

Financial Results of FY2019

May 2020

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President

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【IFRS】

[Unit: Billion yen]

	FY2018 (1)	FY2019 (2)	Variance	
			(2)-(1)	Ratio(%)
Revenue	213.0	206.6	-6.3	-3.0%
Business Profit	17.3	14.3	-3.0	-17.0%
Operating Profit	13.6	10.3	-3.3	-24.3%
Profit attributable to owners of parent	15.1	9.0	-6.1	-40.4%

(Impact of the COVID-19 Revenue▲1.7 Business Profit▲0.7)

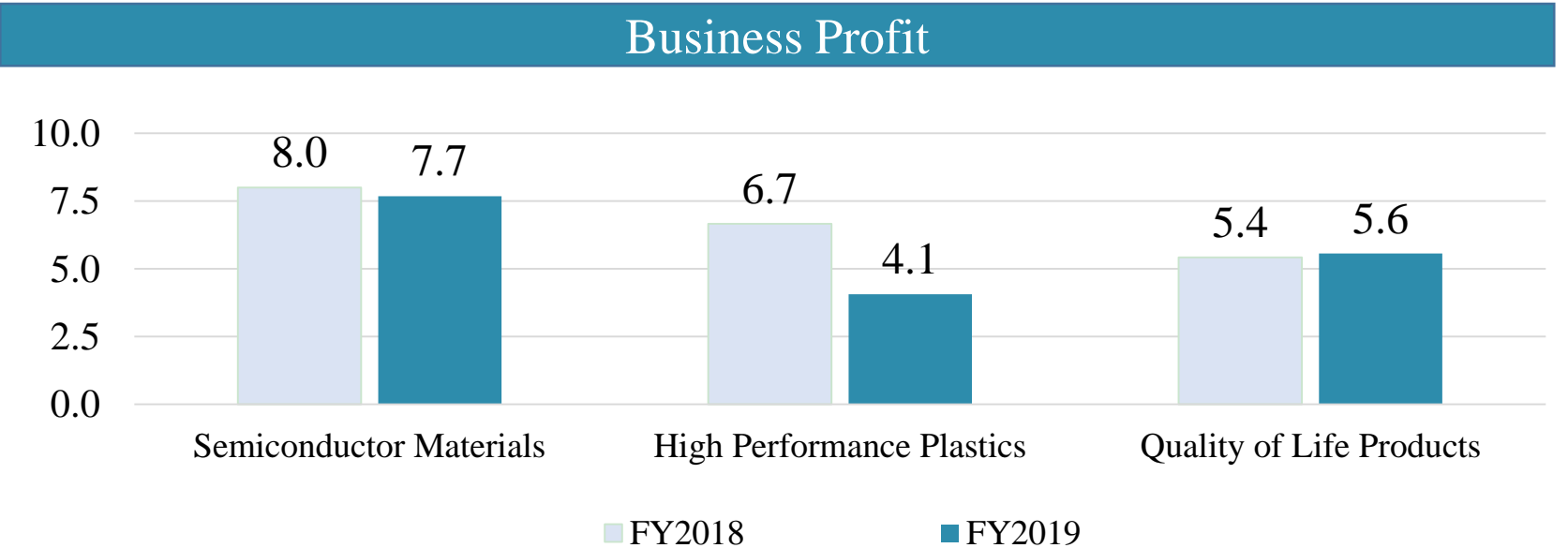
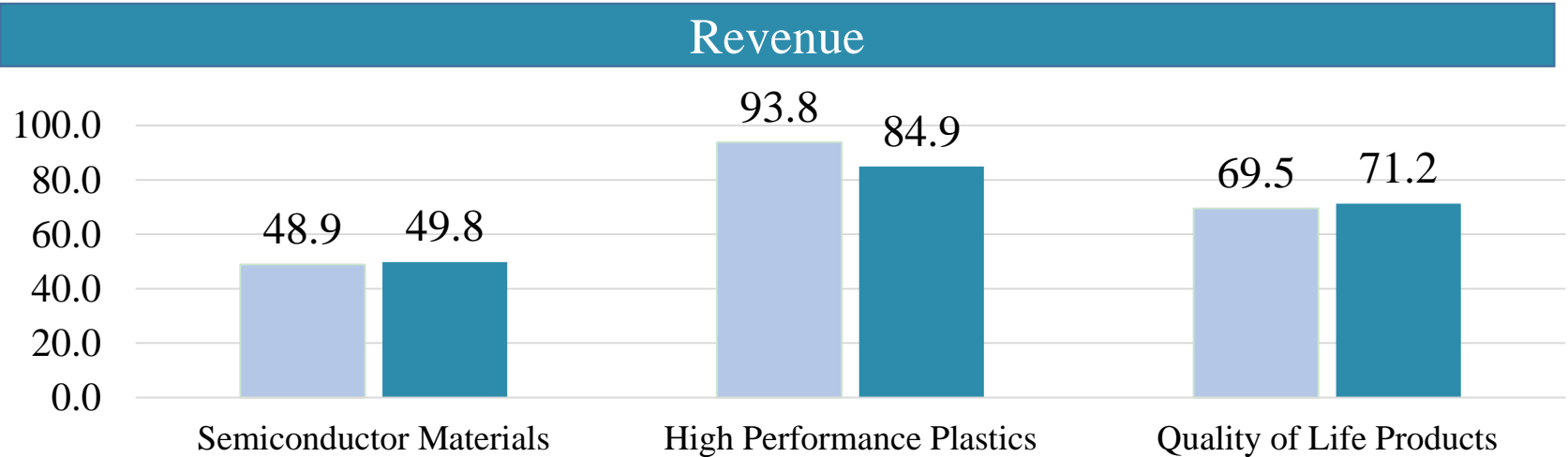
FOREX

JPY / USD	110.69	109.10	-	-
JPY / EUR	128.43	121.14	-	-

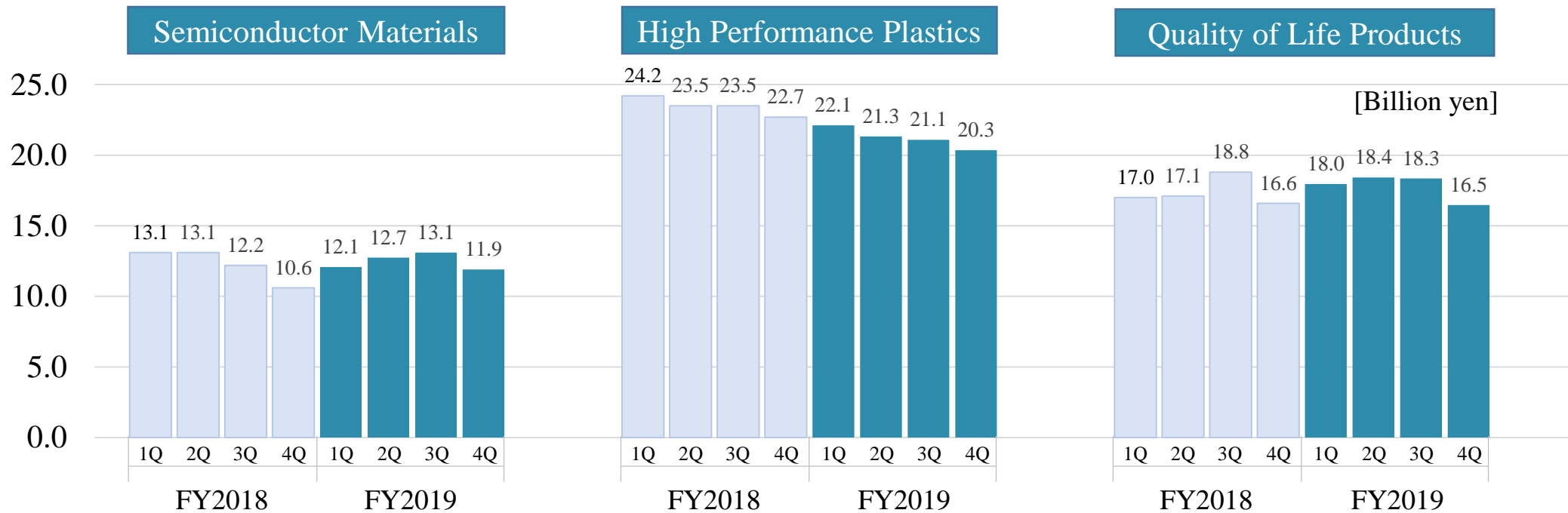
*"Business profit" is calculated by deducting "Cost of sales" and "Selling, general and administrative expenses" from "Revenue“.

Revenue and Business Profit by Business Segment

[Billion yen]



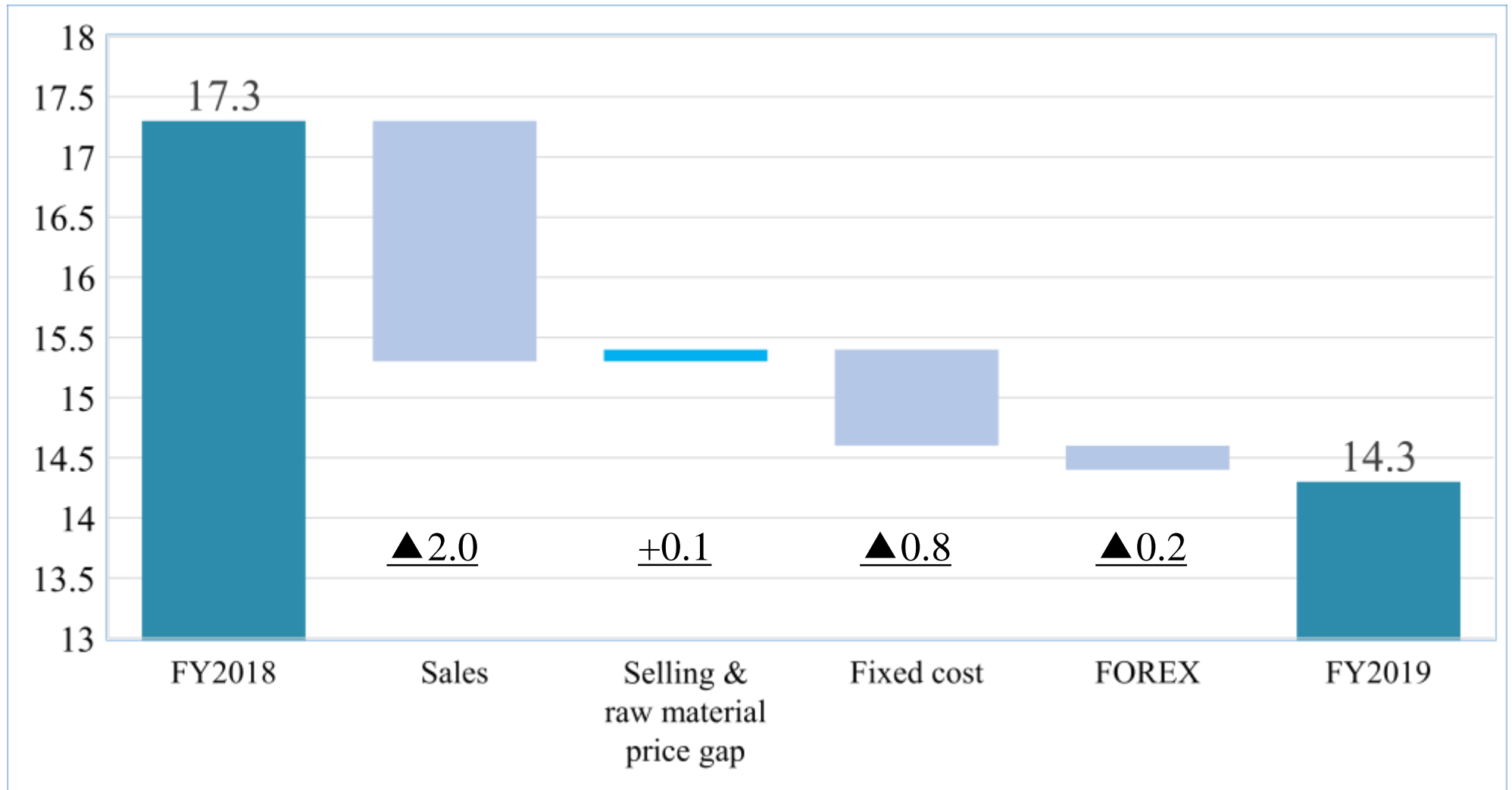
Quarterly Revenue by Business Segment



Semiconductor Materials	Encapsulation materials appeared to be in gradual recover until 3Q, while the materials for the Chinese market slowed down in 4Q due to COVID-19. There was a steady increase for new applications such as for motor fixing.
High Performance Plastics	Automotive products continued to decline. Aircraft products also continued on the slump in business from our main customers.
Quality of Life Products	This trend is the same even for business segments--primarily films & sheets - which had shown steady performance until 3Q. Each of industrial functional materials, healthcare and films & sheets declined after entering the adjustment in 4Q.

Analysis of Business Profit (Y/Y)

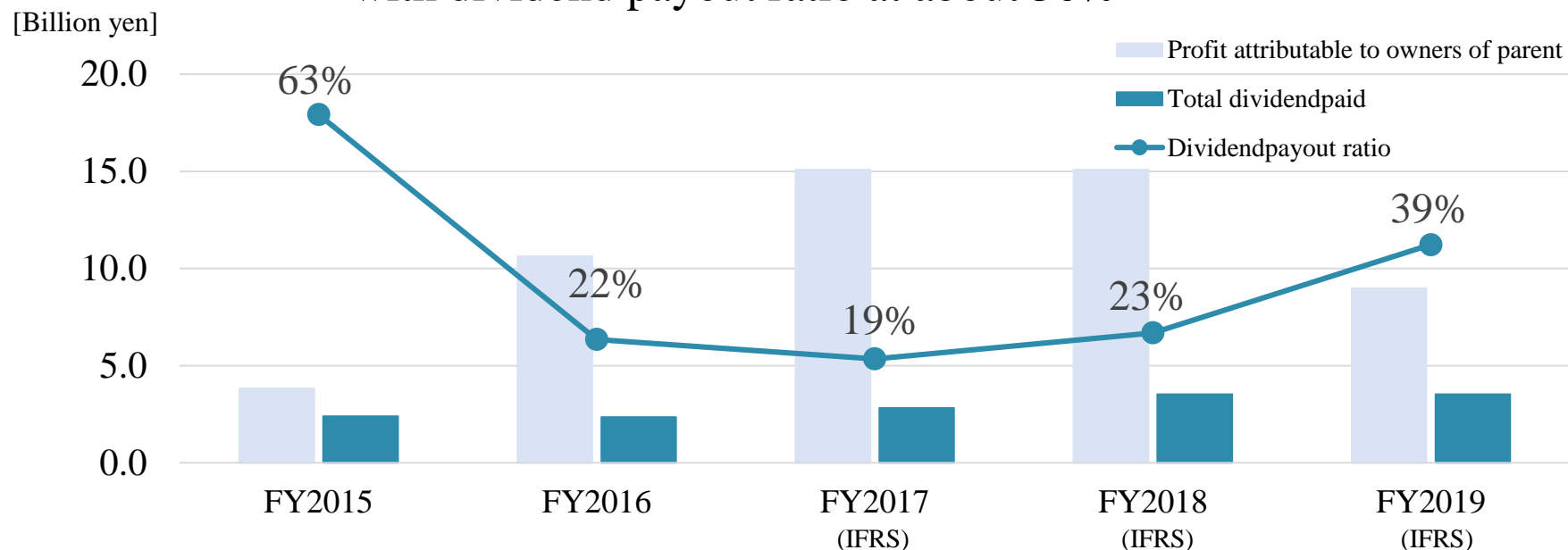
[Billion yen]



Dividends

Dividend: 75.00 yen per share (Interim 45.00yen, Year-end 30.00 yen)

Dividend policy: Stable and continuous dividend payout,
with dividend payout ratio at about 30%



(yen per share)	FY2015	FY2016	FY2017	FY2018	FY2019
Interim	5.00	5.00	6.00	37.50	45.00
Year-end	5.00	5.00	6.00	37.50	30.00
Total	10.00	10.00	12.00	75.00	75.00

* Although we carried out a share consolidation at a ratio of one share for every five shares on 1 October 2018, figures in FY2018 is shown after such share consolidation.

Priority Measures in FY2020

Environment surrounding our Business

Social situation

It is uncertain how efforts to resolve the COVID-19 situation are going. Already, relative demand has decreased due to “self-restraint” orders and the directions in which the situation and decline in consumer sentiment will go remain unclear.

Material cost

Crude oil prices have been seeing a sharp decline in fuel demand from quarantines taking place on a global scale, reaching new lows. Despite making cuts in production, there are no signs of improvement in demand as economies hang low for countries around the world. As such, petrochemical materials are expected to remain low.

Electronics

With telecommuting on the rise, the demand for ICT infrastructure and related technology is also rising. Demand for 5G-related electronics is predicted to rise in the second half of 2020. Meanwhile, demand for products used for automobile and in robotics is low, though there is deviation depending on the application.

Automotive

Adding on to the ongoing stagnation, the economic standstill caused by the COVID-19 situation has also caused a large decline in automobile demand, greatly impacting production. Countries around the world are expected to launch policies to stimulate demand.

Housing market (Japan)

Despite the possibility of conditions for housing loan taxes to be eased, the number of new housing along with the housing market for rented homes and owned homes continue to face economic downturn as before.

Impact of COVID-19 and our Action

As of 15 May 2020

■ Business risk and our measures

Business risk	Measures and situations
Employee infection	Thoroughly abiding by infection prevention guidelines and encouraging employees to telecommute (this excludes the production division)
Procurement of raw materials	Minimal impact as we have been securing a suitable amount of stock and establishing multiple sources for stock as BCP
Order to suspend business	We have been establishing production at both domestic and overseas as BCP
Border closures	We have handled the border closure in Malaysia by arranging for Malaysian workers at the Singapore plants to commute from a hotel in Singapore
Distribution standstill	Distribution has been affected by the decline in flights, but there has not been a big impact

■ Possible societal change and our actions

Societal change	Our measures
Increasing awareness to prevent infection disease	Start production of medical face shield
Development of remote services (5G)	Respond to increasing demand of advanced semiconductor device (epoxy encapsulation materials etc.)
Raise expectations for new pharmaceutical products	Strengthen business to pharmaceuticals packaging and analytical kit for pharmaceutical drug development support
Growing need for long-life-food	Strengthen business to freshness preserving films and multilayered sheets for food packaging



Medical face shield

Basic Policy and Basic Strategy

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)

Percentage of revenue in products contributing to SDGs

FY2019 24%  FY2020 30%

Contributing to SDGs(5+1)



Develop “One Sumibe” activities worldwide

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



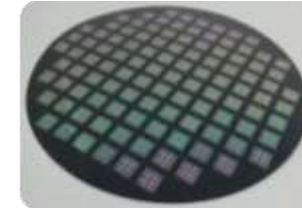
Basic Strategy

- (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.)

Expansion of competitive advantage of encapsulation materials

■ Expansion of highly integrated device business

- ▼ Expansion of cutting-edge technology materials for highly integrated devices (MUF, granule-type encapsulation materials, photosensitive material)
- ▼ Development of materials for 5G and IoT technology (Low-permittivity materials and high thermal conductive materials)

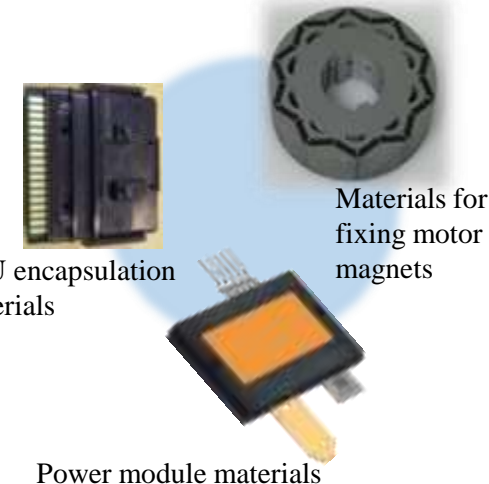


**Encapsulation materials for semiconductor:
worldwide shares to 40% (2021)**

■ Advancing expansion of products for 3 strategic products in the mobility area

- ▼ ECU direct encapsulation products: substrate protection technology
- ▼ Materials for fixing motor magnets: Effective embedment into small narrow parts of rotor
- ▼ Power module materials: high heat resistance and high insulation
2025: work towards 12 billion yen sales target

**Encapsulation materials
: 3 strategic products**



■ Start "Next e-Axle Market Promotion Project Team" (January, 2020)

- ▼ Manufacturing resignification electric axle prototypes internally and sharing customer opinion data to further sales promotion

Focusing on future field and expanding production in growth areas

■ Decision made to manufacture in Europe to further grow mobility sector

- ▼ Introduction of new encapsulation materials production line in Belgian production company

Start of operation: 2022

Capacity: thousands of tons per year

- ▼ Formulaically developed to specialize in mobility materials (room temperature storage, etc.)



Vyncolit NV (Gent, Belgium)

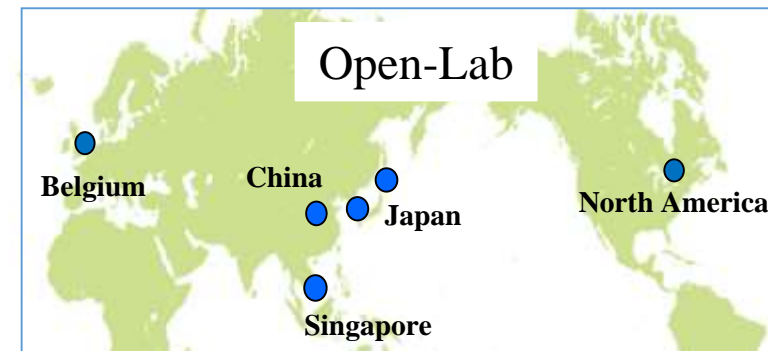
■ Strengthening the capacity of Suzhou production company in China

- ▼ Vigorous demand for 5G base stations and devices
- ▼ Maintaining a local production structure and expanding shares

Increasing capacity by 20% in 2021

■ Strengthen CS priority initiative

- ▼ Enhancing customer relations by further enriching domestic and overseas Open-Lab
- ▼ Continuous improvement of quality advantage through zero defects



High Performance Plastics

(Current Situation and Short-term Measures)



Executing a short-term performance recovery plan and further developing growth areas

Current market environment

Automobile 

Aircraft 

Energy 

■ “Lean management” measures depending on the sales amount

- ▼ Reduction of fixed costs mainly in Europe and America
- ▼ Reconstruction of aircraft business model
(Transition portfolio into one that includes European and Chinese markets)



■ Put forth strengths and make way for future growth and recovery

- ▼ Consistent development of resin, molding compounds and precision molded parts
- ▼ Establishment of production and supply systems around the world, in Japan, China, other Asian countries, North America and Europe

3 Global strategic products

: Phenolic resin for tires, Phenolic resin for friction, Molding compounds for brake piston

Regional competitive-advantage products

Asia: Materials for electronic parts (bobbins, commutators, etc.) /

Phenolic resin for photoresist

North America: Molding compounds for frac plug / Phenolic resin for frac sand

Europe: Foam resins for housing insulation, materials for automobile



Resin



Molding compounds



Precision molded parts



Multiplication to other regions

New developments in growth areas

■ Creating new automotive materials and molded parts markets

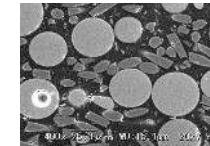
▼ Precision metal parts replacement (new product: products with high dimensional accuracy, called SiON™)

⇒ Geared pulley products for electric power steering for autonomous driving

▼ Development of new applications within the Chinese market

Example of application: fuel leak detection module

⇒ In 2020, under Chinese government regulations, fuel leak detection devices are required to be installed in cars with internal combustion engines



Photographs of product looked at under a microscope



Gear pulley

Simulation technology



Because of the high accuracy of measurements, there is no need for metal collar inserts

■ Increasing development and sales of products used for thermal management

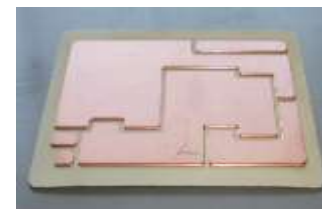
Lineup of products for heat dissipation and variety of product types that are tailored to consumer needs



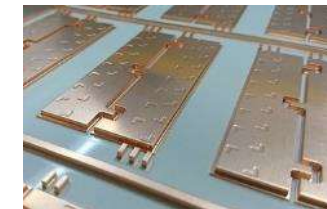
3W (Heat dissipating aluminum substrates)
⇒ LED light bulbs



7W (Heat dissipating sheets)
⇒ Car headlights



12W (Thick copper heat dissipating substrates)
⇒ Inverters



18W (Under development)
⇒ Power cards
(for automotive use)

Expansion of functional films

Medical

- ▼ Expansion of products used for generic drugs
⇒ High quality and stable supply: working towards a domestic share of over 70%
- ▼ Establishing Open-Lab/Holding private seminars
⇒ Packaging, solutions and gallery set-up (2021)



P-Plus/Food

- ▼ Expanding fields of businesses that deal with cutting down food waste
⇒ Vegetables, processed foods and meats
 - Skin packaging expansion, development of P-Plus with function (anti-mold and antibacterial film)
- ▼ Creating a market for packaging materials related to environment
⇒ Ultra-thin & high stiffness type, packaging including bio raw materials and packaging including recycled PET



Skin packaging film



Anti-mold film

Industrial

- ▼ Expansion of materials for semiconductor and electronics in the Chinese market
⇒ Local production for local consumption at the Chinese plant (Nantong)
 - Promotion of cover tape sales to Chinese OSAT businesses
(development of thermal stability and adhesion prevention-type tape)
- ▼ Expansion of cutting-edge materials
 - Dicing film ⇒ For CIS (anti-static and scrap adhesion), For FOWLP (having both properties of adhesively and being able to be peeled off easily)



Dicing film

Quality of Life Products (Healthcare/Industrial Functional Materials/Waterproofing)



Volume expansion of fields with high added value

【Healthcare Products】

- ▼ Growth areas: proceeding towards development in low-invasive treatments area (Microcatheters, Stents)
- ▼ Expansion of Chinese market by obtaining pharmaceutical approval in China
- ▼ Increasing in-vitro diagnostics (IVD) business (SB Bioscience)

Endoscopic treatment tool



【 Industrial Functional Materials (Plate・Decola)】

- ▼ Differentiation of optical control technology into arsenal and shifting to high-profit products (automotive use, eye-wear, etc.)
- ▼ Non-flammable melamine decorative sheet “Decola Innovair”
: putting roll products on market and expanding range of applications

【 Waterproof Business 】

- ▼ Entry into the roofing market
⇒ Shortening construction time and stabilizing processing quality using newly developed and/or simple construction methods
- ▼ Active expansion into premium market segments (factories, warehouses, condominiums, renovation, etc.)



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