

Interim Financial Results of FY2017

November 2017

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President

Summary of Interim Financial Results

Financial Results for 1st Half of FY 2017

[Unit: Billion yen]

	FY2016 H1(1)	FY2017 H1(2)	Variance	
			(2)-(1)	Ratio(%)
Net sales	97.4	104.8	7.4	7.6%
Operating income	7.3	9.4	2.1	29.2%
Ordinary income	7.5	9.7	2.2	29.0%
Net income	5.2	6.7	1.5	27.7%

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

*Extraordinary income and loss

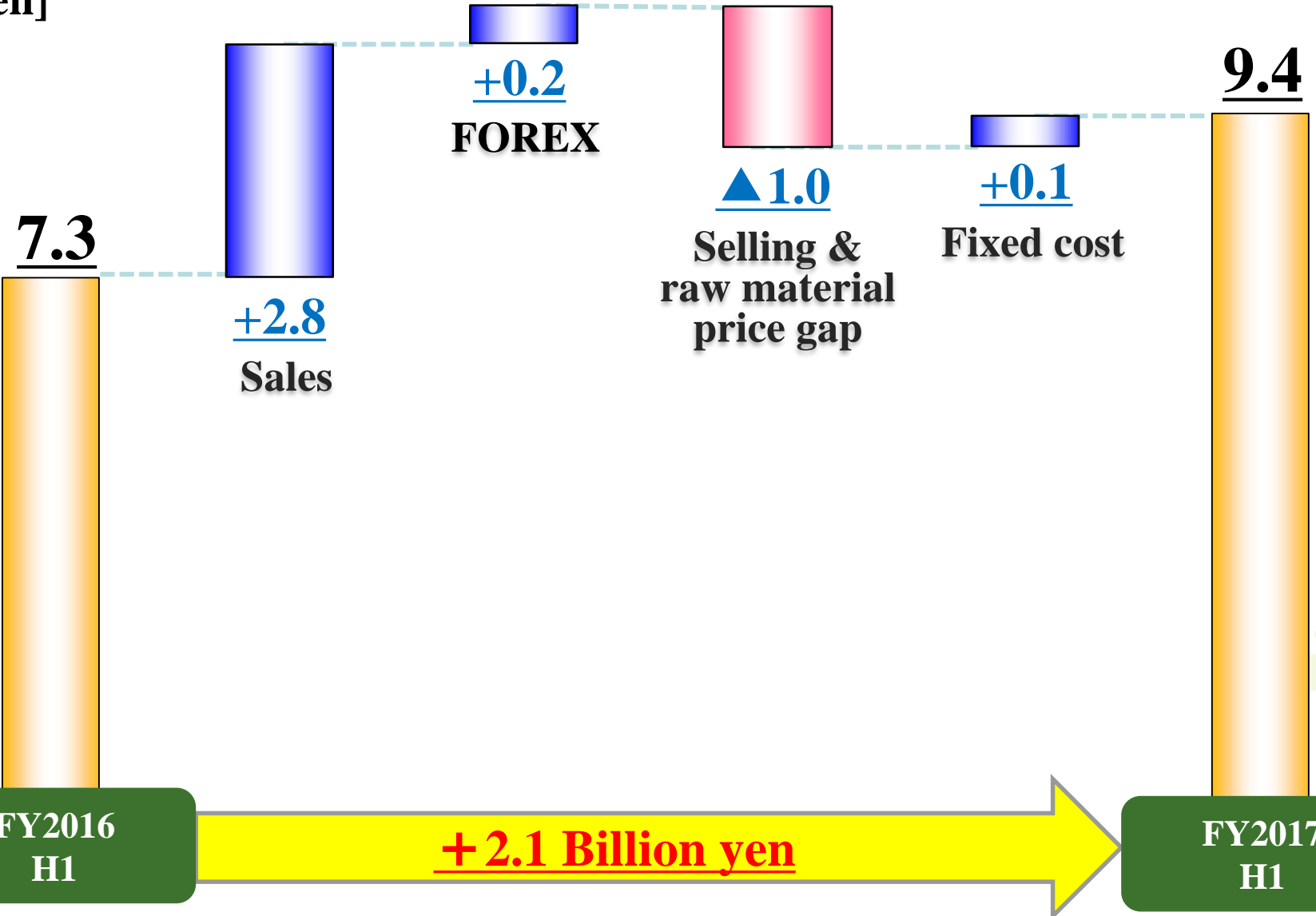
FY2016 H1 = +0.1 billion yen : gain on sales of securities +0.3,
loss on retirement of noncurrent assets (-)0.2

FY2017 H1 = (-)0.2 billion yen : loss on sales of securities (-)0.1,
loss on retirement of noncurrent assets (-)0.1

Analysis of Operating Income (Y/Y)

[Billion yen]

10
8
6
4
2
0

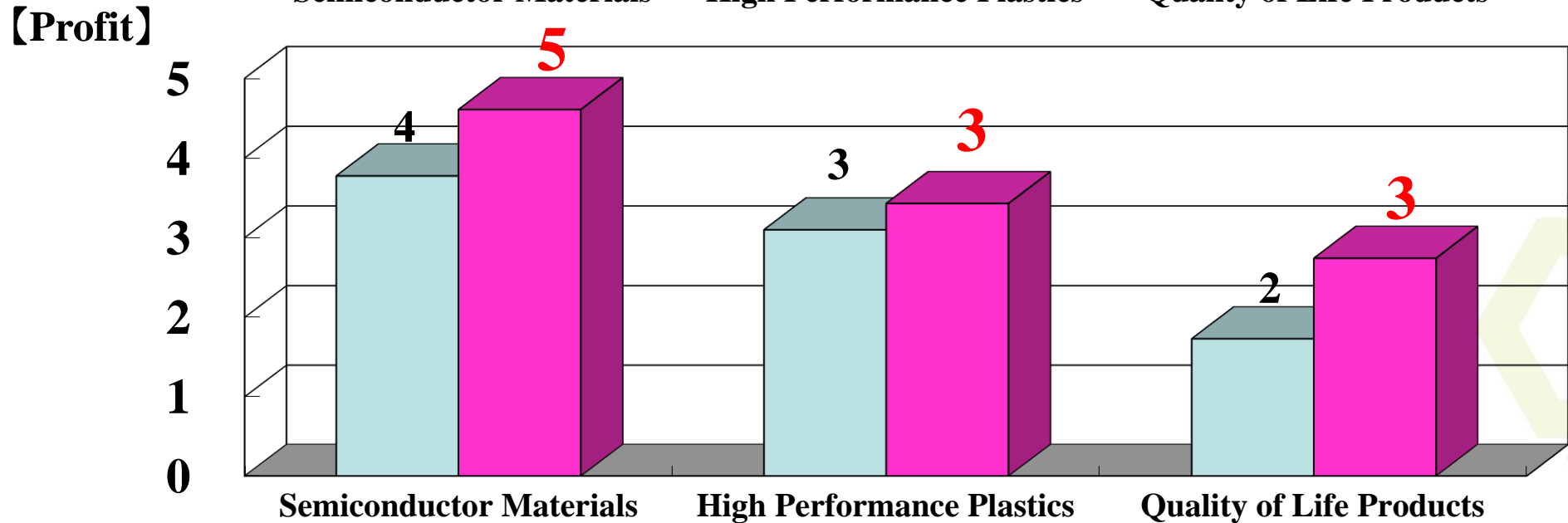
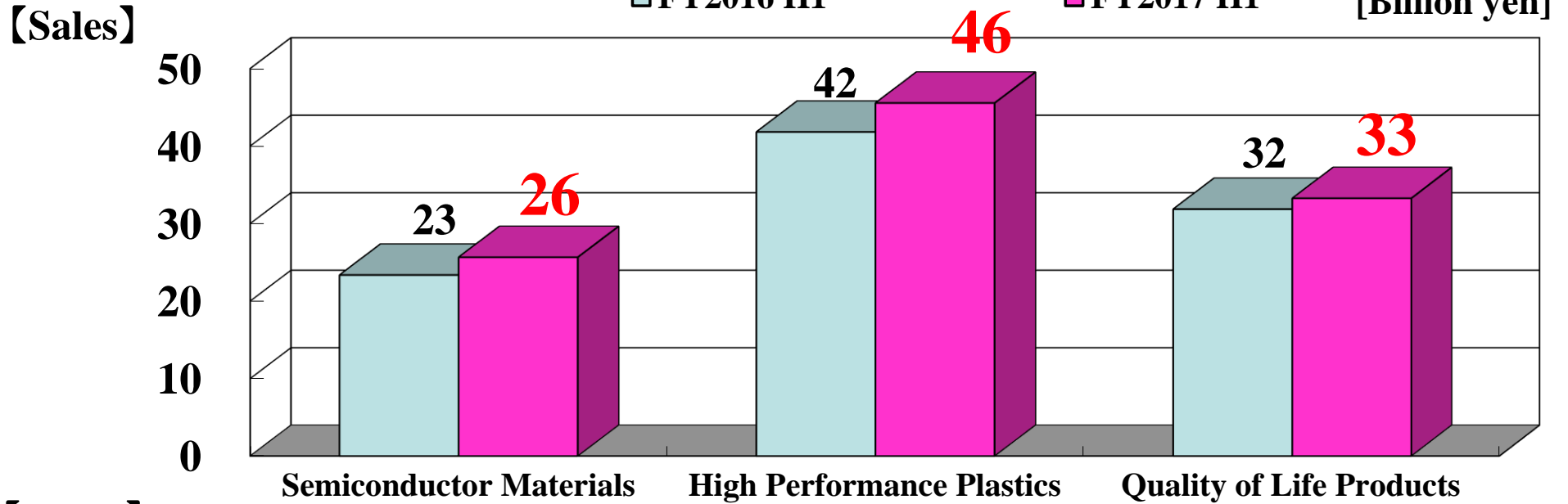


FY2016
H1

+2.1 Billion yen

FY2017
H1

Sales and Profit by Business Segment



Financial Outlook for FY2017

Basic Policy and Target of Mid-term Business Plan

”Evolution”

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

One Sumibe : One Stop Solution

”CS First”

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

More cooperation & collaboration in-house and with outside partners

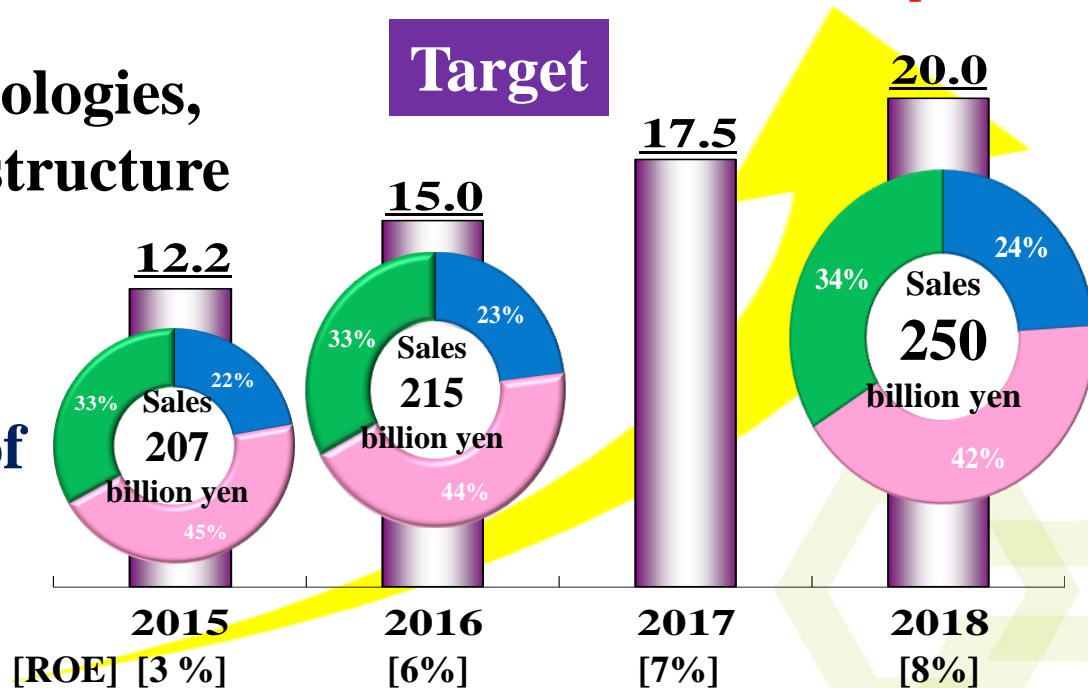
Basic Policy

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

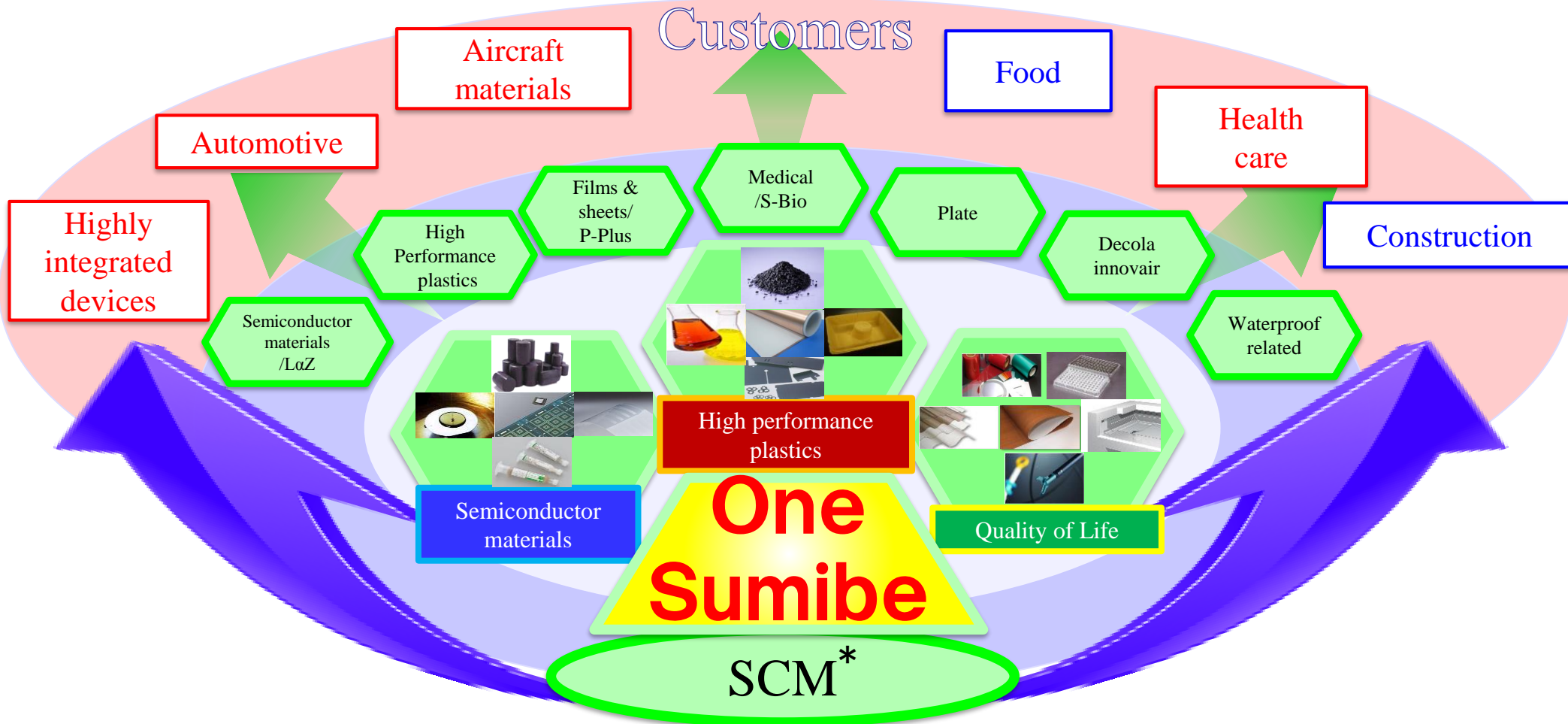
Target



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

Expand Initiative of One Sumibe Company-wide

Expand sales of existing products and generate new development based on company-wide product sales expansion



Expand sales of cross-company products to customers

*SCM=Smart Community Marketing & Developing Division

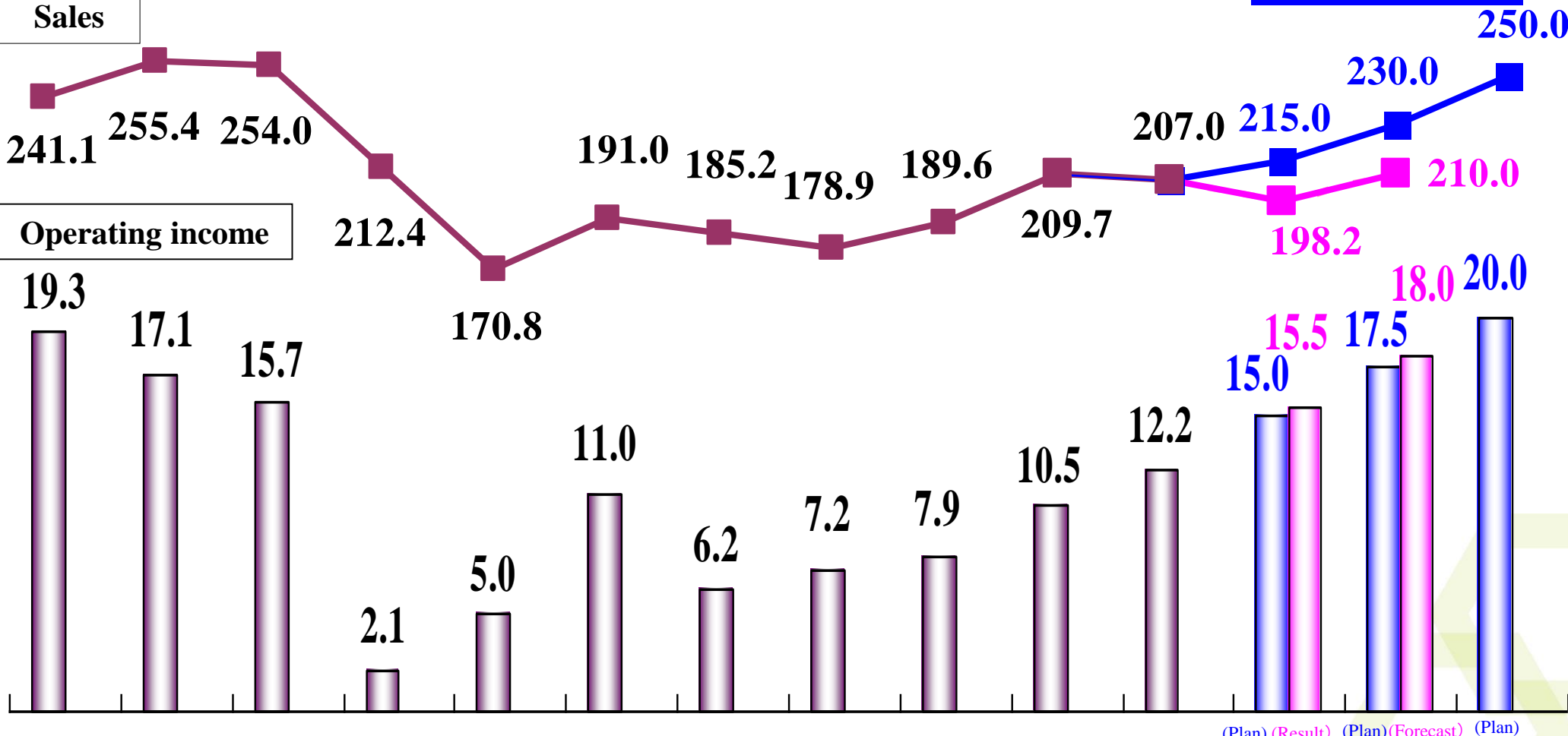
Trend of Financial Results (FY2005-2018)

[Billion yen]

Sales

Mid-term Plan

Operating income



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

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

[Fiscal year]

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 • JPY130/EUR

Priority Measures for Achieving Mid-term Target

1. Semiconductor Materials

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

- Promote local production to ensure absolute advantage
⇒ **Aggressive capex for expanding volume and quality**
- Establish and strengthen sales network in China (including collaboration with CCSB)

▼ Expand business in growth area of automotive applications

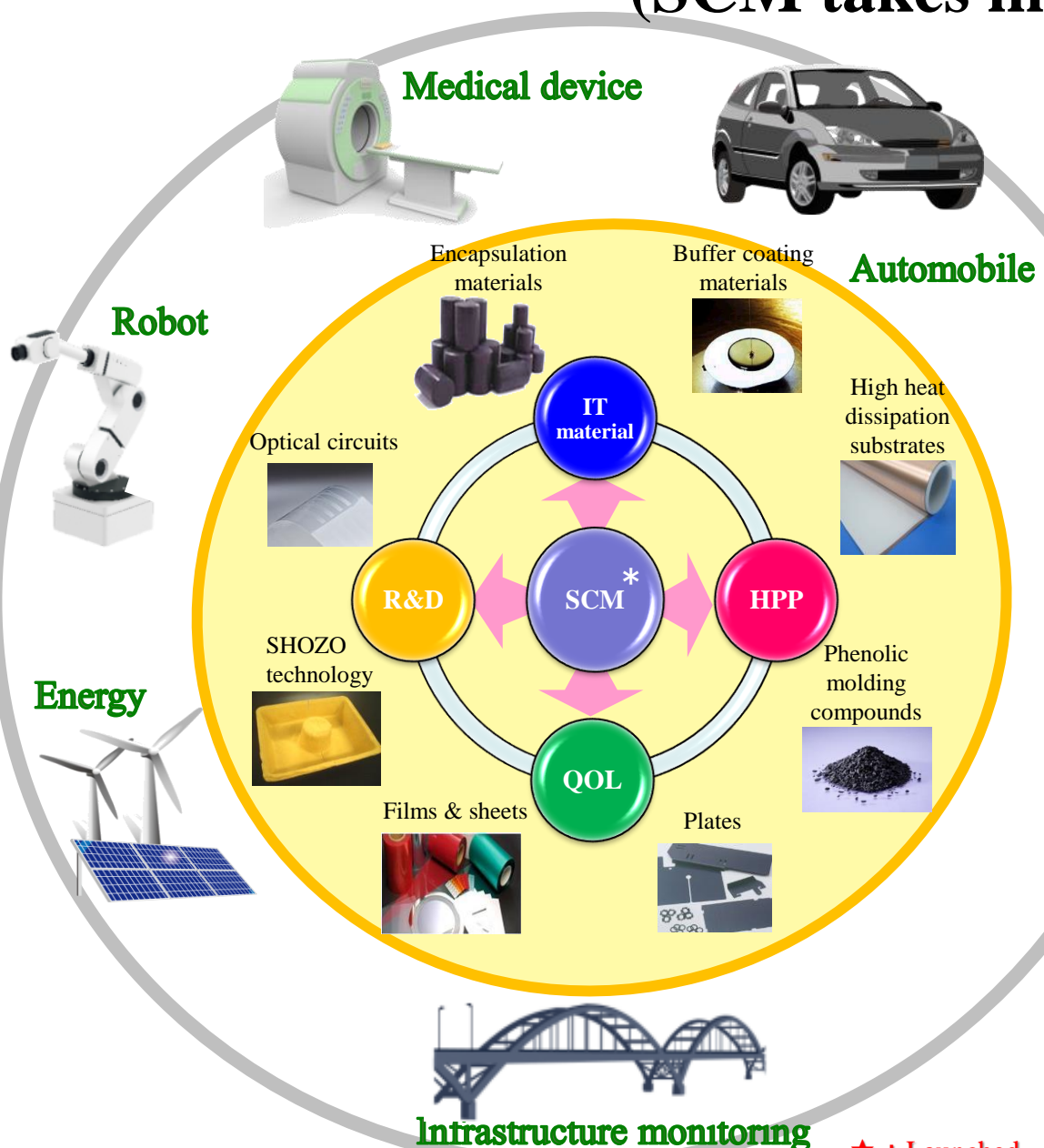
- Strengthen relationships with customers to promote cooperation
- Enhance quality for zero defects

▼ Promote sales of high value-added products

- Mold underfill (MUF) / Granule type for compression molding
- Thoroughly conduct strategy of One Stop Solution
= Propose solutions of combination between encapsulation materials for semiconductors and LaZ packaging materials for semiconductor substrates, etc.



Creating Business in Growth Area (SCM* takes initiative)



▼ Expand Open Lab globally
(already established in Japan, China, ASEAN and Europe.

To be established in US by the end of 2017)

▼ Launched in new applications

EV

Fixing HV/EV motor magnets

Power modules

ADAS

In-vehicle sensors

Camera modules

3D IC encapsulation materials

ECU

One-step encapsulation materials for ECUs

One-step encapsulation materials for ECUs

(for motorcycles)

(for automobiles)

★ : Launched

* SCM = Smart Community Marketing & Developing Division

2. High Performance Plastics

▼ Increase share by enhancing competitiveness

- Global:
 - (1) Resins for tires (tackifiers and reinforcing, etc.)
 - (2) Powertrain components (friction materials and drive unit components, including mechanical parts)
- Europe: Foam resins for housing insulation
- US: Shale drilling-related products

▼ Expand aircraft business and business structure improvement

- China: Vaupell China transferred production from Shenzhen to Dongguan and launch full scale production
- Malaysia: Promote commercialization of aircraft panel business
- US: Study to optimize plant location

▼ Strengthen business structure of low margin products

- Shanghai: Improve earnings by integrating production of molded parts



3. Quality of Life (QOL) – (1)

▼ Medical Device

- Expand business in growth area (minimally invasive treatments)

(1) Endovascular treatments:

Increase product lineup of microcatheters
 ⇒ Receive pharmaceutical approval of ten types (thickness and length) in Japan and enter into market (Jul. 2017)
 Intend to apply for FDA (USA) and CE (Europe)

(2) Endoscopy

- SB knives



⇒ FDA approval (Jul. 2016)
 Sold by Olympus Corporation in North America

- Bile duct stents



⇒ Start sales (Apr. 2017) and explore the hepato-biliary-pancreatic area

- Promote sales and development in bio-related business (drug discovery, regenerative medicine, high-precision diagnostics)

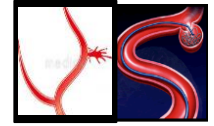
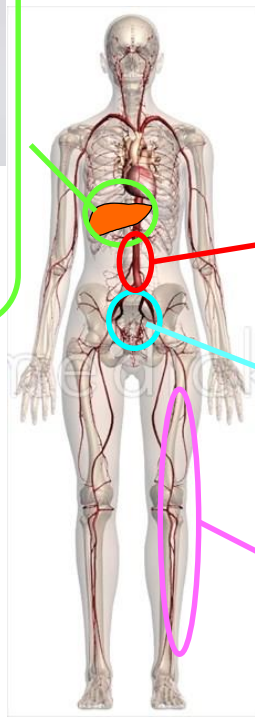
⇒ Cooperation with Vaupell and/or outside partners (Manufacturers of bio related equipment, diagnostic medicine, etc.)

- Explore M&A in cutting-edge medical fields

⇒ Open new office in Silicon Valley

Steerable microcatheter

- Expand range of treatment
- Add ten types



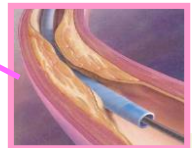
Thrombosis



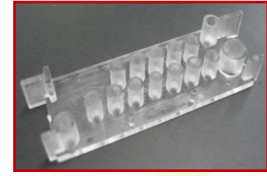
Branching vessels



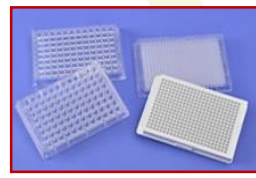
Fibroids



Stenosed vessels



■ Immunodiagnostic chips



■ Cell 3D culture containers

3. Quality of Life (QOL) – (2)

■ Film & sheet

Expand sales of high performance applications and increase profitability overseas

▼ **Medical packaging:** Strengthen product lineup for high moisture proof, expand sales of packaging film for IV fluids and pharmaceuticals of foreign companies

▼ **Industrial films:** Strengthen business in growing area in China (set up a new sales division, promote production transfer, etc.)

▼ **Food packaging:**

(1) Expand applications for new functional products of P-Plus freshness keeping films (fruits & vegetables, cut vegetables, export packaging, etc.)

(2) Meet demands for eco-friendly films and microwavable films for convenience stores



■ Packaging materials for pharmaceuticals



■ Release films for FPC

■ Plate/Decola Innovair/Waterproof related

Change of business to B to B, penetrate into high performance applications

▼ **Plate:** Aggressive sales in area of optics and industrials (eyewear, automobile (HUD cover), etc.)

▼ **Decola Innovair:** Meet demands for railroad carriages

Promote enhance applications in interiors other than elevators

▼ **Waterproof related:** Promote aggressive approach for general contractors, design firms, clients
⇒ Advance into non-residential fields and expand sales in general construction field



■ anti-dew condensation



■ Anti-mold

[R&D] Growth Strategy in 4 Creation Areas



Realizing value in the future of mankind

Dividend

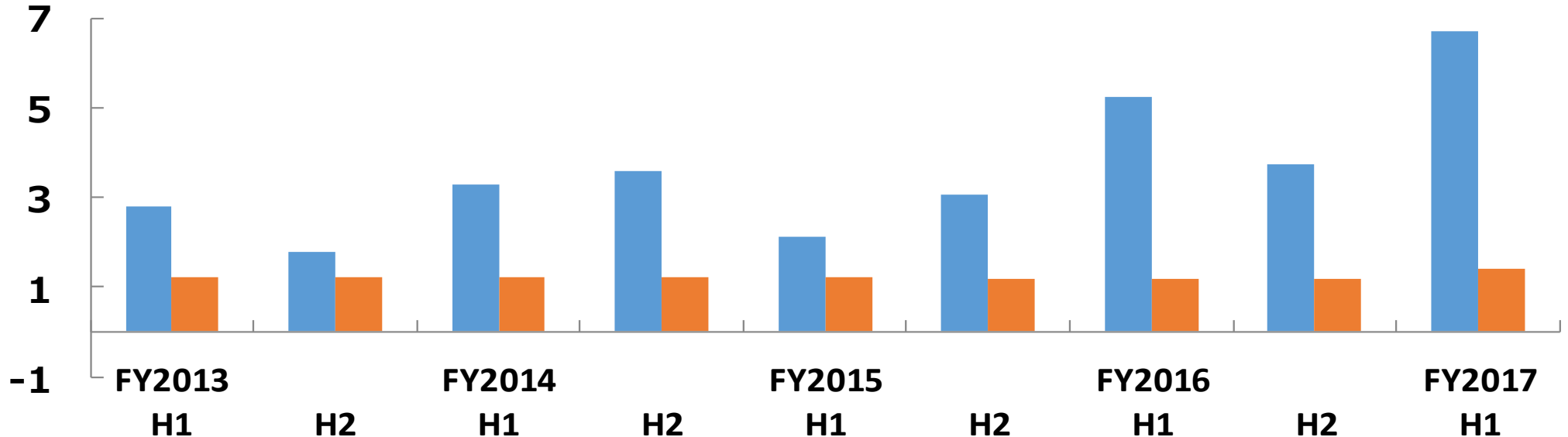
● Dividend : **12.00** yen per share planned

Interim & year-end dividend : 6 yen per share each

[Dividend : JPY/share]

FY13 H1	FY13 H2	FY14 H1	FY14 H2	FY15 H1	FY15 H2	FY16 H1	FY16 H2	FY17 H1
5.00 yen	5.00 yen	5.00 yen	5.00 yen	5.00 yen	5.00 yen	5.00 yen	5.00 yen	6.00 yen

(Billion yen)



Net income
Total divided amount

※ Net income=Excluding actuarial differences of retirement benefit accounting