

2018

2017.4.1~2018.3.31

Financial Results

Fiscal Year ended March 2018

 **Ad-Sol Nissin Corp.**

Tomizo Ueda, President and CEO

May 15, 2018

Summary of FY3/18 Results

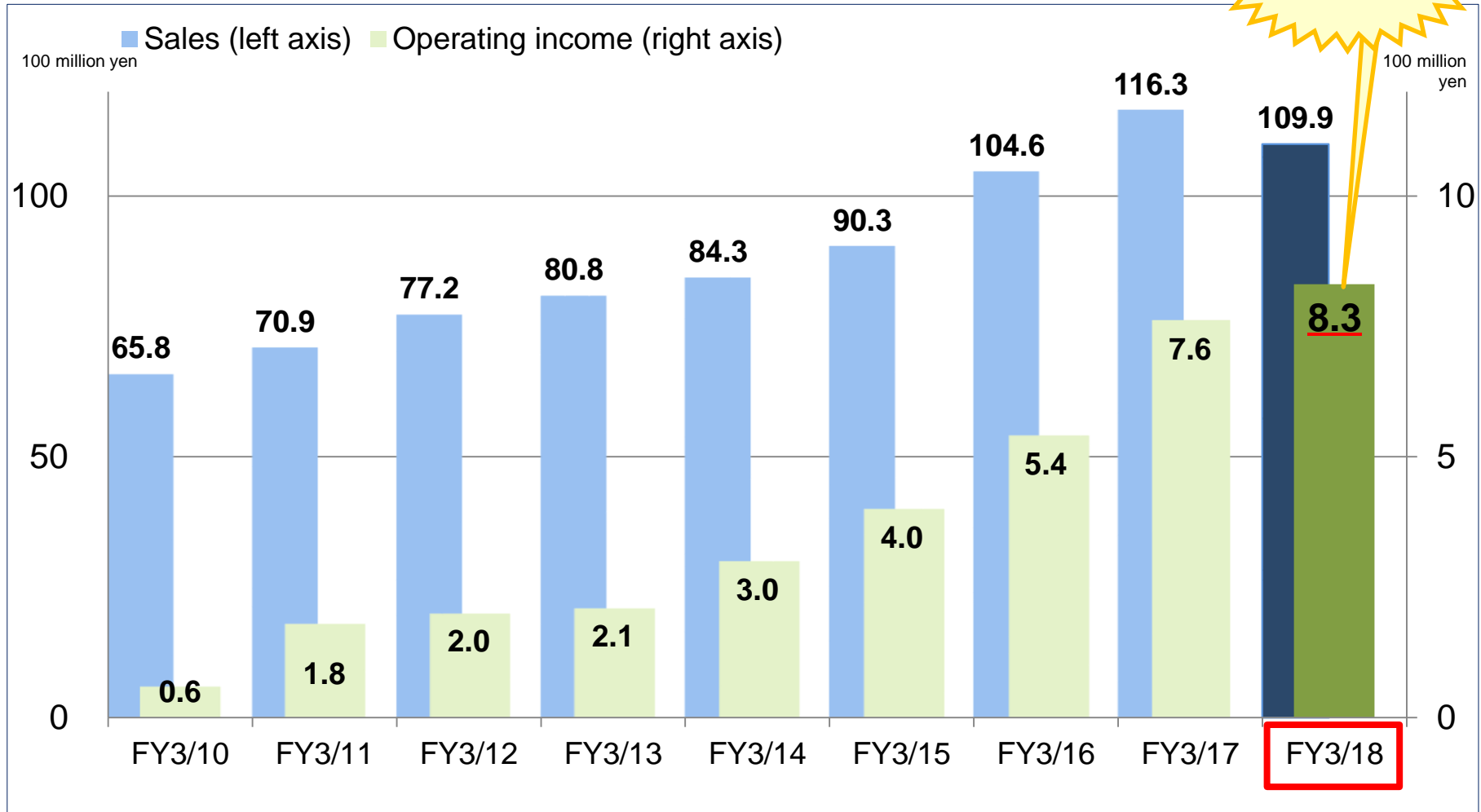
New Medium-term Management Plan
Vision2021

Key Measures and Business Forecasts
for FY3/19

Transition of Sales

- ◆ Profits grew **for 8 consecutive years**
- ◆ Achieved the previous medium-term targets one year ahead of schedule

Record high profits!



Expanding in area of **next-generation social systems**

- Met the replacement demands for social infrastructure ⇒ Continued to capture steady demand
- Make base load more robust ⇒ Strengthened energy (electricity and gas) and next-generation vehicles (advanced EV and automatic driving)

Taking on the challenge of creating and providing **New Value**

- Security solutions "LynxSECURE" series
 - Development of "Secure Series" for Plants, Production Machinery, Households, and Offices
- Promoted alliance strategy in "IoT" "AI" and "Security"
 - JIC Quality Assurance Ltd. (Information Security area)
 - Ryoyo Electro Corporation and Ryoyo Semicon Corporation (AI/IoT area)
 - Nouvelle Co.,Ltd. and Navio Consulting Co.,Ltd. (Consulting area)
- Held the "2017 Security Forum for the IoT Era" for three consecutive years

Exploiting the **competitive advantage**

- Strengthened human resources development based on the keywords of "super-upstream," "security," and "IoT"
- Strengthened global development structure (2 companies in China and 3 companies in Vietnam)
- Industry-academia collaboration and joint research ⇒ "Keio University," "Waseda University," and "Nagoya Institute of Technology"

Income Statement

◆ Record-high profits! EPS: 61.3 yen, ROE: 17.2%

	FY3/17		FY3/18		YoY		
	Result	Ratio to sales %	Result	Ratio to sales %	Increase/decrease	Change point	Pct. change
(Unit: million yen)							
Sales	11,634	-	10,997	-	-637	-	-5.5
Gross profit	2,462	21.2	2,516	22.9	53	1.7	2.2
SG&A expenses	1,695	14.6	1,683	15.3	-11	0.7	-0.7
Operating income	767	6.6	832	7.6	64	1.0	8.5
Ordinary income	777	6.7	857	7.8	79	1.1	10.3
Net income	531	4.6	553	5.0	21	0.4	4.1
EPS (yen)	59.1	-	61.3	-	2.4	-	82.4
ROE(%)	18.8	-	17.2	-	-	7.3	-

◆ Social Systems Business:

- Communications area : Expansion in the 5G (Next-Generation Communications)
- Business area : Deregulation of electric power peaked in the previous fiscal year
- Financial area : Strategic shift

◆ IoT System Business:

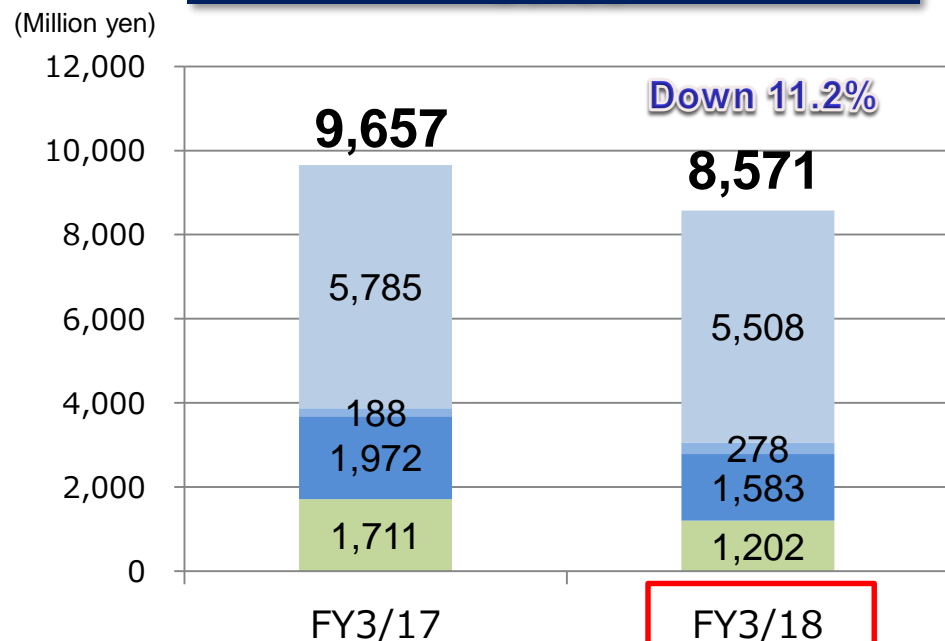
- Solutions Business : Expansion with original solutions

	FY3/17		FY3/18		YoY	
	Amount	Ratio to sales %	Amount	Ratio to sales %	Increase/decrease	Rate of changes
(Unit: million yen)						
Social systems business	9,657	83.0	8,571	77.9	-1,085	-11.2
Business	5,785	49.7	5,508	50.0	-277	-4.8
Communications	188	1.6	278	2.5	90	47.9
Control	1,972	17.0	1,583	14.4	-389	-19.7
Financial	1,711	14.7	1,202	10.9	-508	-29.7
IoT systems business	1,976	17.0	2,425	22.1	448	22.7
Embedded	1,420	12.2	1,612	14.7	191	13.5
Smart Solution	556	4.8	812	7.4	256	46.2
Total sales	11,634	100.0	10,997	100.0	-637	-5.5

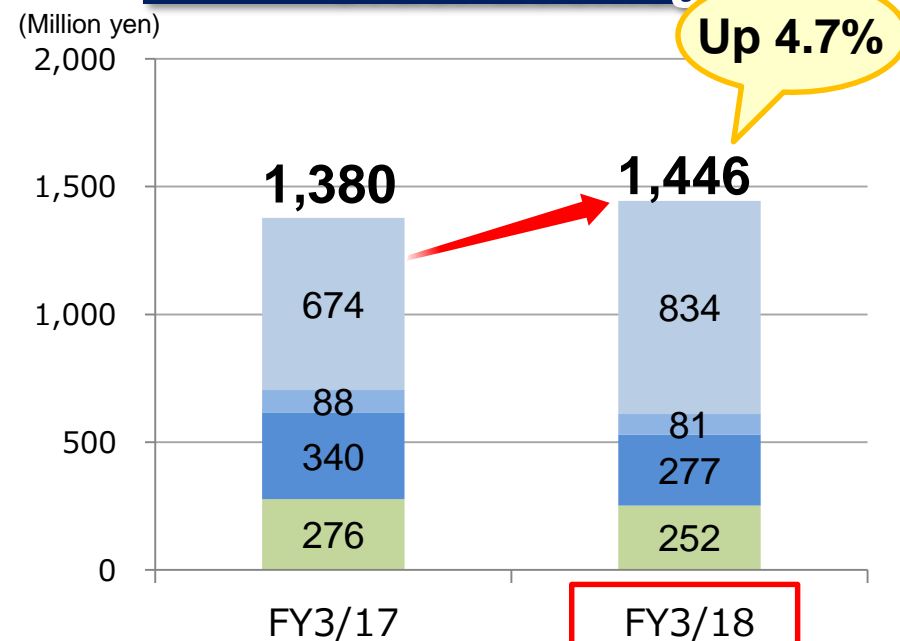
Orders

- Business**
 - Gas-related, travel-related, and medical-related sales were strong
 - Made base load of electric power deregulation
- Communication**
 - Strengthened existing areas for 5G (next-generation communications)
- Control**
 - New participation in Space Systems
 - Electricity, roads, disaster prevention, etc. remained strong
- Financial**
 - Credit card-related for consumer credit company was strong
 - Decreased due to strategic shift

Sales



Order Backlog



Orders

Embedded

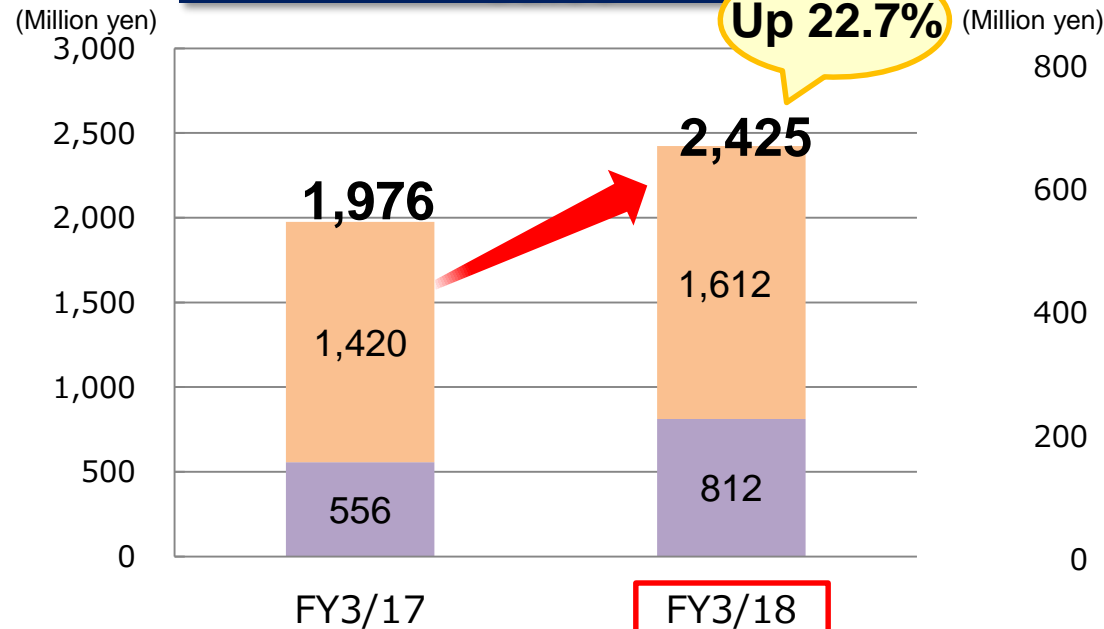
- Focused on next-generation vehicles (advanced EVs, automatic driving, etc.)
- Medical-related sales were steady
- Office equipment (multifunction devices) sales decreased

Smart Solution

- Security-related (consulting) expanded
 - LynxSECURE
 - Verification of public networks
 - Introduced Secure Rescue (major utility company)
- Geographic Information (GIS) was strong

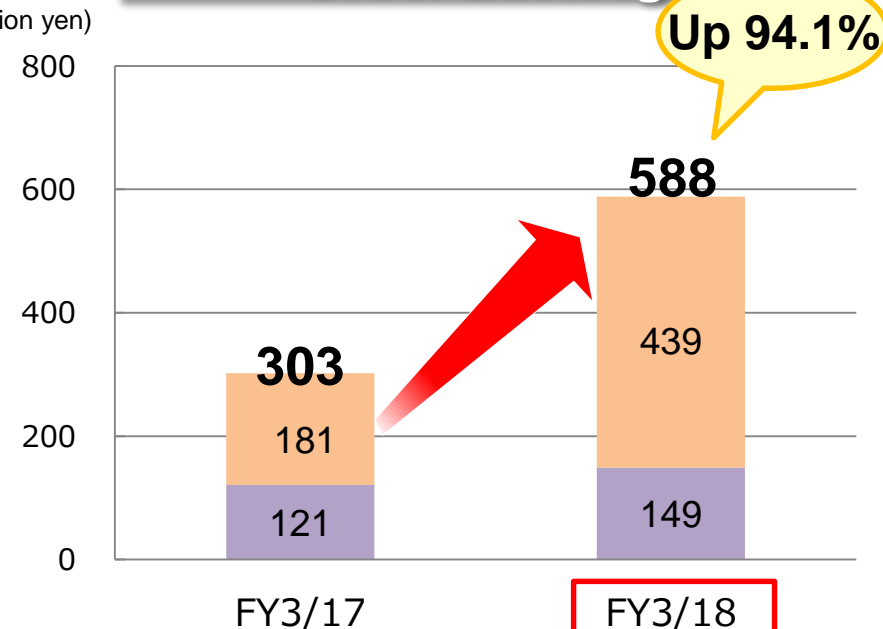
Sales

Up 22.7%



Order Backlog

Up 94.1%

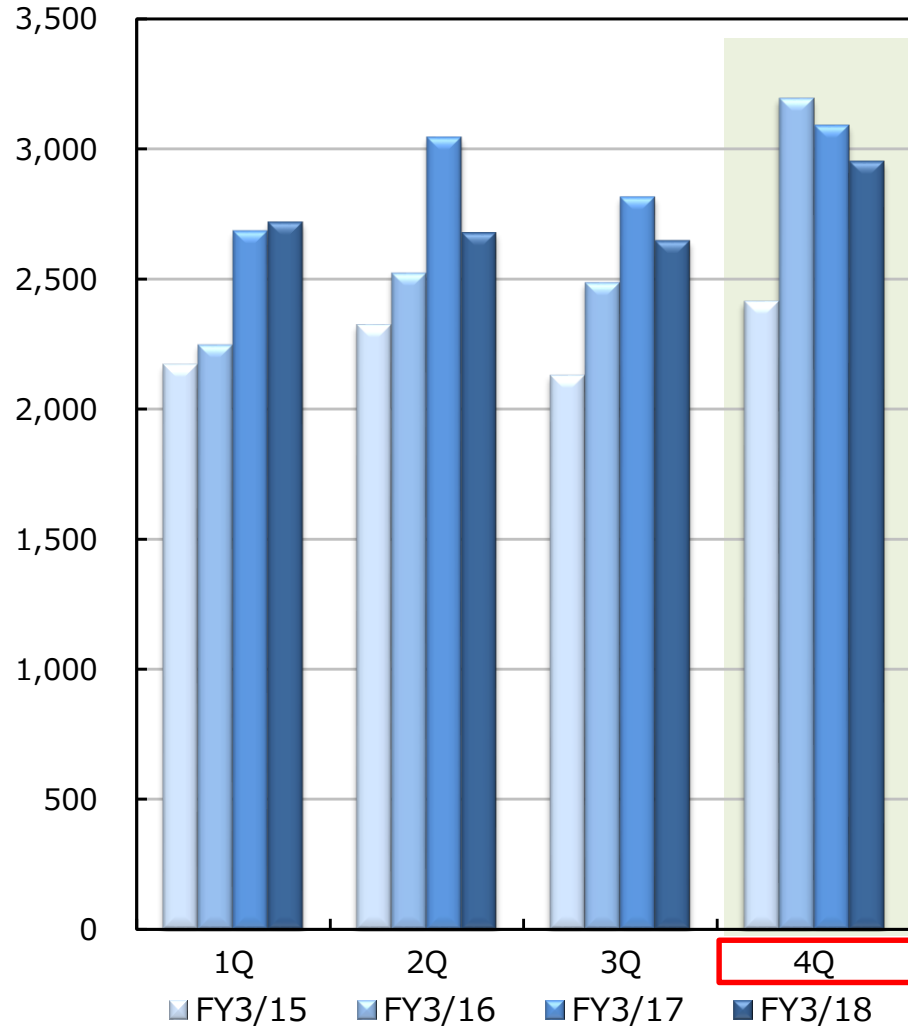


Quarterly trends

Sales

- Partial delay in electricity-related business

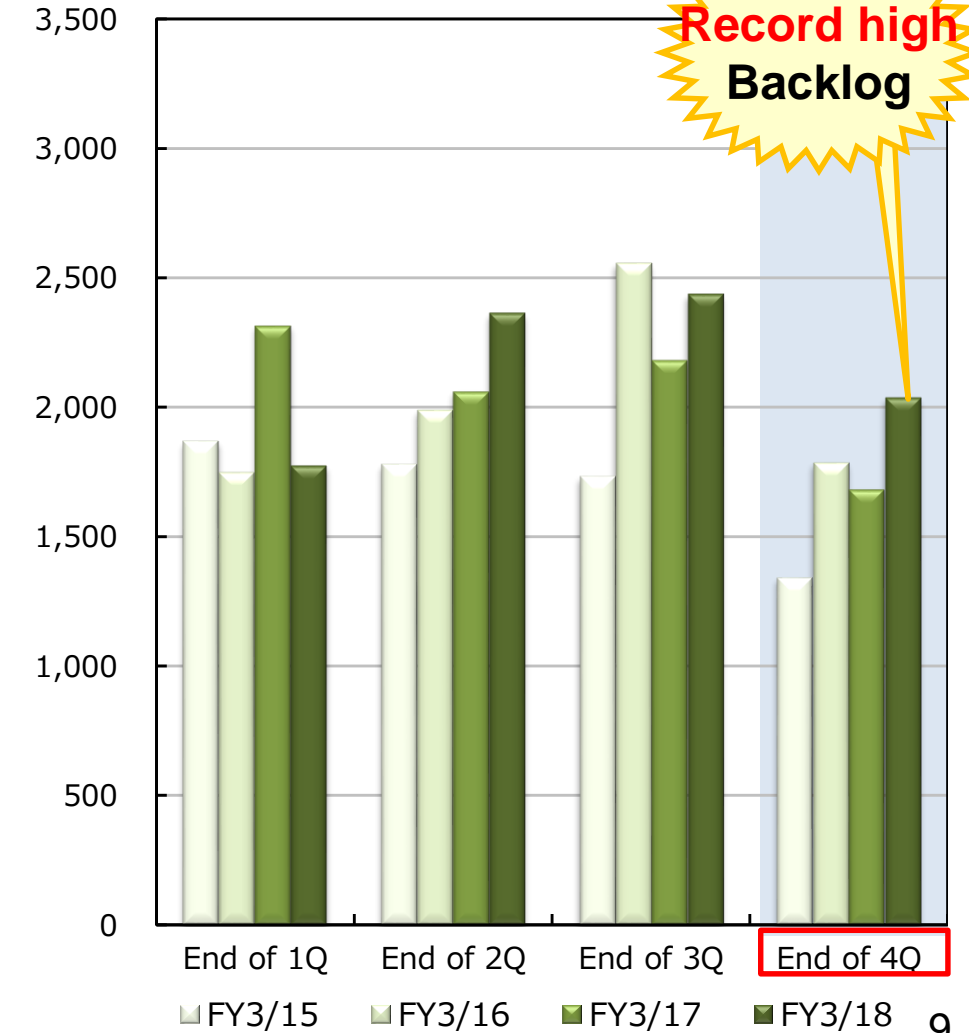
(Million yen)



Order Backlog

- Order backlog at the end of the period exceeded 2 billion yen

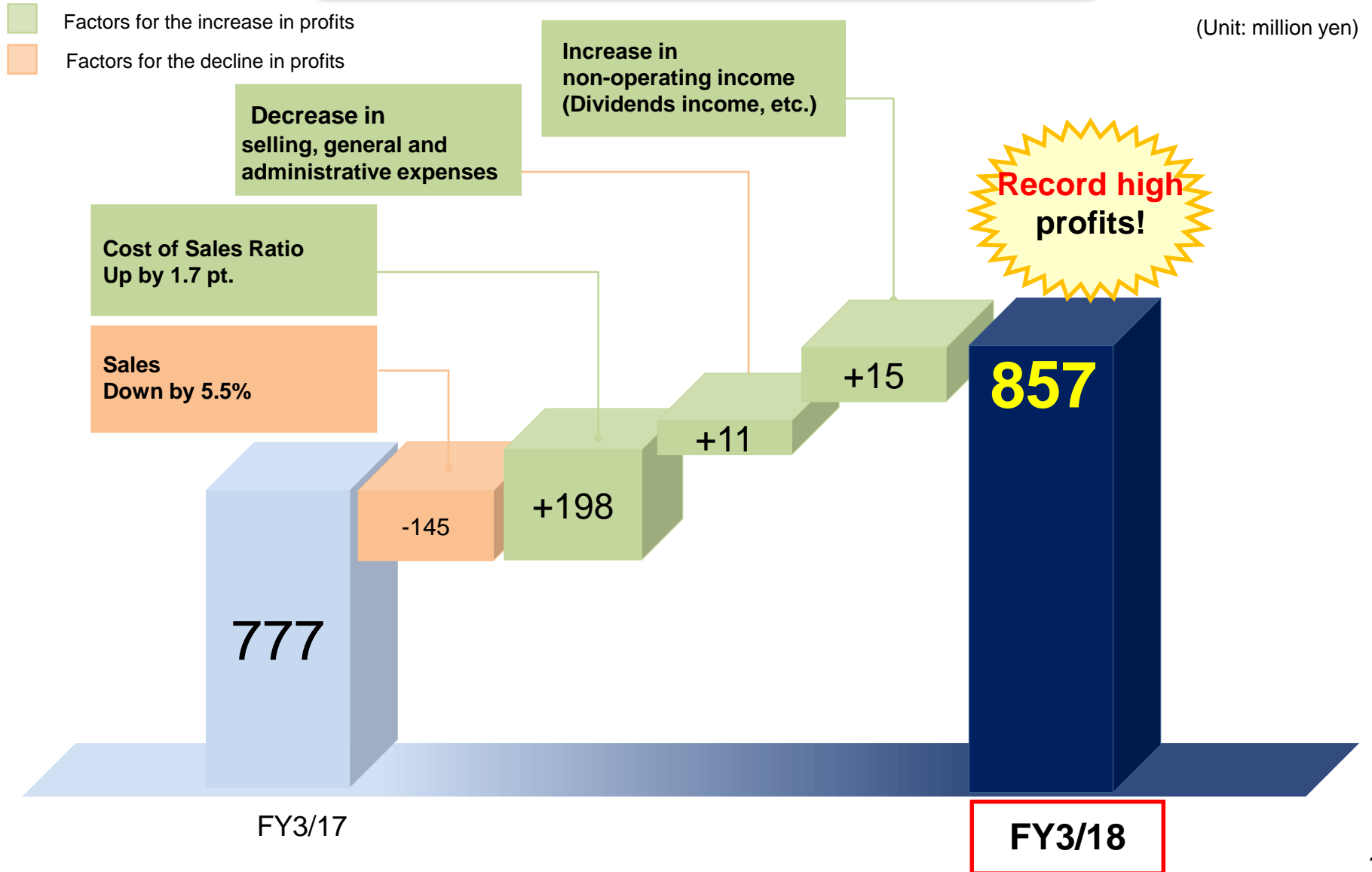
(Million yen)



**Record high
Backlog**

Analysis of Ordinary income

Main driving factors in YoY comparison



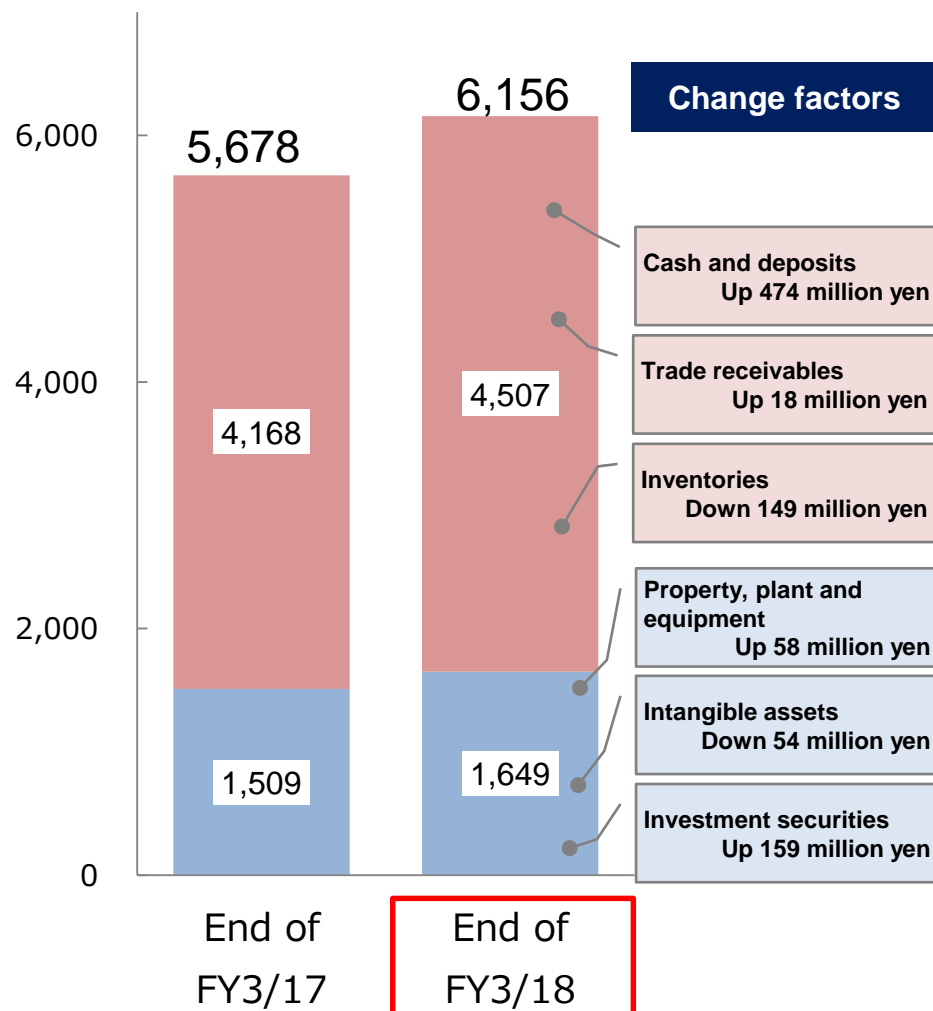
Balance Sheet (YoY)

Assets

- Total assets: 6.1 billion yen

(Unit: million yen)

■ Current assets ■ Fixed assets

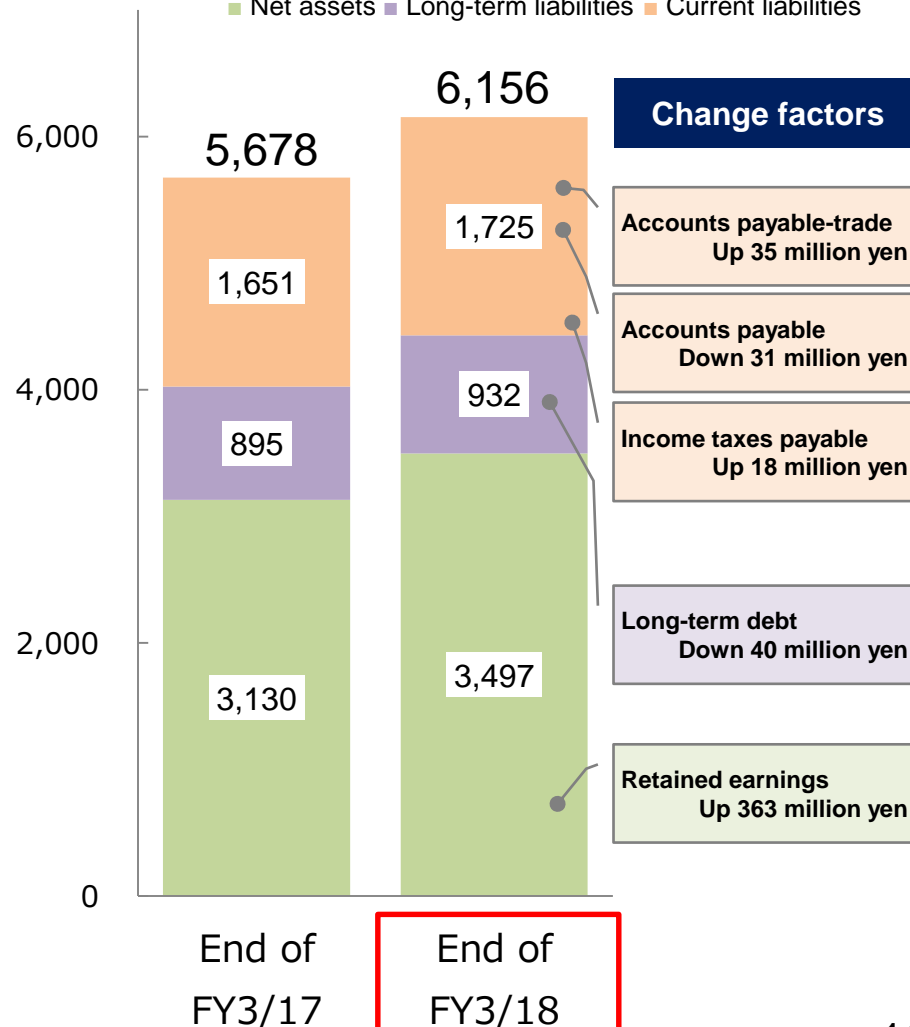


Liabilities and net assets

- Shareholders' equity ratio: 55% (up 1.2%)

(Unit: million yen)

■ Net assets ■ Long-term liabilities ■ Current liabilities



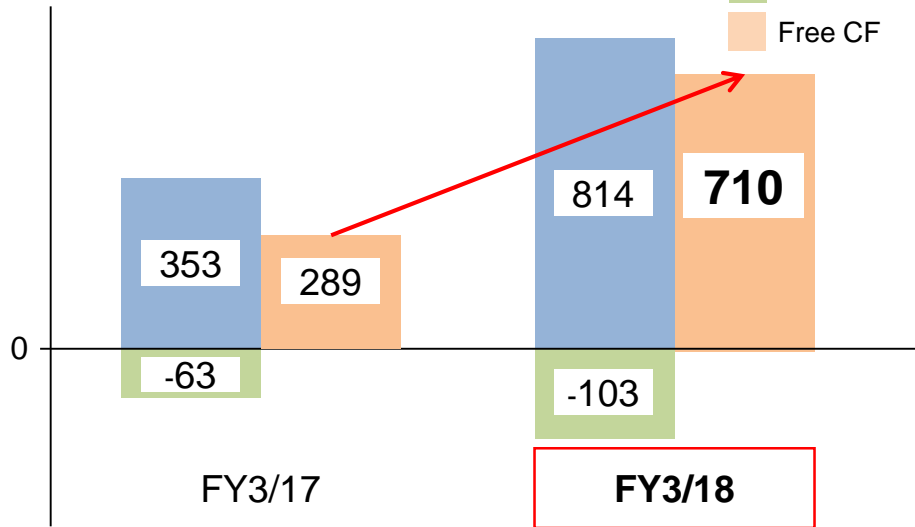
Cash Flows

Free Cash Flows

●Free CF: Up by 421 million yen

(Unit: million yen)

Operating CF
Investment CF
Free CF



(Unit: million yen)

	FY3/17	FY3/18	Change
Cash flows from operating activities	353	814	461
Cash flows from investment activities	-63	-103	-40
Cash flows from financing activities	-190	-235	-45
Cash and cash equivalents at end of term	1,318	1,793	474

Change factors

(Unit: million yen)

[Cash flows from operating activities]

Income before income taxes	851
Depreciation and amortization	85
Decrease in trade receivables and inventories	149
Decrease in advances received	-40
Increase in trade receivables	-18

[Cash flows from investment activities]

Purchase of property, plant and equipment	-92
Purchase of intangible assets	-7

[Cash flows from financing activities]

Proceeds from short-term loans	140
Repayment of long-term loans payable	-40
Cash dividends paid	-189
Purchase of treasury stock	-149

Summary of FY3/18 Results

New Medium-term Management Plan
Vision2021

Key Measures and Business Forecasts
for FY3/19

Social infrastructure

Electric power



Gas



Automobile



Communication



Traffic



Railway



Aviation



Space



Medical



Disaster-
prevention



Government
administration



Distribution



Water



Credit



Oil



Chemical



Next-generation

Society 5.0

Virtual space

People

Things

Services

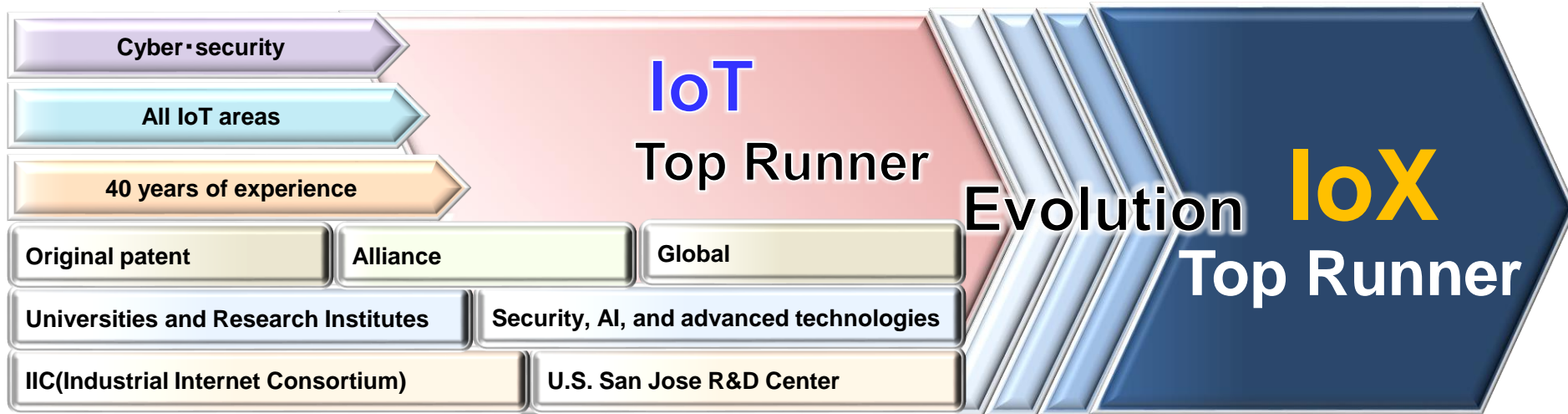


People

Things

Services

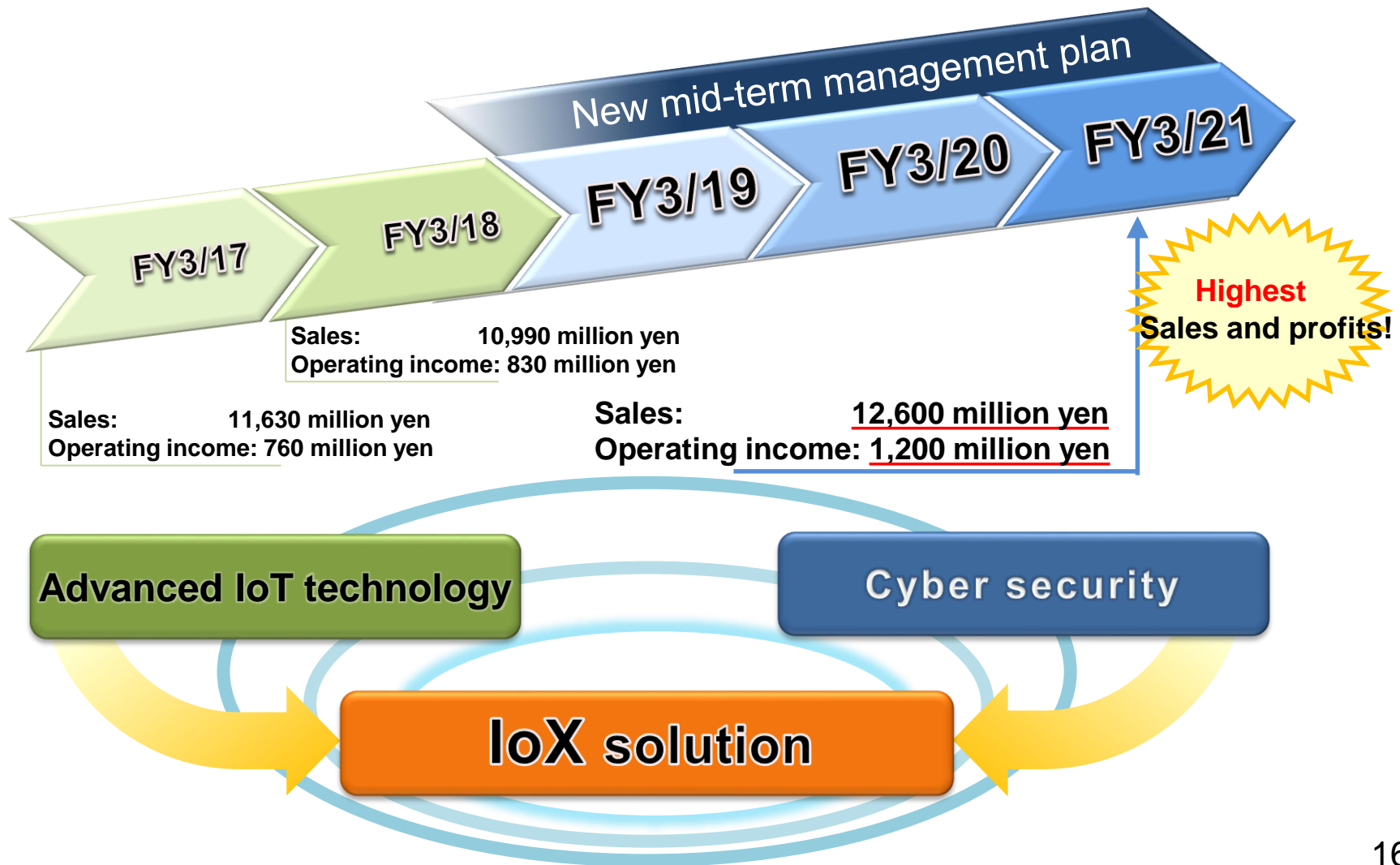
Real space



Into the loX era



ICT Engineering Company Connecting the **Future** with **loX** ~ **loX Leading Company** ~



Social Infrastructure Business

Expanding business area

"Electric company spin-off (2020)"
"Commercialization of next-generation communication and 5G (2020)"
"Gas company spin-off " "Space systems" "High-way traffic systems"

Securing stable profits

" Energy (electricity and gas)" "Roads and railways"
"Aircraft", "Public/Disaster Prevention", "Communication Network"



Advanced Industry Business

IoT-based manufacturing

"Next-Generation EV Vehicles and Auto Driving" "IoT Plant"
"Industrial Equipment" "Equipment" "Medical/Nursing Care Equipment"
"Drone"

Outsourcing

"Full support for customer products at the our center"

Cashless

"Next-generation payment system"



**Expand our core solutions
into various business fields!**

Social Infrastructure Business

Electric



Road



Aviation



Communication



Gas



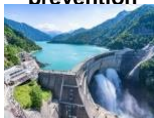
Railway



Space



Disaster-
prevention



Advanced Industry Business

Factory



Machine tool



Automobile



Multifunction
copier



Equipment



Plant



Medical



Credit



IoX Comprehensive engineering business

Advanced IoX technology

Short-range radio, devices, operating systems,
AI, Big data, GIS, and sensor networks

Innovative security solutions

IoX systems



Alliance strategy

Ad-Sol Group

(capital tie-up, M&A, business tie-up)



Global strategy

Expansion of support system
in Asia and ASEAN



Value Creation Strategy

San Jose R&D Center (Advanced Technology)
Universities and Research institutes
(joint research and demonstration)



Technology strategy

IoT systems technologies



Capital Policy

Improving Capital Efficiency
(EPS, Stock Liquidity Ratio)



Corporate strategy

Work style reform,
Personnel system reform, Business reform



ESG Initiatives

Themes: Energy, Water, Food,
Disaster Reduction



Year ended **March, 2021**

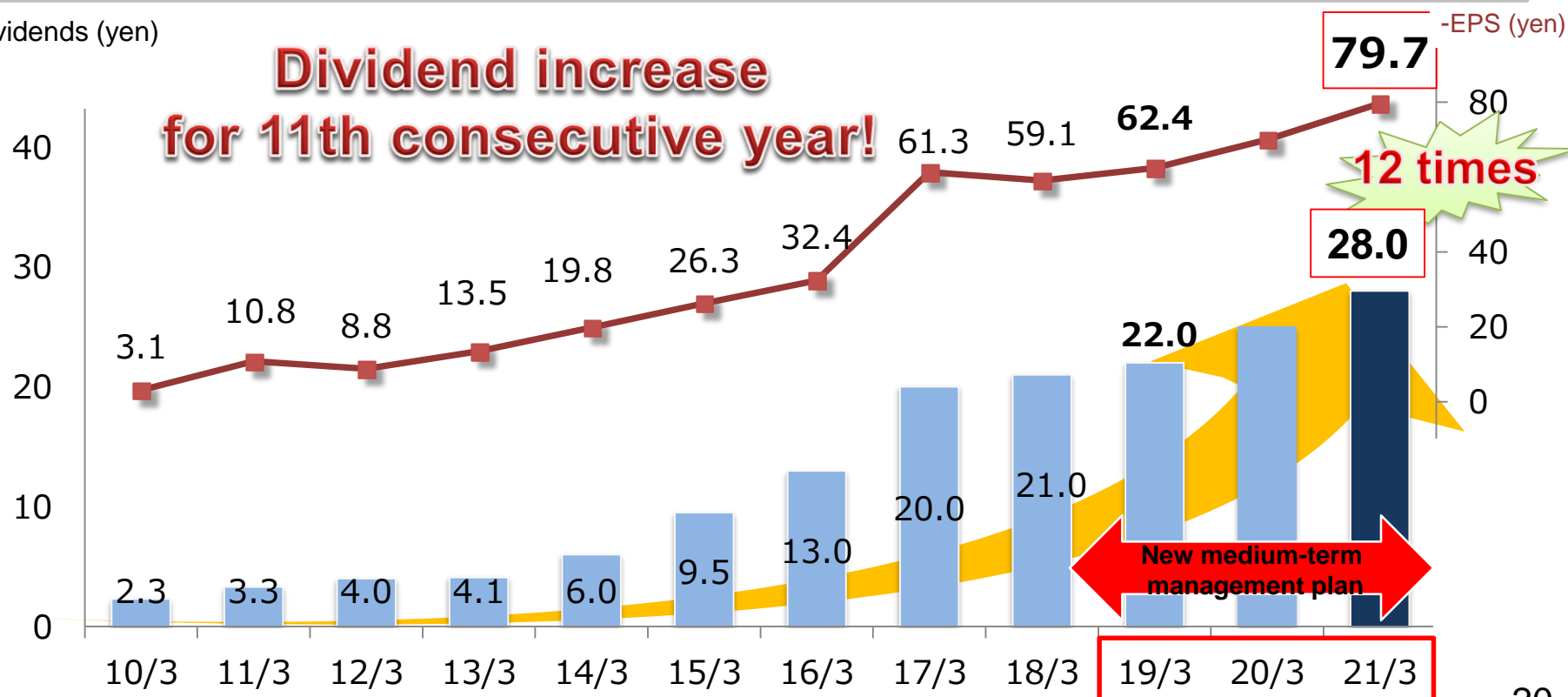
Dividend payout ratio : **35% or more (+2 point UP!!)**

Dividend : **28 yen (+7 yen)**

E P S : **79 yen (+17 yen)**

Compared to FY3/18

■ Dividends (yen)



New medium-term management plan Vision2021

◆ Operating income target: 1.2 billion yen (44.2% increase!)

		FY3/19			FY3/2021		
		Plan	Ratio %	Growth rate	Plan	Ratio %	Growth rate
(Unit: million yen)							
Sales		11,500	-	4.6	<u>12,600</u>	-	<u>14.6</u>
	Social Infrastructure Business	7,050	61.3	2.8	7,350	58.3	7.2
	Advanced Industry Business	4,450	38.7	7.5	5,250	41.7	26.9
	(Comprehensive IoX Engineering Business)	3,950	34.3	10.0	5,000	39.7	39.2
Operating income		880	7.7	5.7	<u>1,200</u>	9.5	<u>44.2</u>
Ordinary income		890	7.7	3.8	1,210	9.6	41.2
Net income		564	4.9	1.9	720	5.7	30.2
EPS	(Yen)	62.4	-	1.8	79.7	-	29.7
ROE	(Yen)	16.0	-	-	17.0	-	-
Number of the employees	(People)	533	-	7.0	600	-	20.4
Dividend per share	(Yen)	22	-	4.8	28	-	28.3
Dividend payout ratio	(%)	35.2	-	-	35.1	-	-

※Growth rate compared to the end of FY03/18

Summary of FY3/18 Results

New Medium-term Management Plan
Vision2021

**Key Measures and Results Outlook
for FY3/19**

Business Area Expansion

Social Infrastructure Business

- Capturing renewal demand ⇒ **Electricity, Gas** (Business reorganization, spin-off, acquisition of new customers)
- Exploration and expansion
of new areas ⇒ **"Space System" "5G (Next-Generation Communications)" "Railway"**

Advanced Industry Business

- IoT for manufacturing ⇒ **"Next-Generation EV Vehicles" "Equipment IoT"**
- Cashless ⇒ **"Medical/Nursing Care IoT"**
⇒ **"Next-Generation Payment and Card"**

Creating and Providing New Value

Comprehensive IoX Engineering Business

- **Security** ⇒ **Development and provision of secure IoT platform**
(Devices, Gateways, Packages)

Demonstrating competitive advantage

- Strengthening global development structure ⇒ **Vietnam** region
- **Industry-academia collaboration** and joint research ⇒ New alliances and research for security and GIS

FY3/19 Full-year Business Forecasts

◆ Profits grew for 9 consecutive years! (record-high profits!!)

(Unit: million yen)

	FY3/18		FY3/19		YoY		
	Result	Ratio to sales %	Forecast	Ratio to sales %	Ratio to sales %	Change points	Rate of changes
Sales	10,997	-	11,500	-	502	-	4.6
Social Infrastructure Business	6,858	62.4	7,050	61.3	192	-1.1	2.8
Advanced Industry Business	4,138	37.6	4,450	38.7	311	1.1	7.5
(Comprehensive IoX Engineering Business)	3,592	32.6	3,950	34.3	358	1.7	10.0
Gross profit	2,516	22.9	2,650	23.0	133	0.1	5.3
Operating income	832	7.6	880	7.7	47	0.1	5.7
Ordinary income	857	7.8	890	7.7	32	-0.1	3.8
Net income	553	5.0	564	4.9	11	-0.1	1.9

◆ Advanced Industry Business to be strong!

(Unit: million yen)

	FY3/18 2Q		FY3/19 2Q		YoY		
	Result	Ratio to sales %	Forecast	Ratio to sales %	Ratio to sales %	Change points	Rate of changes
Sales	5,397	-	5,630	-	232	-	4.3
Social Infrastructure Business	3,502	64.9	3,510	62.3	8	-2.5	0.2
Advanced Industry Business	1,895	35.1	2,120	37.7	225	2.5	11.9
(Comprehensive IoX Engineering Business)	1,742	32.3	1,800	32.0	58	-0.3	3.3
Gross profit	1,266	23.5	1,288	22.9	21	-0.6	1.7
Operating income	402	7.5	420	7.5	17	0.0	4.3
Ordinary income	418	7.8	424	7.5	6	-0.2	1.5
Net income for 2Q	283	5.3	288	5.1	5	-0.1	1.8

◆ Dividend Policy

- Dividend payout ratio: **35%** or more (**2**-point increase)
- Dividend plan **twice** a year (interim and year-end)

◆ Dividend Forecast

(Unit: Yen)	FY3/17	FY3/18	FY3/19
Interim	9(*1)	10	11
Year-end	11	11	11
Annual	20	21	22

(※1) FY3/17 Interim dividends include a commemorative dividend of ¥2 for listing on the First Section of the Tokyo Stock Exchange.

On October 1, 2016, the company conducted a 1:2 stock split. Dividends are shown after taking into account the split.

Shareholder eligibility and timing

- For shareholders whose names are recorded in the Registry of Shareholders as of every September 30th and March 31st (twice a year)
- 200 shares or more up to less than 4,000 shares: beneficial goods due to be sent out in December and June
- 4,000 shares or more: catalogs due to be sent out in November and May

Contents of the gifts

■ 200 shares or more up to less than 4,000 shares:

Present of Quo cards with 'Greenery Fund' attachment

- 200 shares or more up to less than 1,000 shares: worth 500 yen
- 1,000 shares or more up to less than 2,000 shares: worth 1,000 yen
- 2,000 shares or more up to less than 4,000 shares: worth 1,500 yen

■ Special holding period gift

Additional present of one 500 yen Quo card (two a year) for holders of one year or more



■ 4,000 shares or more

- QUO card (equivalent to ¥3,000) or
- Special gift catalog from which shareholders can select a 'Kishu Plum Gift'



創業天保五年
株式会社 東農園



Note: Goods shown in photograph may differ from actual items received

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