

**Financial Results of FY2016
and
Progress of Mid-term Business Plan**

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President

Financial Results of FY2016

Financial Results of FY 2016

[Unit: Billion yen]

	FY2015	FY2016	Variance	
	(1)	(2)	(2)-(1)	Ratio(%)
Net sales	207.0	198.2	-8.8	-4.2 %
Operating income	10.2	16.9	6.6	64.8
Actuarial differences	-2.0	1.3	3.3	*****
Adjusted op. income	12.2	15.5	3.4	27.5
Ordinary income	10.6	17.3	6.7	63.5
Actuarial differences	-2.0	1.3	3.3	*****
Adjusted ord. income	12.5	16.0	3.4	27.4
Net income	3.8	10.6	6.8	177.4
Actuarial differences	-1.4	0.9	2.3	*****
Adjusted net income	5.2	9.7	4.5	87.1

* Actuarial differences: actuarial differences of retirement benefit accounting

* Net income = Profit attributable to owners of parent company shares

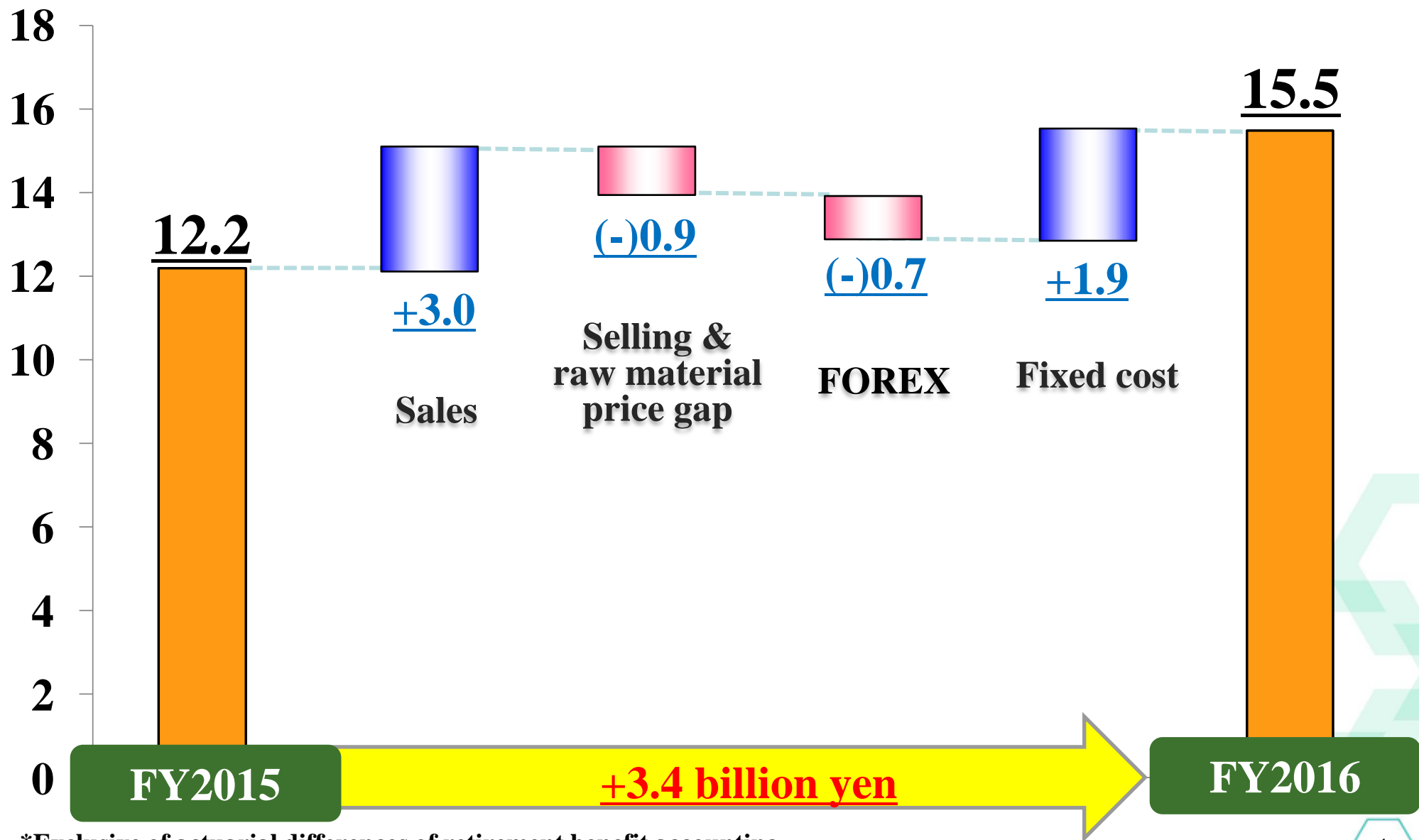
*Extraordinary income and loss (Billion yen)

FY2015= cost of business restructuring (-)4.0, impairment loss (-)1.8, gain on sales of securities +1.2

FY2016= cost of business restructuring (-)2.0, impairment loss (-)0.7, gain on sales of securities +0.3

Analysis of Operating Income (Y/Y)

[Billion yen]



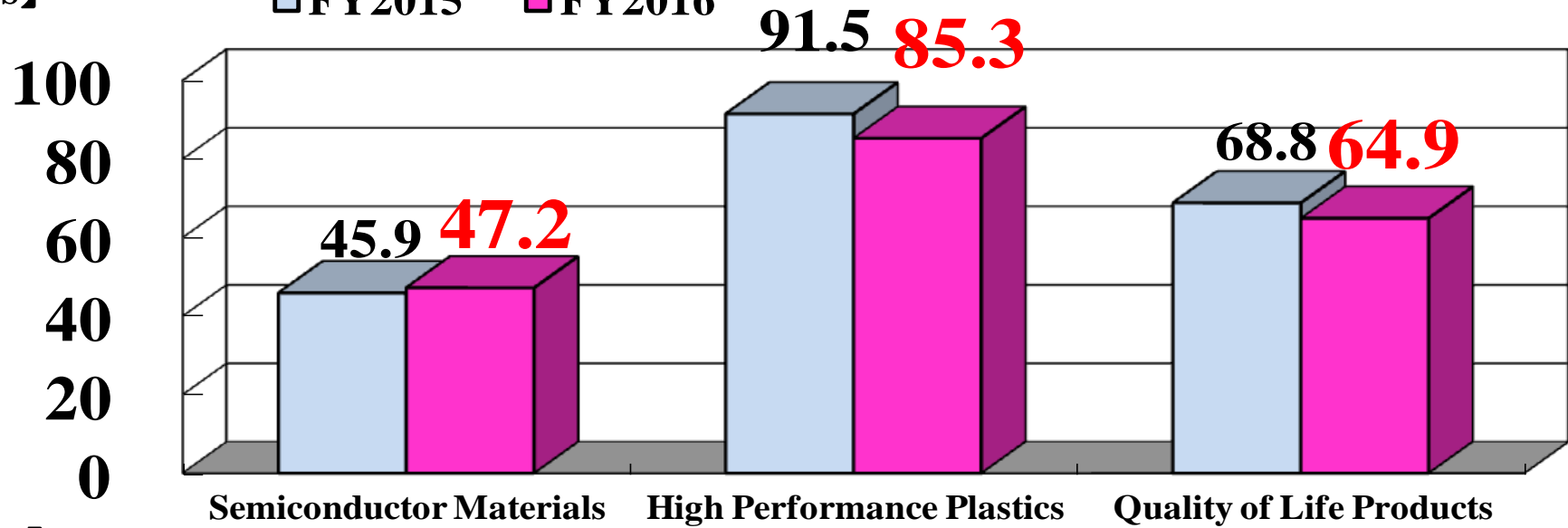
*Exclusive of actuarial differences of retirement benefit accounting

Sales and Profit by Business Segment

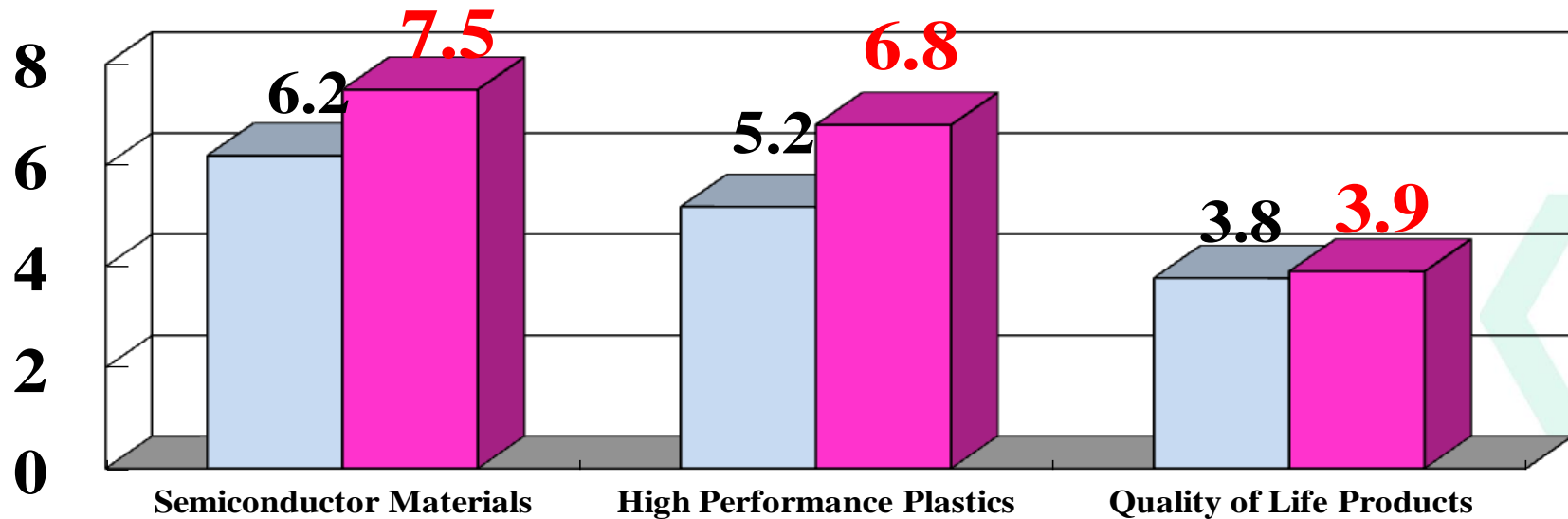
【Sales】

【Billion yen】

□ FY2015 ■ FY2016



【Profit】



*Exclusive of actuarial differences of retirement benefit accounting

Progress of Mid-term Business Plan (FY2016-FY2018)

Basic Policy and Target of Mid-term Business Plan

Shift from product-out to “needs-pull” & “seeds push”

“Evolution” “CS First”

Deeper and more substantial relations with priority customers (B to B)
More cooperation & collaboration in-house and with outside partners

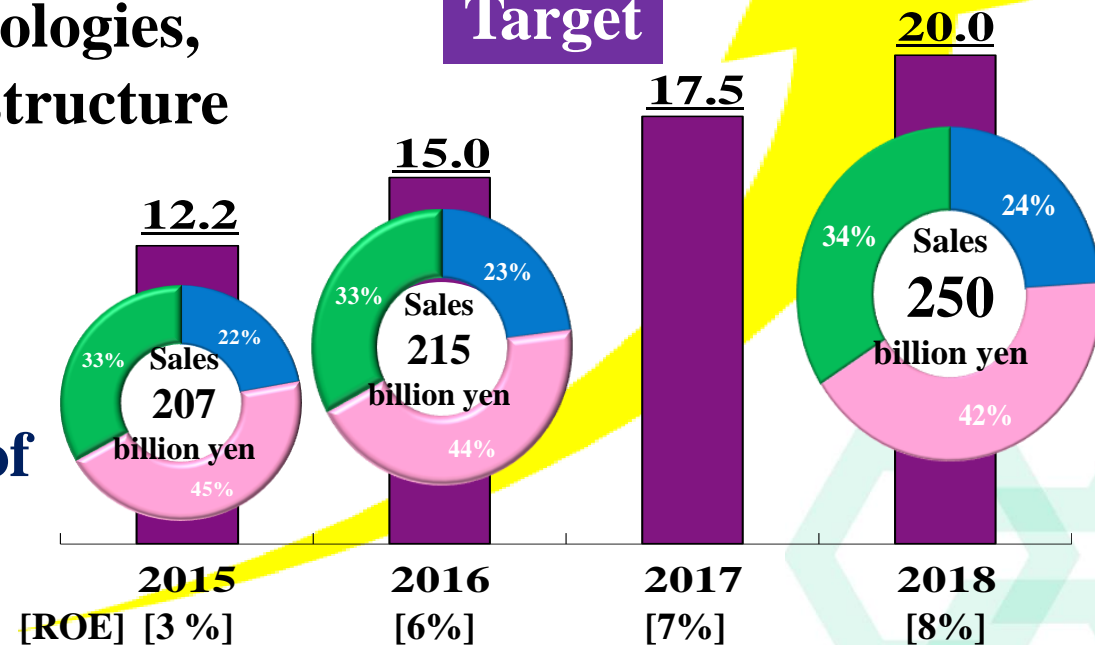
Basic Policy

Leverage fundamental plastics technologies, to build more value-added business structure

Basic strategy

- New business start-ups, creation
- Increase in profitability and scale of growing areas
- New growth in existing businesses and change of business model

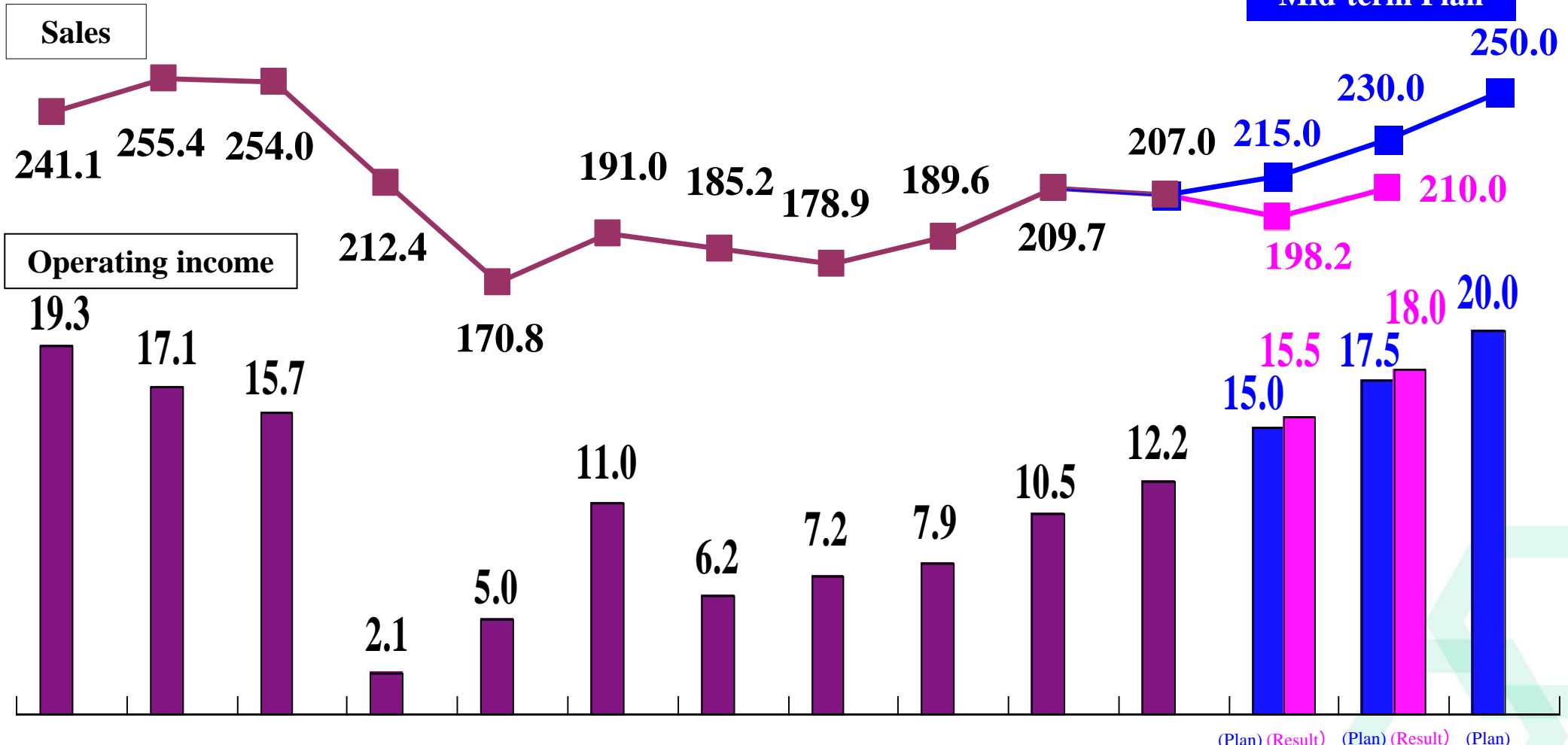
Target



Target of Mid-term Business Plan (FY2018): O.I.= 20 billion yen, ROE=8%

Progress of Mid-term Business Plan (FY2016-2018)

[Billion yen]



2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

[Fiscal year]

*Exclusive of actuarial differences of retirement benefit accounting and effects of the change in fiscal year ends of subsidiaries

Financial Outlook for FY2017

[Unit: Billion yen]

	FY2016	FY2017	Variance	
	Actual(1)	Forecast(2)	(2)-(1)	Ratio(%)
Net sales	198.2	210.0	11.8	6.0%
Operating income	16.9	18.0	1.1	6.6%
Actuarial differences	1.3		-1.3	*****
Adjusted op. income	15.5	18.0	2.5	15.8%
Ordinary income	17.3	18.4	1.1	6.2%
Actuarial differences	1.3		-1.3	*****
Adjusted ord. income	16.0	18.4	2.4	15.1%
Net income	10.6	11.5	0.9	8.3%
Actuarial differences	0.9		-0.9	*****
Adjusted net income	9.7	11.5	1.8	18.6%

* Net income= Profit attributable to owners of parent company shares

* FOREX: [FY2016] JPY109/USD • JPY120/EUR
 [FY2017] JPY110/USD • JPY120/EUR

Priority Measures for Achieving Mid-term Target

1. Semiconductor Materials

Encapsulation materials for semiconductors (EME) & liquid resins

▼ Increase volume by joining forces globally for manufacturing, sales and R&D

▼ Secure customer base in growth area of automobile applications

● Collaborate with top vehicle application manufacturers to promote development

▼ Achieve competitive advantage in high value-added product segment

● Expand sales of mold underfill (MUF) and encapsulation materials for compression molding (granule type)

● Promote development of highly-integrated device materials

• Heat-resistant/heat transfer control materials

• High-density/3D materials

• Electromagnetic shielding materials

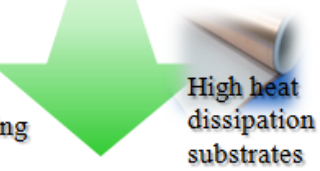


▼ Creating Business in Growth Areas

Semiconductor materials



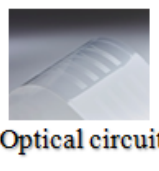
High-performance plastics



Quality-of-life products



Corporate R&D Center



Smart Community Marketing & Developing Division (SCM)
Open Labs: Already established in Japan, China, and Singapore
To be established in Europe in March 2017 and US by the end of 2017

Steadily increasing applications in automobile materials market



Exploring social infrastructure materials market

Materials for in-vehicle sensors

Materials for fixing HV/EV motor magnets

Materials for power modules

One-step encapsulation materials for ECUs

SCM is leading the whole group into a high-growth markets for global business development

2. High Performance Plastics

▼ Reinforce global cooperation among sales, marketing and R&D functions

- Strategic products:
- (1) Resins for tires (tackifiers, reinforcing, etc.)
 - (2) Powertrain components (friction materials and drive unit components, including mechanical parts)

▼ Concentrate resources on competitive products in each region

Europe

- Resins for tires
- ⇒ Production capacity: +50%
(Operations start Mar. 2018)



- Materials for in-vehicle parts
(brake pistons, etc.)
- ⇒ Demo Center opened (Apr. 2017)



- Resins for friction materials
- Foam resins for housing insulation

North America

- Shale drilling-related products
- Resins for tires
- Materials for in-vehicle parts
(brake pistons, etc.)



Japan/Asia

- Materials for in-vehicle parts
(brake pistons, etc.)
- Resins for tires
- Materials for electronic parts
(bobbins, commutators, etc.)



▼ Expand Business in Growth Areas

● Expand aircraft business domain and reinforce business platform



(1) Expand customer base for existing products
(Acquire customers aside from Boeing)

(2) Prompt launch of new products

- Low smoke-producing PVC parts:
Used in seats
- Honeycomb panels and flame-retardant sheets for interiors: **Under customer evaluation**



■ Low smoke-producing PVC sheets

(3) Improve business platform through site reorganization
Dongguan, China: Transfer Shenzhen business (Jun. 2017)
Malaysia: Switch over to honeycomb panel business

● Promote metal and resin composites

- Joint research contract with Fraunhofer (Germany) for development of phenolic engine parts (Mar. 2017)

Engine components



ICT
Europe's largest applied research organization that performs applied research in various technological fields for the general benefit of the public

● Review expansion into emerging countries (full-ownership/JV/M&A)

3. Quality of Life (QOL) – (1)

■ Medical

▼ Expand business in growth areas (minimally invasive treatments)

(1) Endovascular treatments

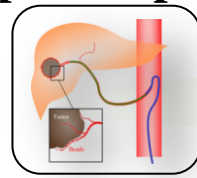
⇒ Promote sales of microcatheters

Full-scale sales in North America and Australia following Europe and Japan (Jan. 2017)

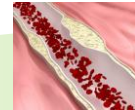
Strengthen product lineup for expansion of treatment applications



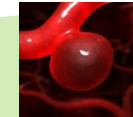
■ Steerable micro catheters



Liver cancer



Lower-extremity arteriosclerosis



Visceral aneurysm



Abdominal aortic aneurysm



Fibroids



Head and neck cancer

(2) Endoscopy

⇒ Enter bile duct stent market (Apr. 2017) and explore the hepato-biliary-pancreatic area

(3) Promote bio-related business (drug discovery, regenerative medicine, high-precision diagnostics)

⇒ Expand sales and development in cooperation with Vaupell and/or outside partners

(4) Explore M&A in cutting-edge medical fields

⇒ Open new office in Silicon Valley



■ Cell 3D culture containers



■ Bile duct stents

▼ Reinforce core business (strengthen product lineup and develop kits)

⇒ Drainage-related: Strengthen lineup via M&A

■ Continuous low-pressure suction drainage system (Product name: ServoDrain)



3. Quality of Life (QOL) – (2)

■ Films & sheets

▼ Penetrate into high performance applications and expand sales

(1) Medical packaging: Expand sales of packaging film for highly moisture-proof pharmaceuticals and IV fluids

(2) P-Plus freshness keeping film: Expand applications for new functional products featuring anti-condensation and anti-mold films (fruits & vegetables, cut vegetables, export packaging, noodles, etc.)

(3) Expand applications for industrial films (electronic parts, etc.)

Anti-dew-condensation effect in raw buckwheat noodle packaging (stored at 5°C)

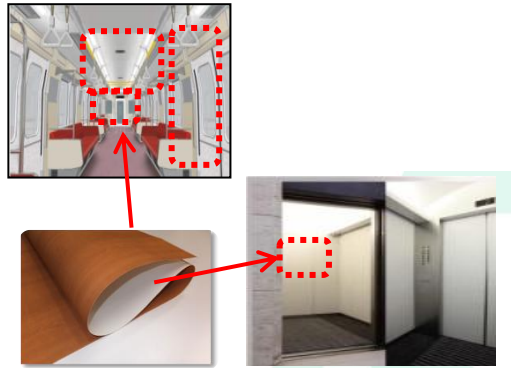


Anti-dew-condensation film OPP film

▼ Reinforce profit base in overseas markets (China)

■ Decola innovair

Identify repair applications for railroad carriages and elevator interiors
Expand sales through combined use with other companies' products



■ Decola innovair

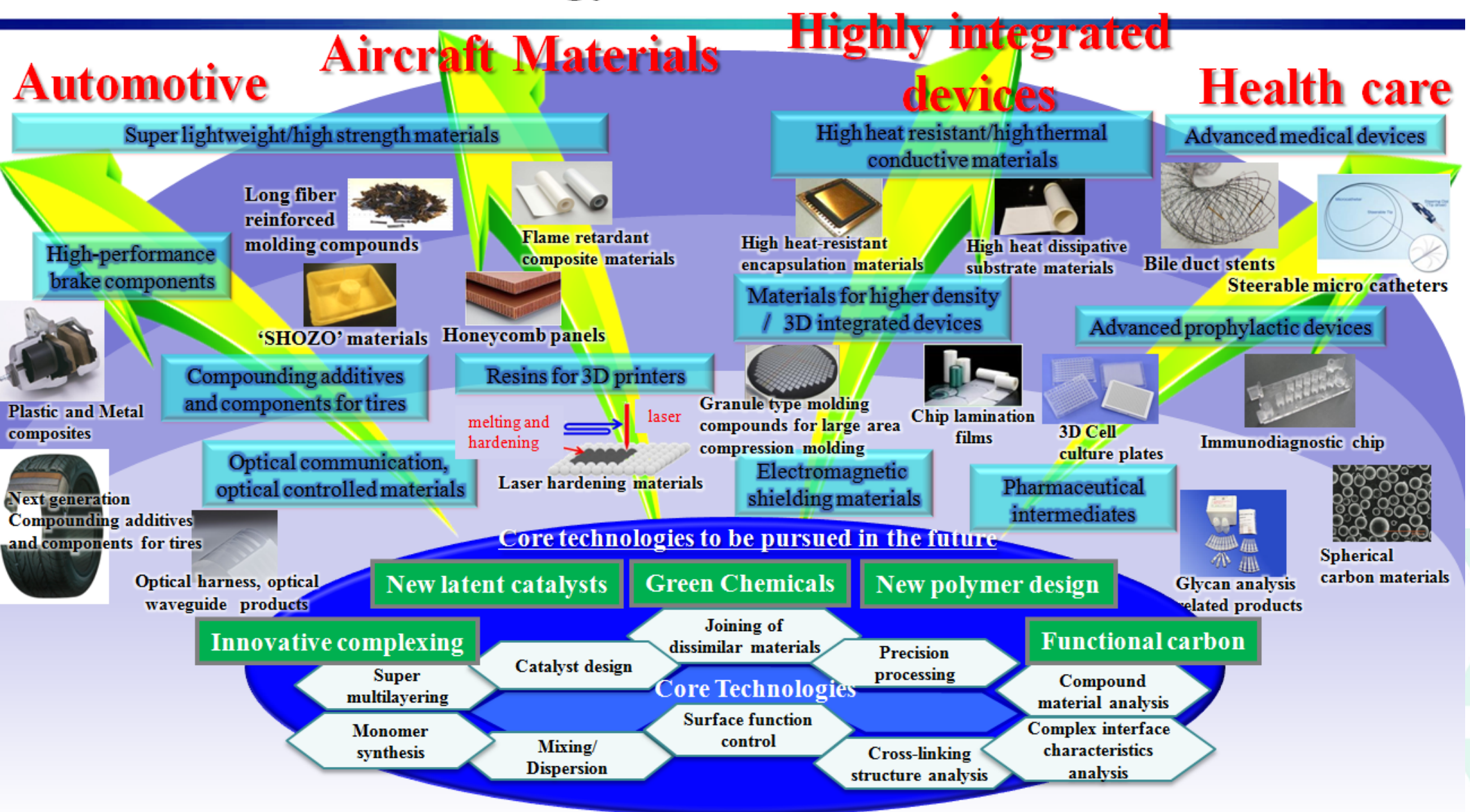
■ Plate

Expand applications into high added-value areas (eyewear, in-vehicle displays, etc.)

■ Waterproof related

Gain experience in construction with promising customers in the general construction field (commercial buildings, apartments, etc.) and expand sales to other customers

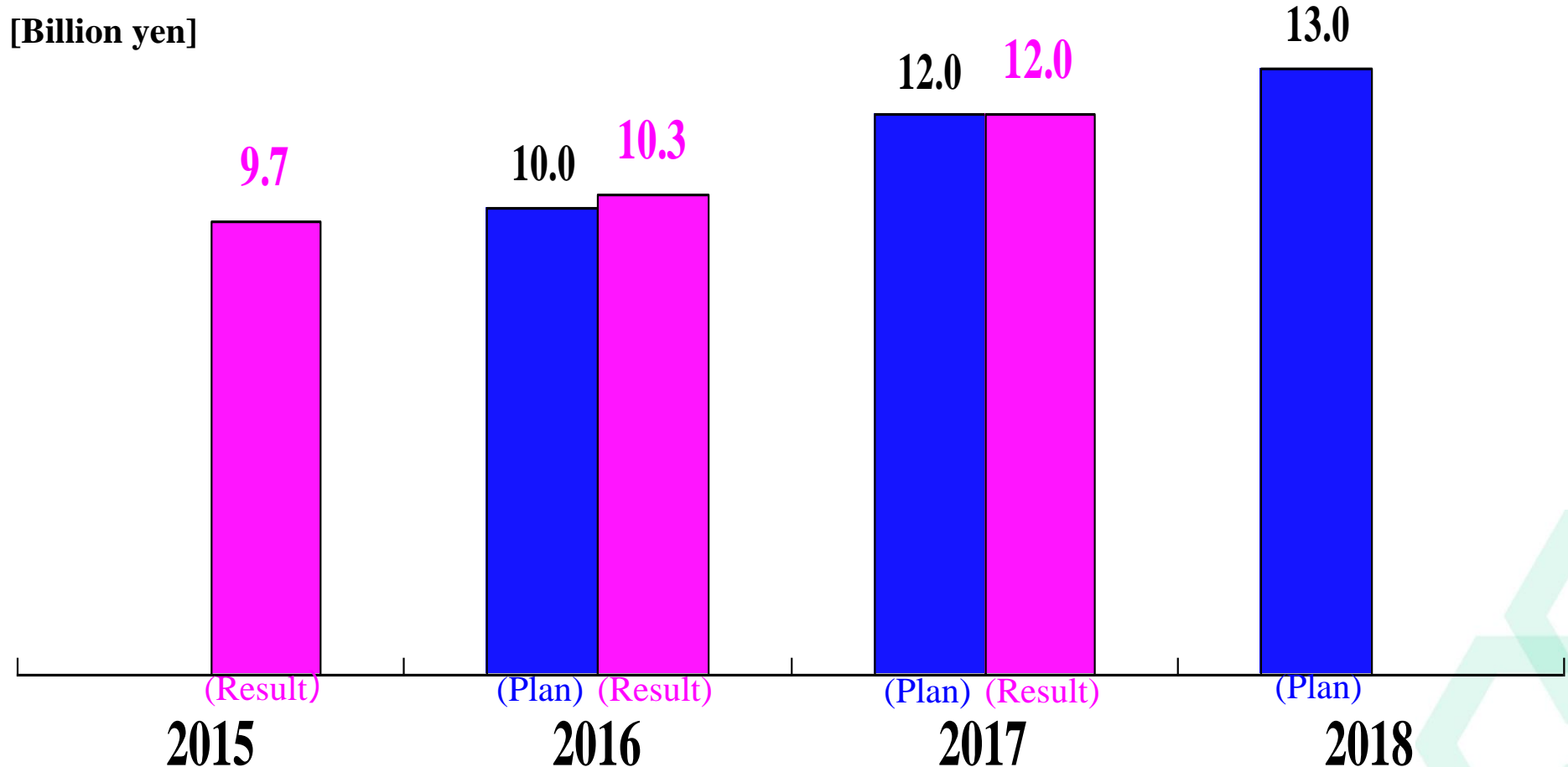
[R&D] Growth Strategy in 4 Creation Areas



Realizing value in the future of mankind

CAPEX Plan (FY 2016-2018)

[Progress of CAPEX plan]



Mid-term business plan sets an M&A limit of **35 to 40 billion yen**, separate from the above CAPEX (35 billion yen total for 3 years), to be studied and implemented as planned.