

# Annual Investors' Meeting 2019

May 29, 2019

Nitto Denko Corporation  
Hideo Takasaki  
President, CEO

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# FY2018 Consolidated Results

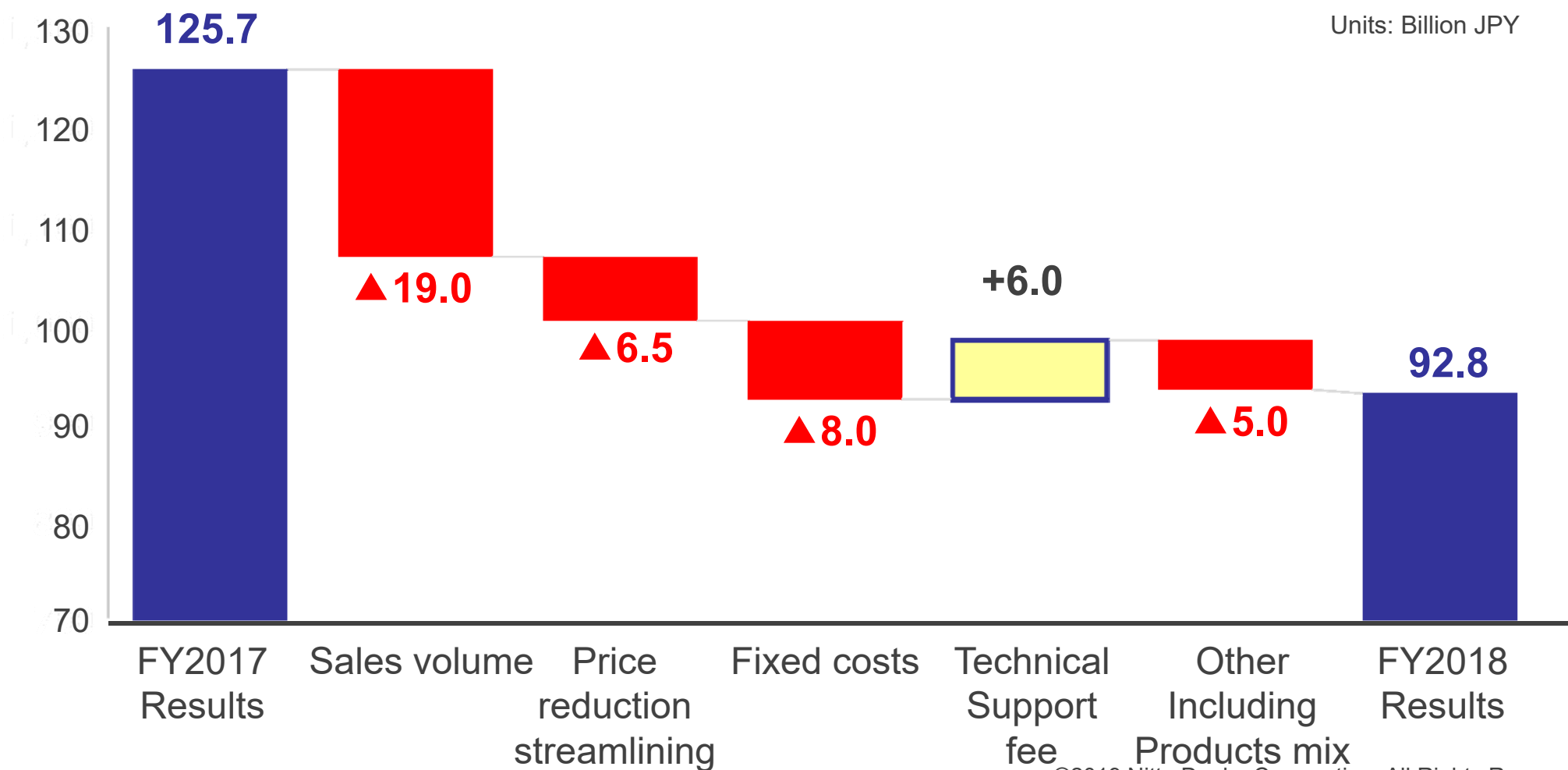
# FY2018 Consolidated results

Units: Billion JPY	FY2017	FY2018	YoY (%)
Net Sales	857.4	806.5	▲5.9%
Operating Profit	125.7	92.8	▲26.2%
Profit before Tax	126.2	91.9	▲27.2%
Net Profit	87.5	66.6	▲23.8%
Operating Margin	14.7%	11.5%	▲3.2p
ROA	9.6%	7.2%	▲2.4p
ROE	13.0%	9.6%	▲3.4p
Exchange rate (JPY/USD)	110.8	110.6	-

International Financial Reporting Standards (IFRS) have been applied since FY2014.

# FY2018 Change in Operating Profit (YoY)

- Sales volume declined due to slow demand from the electronics and automotive industries
- While royalty income increased, price reduction and fixed costs increased



# FY2019 Business Plan

## FY2019 Consolidated Results (Planned)

Units: Billion JPY	FY2018	FY2019	YoY (%)
Net Sales	806.5	790.0	▲2.0%
Operating Profit	92.8	85.0	▲8.4%
Profit before Tax	91.9	85.0	▲7.5%
Net Profit	66.6	62.0	▲6.9%
Operating Margin	11.5%	10.8%	▲0.7p
ROA	7.2%	6.6%	▲0.6p
ROE	9.6%	8.7%	▲0.9p
Exchange rate (JPY/USD)	110.6	110.0	-

# FY2019 Results by Segment (Planned)

Units: Billion JPY		FY2018	FY2019	YoY (%)
Industrial Tape	Net Sales	355.3	360.0	+1.3%
	Operating Profit	31.1	40.0	+28.7%
Optronics	Net Sales	430.1	410.0	▲4.7%
	Operating Profit	62.0	50.0	▲19.3%
Life Science	Net Sales	30.0	26.5	▲11.5%
	Operating Profit	1.9	0.0	0.0%
Others	Net Sales	26.3	28.5	+8.3%
	Operating Profit	▲2.0	▲1.5	-
Company-wide/ Eliminated	Net Sales	▲35.1	▲35.0	-
	Operating Profit	▲0.2	▲3.5	-
Total	Net Sales	806.5	790.0	▲2.0%
	Operating Profit	92.8	85.0	▲8.4%

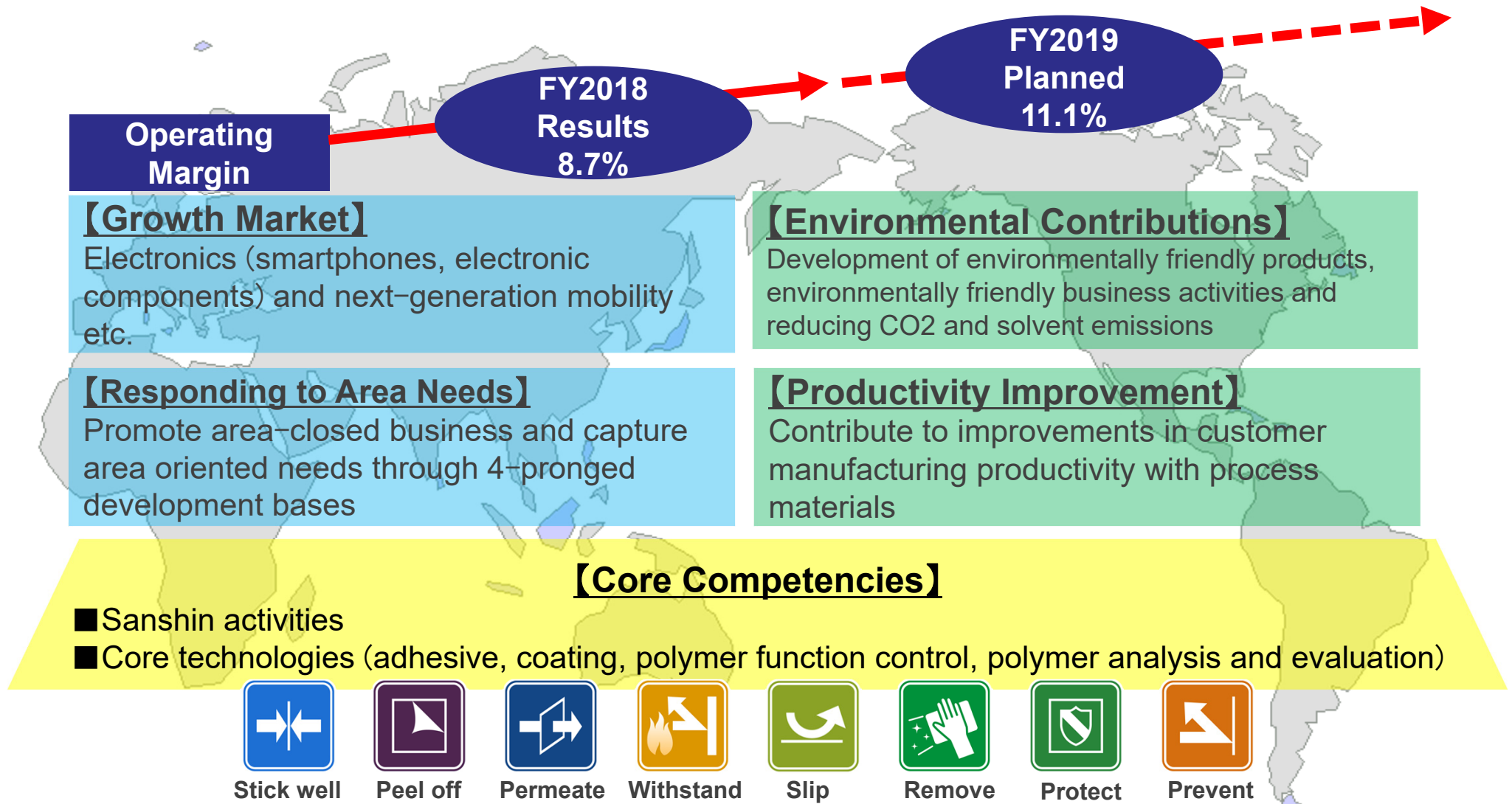
From FY2019, belonging of Optronics process materials changed to Functional Base Products of Industrial Tape.  
 In this document, including from this page, FY2018 figures reflect this change.



# Industrial Tape

# Industrial Tape Business Outlook

- Creation of Niche Top products, environmental contributions, and productivity improvements to achieve further growth and high profitability



# FY2018 Results / FY2019 Plan

Units: Billion JPY		FY2018	FY2019	YoY (%)
Functional Base Products	Net Sales	194.7	206.0	+5.8%
Transportation	Net Sales	160.6	154.0	▲4.1%
Total	Net Sales	355.3	360.0	+1.3%
	Operating Profit	31.1	40.0	+28.7%

## FY2018

### (Functional Base Products)

- Sales of materials for general industrial use expanded steadily
- Slowdown in H2 in double-coated tapes for smartphone assembly

### (Transportation Business)

- Affected by stagnation of the automobile market in H2
- Motor insulating materials and internal pressure adjustment materials remained in good shape

## FY2019

### (Functional Base Products)

- Increased sales of double-coated tapes for smartphone assembly
- Strengthening profitability of semiconductor related products

### (Transportation Business)

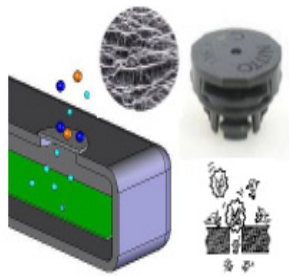
- Promote optimization of global systems and improved profits from yield improvements etc.
- Implement measures such as production system enhancement to changes such as motorization and automatic driving

# For Next-Generation Mobility

- Expanding Information Fine Materials to mobility
- About 20% of FY2018 consolidated sales were automotive use

## Convergence of industrial tape and optronics

Internal pressure adjustment material



Vehicle display

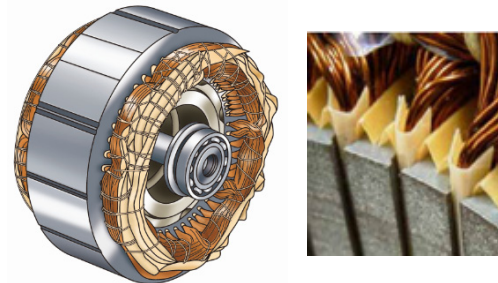
HUD



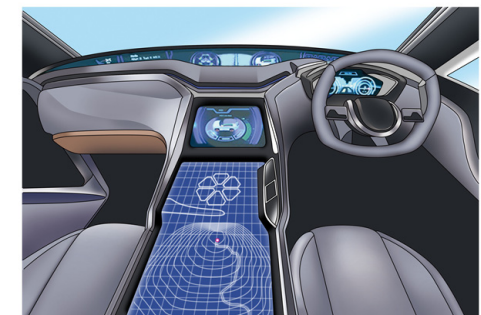
Radio wave absorber



Motor insulating material



In-vehicle display



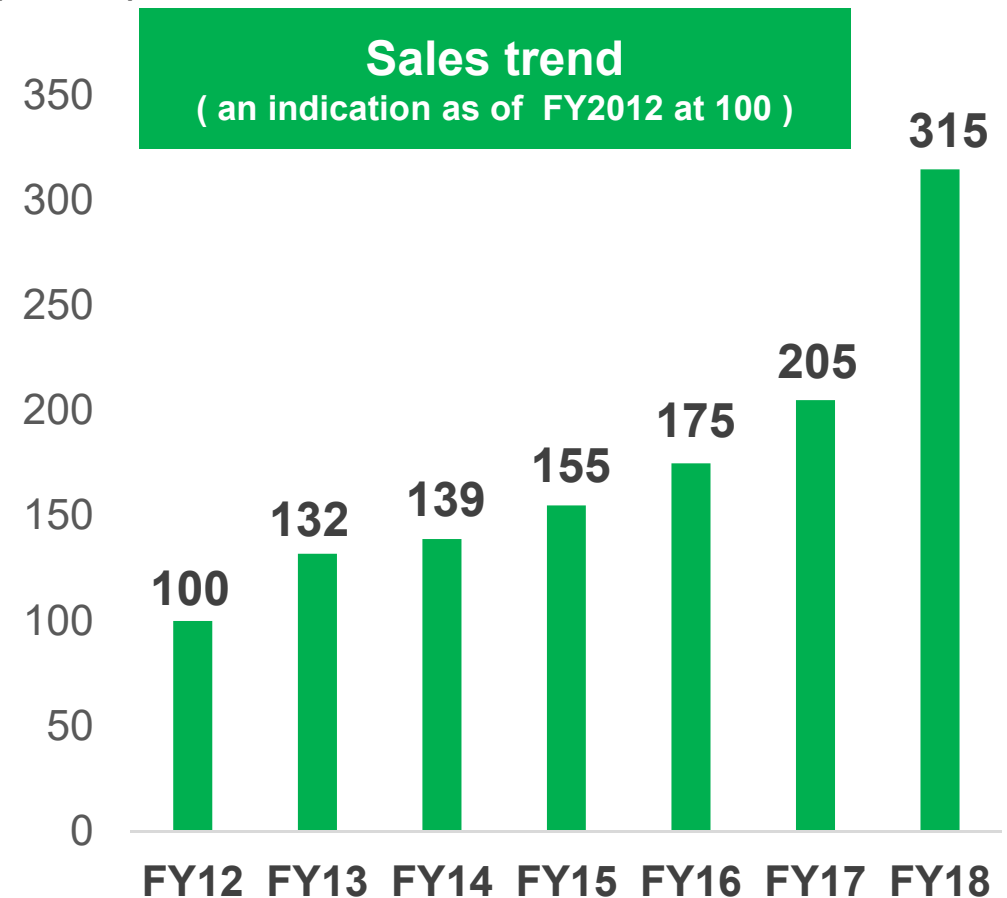
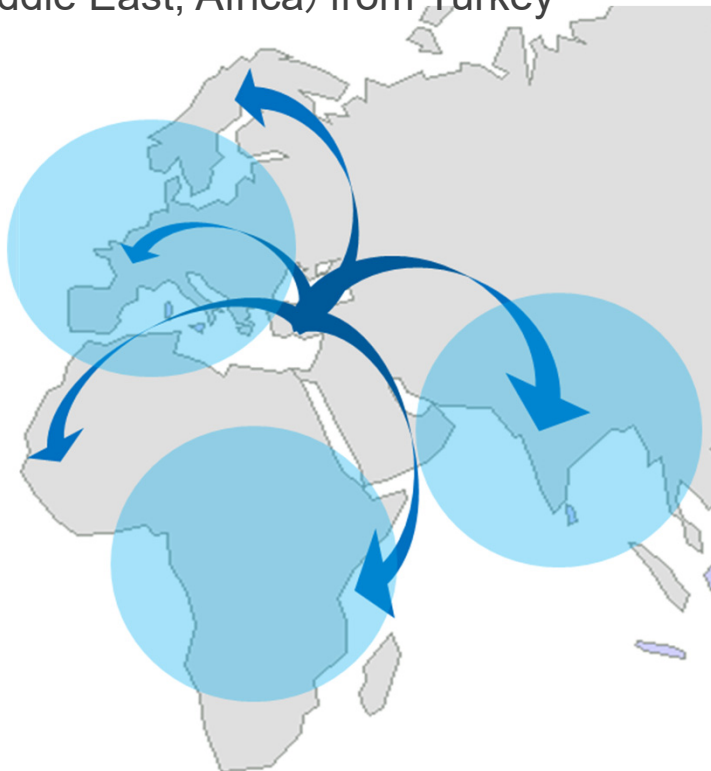
# Action for Area Needs

- Acquisition of Bento in FY2012 as growing markets / areas
- 3 times sales after the acquisition by capturing area needs of sanitary products such as paper diapers

## Hygiene business development from Nitto Bento (Turkey)

\*Hygiene Business: Hygiene products such as paper diapers

Development of the EMEA market (Europe, Middle East, Africa) from Turkey



# Contributions to Environment

## ■ Contributions of Nitto technologies and products to environmental issues/considerations

### ■ Environment Award Winner

Completely solvent-free double-coated adhesive tape won the 46th Environmental Excellence Award



Completely solvent-free  
Double-coated  
adhesive tape

#### 【Practical examples】

Fixing decorative panels

Fixing LCD module shock absorber

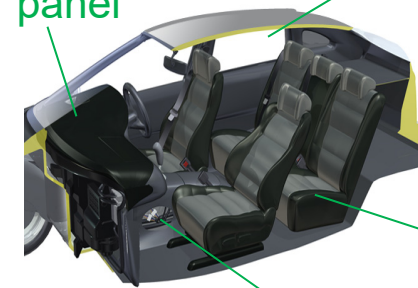


Fixing nameplates

Fixing speaker seats

Fixing absorption materials around the instrument panel

Fixing harness of behind roof material



Fixing door lock seal

Fixing floor mats

\*Environment Award

Co-hosted by the National Institute for Environmental Studies and the Nikkan Kogyo Shimbun, sponsored by Ministry of the Environment.

Selection after presentation examination from among the technologies and products recognized to have made contributions to environmental protection and improved environmental quality.

### ■ Action for US and European housing markets

- Expansion of Nitto products to building material applications with the increasing need for environmental considerations

Product Example: Protective material for high-performance multi layer glass



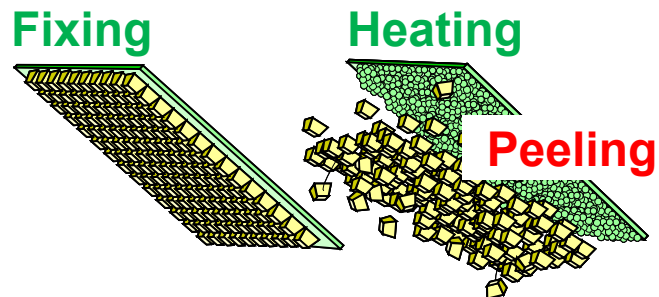
# Contribution to Improve Productivity

■ Contributions of Nitto technologies and products to the manufacturing processes in customers

## ■ Monozukuri (manufacturing process)

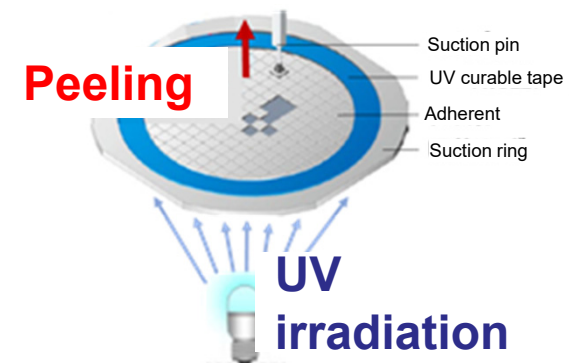
Various ways of “Peel off” contribute to the yield and productivity improvement in customers

### Thermal peeling



Firmly attached  
and easy peeling  
to reduce  
material loss

### UV Peeling



Usable for fine  
materials

**Contribution to yield and productivity improvement**


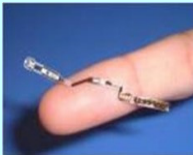
# Optronics

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# Optronics Business Outlook

■ Provide additional values to customers with optimized technologies & business model for evolving display market.

	Market outlook	Actions in FY2019
Large	<ul style="list-style-type: none"> <li>■ Polarized market between high-end and standard quality</li> <li>■ Accelerated production shift to Chinese panel manufacturers</li> </ul> 	<ul style="list-style-type: none"> <li>■ High-end market Differentiation with ultra-thin polarizing film</li> <li>■ Standard market Business model conversion (focusing on profitability)</li> </ul>  <ul style="list-style-type: none"> <li>(1) Alliances Contracted technical support to Jinjiang Group in China</li> <li>(2) Utilization &amp; licensing of IP</li> </ul>
Mobile	<ul style="list-style-type: none"> <li>■ Production volume hit a peak in matured market</li> <li>■ Evolving display technologies</li> </ul>	<ul style="list-style-type: none"> <li>■ Increasing sales per unit</li> <li>■ Keeping competitiveness with our technologies in display evolution</li> </ul>
ITO		<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid blue; padding: 5px; background-color: #007bff; color: white; text-align: center;">Foldable</div> <div style="border: 1px solid blue; padding: 5px; background-color: #007bff; color: white; text-align: center;">Rollable</div> </div> <ul style="list-style-type: none"> <li>• Providing bending durable materials</li> <li>• All-in-one design as a multi-layer film</li> </ul>
Printed circuits		<ul style="list-style-type: none"> <li>■ Expanding applications of global top technologies in sputtering, “printed circuit” etc. to new demands for smartphones and others (radio wave transmission film, etc.)</li> </ul>

# FY2018 Results / FY2019 Plan

Units: Billion JPY		FY2018	FY2019	YoY (%)
Information Fine Materials	Net Sales	389.4	364.0	▲6.5%
Printed circuits	Net Sales	40.7	46.0	+13.0%
Total	Net Sales	430.1	410.0	▲4.7%
	Operating Profit	62.0	50.0	▲19.3%

## FY2018

### (Information Fine Materials)

- In Q3, royalty income from technical support for conventional polarizer was recorded
- Optical film sales has been impacted by a slowing market growth rate

### (Printed circuits)

- Steadily driven by high-capacity hard disk drive (HDD) for data centers

## FY2019

### (Information Fine Materials)

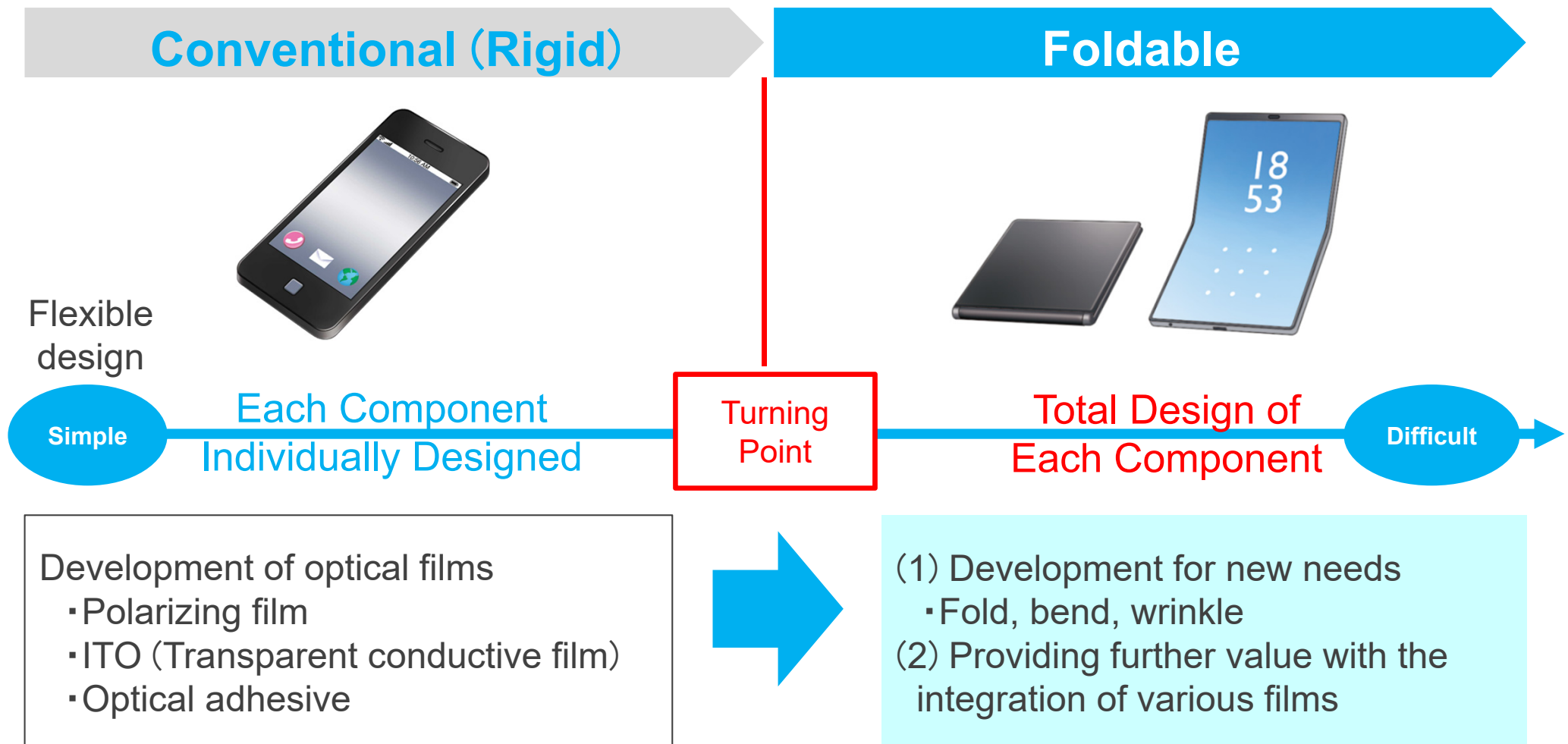
- Sales reduction due to reduced sales volume and cost for Information Fine Materials
- Providing values in changes of displays such as foldable and rollable

### (Printed circuits)

- Expanding share in hard disk drive (HDD) applications
- Strengthening earning power through streamlining

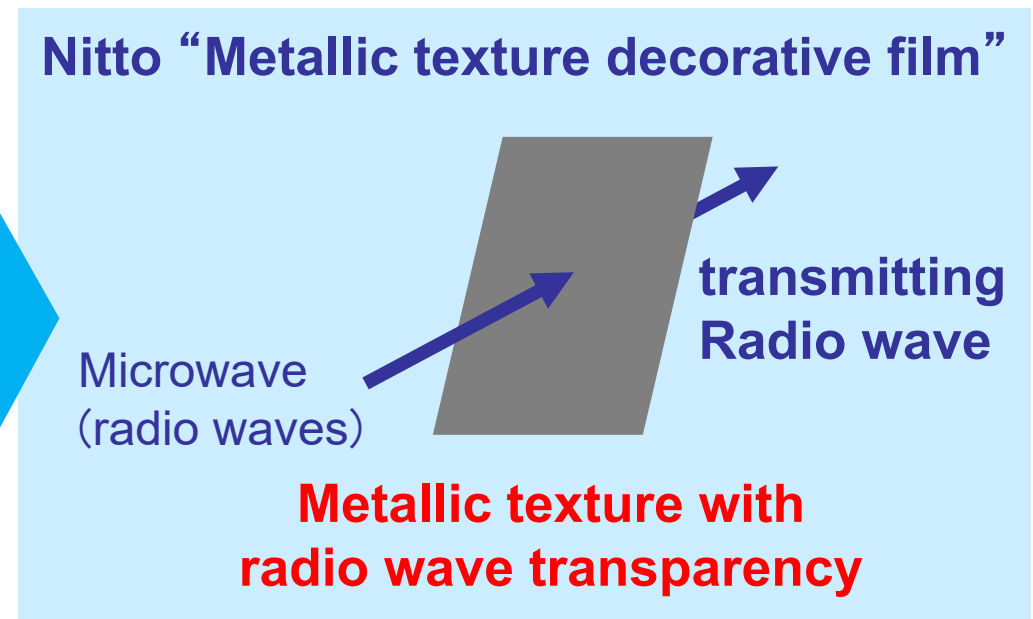
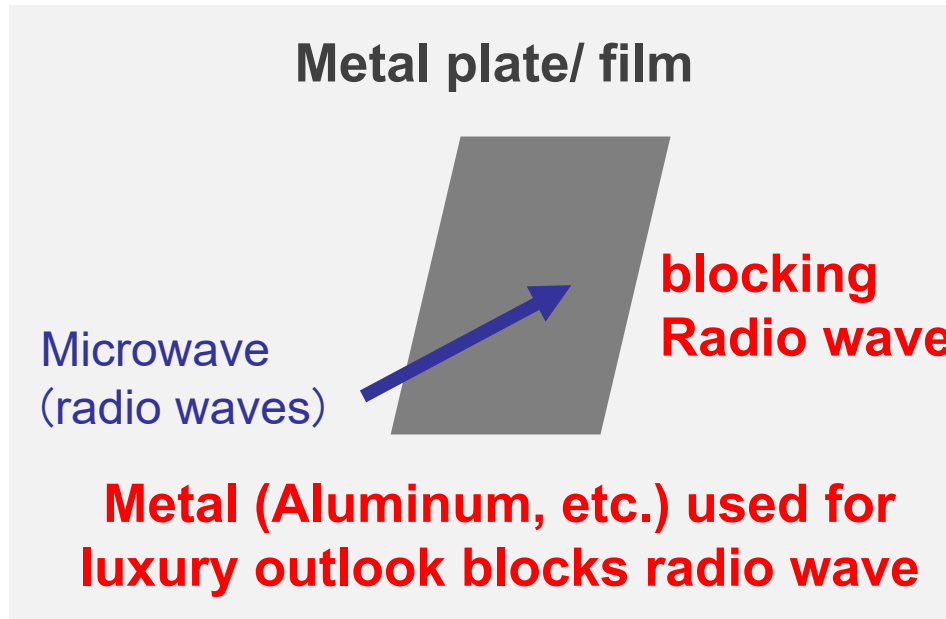
# Display Evolution – Toward Foldable

■ Developing technologies for new needs in coming displays such as durability to folding, bending and wrinkle, and providing further values with total design.



# Developments for High-Speed Data Communication

## ■ Issues in using the milli-microwave band

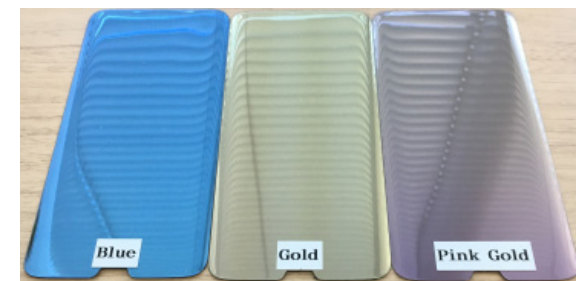
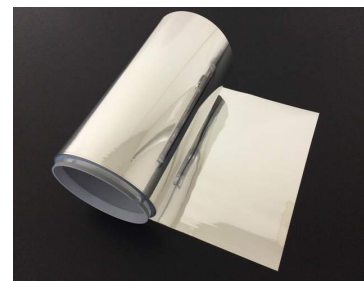


### Technologies used

- Roll handling
- Sputtering
- Optical design
- Adhesive design

### Characteristics

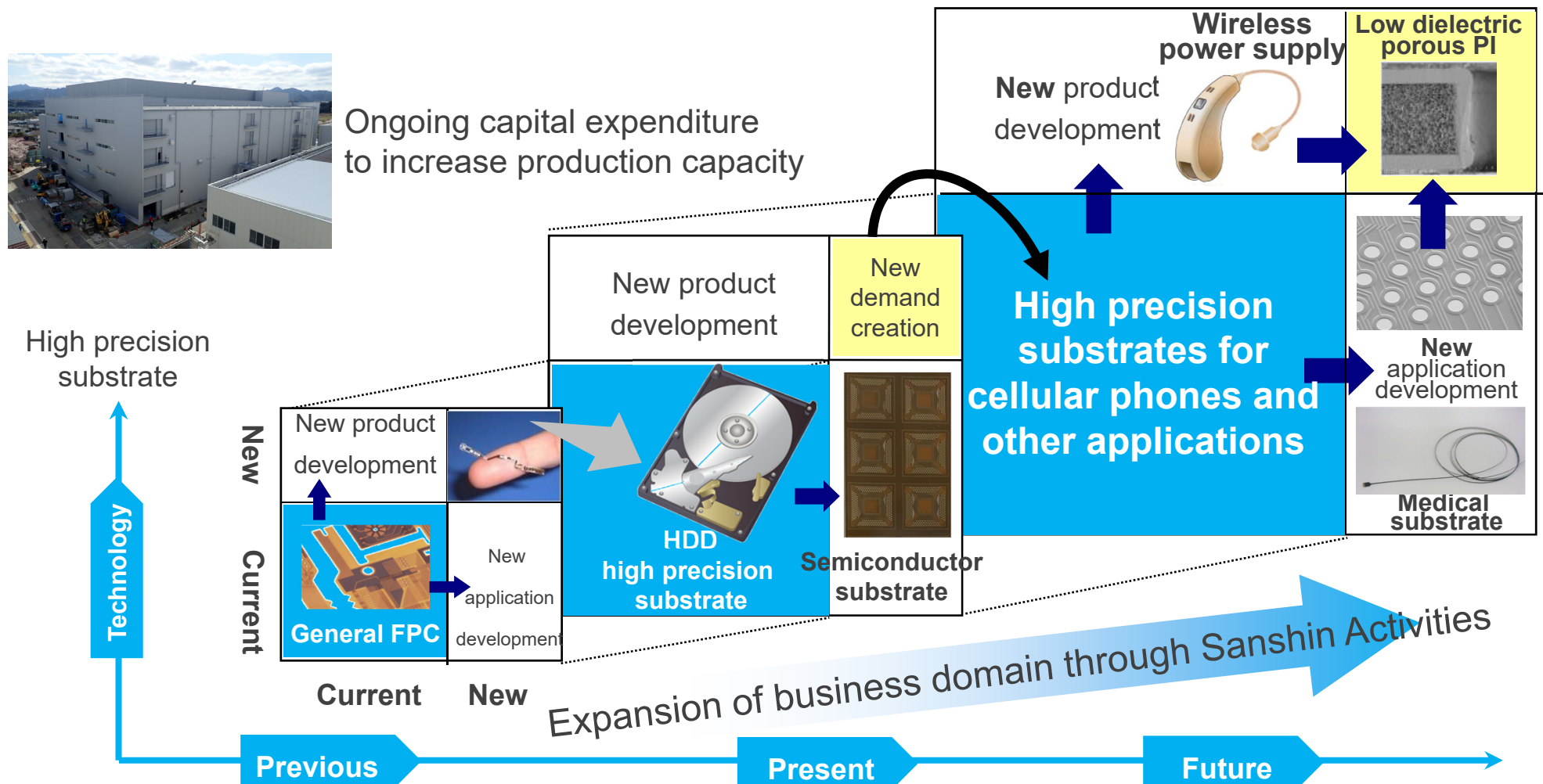
- Various metallic color
- Curved surface processing
- Matte texture



**Application examples: Decoration around automobile sensors, for wireless power supply, smartphone body, etc.**

# Growth Strategies in the Printed Circuit Market

■ Drive the portfolio change by expanding applications of high precision circuit technologies to the new market out side of HDD market



# Life Science

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# FY2018 Results / FY2019 Plan

Units: Billion JPY		FY2018	FY2019	YoY (%)
Life Science	Sales	30.0	26.5	▲11.5%
	Operating Profit	1.9	0.0	-

## FY2018

### (Life Science)

- Transdermal patch developed for hypertension has been approved additionally for new indication of atrial fibrillation
- A ribonucleic acid interference (RNAi)-based treatment for KRAS mutant tumors was allowed to proceed by the US Food and Drug Administration (FDA), while a Phase I study is ongoing
- Contract manufacturing of nucleic acid drugs continue to increase

## FY2019

### (Life Science)

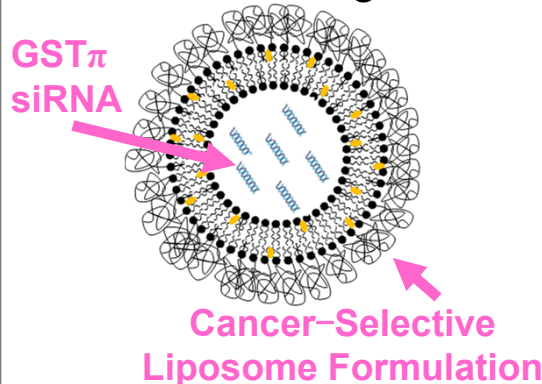
- Nucleic acid drug discovery is cultivated as a pillar of new business, by promoting R&D and clinical studies of anti-fibrosis and anti-cancer drugs
- Phase 2 study for liver fibrosis is in interim analysis
- In oligonucleotide contract manufacturing, Nitto seeks to drive new customer acquisition to expand the market share

# Nucleic Acid Drug Market and Nitto's Oligonucleotide Contract Manufacturing Business

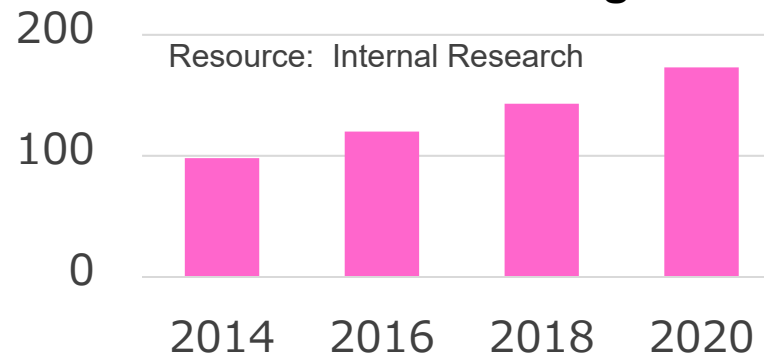
Market of nucleic acid drugs continues to boom with new approvals and commercialization

## Nitto BioPharma

### Anti-Cancer Drug



## Trends in Clinical Trials of Nucleic Acid Drugs



## Approval in 2018

Amyloidosis (Organ Dysfunction)

★ AL Company (Patisiran)

★ IS Company (Inotersen)

Anthrax Vaccine

★ EM Company (NuThrax)

Development

Clinical

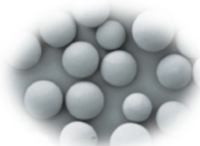
Approval

Commercialization

## Oligonucleotide Contract Manufacturing Business (One-Stop service)

**Nitto**

Synthetic Materials



**NITTO Avecia**

**Oligonucleotide Manufacturing**

Synthesis Purification Freeze Drying Analysis



**NITTO Avecia Pharma**

Formulation (Sterile Fill & Finish)

Formulation Analysis Sterile Fill & Finish  
Drug Analysis





# About the Oligonucleotide Contract Manufacturing Business

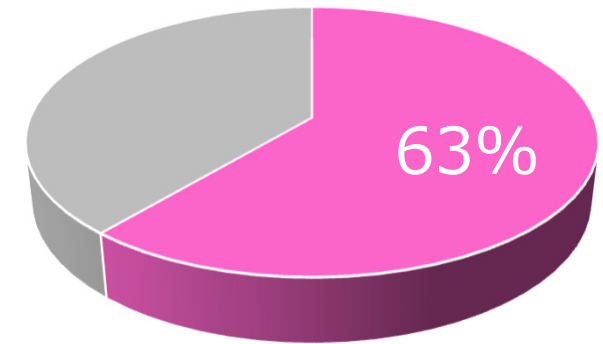
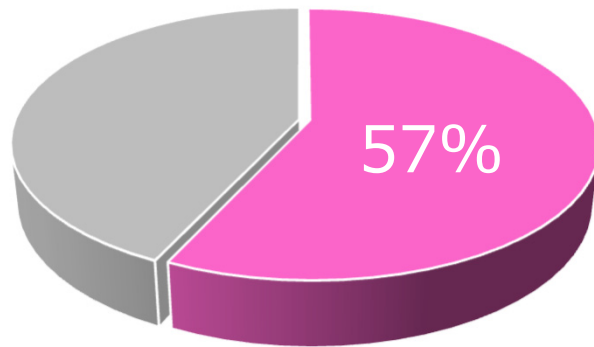
- Contract manufacturing share improved to over 63% on a clinical study basis
- Further Oligonucleotide Market Stimulating and differentiation strategies pursuing

## Share of Contract Manufacturing

FY2017

(based on number of Clinical Studies)

FY2018



**Competitive  
Differentiation  
Strategy**

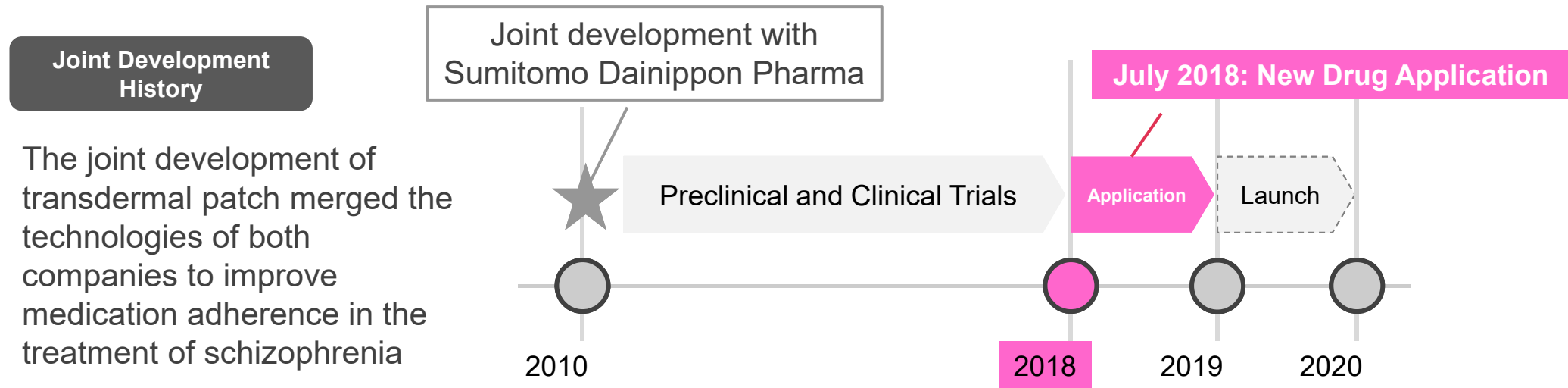


**Stimulate the Oligonucleotide Market**



# New Drug Application for Transdermal Patch Formulation of “Lonasen®”

\* “Lonasen®” is an oral atypical antipsychotic agent discovered by Sumitomo Dainippon Pharma.



## Transdermal Patch Formulation

- Once-daily application to the skin maintains a stable drug concentration in the blood for 24 hours, high efficacy and safety can be expected
- Susceptibility to the effects of food is low
- Medication status check visually and easily
- Helpful to patients for whom oral administration can be problematic

**Contributes to the Improvement of Medication Adherence and Treatment for Schizophrenia**

Note: information on drugs (including those under development) included in this document is not for the purpose of advertising or medical advice.

# Technology Strategy (Initiatives for New Business)

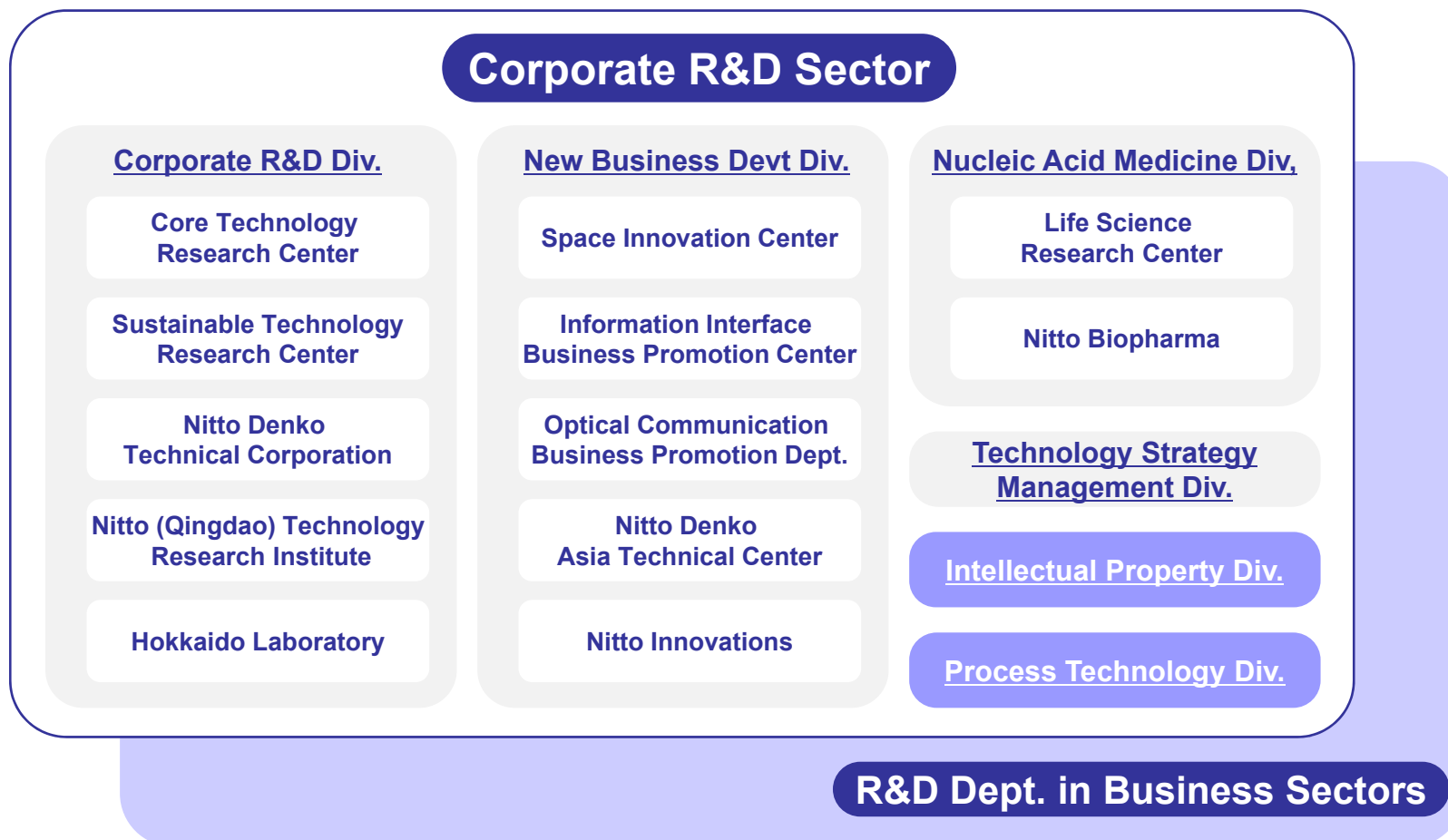
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May 29, 2019

Nitto Denko Corporation  
Senior Executive Vice President, CTO  
Toshiyuki Umehara

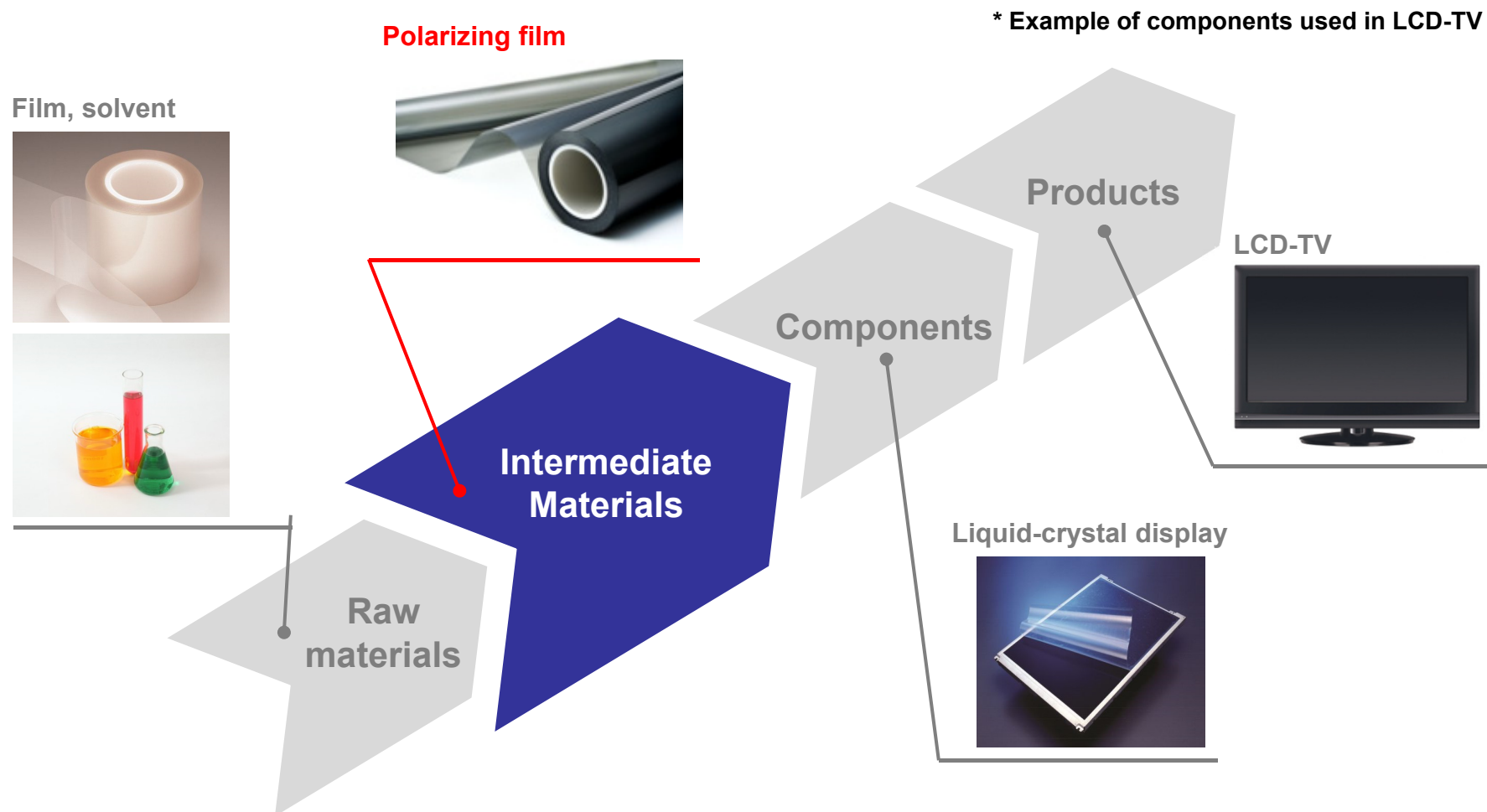
# Nitto R&D Sector

- Unify technology, IPs and process to promote R&D activities



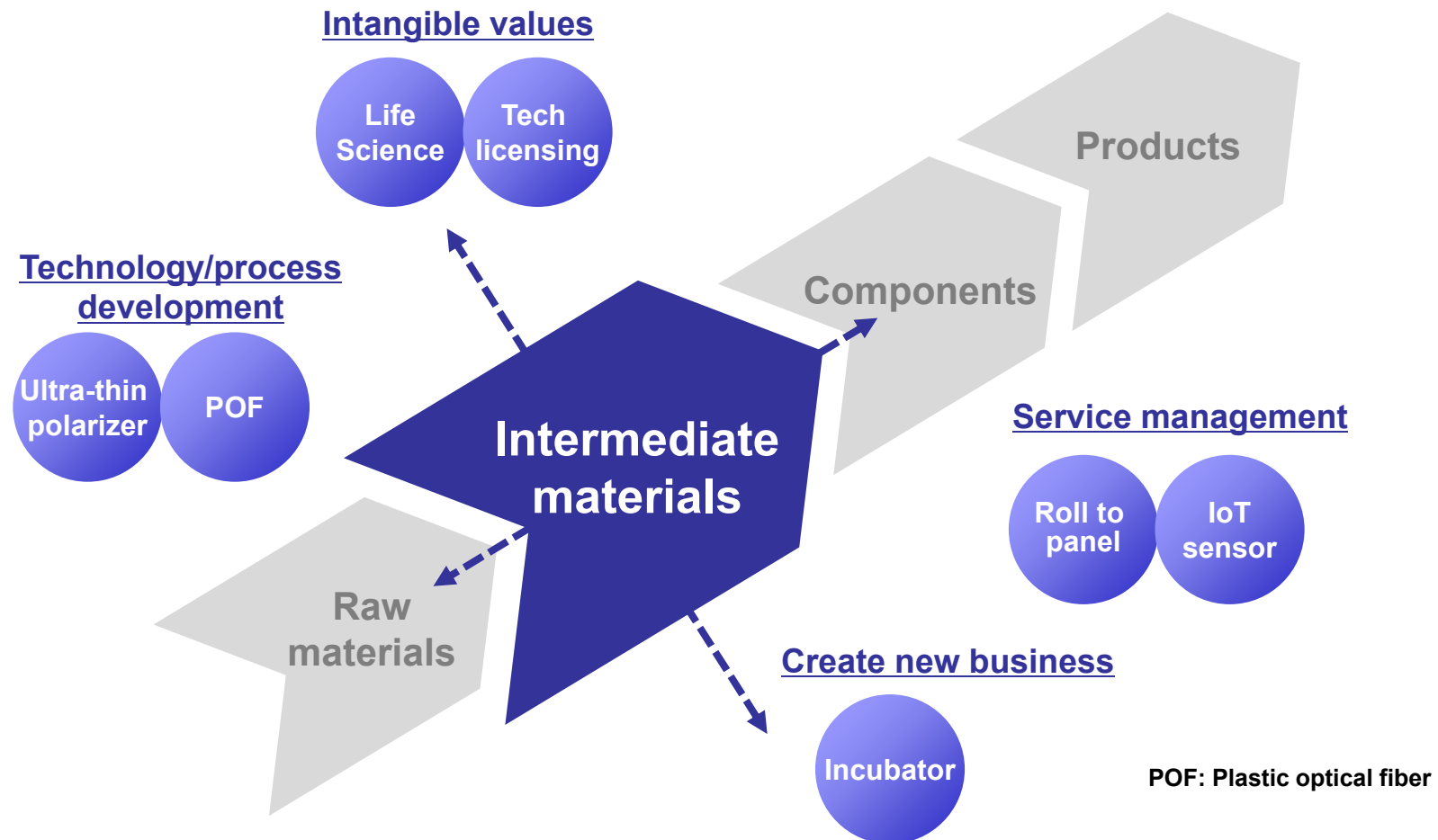
# Nitto's Conventional Strategy

- Offers 13,500 products across more than 70 industries as an intermediate materials manufacturer



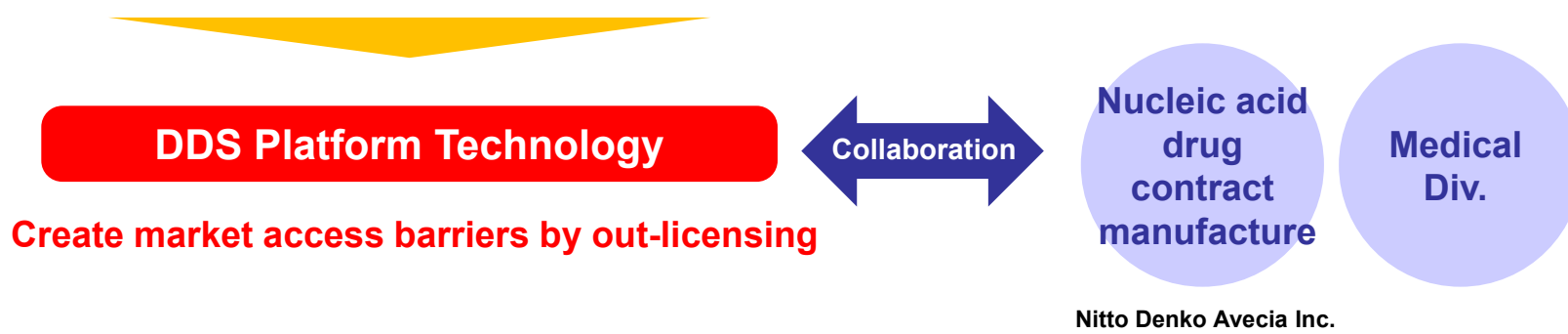
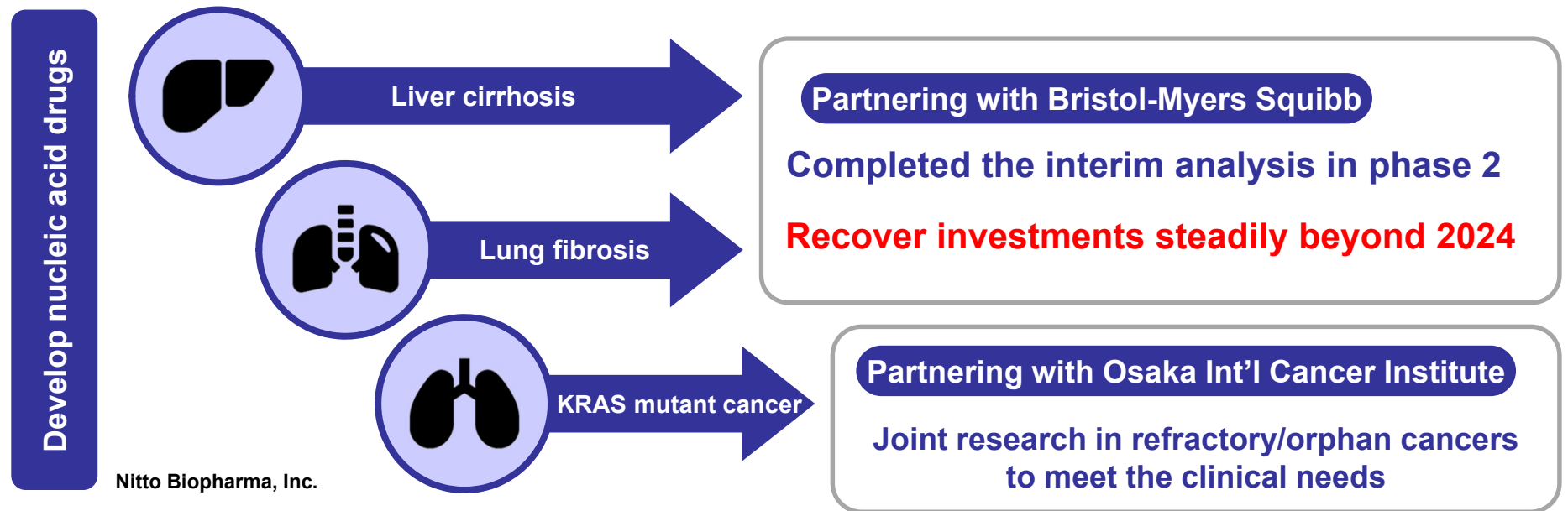
# Nitto's New Strategy

- Aim at developing a new business model to the next century



# Life Science Business

■ Drug discovery + DDS platform = Develop a new business model

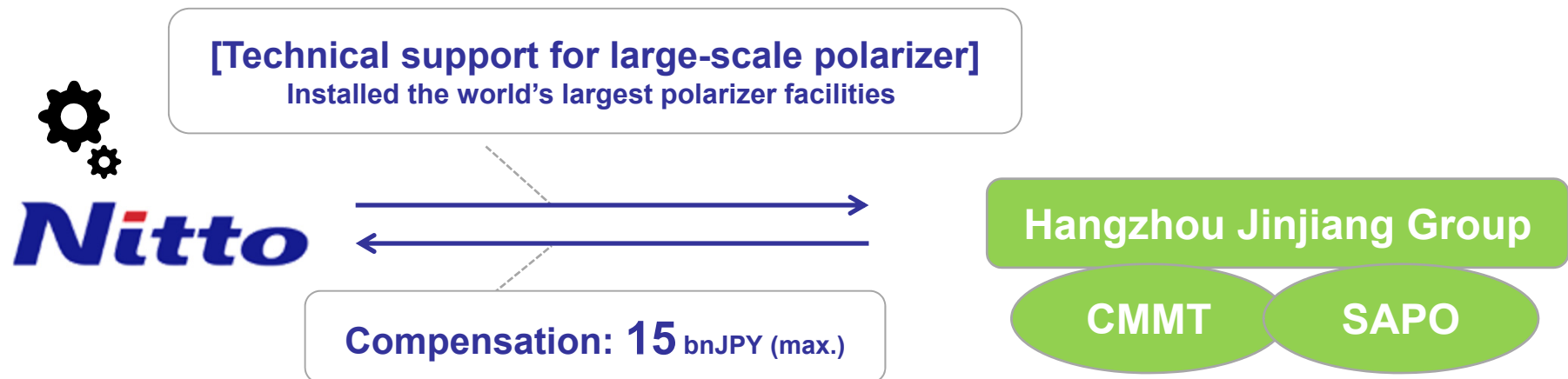


DDS: Drug Delivery System  
KRAS: Kirsten rat sarcoma viral oncogene homolog

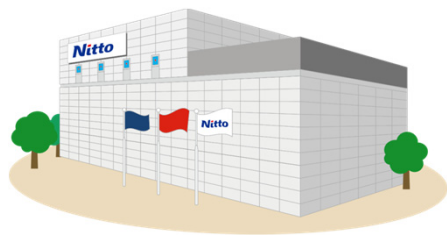
# Royalty Business by Technology Licensing

## ■ Business model utilizing intangible values (technology and process)

### Alliance with Jinjiang Gr. and others



### [Past] Set up Nitto plant



Struggle in Chinese market

Change strategies

### Leverage intangible values



New way to earn money

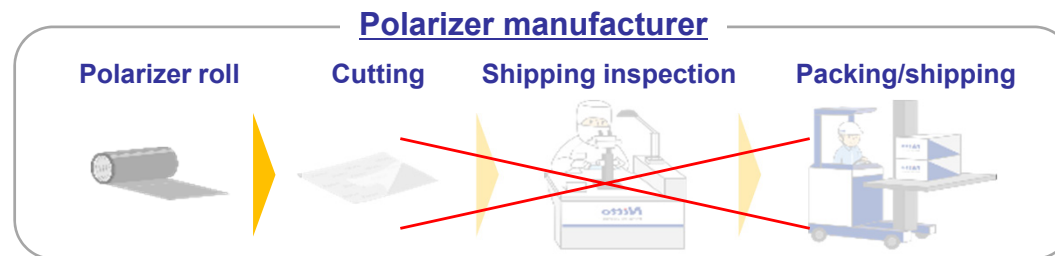


# Service Management Business

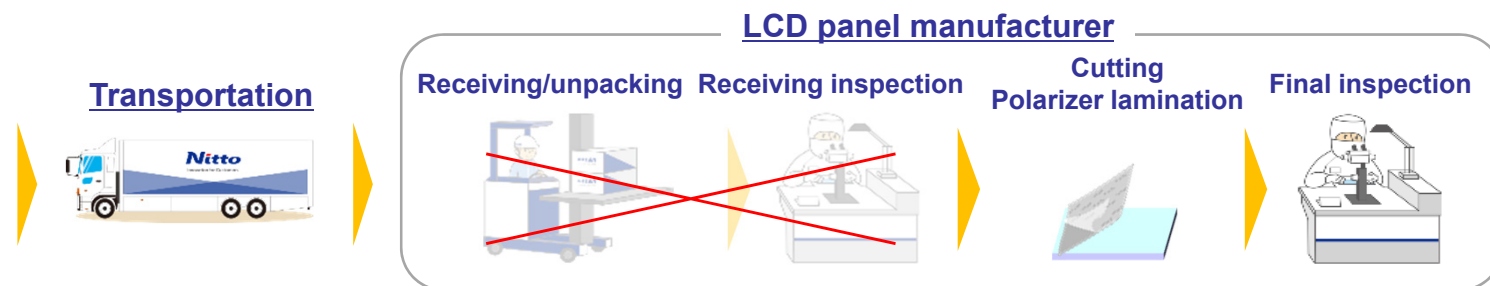
- Contribute to business results both in P/L statement and B/S by integration of process of customers and Nitto

## Roll to panel system

[Past] Set up plant close to customer's plant



**[Roll to Panel]**  
Eliminate overlapping process,  
**penetrate into customer's process and**  
achieve a 100% yield



## IoT sensing

Exploring possibilities of



Data retrieval



Data analysis

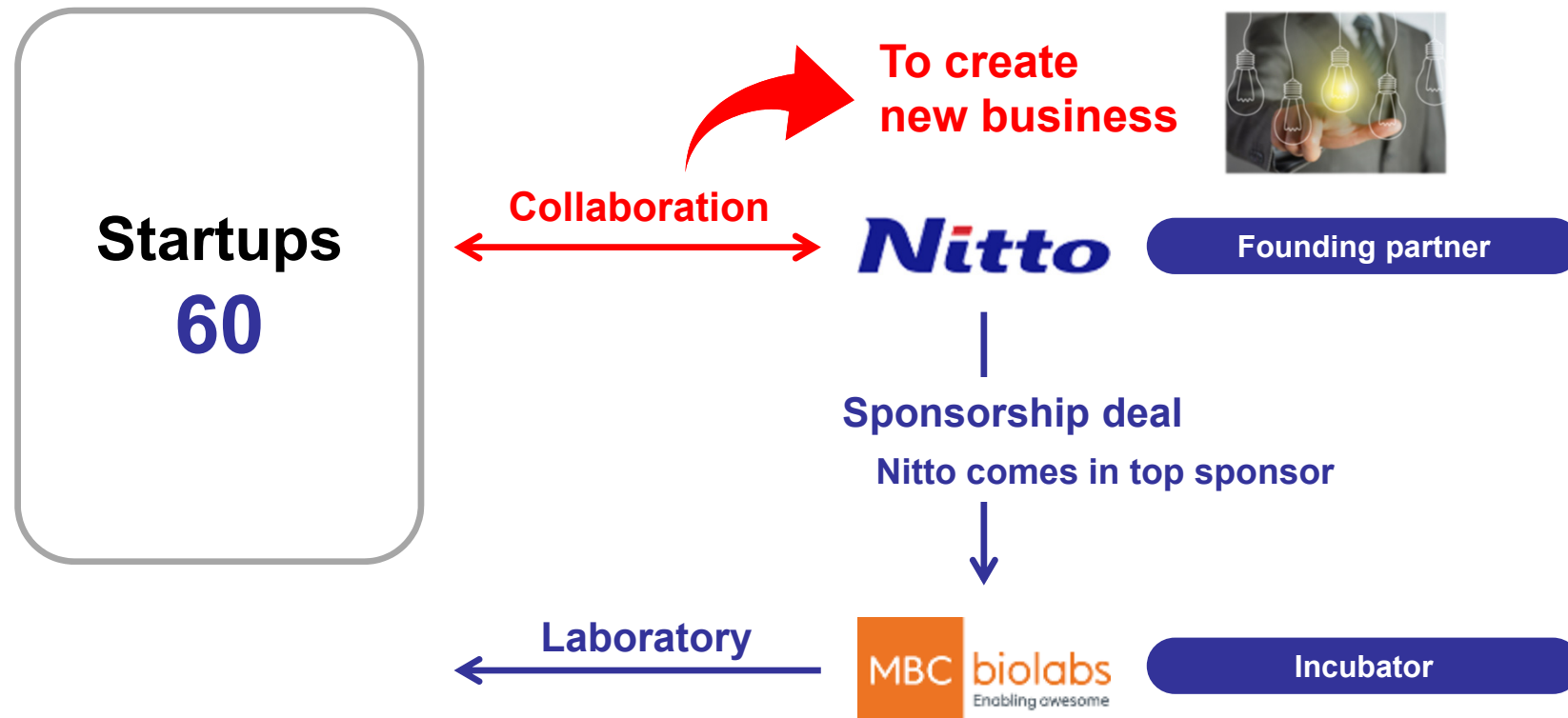


Service provision

in livestock sector

# Creating Business by Collaboration with Incubator

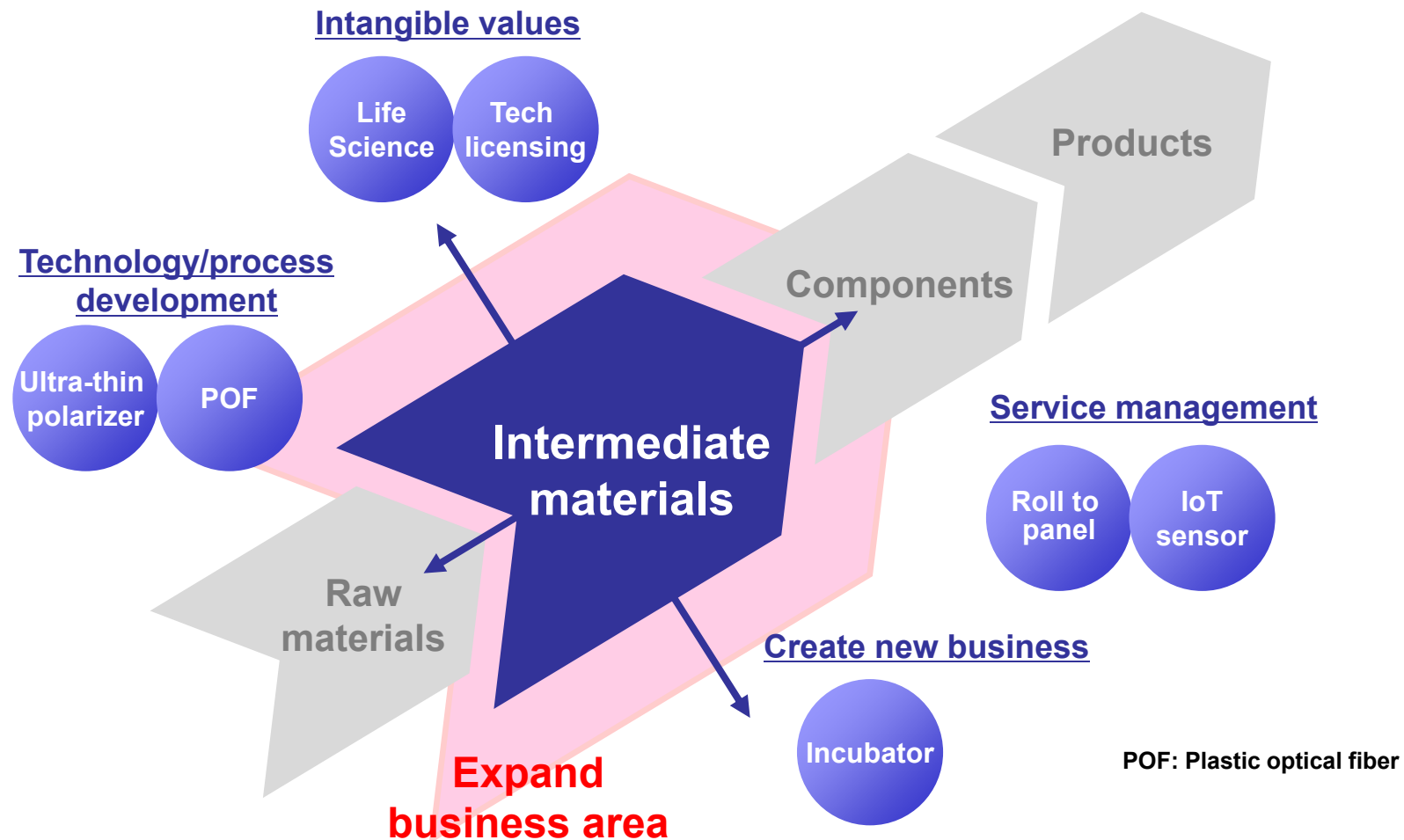
- Nitto approaches startups as a new business scheme



Incubator = A business operator supports a start-up business

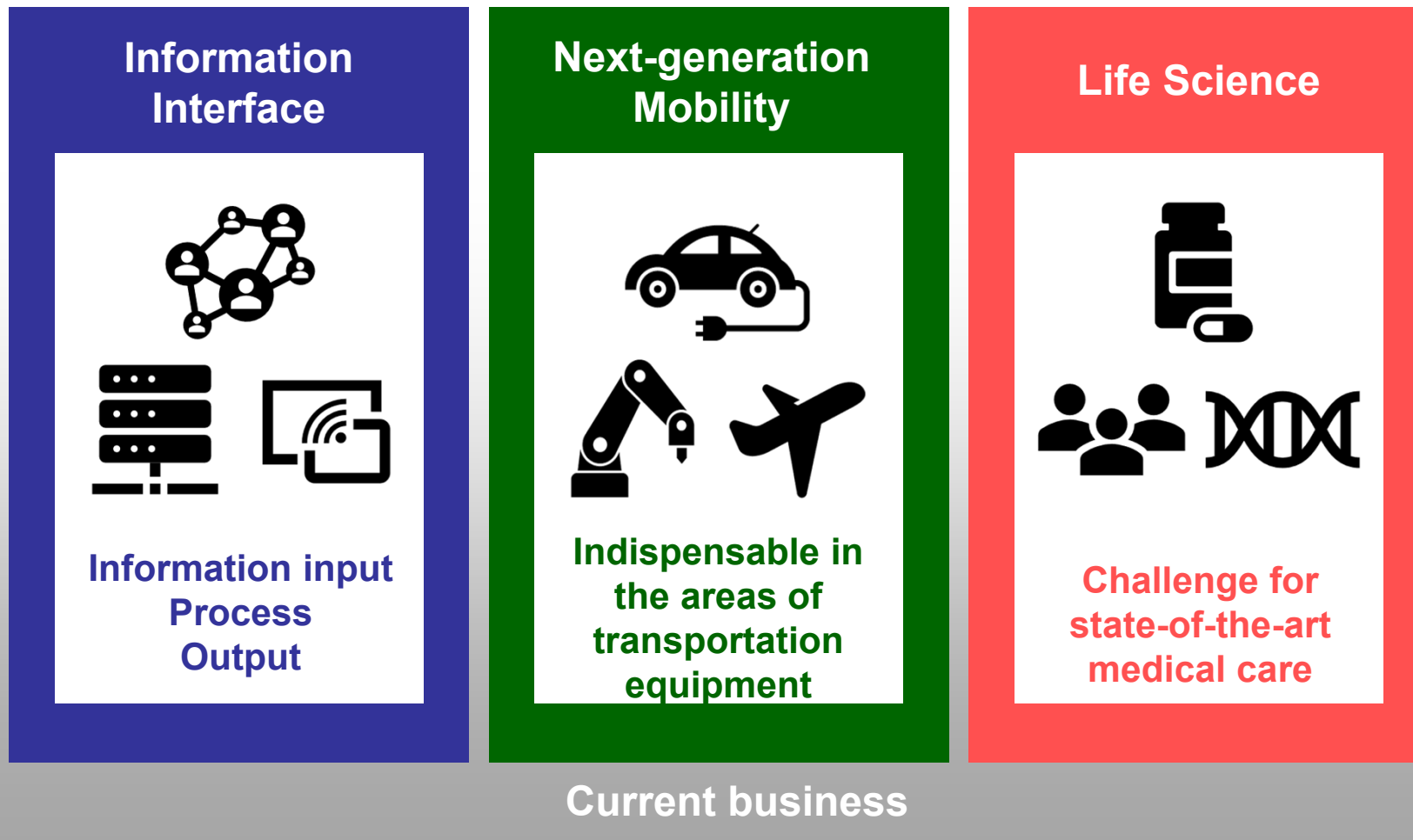
# Nitto's New Strategy

- Aim at developing a new business model to the next century



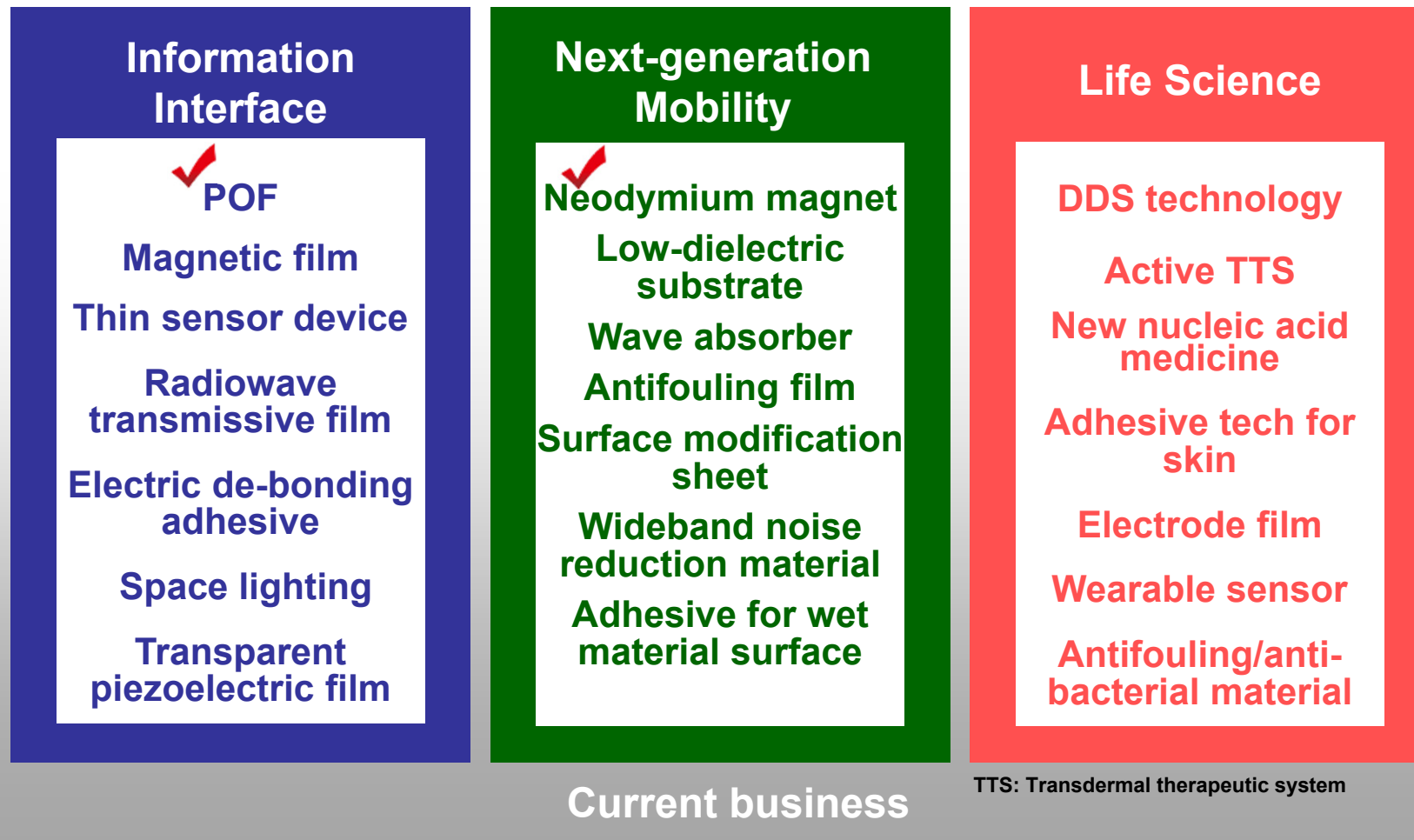
# Nitto's Three Key Areas

- Invest management resources strategically and evolve business portfolio



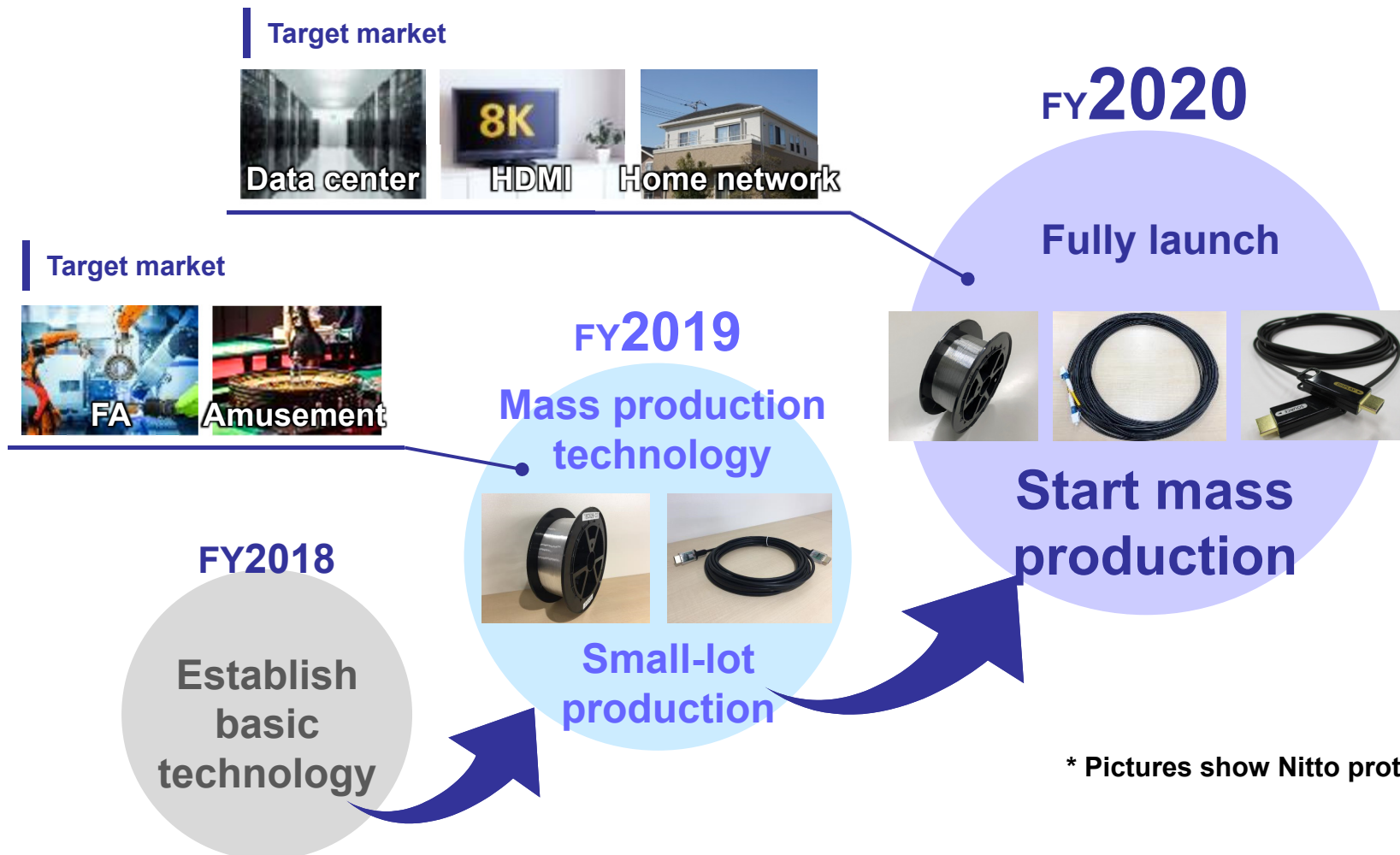
# R&D Themes in the Three Key Areas

- Cultivate seeds of technology to the next 100 years and transfer to business sector when a sign of growth is seen



# Plastic Optical Fiber

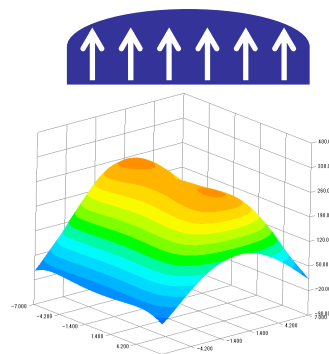
- Contribute to realizing optical interconnection in high-speed and high-capacity communications age



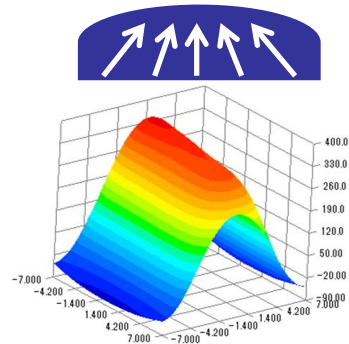
# Neodymium Magnet

- Verifying values for other applications ahead of expansion in automotive

Conventional product



Concentrating flux



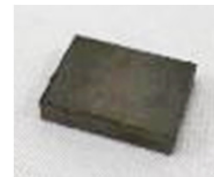
**Nitto**

Magnetic flux

40~50% up

Validating values with customer

Increase in thrust of maglev



Expectation of thrust **15%** up

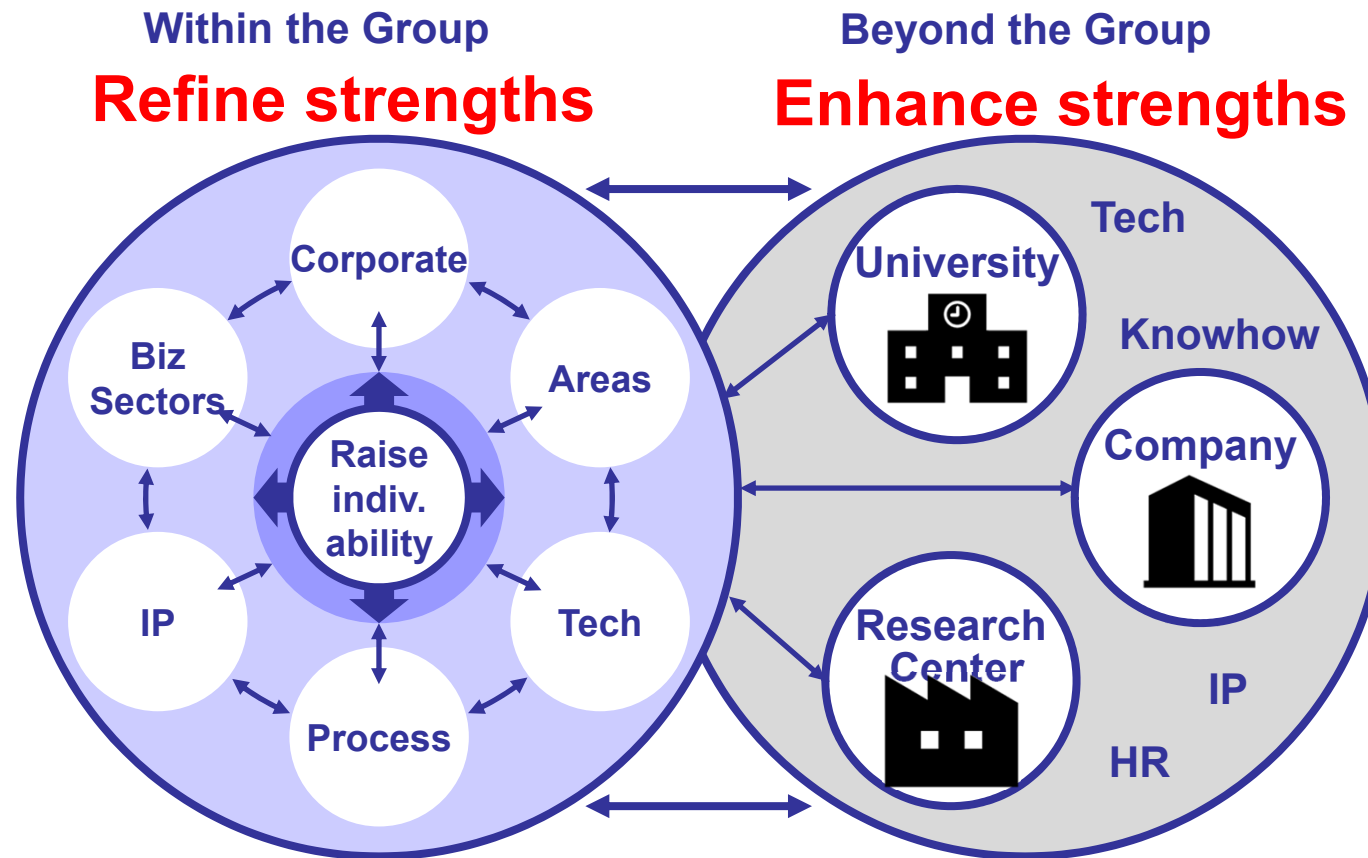
Downsizing / highly precise servomotor



Expectation of downsizing **25%**

# Convergence in the Nitto Group

- Deep in convergence of technologies and knowledge from both within and beyond the Nitto Group



Engage in technology collaboration with **11** companies and **26** universities



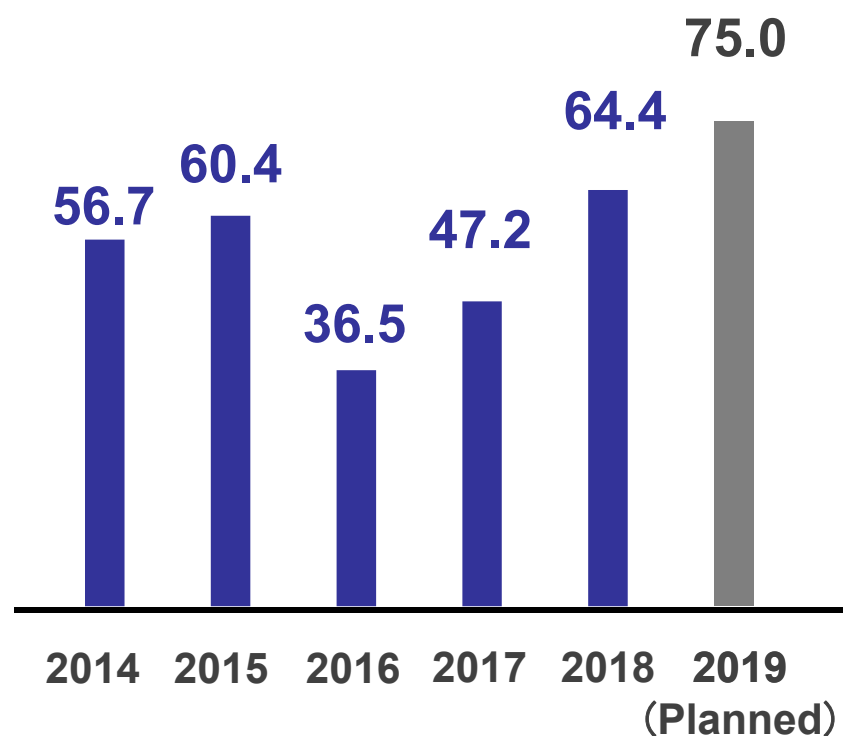
# Resource Investments

# Resource Investments

- The planned capital investment of 75 billion JPY ( as the highest level )
- Planned R&D expenses 33 billion JPY ( ratio in sales around 4.2% )

## Capital investment

Units: Billion JPY

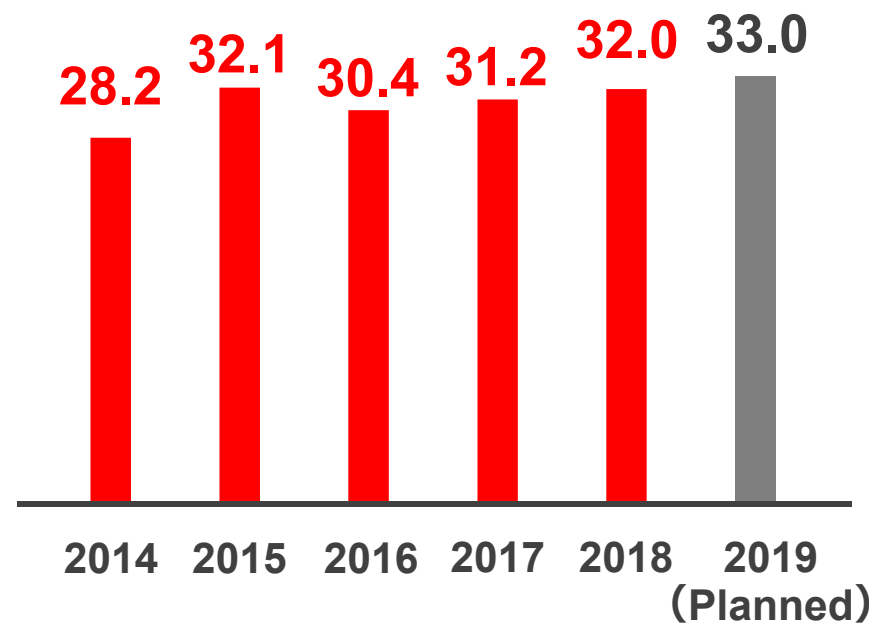


## R&D expenses

Units: Billion JPY

Ratio to net sales

3.4% 4.1% 4.0% 3.6% 4.0% 4.2%



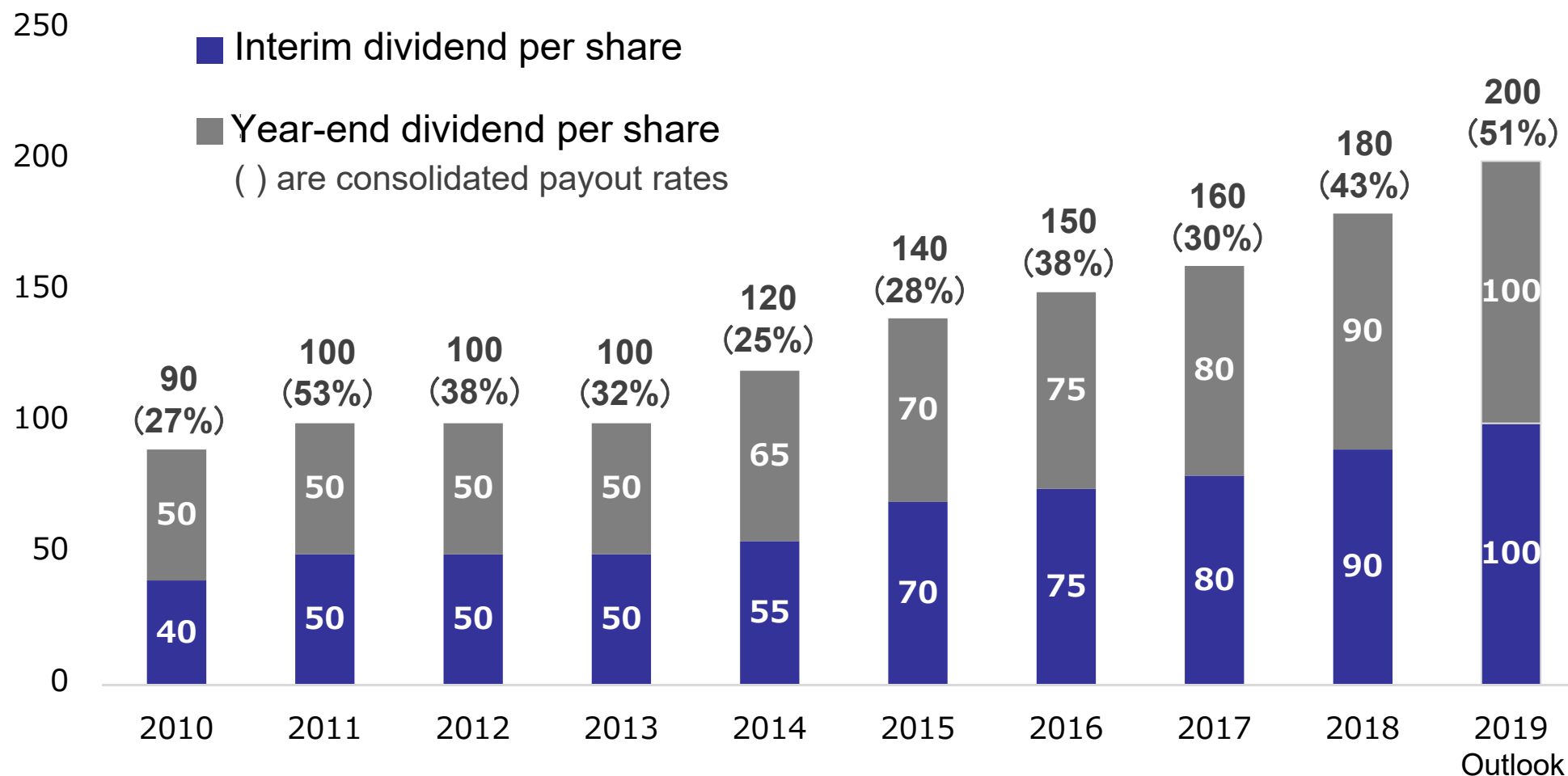
# Shareholder Return

# Shareholder Return (Dividends)

■ Basic policy is returning profits to shareholders stably

■ The planned dividend per share for FY2019 is 200 JPY

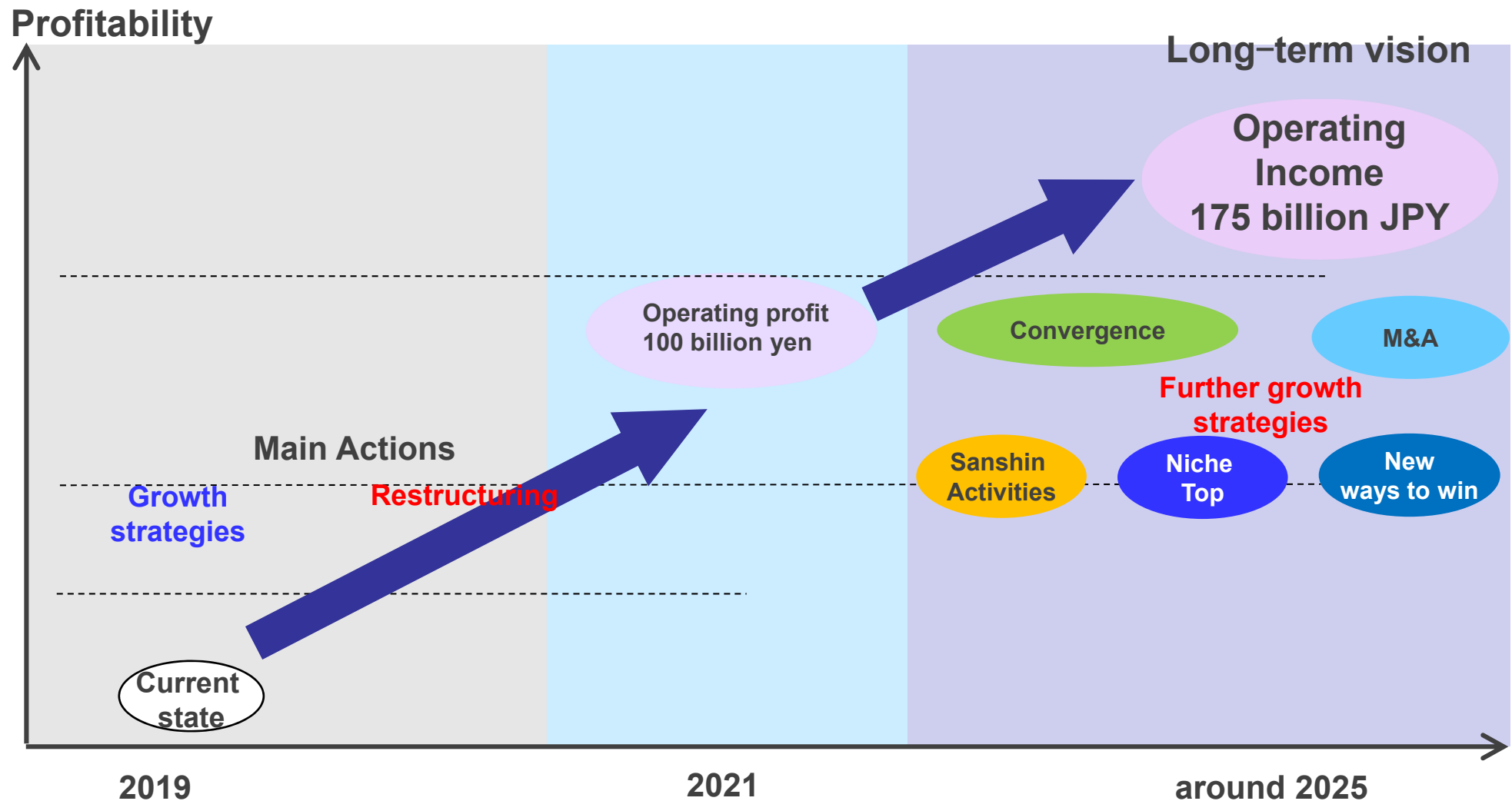
Units: JPY



# **Mid - to Long - Term Direction**

# New Mid - to Long - Term Direction

■ Aim to recover to an operating income of 100 billion JPY in 2021



# Nitto's Management towards New Growth

■ Realize new Nitto growth towards an operating profit of 100 billion JPY in FY2021

## ◆ Nitto way “Deepening”

ANT, GNT creation  
Reinforcement of Sanshin Activities,  
Close contact with customers

## ◆ New way “Search”

Royalty business  
New business models

## ◆ Structural reforms

Portfolio management  
Review of low-profit businesses

## ◆ Growth strategy

Expansion of top share products  
Creation of new businesses and products  
M&A, outside alliances

## ◆ High profit base

Strong management infrastructure  
Low cost structure  
Capital cost-conscious  
management( ROE > 10%)

## ◆ Management with an awareness of ESG

Sustainability  
Enhanced governance  
Management quality and safety

# For Sustainable Corporate Growth

- Strengthen ESG- conscious management
- Strengthen action with a mid - to long-term perspective

## Corporate management direction in relation to ESG (Environment, Society, Governance)





# **Nitto**

**Innovation for Customers**

Descriptions of planned results and future forecasts are made based on information available at the present time, and include potential risks and uncertainties. Therefore, please note that actual results may differ from planned results due to a variety of factors.