

The background of the slide is a blue-tinted photograph of a modern glass-walled building. The building has multiple floors with large windows, and the interior of some rooms is visible through the glass. The overall aesthetic is clean and professional.

NISSHA

Financial Results for FY2019.12

February 14, 2020

Junya Suzuki

President and CEO

Nissha Co., Ltd.

Highlights

FY2019.12 result

- Demand progressed according to the forecast (issued on Nov. 8, 2019) (1USD=JPY108)
 - Net sales 173.1 billion yen, EBITDA 5.2 billion yen, Operating loss 4.3 billion yen, Ordinary loss 4.6 billion yen, Net loss 4.1 billion yen
 - Devices: Demand for smartphones fell far below the initial projection.
 - 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.
 - Growth strategy for non-IT: 3 acquisitions were implemented utilizing the gain on sale of unused fixed assets (one acquisition: SPA concluded and before the completion of acquisition)

Forecast for FY2020.12

- IFRS applied (1USD=JPY105)
 - Net sales 166.0 billion yen, Operating loss 2.0 billion yen, Loss before tax 2.7 billion yen, Net loss 3.5 billion yen
 - Costs for Measures to Strengthen Profitability included
 - Thorough cost reduction in H1 and turn positive in H2

FY2019.12 Results

Lower demand for smartphones on Devices impacted the results

(Millions of JPY)

| | FY2018.12 (Jan.-Dec.) Results | FY2019.12 (Jan.-Dec.) Results | YoY |
|-------------------------------|-------------------------------------|-------------------------------------|---------|
| Net sales | 207,404 | 173,189 | -16.5% |
| Industrial Materials | 47,124 | 46,463 | -1.4% |
| Devices | 123,541 | 94,706 | -23.3% |
| Medial Technologies | 22,351 | 24,068 | +7.7% |
| Information and Communication | 13,935 | 7,417 | *-46.8% |
| Others | 452 | 534 | +18.1% |
| EBITDA | 17,343 | 5,221 | -69.9% |
| EBITDA margin | 8.4% | 3.0% | -5.4pt |
| Operating profit | 8,080 | -4,307 | - |
| Operating profit margin | 3.9% | -2.5% | -6.4pt |
| Ordinary profit | 7,380 | -4,696 | - |
| Net profit | 4,318 | -4,131 | - |
| Forex | ¥109/\$ | ¥108/\$ | |

FY2019.12 Q4 (Oct.-Dec.) Results

(Millions of JPY)

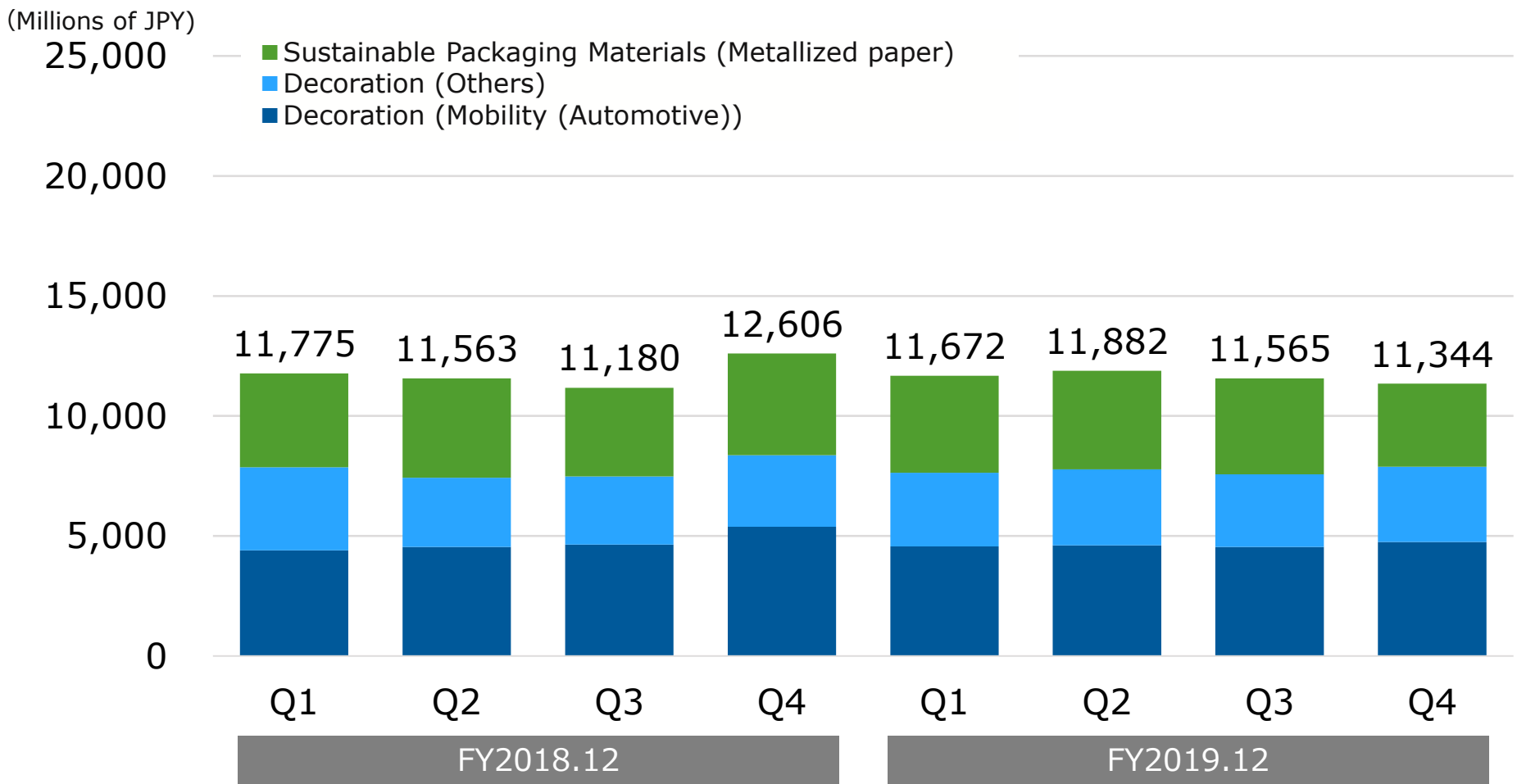
| | FY2019.12 Jan.-Mar.(Q1) Results | FY2019.12 Apr.-Jun.(Q2) Results | FY2019.12 Jul.-Sep.(Q3) Results | FY2019.12 Oct.-Dec.(Q4) Results | QoQ |
|-------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------|
| Net sales | 34,964 | 38,136 | 52,309 | 47,780 | -8.7% |
| Industrial Materials | 11,672 | 11,882 | 11,565 | 11,344 | -1.9% |
| Devices | 15,072 | 18,394 | 33,257 | 27,983 | -15.9% |
| Medical Technologies | 6,145 | 6,140 | 5,922 | 5,861 | -1.0% |
| Information and Communication | 1,977 | 1,624 | 1,462 | 2,354 | +61.0% |
| Others | 95 | 96 | 105 | 238 | +126.7% |
| EBITDA | -170 | -910 | 3,837 | 2,464 | -35.8% |
| EBITDA margin | -0.5% | -2.4% | 7.3% | 5.2% | -2.1pt |
| Operating profit | -2,508 | -3,321 | 1,457 | 65 | -95.5% |
| Operating profit margin | -7.2% | -8.7% | 2.8% | 0.1% | -2.7pt |
| Ordinary profit | -2,746 | -3,641 | 1,320 | 371 | -71.9% |
| Net profit | -3,258 | -4,311 | 5,444 | -2,006 | - |
| Forex | ¥109/\$ | ¥110/\$ | ¥106/\$ | ¥107/\$ | |

Industrial Materials

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Continued sluggish demand for Chinese market in Q4 (Mobility)

Net sales trend by application (by quarter)



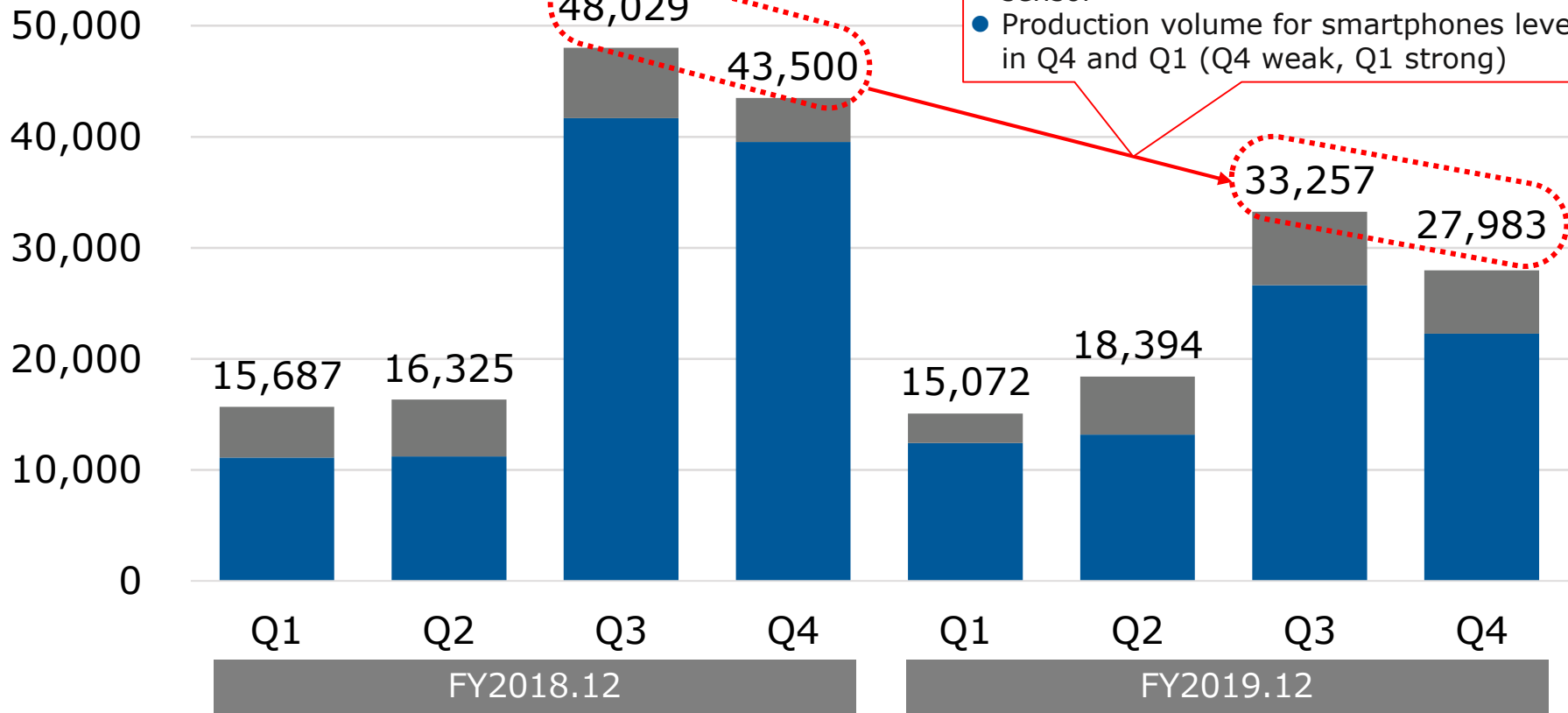
Devices

Demand progressed as projected in Q4

Net sales trend by application (by quarter)

- Portable game players, Industrial equipment, Mobility (Automotive), Gas sensors and others
- Smartphones, Tablet devices and others

(Millions of JPY)

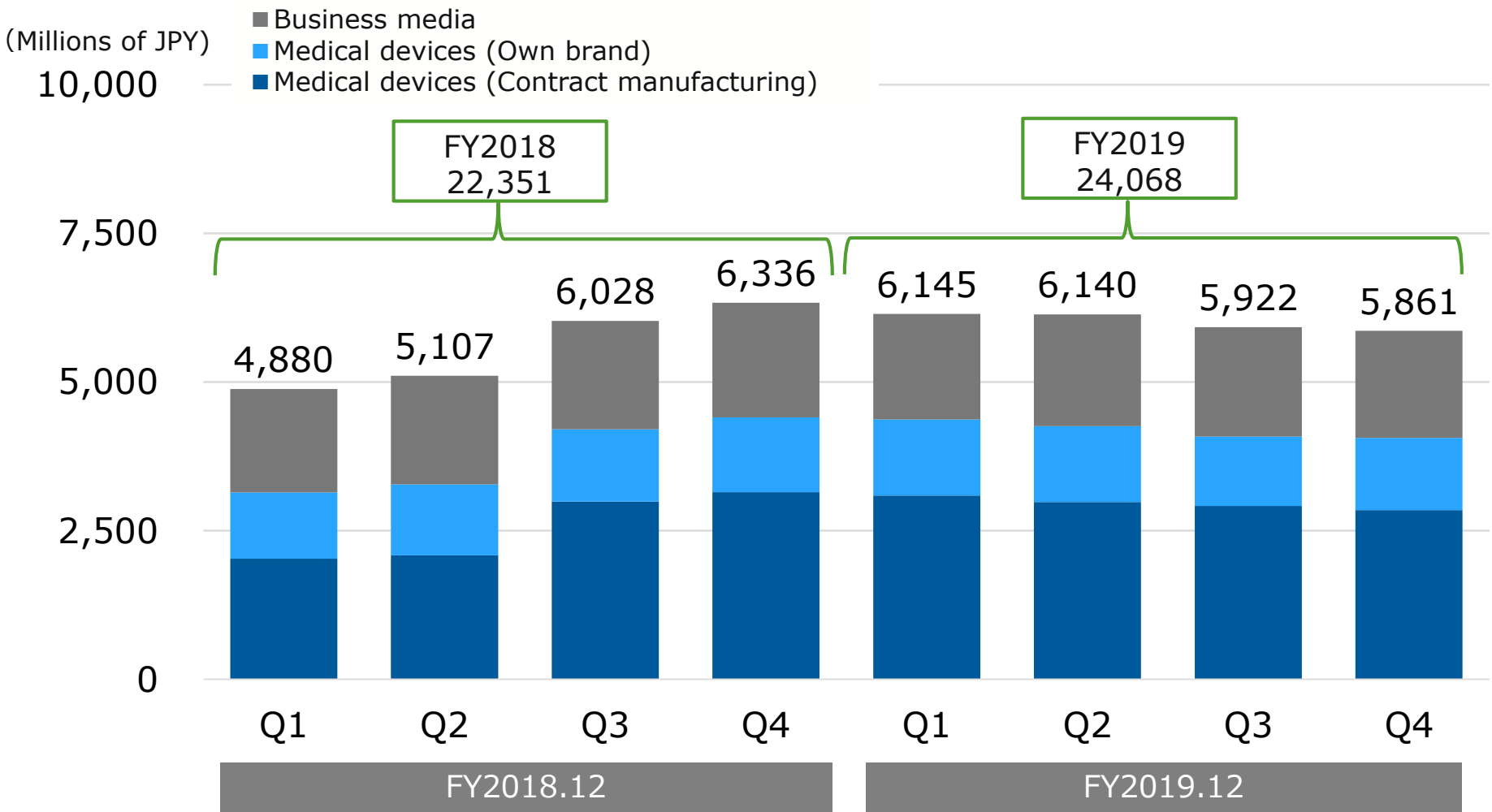


Medical Technologies

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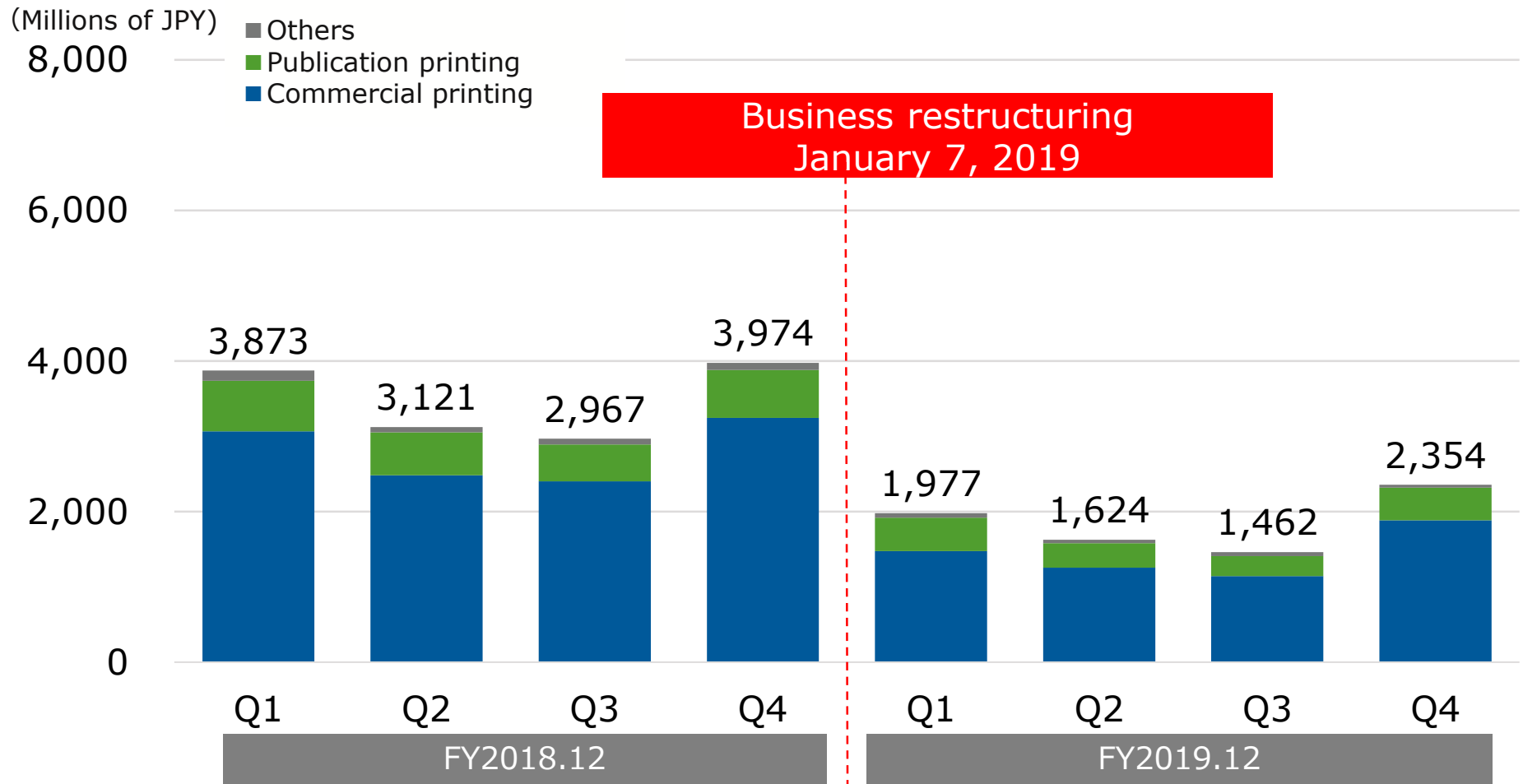
Demand progressed steadily and grown consistently for the full year

Net sales trend by application (by quarter)



Information and Communication

Net sales trend by application (by quarter)



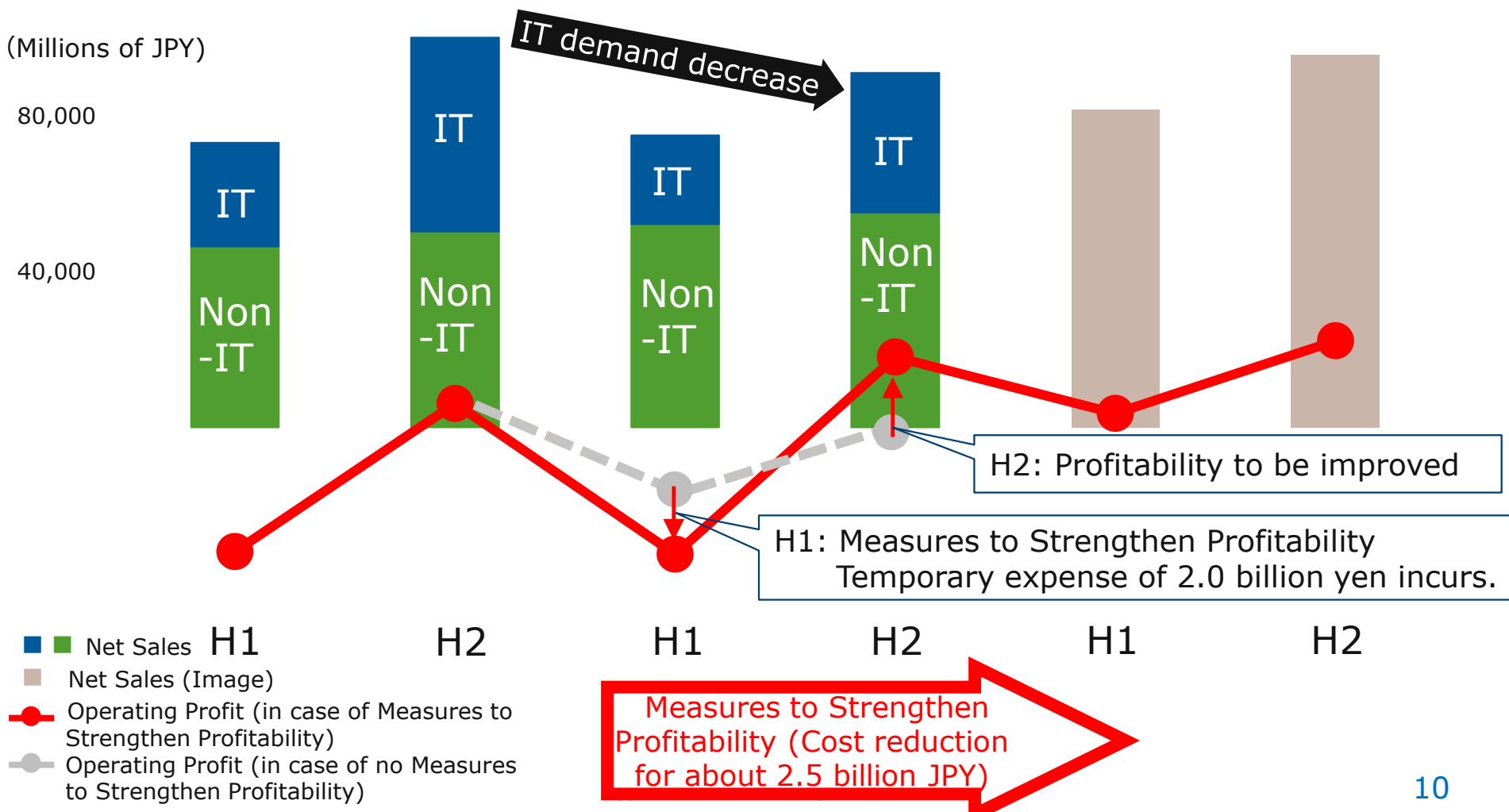
Forecast for FY2020.12

Leverage Measures to Strengthen Profitability in 2020 H1, improve profitability in 2020 H2

2019 (Result)
IT : non-IT=45:55

2020 (Forecast)
IT : non-IT=35:65

2021 (Image)



Build optimal business structure for decreasing demand through Measures to Strengthen Profitability

Management policy for IT

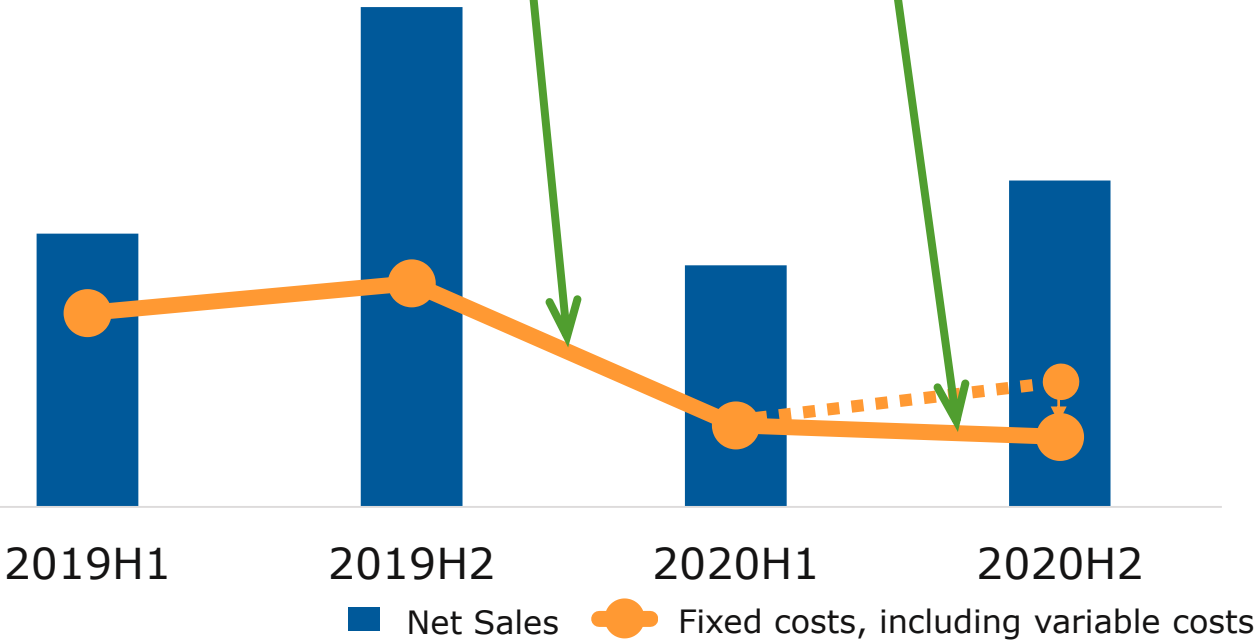
Addressing to decreasing demand

Implement Measures to Strengthen Profitability

- Reduce investment burden
- Turn labor costs into variable costs
- Enhancement of automatization and laborsaving
 - Automatic inspection with AI
 - RPA

Reduce variable labor costs
About 3.5 billion JPY for half a year
About 7.0 billion JPY for a full year

Reduce fixed costs
About 0.9 billion JPY for half a year
About 1.9 billion JPY for a full year



Recovery of profitability and re-growth of sales

Europe

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

Sales offices: Germany, UK
Molding bases: Germany

Japan

- Lower factory operation due to lower demand from China

Reduce fixed cost (about 500 million JPY)

Sales offices: Kyoto
Molding bases: Kyoto

North America

- Robust demand for automotive
- Profit improvement progressed at Mexico factory due to strong demand for home appliance

Mexico factory: Operating profit expected to improve by 800 million JPY in FY2020

Sales offices : US
Molding bases: US and Mexico

China and Asia

- Lower demand for automotive
- Korea: Strong demands for home appliances

Sales offices: China and Korea
Mold bases: China and Malaysia

Demands expand through our global network

example:

Korea

Customer: Development
Nissha: Sales and technical support



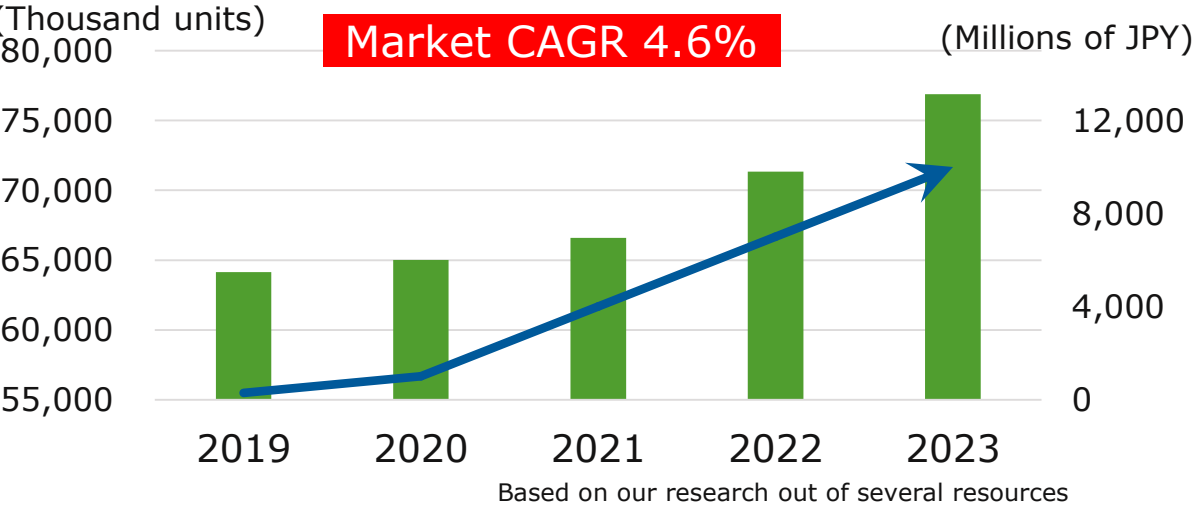
Mexico, US and China

Customer: Assembly
Nissha: Production of parts and modules



Film-based touch sensor expand for Mobility (automotive)

■ Left axis: Automotive touch module market size
— Right axis: Nissha sales forecast of film-based touch sensor for Mobility



Mobility (automotive) market needs for displays



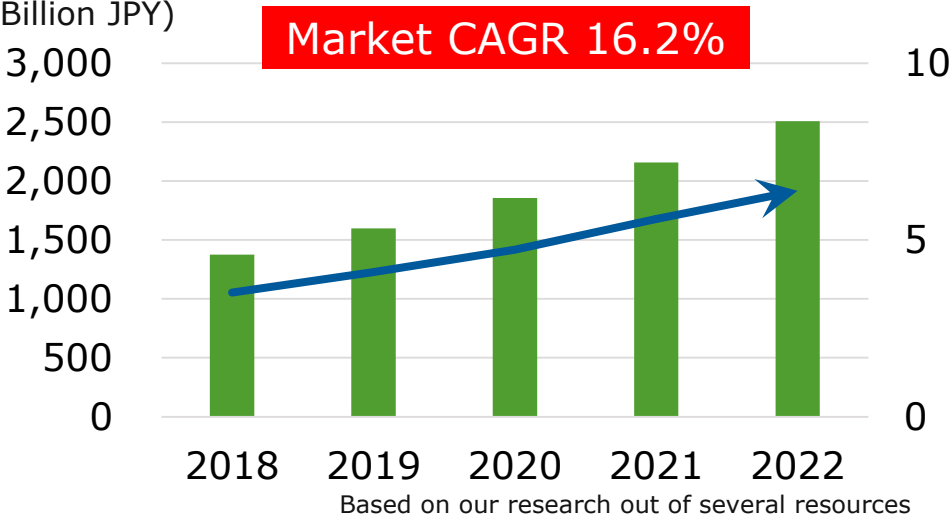
- Large screen ✓
- Design flexibility and curved surface ✓
- Optical properties ✓
- Familiarity with OLED ✓

- Nissha film-based touch sensor meets the market needs
- Stable production capacity for mass volume
- Started mass production for mobility (automotive) in December 2019

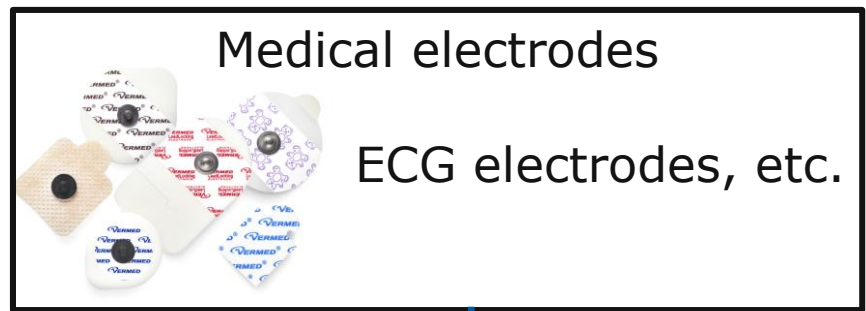


Growth of medical wearable sensors

■ Left axis: Market size of connected medical devices
 — Right axis: Nissha sales forecast of medical wearable sensors



- Contract manufacturing
- Develop wearable sensors utilizing the design and production capabilities for medical electrodes



Monitoring device for biological signal

*Image is an illustration purpose

- Use: Heart disease (constant monitoring of arrhythmia, etc.)
- Data analysis in connection with IT equipment

Electrodes for cardiac mapping

*Image is an illustration purpose

- Use: Electrophysiological test

Monitoring devices (smart watch, etc.)

*Image is an illustration purpose



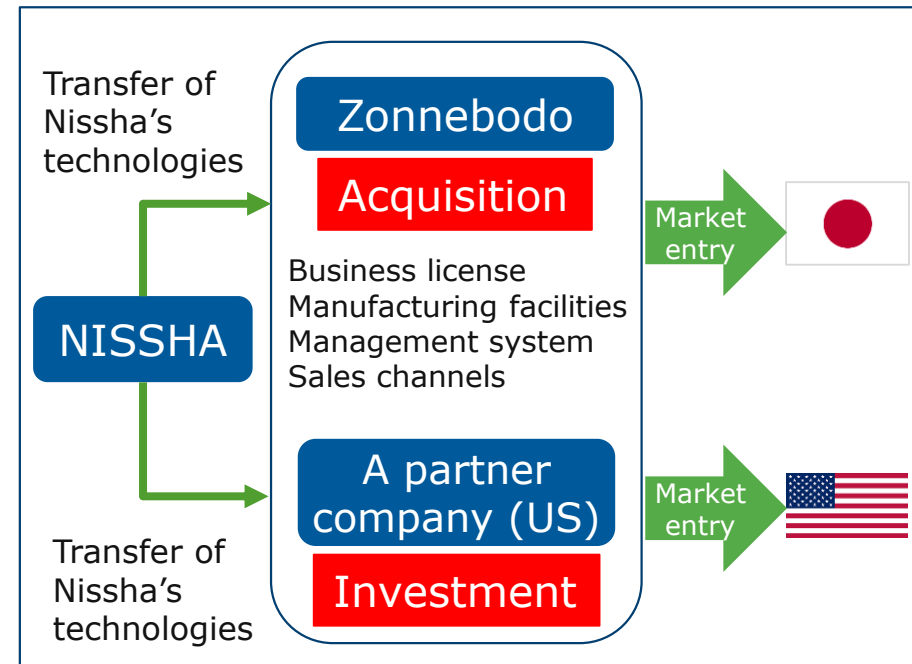
Market entry in DDS

Acquisition of Zonnebodo Pharmaceutical completed

- Gain of business base for pharmaceuticals as business license, manufacturing facility, quality management system, sales channels, etc.
- Enhance of development for film type of pharmaceuticals
- Target for entry in Japanese market of film type of pharmaceuticals in 2024
- Aim for 20.0 billion JPY in sales of DDS by 2030

Our DDS Strategy

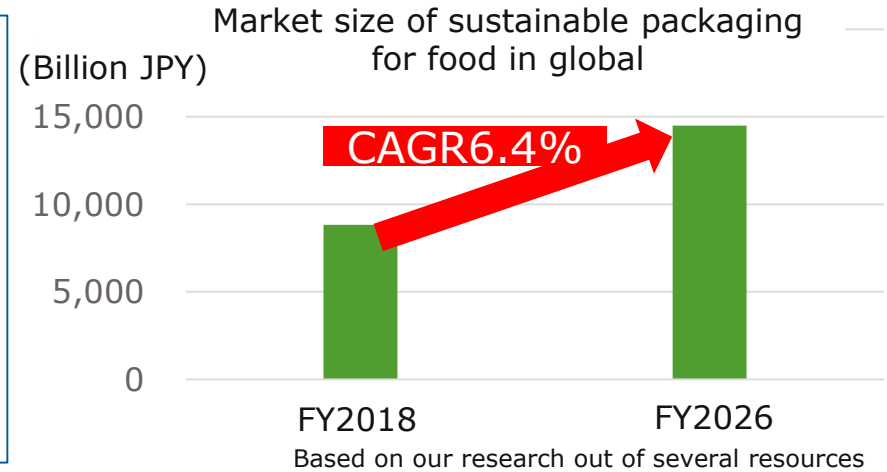
- Market opportunities in changing dosage forms from tablets and injections
- We do drug formulation design and manufacturing.
- Target on film type of pharmaceuticals
 - Transfer of Nissha's technologies to Zonnebodo
 - Transfer of Nissha's technologies to a partner company in US



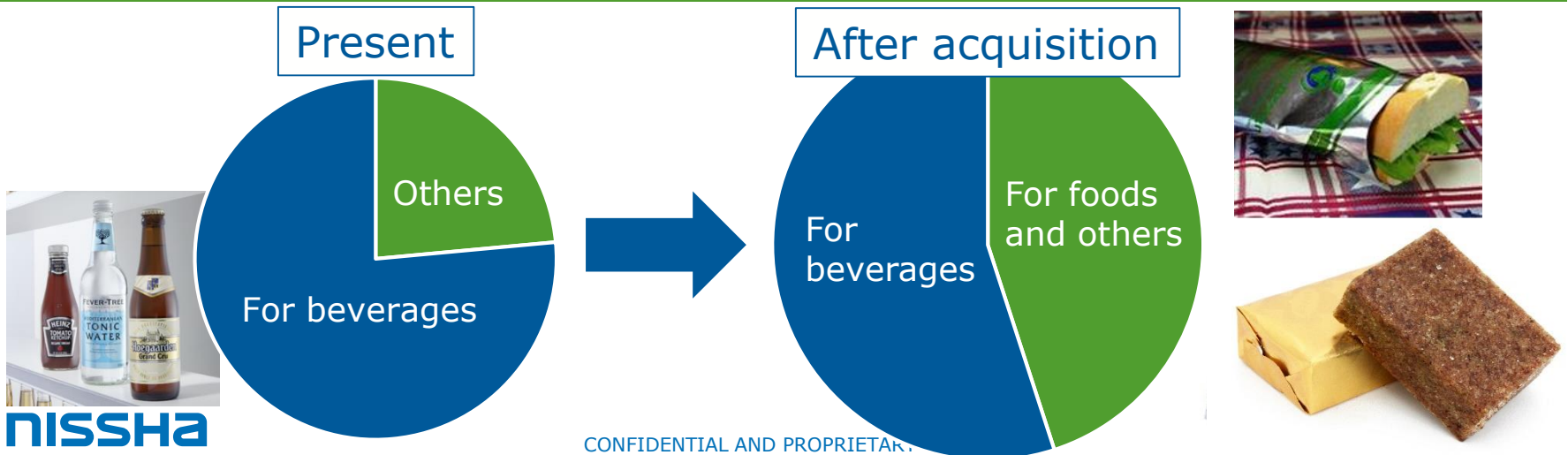


Securing of the leading position in metallized paper market by share extension
 Acquisition of Eurofoil Paper Coating in Germany completed

- 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 22.0 billion JPY for metallized paper expected in 2020, risen from 15.6 billion JPY in 2019

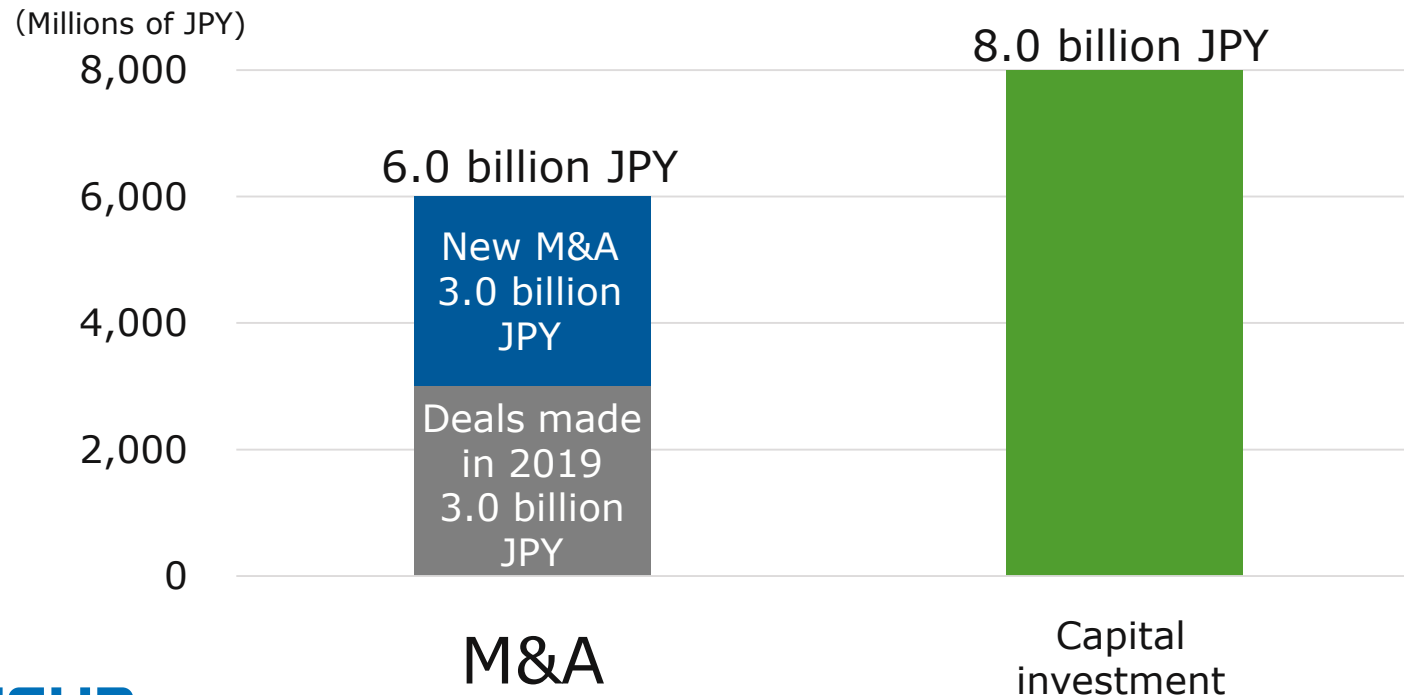


More new products to markets seeking sustainable packaging materials, mainly for food market



FY2020 Investment plan

- Total investment: 14.0 billion JPY
- M&A: 6.0 billion JPY, mainly in overseas
 - 3.0 billion JPY is for the deals made in FY2019
- Capital investment: 8.0 billion JPY for effective growth investment and renewal facilities
- Allocate gain on sales of strategically held shares (approx. 5.0 billion JPY)



FY2020.12 Forecast

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H1 include temporary expenses for Measures to Strengthen Profitability
Reflect the effect from H2

(Millions of JPY)

Reference

| | FY2019.12 (Jan.-Dec.) Result JGAAP | FY2020.12 (Jan.-Dec.) Forecast IFRS | FY2020.12 H1 (Jan.-Jun.) Forecast IFRS | FY2020.12 H2 (Jul.-Dec.) Forecast IFRS | FY2020.12 (Jan.-Dec.) Forecast JGAAP | YoY JGAAP |
|----------------------------------|---|--|--|--|---|---------------|
| | Net sales | 173,189 | 166,000 | 75,000 | 91,000 | 166,000 |
| Industrial Materials | 46,463 | 53,000 | 25,500 | 27,500 | 53,000 | +14.1% |
| Devices | 94,706 | 77,600 | 32,700 | 44,900 | 77,600 | -18.1% |
| Medical Technologies | 24,068 | 25,700 | 12,400 | 13,300 | 25,700 | +6.8% |
| Information and Communication | 7,417 | 7,800 | 3,600 | 4,200 | 7,800 | +5.2% |
| Others | 534 | 1,900 | 800 | 1,100 | 1,900 | +255.8% |
| Operating profit | -4,307 | -2,000 | -6,000 | 4,000 | -815 | - |
| Operating profit margin | -2.5% | -1.2% | -8.0% | 4.4% | -0.5% | +2.0pt |
| Industrial Materials | -2,297 | -300 | -1,000 | 700 | -222 | - |
| Devices | 1,151 | -200 | -4,000 | 3,800 | 1,590 | +38.1% |
| Medical Technologies | 174 | 1,600 | 750 | 850 | 718 | +312.6% |
| Information and Communication | -150 | 50 | -50 | 100 | 59 | Turn to black |
| Others | -3,185 | -3,150 | -1,700 | -1,450 | -2,960 | - |
| Ordinary profit | -4,696 | - | - | - | -1,515 | - |
| Profit before tax | - | -2,700 | -6,300 | 3,600 | - | - |
| Net profit | -4,131 | -3,500 | -6,900 | 3,400 | -4,315 | - |
| Forex | ¥108/\$ | ¥105/\$ | ¥105/\$ | ¥105/\$ | ¥105/\$ | |

FY2020.12 Forecast

Conversion from JGAAP to IFRS

(Millions of JPY)

| | FY2020.12 JGAAP | FY2020.12 IFRS | Difference | Adjustment |
|-------------------------|--------------------|-------------------|------------|---|
| Net sales | 166,000 | 166,000 | 0 | |
| Operating profit | -815 | -2,000 | -1,185 | Depreciation -833 Amortization of goodwill +1,648 *Extraordinary loss -2,000 |
| Operating profit margin | -0.5% | -1.2% | -0.7pt | |
| Ordinary profit | -1,515 | - | | |
| Profit before tax | - | -2,700 | | |
| Net profit | -4,315 | -3,500 | +815 | |

*Temporary expense for Measures to Strengthen Profitability

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

(Millions of JPY)

| | FY2019.12 Q1 (Jan.-Mar.) Results | FY2019.12 Q2 (Apr.-Jun.) Results | FY2019.12 Q3 (Jul.-Sep.) Results | FY2019.12 Q4 (Oct.-Dec.) Results |
|--------------------------|--|--|--|--|
| Capital investment | 1,602 | 2,187 | 2,524 | 1,637 |
| Depreciation | 1,943 | 2,003 | 1,983 | 2,005 |
| M&A investment | - | - | - | 2,500 |
| Amortization of goodwill | 400 | 403 | 397 | 393 |
| R&D | 875 | 944 | 868 | 934 |

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