



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	<a href="https://schd.toyoinkgroup.com/en/index.html">https://schd.toyoinkgroup.com/en/index.html</a>

## Stock Information

Share Price	Shares Outstanding		Total market cap	ROE Act.	Trading Unit
1,992	60,621,744 shares		120,758 million	3.9%	100 shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR ( x )
90.00	4.5%	171.22	11.6 x	3,757.35	0.5 x

\* Share price as of closing on March 6. Number of shares outstanding is as of the FY 12/19.

## Earnings Trend

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
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 (Act.)	279,892	13,174	13,847	8,509	145.72	90.00
December 2020 (Est.)	290,000	15,000	15,500	10,000	171.22	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 earnings results for Fiscal Year ended December 2019, and more

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## Key Points

- The sales for the term ending Dec. 2019 was 279.8 billion yen, down 3.6% year on year. The sales volume was sluggish due to the decrease in the demand for offset printing and in the automotive market. There was a decline in sales with the exception for of packaging. Operating income was 13.1 billion yen, down 13.8% year on year. There were some positive factors, such as price revisions (+1.9 billion yen) and reduction of fixed costs (+400 million yen). However, profit was affected due to the decrease in sales volume of high-performance products such as CF paste used in materials for display (-3.4 billion yen) and the decline in selling prices of materials for display (-700 million yen).
- The sales for the term ending Dec. 2020 is expected to be 290 billion yen, up 3.6% year on year. An increase in sales is forecasted with the exception of printing and information. The company aims to increase its sales mainly in the packaging materials segment, which is positioned as the growth driver. Operating income is projected to rise 13.9% year on year to 15 billion yen. The increase in fixed costs (-1 billion yen) and the decline in sales prices (-1 billion yen) will be offset by the increase in sales volume (+3.5 billion yen), including sales expansion of high-performance products, and the revision of prices of offset ink and pigment (+1 billion yen). The effects of the novel coronavirus are not factored in. In this term, the company will continue to take measures against risks while putting into account the effects of rising raw material prices. The dividend is to be 90.00 yen/share as in the previous term. The expected payout ratio is 52.6%.
- Unfortunately, the soaring raw material prices, rapid changes in the market structure, insufficient commercialization of new products, and delays in the progress of structural reforms led to failing to achieve the numerical targets of the medium-term management plan “SIC-I” (FY 2018-2020). Also, due to the impact of the novel coronavirus, uncertainty about revenue in the short term is growing, though it is not exclusive to the company.
- On the other hand, it is reassuring that the packaging materials segment and the polymer and coating segment, which are positioned as future growth drivers, are steadily becoming pillars in terms of profit. We would like to keep paying attention to how quickly they can launch new products that keep up with the times, such as 5G and IoT, while developing environmentally friendly products on a global basis based on excellent core technologies.

## 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, 62 consolidated subsidiaries in and outside Japan, and 7 equity method affiliate companies. They are operating business in 23 countries around the world (The end of December 2019). 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 color filters, 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 System" 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"> <li>*Contribute to the affluence and culture of people worldwide.</li> <li>*Create lifestyle value for the new age.</li> <li>*Provide advanced technology and quality products and services.</li> </ul>
Guiding principles	<ul style="list-style-type: none"> <li>*Provide knowledge that enhances customer trust and satisfaction.</li> <li>*Respect the materialization of all employees' dreams.</li> <li>*Act as a responsible citizen in harmony with society and the environment</li> <li>*Respect shareholders' rights, improve shareholder value and enhance market valuation.</li> </ul>

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.

**1-3 Market Environment**

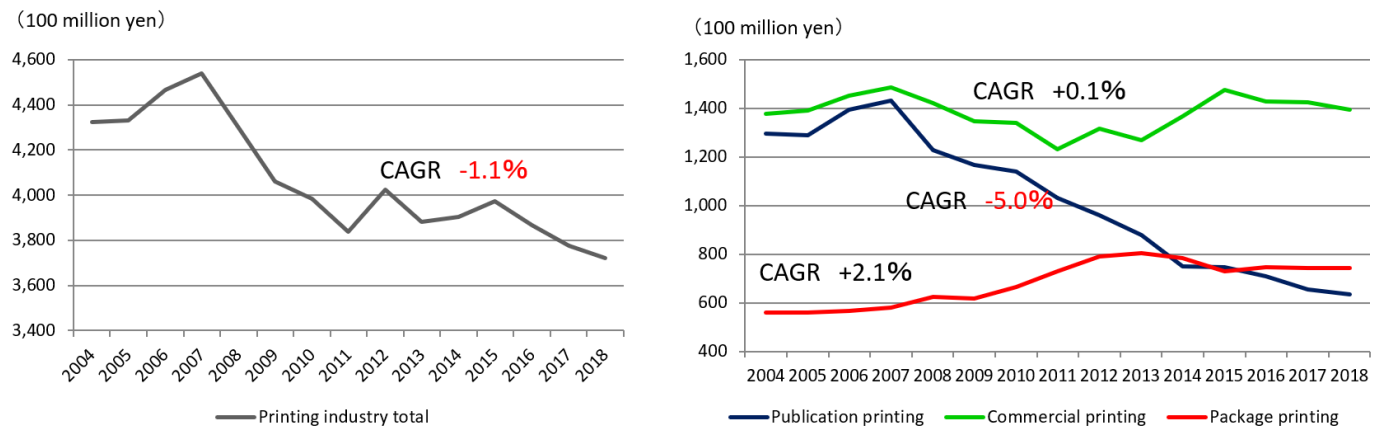
**◎ Overview**

**(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**

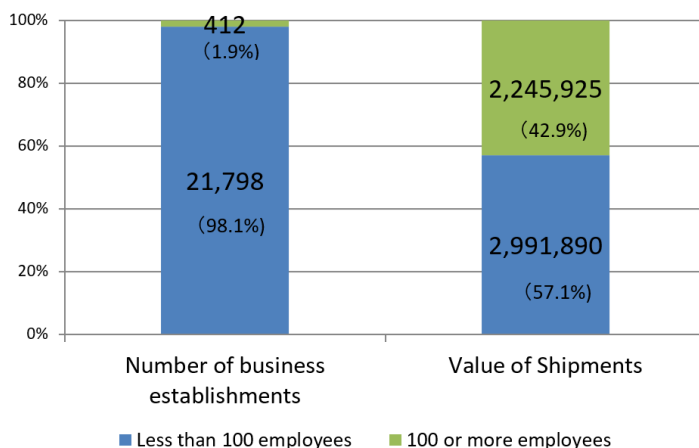


\* Developed by Investment Bridge Co., Ltd. based on Current Survey of Production Annual Report "Paper, Printing, Plastic Products, Rubber Products" by Ministry of Economy, Trade and Industry (METI)  
 \* CAGR (Compound Annual Growth Rate)

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.	157,000	-7.9%	6,000	-31.2%	3.8%	41,228	8.2	0.4	4.1
4631	DIC	810,000	+5.4%	45,000	+8.9%	5.6%	237,321	10.0	0.8	7.7
4633	SAKATA INX	171,000	+2.2%	7,500	+20.5%	4.4%	55,151	8.9	0.7	5.5
<b>4634</b>	<b>Toyo Ink SCHLD</b>	<b>290,000</b>	<b>+3.6%</b>	<b>15,000</b>	<b>+13.9%</b>	<b>5.2%</b>	<b>120,758</b>	<b>11.6</b>	<b>0.5</b>	<b>3.9</b>
4635	Tokyo Printing Ink Mfg. Co., Ltd.	43,600	-2.3%	900	-27.4%	2.1%	7,236	10.2	0.3	5.1
4636	T&K TOKA	49,250	-0.8%	860	+133.5%	1.7%	18,591	17.4	0.4	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 March 6, 2020.

## 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.

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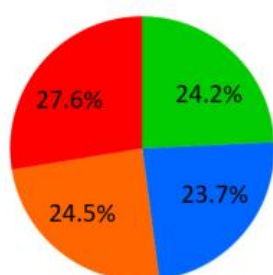


Gravure inks	Because of their capacity to express detailed gradation, it is suitable for printing photo images. Currently, they are mainly used for printing films such as food wrapping materials.
Screen inks	They are mainly used for printing on materials that are difficult to be printed with other methods, 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 <sub>2</sub> . They are environmentally friendly inks that do not generate Volatile Organic Compounds (VOC).

### ◎Business segments

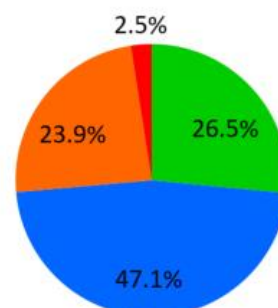
The business activities of the Company are classified into four segments: the “Colorants & Functional Materials Related Business,” “Polymers & Coatings Related Business,” “Printing & Information Related Business”, and “Packaging Materials Related Business”. The “Printing & Information Related Business” 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 2019)



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

Operating income composition ratio  
(FY December 2019)



■ 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.19
Sales	67,400
Operating Income	3,386
Operating Margin	5.0%

\*Units: Million yen

Sub segment	Major products
General-purpose chemicals	Pigments and pigment dispersions
High-performance chemical products	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, functional dispersion materials, developed products

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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.

★Polymers & Coatings Related Business

	FY Dec.19
Sales	65,887
Operating Income	6,013
Operating Margin	9.1%

\*Units: Million yen

Sub segment	Major products
Functional films and tapes	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 extracts , developed products



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.19
Sales	68,071
Operating Income	3,058
Operating Margin	4.5%

\*Units: Million yen

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



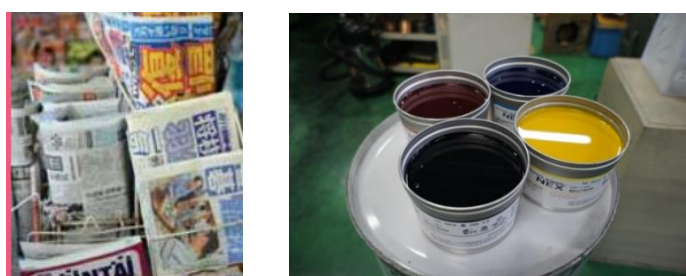
For this segment, the Company deals with printing inks and equipment used in packages such as gravure printing and flexographic graphic printing. In the field of food packaging materials, etc., the Company is dedicated to developing environmentally friendly products using water-based ink to assure their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

**☆Printing & Information Related Business**

	FY Dec.19
Sales	76,680
Operating Income	314
Operating Margin	0.4%

\*Units: Million yen

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



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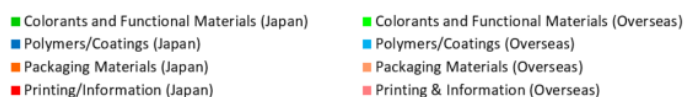
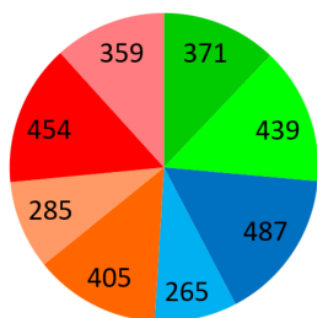
As of the end of December 2019, the Company has about 44 overseas consolidated subsidiaries in a wide range of countries around the world.

	Sales	YoY	Operating Income	YoY
Japan	1,755	-3.4%	78	-19.0%
Asia	1,012	-5.0%	57	+4.1%
Europe	198	-1.8%	-2	-
The Americas	140	-1.9%	-2	-
Adjustment	-306	-	1	-
Consolidated total	2,798	-3.6%	131	-13.8%

\*Units: Million yen

<Segment trend by region: FY December 2019>

Domestic and Overseas Sales by Segment  
(FY December 2019, Unit:100 million yen )



\* 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	FY 12/ 19
<b>ROE (%)</b>	<b>5.8</b>	<b>7.3</b>	<b>6.9</b>	<b>5.9</b>	<b>6.0</b>	<b>4.8</b>	<b>5.4</b>	<b>3.9</b>
Net income margin (%)	3.50	4.39	4.64	4.30	4.93	4.34	4.10	3.04
Total asset turnover [times]	0.85	0.88	0.82	0.78	0.74	0.65	0.77	0.75
Leverage [times] (x)	1.94	1.88	1.80	1.75	1.73	1.70	1.71	1.72

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

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

## 1-6 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 CO<sub>2</sub> 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. Fiscal Year ended December 2019 Earnings Results

### (1) Business Results

	FY 12/ 18	Ratio to sales	FY 12/ 19	Ratio to sales	YoY	Compared with initial estimates
Sales	290,208	100.0%	279,892	100.0%	-3.6%	-6.7%
Gross profit	62,293	21.5%	60,333	21.6%	-3.1%	-
SG&A	47,017	16.2%	47,159	16.8%	+0.3%	-
Operating Income	15,276	5.3%	13,174	4.7%	-13.8%	-24.7%
Ordinary Income	15,429	5.3%	13,847	4.9%	-10.3%	-23.1%
Net Income	11,847	4.1%	8,509	3.0%	-28.2%	-29.1%

\*Units: Million yen

### Sales and Profit decreased

The sales were 279.8 billion yen, down 3.6% year on year. The sales volume was sluggish due to the decrease in demand for offset printing and in the automotive market. There was a decline in sales with the exception of packaging materials. Operating income was 13.1 billion yen, down 13.8% year on year. There were some positive factors, such as price revisions (+1.9 billion yen) and reduction of fixed costs (+400 million yen). However, profit was affected due to the decrease in sales volume of high-performance products such as CF paste used in materials for display (-3.4 billion yen) and the decline in selling prices of materials for display (-700 million yen).

### (2) Trend by Segment

Sales	FY 12/ 18	Ratio to sales	FY 12/ 19	Ratio to sales	YoY
Colorant/Functional materials	74,660	25.7%	67,400	24.1%	-9.7%
Polymers/Coatings	66,099	22.8%	65,887	23.5%	-0.3%
Packaging materials	68,047	23.4%	68,071	24.3%	+0.0%
Printing/Information	79,378	27.4%	76,680	27.4%	-3.4%
Others	7,228	2.5%	7,291	2.6%	+0.9%
Adjustment	-5,205	-	-5,439	-	-
<b>Total</b>	<b>290,208</b>	<b>100.0%</b>	<b>279,892</b>	<b>100.0%</b>	<b>-3.6%</b>

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Operating Income					
<b>Colorant/Functional materials</b>	5,329	7.1%	3,386	5.0%	-36.4%
<b>Polymers/Coatings</b>	6,035	9.1%	6,013	9.1%	-0.4%
<b>Packaging materials</b>	1,491	2.2%	3,058	4.5%	+105.0%
<b>Printing/Information</b>	931	1.2%	314	0.4%	-66.3%
Others	1,481	20.5%	424	5.8%	-71.4%
Adjustment	6	-	-23	-	-
<b>Total</b>	15,276	5.3%	13,174	4.7%	-13.8%

\*Unit: million yen. Ratio to sales for operating income means the profit margin.

### ☆Colorants and Functional Materials Related Business

Sales and profit decreased.

(Pigments)

Sales and profit declined.

Product mix improved, and cost reductions were promoted through alliances. However, performance was sluggish due to the shrinkage of the ink market and the low demand in the automotive field. The dispersion for inkjet ink was adopted overseas.

(Materials for display)

Sales and profit declined.

Resist inks maintained its share in Japan. Sales in China expanded, but the profit declined due to the falling unit prices.

Sales of CF paste were weak due to the withdrawal of business by major customers and the impact of the shift to OLED.

Sales promotion of sensor materials progressed, and the company increased evaluation equipment.

(Plastic colorants)

Sales and profit declined.

Demand for containers and caps decreased in the second half of the fiscal year.

The demand for construction materials and automobiles was sluggish, and overseas sales performance was weak due to the stagnant printer market.

(Functional dispersion materials)

Sales and profit increased.

The products for automobiles performed well in Japan. Sales to automotive battery manufacturers in Asia, Europe, and the U.S. increased.

The company established a CNT (carbon nanotube) dispersion production base in China.

### ☆Polymers & Coatings Related Business

Sales and profit decreased.

(Functional films and tapes)

Sales and profit decreased.

Sales of materials compatible with 5G and materials for displays have been expanding, but the sales of the existing products performed poorly due to the sluggish mobile market.

Low-dielectric-related products are being evaluated. However, the market launch is delayed more than expected. Yet, the company has high expectations for the future.

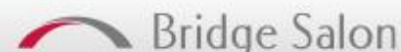
(Adhesives)

Sales and profit increased.

In response to the rise of sales of adhesives for displays and life sciences in Japan and overseas, the company promoted the development of an SCM at overseas bases.

The sales of laminate adhesive for lithium-ion batteries expanded.

## BRIDGE REPORT



(Can coatings and polymers)

Sales decreased while profit increased.

The domestic expansion in sales of environmentally friendly coatings was delayed. Sales of high value-added resins to niche markets expanded.

#### ★Packaging Materials Related Business

Sales and profit increased.

(Flexible packaging materials)

Sales and profit increased.

Sales of biomass inks increased for various applications.

Sales of flexographic inks only partially expanded.

As for gravure inks, price revisions have made progress, and sales of middle-grade inks increased in both Asia and China.

(Building materials)

Sales and profit decreased.

The sales performance was robust domestically but sluggish overseas.

The company developed water-based inks for building materials in China.

(Cardboard)

Sales and profit increased.

Sales of biomass inks increased steadily. The progress of price revisions was limited.

#### ★Printing & Information Related Business

Sales and profit decreased.

(Offset inks)

Sales and profit declined.

Fixed costs were reduced by streamlining operations and reallocating personnel. As for newspaper ink, the company is considering an alliance with Nissin Newspaper Ink.

The company started transferring the production of black ink. In addition to the progress with some price revisions, sales grew in emerging markets such as India and Latin America.

(Functional inks)

Sales increased, but profit decreased.

The sales performance of inks for commercial printing was healthy. Although there was progress with price revisions, their effect was limited due to the high raw material prices.

The company expanded sales of inks for the cardboard label market in Europe, the signs and publishing market in China, and the commercial printing market in Japan. The company has also acquired new customers and made progress with production localization.

### (3) Financial standing and cash flows

#### ◎Main Balance Sheet

	End of December 2018	End of December 2019		End of December 2018	End of December 2019
<b>Current Assets</b>	203,063	199,969	<b>Current liabilities</b>	100,839	106,747
<b>Cash</b>	52,706	56,691	<b>Payables</b>	62,460	59,543
<b>Receivables</b>	95,553	90,173	<b>LT Interest Bearing Liabilities</b>	20,593	30,315
<b>Inventories</b>	48,779	48,508	<b>Noncurrent liabilities</b>	49,679	42,490

## BRIDGE REPORT



<b>Noncurrent Assets</b>	168,547	176,161	<b>ST Interest Bearing Liabilities</b>	38,845	27,460
<b>Tangible Assets</b>	94,013	99,577	<b>Total Liabilities</b>	150,518	149,237
<b>Intangible Assets</b>	4,649	4,202	<b>Net Assets</b>	221,091	226,892
<b>Investment, Others</b>	69,883	72,381	<b>Shareholders' Equity</b>	202,600	205,891
<b>Total assets</b>	371,610	376,130	<b>Total liabilities and net assets</b>	371,610	376,130
			<b>Capital Adequacy Ratio</b>	57.6%	58.3%

\*Unit: million yen

Current assets decreased by 3 billion yen from the end of the previous term due to a decrease in receivables. However, total assets were 376.1 billion yen, up 4.5 billion yen from the end of the previous term due to an increase in tangible assets and investments and other assets.

Total liabilities were 149.2 billion yen, down 1.2 billion yen from the end of the previous term due to the decrease in long-term debts, etc. Net assets were 226.8 billion yen, up 5.8 billion yen from the end of the previous term due to the increase in retained earnings. As a result, capital adequacy ratio increased 0.7 points from 57.6% at the end of the previous term to 58.3%.

### ◎Cash Flow

	FY 12/ 18	FY 12/ 19	Increase/decrease
<b>Operating Cash Flow</b>	19,197	19,673	+476
<b>Investing Cash Flow</b>	-10,828	-10,404	+424
<b>Free Cash Flow</b>	8,369	9,269	+900
<b>Financing Cash Flow</b>	-5,695	-6,247	-552
<b>Term End Cash and Equivalents</b>	50,958	53,765	+2,807

\*Unit: million yen

The surplus of free CF expanded. The cash position increased.

## 3. Fiscal Year ending December 2020 Earnings Forecasts

### (1) Business forecasts

	FY 12/ 19	Ratio to sales	FY 12/ 20 Est.	Ratio to sales	YoY
Sales	279,892	100.0%	290,000	100.0%	+3.6%
Operating Income	13,174	4.7%	15,000	5.2%	+13.9%
Ordinary Income	13,847	4.9%	15,500	5.3%	+11.9%
Net Income	8,509	3.0%	10,000	3.4%	+17.5%

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

### The company aims to increase sales and profit.

The sales are expected to be 290 billion yen, up 3.6% year on year. An increase in sales is forecasted with the exception of printing and information. The company aims to increase its sales mainly in the packaging materials segment, which is positioned as the growth driver. Operating income is projected to rise 13.9% year on year to 15 billion yen. The increase in fixed costs (-1 billion yen) and the decline in sales prices (-1 billion yen) will be offset by the increase in sales volume (+3.5 billion yen), including sales expansion of high-performance products, and the revision of prices of offset ink and pigment (+1 billion yen). The effects of the novel coronavirus are not factored in. In this term, the company will continue to take measures against risks while putting into account the effects of rising raw material prices. The dividend is to be 90.00 yen/share as in the previous term. The expected payout ratio is 52.6%.

**(2) Trends by Segment**

Sales	FY 12/ 19	FY 12/ 20 Est.	YoY
<b>Colorant/Functional materials</b>	674	725	+7.6%
<b>Polymers/Coatings</b>	659	705	+7.0%
<b>Packaging materials</b>	681	700	+2.8%
<b>Printing/Information</b>	767	760	-0.9%
Others/Adjustment	19	10	-47.4%
<b>Total</b>	2,798	2,900	+3.6%
Operating Income			
<b>Colorant/Functional materials</b>	34	38	+11.8%
<b>Polymers/Coatings</b>	60	65	+8.3%
<b>Packaging materials</b>	31	35	+12.9%
<b>Printing/Information</b>	3	15	+400.0%
Others/Adjustment	4	-3	-
<b>Total</b>	131	150	+13.9%

\* Unit: ¥100mn.

**(Key issues and important measures in each segment)****☆Colorant/Functional materials**

(Pigments)

To develop a global SCM that responds to changes in the market environment.

To continue developing digital printing materials.

(Materials for display)

Full-scale entry to the Chinese market.

To develop sensors related businesses into a future pillar of the company.

(Plastic Colorants)

To establish a track record in the sales of medical materials.

To develop environmentally friendly products.

(Functional dispersion materials)

To expand the business of materials for automotive lithium-ion batteries.

**Important measures**

In the medical field, the company is developing light proofing materials. Utilizing the core technologies of pigment synthesis, dispersion resin synthesis, and polymer synthesis, the company is developing a light-cut transfusion bag that uses light proofing materials. Developing an ultraviolet absorber makes it possible to suppress vitamin degradation without the need for a light-shielding cover.

Moreover, the company is working on developing sensor peripheral materials as its next-generation business. Focusing on mobility, the company aims to take a step forward with developing advanced materials for sensing by strengthening marketing.

**☆Polymers/Coatings**

(Packaging and industrial materials)

Proceeding global deployment of environmentally friendly products.

To review the global supply chain and expand overseas production bases.

(Electronics)

In addition to expanding into the 5G and IoT market, the company will develop new peripheral materials for displays.

(Medical and healthcare)

To aim to expand new pipelines for patch type medicines and expand the pipelines for adhesives used in healthcare.

#### Important measures

The company will deploy globally environmentally friendly products (water-based/solvent-free, high solids, biomass, etc.) that meet the needs of global brand owners, which includes CO<sub>2</sub> reduction, energy saving, not relying on petrochemicals, waste plastic recycling, etc. It will also expand overseas production bases.

In the 5G and IoT markets, where rapid growth is expected in the future, the company will develop products (such as high-frequency electromagnetic wave shielding materials, low-dielectric-related materials, sensor-related materials, and systems) that feature noise reduction and improvement of the manufacturing process by capturing the technological revolution.

#### ★Packaging materials

(Packaging and building materials)

Domestic demand is forecasted to remain unchanged from 2019. The company is working on expanding the market share of flexographic inks through developing and expanding sales of environmentally friendly products, improving production efficiency, promoting development in the field of building materials, and developing new products.

As for overseas, in China and Asia, the company aims to increase production facilities in emerging areas and improve profitability at global bases by strengthening product development to meet the needs of these areas.

(Cardboard)

The company aims to increase profitability by promoting price revisions, expanding sales in the crafts field, and implementing various cost reduction measures.

#### Important measures

In addition to expanding sales by further improving the performance of environmentally friendly products such as biomass inks, the company will integrate product types and expand the business of environmentally friendly products. In particular, the company expects biomass inks for crafts to grow significantly.

In West Asia, where demand is expected to grow in the future, East Asia, and Southeast Asia, the company will increase production facilities to improve its presence broadly in these areas while responding to individual needs in each area, such as Myanmar, Turkey, India, and Indonesia.

#### ★Printing/Information

(Offset inks)

Securing profit is the top priority. The company will promote structural reforms domestically and internationally, reduce costs by reviewing raw materials to increase profits.

As the severe business environment is expected to continue, the company will work to promote price revisions.

The company will launch new products and develop an SCM that is suitable for the region, both domestically and internationally.

(Functional inks)

In the UV inks, the company will strengthen its cooperation with printer manufacturers to expand into Latin American and Indian markets and increase sales of eco-friendly products.

As for inkjet inks, the company will accelerate global expansion by increasing overseas production facilities and expanding products targeting emerging countries.

In metal inks, the company will cooperate with can coating businesses to expand UV curable inks sales in overseas markets.

#### Important measures

The company will broaden the application of biomass inks as an environmentally friendly product and expand its range.

The company will increase the production facilities of inkjet inks in Europe, India, and China, in addition to Japan and the United States, to build a five-pole production and distribution system. The company will further expand its share in the printing and sign graphics market.

#### 4. Progress of Mid-Term Business Plan “SIC-I” (FY 2018 to FY 2020)

The progress of the “Medium-Term Management Plan SIC- I (FY2018-2020),” which started in Jan. 2018 and ends this term, is as follows.

##### <Numerical goals>

©Whole Company

	FY12/18 (12-month adjustment)	FY12/19	FY12/20 (Est.)	FY12/20 (Initial est.)
Sales	2,902	2,798	2,900	3,500
Operating Income	152	131	150	280

\* Unit: ¥100mn.

Unfortunately, it was not possible to achieve the initially planned figures due to the following factors.

- \* Rising raw material prices
- \* Rapid changes in the market structure
- \* Insufficient commercialization of new products
- \* The delay in the progress of structural reform of existing businesses

However, the percentage of operating income in the polymers/coating segment and packaging materials segment, which are considered as key areas, is steadily increasing.

(Changes in the percentage of operating income including others and adjustments)

	Year of 2018	Year of 2020 (plan)
<b>Colorant/Functional materials</b>	34.9%	25.3%
<b>Polymers/Coatings</b>	<b>39.5%</b>	<b>43.3%</b>
<b>Packaging materials</b>	<b>9.8%</b>	<b>23.3%</b>
<b>Printing/Information</b>	6.1%	10.0%

The company will relentlessly continue investing in capital and human resources for the growth of the packaging **materials** segment and polymer and coating segment, which are key areas.

##### <Investment Plan>

The company will actively invest in key areas, mainly in the packaging **materials** and polymer and coating segments.

Of the total investment budget of SIC-I, which is 42 billion yen (on an order basis), the company invested a total of 23.5 billion yen, where it invested 10.2 billion yen in FY 2018 and 13.3 billion yen in FY 2019. Due to some delays in launching in FY 2019, the company plans to use up the remaining 18.5 billion yen in FY 2020.

(FY 2020 capital investment plan: breakdown of 18.5 billion yen)

	Year of 2020 (plan)
<b>Colorant/Functional materials</b>	13%
<b>Polymers/Coatings</b>	<b>31%</b>
<b>Packaging materials</b>	<b>37%</b>



<b>Printing/Information</b>	8%
Others	11%

In the packaging **materials** segment, the company will build a new plant in Turkey.

By constructing a new factory, the company will increase the production capacity of gravure inks and laminating adhesives and meet various regulations.

The company aims to double the sales of its bases by FY 2026 by gaining the top share in the Turkish market and expanding exports to neighboring countries.

In the polymer and coatings segment, the company will strengthen adhesive production capacity at overseas bases.

In the U.S., the company will increase the production facilities of solvent-based adhesives, which have an operating rate of nearly 100%. Also, in China, the company will establish a production facility for environmentally friendly water-based adhesives at the Zhuhai base. In the U.S., the company will double its production capacity to expand its business further. It also aims to improve competitiveness by localizing production in China.

#### <The company's vision : Strengthening environmental products>

The company will provide value to solve social issues to contribute to a world where all consumers, living beings, and the global environment coexist in harmony. Specifically, the company has adopted 12 goals of the SDGs (Sustainable Development Goals) and is developing environmentally friendly products that achieve VOC (volatile organic compound) measures, CO<sub>2</sub> reduction, food loss reduction, and waste plastic recycling.

Sales of these products increased by 8.2% in FY 2018 compared to FY 2014.

In the future, the company will focus on developing products that not only have a low impact on the environment but also enable the achievement of a sustainable society.

## 5. Conclusions

Unfortunately, the soaring raw material prices, rapid changes in the market structure, insufficient commercialization of new products, and delays in the progress of structural reforms led to failing to achieve the numerical targets of the medium-term management plan "SIC-I" (FY 2018-2020). Also, due to the impact of the novel coronavirus, uncertainty about revenue in the short term is growing, though it is not exclusive to the company.

On the other hand, it is reassuring that the packaging **materials** segment and the polymer and coating segment, which are positioned as future growth drivers, are steadily becoming pillars in terms of profit. We would like to keep paying attention to how quickly they can launch new products that keep up with the times, such as 5G and IoT, while developing environmentally friendly products on a global basis based on excellent core technologies.

### <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

(Major challenges by segment)

<p>Colorant/Functional materials</p>	<ul style="list-style-type: none"> <li>◆Development and expanded sales of products using unique pigments and nano-level dispersion technologies.</li> <li>*LiB-related materials: To try to expand LiB-related materials including carbon dispersion materials, benefiting from accelerating growth of the EV market.</li> <li>*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.</li> <li>◆Further expansion of color filter material and sensor materials.</li> <li>*To make sure to capture demand for the expanding Chinese market and advance sales of color filter materials for panels.</li> <li>*To strengthen development for the arrival of trillion sensor era.</li> </ul>
<p>Polymers/Coatings</p>	<ul style="list-style-type: none"> <li>◆Creation of new markets by solution-proposing marketing based on manufacturing</li> <li>*Electronics: To utilize open innovation and accelerate the development of new materials centered on control of heat and electromagnetic waves.</li> <li>*Packaging and industrial materials: To develop safe and secure materials that contribute to environment and energy-saving.</li> <li>◆ Medical Science Business to be the next growth pillar.</li> <li>*To strengthen development of adhesive patches.</li> <li>*To increase sales of healthcare-related products such as cell culture coating agents and adhesives used for medical tapes.</li> </ul>
<p>Packaging materials</p>	<ul style="list-style-type: none"> <li>◆Acceleration of product development in response to the changes of the market</li> <li>*To promote improvement of the evaluation technology environment from the customer’s point of view and develop stand-by type new products</li> <li>*Inkjet inks: To accelerate product development in accordance with expansion of the market.</li> <li>*Metal decorating inks: To accelerate overseas market expansion.</li> <li>◆Strengthening environmentally friendly products</li> </ul>
<p>Printing/Information</p>	<ul style="list-style-type: none"> <li>*Biomass inks: To increase lineups of biomass ink products lineups.</li> <li>*Water-based inks: To accelerate global business expansion by increasing functionality of packaging products.</li> <li>*UV inks: To promote global business expansion in the packaging field.</li> <li>◆ Construction of a production system to meet regional needs.</li> <li>*To strengthen the supply base and improve CS through the restructuring of the global production systems</li> <li>*To improve CS by strengthening the overseas technology center and technology services.</li> <li>*To strengthen the business foundation by promoting drastic structural reform in the domestic maturity businesses</li> </ul>

\*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 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.

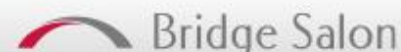
<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

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>

## BRIDGE REPORT



## Principle 5-1.

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.

As for the management of insider information, the company produced the regulations for the prevention of insider transactions, 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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