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About Nissha Report 2016 Extra

Nissha Report is compiled annually as an integrated report. The latest edition, Nissha Report 2016, was issued in August 2016 with contents centering on activities in FY2016, the first year of the Fifth Medium-term Business Plan covering the three-year period from FY2016 to FY2018.

The Fifth Medium-term Business Plan, in which we aim for growth through a reorganization of our business portfolio, entered the second year of operation in April 2016. With the conclusion of several M&A deals, Nissha's reorganization strategy has seen remarkable progress since the issuing of Nissha Report 2016. In order to relay as quickly as possible the dynamic changes at Nissha, we decided to issue this special edition, Nissha Report 2016 Extra. We hope you will peruse the contents along with the information contained in Nissha Report 2016.

CEO Message



Halfway through the Fifth Medium-term Business Plan, the foundation is ready for reorganizing our business portfolio.

Junya Suzuki

President and CEO
Chairman of the Board

M&A Strategy Progressing as Planned

The Nissha Group started operating the three-year Fifth Medium-term Business Plan on April 1, 2015, aiming for growth through a reorganization of our business portfolio. Our primary market at present, consumer electronics (IT) including smartphones and tablet devices, presents possibilities for ongoing expansion of business opportunities through innovation on the one hand, and risks of drastic fluctuations in product demand and declining product and service prices on the other. From the perspective of balanced management, we are pressed to establish a business base that enables a continuous and stable revenue stream, by overcoming our over-reliance on the ever-fluctuating consumer electronics field and increasing our overseas production ratio to develop our tolerance to foreign exchange fluctuations.

M&A is an effective means of reorganizing our business portfolio. In the three-year course of the Fifth Medium-term Business Plan we allocated a budget of 35 billion yen to M&A, and have studied and surveyed fields that promise stable growth on a global basis. Following our acquisition in August 2015 of the AR Metallizing Group, a global leader in metallized paper, in September this year we welcomed as a subsidiary the Graphic Controls Group, a medical devices and consumables manufacturer headquartered in the United States, and in October, the Schuster and Back Stickers Group, comprising German molding and decorative film manufacturers, into the automotive field of Industrial Materials. Having concluded these deals, we used nearly all of the three-year budget of 35 billion yen before the end of the second year of the Fifth Medium-term Business Plan.

Life Innovation Positioned as a Fourth Business

In view of the progress of the Fifth Medium-term Business Plan, we implemented organizational restructuring as of October 2016. The highlight of this move is that we positioned Life Innovation as a fourth business following Industrial Materials, Devices, and Information and Communication.

Life Innovation is a new business launched in April 2015 with the mission of developing products for quick release into growth markets such as medical and health care. Developing and releasing new products, however, entails challenges that often require more time to resolve than is initially imagined. The latest addition to the Nissha Group, Graphic Controls, is an US-based manufacturer of medical devices and consumables boasting annual net sales of more than 15 billion yen. The acquisition gives Life Innovation a central business company for full-scale entry into the medical devices market. With Graphic Controls serving as a foothold, we will seek to expand the Life Innovation business in the medical market.

Of the products previously marketed under Life Innovation, gas sensors have been transferred to the Devices business, which provides a suitable match for components as a product characteristic and sensing technologies of gas sensor. The field of drug delivery systems (DDS) including the dissolving microneedle patch was transferred to the Corporate R&D Department, covering the entire Nissha Group, as the development stage is expected to continue for some time.

▼ Change of Organization (October 2016)

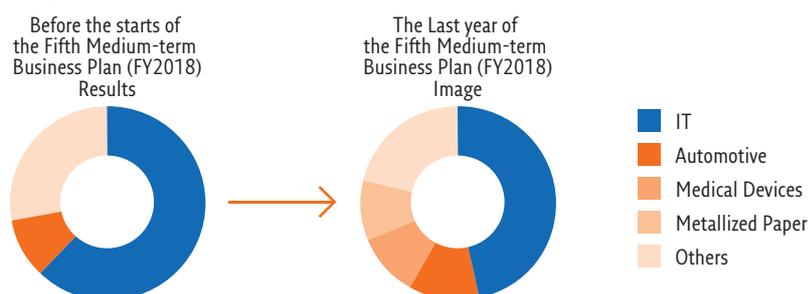
Unit	Products	Business	Main field of products	
			Before September 2016	After October 2016
Industrial Materials		Decorating beautifully the surfaces of various materials	<ul style="list-style-type: none"> Decorative films Molding products Metallized paper 	<ul style="list-style-type: none"> Decorative films Molding products Metallized paper (Not Changed)
Devices		Providing devices that pursue precision and functionality	<ul style="list-style-type: none"> Touch sensors 	<ul style="list-style-type: none"> Touch sensors Gas Sensors
Life Innovation		Providing value-added products in medical market	<ul style="list-style-type: none"> Gas Sensors DDS 	<ul style="list-style-type: none"> Medical Devices (Graphic Controls)
Information and Communication		Supporting communication strategies of customers	<ul style="list-style-type: none"> Publication printing Commercial printing, SP 	<ul style="list-style-type: none"> Publication printing Commercial printing, SP (Not Changed)
Corporate		R&D Administration	<ul style="list-style-type: none"> Developing Products 	<ul style="list-style-type: none"> Developing Products DDS

Automotive, Medical Devices, Metallized Paper—Three Fields for Balancing against IT

Halfway through the Fifth Medium-term Business Plan, a clear framework is emerging comprising three stable markets for balancing against the sharply fluctuating consumer electronics (IT) field. Automotive, medical devices, and metallized paper are expected to continue growing steadily on a global basis and will form Nissha's new key markets.

The metallized paper and medical devices manufacturers we acquired are both foreign companies that conduct production and sales activities outside Japan. The automotive field is also shifting from export-based to local business models rooted in communities all over the world. By pouring our energies into expanding in these three fields, we hope to not only reduce the risks of ups and downs in financial performance but also develop tolerance to foreign exchange fluctuations.

▼ Change of Key Markets



We are making steady progress in the Fifth Medium-term Business Plan toward reorganizing our business portfolio and laying the foundation for future growth. I ask our stakeholders for your continued support as developments unfold at the Nissha Group.

President and CEO
Chairman of the Board

Topics by Key Markets

IT

Capital Investment toward New Business Opportunities

The consumer electronics (IT) market is prone to drastic fluctuations on the one hand, and has the potential for new business opportunities through innovation on the other. With opportunities forecast to expand for our mainstay business of Devices, we have increased our capital investment budget in the Fifth Medium-term Business Plan (from 18 billion yen to 26 billion yen over the three-year period) and are speeding up preparations for growth in the next fiscal year onward.

Automotive

German Molding and Decorative Film Manufacturer Acquired to Expand Automotive Business

In the Industrial Materials business, we are working to expand the product lineup to meet customer needs and build supply chains toward expansion in our primary target of the automotive market. In October 2016 we welcomed as European subsidiaries Schuster, engaged in the production and sales of plastic molded components for automotive interiors, and Back Stickers and group companies, specializing in the production and sales of decorative film, thereby acquiring new decoration technology, production capacity, and sales channels.

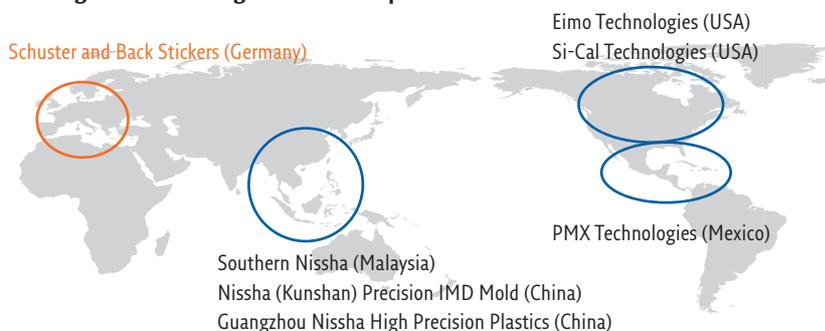
Decoration Technology

Schuster and Back Stickers boast technologies in in-mold labeling (IML) mutually complementary with Nissha’s mainstay of in-mold decoration (IMD). The acquisition enhances the Nissha product lineup.

Production Capacity

Supply chains of the automotive industry are scattered across the globe. Nissha has production bases in Southeast Asia, the United States, and Mexico. The acquisition of a production base in Europe, an important region of the automotive market, further strengthens our foundation for growth.

▼ Gaining Manufacturing Bases in Europe



Sales Channels

Schuster and Back Stickers have a solid client base comprising major automakers, and the acquisition gives us access to these customers.

Financial results of the Schuster and Back Stickers Group representing two months in FY2017 and the full year in and after FY2018 will be consolidated into that of the Industrial Materials business.

▼ Molded Components for Automotive



▼ Outline of Schuster and Back Stickers Group

Founded 1930
 Performance (FY2015, ended Dec. 2015)
 *Net Sales 2,365 million of yen
 EBITDA 316 million of yen
 (EBITDA Ratio: 13.3%)
 *1 Euro = 115 yen
 Bases Germany, Netherlands
 Business Molding and decorative film printing for automotive

Medical Devices

US-based Medical Devices and Consumables Manufacturer Acquired for Entry into Medical Market

In September 2016, we welcomed as a subsidiary the Graphic Controls Group, a medical devices and consumables manufacturer headquartered in the United States, thereby acquiring a product lineup and business portfolio in the growth market of medical devices as well as sales channels in the North and Central America and Europe..

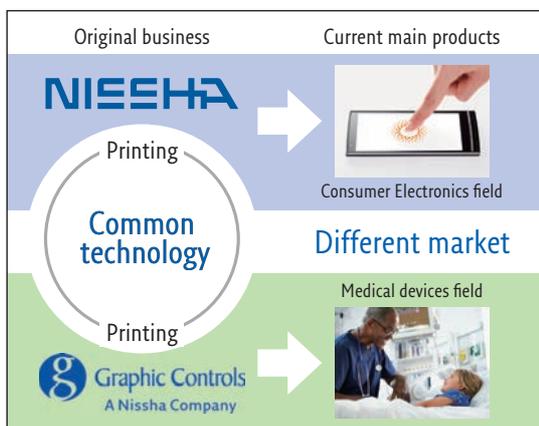
Graphic Controls was founded in 1909 as a printing company dealing in industrial charts. Through later efforts in product development and market cultivation, today it has established itself as a player in the medical devices and consumables market. As a printing company that followed a path of growth through business diversification and reorganization, Graphic Controls has a history that overlaps with that of Nissha. Other similarities can be seen in core technologies: Graphic Controls' key products like disposable products and surgical consumables employ processing technologies such as electrode pattern formation and precision injection molding. In the medium term, we expect an integration of the two companies' core technologies to create synergies in streamlined production and new product development.

Moving forward, the Graphic Controls will serve as a central business company of the Life Innovation business. Financial results representing four months in FY2017 and the full year in and after FY2018 will be consolidated into that of the Nissha Group.

*For the outline of Graphic Controls Group, please see page 10 of Nissha Report 2016.

▼ Similarities between Nissha and Graphic Controls

Both companies followed a path of diversification based on processing technologies cultivated through printing.



Metallized Paper

Leader in Metallized Paper Makes Full-scale Contribution to Industrial Materials Business

Our new subsidiary since August 2015, the AR Metallizing Group, is a global leader in metallized paper that offers high-end labels for a broad range of food and beverage products. Financial results will be consolidated into that of the Industrial Materials business from the full year of FY2017 onward.

Announcement of Personnel Changes

New General Manager of Business Unit and Corporate Officer Accompanying Organizational Restructuring

The general manager of the Life Innovation Business Unit has changed with the organization restructuring implemented in October 2016.

▼ Change of Managers

	Before September 2016	After October 2016
General Manager of Industrial Materials Business Unit	Kiyohiko Kato	Kiyohiko Kato
General Manager of Devices Business Unit	Daisuke Inoue	Daisuke Inoue
General Manager of Life Innovation Business Unit	Keiji Kishi	Daisuke Inoue
Nissha Printing Communications, Inc. Representative Director (Information and Communication Business Unit)	Shunji Murase	Shunji Murase

Senior Vice President Keiji Kishi is in charge of the Corporate R&D Department and is responsible for the creation of new products and businesses.

On occasion we appoint the chief executive officer of an important subsidiary as corporate officer of Nissha Printing Co., Ltd. Bart Devos, CEO of AR Metallizing N.V., serves as corporate officer since the acquisition of September 2015. In a new appointment, Sam Heleba, CEO of Graphic Controls Holdings, Inc., was named corporate officer since September 2016, after the acquisition.



Sam Heleba

Vice President
Chief Executive Officer,
Graphic Controls Holdings, Inc.