

# Interim Financial Results of FY2016

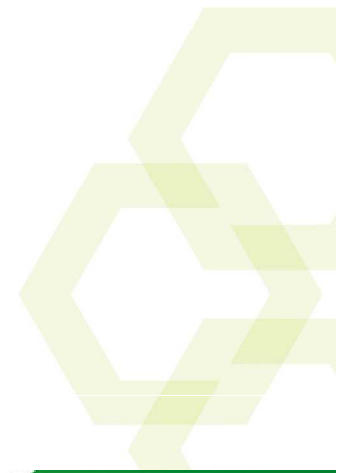
**November 2016**

**Shigeru Hayashi**

**President**

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# Summary of Interim Financial Results



# Financial Results for 1st Half of FY 2016

[Unit: Billion yen]

	FY2015	FY2016	Variance	
	H1 (1)	H1 (2)	(2) - (1)	Ratio (%)
<b>Net sales</b>	105.6	97.4	-8.2	-7.8%
<b>Operating income</b>	4.8	7.3	2.5	51.2%
<b>Ordinary income</b>	5.0	7.5	2.5	49.1%
<b>Net income</b>	2.1	5.2	3.1	148.2%

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

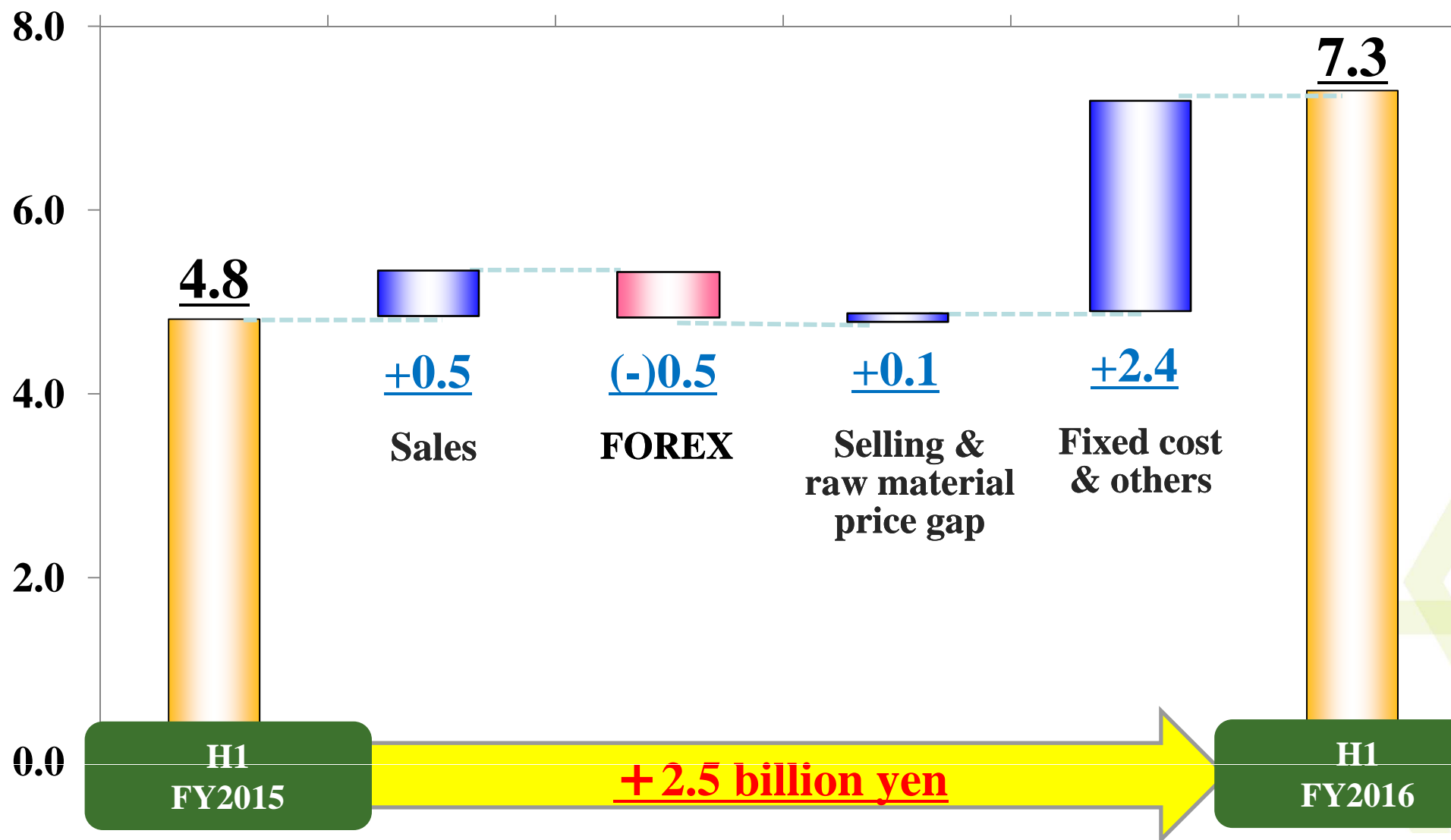
## \*Extraordinary income and loss

**FY2015 H1: (-) 0.8 billion yen: impairment loss (-)1.3, gain on sales of securities +0.7,  
loss on retirement of noncurrent assets: (-)0.1**

**FY2016 H1: +0.1 billion yen: gain on sales of securities +0.3,  
loss on retirement of noncurrent assets: (-)0.2**

# Analysis of Operating Income (Y/Y)

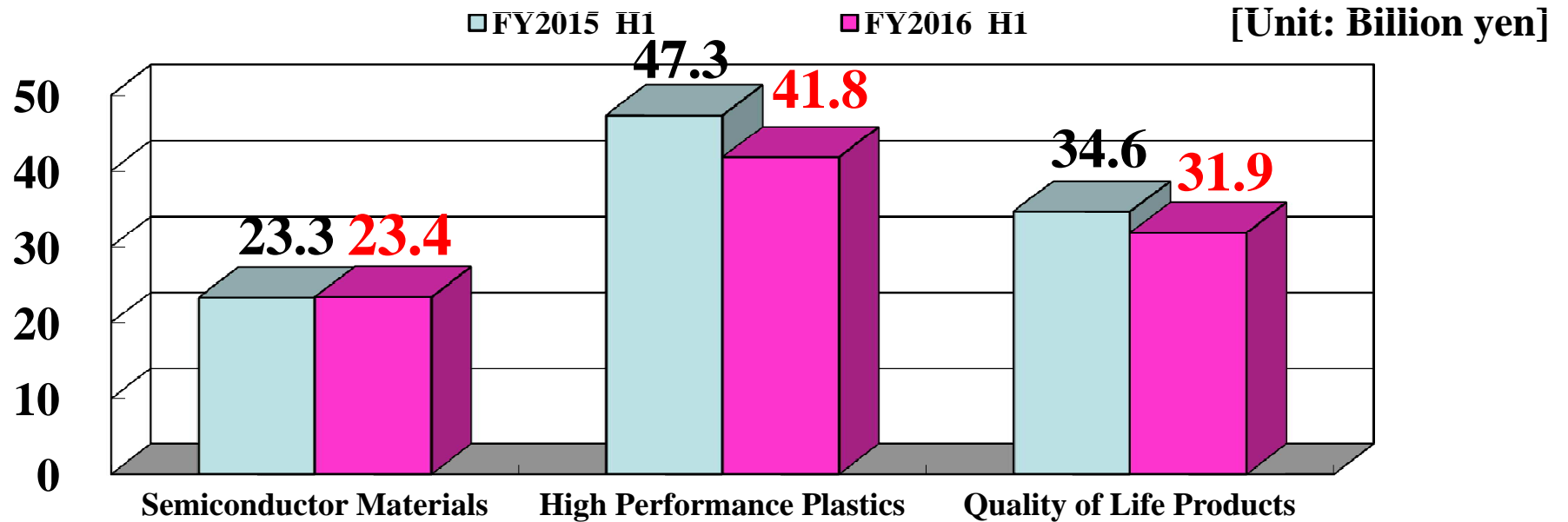
[Unit: Billion yen]



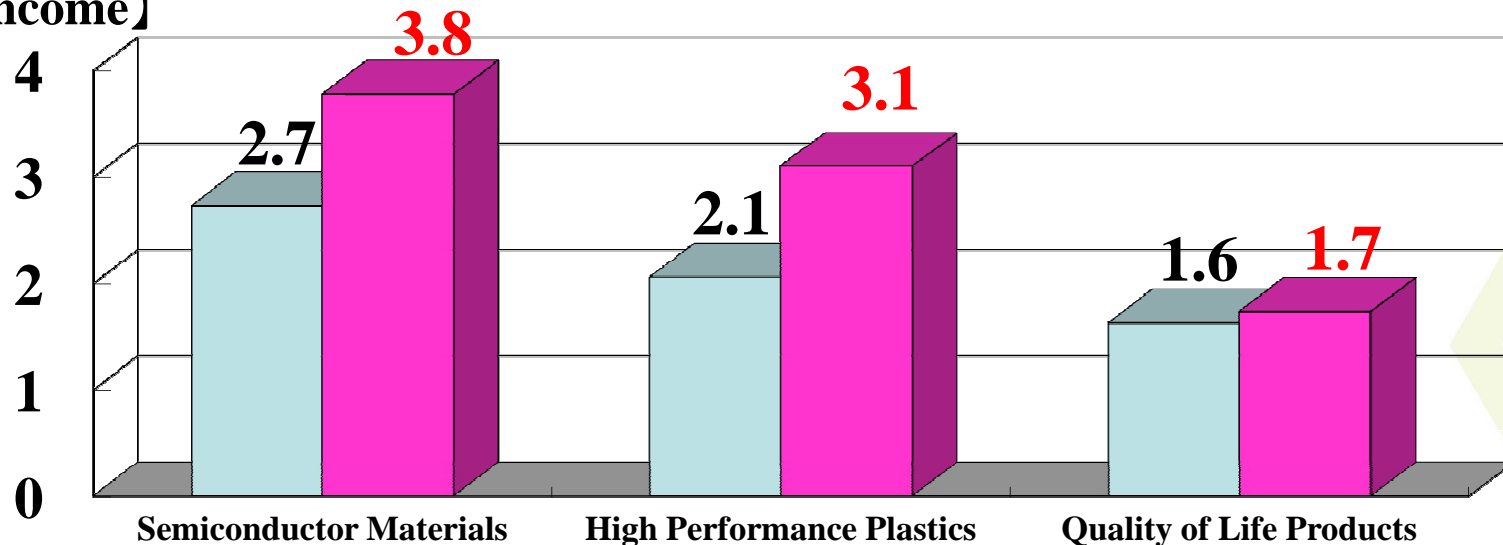
\*Exclusive of actuarial differences of retirement benefit accounting

# Sales and Profit by Business Segment

【Sales】



【Operating income】



\*Exclusive of actuarial differences of retirement benefit accounting

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# **Mid-term Business Plan (FY2016-FY2018)**

# Basic Policy and Target of Mid-term Business Plan

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

## “Creation”

## ”CS First”

Deeper and more substantial relations with priority customers (B to B)

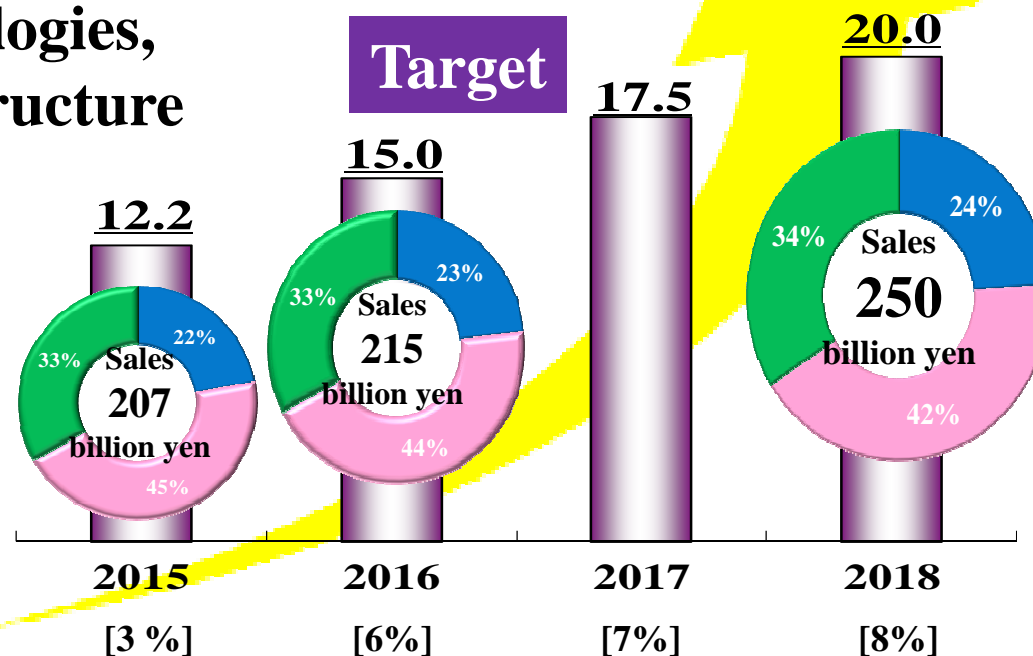
More cooperation & collaboration in-house and with outside partners

### 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 [ROE]



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

# Financial Outlook for FY2016 (ending March 2017)

[Unit: Billion yen]

	FY2015 Actual(1)	FY2016 Forecast(2)	Variance	
			(2)-(1)	Ratio(%)
<b>Net Sales</b>	<b>207.0</b>	<b>200.0</b>	<b>-7.0</b>	<b>-3.4%</b>
<b>Operating income</b>	<b>10.2</b>	<b>15.0</b>	<b>4.8</b>	<b>46.5%</b>
Actuarial differences	<b>-2.0</b>		<b>2.0</b>	*****
<b>Adjusted op. income</b>	<b>12.2</b>	<b>15.0</b>	<b>2.8</b>	<b>23.0%</b>
<b>Ordinary income</b>	<b>10.6</b>	<b>15.5</b>	<b>4.9</b>	<b>46.2%</b>
Actuarial differences	<b>-2.0</b>		<b>2.0</b>	*****
<b>Adjusted ord. income</b>	<b>12.5</b>	<b>15.5</b>	<b>3.0</b>	<b>23.5%</b>
<b>Net income</b>	<b>3.8</b>	<b>9.0</b>	<b>5.2</b>	<b>135.1%</b>
Actuarial differences	<b>-1.4</b>		<b>1.4</b>	*****
<b>Adjusted net income</b>	<b>5.2</b>	<b>9.0</b>	<b>3.8</b>	<b>73.7%</b>

\* Actuarial differences:=actuarial differences of retirement benefit accounting

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

FOREX: FY2015 JPY120/USD · JPY132/EUR

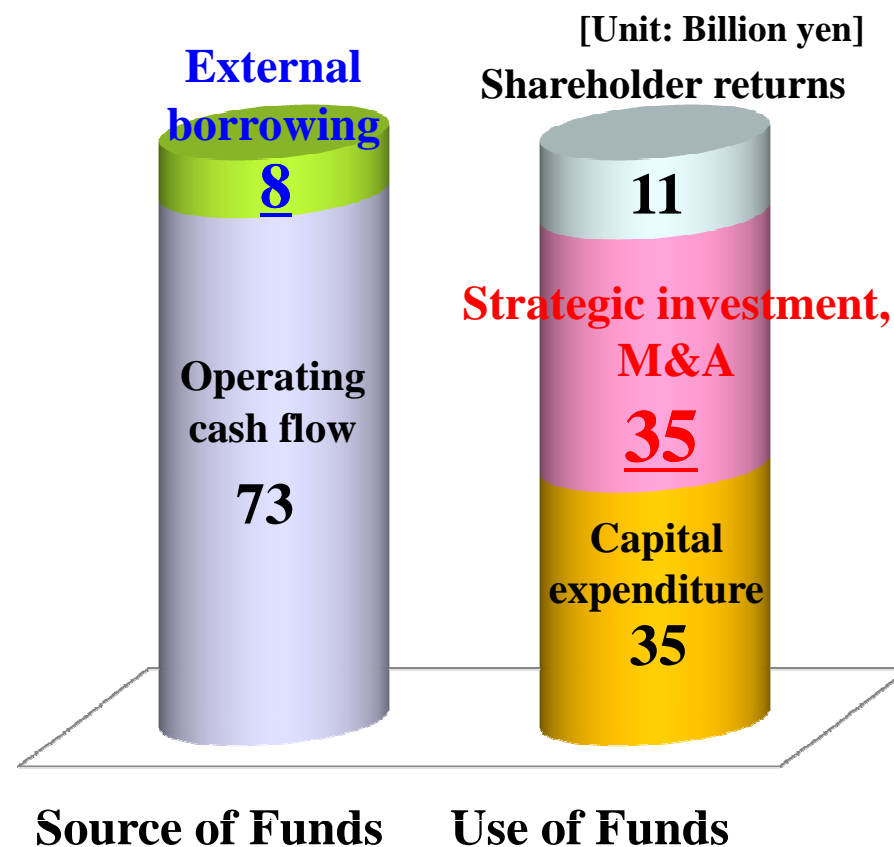
FY2016 Q1-Q2 JPY107/USD · JPY119/EUR Q3-Q4 JPY100/USD · JPY115/EUR



# Mid-term Funding Plan

We will implement shareholder returns, while giving full consideration to such factors as strategic investments necessary for reinforcement of the existing businesses and for future growth, financial conditions, business performance, etc.

- Operating cash flow (for 3 years)  
:73 billion yen
- Total investment amount (for 3 years)  
:70 billion yen  
**Inc. Strategic investment, M&A  
35~40 billion yen**
- Shareholder returns: 11 billion yen  
( Dividend / Repurchase of own shares)
- Insufficient funds: ▲8 billion yen  
**Fund via external borrowing as a rule  
: No financial problems due to increased debt .**



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# Priority Strategies and Measures for Achieving Target

# 1. Semiconductor Materials

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## ① Encapsulation materials for semiconductor (EME) and Liquid resins (CR)

### ▼ Optimize organization globally (mainly in China)

- Joint force of manufacturing, sales and R&D
- Enhance cooperation including CCSB

### ▼ Promote sales of high value-added products

**In particular, the strategic product MUF (mold underfill) shows rapid growth!**

## ② Packaging Materials for Semiconductor Substrates “LaZ<sup>®</sup>”

### ➤ FY2016 H1 actual:

Application processor(AP) for smartphone (China) slowed down in Q2 because of the weak sales of equipped models and the stock adjustment at customer.

### ➤ FY2016 H2 outlook:

For the next-generation AP and memory, despite concerns about the impact by startup time of customers and sales situation of equipped models, our sales are expected to increase.

### ③ Smart Community related

- Expand business areas based on our technology such as encapsulation materials for semiconductor

- ▼ Sales for ECU and sensor applications were progressed
- ▼ Develop further new applications and promote commercialization

Materials for in-vehicle sensors : **Launched**



Materials for fixing HV/EV motor magnets: **Launched**



Materials for power modules: **Launched**



One-step encapsulation materials for ECU: **Launched as motorcycle parts**

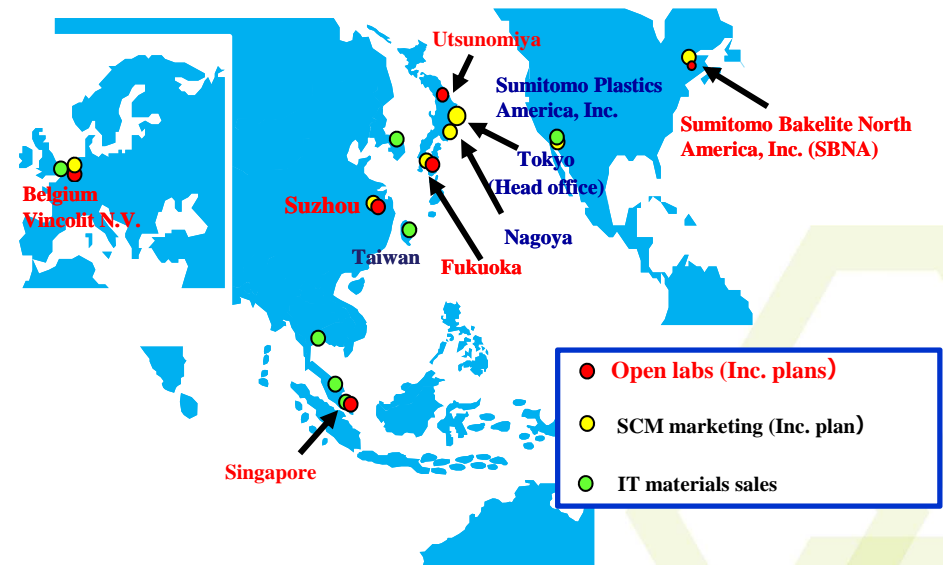


Encapsulation materials



- Expand new customers via strengthened global structure and service enhancement

- ▼ Allocate specialists to SCM organization in Europe and America
- ▼ Establish and strengthen open labs



**“Eco-friendly” to “Safe and comfortable” drive**

\*SCM: Smart Community Marketing & Developing Division

**Deploy open labs at global bases to accelerate commercialization!**

## 2. High Performance Plastics

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### ① Enhance and restructure existing businesses

- ▼ Utilize global production bases to increase WW No.1 products
- ▼ Malaysia: Shrink circuitary material business and change to aircraft-related business
- ▼ Shanghai: Concentrate production of molded parts business of Dongguan Plant and optimize scale

### ② Deepen growing business areas

- ▼ Expand resins such as metal and resin composite
- ▼ Expand businesses with competitive products
- ▼ Through M&A and cooperation, Expand and develop business in growing areas

# 3. Quality of Life (QOL)

## ① Medical and bio related

### ▼ Improve efficiency and optimize functions at global bases

- **Akita:** Production enhancement for cutting edge medical equipment and bio related products
- **Dongguan:** Full-scale penetrate into Chinese market and global response enhanced (direct transaction)
- **U.S.:** Integrate operations of Vaupell U.S. bases

### ▼ Strengthen product lineup and develop kits in growing areas (IVR/Endoscope)

→ Development of product and unit with customer convenience in mind

### ▼ Build and promote business alliances with outside partners

- **Steerable micro catheters:** Launched in Japan and overseas (sold by Merit Medical (U.S.) overseas)
- **Strengthen channel of overseas sales for promising strategic products such as SB Knife (e.g. distributors)**
- **S-Bio:** Promote commercialization through cooperation with outside partners in fields such as regenerative medicine, biopharmaceuticals and high-precision diagnostics (with specialist companies such as medical products, equipment and diagnostic medicine)



■ SB knife



■ Steerable micro catheters

## ② Film & sheet: Differentiate our products with added new functions and expand business areas

- ▼ Medical use : Strengthen product lineup for high moisture prevention, penetrate into packaging materials for medical use other than PTP
- ▼ Food use : Promote eco-friendly products, expand applications for non ham/sausage use  
Freshness-keeping film for food “P-Plus” (e.g. Anti-condensation and Anti-mold)  
⇒ Penetrate into export packages and non-agricultural business



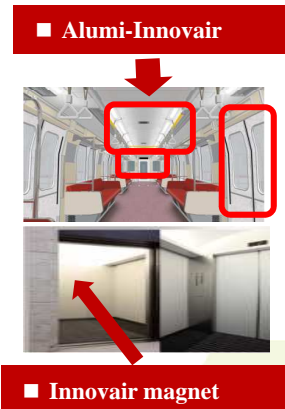
New character  
P-PLUS man!

## ③ Decola: Restructure business via selection and concentration

- ▼ Withdraw from commodity Decola business (March 2016 – Done)
- ▼ Concentrate on “Interiors of railway vehicles” and “Architecture walls by melamine decorative sheets ‘Decola innovair’” and restructure business



■ Decola innovair



■ Alumi-Innovair  
■ Innovair magnet

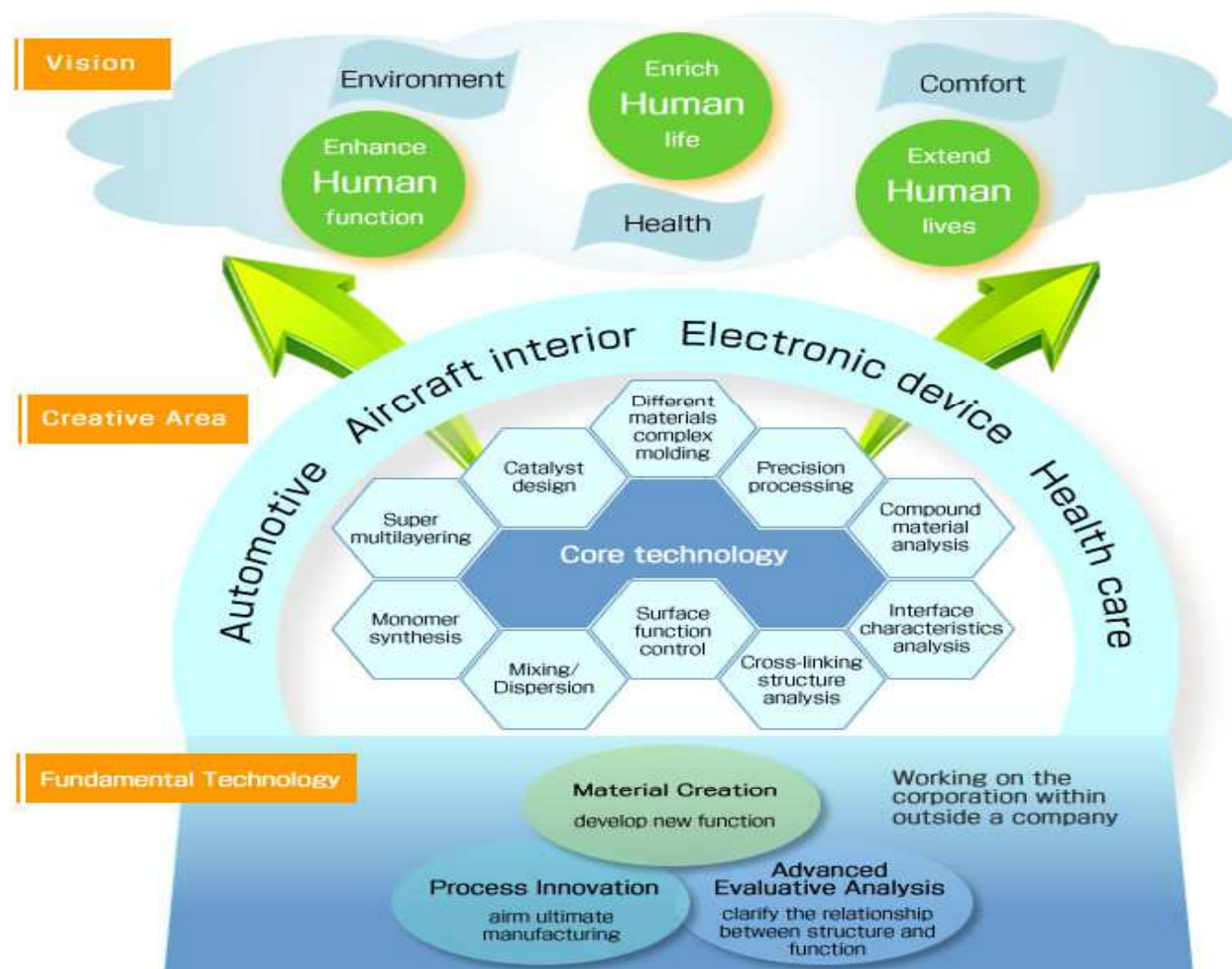
## ④ Plate & waterproof related:

### Enhance competitive edge by reorganizing business

- ▼ Consolidate production of “Kanuma Plant-2” to “Plant-1”
- ▼ Reorganize sales bases and distributor system including domestic sales companies
- ▼ Expand new applications, promote prompt commercialization (e.g. Aircraft interior and vehicle)



# [R&D] Research and Development Targeting 4 Creation Areas



Realize value designed functional plastics for society and customers by focusing on R&D in four creation areas



# Dividend

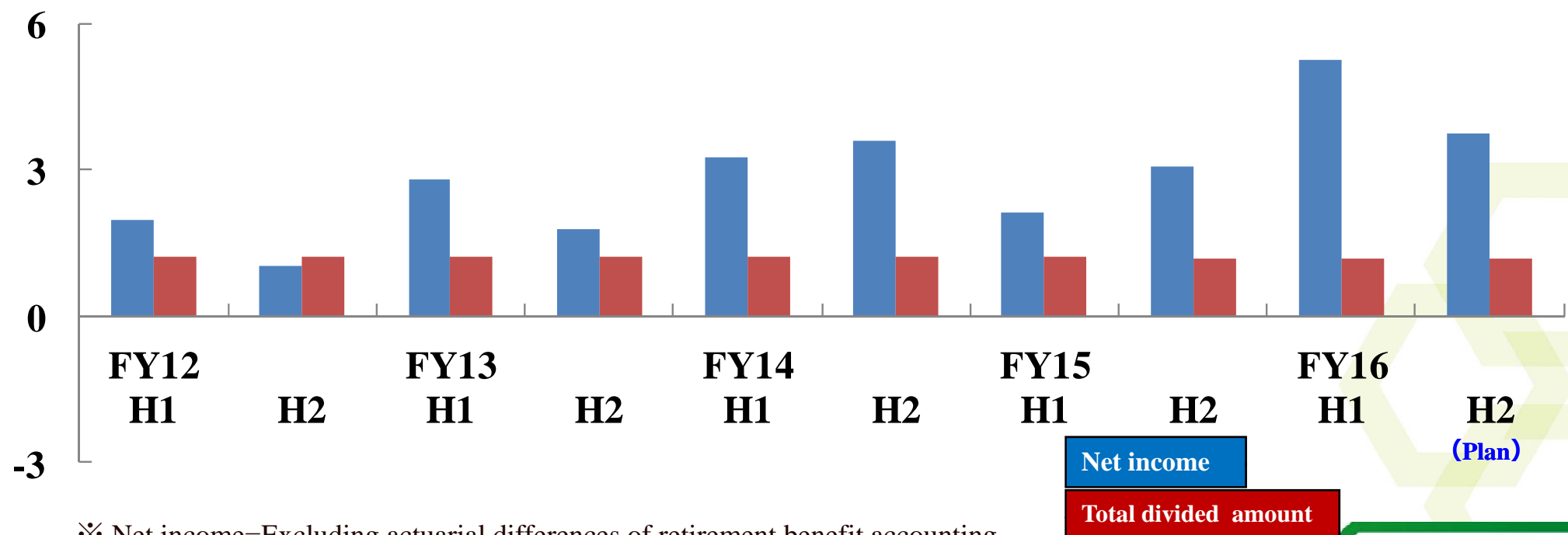
● Dividend: **10.00 yen per share planned**

Interim & year-end dividend: 5 yen per share each

【 Dividend:JPY/share 】

FY12 H1	FY12 H2	FY13 H1	FY13 H2	FY14 H1	FY14 H2	FY15 H1	FY15 H2	FY16 H1	FY16 H2
5.00 yen	5.00 yen	5.00 yen	5.00 yen	5.00 yen	5.00 yen	5.00 yen	5.00 yen	5.00 yen	5.00 yen

(Billion yen)



※ Net income=Excluding actuarial differences of retirement benefit accounting