

**Financial Results of FY2018
and
New Mid-term Business Plan**

May 2019

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President

Financial Results of FY2018

Financial Results of FY 2018 [IFRS]

[Unit : Billion yen]

	FY2017	FY2018	Variance	
	(1)	(2)	(2)-(1)	Raito(%)
Revenue	211.8	213.0	1.1	0.5%
Business Profit	19.3	17.3	-2.0	-10.2%
Operating Profit	18.6	13.6	-5.0	-26.9%
Profit attributable to owners of parent	15.1	15.1	0.0	0.0%

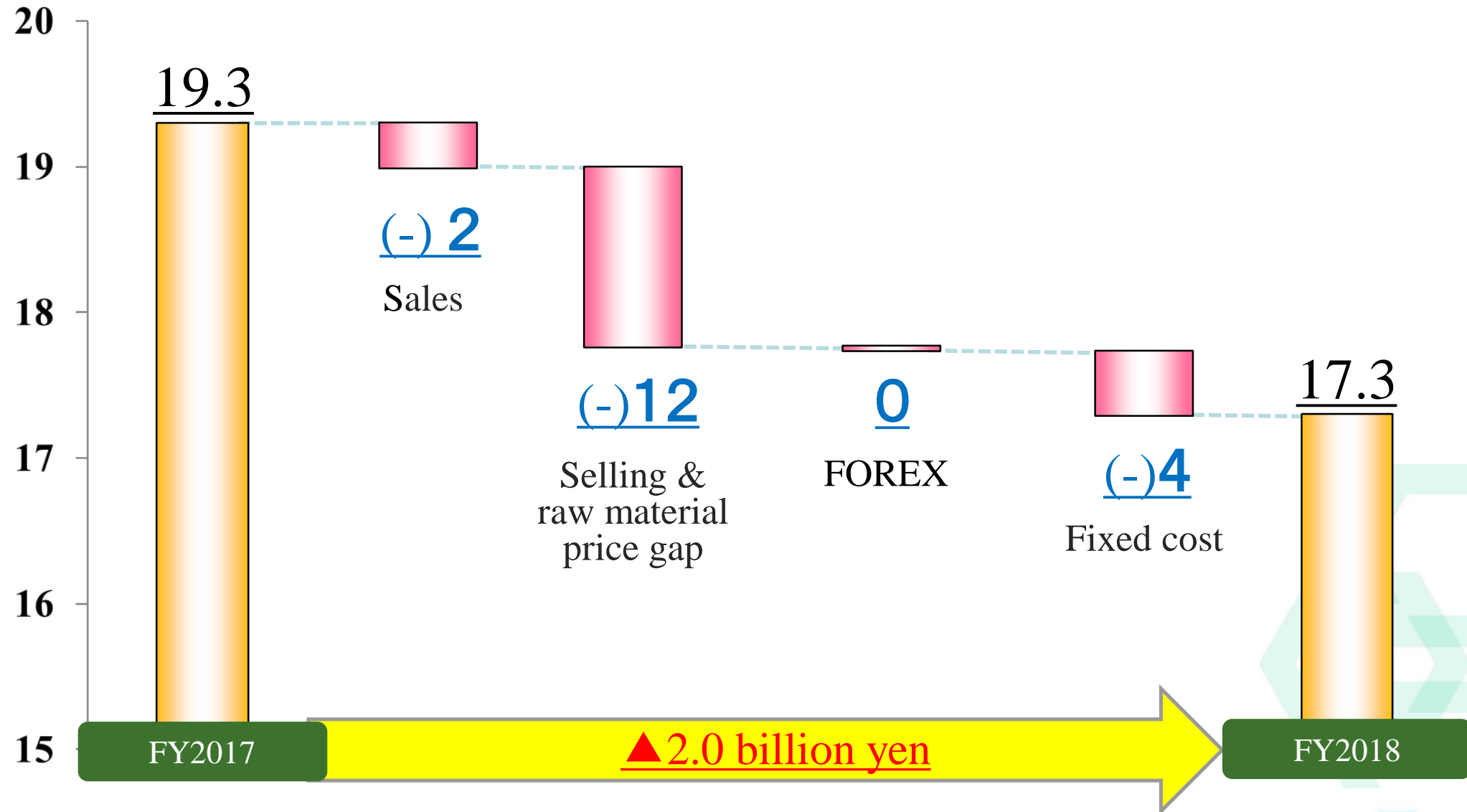
FOREX

JPY / USD	110.81	110.69	*****	*****
JPY / EUR	129.45	128.43	*****	*****

*"Business profit" is calculated by deducting "Cost of sales" and "Selling, general and administrative expenses" from "Revenue"

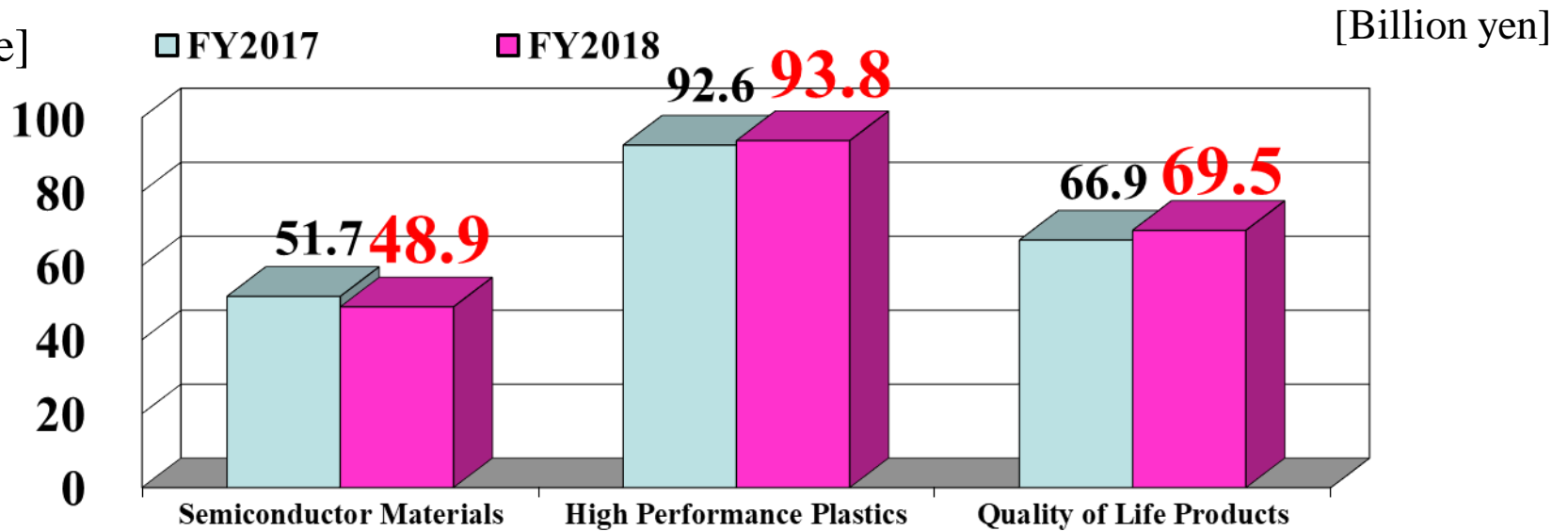
Analysis of Business Profit (Y/Y) [IFRS]

[Billion yen]

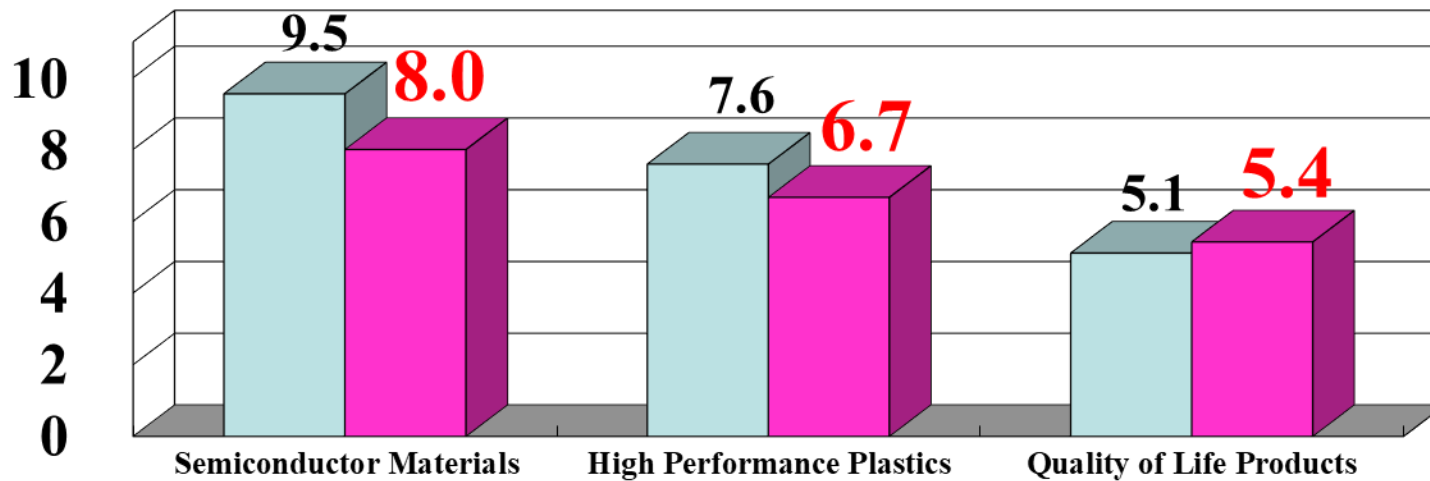


Sales Revenue and Business Profit by Business Segment [IFRS]

[Sales Revenue]

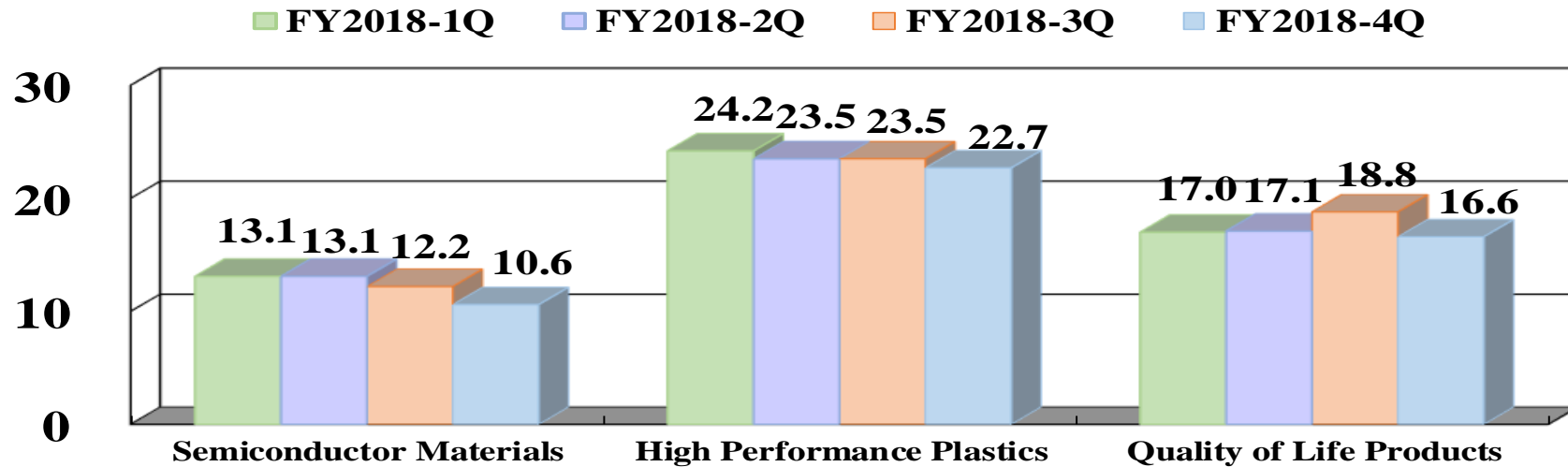


[Business Profit]



Quarterly Sales by Business Segment

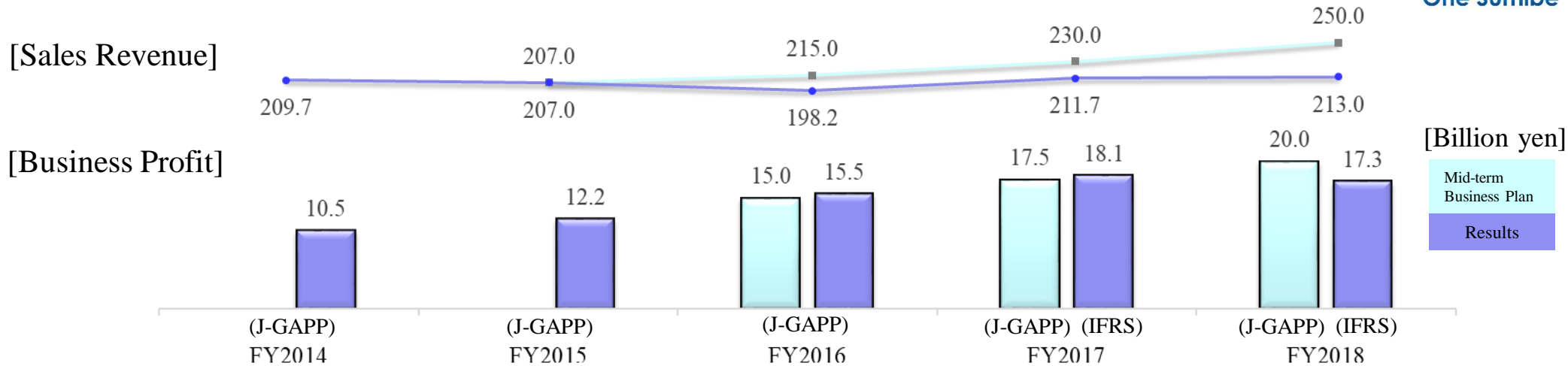
[Billion yen]



- In Semiconductor materials, encapsulation materials, which is a key product of this segment, drastically declined from Q3 and showed YoY declines.
- High performance plastics were weak, particularly for automotive use, after Q3 with the effect of summer vacation in Q2.
- Quality of life products grew in Q3 for special demands due to natural disaster and were firm in FY2018 entirely.

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

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



Sales diverged from year one of the medium-term plan, while profits continued to grow up to year two, but fell sharply in the final year

Basic strategy

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

⇒ *poor*

⇒ *fair*

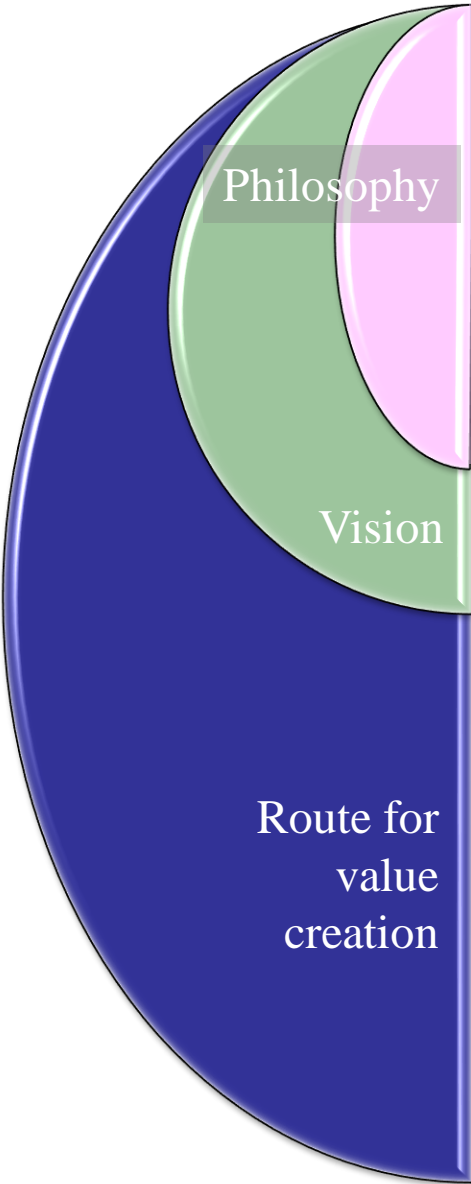
⇒ *good*

Results

- Delay in contribution of new products
- Expand demands for automotive products, but decline from H2 FY18
- Weak demand for aerospace materials due to production adjustment of major customers
- Adjustments of employees both in Japan and overseas
- Optimization of domestic and overseas manufacturing bases and sales structures
- Shrinkage/withdrawal from low-profit businesses

Outline of New Mid-term Business Plan (FY2019-FY2021)

Outline of New Mid-term Business Plan (1)



Business Philosophy

Our company places prime importance on trust and sureness, and shall commit itself to contributing to the progress of society and enhancement of people’s welfare and livelihood through its business activities.

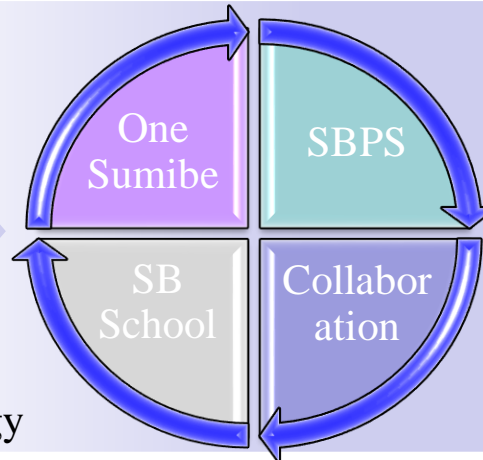


Realization of ultimate potential needs in SDGs (Sustainable Development Goals) is in line with our business policy

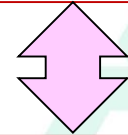
Aiming to become “a purveyor of dreams (happiness) for the future” by expanding the possibilities of plastic and creating value for our clients

< Core competencies > SDGs & CS First

- Core Tech.
- Material technology (Composition /Functional modification /Monomer or polymer synthesis)
 - Process design
 - Evaluation technology



Creation of business opportunities



Solutions or contributions to social issues

*SBPS: Sumitomo Bakelite Production System

Outline of a New Mid-term Business Plan (2)

■ Basic Policy

Aiming at “Top shares in niche markets” in the functional chemical sectors as well as expanding our business by implementing “One Sumibe” activities in line with the SDGs.

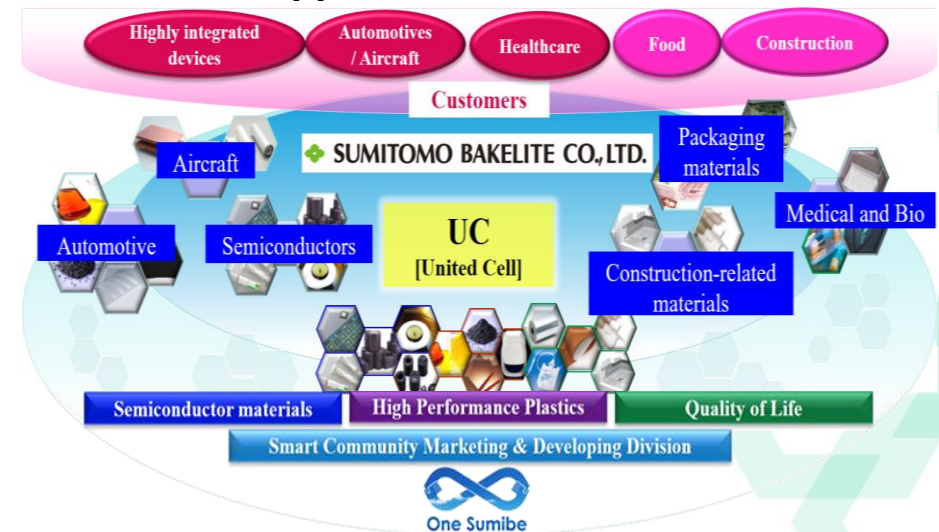
Promote SDGs activities focusing on our priority targets (Target 5 + 1)



SUSTAINABLE
DEVELOPMENT
GOALS

Develop “One Sumibe” activities worldwide

- Provide cross-company value to customers
- Create customers’ potential needs and business opportunities



Outline of New Mid-term Business Plan (3)

<Basic strategy>

- ① Develop new products with competitive advantage, aiming at their prompt contribution
- ② Increase profitability of existing products, expand their field (applications and geographical areas)
- ③ Proactive strategic investment in growth areas (M&A etc.)

<Targets>

FY2021 (The final fiscal year of mid-term business plan)

Sales Revenue JPY250 bil.

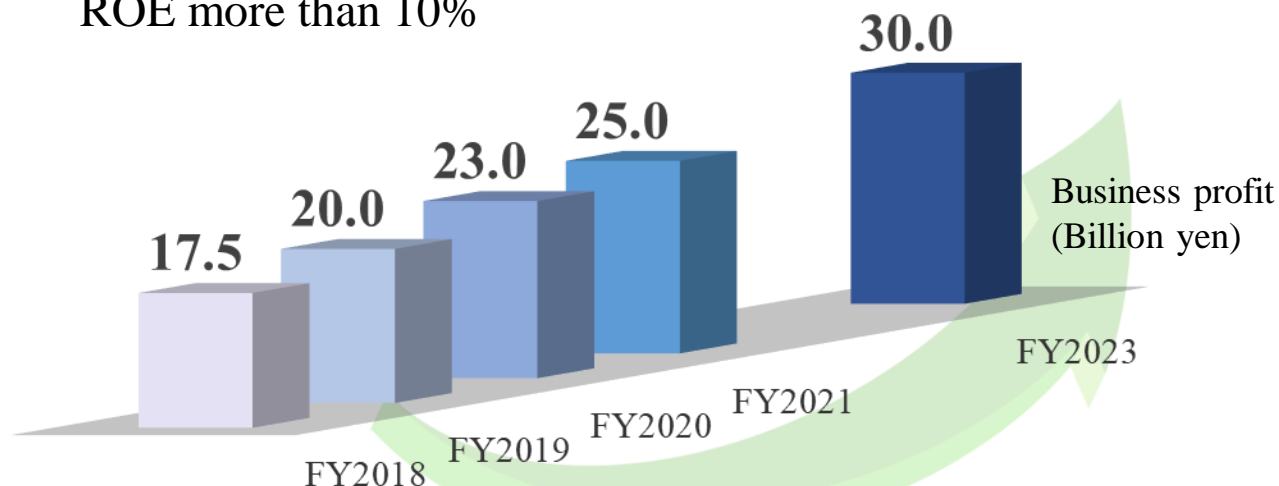
Business profit JPY 25 bil.

ROE more than 10%

FY2023

Sales Revenue JPY300 bil.

Business profit JPY 30 bil. <



Environment surrounding our Business

Social situation

- Economic slowdown caused by US-China trade friction, political fears caused by UK's Brexit etc. have created uncertain outlook.

Material cost

- Prices for natural resources and petrochemical inputs volatile but on gradual rising trend.

Electronics

- Smartphones affected by cooling in Chinese market and unpopularity of new models, PCs affected by supply problems at major CPU producer, and servers weak on postponed investments by GAFA
- Still no full recovery, but we expect 5G to stimulate demand from 2020.

Automotive

- Although North America has peaked the market, there remains firm, but Europe weak on introduction of new fuel test (WLTP) from September 2018 and China also weak on economic slowdown.

Housing market (Japan)

- New housing starts sluggish, mainly on fall in rental unit starts. Demand impact expected from rush to beat consumption tax increase.

Financial Outlook for FY2019 [IFRS]

[Unit : Billion yen]

	FY2018	FY2019	Variance	
	(1)	(2)	(2)-(1)	Raito(%)
Revenue	213.0	220.0	7.0	3.3%
Business Profit	17.3	20.0	2.7	15.7%
Profit attributable to owners of parent	15.1	15.1	0.0	0.1%

FOREX

JPY / USD	110.69	110.00	*****	*****
JPY / EUR	128.43	125.00	*****	*****

*"Business profit" is calculated by deducting "Cost of sales" and "Selling, general and administrative expenses" from "Revenue"

Priority Measures for Achieving New Mid-term Target

1. Semiconductor Materials

Offer new values to smart community by our semiconductor materials technology

- Create new markets and expand volumes in growth sectors like automotive-use



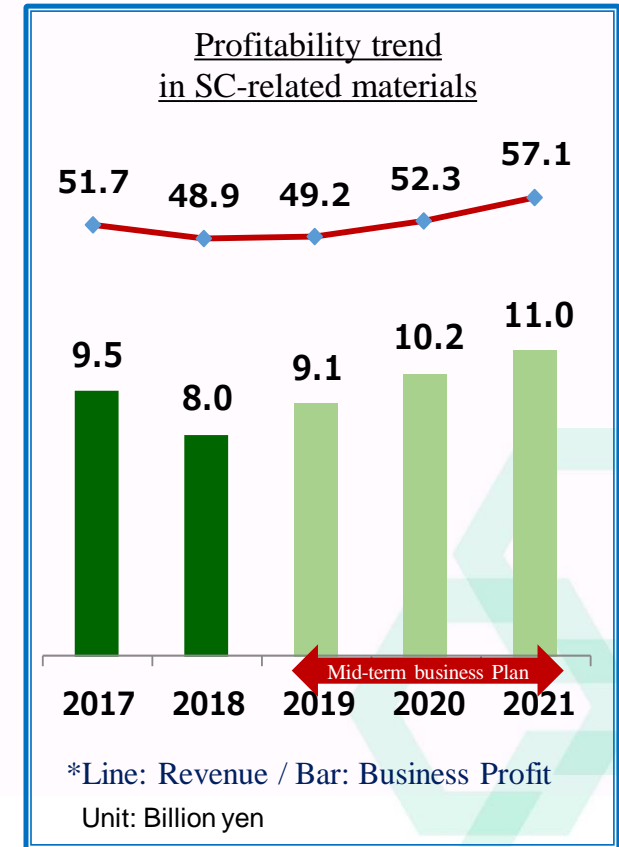
- (1) Increase share by integrating manufacturing, sales and R&D forces

Epoxy encapsulation materials (EME):
Worldwide share 40%+ (target)

- (2) Promote take-up through “open lab + strengthened external collaborations”
(Japan, Europe, North America, China, Singapore and Taiwan)
- (3) Strengthen competitive advantage by promotion of zero defects

- Increase line-up in highly-integrated device field

- (1) Expand applications for MUF/ granule-type encapsulation materials for compression molding
- (2) Strengthen development of advanced packaging materials (5G-related materials, power SC-related materials etc.)



2. High Performance Plastics

Contribute to solving environmental problems through strengthening our business by focusing on products with competitive advantage

- Expand sales and extend geographical reach for our 3 global strategic products and regional competitive-advantage products



[3 Global strategic products]



Molding compounds for brake piston



Phenolic Resin for tires



Phenolic Resin for friction

[Regional competitive-advantage products]

[North America]



Molding compounds for frac plug / Phenolic resin for frac sand

[Europe]

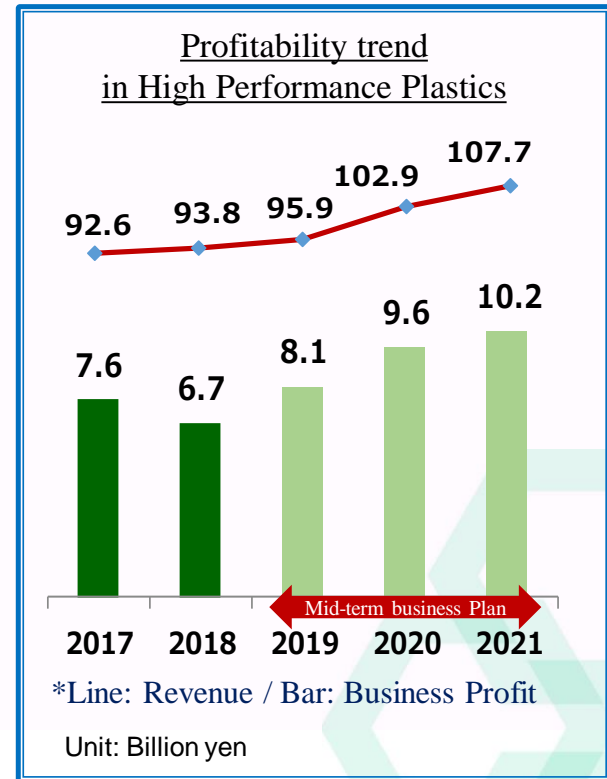


Foam resins for housing insulation

[Asia]



Materials for electronic parts (bobbin, commutators, etc.) / Phenolic resin for photoresist



- Strengthen business platform and expand territory in aerospace field

- Streamline business by adjusting Vaupell sites in North America
- Expand non-Boeing customer base (including aftermarket)
- Offer from materials to assembly through synergies among all SB components



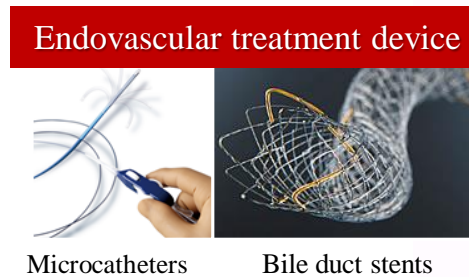
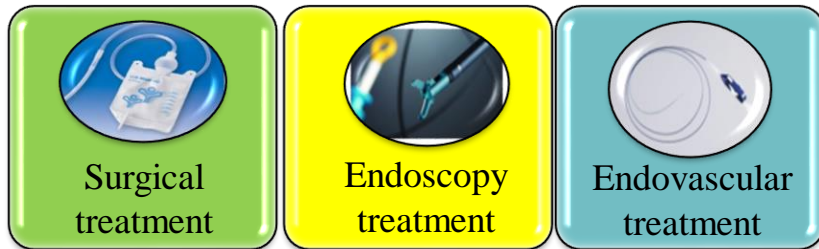
3. Quality of Life (QOL)

Contribute to solving problems in people's lives by offering high functionality

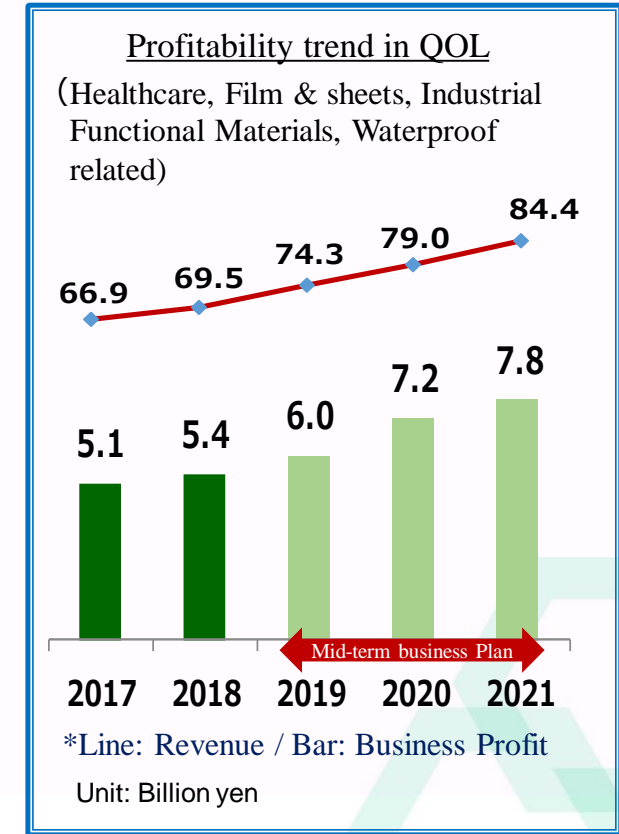
[Healthcare]



- Active development of growth areas (low-invasive treatments)
 - ⇒ Shift to advanced management medical devices (class III/IV)
 - (1) Strengthen line-up of catheters, stents etc.
 - (2) Capital and business alliance with Kawasumi Laboratories, Inc.
- Responding with upgraded and specialized medical devices
 - ⇒ Reorganization of sales structure from regional to product-based



- Expanding business worldwide through external collaborations and cooperations
 - [Medical]: Olympus (US) , Merit Medical etc.
 - [Bio] : Start of sales by SB Bioscience in April 2019
(Joint company with Sumitomo Dainippon Pharma Co., LTD.)



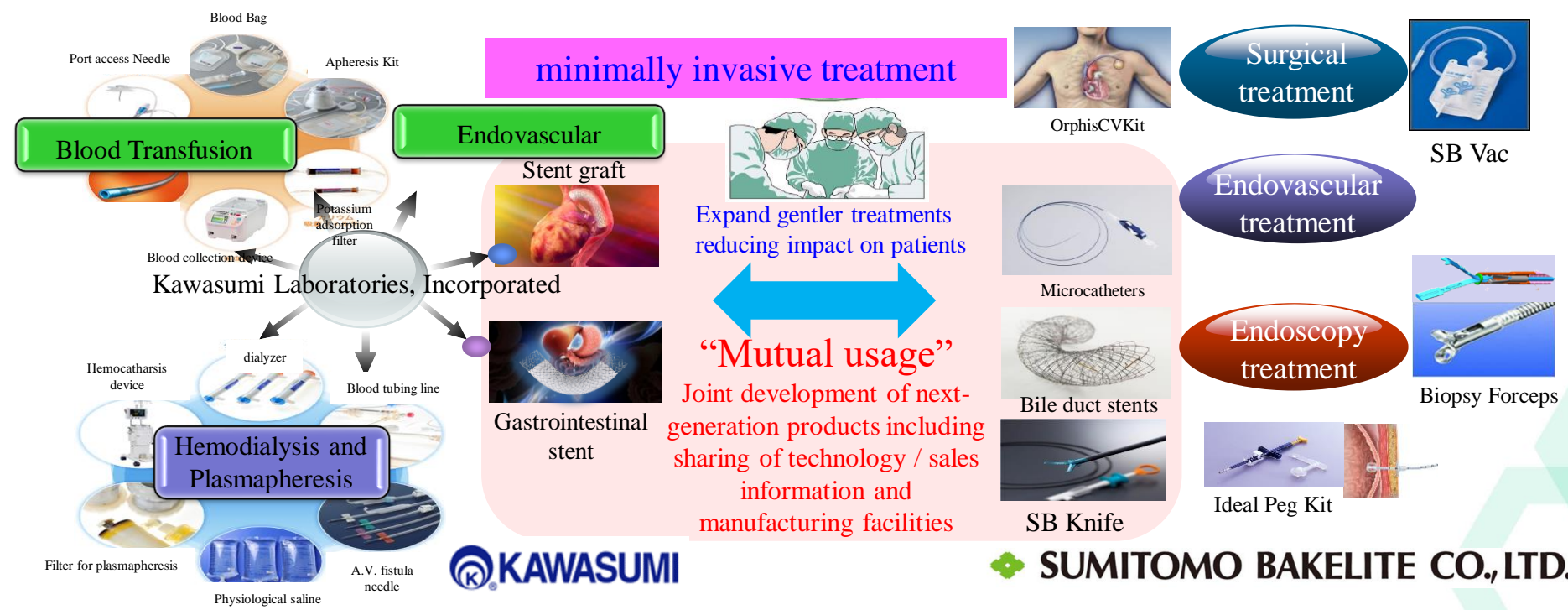
[topics] Capital and business alliance with Kawasumi Laboratories, Inc.



Acquired 23% (voting rights basis) of equity in Kawasumi Laboratories from existing shareholders, concluded contract (20/3/19) for capital and business alliance in medical device products business

[Main details of alliance]

Sharing of information and facilities for medical device products both in Japan and overseas, discussions and consideration of joint R&D on next-generation products



Seeing intra-vascular treatments and gastrointestinal as growth fields, we aim to expand business scale by promoting collaboration through this alliance, sharing sales information and R&D

[Films & sheets]

• Medical

- (1) Expand domestic and overseas sales of highly moisture-proof sheets
 - (2) Development and sales expansion in functional medical packaging materials
- ⇒ Expand sales of sterile packaging and easy-peel technology through customization



Pharmaceutical packaging

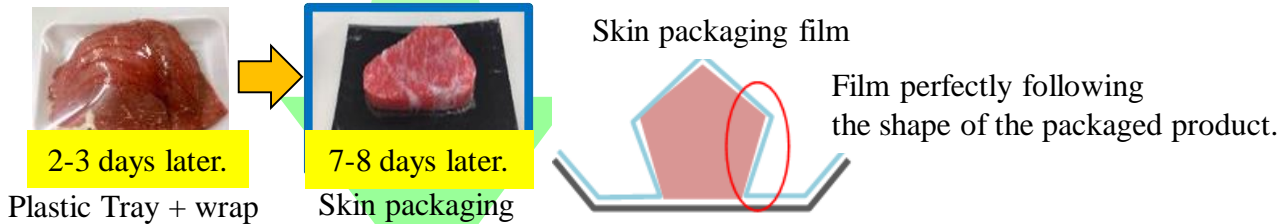


Infusion packaging

• Food

Find synergies by combining freshness keeping film “P-Plus” and food packaging

- ⇒ Expand fields from fruit and veg, ham and sausage packaging to fresh meat, seafood and ready meals
- (For Example) fresh meat: **Extend use-by dates / Reduce packaging**



Lower costs by reducing food and packaging waste

• Industrial

Make full-fledged entry to a local company through full use of China (Nantong) production base



Cover tape




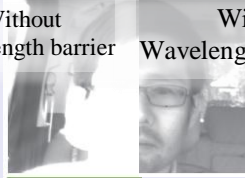


Dicing film

Release film for FPC



[Industrial Functional Materials/ Waterproof related]

- Switch business to high value-added segments
(Industrial Functional Materials)
Release products with competitive advantage / high profitability

<p>HUD (Head Up Display)</p> <p>3 GOOD HEALTH AND WELL-BEING</p> <p>High durability/Optical controls/Weather resistance Cut light and heat from sun to improve windscreen display</p>  <p>Display of scenery ahead seems to float</p>  <p>Filter for HUD</p>	<p>Windshield for motorcycle</p> <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> <p>Impact resistance/ Damage resistance</p> 	<p>Camera / Sensor</p> <p>3 GOOD HEALTH AND WELL-BEING</p> <p>High durability/Optical controls Reduce external light interference and only admit necessary light</p> <p>Without Wavelength barrier With Wavelength barrier</p>   <p>Wavelength selective barrier sheet</p>	<p>Eyewear</p> <p>8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES</p> <p>High durability/Optical controls Intercept scattered light from reflections and allow natural light through</p>  <p>Optical control/Polarizing plate</p>
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(Waterproof related)

Strengthen line-up of differentiated items like high-durability products
⇒ Expand sales of roof waterproofing and insulation panels / SUMIROOF DN



7 AFFORDABLE AND CLEAN ENERGY

High durability/High heat resistance
Passed fire-resistance test by combining PVC-coated steel sheets with insulation panels

- Strengthen and expand construction materials / B2B business
 - (1) Strengthen relationships and collaborations with customer
(End-clients, architects, contractors, railway cos.)
 - (2) Expand sales to large surface area users (Apartment blocks, factories, warehouses) and to housing refurbishment market

Measures for Research and Development

R&D to contribute to sales of ¥300bn

Products really wanted by customers and accepted by society, and development of the necessary technology for them

Concepts based on our areas of business focus



Highly integrated devices

Automotive/Aircraft

Healthcare



Concept that what the world needs equals the ultimate latent demand

SDG-focussed segments
(Target 5 + 1)



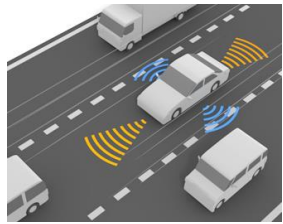
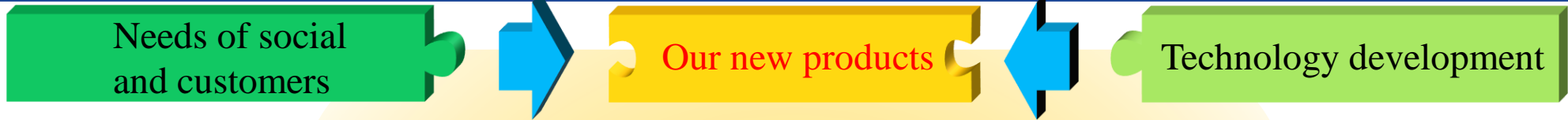
- Assessment based on market growth rate * market size
- Interview clients and make assessments in collaboration with related departments
- Clarify the functionality offering competitive advantage (= the USP) for each product



Identify and plan research themes with a sense of urgency, linking them to business opportunities

Aiming for prompt commercialization of key development themes

Clarify necessary functionality and actively collaborate across internal divisions and externally to accelerate development



- Safe and secure
- Advanced driver-assistance systems

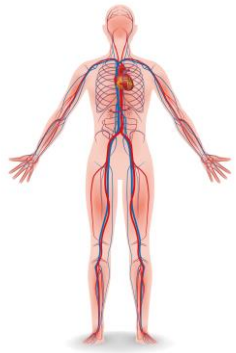


- Ultra-high-speed, low-latency communication

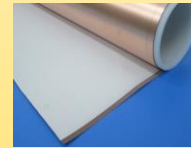
- Non-destructive sensing

- Point of care

- Minimally invasive treatment



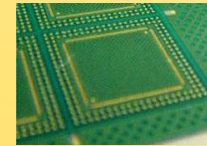
Molding compound
For ECU/TCU



High heat
dissipation



For antenna



Low-permittivity
substrate



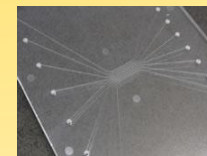
Light harness



Stretchable circuit



Biliary stents



Microfluidics

- Development new Functional Chemical Products

- └ Insulating Heat Dissipative material ($>20\text{W/m}\cdot\text{K}$)
- └ low-loss resin material
- └ Flame retardancy
- └ ...



- Development of composite technology and new process

- └ High moisture barrier sheets
- └ Electromagnetic shield
- └ ...



- Industry-academia collaboration

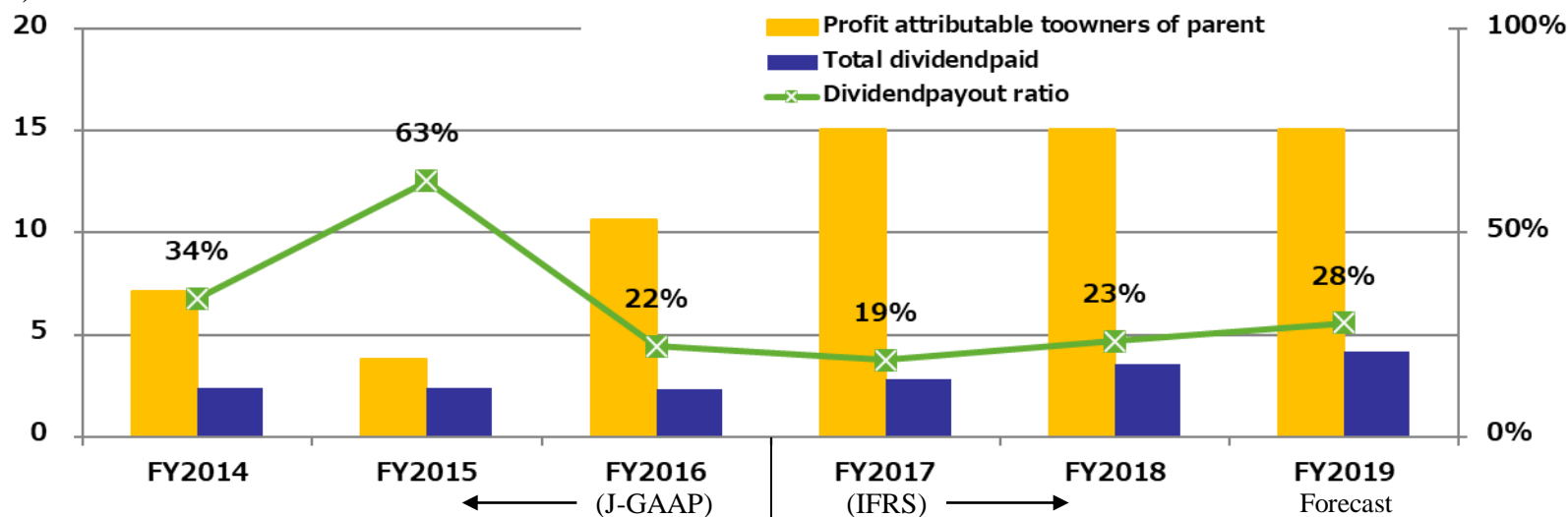
Capital policy

Shareholder Returns

Dividend: 90.00 yen per share (Interim 45.00yen, Year-end 45.00 yen)

Our principle is to maintain a stable dividend based on an overall consideration of the Strengthening of existing businesses, strategic investments aimed at future growth, financial structure, profit levels etc.

(Billion yen)



(yen par share)	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Interim	5.00	5.00	5.00	6.00	7.50	45.00
Year-end	5.00	5.00	5.00	6.00	7.50	45.00
Total	10.00	10.00	10.00	12.00	15.00	90.00

*1-for-5 reverse stock split carried out in October 2018, but FY2018 figures shown on pre-split basis