

Interim Financial Results of FY2018

November 2018

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President

Summary of Interim Financial Results

Financial Results for 1st Half of FY 2018



[Unit : Billion yen]

	FY2017 H1 (1)	FY2018 H1 (2)	Variance	
			(2)-(1)	Raito(%)
Revenue	104.9	108.3	3.5	3.3%
Business Profit	10.2	9.5	-0.7	-6.8%
Operating Profit	10.0	9.1	-0.8	-8.5%
Profit attributable to owners of parent	7.6	7.0	-0.6	-8.1%

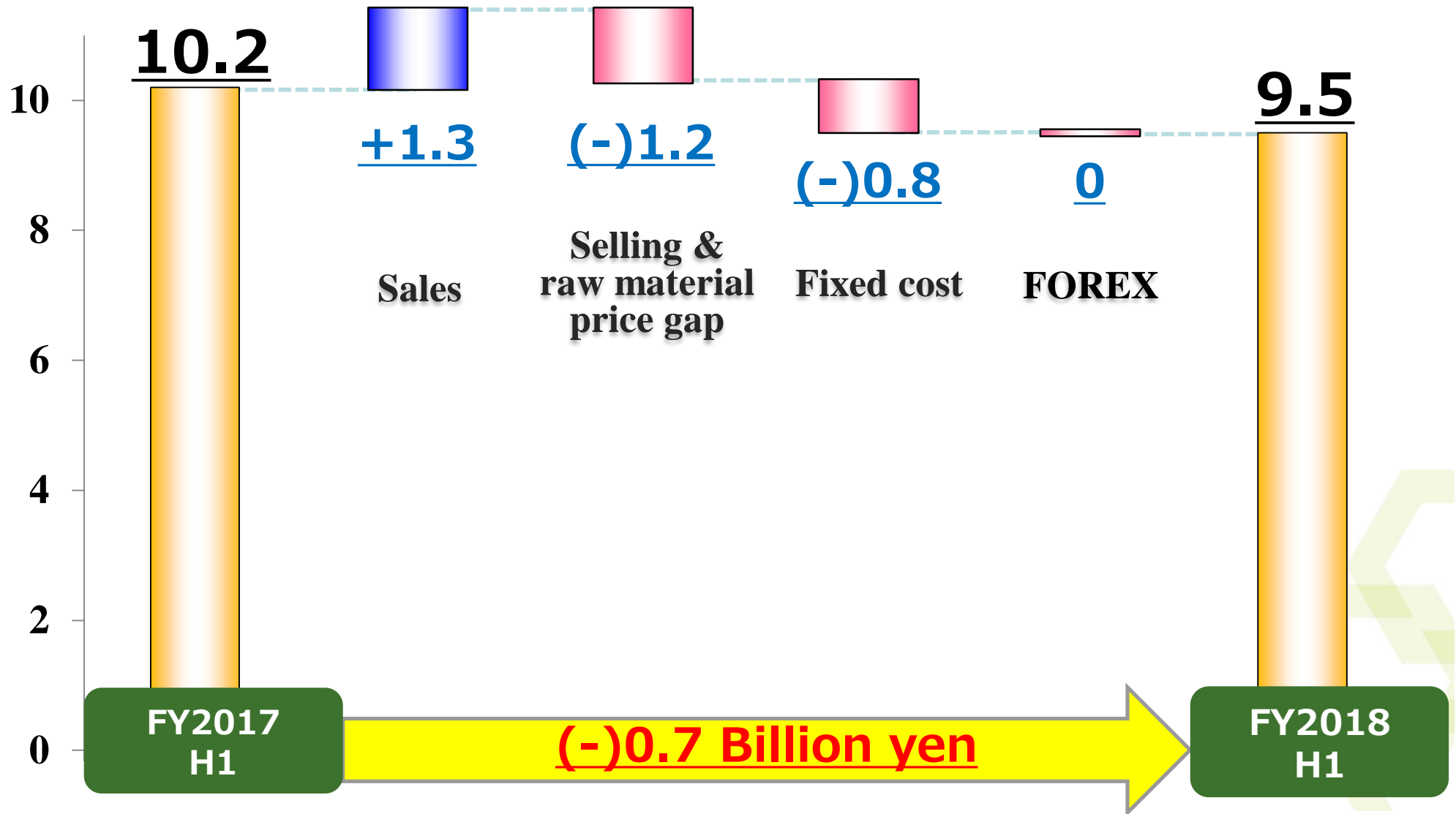
FOREX

JPY / USD	111.42	110.07	*****	*****
JPY / EUR	126.63	129.88	*****	*****

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

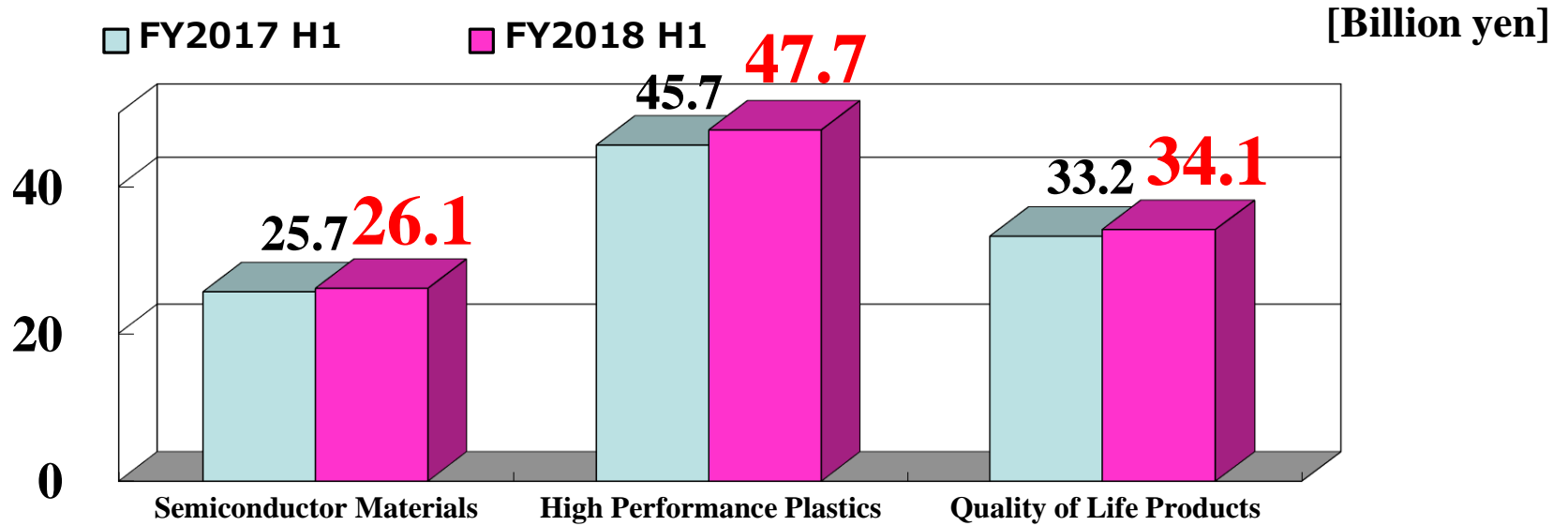
Analysis of Business Profit (Y/Y) [IFRS]

[Billion yen]

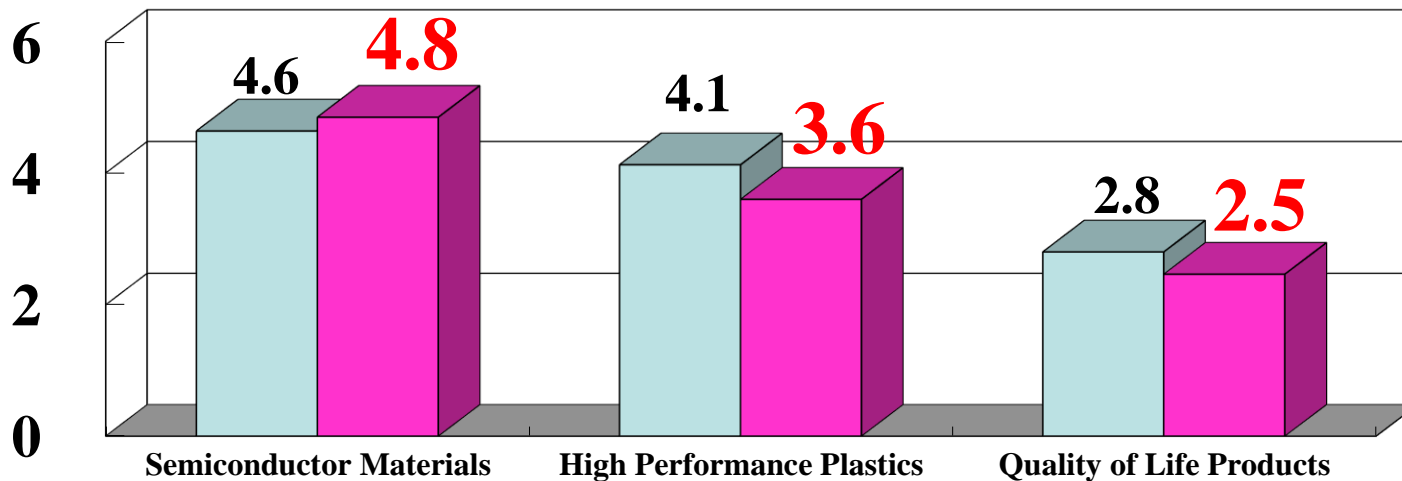


Revenue and Business Profit by Business Segment [IFRS]

【Revenue】



【Business Profit】



Financial Outlook for FY2018

Basic Policy and Target

Basic Policy

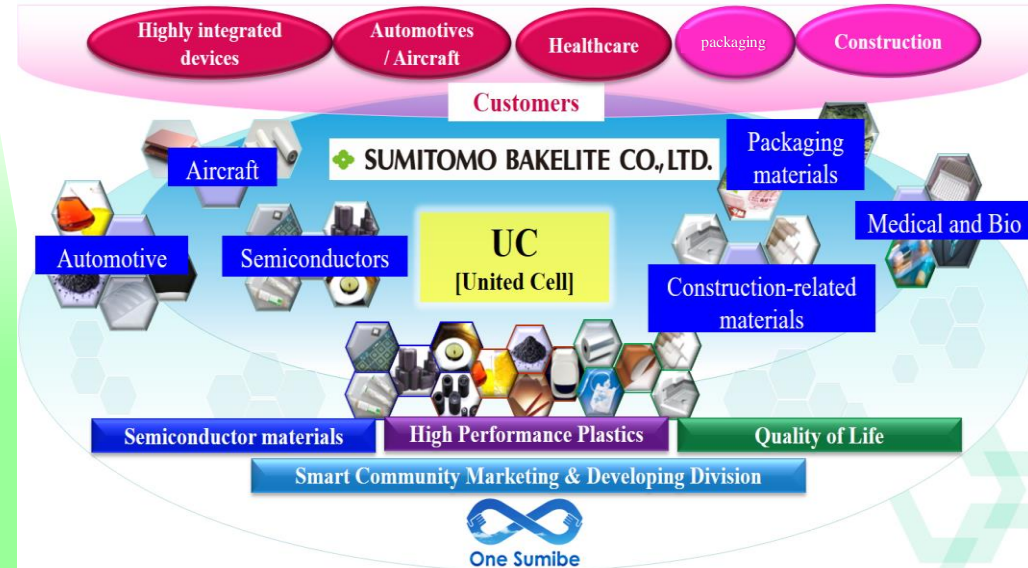
Leverage fundamental plastics technologies, to build more value-added business structure

Basic strategy

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

Develop “One Sumibe” activities worldwide based on concept of “CS First”

- Provide cross-company value to customers
- Customers’ latent needs and creation of business opportunities



~We aim to be~

A purveyor of dreams (happiness) for the future

Our aim: “a purveyor of dreams for the future”



- **Top-shares in Niche market**

- **Targets (FY2023)**

Revenue	JPY300 bil.
Business profit	JPY 30 bil. <

- **Expand business scale**

- (1) Expand business by developing new applications and customers for existing products
- (2) Development and commercialisation of new products where we have market position and competitive advantage
- (3) Active strategic investment (M&A etc.)

- **Promotion of SDGs (Sustainable Development Goals)**

- (1) In solving social problems through our business we aim to enhance not just economic value but also societal value
- (2) We will set targets, reflect them in our mid-term business plans, and work together as a company to achieve them



Financial Outlook for FY2018 [IFRS]

[Unit : Billion yen]

	FY2017	FY2018	Variance	
	(1)	(2)	(2)-(1)	Raito(%)
Revenue	211.8	220.0	8.2	3.9%
Business Profit	19.3	20.0	0.7	3.9%
Profit attributable to owners of parent	15.1	14.5	-0.6	-3.8%

FOREX

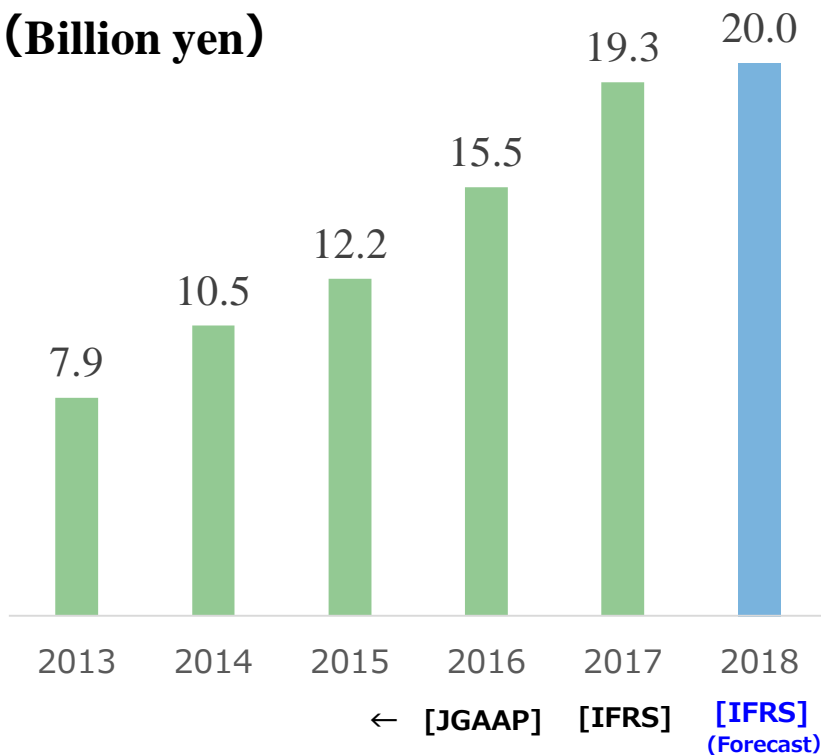
JPY / USD	110.81	110.00	*****	*****
JPY / EUR	129.45	130.00	*****	*****

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

Aiming to achieve target profits in FY2018

[Trends in Business Profit]

(Billion yen)



■ Industry environment (risks)

- Spreads reduced by further rises in material prices
- Economic impact from US-China trade war
- Unpredictable impact from FX moves

■ Business improvement plan targets (against H1)

- Cost reductions : +JPY 1 billion
- Spread improvement from adjusted selling prices : +JPY 0.3 billion

We aim to achieve our profit targets by thorough implementation of our business improvement plans, and some increase in share from sales expansion!

Priority Measures in 2nd Half of FY2018

1. Semiconductor Materials

(1) Increased **quality** and **volume** by integrating manufacturing, sales and R&D forces (Target share for SUMIKON EME: 40% share)

- ▼ Strengthen CS function in each location
 - China : Develop and strengthen sales network (including tie-up with CCSB)
 - Taiwan : Strengthen functions by establishing Open Lab, collaborate with external partners (for advanced packaging)
- ▼ Business expansion in growth areas
 - Automotive : Differentiation through zero defects
Expansion of new applications for ECU encapsulation products etc.
 - IoT (5G-related) : low induction-loss materials etc.



photosensitive CRC
Utunomiya Plant

(2) Promote sales of high value-added products

- ▼ MUF (Mold Underfill) / expand sales of granule type encapsulation materials for compression molding
- ▼ Increase production capacity in photosensitive CRC
...Expand sales for buffer coats and rewiring
- ▼ Thorough implementation of One-Stop Solution Strategy

2. High Performance Plastics

Strengthen competitive products and increase market share

▼ Sales expansion in Global 3 strategic products

- Brake calipers going plastic (1) Brake piston growth in China (2) Backing plates going plastic



■ Resin for tires



■ Resin for friction



■ Molding compounds for brake piston

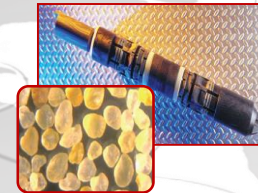
- Tyre-use resin growing in Europe and US

▼ Stronger products gaining share in each region, and pushing them into other regions

[North America]

[Europe]

[Asia]



■ Molding compounds for frac plug / Phenolic resin for frac sand



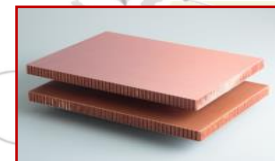
■ Foam resins for housing insulation



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

▼ Strengthening business in growth segments (aircraft components)

- Developing and expanding non-Boeing customers globally, (Airbus, Tier1, MRO suppliers etc.)
- Expanding territory based on SB materials technology



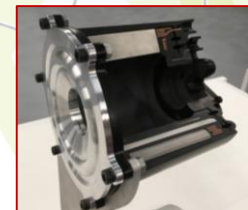
Honeycomb panels

▼ High capacity/ heavy weight auto parts going plastic

- Promoting collaboration with Fraunhofer (Ger) and others (Engines, motors, brakes etc.)



Engine for motorcycles



Water cooling motor



3. Quality of Life (QOL)

■ Healthcare (Medical Devices and Bio)

(1) Active development of growth areas (low-invasive treatments)

▼ Microcatheters

- Strengthening line-up to match expansion in treatment applications

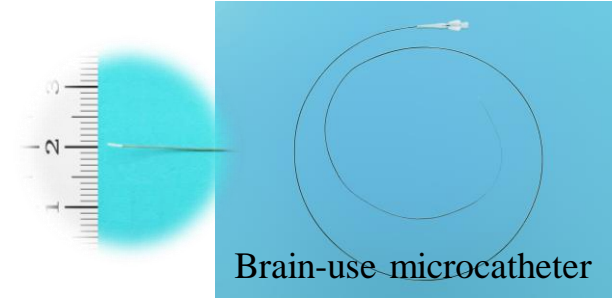
[Steerable microcatheters]

Promoting ten different (diameters/lengths) products in Japan

Preparing applications to US FDA, European CE etc.

- Launching brain-use microcatheter (world's smallest diameter of 0.43mm) in Japan

■ Example of brain-use catheters



▼ Bile duct stent

- Promoting sales and broadening applications (large intestine, duodenum, oesophagus etc.)
- Taken stake in S&G (Korea), expanding cooperation

(2) Expanding business worldwide through external tie-ups and collaborations

- Strengthening links with collaborators (Merit Medical, Olympus (US) etc.)



Gastrointestinal stent

(3) Expanding business in advanced medical field through M & A

■ Films & sheets

Expanding share in high-function applications, promoting overseas sales

▼ **Medical** : Increase market share for pharmaceutical packaging materials
and expanding sales for medial packaging materials

▼ **Industrial** : Strengthening sales structure (Japan/China/ASEAN)
with more technical sales staff

Full entry of cover tape into electronic components market

▼ **Food** : Freshness keeping film “P-Plus”
Expanding use with new functional products
(anti-condensation, anti-mould etc.)



Pharmaceutical
packaging



Cover tape

■ Industrial Functional Materials

Switching to **B-to-B** business, developing high-function areas

Switching business from mainly construction-related materials to
introduce differentiated products for optics and auto areas
...Strengthening sales force (New European office (Nov. 18) etc.)



[R&D] Growth strategy focused on 3creation areas

Highly integrated devices

Automotive Aero

Healthcare

Building/interior materials

Packaging materials



One Sumibe

Contributing to creation of safe, secure & sustainable society with plastics



Resin engine materials



Plastic-metal composite materials



Gastrointestinal stent



Decola Innovair



Aircraft interior materials



Functional films



ECU direct molding materials



Plant-derived functional materials



Optical waveguide products



HUD material

Basic technologies of Sumitomo Bakelite Co.,Ltd.

Catalyst design

Mixture/Dispersion

Resin design

Structural analysis

Monomer/Polymer synthesis

Process design

Surface treatment

Resin composition

Functional decoration

Separation/Refinement

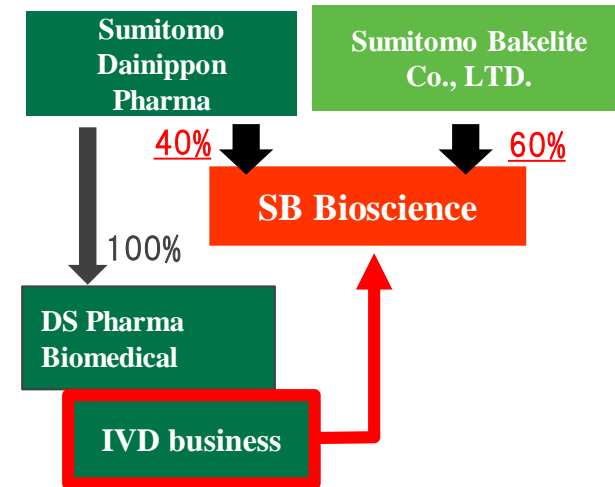
Ferment/Maturation

Topics: 1. Healthcare and bio

(1) Entering In-vitro Diagnostics (IVD) business - announced on 12th November

- Established SB Bioscience Co., Ltd. (Joint company with Sumitomo Dainippon Pharma co., LTD.) (October, 2018)
- Taking on IVD business of Sumitomo Dainippon Pharma's subsidiary, DS Pharma Biomedical. Operations will start in April 2019.

- Expanding and strengthening a **Tier 1 business** – become a valuable manufacturer who is able to provide regulatory support regarding Pharmaceutical Affairs Law
- Shifting the business towards system manufacturing for such as POCT *1 system.



Sumitomo Bakelite Co., LTD

- Microfluidics, Glycan analysis kits



DS Pharma Biomedical

- In-vitro diagnostic kits



*1 POCT (Point of Care Testing): small, rapid and simple diagnostics for use in clinics etc.

Topics: 2. Healthcare and bio

(2) Promote sales as an “equipment + special consumables” business
(in collaboration with equipment makers)

- GlycoAutoPrep™ + special kit

- Automated sample preparation system for biopharmaceutical glycan analysis

- Fully-automated processing of 24 samples, 1000 samples/month capacity

- Improves analytical accuracy by reducing manual operations, human errors**

Glycan of antibody drug affects its efficacy and half-life in blood



Pharma companies are required to analyse glycans qualitatively and quantitatively for quality control of antibody drugs

- Glycan profiling unit (Rexxam) and lectin-immobilized chips

- Easy detection of glycans alteration in complex biological samples such as glycoproteins, bacteria, and exosomes.

- Time required for detection reduced from

- “more than 1 day” to “1 hour”**

Used in basic research aimed at drug discovery, regenerative medicine, cancer biomarker discovery etc.

On sale from September 2018



GlycoAutoPrep™

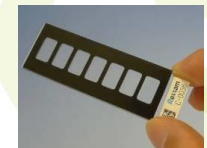


Glycan analysis kit

On sale from September, 2018



Glycan profiling unit:
Bio-REX SCAN 300



Lectin chips

■ Share Consolidation

Consolidate 5 shares into 1 on 1 October 2018

■ Dividend (FY2018 Forecast) :

75.00 yen per share

(Interim 37.5 yen , Year-end 37.5 yen)