

Financial Results for FY2017 Q3 Ended December 31, 2016

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Highlights

FY2017 Q3 (Oct.-Dec.) Results

- Net sales and income fell below the previous forecast.
 - Q3 average rate: ¥103/\$ (Assumed rate: ¥105/\$)
 - Net Sales 30.1 billion yen, operating income -0.5 billion yen, ordinary income 1.1 billion yen, net profit 0.8 billion yen
 - General products demand of Industrial Materials, Devices and Information and Communications was sluggish.
- Full-scale development for new opportunities in Devices for the next fiscal year or later
 - Costs are generated from FY2017 Q3

FY2017 Forecast

- Revise downward the full year forecast reflecting the development costs in Devices and the latest demand trend
 - Q4 assumed rate: ¥110/\$ (Changed from ¥105/\$)
 - Net Sales 118.0 billion yen, operating income -2.0 billion yen, ordinary income -3.5 billion yen, net profit -5.0 billion yen

Topics

- Change in fiscal period from the next fiscal year (March → December)
 - Unify the fiscal period with overseas consolidated subsidiaries to make global business operation solid and efficient as well as further enhance management transparency

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FY2017 Q3 Accumulated (9 months) Results

FY2017 Q3 Accumulated (April – December) Results

(Millions of Yen)

| | FY2016 Q3 Accumulated Results | FY2017 Q3 Accumulated Results | YoY |
|-------------------------------|-------------------------------------|-------------------------------------|---------|
| Net Sales | 86,069 | 81,839 | -4.9% |
| Industrial Materials | 26,552 | 35,845 | +35.0% |
| Devices | 46,131 | 33,957 | -26.4% |
| Life Innovation | 911 | 1,277 | +40.2% |
| Information and Communication | 12,354 | 10,582 | -14.3% |
| Others | 118 | 176 | +49.2% |
| Operating Income | 8,345 | -1,630 | - |
| OPM | 9.7% | -2.0% | -11.7pt |
| Ordinary Income | 8,577 | -2,272 | - |
| Net Profit | 7,625 | -3,355 | - |

Average rate

¥120/\$

¥105/\$

- We have changed the organization in October 2016. In this material, the figures of FY2016 is the results before change (Not reflected the retroactive application).
- We have changed a method of translating performance of overseas subsidiaries and others from FY2017 (spot rate → average rate). In this material, the figures of FY2016 is the results by the method before change (Not reflected the retroactive application).

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FY2017 Q3 (3 months) Results

FY2017 Q3 (October – December) Results

(Millions of Yen)

| | FY2016 Q3 Results | FY2017 Q2 Results | FY2017 Q3 Results | YoY | QoQ |
|-------------------------------|-------------------------|-------------------------|-------------------------|---------|------------------------|
| Net Sales | 34,469 | 27,229 | 30,191 | -12.4% | +10.9% |
| Industrial Materials | 9,316 | 11,815 | 11,361 | +22.0% | -3.8% |
| Devices | 19,914 | 11,841 | 13,508 | -32.2% | +14.1% |
| Life Innovation | 325 | - | 1,277 | +292.9% | - |
| Information and Communication | 4,869 | 3,522 | 3,955 | -18.8% | +12.3% |
| Others | 45 | 51 | 89 | +97.8% | +74.5% |
| Operating Income | 5,397 | -19 | -593 | - | - |
| OPM | 15.7% | -0.1% | -2.0% | -17.7pt | -1.9pt |
| Ordinary Income | 5,635 | -474 | 1,161 | -79.4% | Move into the black |
| Net Profit | 5,357 | -500 | 817 | -84.7% | Move into the black |

Average rate

¥120/\$

¥102/\$

¥103/\$

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FY2017 Forecast is revised

FY2017 Full Year Forecast

(Millions of Yen)

| | FY2017 Original forecast (Announced May. 12) | FY2017 Previous forecast (Announced Nov. 7) | FY2017 Revised forecast (Announced Feb. 9) |
|--------------------------------|--|---|--|
| Net Sales | 129,000 | 120,000 | 118,000 |
| Industrial Materials | 51,500 | 49,100 | 47,800 |
| Devices | 57,200 | * 49,200 | * 49,300 |
| Life Innovation | 2,200 | ** 5,300 | ** 5,300 |
| Information and Communicataion | 18,000 | 16,250 | 15,400 |
| Others | 100 | 150 | 200 |
| Operating Income | 7,000 | 2,000 | -2,000 |
| OPM | 5.4% | 1.7% | -1.7% |
| Ordinary Income | 6,800 | 500 | -3,500 |
| Net Profit | 5,500 | 0 | -5,000 |

| Forex | H1: ¥110/\$ (Assumed) H2: ¥110/\$ (Assumed) | H1: ¥106/\$ (Average) H2: ¥105/\$ (Assumed) | H1: ¥106/\$ (Average) Q3: ¥103/\$ (Average) Q4: ¥110/\$ (Assumed) |
|-------|--|--|---|
|-------|--|--|---|

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* Devices includes gas sensor

**Life Innovation includes Graphic Controls only

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FY2017 Net Sales and Operating Income The Reasons of revision

(billion yen)

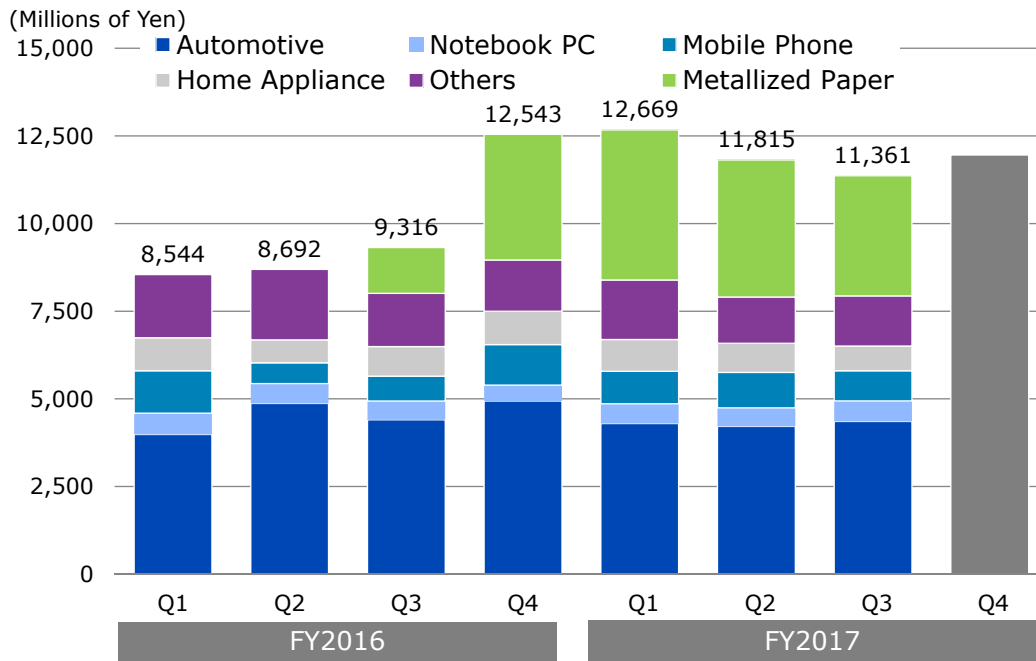
| | | Net Sales | Operating Income |
|-----------------------------|--|-----------|--|
| Original forecast (May. 12) | | 129.0 | 7.0 |
| Forex | H1 yen appreciation (Assumed ¥110/\$, average ¥106/\$) | -0.9 | -0.9 |
| | Change of H2 assumed rate (¥110/\$→¥105/\$) | -1.6 | -1.2 |
| M & A | Consolidation of; ● Graphic Controls: 4 months (Life Innovation) ● Schuster: 2 months (Industrial Materials) | +5.7 | 0 (affected from goodwill amortization) |
| | Acquisition-related cost in H2 | — | -0.7 |
| Others | Decreasing Demand | -12.2 | -3.7 |
| | Reduction of fixed and variable costs | — | +1.5 |
| Previous forecast (Nov. 7) | | 120.0 | 2.0 |
| Forex | Q3 yen appreciation (Assumed ¥105/\$, average ¥103/\$) | -0.2 | -0.2 |
| | Change of Q4 assumed rate (¥105/\$→¥110/\$) | +0.6 | +0.6 |
| Others | Demand fluctuation, effect of product mix and others | -2.4 | -1.4 |
| Devices | Development costs for new business opportunities and others | — | -3.0 |
| Revised Forecast (Feb. 9) | | 118.0 | -2.0 |

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Industrial Materials

Net Sales by Application (Quarter)



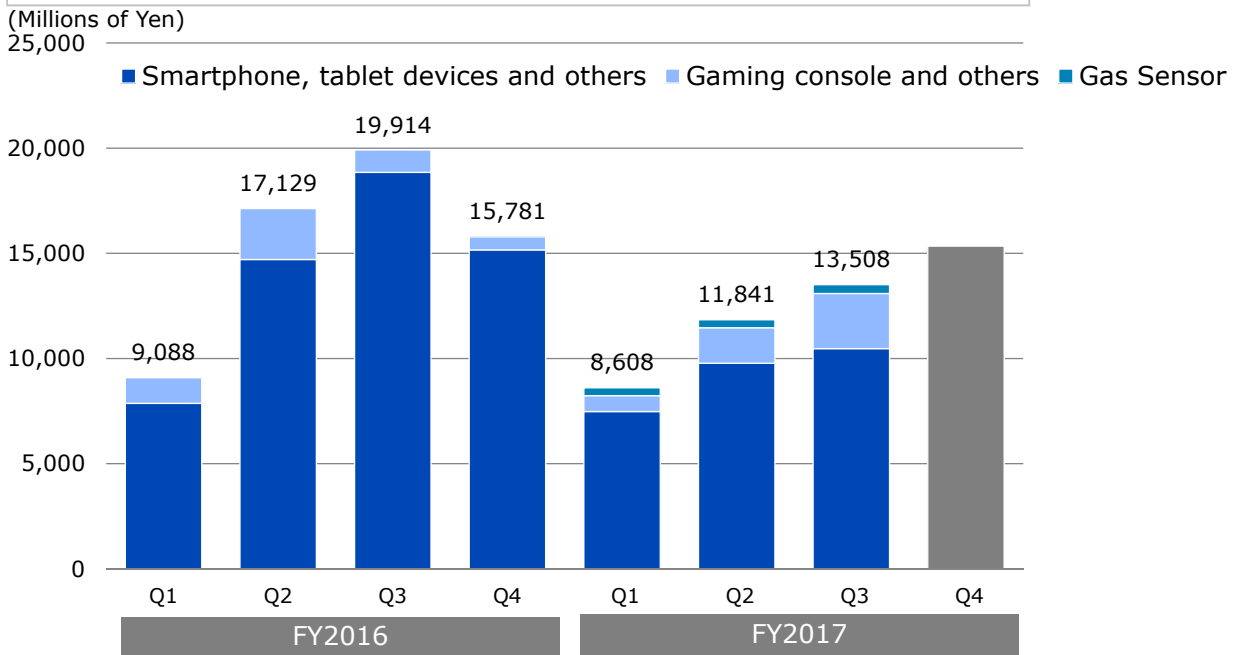
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Devices

Net Sales by Application (Quarter)



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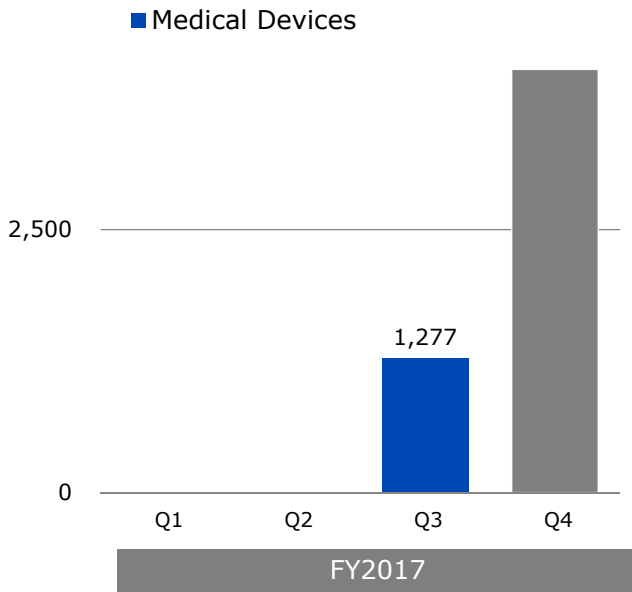
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Life Innovation

Net Sales (Quarter)

(Millions of Yen)
5,000



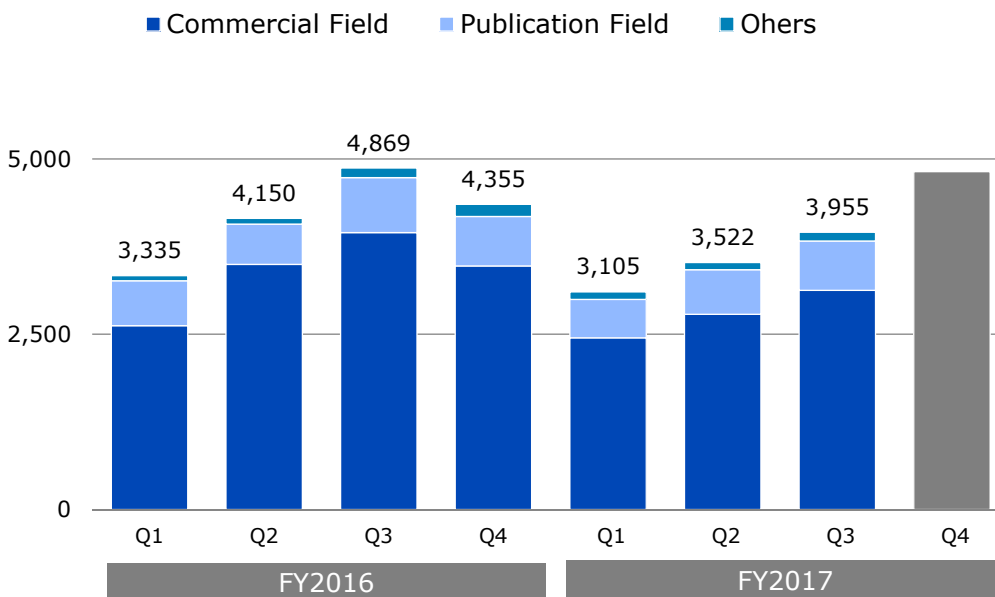
- Graphic Controls Group is the core company (welcomed as a subsidiary in September 2016)
- 4 months of consolidation in FY2017
 - Q3: 1 month
 - Q4: 3 months
- Posting expenses related to the acquisition in Q3 and Q4
- Consolidated from an entire period of the next fiscal year



Information and Communication

Net Sales by Field (Quarter)

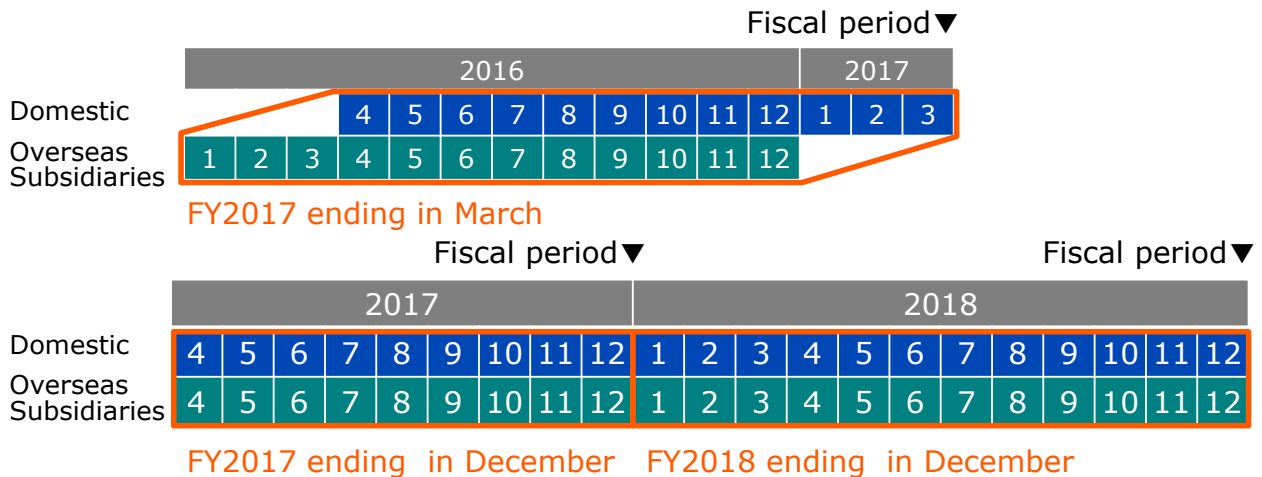
(Millions of Yen)
7,500



Change of the fiscal period

(Unify the fiscal period with overseas consolidated subsidiaries)

- Adapt to globalized management environment and further enhance management efficiency and transparency
- Change from March 31 to December 31
- The next fiscal year ending December 2017 has nine months



- Change of the fiscal period is subject to the approval at the 98th General Meeting of Shareholders, scheduled to be held in the middle of June 2017.

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Thank you.



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Change of organization (Oct. 2016)

- Life Innovation is a new growth driver
 - Life Innovation focus on medical devices (in the North and Central America and Europe)
- Transfer gas sensors to Devices
- Transfer DDS (Micro needle patch) to Corporate R&D *DDS=Drug Delivery System

| Name | Business | Main field of products | |
|-------------------------------|---|---|---|
| | | to H1 | From H2 |
| Industrial Materials | Coloring beautifully the surfaces of various materials | <ul style="list-style-type: none"> ● Decorative film ● Molding products ● Metallized paper | <ul style="list-style-type: none"> ● Decorative film ● Molding products ● Metallized paper (Not changed) |
| Devices | Providing devices that pursue precision and functionality | <ul style="list-style-type: none"> ● Touch sensor | <ul style="list-style-type: none"> ● Touch sensor ● Gas sensor |
| Life Innovation | Providing value-added products in medical market | <ul style="list-style-type: none"> ● Gas Sensor ● DDS | <ul style="list-style-type: none"> ● Medical devices (Graphic Controls) |
| Information and Communication | Supporting communication strategies of customers | <ul style="list-style-type: none"> ● Publishing printing ● Commercial printing, SP | <ul style="list-style-type: none"> ● Publishing printing ● Commercial printing, SP (Not changed) |
| Corporate | R&D Administration | <ul style="list-style-type: none"> ● Developing products | <ul style="list-style-type: none"> ● Developing products ● DDS |

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