

Financial Results for FY2016 Q2 Ended September 30, 2015

November 6, 2015

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Highlights

FY2016 H1 Results

- Sales did not achieve the target, margin has significantly out-performed the forecast.
 - Net Sales: 51.6 billion yen, Operating Income: 2.9 billion yen, Ordinary Income: 2.9 billion yen, Net Income: 2.2 billion yen
- Industrial Materials: Demand of automobile and home appliances has been firm mainly for overseas. Acquisition-related costs for ARM acquisition of approximately 0.5 billion yen were recorded as a non-recurring expense.
- Devices: Cost control addressing demand fluctuation of the tablet devices helped to achieve the profit.
 - Demand of the gaming consoles has been solid.

Outlook beyond FY2016 Q3

- Forecast of FY2016 is revised.
 - FY2016 Net Sales: 119.0 billion yen, Operating Income: 9.0 billion yen, Ordinary Income: 8.9 billion yen, Net Income: 7.5 billion yen
 - FY2016 H2 Net sales is revised upward by consolidation of ARM. Operating income of Industrial Materials is revised downward.
- Industrial Materials: Release of newly developed product for mobile phones in the market is behind schedule. Goodwill amortization will be recorded with consolidation of ARM.
- Devices: Demand of main products is expected to progress mostly as projected.

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2016/3 H1 Results

Including acquisition-related costs for ARM, approximately 0.5 billion yen

Margin has out-performed the forecast.

FY2016 Q2 accumulated (April - September) results

(Millions of Yen)

	FY2015 H1 Results	FY2016 H1 Forecast	FY2016 H1 Results	YoY	Vs. forecast	
Net Sales	55,122	55,000	51,600	-6.4%	-6.2%	
Operating Income	2,818	2,000	2,948	+4.6%	+47.4%	
OPM	5.1%	3.6%	5.7%	+0.6pt	+2.1pt	
Ordinary Income	4,062	2,000	2,942	-27.6%	+47.1%	
Net Income	3,212	1,500	2,268	-29.4%	+51.2%	
Net Sales by Business Segment	Industrial Materials	12,638	16,500	17,236	+36.4%	+4.5%
	Devices	34,044	29,650	26,217	-23.0%	-11.6%
	Life Innovation	-	600	586	-	-2.3%
	Information and Communication	8,065	8,200	7,485	-7.2%	-8.7%
	Others	374	50	73	-	+46.0%
Operating Income by Business Segment	Industrial Materials	-673	550	27	Return to black	-95.1%
	Devices	5,799	3,400	5,200	-10.3%	+52.9%
	Life Innovation	-	-200	-192	-	-
	Information and Communication	-428	-150	-284	-	-
	Others	-110	0	-30	-	-
Reconciliations	-1,768	-1,600	-1,770	-	-	

*Reconciliations includes R&D expenses of Life Innovation, in this material.

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FY2016 H1 Average rate: ¥121/\$

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2016/3 Q2 Results

Including acquisition-related costs for ARM, approximately 0.5 billion yen

OPM exceeds 10%

FY2016 Q2 (July - September) results

(Millions of Yen)

	FY2015 Q2 Results	FY2016 Q1 Results	FY2016 Q2 Results	YoY	QoQ	
Net Sales	32,972	21,280	30,320	-8.0%	+42.5%	
Operating Income	3,569	-265	3,213	-10.0%	Return to black	
OPM	10.8%	-1.2%	10.6%	-0.2pt	+11.8pt	
Ordinary Income	4,918	253	2,689	-45.3%	+962.8%	
Net Income	4,177	63	2,205	-47.2%	+3400.0%	
Net Sales by Business Segment	Industrial Materials	6,917	8,544	8,692	+25.7%	+1.7%
	Devices	21,596	9,088	17,129	-20.7%	+88.5%
	Life Innovation	-	278	308	-	+10.8%
	Information and Communication	4,115	3,335	4,150	+0.9%	+24.4%
	Others	345	33	40	-	+21.2%
Operating Income by Business Segment	Industrial Materials	-125	405	-378	-	-
	Devices	4,920	416	4,784	-2.8%	+1050.0%
	Life Innovation	-	-95	-97	-	-
	Information and Communication	-236	-220	-64	-	-
	Others	-97	-21	-9	-	-
Reconciliations	-893	-749	-1,021	-	-	

*Reconciliations includes R&D expenses of Life Innovation, in this material.

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FY2016 Forecast is revised.

FY2016 Forecast

(Millions of Yen)

	FY2015 Results	FY2016 Original forecast (released on May 12)	FY2016 Revised forecast (released on Nov. 6)	YoY	Vs. Original forecast	FY2016 H1 Results	FY2016 H2 Original forecast	FY2016 H2 Revised forecast	
Net Sales	118,775	120,000	119,000	+0.2%	-0.8%	51,600	65,000	67,400	
Operating Income	8,750	8,500	9,000	+2.9%	+5.9%	2,948	6,500	6,052	
OPM	7.4%	7.1%	7.6%	+0.2pt	+0.5pt	5.7%	10.0%	9.0%	
Ordinary Income	12,494	8,500	8,900	-28.8%	+4.7%	2,942	6,500	5,958	
Net Income	11,245	7,300	7,500	-33.3%	+2.7%	2,268	5,800	5,232	
Net Sales by Business Segment	Industrial Materials	29,460	34,500	38,600	+31.0%	+11.9%	17,236	18,000	21,364
	Devices	70,266	65,700	61,200	-12.9%	-6.8%	26,217	36,050	34,983
	Life Innovation	-	1,700	1,550	-	-8.8%	586	1,100	964
	Information and Communication	17,890	18,000	17,500	-2.2%	-2.8%	7,485	9,800	10,015
	Others	1,158	100	150	-	+50.0%	73	50	77
Operating Income by Business Segment	Industrial Materials	-235	2,000	500	Return to black	-75.0%	27	1,450	473
	Devices	13,594	9,500	12,100	-11.0%	+27.4%	5,200	6,100	6,900
	Life Innovation	-	0	-100	-	-	-192	200	92
	Information and Communication	-657	200	100	Return to black	-50.0%	-284	350	384
	Others	-284	0	-30	-	-	-30	0	0
Reconciliations	-3,666	-3,200	-3,570	-	-	-1,770	-1,600	-1,800	

*Reconciliations includes R&D expenses of Life Innovation, in this material.

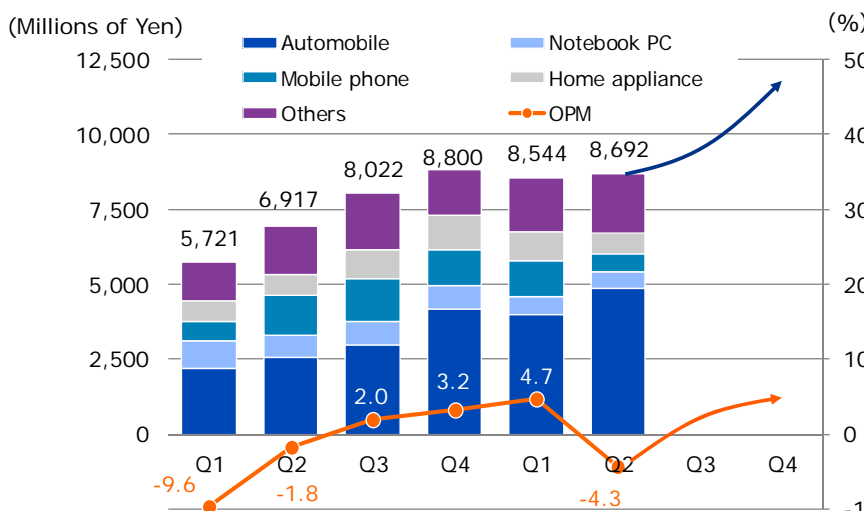
FY2016 Assumed rate: ¥118/\$ (unchanged)

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Industrial Materials: Automobile shows solid performance. Outlook of mobile phone for China has weakened.

Sales trend by application



Point

FY2016 Q2

- Automobile has continued to be firm.
- Highly profitable segment of mobile phone was weak.
- Acquisition-related costs for ARM, approximately 0.5 billion yen were recorded as a non-recurring expense in Q2.

FY2016 Q3~

- Release of new products for mobile phone is behind schedule.

Acquisition of ARM

- "Metalized paper" segment is established.
- P&L will be consolidated from Q3 onward (Only 1 month for Q3) with goodwill amortization.

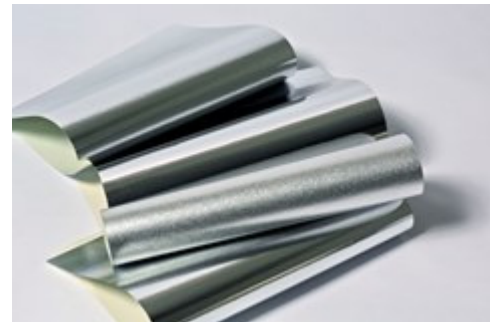
	FY2015				FY2016		FY2015 Results	FY2016 Original forecast	FY2016 Revised forecast
	Q1	Q2	Q3	Q4	Q1	Q2			
Automobile	2,214	2,565	2,990	4,163	3,983	4,870	11,931	15,470	16,710
Notebook PC	884	742	782	770	607	567	3,179	1,730	2,440
Mobile phone	666	1,338	1,402	1,223	1,211	590	4,629	5,950	4,530
Home appliance	672	687	986	1,142	941	657	3,486	5,200	3,410
Others	1,286	1,585	1,862	1,501	1,803	2,008	6,234	6,150	6,650
Metalized paper	-	-	-	-	-	-	-	-	4,860
Total	5,721	6,917	8,022	8,800	8,544	8,692	29,460	34,500	38,600

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ARM is consolidated with Industrial Materials (“Metalized paper” segment is established.)

- Acquired AR Metallizing group (Aug. 2015).
- Acquisition-related costs of approximately 0.5 billion yen were recorded as a non-recurring expense of Industrial Materials in Q2.
- Balance Sheet will be consolidated from Q2.
- P&L will be consolidated from Q3 onward (only 1 month for Q3). Approximately 4.8 billion yen of net sales is expected to be consolidated in FY2016.
 - Operating income is not expected to be added in FY2016 because of goodwill amortization.
 - FY2021 target: OPM 10% (after goodwill amortization)

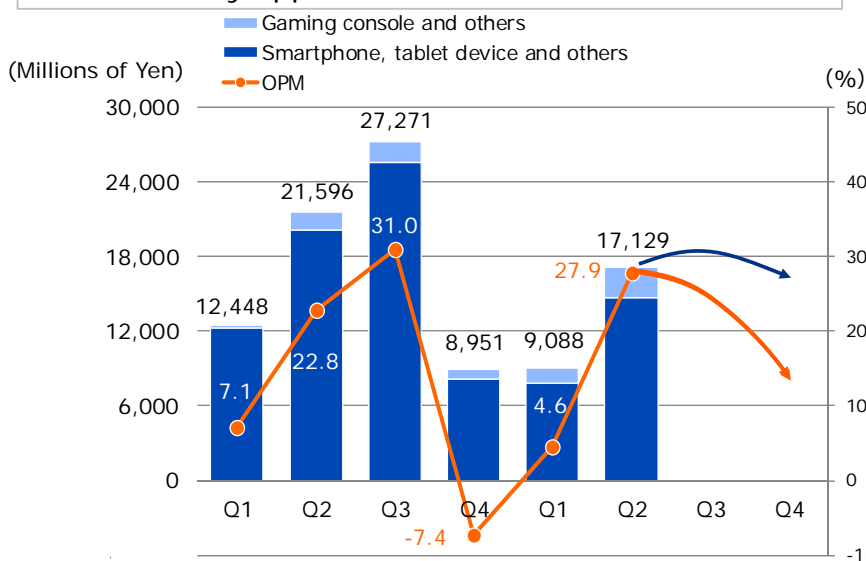


Empowering Your Vision ARM's Factory in USA



Devices: Demand of the tablet devices is weaker in Q3 but increasing in Q4. H2 forecast remains as forecasted.

Sales trend by application



Point

FY2016 Q2

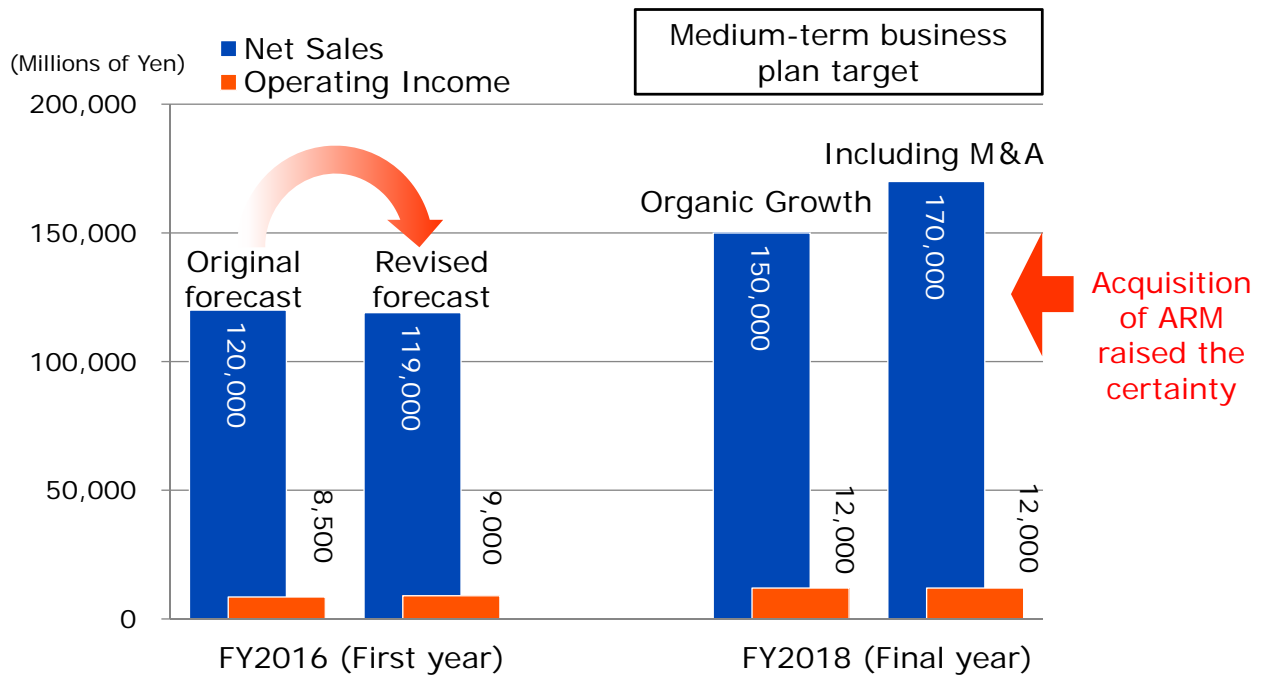
- Sales of the tablet device declined YoY but margin improved.
- Established production system foreseeing demand fluctuation.
- Gaming consoles was firm.

FY2016 Q3~

- Demand of the tablet devices is weaker than original forecast in Q3, but increasing in Q4.

	FY2015				FY2016		FY2015	FY2016	FY2016
	Q1	Q2	Q3	Q4	Q1	Q2	Results	Original forecast	Revised forecast
Smartphone, tablet device and others	12,311	20,113	25,571	8,145	7,869	14,708	66,140	59,490	55,310
Gaming console and others	138	1,482	1,700	806	1,219	2,420	4,126	6,210	5,890
Total	12,448	21,596	27,271	8,951	9,088	17,129	70,266	65,700	61,200

Progress of the fifth medium-term business plan



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Thank you.

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