



Katsumi Kitagawa President

Toyo Ink SC Holdings, Co., Ltd. (4634)



Company Information

Market	TSE 1st Section
Industry	Chemical (Manufacturing)
President	Katsumi Kitagawa
HQ Address	2-2-1 Kyobashi, Chuo-ku, Tokyo
Year-end	End of December
Homepage	https://schd.toyoinkgroup.com/en/index.html

Stock Information

Share Price	Shares Outstanding		Total market cap	ROE Act.	Trading Unit
2,268	60,621,744 shares		137,490 million	5.4%	100 shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR (x)
90.00	4.0%	205.51	11.0 x	3,712.20	0.6 x

* Share price as of closing on September 6. Number of shares outstanding is as of the 2Q of FY 12/19. ROE and BPS are as of the end of the previous term.

Earnings Trend

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
March 2016 (Act.)	283,208	18,470	18,697	12,190	40.87	15.50
March 2017 (Act.)	268,484	19,222	19,257	12,687	42.95	16.00
December 2017 (Act.)	240,344	16,823	17,528	10,424	35.71	16.00
December 2018 (Act.)	290,208	15,337	15,508	11,899	203.81	85.00
December 2019 (Est.)	300,000	17,500	18,000	12,000	205.51	90.00

*Unit: million yen, * Estimates are those of the Company. Net income is net income attributable to the shareholders of the parent company.

The values of December 2017 are for 9 months. A 1-for-5 reverse split was conducted on July 1, 2018.No retroactive adjustment has been implemented.

This Bridge Report provides Toyo Ink SC Holdings, Co., Ltd.'s financial results of the First Half of the term ending December 2019, and more.

Table of Contents

[Key Points](#)

[1. Company Overview](#)

[2. First Half of Fiscal Year ending December 2019 Earnings Results](#)

[3. Fiscal Year ending December 2019 Earnings Forecasts](#)

[4. Conclusions](#)

[<Reference1: Mid-Term Business Plan “SIC-I” \(FY 2018 to FY 2020\)>](#)

[<Reference2: Regarding Corporate Governance>](#)

Key Points

- The sales for 2Q of the term ending Dec. 2019 were 139.3 billion yen, down 1.1% year on year. The Polymers & Coatings Related Business and Packaging Materials Related Business were healthy. However, sales decreased due to the effects of the sluggish performance of the smartphones market, etc. and the currency exchange. Operating income was 6 billion yen, down 22.2% year-on-year. There were positive factors such as price revisions (+1.1 billion yen) but the steep increase of costs for raw materials such as solvents affected by the increase in naphtha price (-1 billion yen), the decrease in sales volume of materials for display (- 800 million yen), and the decline in selling prices (- 500 million yen) have negatively affected the profit.
- The earnings forecast is unchanged. It is estimated that in the term ending December 2019, sales will grow 3.4% year on year to 300 billion yen and operating income will rise 14.1% year on year to 17.5 billion yen. However, the progress rates of both sales and profit are low. The company takes into consideration that the future holds many uncertainties because of the US-China trade friction. The company thinks that in order to achieve the estimates, it will be essential to implement a comprehensive cost reduction (+1.6 billion yen) including price revisions of the materials for display and materials such as the ink for packaging (+700 million yen), expanding sales of materials for display (Chinese and Taiwanese markets) and functional films (+1.7 billion yen), reduction of fixed costs and raw materials substitution, review of prescription, etc. The dividend is estimated to increase by a 5 yen per share to 90.00 yen per share. The estimated payout ratio is 43.8%.
- The full-year earnings forecast was left unchanged, however, the company is aware that the current America-China and Japan-Korea relationships leave many uncertainties making it hard to predict the future, and it plans to make an assessment in the third quarter. They aim to achieve an operating income of 17.5 billion yen by implementing price revisions, expanding sales, and making a comprehensive cost reduction. In particular, we are keeping a close eye on the trends of raw materials costs and price revisions, which was the only positive factor in the first half, and we will see if it is going to proceed as planned in the second half, too. In the medium term, we will watch how quickly the company can launch products related to growth keywords such as mobility, health care, and the environment.

1. Company Overview

Toyo Ink SC Holdings is Japan's top manufacturer of printing inks. Using the processing technologies of pigments and resins that are the raw materials of inks, the Company manufactures various products such as LCD color filter materials and electromagnetic shielding films. The Toyo Ink Group is comprised of Toyo Ink SC Holdings, 66 consolidated subsidiaries in and outside Japan, and 9 equity method affiliate companies. They are operating business in 22 countries around the world (The end of December 2018). Under the long-term scheme “Scientific Innovation Chain 2027 (SIC 27),” whose concept is to contribute to the improvement of sustainability of ordinary citizens, life, and the global environment by innovatively thinking, scientifically executing, and connecting each activity by each and every employee, it is aiming for a transformation to have a corporate structure that enables sustainable growth towards 2027.

1-1 Corporate History

The origin of Toyo Ink dates back to 1896, when founder Kamataro Kobayashi opened *Kobayashi's Ink Shop* as sole proprietorship in Nihonbashi, Tokyo. In 1907, it was reorganized and renamed as *Toyo Ink Manufacturing Co., Ltd.* During the Meiji period, many newspapers and magazines, including the Yomiuri Shimbun (founded in 1874) and the Asahi Shimbun (founded in 1879), were launched. The government also printed an increasing number of materials including textbooks to enhance educational levels under the policy of increasing wealth and military power. Under these circumstances, the demand for printing inks expanded rapidly.

Initially, inks in the Japanese market were mostly imported products; however, as the national policy favored high quality domestically produced inks, the Company, with its advanced technological skills, successfully expanded its business with clients such as the Printing Bureau of the Ministry of Finance and other government bodies, in addition to private printing companies. Exports also grew during the same time. The Company's rapid growth was also due in part to the early introduction of integrated manufacturing system from raw materials (pigments, resins) to finished products (printing inks). Another contributing factor may be that the Company, since its inception, had strong ties with Toppan Printing Co., Ltd., which, by then, was among Japan's largest printing companies. The Company survived the difficult times of the Great Kanto Earthquake and the World War II and experienced rapid growth again during the period of high economic growth after the war. The Company was listed on the Second Section of the Tokyo Stock Exchange in 1961 and moved to the First Section of the Tokyo Stock Exchange in 1967.

The Company is expanding its businesses from manufacturing of printing inks to other fields such as LCD film materials, using its wide range of technologies and know-how cultivated through manufacturing and processing of raw materials such as pigments and resins. In 2011, the Company adopted a holding company system for further expansion and growth of the Group, and changed its name to Toyo Ink SC Holdings, Co., Ltd.

1-2 Management Philosophy etc.

The Toyo Ink Group's Corporate Philosophy was established in April 1993. It consists of three parts, namely, corporate philosophy, corporate policies, and guiding principles. The Philosophy embodies the original roots of the brand of the corporate group and serves as guidelines that each employee of the Group should always keep in mind and act on as a business professional. In April 2014, "improving shareholder satisfaction" was added to its guiding principles. With this revision, the Company is aiming to improve satisfaction of all stakeholders.

<Toyo Ink Management Philosophy>

Management philosophy	People-oriented management
Corporate policies	<p>We, the Toyo Ink Group, endeavor to be a company that contributes to the enrichment of life and culture throughout the world.</p> <ul style="list-style-type: none"> *Contribute to the affluence and culture of people worldwide. *Create lifestyle value for the new age. *Provide advanced technology and quality products and services.
Guiding principles	<ul style="list-style-type: none"> *Provide knowledge that enhances customer trust and satisfaction. *Respect the materialization of all employees' dreams. *Act as a responsible citizen in harmony with society and the environment *Respect shareholders' rights, improve shareholder value and enhance market valuation.

All employees must always carry this philosophy system printed on a credo card, read it out in the 5-minute meeting every week at each division, and repeatedly confirm its meaning through discussion. This way, the employees are expected to have deeper understanding and implement the philosophy.

Furthermore, the "Toyo Ink Group Management Philosophy" is printed on the first page of every single issue of the Company's in-house magazine, which is published for the Group's unity and circulated to the entire Group including the overseas locations. Also, the above-mentioned credo has "Japanese/English" version as well as "Chinese/English" version to share and spread the management philosophy globally.

BRIDGE REPORT



1-3 Market Environment

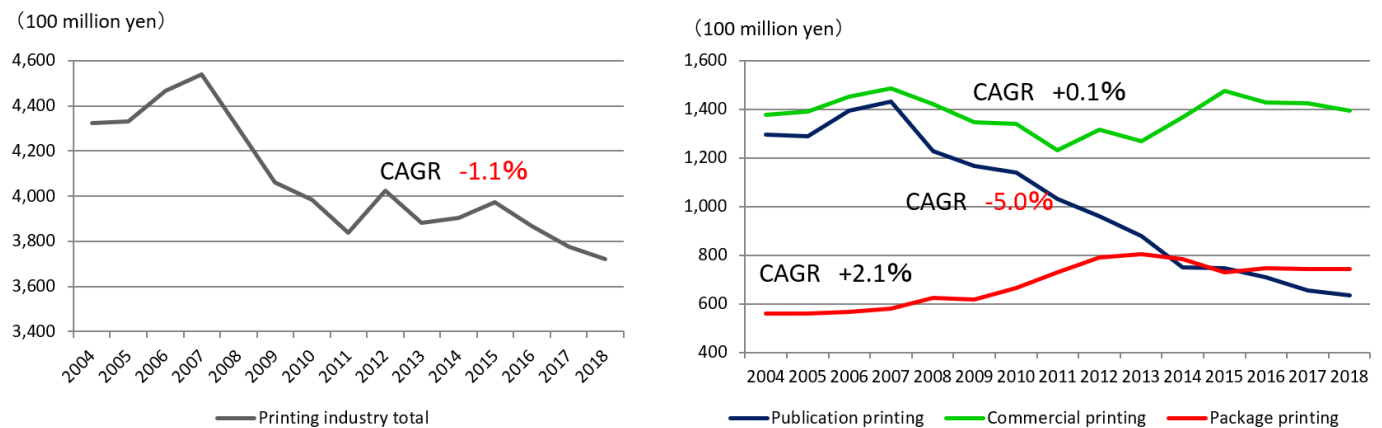
◎ Overview

(Market trend)

The production value of the Japanese printing industry is declining especially in the realm of publication printing of newspapers and magazines as a result of increasing digitization and aliteracy.

In the realm of commercial printing, on the other hand, of posters, catalogues, fliers, POP, etc. demand is fairly steady. Furthermore, printing on food and pharmaceutical packages and plastic containers is steadily increasing at the compound annual growth rate (CAGR) of 2.1% from 2004 to 2018.

Transition of Production Value in the Printing Industry

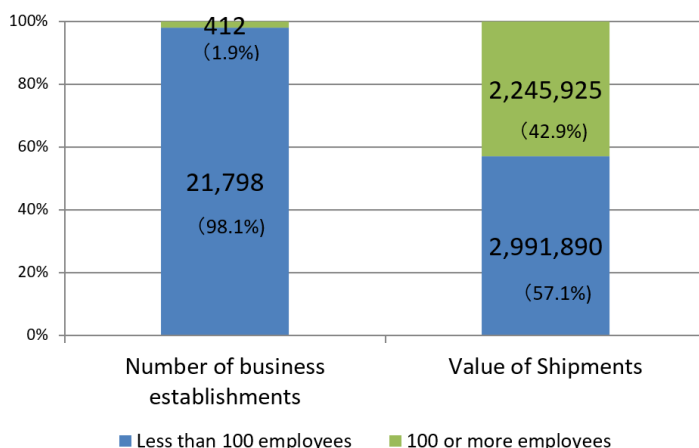


* Developed by Investment Bridge Co., Ltd. based on Current Survey of Production Annual Report "Paper, Printing, Plastic Products, Rubber Products" by Ministry of Economy, Trade and Industry (METI)
 * CAGR (Compound Annual Growth Rate)

Meanwhile, overseas, especially in newly emerging countries, both printing on papers (offset printing) and printing on film of food packages (gravure printing, flexographic printing) are expected to grow, and the Company is focusing on responding to the demand. As innovation of printing machine is progressing, quality of printing is enhancing. Overseas local inks, in many cases, cannot respond to such demand for high quality, which may lead to more demand of excellent Japanese ink.

(Printing houses and printing ink manufacturers)

According to the "2018 Industrial Statistical Chart/Statistical Data for Each Industry" by METI, there were 22,210 business entities in the printing and related industries in 2017. 21,798 (98.1%) of them are small and medium-sized enterprises with fewer than 100 employees.



* Developed by Investment Bridge Co., Ltd. based on the data from "Census of Manufacturers 2014: Report by Industry" by METI
 * The unit of the value of shipments is ¥million.

The Company's customers such as printing companies purchase printing inks and carry out printing. However, printing cannot be done simply by setting printing inks and papers and starting the machine. Printing companies are faced with needs such as "selection of the ink for the new types of paper," "producing special color" and "producing premium look," and challenges such as improving printing efficiency and taking environmental measures. The Company provides its customers with information on new products and various pieces of concerning these needs and challenges. Most of the 22,000 printing companies in Japan can hardly conduct business without such solutions. Therefore, printing ink manufacturers play a crucial role in the printing industry.

Thus, the Company's customers seek direct dealings with the Company. As a result, nearly 80% of the Company's domestic sales come from direct sales to its customers. These strong relationships with the customers are among the Company's major characteristics.

◎ Other companies in the industry

There are six major listed companies including Toyo Ink in the ink industry in Japan.

While (4631) DIC is the number one company in the world, Toyo Ink is the top runner in Japanese printing ink industry, and ranks first or second in most product categories. Globally, the Company is ranked third (The second is a European firm). (4633) SAKATA INX is the second largest shareholder of the Company. The Company and SAKATA INX complement each other mainly in logistical aspects. The two companies concluded a capital and business alliance agreement in 2000.

		Sales	Sales growth rate	Operating income	Profit growth rate	Operating margin	Total market value	PER	PBR	ROE
4116	Dainichiseika Color & Chemicals Mfg. Co., Ltd.	169,000	-0.8%	9,000	+3.2%	5.3%	50,757	8.1	0.5	4.1
4631	DIC	790,000	-1.9%	43,000	-11.1%	5.4%	264,536	8.8	0.9	10.4
4633	SAKATA INX	170,000	+4.9%	6,800	+33.0%	4.0%	56,466	10.0	0.7	6.3
4634	Toyo Ink SCHLD	300,000	+3.4%	17,500	+14.1%	5.8%	130,397	10.5	0.6	5.4
4635	Tokyo Printing Ink Mfg. Co., Ltd.	47,000	+5.3%	1,250	+0.9%	2.7%	6,460	6.4	0.3	5.1
4636	T&K TOKA	52,770	+6.3%	1,270	+244.8%	2.4%	22,199	13.5	0.5	1.4

*Sales and operating income are based on forecasts of each company for this FY. ROE and PBR are based on actual results of the previous term end.

*Unit: Million Yen, Times. Total market value is as of closing on September 2, 2019.

1-4 Business Description

◎ Concerning "printing inks"

Followings are the summary of printing inks, one of the major product categories of the Company, categorized by "raw materials" and "types and purposes of use."

<Composing elements of printing inks>

Pigments (organic pigments, inorganic pigments, etc.)	Pigments are powders that are used to provide color and are insolvent to water and oil.
Varnish (synthetic resins, lipids, fluxing materials, etc.)	Varnish is a combination of lipids, natural resins, synthetic resins, etc. in a solvent. It diffuses pigments, transfers and fixes them to printing materials.
Additives (lubricant, hardening agent, etc.)	Additives used to adjust so-called printability such as drying performance and fluidity, as well as printing effect.

High-level dispersion technologies are required when various inks are produced by combining the above three raw materials.

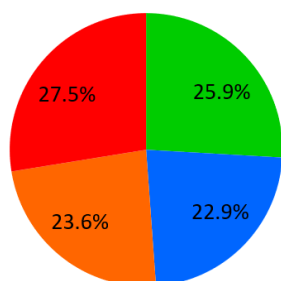
Since its foundation, the Company has also been expanding its business categories by exploring application of these raw materials in the process of manufacturing them.

<Types and intended use of major printing inks>

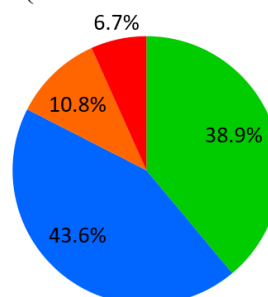
Types	Characteristics and Intended Use
Planographic inks	Typical printing ink on paper. They are used for printing magazines, posters, fliers, etc.
Gravure inks	Because of their capacity to express detailed gradation, it is suitable for printing photo images. Currently, they are mainly used for printing films such as food wrapping materials.
Screen inks	They are mainly used for printing on materials that are difficult to be printed with other methods, including industrial products such as meters and gauges of cars, circuit board formation, and CDs/DVDs.
Flexographic inks	They are used to print on the surface of cardboard boxes, films and clothes.
UV curing inks	Because they dry instantly without using a heat drier in the drying process, they are used for UV curing printing that does not directly generate CO ₂ . They are environmentally friendly inks that do not generate Volatile Organic Compounds (VOC).

◎Business segments

The business activities of the Company are classified into four segments: the “Colorants & Functional Materials Related Business,” “Polymers & Coatings Related Business,” “Printing & Information Related Business”, and “Packaging Materials Related Business”. The “Printing & Information Related Business” mainly deals with planographic inks that are used for printing on papers (offset inks, etc.). The “Packaging Materials Related Business” deals with gravure inks and flexographic inks that are used for printing on films of food packages. The “Colorants & Functional Materials Related Business” deals with products related to pigments that are also the raw materials of printing inks as core materials. The “Polymers & Coatings Related Business” began with resins that are the main raw materials of inks and their design technologies.

Sales composition ratio
(FY December 2018)

■ Colorants and Functional Materials ■ Polymers/Coatings
■ Packaging Materials ■ Printing/Information

Operating income composition ratio
(FY December 2018)

■ Colorants and Functional Materials ■ Polymers/Coatings
■ Packaging Materials ■ Printing/Information

* "Other" segment is excluded. The inter-segment elimination is not taken into consideration for both sales and operating income.

★Colorants and Functional Materials Related Business

	FY Dec.18
Sales	74,660
Operating Income	5,390
Operating Margin	7.2%

*Units: Million yen

Sub segment	Major products
Chemicals	Pigments, high function pigments, CF (color filter), paste
Display materials	Resist inks for LCD color filter
Plastic colorants	Plastic colorants, functional colorants
Other Colorants/Functional Materials	Recording material coatings, developed products



Based on the organic pigments that are the main raw materials for printing inks, and by integrating their color material technologies, organic chemical synthetic technologies and high-level dispersion technologies, the Company offers materials that are used in various fields. Especially, it created higher functional LCD color filter materials using their nano-level dispersion technologies through integration of technologies that have been accumulated from their ink and painting materials production experiences. Furthermore, the Company's dispersion processing technologies are used not only for organic pigments but also for inorganic materials such as carbon nanotube (CNT), which leads to expansion of its business in the new energy field such as secondary battery materials. They constitute about 40% of the Company's operating income.

★Polymers & Coatings Related Business

	FY Dec.18
Sales	66,099
Operating Income	6,035
Operating Margin	9.1%

*Units: Million yen

Sub segment	Major products
Coating s	Adhesive tapes, marking films, electromagnetic shielding films
Adhesives	Adhesives, laminating adhesives, hot-melts
Can coatings and polymers	Can coatings, resins, functional hard coatings
Other Polymers/Coatings	Medical products, natural materials, developed extracts



For this segment, the Company develops functional resins as the core materials with different functional features. Using unique technologies that have been developed for many years, the Company creates new functions to cultivate new demand and open new markets in electronics, energy, health care and other fields.

★Packaging Materials Related Business

	FY Dec.18
Sales	68,047
Operating Income	1,491
Operating Margin	2.2%

*Units: Million yen

Sub segment	Major products
Liquid inks	Gravure inks, flexographic inks, gravure solvent
Gravure equipment, plate making	Gravure equipment/plate making



For this segment, the Company deals with printing inks and equipment used in packages such as gravure printing, flexographic graphic printing and screen-printing. In the field of food packaging, etc., the Company is dedicated to developing environmentally friendly products using water-based ink to assure their safety to the consumers.

★Printing & Information Related Business

	FY Dec.18
Sales	79,378
Operating Income	931
Operating Margin	1.2%

*Units: Million yen

Sub segment	Major products
Offset inks	Offset inks, newspaper inks, UV curable inks, metal decorating inks, screen inks
Printing materials and equipment	Printing inspection devices, printing materials
Inkjet inks, others	Inkjet inks, other development products



This segment is the core segment of the Company since its establishment. For this segment, the Company deals mainly with printing inks used for printing on paper.

The Company offers not only printing inks but also sales of machinery/equipment, support for streamlining customers' printing process, and support and tools for color management and color universal design.

◎Overseas expansion

While the Company is improving profitability by offering high-value-added products in the Japanese market, where a rapid growth is not expected, it is aggressively expanding its business from both production and sales perspectives in the overseas market where future growth is expected.

Development of its overseas manufacturing structures was almost completed during the previous Midterm Business Plan, and the Company is carrying out both raw material procurement and production at local sites.

BRIDGE REPORT



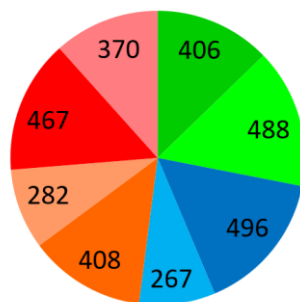
As of the end of December 2017, the Company has about 50 overseas consolidated subsidiaries and 50 production sites in a wide range of countries around the world.

	Sales	YoY	Operating Income	YoY
Japan	1,817	+1.0%	96	-27.9%
Asia	1,065	+10.6%	55	-11.2%
Europe	202	+1.1%	4	-60.5%
The Americas	143	+8.4%	-1	-
Adjustment	-324	-	-0	-
Consolidated total	2,902	+3.6%	153	-25.3%

*Units: Million yen

<Segment trend by region: FY December 2018>

Domestic and Overseas Sales by Segment
(FY December 2018, Unit:100 million yen)



- Colorants and Functional Materials (Japan)
- Colorants and Functional Materials (Overseas)
- Polymers/Coatings (Japan)
- Polymers/Coatings (Overseas)
- Packaging Materials (Japan)
- Packaging Materials (Overseas)
- Printing/Information (Japan)
- Printing & Information (Overseas)

* Elimination among regions is not taken into consideration.

1-5 ROE Analysis

	FY 3/ 13	FY 3/ 14	FY 3/ 15	FY 3/ 16	FY 3/ 17	FY 12/ 17	FY 12/ 18
ROE (%)	5.8	7.3	6.9	5.9	6.0	4.8	5.4
Net income margin (%)	3.50	4.39	4.64	4.30	4.93	4.34	4.10
Total asset turnover [times]	0.85	0.88	0.82	0.78	0.74	0.65	0.77
Leverage [times](x)	1.94	1.88	1.80	1.75	1.73	1.70	1.71

*The 12-months conversion value for the term ended December 2017 is 6.8%.

In general, it is desirable to boost profitability and efficiency to achieve an ROE of 8%, which is said to be the value that should be pursued by Japanese companies.

【Characteristics and Strengths】

(1) Strong technological edge

As described above, the Company has been manufacturing in-house pigments and resins, which are the raw materials of printing inks. Its technological capacities form the basis of high quality printing ink production and lead to expansion of business areas and product range such as, LCD color filter materials, adhesive bonds and adhesive compounds.

(2) Excellent problem-solving skills

One of the reasons for the Company to be at the top of the Japanese printing inks industry is its excellent problem solving capability in all aspects of printing.

The Company not only produces and supplies printing inks but also studies elements related to “printing” as a whole including plate making and images. Such efforts enable the Company to make technological proposals, demonstrate advanced service skills, and obtain high customer satisfaction.

(3) Environmental concerns

The Company is a forerunner in CO₂ emission reduction as well as production of eco-friendly inks such as non-VOC inks, water-based inks, and UV inks. In the newly developed countries, too, the environmental regulations are becoming tighter, and the needs for environmentally friendly products are increasing. The Company is also working on assuring safety such as chemical substances control and manufacturing a line of products that meet the Swiss Ordinance, ahead of other companies.

(4) Uniqueness of management strategies

The Company considers M&A as one of the options for exploring new markets with its technological edge, if M&A is expected to bring synergy effects to the Company. However, it is not intending to implement M&A just to increase the size of businesses. It is also taking an initiative in the printing ink industry to establish “local production for local consumption” policy in the overseas market for enhancing efficiency (e.g. reduction in transport mileage) and social contribution (e.g. utilization of local products) purposes.

2. First Half of Fiscal Year ending December 2019 Earnings Results

(1) Business Results

	FY 12/ 18 1H	Ratio to sales	FY 12/ 19 1H	Ratio to sales	YoY
Sales	140,950	100.0%	139,376	100.0%	-1.1%
Gross profit	31,174	22.1%	30,238	21.7%	-3.0%
SG&A	23,420	16.6%	24,208	17.4%	+3.4%
Operating Income	7,753	5.5%	6,030	4.3%	-22.2%
Ordinary Income	7,532	5.3%	6,282	4.5%	-16.6%
Net Income	5,357	3.8%	2,707	1.9%	-49.5%

*Units: Million yen

Sales and profit decreased.

Sales were 139.3 billion yen, down 1.1% year-on-year. The Polymers & Coatings Related Business and Packaging Materials Related Business were healthy. However, profit decreased due to the effects of the sluggish performance of the smartphones market and such, and exchange rates.

Operating income was 6 billion yen, down 22.2% year-on-year. There were positive factors such as price revisions (+1.1 billion yen) but the steep increase of costs of raw materials such as solvents affected by the increase in naphtha price (-1 billion yen), the decrease in sales volume of materials for display (- 800 million yen), and the decline in selling prices (- 500 million yen) have negatively affected the profit.

(2) Trend by Segment

Sales	FY 12/ 18 1H	Ratio to sales	FY 12/ 19 1H	Ratio to sales	YoY
Colorant/Functional materials	36,554	25.9%	34,620	24.8%	-5.3%
Polymers/Coatings	31,874	22.6%	32,701	23.5%	+2.6%
Packaging	32,938	23.4%	33,434	24.0%	+1.5%
Printing/Information	38,756	27.5%	37,633	27.0%	-2.9%
Others	3,341	2.4%	3,652	2.6%	+9.3%
Adjustment	-2,514	-	-2,667	-	-
Total	140,950	100.0%	139,376	100.0%	-1.1%
Operating Income					
Colorant/Functional materials	2,711	7.4%	1,868	5.4%	-31.1%
Polymers/Coatings	2,893	9.1%	2,789	8.5%	-3.6%
Packaging	747	2.3%	1,148	3.4%	+53.7%
Printing/Information	699	1.8%	37	0.1%	-94.7%
Others	688	20.6%	193	5.3%	-71.9%
Adjustment	12	-	-8	-	-
Total	7,753	5.5%	6,030	4.3%	-22.2%

*Unit: million yen.

★Colorants and Functional Materials Related Business

Sales and profit decreased.

(Materials for high-performance pigments and color filters used in LCDs)

In particular, the utilization by domestic customers who require high-quality products has fallen as a result of the sluggish demand for smartphones and televisions. In addition to the sluggish sales performance, the request for lowering costs of parts from China and Taiwan became severe, which decreased profit as well.

(General-purpose pigments)

The sales of printing inks continued to be sluggish and the sales of automotive paints declined. Raw material costs continued to rise as a result of supply shortages, etc. due to the environmental regulations. The company tried to increase sale prices for compensating for that, but it could not offset the decline in profit.

(Plastic colorants)

The sales of plastic colorants for container continued to expand, but the sales for automobiles and construction as well as the high-performance products used in solar batteries, etc. were sluggish.

(Functional dispersion materials)

The Carbon nanotube (CNT) dispersion for LiB, which is supplied to Chinese battery manufacturers, has achieved some results. The practical use of high-transparency inorganic pigment dispersion is within reach.

★Polymers & Coatings Related Business

Sales increased, but profit decreased.

(Coating materials)

The company made progress with the development and sales expansion of electromagnetic shielding films, etc. that support high-speed communication. However, overall sales and operating income were sluggish due to the sluggishness of the Chinese and Korean smartphones market.

(Adhesives)

The domestic sales performance for packaging was healthy. The sales of adhesives for lithium-ion batteries expanded mainly in automotive applications.

As for overseas performance, sales expanded in China, Southeast Asia, and Turkey. Regarding glues, the demand for labels has recovered. Additionally, the sales for polarization plates for LCD panels has expanded.

(Can coatings and polymers)

The sales of environmentally friendly products in North America has expanded. On the other hand, the domestic sales performance of paints for coffee cans was sluggish.

☆Packaging Materials Related Business

Sales and profit increased.

(Flexible packaging materials)

The performance was favorable thanks to the support of healthy domestic demand. Sales of environmentally friendly products such as biomass ink, which was launched last year, has expanded. Outside Japan, sales of middle-grade inks continued to grow in Southeast Asia and India. Although raw material costs soared, price revisions have made progress.

(Building materials)

The sales of inks for thin paper was on par with the previous year.

(Cardboard)

While printing surface area is reducing, the sales of inks for preprinting, biomass ink, inks for paper bags. etc. increased. The progress of price revisions was limited.

☆Printing & Information Related Business

Sales and profit decreased.

(Offset inks)

As the downward trend of pamphlets, publications, and newspapers continue, the company proceeded with the consolidation of production bases and considered forging alliances with outside parties.

The steep rise in raw materials cost decreased profit and the company started making price revisions.

(Functional inks)

As for inkjet, the growth of labels and cardboard markets has accelerated in the U.S. and Europe, while in Japan and China, the company expanded its business in new markets.

The sales of the UV ink increased thanks to increasing cooperation with printer manufacturers, however, profit decreased due to the steep rise in raw materials costs.

Regarding metal ink, the company promoted local manufacturing in Southeast Asia.

(3) Financial standing and cash flows**◎Main Balance Sheet**

	End of December 2018	End of June 2019		End of December 2018	End of June 2019
Current Assets	203,787	195,698	Current liabilities	99,122	105,265
Cash	52,706	52,442	Payables	62,117	56,210
Receivables	95,553	89,356	LT Interest Bearing Liabilities	19,219	29,317
Inventories	49,503	49,966	Noncurrent liabilities	49,679	38,545

BRIDGE REPORT



Noncurrent Assets	168,824	167,721	ST Interest Bearing Liabilities	38,845	26,557
Tangible Assets	94,290	97,669	Total Liabilities	148,801	143,810
Intangible Assets	4,649	4,527	Net Assets	223,809	219,610
Investment, Others	69,883	65,524	Shareholders' Equity	205,319	205,418
Total assets	372,611	363,420	Total liabilities and net assets	372,611	363,420
			Capital Adequacy Ratio	58.2%	58.6%

*Unit: million yen

Current assets decreased 8 billion yen from the end of the previous term due to the decline in trade receivables, etc. Noncurrent assets decreased by 1.1 billion yen year on year, due to the decline in investments and other assets, and total assets decreased to 363.4 billion yen, down 9.1 billion yen year on year. Total liabilities were 143.8 billion yen, down 4.9 billion yen year on year due to the decrease in long-term debts, etc. The negative foreign currency translation adjustment has expanded due to yen appreciation and net assets were 219.6 billion yen, down 4.1 billion yen from the end of the previous term.

As a result, capital adequacy ratio increased 0.4 points from 58.2% at the end of the previous term to 58.6%.

◎Cash Flow

	FY 12/ 18 1H	FY 12/ 19 1H	Increase/decrease
Operating Cash Flow	11,634	10,177	-1,457
Investing Cash Flow	-4,595	-4,848	-253
Free Cash Flow	7,039	5,329	-1,710
Financing Cash Flow	-2,210	-4,668	-2,458
Term End Cash and Equivalents	52,991	51,149	-1,842

*Unit: million yen

The surplus of operating CF and free CF decreased due to the decrease in net income before taxes and other adjustments, etc.

The financing CF deficit expanded due to the reduction of debts.

The cash position declined.

3. Fiscal Year ending December 2019 Earnings Forecasts

(1) Business forecasts

	FY 12/ 18	Ratio to sales	FY 12/ 19 Est.	Ratio to sales	YoY	Progress rate
Sales	290,208	100.0%	300,000	100.0%	+3.4%	46.5%
Operating Income	15,337	5.3%	17,500	5.8%	+14.1%	34.5%
Ordinary Income	15,508	5.3%	18,000	6.0%	+16.1%	34.9%
Net Income	11,899	4.1%	12,000	4.0%	+0.8%	22.6%

*Unit: Million yen . Forecasts are the figures announced by the Company.

The earnings forecast remained unchanged. The company aims to increase sales and profit.

The earnings forecast is unchanged. It is estimated that sales will grow 3.4% year on year to 300 billion yen and operating income will rise 14.1% year on year to 17.5 billion yen.

However, the progress rates of both sales and profit are low, and the company considers that the future holds many uncertainties because of the U.S.-China trade friction.

The company thinks that in order to achieve the estimates, it will be essential to implement a comprehensive cost reduction (+1.6 billion yen) including price revisions of the materials for display and materials such as the ink for packaging (+700 million yen), expanding

BRIDGE REPORT



sales of materials for display (Chinese and Taiwanese markets) and functional films (+1.7 billion yen), reduction of fixed costs and raw materials substitution, review of prescription, etc.

The dividend is to be 90.00 yen/share, up 5 yen/share from the previous term. The estimated payout ratio is 43.8%.

(2) Trends by Segment

Sales	FY 12/ 18	FY 12/ 19 Est.	YoY	Progress rate
Colorant/Functional materials	747	780	+4.4%	44.4%
Polymers/Coatings	661	700	+5.9%	46.7%
Packaging	680	730	+7.4%	45.8%
Printing/Information	794	785	-1.1%	47.9%
Others/Adjustment	20	5	-	-
Total	2,902	3,000	+3.4%	46.5%
Operating Income				
Colorant/Functional materials	54	60	+11.1%	31.7%
Polymers/Coatings	60	70	+16.7%	40.0%
Packaging	15	25	+66.7%	44.0%
Printing/Information	9	16	+77.8%	0.0%
Others/Adjustment	15	4	-	-
Total	153	175	+14.4%	34.3%

*Unit: ¥100 mn. From the term ending December 2018, the segment of coating materials is partially moved from the Printing & Information Related Business to Polymers & Coatings Related Business.

(Key measures in the second half of FY 12/19)

Colorant /Functional materials	<p>(Pigments)</p> <p>Improve production efficiency of pigments and reduce fixed costs. Expand sales of pigment dispersion for IJ.</p> <p>Increase the market share further at the largest market of China. Speed up development of high-grade products to acquire new projects. Enhance the development of materials used in sensors.</p> <p>(Plastic colorants)</p> <p>Increase the profit of global bases. Achieve results from liquid plastic colorants and increase the market share of the existing market of global development.</p> <p>(Functional dispersion materials)</p> <p>Start local manufacturing at the Chinese base. Put high-transparency inorganic pigment dispersion into practical use</p>
Polymers /Coatings	<p>(Coating materials)</p> <p>Expand sales of functional films and launch developed products (semiconductors-related parts, low dielectric sheets, etc.)</p> <p>(Adhesives)</p> <p>Develop and expand sales of glues for displays and life science. Develop an environment-friendly product lineup.</p> <p>(Can coatings and polymers)</p> <p>Strengthen the domestic and international development of environment-friendly pigments. Promote sales of high-added-value resins. Develop new functional hard coatings.</p>

BRIDGE REPORT



Packaging	<p>(Flexible packaging materials) Define the quality of water-based gravure inks, biomass inks, and flexographic inks for films and promote their sales. Implement cost reduction through model integration, etc. and apply price revisions to all models.</p> <p>(Building materials) Expand sales of UV top coat, etc.</p> <p>(Cardboard) Strengthen the sales of high-added value products such as inks for preprinting. Apply price revisions.</p>
Printing /Information	<p>(Offset inks) Continue streamlining the business and shifting management resources such as manpower and production capabilities, and aim to finish it in a short period. Increase the practicality of price revisions activities. Focus efforts on fixed costs reduction and raw materials substitution.</p> <p>(Functional inks) Strengthen and increase production facilities in Europe and China. Additionally, make further achievements with flexible packaging and water-based inks aimed at the packaging market. Promote price revisions and global development through forging alliances with printer manufacturers. Expand sales of UV/LED inks for the 3-piece cans in China and Southeast Asia by forging alliances with printer manufacturers and lamp manufacturers.</p>

(3) Company-wide issues

For nurturing next-generation core businesses, the company will cultivate new business domains with high-functionality niche products that incorporate its core technologies in growth markets such as life science, environment-friendly products, and electronics. Furthermore, the company utilizes the data science to build a management and production structure and aim for leaping growth of the entire group as a science company.

Below are the measures and goals for the main separate issues.

(1) Developing the mobility market

[Business policy]

As the mobility market is rapidly changing, the company perceives its need for diversifying materials as a business opportunity and with functional material such as dispersion, compounds, and films as an axis it will develop new products and sales channels.

[Numerical Goal]

The sales target for FY 2020 is 5 billion yen.

The company aims to reach a scale of 13 billion yen before the end of the Mid-Term Business Plan SIC-II.

[Examples of products]

By utilizing the core technologies of resin technology, dispersion technology, coating technology, etc., the company will work on making the following concepts into products: “Noise: compound for electromagnetic shields and electromagnetic waves shielding film,” “Heat: thermal conductive adhesive sheet and thermal conductive compound,” “Safety: resist for image sensors,” and “Joining: solid adhesive for interior materials],” etc.

(2) Cultivating the medical/healthcare market

[Business policy]

The company will expand into the medical/healthcare market by developing polymer products used as a material for transdermal therapeutic drugs, athletic tape, diagnosis kits and such, the lightproof colorant materials used in medical packaging, etc.

[Numerical Goal]

The sales target for FY 2020 is 3 billion yen.

The company aims to reach a business scale of 4.5 billion yen before the end of the Mid-Term Business Plan SIC-II.

[Business overview]

*The development will cover both the new and generic administration routes of transdermal therapeutic drugs.

*Sales of glues used in athletic tapes and surgical tapes has been expanding in China. The company aims to expand its market share by releasing more new products.

*Domestically, in addition to the development of adhesive products for diagnosis kits, the development of polymers with non-protein adsorption properties, etc. are making progress.

*Based on pigments and resin synthesizing technology, the company is developing light-proofing materials to protect the contents of transfusion bags, chemical containers, etc.

*Additionally, all the group companies are working on supplying materials to markets related to the medical/healthcare market.

(3) Expand the inkjet ink lineup**[Business policy]**

The demand for inkjet ink is rapidly growing due to the need for environment-friendliness and small-lot multi-product compatibility.

As for measures aimed at the growing packaging market in the USA and Europe, the company will deploy UV label ink, which currently holds the top market share, additionally, the company's mainstay water-based ink, which is especially durable.

Furthermore, it aims for business expansion by expanding solvents and UV ink for the sign market mainly in emerging countries.

[Numerical Goal]

The sales target for FY 2020 is 5.2 billion yen

The company aims to reach a business scale of 10 billion yen before the end of the Mid-Term Business Plan SIC-II.

[Business overview, on which efforts will be focused]

The reason behind the increase in demand for inkjet ink is the rising needs for small-lot multi-product and the transition from conventional printing that requires extensive skills to the easily operated digital printing.

The company will work to develop and supply products that meet such needs.

(4) Developing environment-friendly materials**[Business policy]**

The company will directly respond to the global chemical substances control regulations and social problems such as the waste plastic problem.

It will develop and expand environment-friendly can manufacturing paints, products as well as systems that enable recycling and reduction of plastic, biomass products, adhesives for LiB, etc.

[The expected business scale]

8 billion yen in the medium term.

[Business overview: products that respond to social problems]

*Chemical substances control regulations

Environment-friendly can manufacturing paints: with sales in the USA as a starting point the company will start deployment in all countries.

*The waste plastic problem

Oil-resistant paper coating agent, biodegradable ink and adhesive (reduce), ink-adhesive desorption system (recycle), etc.: Oil-resistant paper coating agent, a polyethylene substitute (Product name: FillharmoTM) is being developed so that it meets the needs.

***CO₂ reduction**

Biomass products (adhesives/all types of packages ink), water-based packaging ink, packaging insolvent adhesive (laminated adhesives/hot melt adhesives), etc.: The company will start sales of biomass inks suited for the printing method, glues, and adhesives. Moreover, it will strive to improve biomass content with the development.

***Promoting renewable energy**

Products related to LiB materials: laminated adhesives, separation membrane/electrode emulsion are being developed and put into practical implementation.

(5) Global development (Investment plan)

As an investment for the next mid-term management plan and the long-term vision SIC27, the company will continue to proactively strive for global development and will aim to achieve an overseas sales ratio of 60% and a ratio of operating income from overseas business of 50%.

Country/Region	Details
Europe	<p>*IJ Ink Increase production facilities in response to the increasing demand.</p>
India	<p>*Gravure inks Improve production efficiency and respond to the increase in demand. Increase production facilities.</p> <p>*Adhesives Increase production facilities in response to the increase in demand.</p>
ASEAN	<p>*Myanmar The company plans to start local production of packaging ink and adhesives in response to the increase in demand.</p> <p>*Thailand Enhance competitiveness by starting the local production of adhesives.</p>
USA	<p>*Glues Establish a supply structure to other bases as a response to the increase in demand.</p>
China	<p>*Shanghai and Zhuhai Increase adhesives production facilities to cover the increase in demand.</p> <p>*Jiangmen *Build a new factory. Increase production of Eco products related to the packaging business.</p> <p>*Zhuhai Start local production of LiB materials.</p>
Morocco	<p>Established a sales company in May 2019. Started sales of all types of inks and chemical products for the packaging and started marketing activities in Africa.</p>
Turkey	<p>Acquired additional shares and became a wholly-owned subsidiary. Strengthen marketing in Africa and Eastern Europe. As for the packaging business, the company will acquire leading customers, etc. and continue to consider building a new factory to support the increase in sales.</p>

4. Conclusions

Although the forecast at the beginning of the FY 12/18 stated that the influence from a surge in price of raw materials were estimated to be 2 billion yen negative, this actually ended up 5.5 billion yen negative, being the largest factor to the profit decrease in the previous term.

While the Company have propelled forward steadily both the increase of sales quantity and the instillation of price revision, we would like to watch in what kind of measures it would be to offset a price rise of raw materials, which is estimated to be 1.6 billion yen negative in this term from the short perspective.

In the medium term, on the other hand, the Company will actively promote various investment which were failed to reach the adequate standard in the previous term. Therefore, we would like to focus how fast they could launch their products relating to a such growing key words as IoT, 5G and Environment into the market.

<Reference 1: Mid-Term Business Plan “SIC-I” (FY 2018 to FY 2020) >

Under the long-term 10-year vision “Scientific Innovation Chain 2027 (SIC 27)” to realize sustainable growth for 2027, the company will develop a three-stage medium-term management plan every 3 years, clarify the challenges and roles, and act steadily for the future. It launched the first stage “Medium-Term Management Plan SIC-I (FY2018 - 2020)” January 2018.

<Basic policies>

The theme is “Frequent challenges”

By positioning the next medium-term management plan SIC-I (FY2018 - FY2020) as a period for building a foundation for sustainable growth in the next 100-year range, we will take successive measures for innovative change.

- (1) Transformation of existing businesses and development of new businesses for growth
- (2) Promotion of manufacturing innovation to increase sustainability
- (3) Overhaul of management foundation

<Numerical Goal>

◎Whole Company

	FY12/17 (12-month adjustment)	FY12/20 (Est.)	The year on year rates
Sales	2,801	3,500	+7.7%
Operating Income	205	280	+11.0%
ROE	6.8%	7.2%	+0.4p
Operating Margin	7.3%	8.0%	+0.7p
Overseas Sales Ratio	44.2%	50.0%	+5.8p

* Unit: ¥100mn. The year on year rates are calculated by Investment Bridge based on the information provided by the company. The year on year rates of sales and operating income are average annual growth rates.

BRIDGE REPORT



◎Segments

	FY12/17 (12-month adjustment)	FY12/20 (Est.)	The year on year rates
Colorant/Functional materials			
Sales	719	930	+9.0%
Operating Income	65	82	+8.1%
Operating Margin	9.0%	8.8%	-0.2p
Polymers/Coatings			
Sales	616	840	+10.9%
Operating Income	69	96	+11.6%
Operating Margin	11.2%	11.4%	+0.2p
Packaging			
Sales	650	805	+7.4%
Operating Income	24	50	+27.7%
Operating Margin	3.7%	6.2%	+2.5p
Printing/Information			
Sales	809	925	+4.6%
Operating Income	35	48	+11.1%
Operating Margin	4.3%	5.2%	+0.9p

*Unit: ¥100mn. The change is calculated by Investment Bridge based on the information provided by the company. The year on year rates of sales and operating income are average annual growth rates.

*From the term ending Dec. 2018, the segment of coating materials is partially moved from the Printing & Information Related Business to Polymers & Coatings Related Business.

(Major challenges by segment)

Colorant/Functional materials	<p>◆Development and expanded sales of products using unique pigments and nano-level dispersion technologies.</p> <p>*LiB-related materials: To try to expand LiB-related materials including carbon dispersion materials, benefiting from accelerating growth of the EV market.</p> <p>*Functional products: To develop products with optical and insulation functions that are new to the market, using its unique materials and nano-level dispersion technologies.</p> <p>◆Further expansion of color filter material and sensor materials</p> <p>*To make sure to capture demand for the expanding Chinese market and advance sales of color filter materials for panels.</p> <p>*To strengthen development for the arrival of trillion sensor era.</p>
Polymers/Coatings	<p>◆Creation of new markets by solution-proposing marketing based on manufacturing</p> <p>*Electronics: To utilize open innovation and accelerate the development of new materials centered on control of heat and electromagnetic waves.</p> <p>*Packaging and industrial materials: To develop safe and secure materials that contribute to environment and energy-saving.</p> <p>◆ Medical Science Business to be the next growth pillar.</p> <p>*To strengthen development of adhesive patches.</p> <p>*To increase sales of healthcare-related products such as cell culture coating agents and adhesives used for medical tapes.</p>

BRIDGE REPORT



Packaging	<p>◆ Acceleration of product development in response to the changes of the market</p> <p>*To promote improvement of the evaluation technology environment from the customer's point of view and develop stand-by type new products</p> <p>*Inkjet inks: To accelerate product development in accordance with expansion of the market.</p> <p>*Metal decorating inks: To accelerate overseas market expansion.</p>
Printing/Information	<p>◆ Strengthening environmentally-friendly products</p> <p>*Biomass inks: To increase lineups of biomass ink products lineups.</p> <p>*Water-based inks: To accelerate global business expansion by increasing functionality of packaging products.</p> <p>*UV inks: To promote global business expansion in the packaging field.</p> <p>◆ Construction of a production system to meet regional needs.</p> <p>*To strengthen the supply base and improve CS through the restructuring of the global production systems</p> <p>*To improve CS by strengthening the overseas technology center and technology services.</p> <p>*To strengthen the business foundation by promoting drastic structural reform in the domestic maturity businesses</p>

*From the term ending Dec. 2018, the segment of coating materials is partially moved from the Printing & Information Related Business to Polymers & Coatings Related Business.

◎Investment plans

The company will set up a strategic investment frame separately from the traditional capital investment frame to expand priority domains and create new businesses, and it will make aggressive investment to achieve the plan.

Facility investment frame	40 billion yen
Strategic investment frame	20 billion yen
SIC-I investment frame	60 billion yen

The strategic investment frame is an investment frame for transformation to expand priority domains and create new businesses, which will be described later. The company will take various actions, such as human resources and technology investment, to achieve the plan within this frame.

<Major measures>

(1) Transformation of Existing Businesses and Development of New Businesses for Growth

【1-1 Transformation of Existing Businesses】

■ Global development

To raise the growth capacity in overseas markets, it will promote the integration of global bases that have been established so far and the expansion of product lineups and will develop diverse businesses.

For pigment dispersions for inkjet inks and inks, in addition to manufacturing environmentally friendly products in China (Zhuhai), it will increase items in Japan, the US and France.

For laminating adhesives, it will try to increase sales in the food packaging market in cooperation with global bases that operate liquid ink business.

The company aims for increased sales of 53 billion yen compared with the term ended Dec. 2017.

■ Expansion of new products

The company will promote the development of new materials with a focus on pigments and resins and create new values by combining synthesis, dispersion and film formation technologies, which are its core technologies, to enter new markets and new areas.

Particularly, it will focus on electronics-related materials and medical/healthcare products in the Polymers & Coatings Related Business. It aims for increased sales of 16 billion yen compared with the term ended Dec. 2017.

【1-2 Development of New Businesses】

The company set 6 priority domains in the SIC-I. To achieve sustainable growth, it will challenge the development of new business models centered on solution proposals that go beyond merely providing products and will link them to the activities in the “SIC-II” and “SIC-III” phases.

Field	Domain
Life	Packaging Mobility Medical/healthcare
Communication	IoT
Sustainability	Natural extract Energy

It will focus on the following 4 businesses.

[Sensor-related business]

The domains are mobility, medical/healthcare and IoT.

The company will focus on rapidly increasing “sensors” in the fast growing IoT market. In addition to “manufacturing” centered on chemicals, it will also try to develop sensor-related businesses that incorporate new technologies and provide “information and systems.” (Major products/services)

The major products/services are image sensor materials and sensor devices. In the “SIC –II” and “SIC –III” phases, development of data business based on sensing data will also be considered.

[Waste-heat from living related business]

The domains are mobility, IoT and energy.

Focusing on “waste-heat from living” which is unused in the surroundings of the living, the company will develop technologies to efficiently recycle the heat and work on a business that provides recycling energy solutions.

(Major products/services)

Heat resistant adhesive film, super heat resistant insulation/heat conductive film, high heat management parts, etc.

[Healthcare related business]

The domain is medical/healthcare.

Based on the adhesive patch business platform, the company will steadily expand its pharmaceutical business base and strengthen development and sales of peripheral healthcare-related materials.

(Major products/services)

Tapes for blood glucose test strips, medical adhesives, biocompatible polymers, next-generation adhesive patches, etc.

[Natural extracts related business]

The domain is natural extracts.

The company aims to further develop businesses of new functional natural extracts making full use of edible pigments and bamboo-related products business platforms and advance the expansion of biomass products to further contribute to the low-carbon society.

(Major products/services)

Edible pigment products, Kuma bamboo grass related products, biomass inks, functional food materials, etc.

(2) Promotion of Manufacturing Innovation to Increase Sustainability

Until now, the company has been working on building a manufacturing network by proactively expanding overseas bases, building safe and secure manufacturing with consideration for the environment, and developing a global chemical substance management and trade management systems.

During the SIC-I phase, to contribute to the improvement of sustainability of ordinary citizens, life, and the global environment, it will tackle innovation in manufacturing for sustainable growth including the company itself and aim to achieve both contributing to sustainability and securing profitability.

(Example of actions)

- *Building the global supply chain based on co-existence and co-prosperity with our partners
- *Production process innovation integrated with digital technologies
- *Promotion of manufacturing to live with the global environment (energy savings, reduction of CO2 emissions, etc.)

(3)Overhaul of Management Foundation

It will drive forward global integration of business systems to reform existing business, create new businesses and reform manufacturing. It will also work on strengthening the management foundation including recruitment of personnel for reform and institutional reform (i.e. complete transition to defined contribution pension system, commencement of retirement age of 65). In addition, it will implement CSR activities integrated with management and contribute to the

improvement of the sustainability of ordinary citizens, life and the global environment.

It will strengthen the foundation to continuously create innovations.

(Example of actions)

- *Promotion of ERP integration globally and promotion of greater business efficiency using AI
- *Active recruitment of human resources necessary for innovative changes and the renovation of the personnel system to encourage innovations
- *Promotion of active CSR activities to achieve important issues (materiality) of TIG

<Reference2: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization type	Company with audit and supervisory board
Directors	14 directors, including 4 external ones
Auditors	5 auditors, including 3 external ones

◎ Corporate Governance Report

The latest update: April 4, 2019.

<Basic policy>

Our corporate group shifted to the holding company structure on April 1, 2011. Under the holding company structure, our company aims to improve the value of the entire corporate group by strengthening its strategic function, promoting speedy business administration, and achieve a good balance between the optimization of the entire group and the optimization of each business.

Our group's framework for business administration is constituted by the "ethos of the Toyo Ink Group," which is composed of management philosophy and ethos, which summarize the basic policies for group management, and the course of action, and the "CSR value system," which is composed of the CSR charter and course of action, which clearly describe the stance toward social responsibility. Our group aims to contribute to the improvement of sustainability of residents, life, and the earth environment and become "an enterprise that can create lifestyles and cultures that would spread around the world" as set in the management ethos, through science-based manufacturing, by putting the "ethos of the Toyo Ink Group" and the "CSR value system" into practice.

In order to create tangible and intangible values as an enterprise and fulfill social responsibility, it is indispensable to self-evaluate corporate activities from the viewpoint of stakeholders and carry out well-balanced business administration for economic, social, personnel, and environmental affairs.

To do so, our company will:

- *transfer the business execution function to each business company, and appropriately enforce the regulations for internal memos and affiliate management, which are adapted to each group company, in order to fortify corporate governance, develop its internal control system,

*improve the instruction and monitoring functions by enhancing the legal functions and systems, such as general meetings of shareholders, the board of directors, the board of auditors, comptrollers, etc.,

*improve the transparency of business administration by disclosing information swiftly, accurately, and broadly,

*strengthen and enrich its compliance system,

*promote environmental conservation on a global scale, and so on,

and foster good relationships with stakeholders, including shareholders, business partners, local communities, and employees, and enhance corporate governance.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

Our company implements all the principles of the corporate governance code.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

Principle	Disclosure contents
Principle 1-4.	<p>The economic rationality of strategically held shares is discussed annually at the board of directors' meeting. The company will examine the benefits and transaction status associated with the cross-holding as compared to the cost of capital for each individual stock, and if the cross-holding of the stock is determined not to be appropriate, the company will proceed with reduction based on the status of the issuing company and market trends. In the previous fiscal year, strategically held shares of all three companies were sold. The voting rights of strategically held shares are exercised appropriately for each bill, after considering qualitatively and comprehensively whether the bill would contribute to the mid/long-term improvement in the value of the share issuing company, whether the bill would contribute to the common interests of shareholders, including Toyo Ink SC Holdings, and the effects on the corporate group and business, etc.</p> <p>Furthermore, if there are special circumstances such as significant loss of corporate value or occurrence of a serious compliance violation at the issuing company, or if there is concern that our corporate value as a shareholder will be impaired, based on adequate amount of information collected through dialogue with the issuing company, etc., we will carefully determine the pros and cons of exercising the voting rights of strategically held shares.</p>
Principle 5-1.	<p>Toyo Ink SC Holdings considers shareholders and investors as important stakeholders, respects shareholders' rights, and strives to improve shareholder value, with the aim of "enhancing the satisfaction level of shareholders" as a course of action. Especially, the constructive dialogue with shareholders and investors is recognized as an important factor. The company appoints directors in charge of financial affairs, general affairs, and IR, realizes the information sharing among related sections through organic cooperation, promotes the dialogue with shareholders through the general affairs section and the dialogue with investors through the publicity section, and reports their opinions that are considered important to directors in charge, when necessary.</p> <p>As for the management of insider information, the company produced the regulations for the prevention of insider transactions,</p>

BRIDGE REPORT



the regulations for protecting and managing information, etc. The management of insider information is included in the standards for business activities as a concrete course of action. A guidebook is distributed to all employees of the corporate group, and the employees are educated regularly to diffuse the rules for managing insider information.

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