.  
(production with light asset strategy)

● Cost advantage, combine with module process

● Improve customer portfolio

● Establish transfer model of commoditized technology from  
Japan to Korea



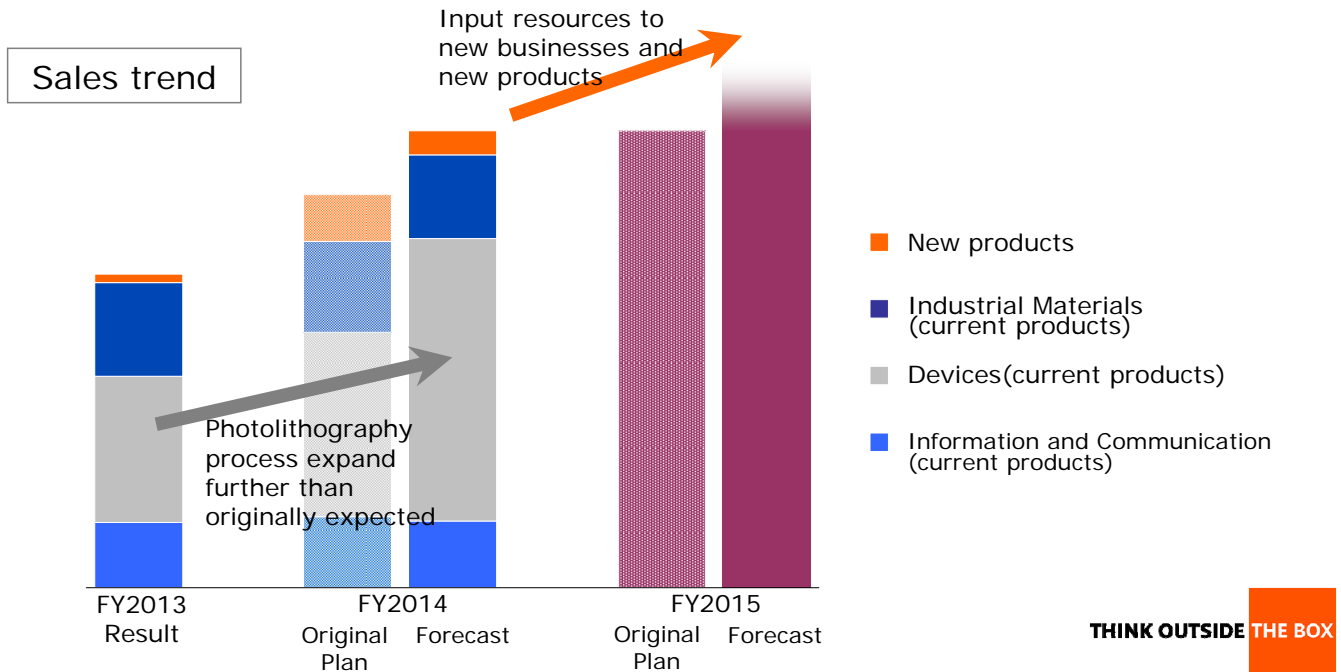
S-MAC Asan Factory, Korea

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# Toward FY2015

- Net Sales: To be achieved the final year plan in FY2014, a year ahead of schedule
- Portfolio correction: Increasing the proportion of new businesses and new products is urgent.



Thank you.



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