

Interim Financial Results of FY2019

November 2019

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President

Summary of Interim Financial Results

Financial Results for 1st Half of FY 2019

[Unit : Billion yen]

	FY2018	FY2019	Variance	
	H1(1)	H1(2)	(2)-(1)	Ratio(%)
Revenue	108.3	105.0	-3.4	-3.1%
Business Profit	9.5	8.5	-1.0	-10.9%
Operating Profit	9.1	8.3	-0.8	-9.0%
Profit attributable to owners of parent	7.0	7.3	0.3	4.3%

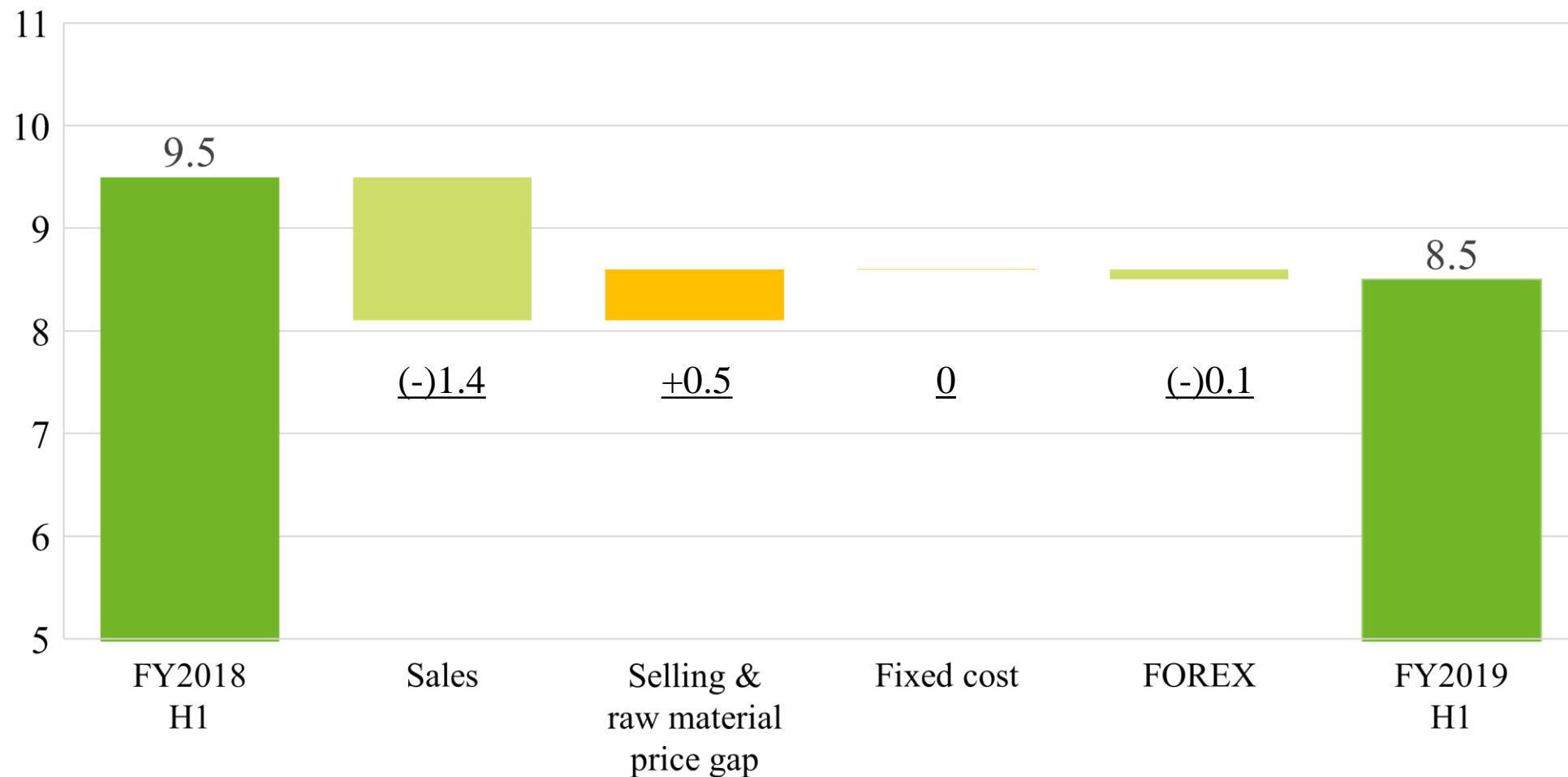
FOREX

JPY / USD	110.07	109.00	-	-
JPY / EUR	129.88	121.43	-	-

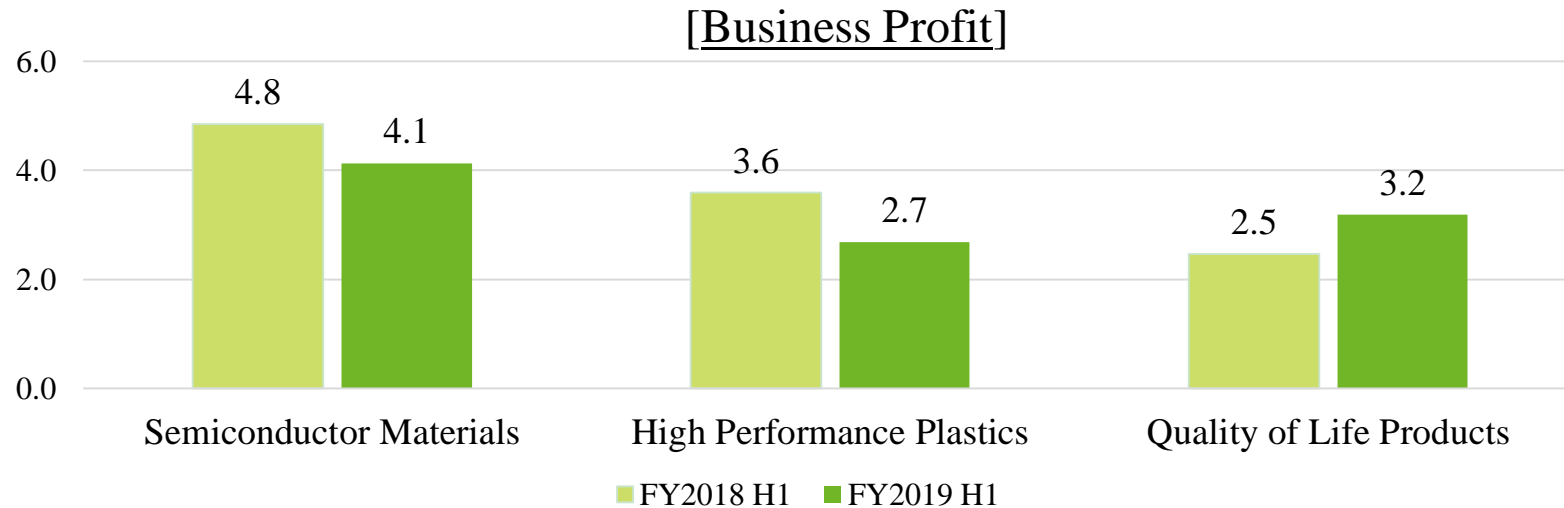
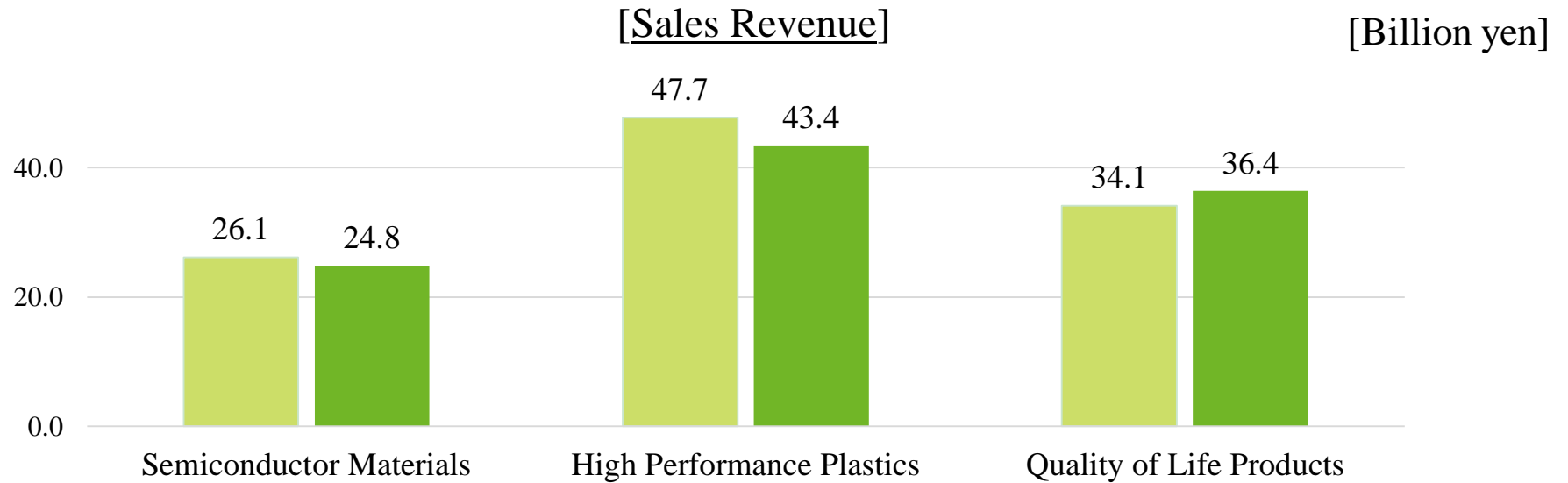
*"Business profit" is calculated by deducting "Cost of sales" and "Selling, general and administrative expenses" from "Revenue"

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

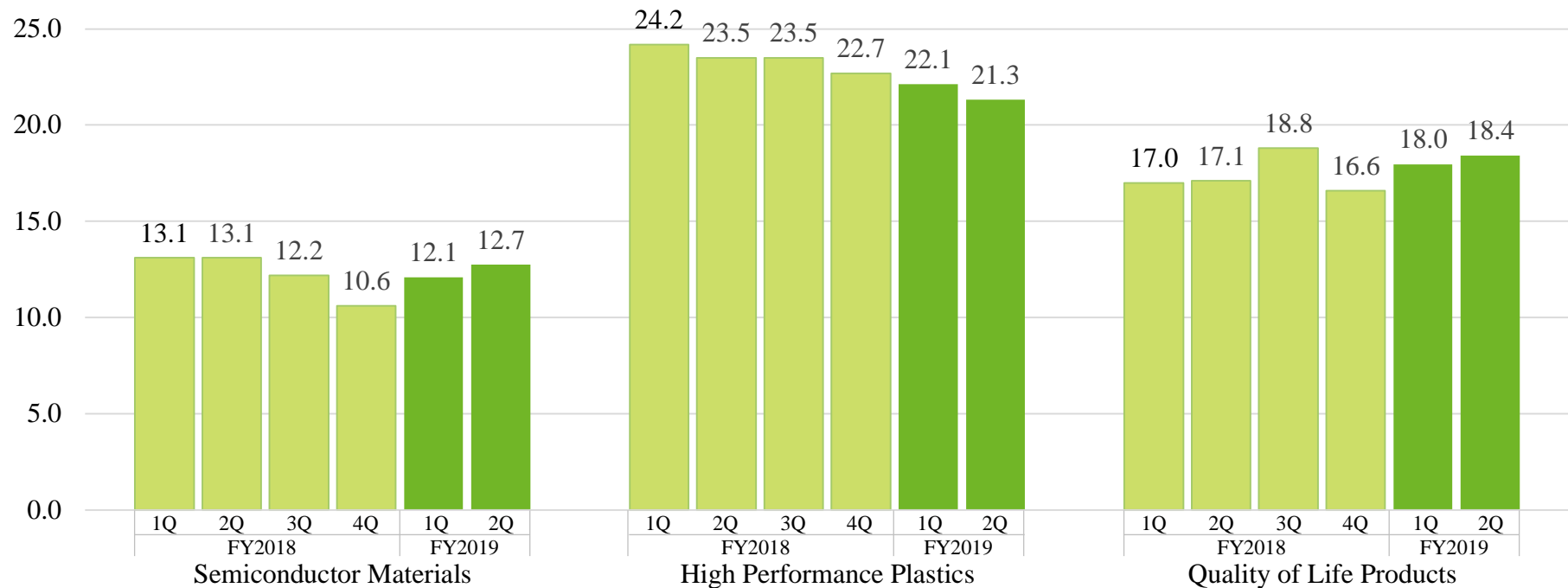
[Billion yen]



Revenue and Business Profit by Business Segment [IFRS]



Quarterly Revenue by Business Segment



- In Semiconductor Materials, the mainstay encapsulation materials fell away sharply in Q3 of the last fiscal year. Volumes increased from Q1 but no full-scale recovery.
- There was also a declining trend in High-Performance Plastics, with deterioration in the Chinese and European auto markets and some signs of slow-down also appearing in the North American auto markets.
- Quality of Life Products posted increases, with sales up YoY from Q1 onward, driven by products like pharmaceutical packaging films.

Financial Outlook for FY2019

Environment surrounding our Business

Social situation

- Outlook remains unclear due to economic impact of US-China trade friction, and political concerns such as Brexit

Material cost

- Crude oil prices are weak, with demand declining amid the economic slowdown. Despite production cuts to support prices there is no sign of demand picking up, so petrochemical raw material prices will remain around current levels

Electronics

- There are signs of improvement in smartphone-related areas as the next-generation "5G" communication standard is commercialized, but demand for PCs, servers etc. is lackluster and still shows no real recovery. We hope demand will be stimulated from 2020 on by IoT and 5G

Automotive

- Europe is not yet showing any recovery after the introduction of the Worldwide Harmonized Light Vehicle Test Procedure (WLTP) in September 2018, while China is also weak, and demand is additionally slowing in North America, which was previously firm

Housing market (Japan)

- New housing starts for rental use remain weak, while home-owner starts are also peaking out despite measures including extension of tax relief on mortgages

Financial Outlook for FY2019 [IFRS]

[Unit : Billion yen]

	FY2018	FY2019	Variance		FY2019
	(1)	(2)	(2)-(1)	Ratio(%)	(3)
Revenue	213.0	205.0	-8.0	-3.7%	220.0
Business Profit	17.3	16.0	-1.3	-7.5%	20.0
Profit attributable to owners of parent	15.1	12.3	-2.8	-18.5%	15.1

FOREX

JPY / USD	110.69	108.00	-	-	110.00
JPY / EUR	128.43	120.00	-	-	125.00

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

*Sumitomo Bakelite revised the full-year financial forecasts for FY 2019 from the forecasts previously announced on May 13, 2019.
(See (3) above)

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

FY2018 23% → FY2021 30%

Contributing to SDGs(5+1)



Develop “One Sumibe” activities worldwide

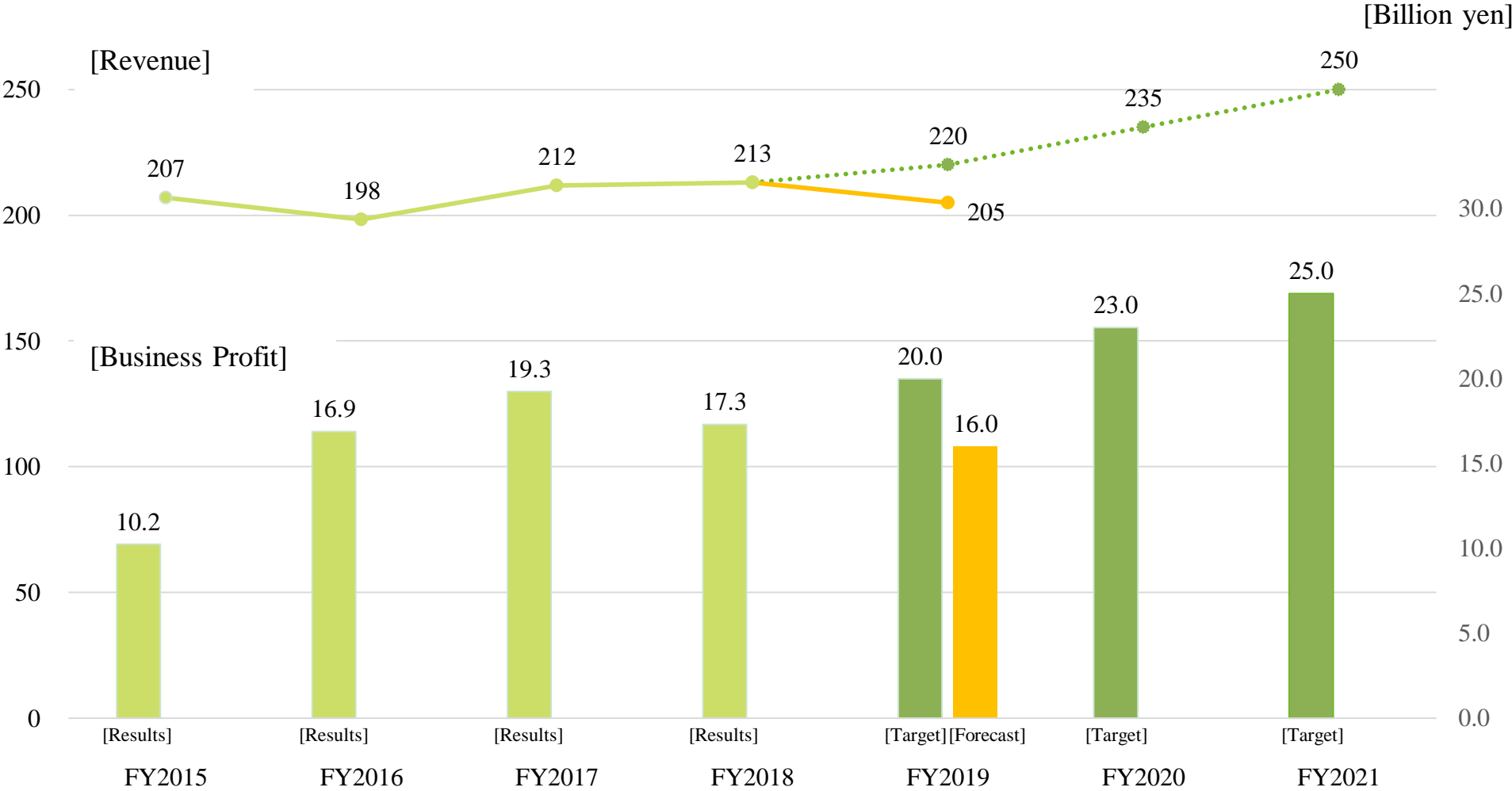
- Provide cross-company value to customers
- Create customers’ potential needs and business opportunities



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.)

Record of Business Results



Because of unexpectedly weak market conditions, results for FY2019 are expected to be at least one year behind mid-term business targets

Priority Measures in 2nd Half of FY2019

Semiconductor Materials

Increase share by integrating manufacturing, sales and R&D forces

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

- (1) Find new customers and increase share with existing customers (especially in China)
- (2) Strengthen cooperation with CCSB (China)

Create markets and expand volumes in growing in-car applications: Target - over 30% of in-car use

- (1) Strengthen competitive advantage through zero defects
- (2) Strengthen support to customer in Open-Lab (Europe, US, Asia, Japan) and promote external collaborations

Expand business in highly integrated device segment

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

High Performance Plastics

Increase share in automotive-use products, focusing on our 3 global strategic products



Resin for tires



Resin for friction



Molding compounds for brake piston

Re-focus business portfolio by strengthening business in growth sectors

(1) Aircraft

- Expand non-Boeing client base, and develop after-market business
... Establish European office (in Germany), and start direct sales from Chinese factory (Dongguan)
- Strengthen profitability of US factories

(2) Energy

- Expand additional applications for and promote sales of parts for shale gas and oil exploration equipment

Develop and quickly bring to market products with competitive advantage

- ### (1) Heat dissipative materials (12W heat dissipating substrates, dissipating sheets), large-scale precision materials

- ### (2) Develop alternative materials for high-capacity auto components, develop for e-Axle use

...Promotion of internal and external collaborations e.g. with Fraunhofer (Germany)



Molding compounds for frac plug (Long Fiber)



Heat dissipation sheet

Quality of Life (Healthcare)

[Healthcare]

Active development of growth areas (low-invasive treatments)

(1) Promote development of low-invasive treatment devices and strengthen product line-up (Microcatheters, stents, etc.)

Use new sales structure to boost sales based on specialist knowledge

Healthcare Products Division



Surgical
treatment



Endoscopy
treatment



Endovascular
treatment

Expanding business worldwide through external collaborations and cooperations

Medical: Sales cooperation with Olympus (US) and Merit Medical
Demonstrate synergies with Kawasumi Laboratories Inc. in sales networks and product areas

Bio: Maximize synergies with SB Bioscience

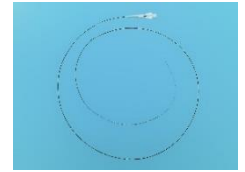
⇒ Consider and implement business streamlining

(Consolidation into Amagasaki factory and/or Kobe facility office)

[Main products in low-invasive devices]



Microcatheters



Brain-use
microcatheter



Bile duct stents



Hemostatic Clip



sumius



SB Knife™

Quality of Life (Films & sheets)

[Medical]

Further expansion in top market share in pharmaceutical packaging

- (1) Increase share of business with main customers:
Over 90% adoption rate among generics in 2019
- (2) Expansion of product line-up (Highly moisture-resistant olefin sheets etc.)



Pharmaceutical packaging

Develop and bring to market functional pharmaceutical packaging

- (1) Differentiation through “Distribution in China through Nantong Sumitomo Bakelite Co., Ltd.” & “easy-peel technology” & “Japanese-style quality control”



Infusion packaging

[Food]

Strengthen product line-up and expand sales with environmental products as core

...Skin packaging film, anti-mould film, Biomass film, Ultra-thin & low package film, etc.

Extend product life, reduce volume of waste



Skin packaging film



Anti-mould film

[Industrial]

Make use of Chinese factory (Nantong) to expand sales to local companies

...Chinese semiconductor market, electrical components manufacturer, etc.



Cover tape



Dicing film



Release film for FPC

Quality of Life (Industrial Functional Materials/Building materials)

[Industrial Functional Materials]

Differentiation, shift to high-margin products

- (1) Exploit optical control technology to expand business (In-car, security etc.)
- (2) Strengthen profitability of existing high-margin products (Corrugated sheets etc.)
⇒ Productivity up, low-priced raw materials

Windshield for motorcycle

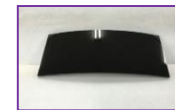


HUD (Head Up Display)



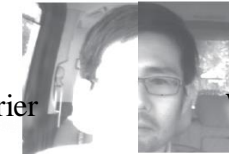
Filter for HUD

Camera / Sensor



Wavelength selective barrier sheet

Without Wavelength barrier



With Wavelength barrier

[Building materials]

Differentiation through launch of strategic products

- (1) Non-flammable melamine decorative sheet “Decola Innovair”
Expand potential applications by establishing price-competitive manufacturing methods
... From elevator internal walls in existing area to large-scale wall surfaces such as corridors
- (2) Expand sales of roof waterproofing and insulation panels “SUMIROOF DN”

Decola Innovair: Roll product



**Resistant to damage and dirt etc.
Good pliability makes it easy to work with**

Expand sales for large area use (apartment buildings, factories, warehouses) and home refurbishments

- (1) Strengthen relations and collaborate with building owners, design companies and general contractors

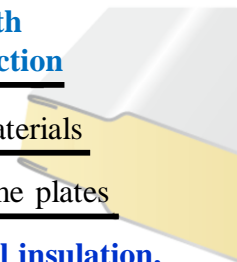
High-durability PVC plate with our unique waterproofing function

High-function thermal insulation materials

Coated Galvalume plates

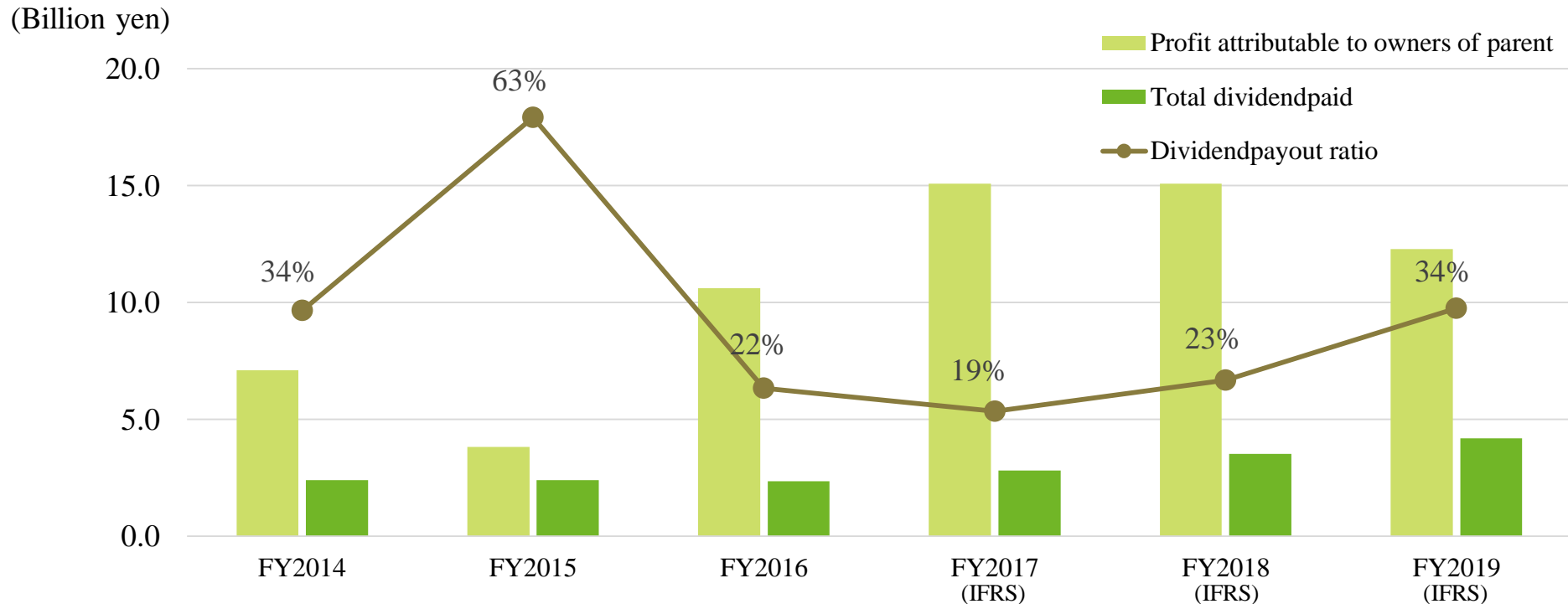


Lightweight, high thermal insulation, reduces construction times



Shareholder Returns

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



(yen per 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

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