



# The 8<sup>th</sup> Medium-term Business Plan

February 28, 2024





Junya Suzuki

President and CEO

Nissha Co., Ltd.

# Business Portfolio Management to Enhance Corporate Value

# Our Business (Product)/Market Portfolio

Business (Product)	Market	Medical	Mobility	Sustainable Materials	IT Devices
					
Industrial Materials		Injection molded parts	<b>Star</b> Decoration/Functional parts (Interior/Exterior)	<b>Cash Cow</b> Metallized paper <b>Problem Child</b> Sustainable molded products	-
Devices		Sensing technologies, contributing to miniaturization of medical devices and surgical robotics	Film touch sensors Functional exteriors	-	<b>Cash Cow</b> Film touch sensors
Medical Technologies		<b>Star</b> Medical Devices CDMO	-	-	-

# Sustainability Vision (Announced in February, 2021)

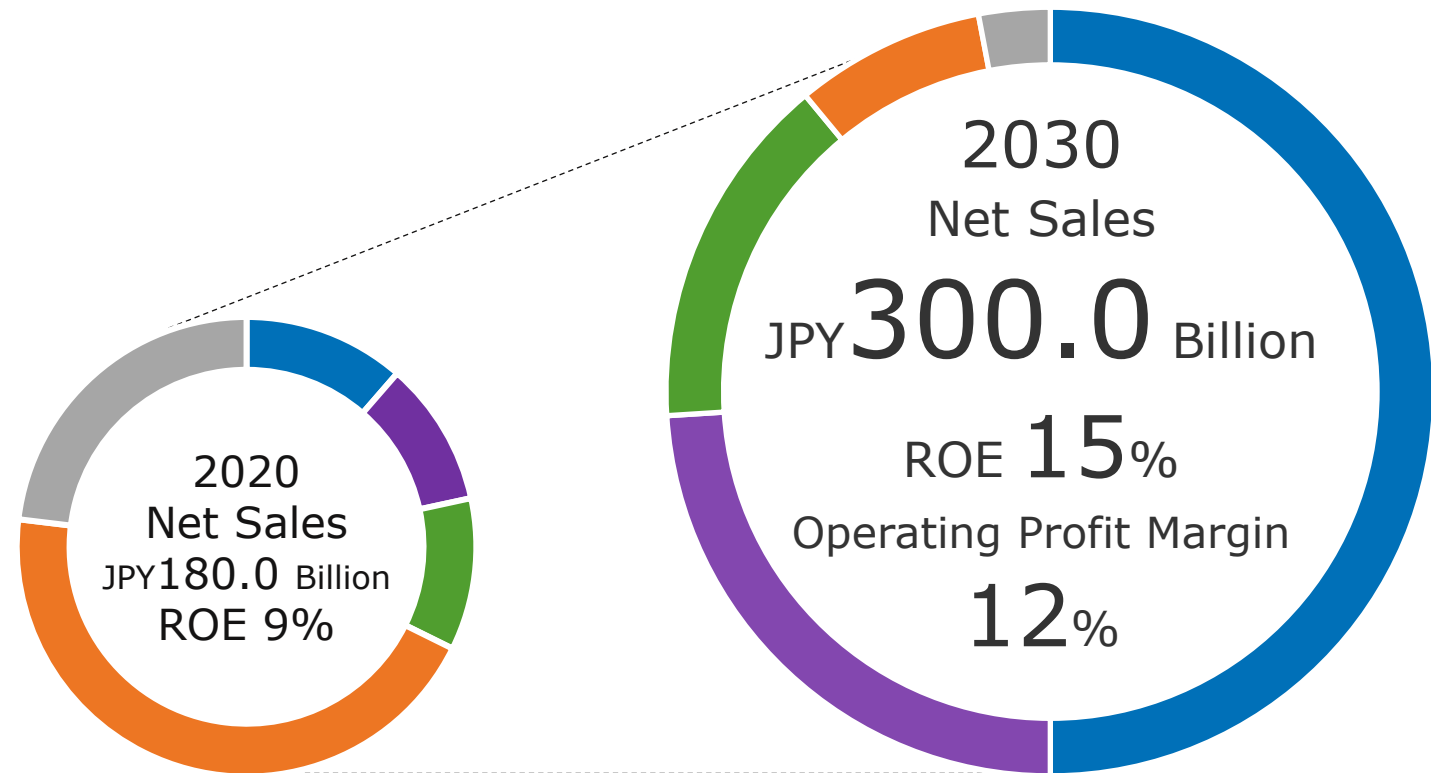
With the integration and orchestration of the diverse talents of our people and our technologies, we will contribute to solving global social issues in the priority markets of Medical, Mobility, and Sustainable Materials, and realize the enrichment of people's healthy and affluent lives.

## [Growth Market]

Exploitation of business portfolio management through strategic selection and diversification

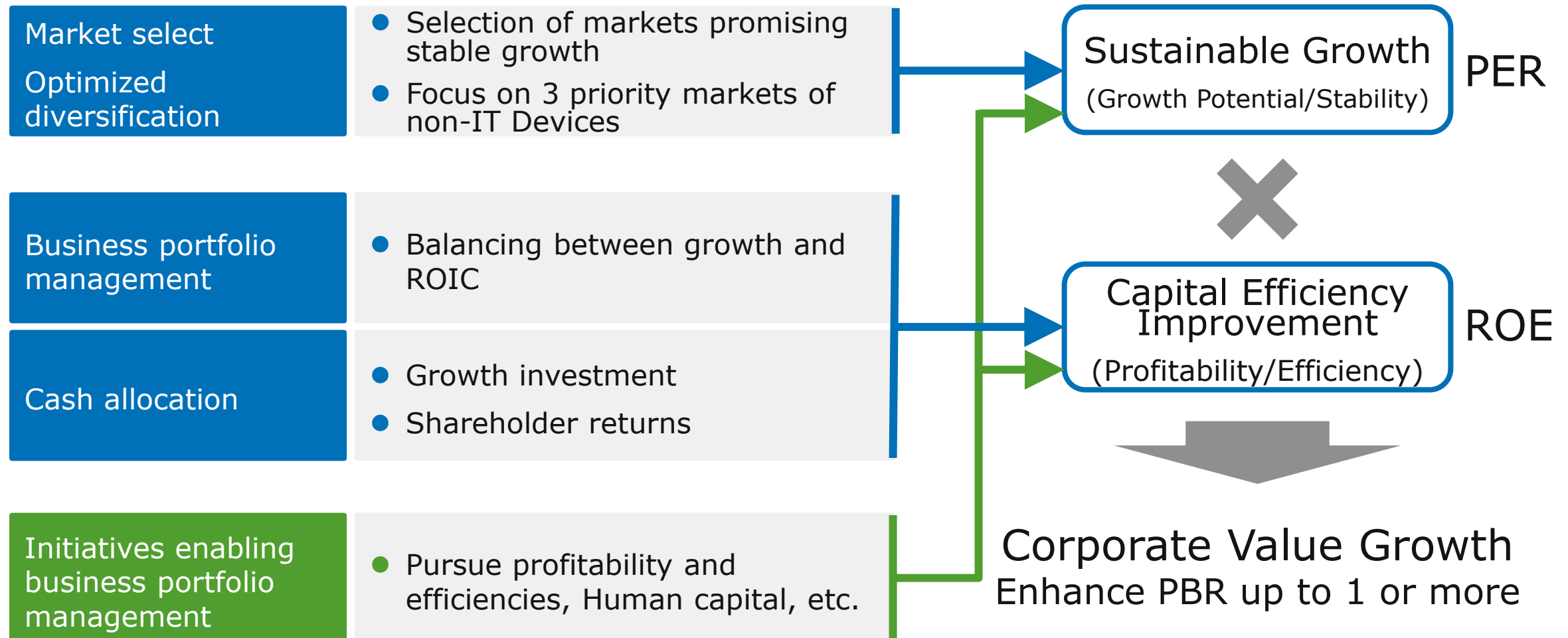
## [Corporate Value]

Improvement of ROE through pursuing profitability and efficiency



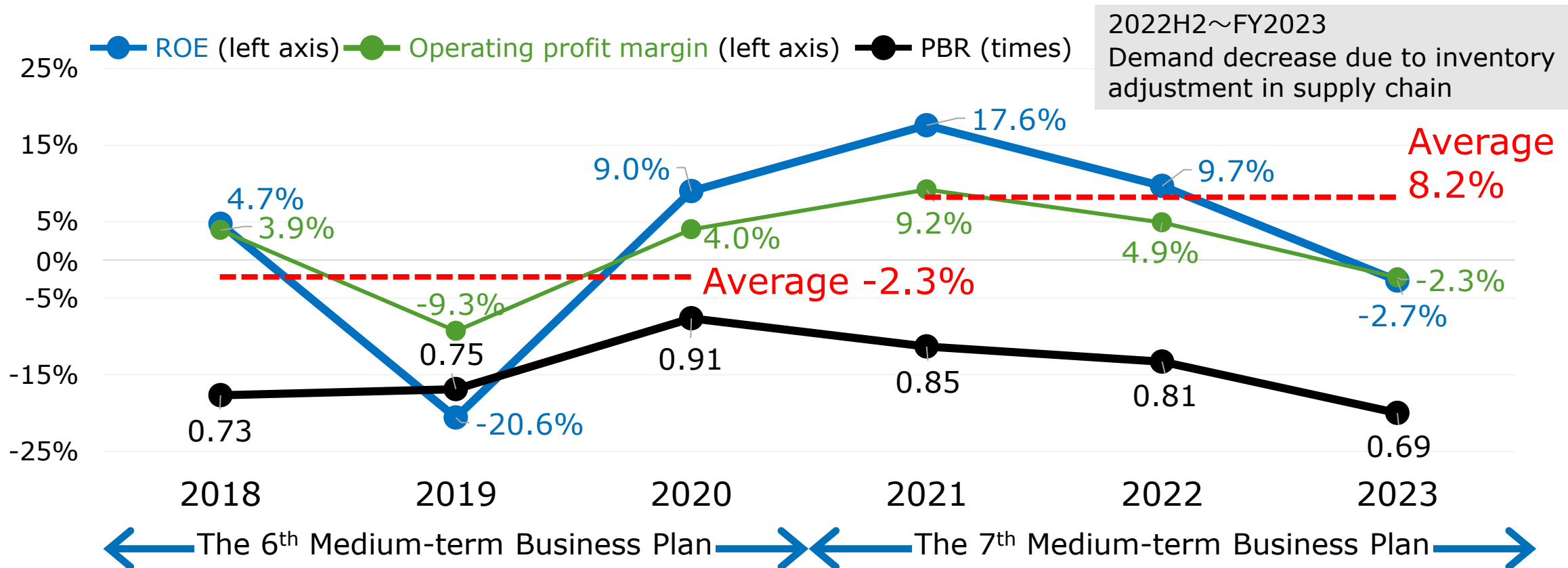
■ Medical ■ Mobility ■ Sustainable Materials ■ IT Devices ■ Others

# Corporate value growth through sustainable growth and capital efficiency



# PBR (PER×ROE) Analysis

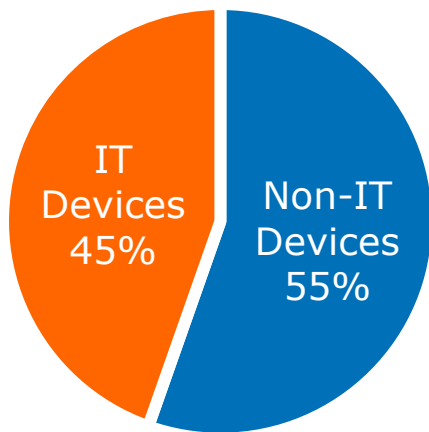
- PBR: Due to the low profitability and volatility, PBR remains low
- PER (Growth Potential/Stability): The extreme demand volatility of IT Devices caused the operating profit margin to swing year by year
- ROE (Profitability/Efficiency): The average ROE in the medium-term business plan has improved, exceeding the shareholder capital cost (6-8%)



# Curbing demand volatility

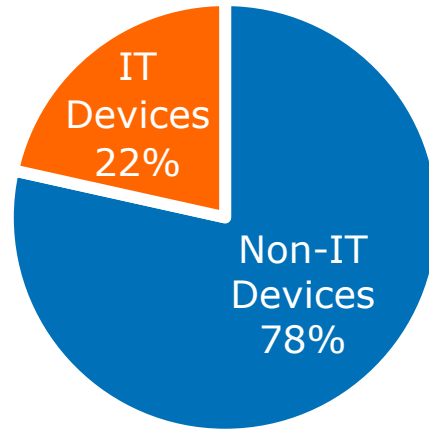
- Move away from a strong focus on IT Devices
- Select and Diversification: 3 priority markets of non-IT Devices (Medical, Mobility, and Sustainable Materials), **focusing on profitability improvement**

The 6<sup>th</sup> Medium-term Business Plan  
Net Sales



2020

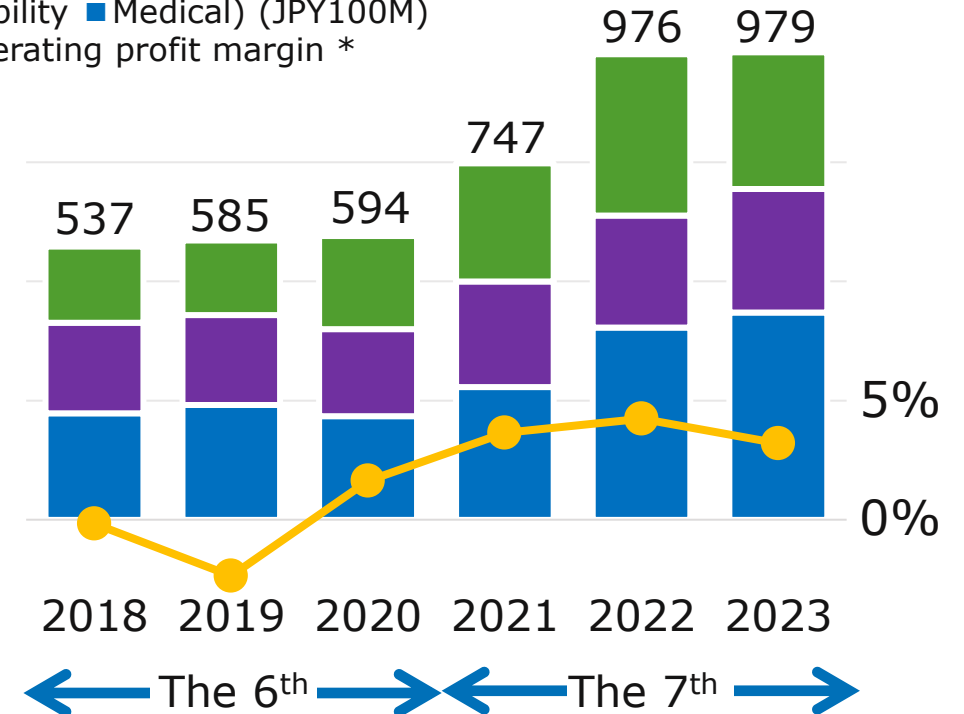
The 7<sup>th</sup> Medium-term Business Plan  
Net Sales



2023

3 priority markets of non-IT Devices

■ Net sales (Sustainable Materials  
 ■ Mobility ■ Medical) (JPY100M)  
 ● Operating profit margin \*



# The 8<sup>th</sup> Medium-term Business Plan (2024-2026)



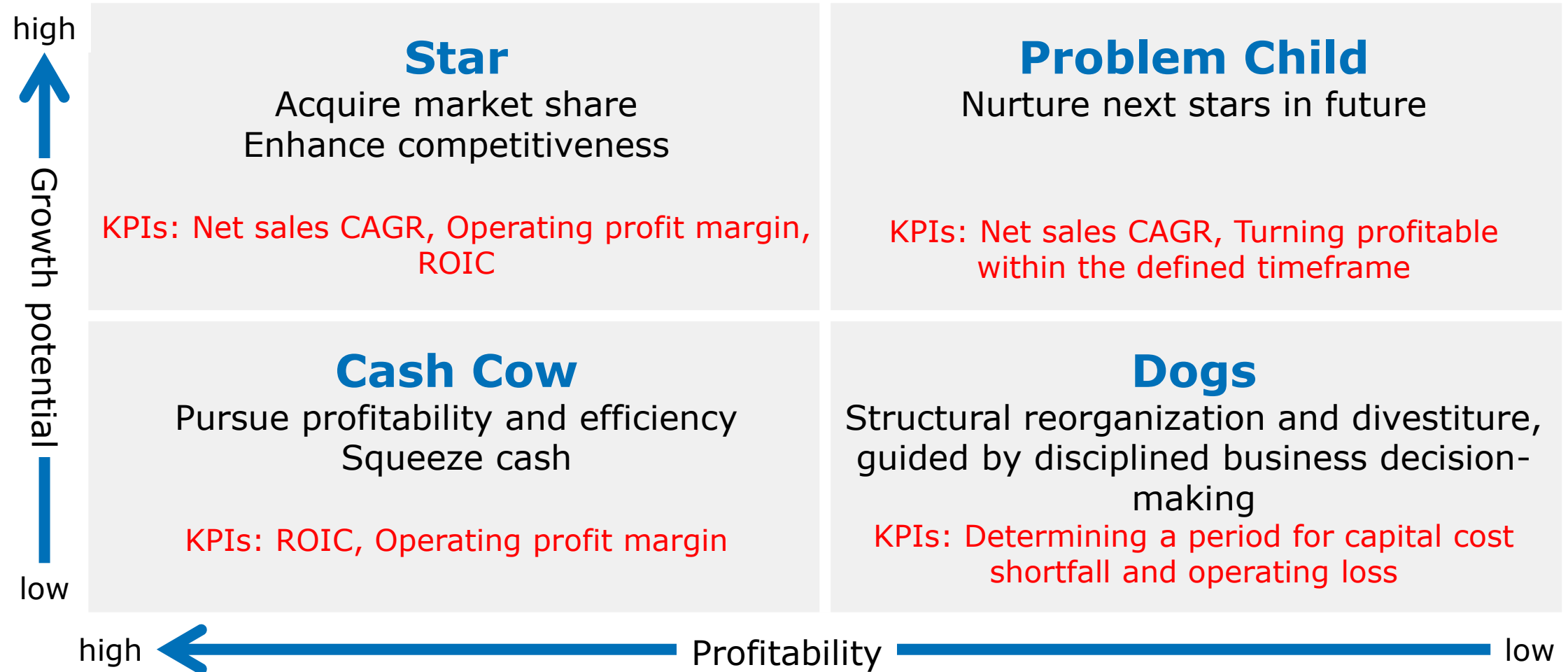
# Strategy of the 8<sup>th</sup> Medium-term Business Plan

Business portfolio management	Exploitation of business portfolio management	Prioritizing ROIC improvement, guided by disciplined business decision-making
	Star: Accelerate	Simultaneously facilitating business growth and stabilizing profit margin, leading the enhancement of corporate value <ul style="list-style-type: none"> <li>● Medical Technologies (Medical Devices CDMO)</li> <li>● Industrial Materials (Mobility)</li> </ul>
	Cash Cow: Pursue profitability	Striving for productivity and efficiency, creating cash that fuels growth investments <ul style="list-style-type: none"> <li>● Devices (Tablet devices)</li> <li>● Industrial Materials (Metallized paper)</li> </ul>
	Problem Child: Prove business potential	Aiming for continuous growth by nurturing next stars in future <ul style="list-style-type: none"> <li>● Industrial Materials (Sustainable molded products)</li> <li>● Pharmaceuticals (Film drug), Force sensors, and others</li> </ul>
Cash allocation	Growth investment	Focusing on accelerating the growth of Star businesses, proactively leveraging M&A
	Shareholder returns	Maintaining steady dividends, potentially increasing dividends according to performance improvement, and flexible share buybacks
Initiatives enabling business portfolio management	Pursue profitability and efficiency	Quality and production strategy to generate profit
	Human capital	Human capital enabling business portfolio management, and promotion of human resource diversification
	Responding to climate change	Reduction of total CO2 emissions

# Business Portfolio Management

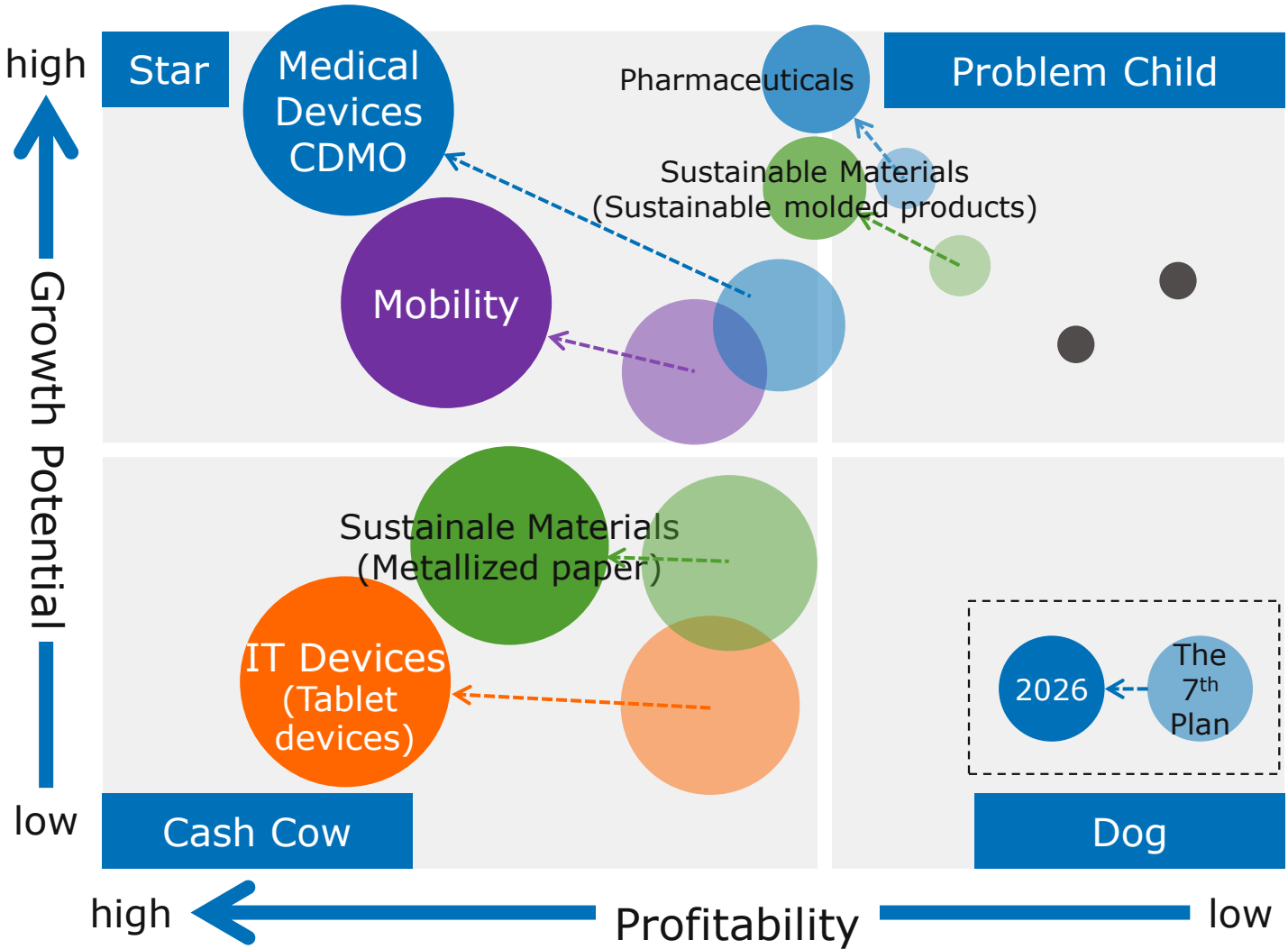
# Our business portfolio management \*

- Assessing businesses and products by Key Performance Indicators (KPIs) according to the growth stage
- Allocating resources optimally to improve the capital efficiency of the entire



# Business portfolio of the 8<sup>th</sup> Medium-term Business Plan

- Well-balanced positioning to achieve improved profit margin

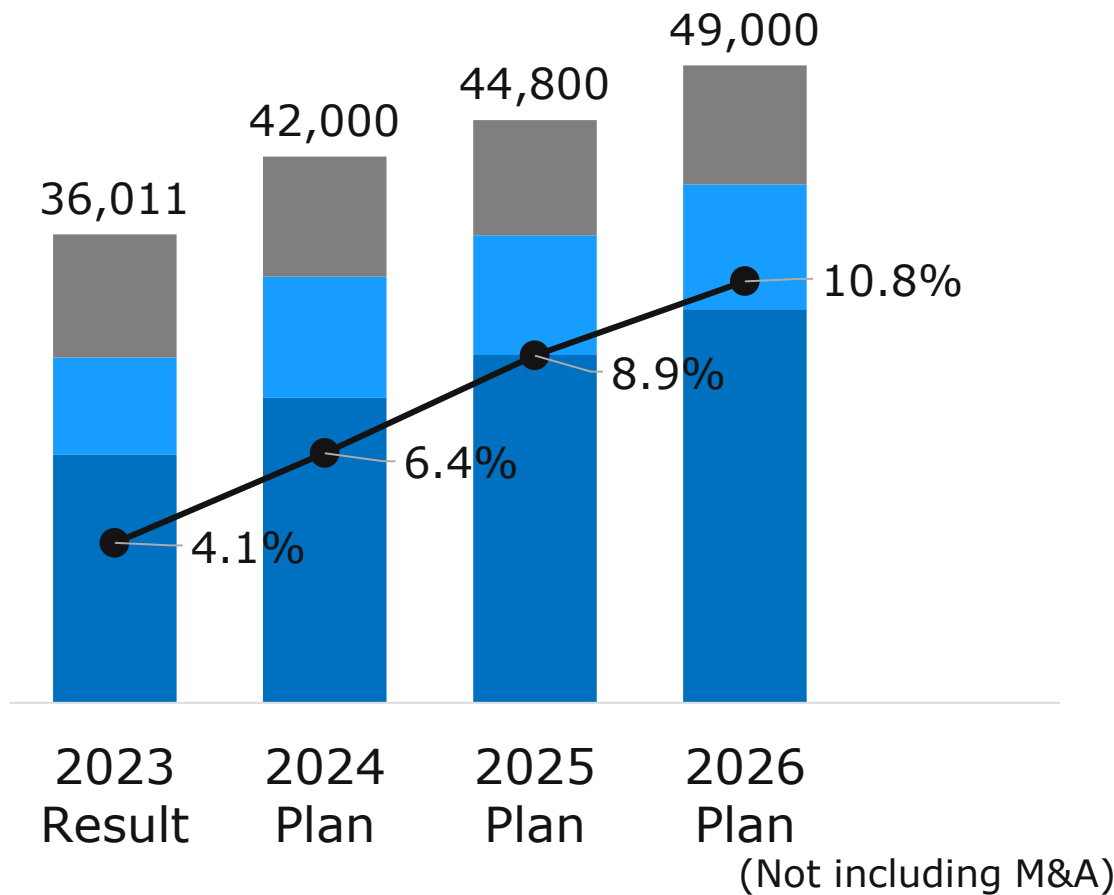


- Focus resources on the 3 priority markets

Business	Market	Net Sales	Profitability	Investment
Medical Technologies	Medical Devices CDMO	↗	↗	↗
	Mobility	↗	↗	↗
Industrial Materials	Sustainable Materials (Metallized paper)	↗	↗	→
	Sustainable Materials (Sustainable molded products)	↗	↗	↗
Devices	IT Devices	→	↗	↘

## Medical Technologies

- Net Sales (■ Business media
- Medical devices (Own brand)
- Medical devices (CDMO)) (Millions of JPY)
- Operating profit margin



Net sales  
CAGR

10.8%

Operating profit  
margin  
(2023→2026)

4.1% →  
10.8%

ROIC  
(2023→2026)  
1.9% →  
6.4%

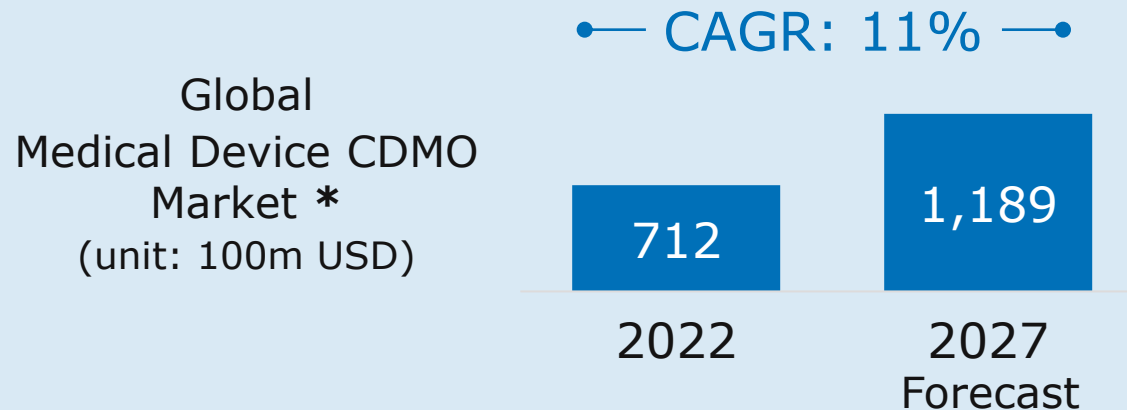
### Medical Devices CDMO Star

- Growth: The market of medical devices CDMO keeps going, leading increase of minimally invasive surgical devices and medical wearable sensors
- Acceleration: Spreads and covers the surgical robotics segment
- Profitability improvement
  - Driven by revenue growth
  - Efficiency enhancement by automation and process improvement with digital technologies
  - High value-added products enhanced by our capabilities in emerging technologies

# <Targeting segments with high growth potential by CDMO business model>

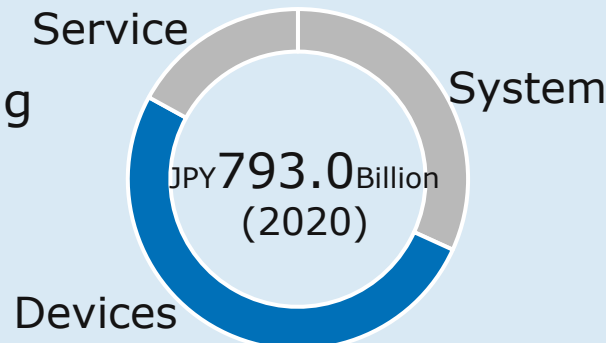
## Medical Devices CDMO Market

- CAGR 11%, which is higher than global medical device market CAGR 5%



## Surgical Robotics Market

- Our target is the Devices, accounting for half of the surgical robotics market



- Accelerating growth by extending the coverage segments

### Existing segment

Minimally Invasive Surgical Devices

Market CAGR \*  
**11.6%**

### Emerging segment

Devices for Surgical Robotics

Market CAGR \*  
**15.4%**

Extend

Clinical Products  
(Medical Wearables, etc)

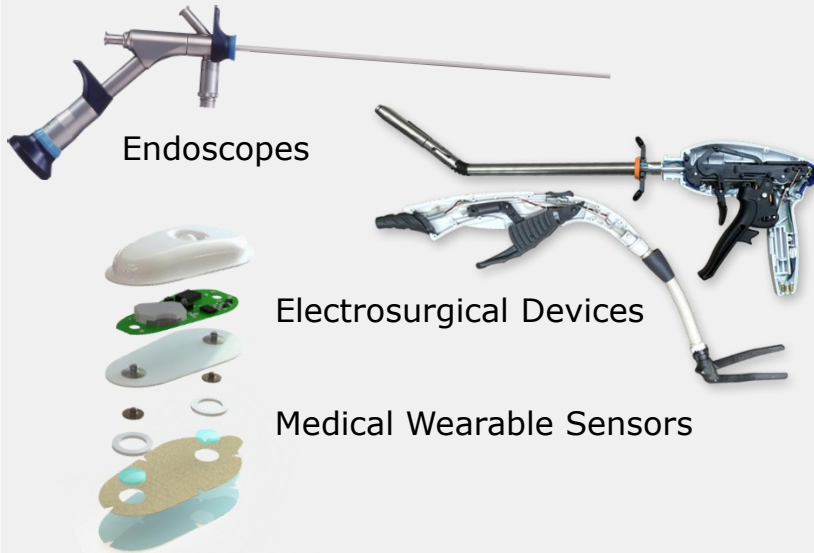
Market CAGR \*  
**10.6%**



\* Calculated by our company using various documents as sources

## <Seizing market needs, targeting new frontiers>

### Existing segment



### Supported by many capabilities

- End-to-end design and development
- Vertically integrated manufacturing technologies
- Automation platforms
- Coverage of wider medical fields

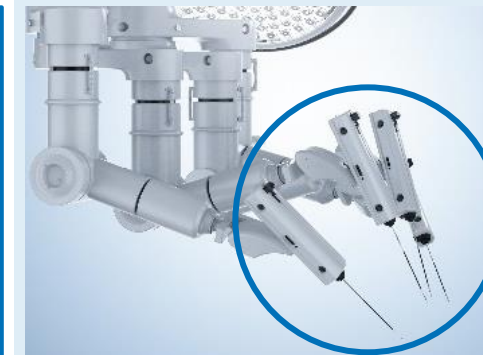
Needs on cutting-edge  
Visualization + Navigation

Acquisition of Enabling Technologies,  
through M&A, partnership, and R&D  
across business units

- Steerability 
- Miniaturization 
- Sensing (New Business Development Office, Devices Business)

### Emerging segment

Moduled products for  
surgical robotics



End Effectors



Visualization  
Navigation

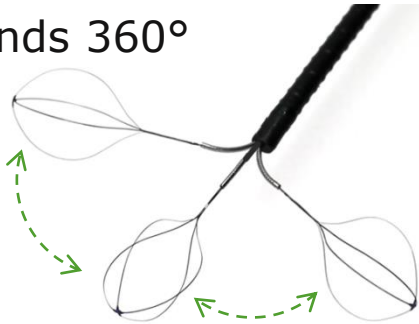


## <New pipeline potentials through the acquisitions of EndoTheia and Isometric Micro Molding>



- The cutting-edge steerability of surgical devices
  - Steerable sheaths for device tips

Bends 360°



- Research collaborations with academic institutions



- Micro molding technology for miniaturization
  - Contribution to miniaturization of surgical devices of robots



Surgical Robotics Guide



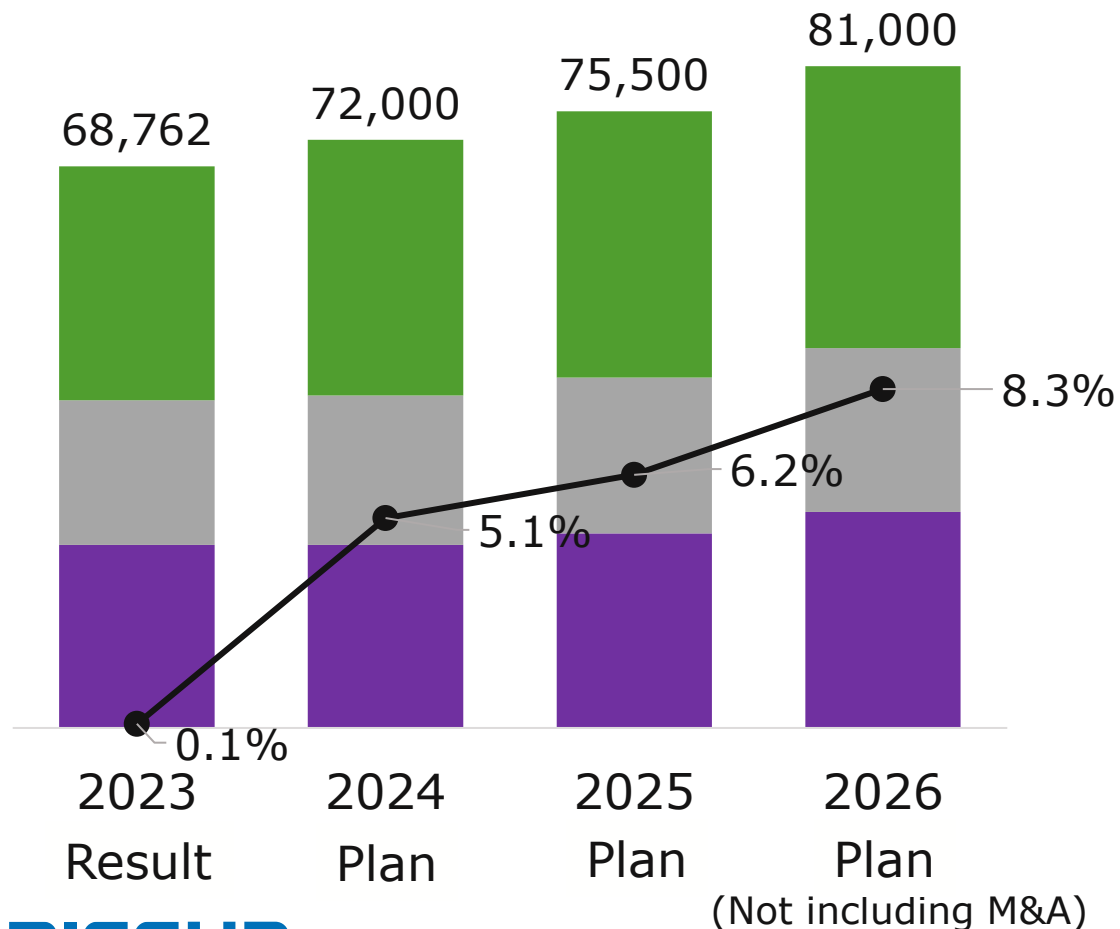
Endoscope Tip

- Micron level precision ( $\pm 8\mu\text{m}$ )
- Automation for complex assemblies of micro components



# Industrial Materials

■ Net sales( ■ Sustainable Materials (Metallized paper and others) ■ Decoration (Home appliance and others)  
 ■ Decoration (Mobility)) (Millions of JPY)  
 ● Operating profit margin



**NISSHA** SurfaceWorks Decoration  
**NISSHA** ecosense Sustainable Materials

Net sales  
CAGR  
5.6%

Operating  
profit margin  
(2023→2026)  
0.1%→  
8.3%

ROIC  
(2023→2026)  
0.1%→  
7.8%

Decoration (Mobility)

Star

- Expanding into exterior functional products in addition to interior decoration

Sustainable Materials  
(Metallize paper)

Cash Cow

- Stable demand, improving ROIC

Sustainable Materials

Problem Child

(Sustainable molded products)

- Pulp materials with excellent biodegradability and recyclability
- Business expansion for pharmaceuticals packaging, execution of M&A

# <Electrification and autonomous driving bring opportunities to decoration and functionalization of exterior products>

## Market Analysis

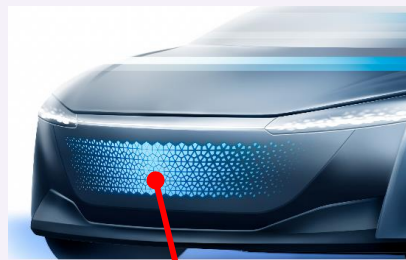
- Global automobile production volume: Post-2023, a generally flat trend is assumed
  - The competition between OEMs becomes clearly defined
- BEV adoption is accelerating (market share: 2022, 10% → 2030, 40%)
  - With BEV transition, the cooling function of the front grille becomes unnecessary, exterior design changes, and there is an increased need for design aesthetics and additional functionality

Internal Combustion Engine Vehicle



Cooling function

BEV



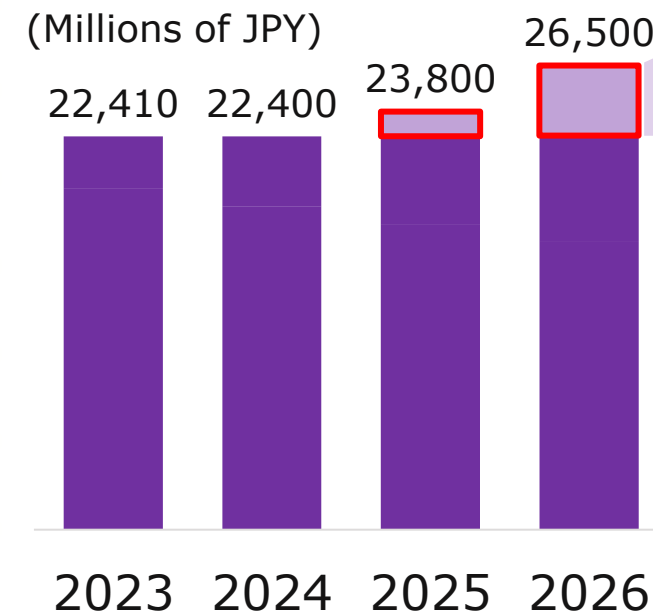
Design and safety features

## ● Decoration (Mobility)

- Interior decoration: Expanding orders from existing OEM customer base
- Exterior decoration and functionality: Accelerating growth with electrification and autonomous driving as business opportunities

■ Interior decoration

■ Exterior functional products, etc.



Contribution to the next medium-term business plan

# <Strategy for Mobility>

- Interior decoration
  - Gaining more business opportunities
    - Intensive sales promotion orders to existing OEM customer base
    - Expansion of the new design trend 'Hidden-lit Design'
  - Profitability improvement
    - Price increase of existing products
    - Enhancement of added value in new products
    - Productivity improvement, leveraging digital technologies



Hidden-lit Design



Trend-setting  
interior decoration

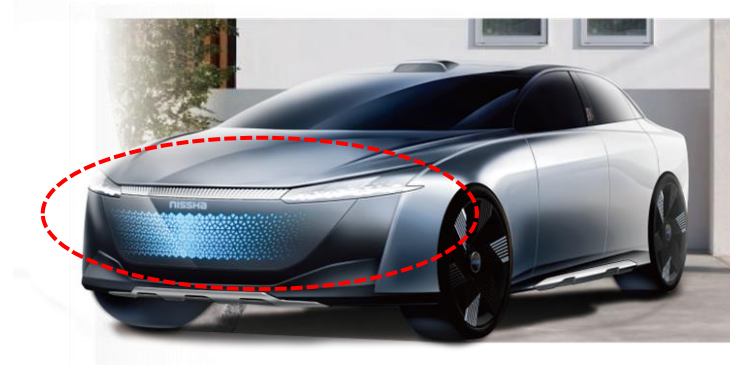
**NISSHA**

## NISSHA SurfaceWorks

- Exterior functional products as a growth driver
  - Reliable mass production launch of secured projects
    - By 2026, sales are expected to reach a scale of 4 billion yen, with further expansion thereafter
  - By expanding the scope of target products and enhancing their functionality, securing further new projects

Secured exterior functional products

Front section



Rear section



# <Strategy for Sustainable Materials> **nisssha ecosense**

## Metallized paper **Cash Cow**

### Metallized paper Market

- The global beverage market is projected to grow at a CAGR of 4%
- Inventory adjustments are expected to normalize from 2024 onwards
- We maintain a global top share (approximately 55%)

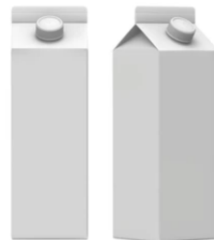
- Ultra-thin metal coating technology
- Control of material costs
- Optimization of fixed expenses
- Expansion of applications (packaging and containers) Contribution to reducing aluminum usage



Current main application:  
Beverage labels



Expanding applications to food and beverage packaging and containers



## Sustainable molded products **Problem Child**

### Sustainable molded products Market

- The pulp mold market is growing at a CAGR of 8%
- The needs for plastic alternatives and recyclability are increasing
- Europe, leading region for environmental field

- Expanding pharmaceutical applications

- Mass production: 1project
- Secured for production: 3projects
- In pipeline: 14projects



Self-injection device tray

- Expansion of product lineups through M&A

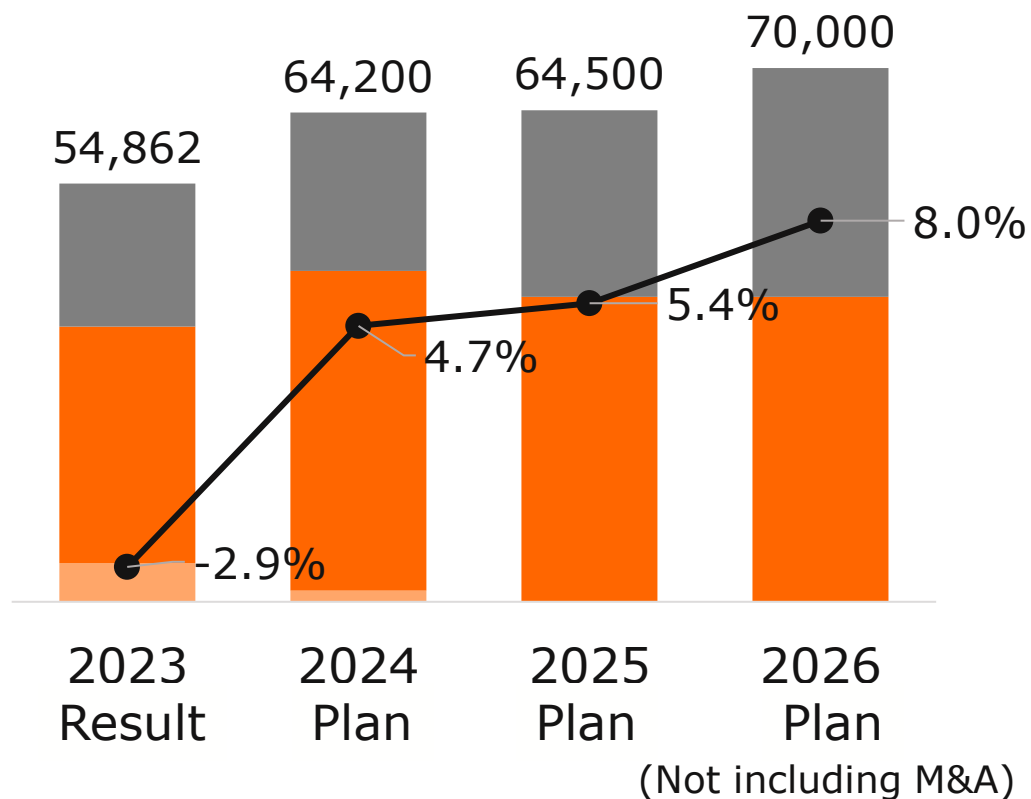
Won the Packaging Innovation Award at the Pharmapack Awards 2024 held in France



Self-injection device cap

# Devices

- Net sales (■ Gaming devices, Handheld terminals (logistics related), Mobility, Gas sensors and others  
 ■ Tablet devices ■ Smartphones) (Millions of JPY)  
 ● Operating profit margin



Net sales  
CAGR

8.5%

Operating  
profit margin  
(2023→2026)

-2.9%→

8.0%

ROIC  
(2023→2026)

-5.2%→

15.3%

Tablet devices

Cash Cow

- Revenue plan assumption: From 2025 onwards, production quantity of final tablet devices would remain steady, and our share would be maintained

Others

- Mobility: Expansion of adoption for OLED in Chinese EVs
- Gas sensors: Commencement of mass production for refrigerant sensors for air conditioners
- Application of sensor technology to the medical devices market (P.15)

Improving ROIC

- Optimization of production capacity to meet demand promptly
- Promotion of automation and labor-saving initiatives



# Future star **Problem Child**

## Pharmaceutical (Drug Manufacturing) Film processing technology (New Business Development Office)

- Business opportunities in changing dosage forms from tablets and injections
- Target on film type of pharmaceuticals (central nervous system, pain, etc.)
- In 2020, Transdermal Drug Delivery Systems were launched in the United States
- We aim for revenue of over 5 billion yen in 2026 and 20 billion yen by 2030 (including M&A)



Oral Thin Film



Transdermal  
Drug Delivery System

**NISSHA**

## Force sensor product line-ups **NISSHA** SenseEvolve

Devices

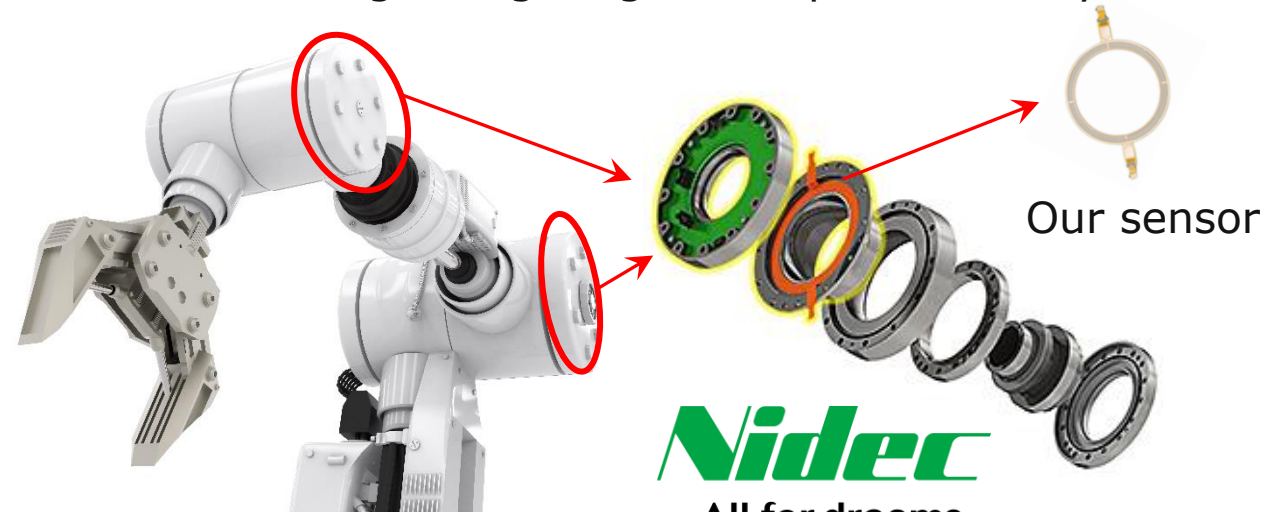
- Expansion of film sensor product line-ups for detecting pressure, friction, strain, and more

Examples of adoption : Strain sensor (for collaborative robots)

**NIDEC DRIVE TECHNOLOGY CORPORATION**

The world's first precision reduction gear with built-in multi-sensor, 'Smart-FLEXWAVE'

Contributes to lightweighting and improved safety



Collaborative robot

**Nidec**  
All for dreams

# The 8<sup>th</sup> Medium-term Business Plan

## Financial plan

- Operating profit margin of 10% or higher in 3 priority markets of non-IT devices
- Aiming for a ROE of 9% or higher

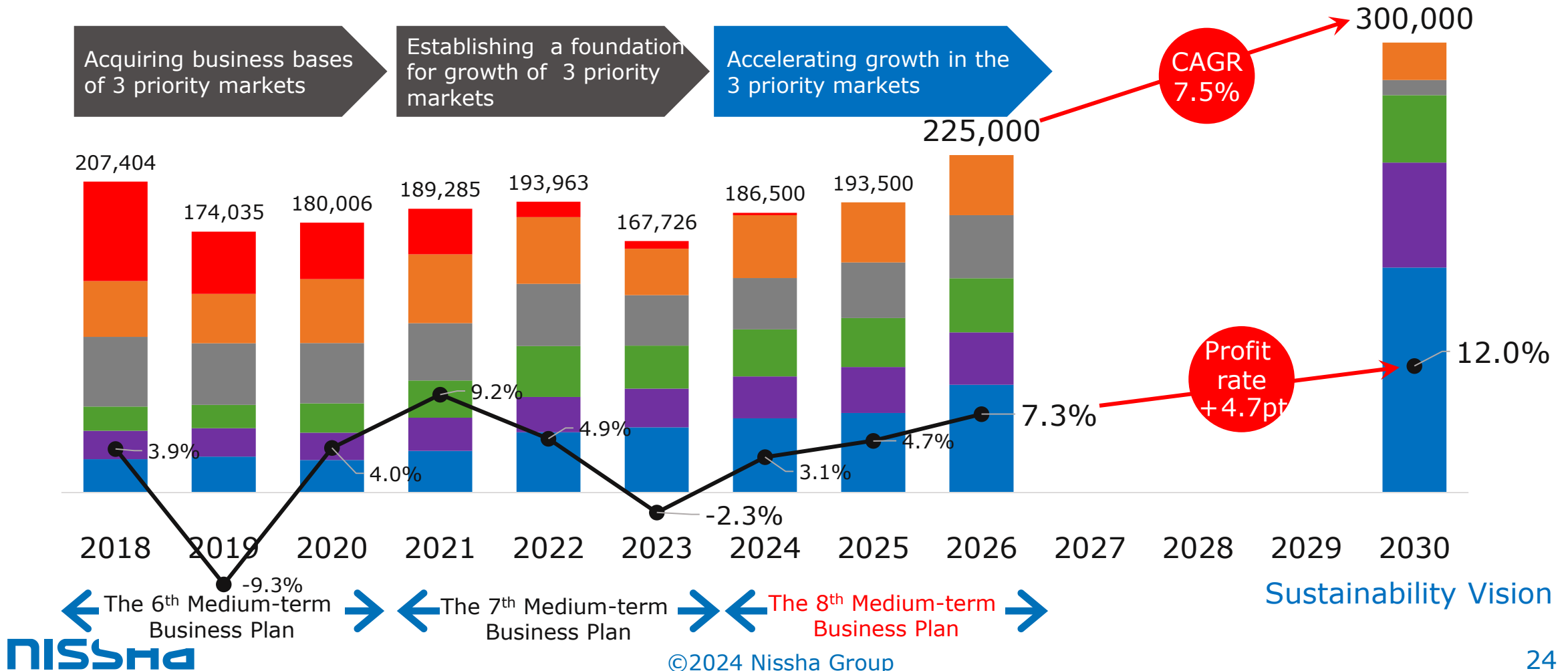
(Millions of JPY)	The 7 <sup>th</sup> Medium-term Business Plan			The 8 <sup>th</sup> Medium-term Business Plan			
	2021 Results	2022 Results	2023 Results	2024 Plan	2025 Plan	2026 Plan (Not including M&A)	2026 Plan (Including M&A)
ROE	17.6%	9.7%	- 2.7%	3.3%	5.9%	✓ 9%+	9 %+
Net sales	189,285	193,963	167,726	186,500	193,500	210,000	225,000
Operating profit (Operating profit margin)	17,363 (9.2%)	9,520 (4.9%)	- 3,817 (- 2.3%)	5,800 (3.1%)	9,000 (4.7%)	15,000 (7.1%)	16,500 (7.3%)
3 priority markets of non-IT devices Operating profit (Operating profit margin)	2,698 (3.6%)	*4,096 (4.2%)	*3,105 (3.2%)	6,250 (5.7%)	8,700 (7.5%)	✓ 13,000 (10.2%)	14,500 (10.2%)
Forex	¥ 108/\$	¥ 128/\$	¥ 138/\$	¥ 135/\$	¥ 130/\$	¥ 130/\$	¥ 130/\$

# The phase of the 8<sup>th</sup> Medium-term Business Plan

- Accelerating growth in 3 priority markets of non-IT devices and the achievement of sustainability vision are within reach

■ Smartphones ■ Tablet devices ■ Others ■ Sustainable Materials ■ Mobility ■ Medical (Millions of JPY)  
● Operating profit margin

3 priority markets of non-IT devices





# Cash Allocation

# Capital allocation and shareholder returns

## Cash-in

Sale of non-operating assets  
Financing  
JPY25.0  
Billion or higher

Operating cash flows  
JPY40.0  
Billion or higher

## Cash-out

Shareholder returns  
JPY11.0  
Billion or higher

M&A  
JPY30.0  
Billion or higher\*

Capital investment  
JPY24.0  
Billion

### Cash-in

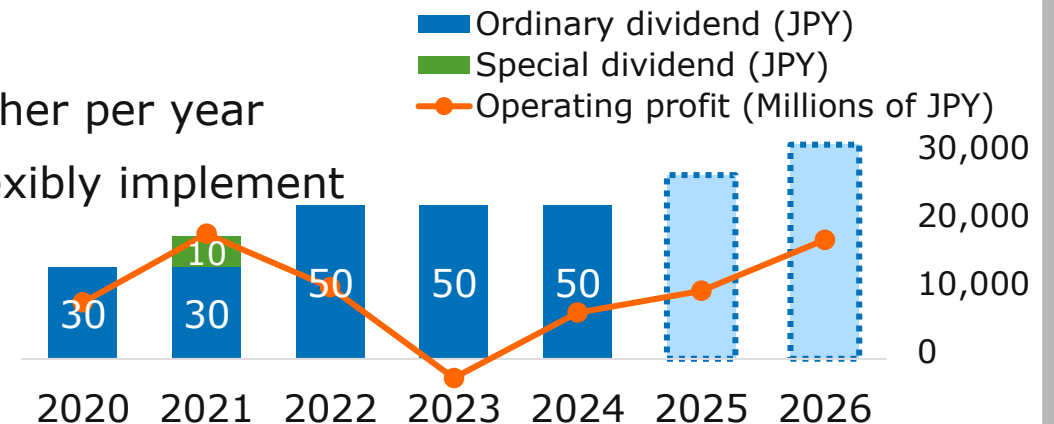
- Sale of non-operating assets
  - Reduction of strategic shareholdings, etc.
- Flexible financing (borrowing and bonds)  
Execution within the bounds of ensuring financial safety
  - Equity ratio: around 45%
  - Net interest-bearing liabilities/EBITDA ratio : Within 2.0 times

### Cash-out

- M&A
  - Priority on Medical
- Capital investment
  - Priority on Mobility and Sustainable Materials

### Shareholder returns

- Dividend: JPY50 or higher per year
- Share buybacks: To flexibly implement



\*Not include the acquisition of Isometric Intermediate LLC (The closing is scheduled from late February to early March 2024)

# Initiatives Enabling Business Portfolio Management

# Leveraging core technologies comprehensively to create added value

Printing



Processing technology of applying designs and functions with ink

Coating



Processing technology of forming thin layers

Laminating



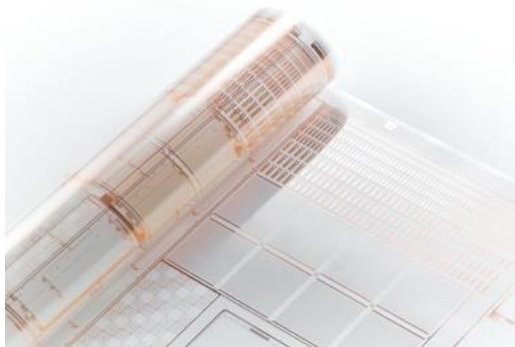
Processing technology of laminating multiple thin substrates

Molding



Processing technology of forming various shapes in three dimensions

Patterning



Processing technology of forming functional patterns

Metal Processing



Processing technology of metal machining, cutting, and surface treatment

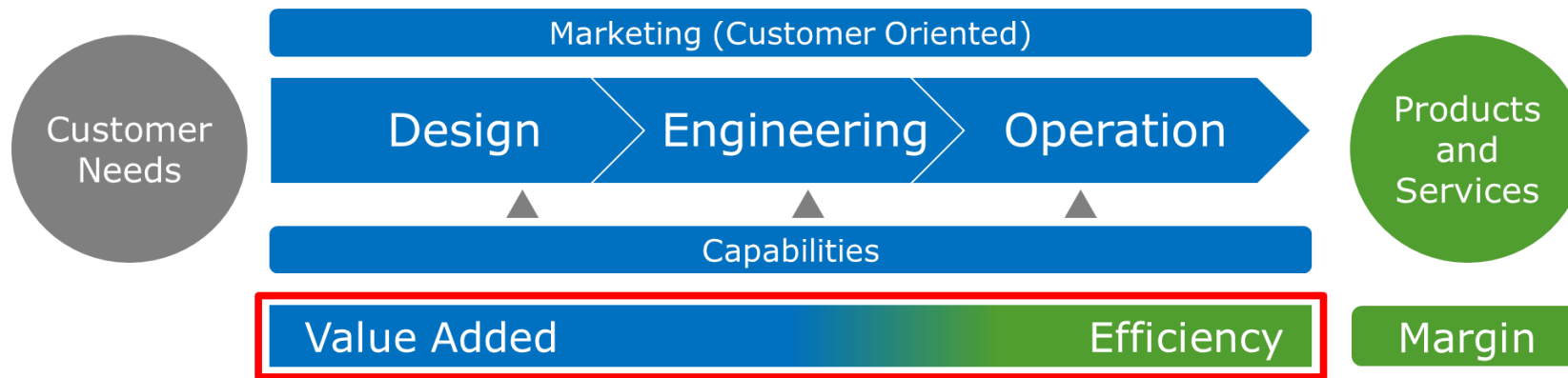
Peripheral technologies to reinforce core technology (Sub core technologies)

- Software/Control Technologies
- Product Design
- Modules
- Digital transformation /Data science
- Materials assessment
- Process engineering

# Quality and production strategy to generate profits



- Enhancing value across the entire value chain (the process of creating value)



- Transforming business processes from upstream
  - Definition of quality and added value at the design and development stage
  - Date-oriented design optimization

- Pursuit of lean operations
  - Promoting automation and digital technology in production processes and indirect operations
  - Global deployment of best practices

# Human capital management supporting portfolio strategy

- Deploying appropriate talent to growth businesses (skills, expertise, diversity)

## Human resources system (2020-)

- Transitioning to a 'job-based' approach, emphasizing roles and capabilities
- Supporting diverse and flexible workstyles for employees
  - Flextime system, Work from home, and Programs for women's advancement

## Human resource development (2013-)

- Enhancement of Nissha Academy
- Strengthening the talent development of digital technology
- Human resources globalization
  - Developing global leaders among overseas employees and strategic allocation of Japanese employees
- Providing growth opportunities and recognizing employees who achieve results



- Company and employees growing together
- Improving value proposition to customers through diverse capabilities and passion

# Responding to Climate Change

- To reduce total CO2 emissions by 30% in 2030  
(Compared to 2020, Scope 1 and 2)
- Scope 1 and 2
  - Completed the transition to 100% renewable energy at major domestic production facilities (2023)
    - Approximately 55% of Nissha Group's CO2 emissions (as of 2020)
  - In the future, we will focus on energy efficiency in domestic operations and transitioning to renewable energy in overseas production facilities
- Scope 3
  - Disclosure of CO2 emissions (2023)
  - We will consider and implement reduction measures



Industrial Materials  
Koka Factory



Devices  
Himeji Factory



Devices  
Kaga Factory



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