

 Satoru Takashima President	Toyo Ink SC Holdings, Co., Ltd. (4634)
	

Company Information

Market	TSE Prime Market
Industry	Chemical (Manufacturing)
President	Satoru Takashima
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
¥1,886	60,621,744 shares		¥114,332 million	4.4%	100 shares
DPS Est.	Dividend Yield Est.	EPS Est.	PER Est.	BPS Act.	PBR (x)
¥90.00	4.8%	¥179.06	10.25x	¥3,911.64	0.5 x

* Share price as of closing on April 11. Each number is taken from the brief financial report for the term ended December 2021.

Earnings Trend

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
December 2018 (Act.)	290,208	15,276	15,429	11,847	202.93	85.00
December 2019 (Act.)	279,892	13,174	13,847	8,509	145.72	90.00
December 2020 (Act.)	257,675	12,909	12,543	6,019	103.06	90.00
December 2021 (Act.)	287,989	13,005	15,442	9,492	169.36	90.00
December 2022 (Est.)	295,000	14,500	15,000	10,000	179.06	90.00

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

A 1-for-5 reverse split was conducted on July 1, 2018.

This Bridge Report provides Toyo Ink SC Holdings, Co., Ltd.'s earnings results for the Fiscal Year ended December 2021, and more.

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Key Points

- The sales in the term ended Dec. 2021 are 287.9 billion yen, up 11.8% from the previous term. Sales increased in all segments, recovering from the impact of the novel coronavirus in the previous term. The sales of electronics-related materials such as materials for display and 5G grew. Operating income increased 0.7% year on year to 13 billion yen. Despite sales expansion (+8.9 billion yen) and price revisions (+4.5 billion yen), operating income remained flat year on year due to higher raw material prices (-10.4 billion yen) and increased expenses and distribution costs due to higher sales volume (-3.0 billion yen). Ordinary income and net income increased 23.1% and 57.7% year on year, respectively, because there were no longer foreign exchange losses posted in the previous term and the company posted foreign exchange gains, as well as extraordinary losses related to business restructuring in Japan and overseas and extraordinary gains from the revaluation of assets held by the company. Sales exceeded the forecast, but operating income did not reach the forecast.
- For the term ending Dec. 2022, the company forecasts a 2.4% year-on-year increase in sales to 295 billion yen and an 11.5% year-on-year increase in operating income to 14.5 billion yen. Sales and profit are expected to increase in Colorants & Functional Materials, Polymers & Coatings, and Packaging Materials, while sales and income are projected to decrease in Printing & Information. Operating income is forecast to increase, as sales expansion (+2.6 billion yen) and price revisions (+6.2 billion yen) will offset soaring raw material prices (-5.0 billion yen) and increased distribution and other costs (-2.0 billion yen). The company plans to pay a dividend of 90.00 yen/share, unchanged from the previous term. The expected dividend payout ratio is 50.3%.
- The sharp rise in raw material prices, which significantly pushed down the profit in the term ended Dec. 2021, should be recognized as a factor of uncertainty that will continue to affect the company's earnings in the current term. Especially in the Polymer & Coatings and the Packaging Materials segments, which are the most affected segments, the company plans to promptly implement price revisions (effect: +2.0 billion yen for Polymer & Coatings, +2.1 billion yen for Packaging Materials), as well as take measures such as sales expansion, sales growth, shift to high-performance products, improvement of unprofitable products, fixed cost reduction, and SCM improvement, aiming for a profit improvement of 3.1 billion yen each for both Polymer & Coatings and Packaging Materials.
- This term, the company plans to achieve record sales, but ordinary income will remain at 70% of its peak. We would like to expect that the company will improve profitability in the next term and beyond by overcoming the negative impact of high raw material prices, strengthening profitability in the Colorants & Functional Materials, Polymers & Coatings, and Packaging Materials segments, and promoting fundamental structural reforms in the Printing & Information segment.

1. Company Overview

Toyo Ink SC Holdings is Japan's top manufacturer of printing inks. Using the processing technologies of pigments and polymers 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, 61 consolidated subsidiaries in and outside Japan, and 7 equity method affiliate companies. They are operating business in 24 countries around the world (The end of December 2021).

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, polymers) 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 polymers. 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"> *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.

1-3 Market Environment

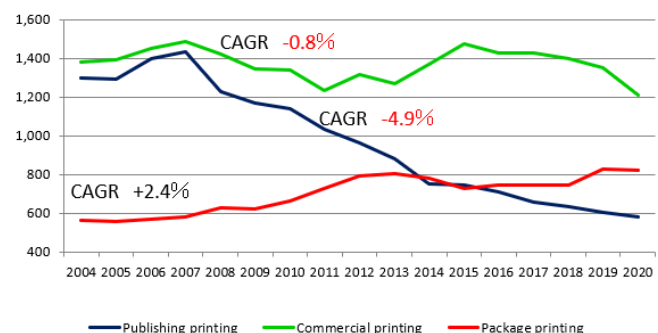
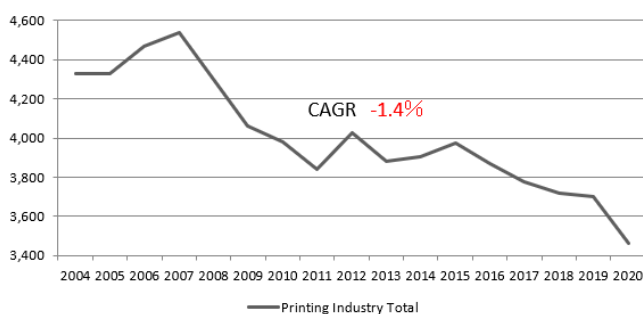
◎ Overview

(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. Specifically, it fell sharply in 2020 due to the impact of the novel coronavirus etc.

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 2.4% for 16 years from 2004 to 2020.

Transition of Production Value in the Printing Industry



*Created by Investment Bridge based on Ministry of Economy, Trade and Industry, “Yearbook of Current Production Statistics – Paper, Printing, Plastics Products and Rubber Products Statistics”

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.

Also, with the growing global awareness of the environment, the needs for environmentally friendly products such as biomass inks are expanding, and ink companies are working on the development of new products that utilize their unique technologies.

◎ 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, (4634) Toyo Ink SC Holdings, Co., Ltd. is the top runner in Japanese printing ink industry, and ranks first or second in most product categories. Globally, the Company is ranked fifth. (4633) SAKATA INX is the third 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.	121,000	-	8,000	9.8%	6.6%	37,933	6.3	0.4	6.5
4631	DIC	950,000	11.1%	54,000	25.9%	5.7%	222,571	7.9	0.6	1.3
4633	SAKATA INX	198,000	9.1%	7,000	-5.6%	3.5%	54,901	9.0	0.6	6.1
4634	Toyo Ink SCHD	295,000	2.4%	14,500	11.5%	4.9%	110,755	10.2	0.5	4.4
4635	Tokyo Printing Ink Mfg. Co., Ltd.	42,510	11.4%	800	211.6%	1.9%	6,351	10.2	0.2	2.5
4636	T&K TOKA	44,100	4.5%	600	201.7%	1.4%	19,551	6.5	0.4	3.1

*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 14, 2022.

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 polymers, lipids, fluxing materials, etc.)	Varnish is a combination of lipids, natural polymers, synthetic polymers, 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).

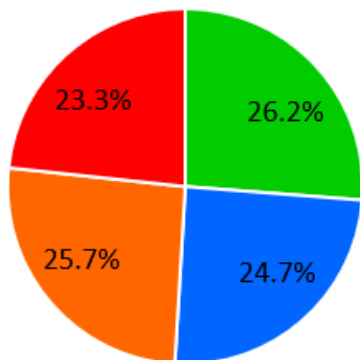
◎ Business segments

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

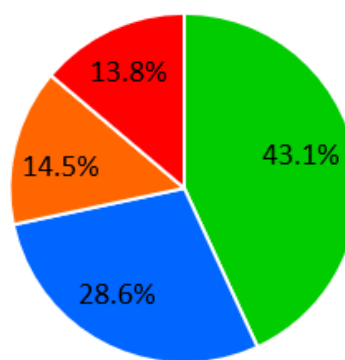
food packages. The “Colorants & Functional Materials Related Business” deals with products related to pigments that are also the raw materials of printing inks as core materials. The “Polymers & Coatings Related Business” began with polymers that are the main raw materials of inks and their design technologies.

Sales composition ratio
(FY December 2021, Unit:100 million yen)



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

Operating income composition ratio
(FY December 2021, Unit:100 million yen)



■ 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.21
Sales	74,995
Operating Income	5,391
Operating Margin	7.2%

*Unit: million yen

Sub segment	Major products
General-purpose chemicals	Pigments and pigment dispersions
High-performance chemical products	High performance pigments, CF (color filter) paste
Display materials	Resist inks for LCD color filter
Plastic colorants	Plastic colorants, functional plastic colorants
Other Colorants/Functional Materials	Recording material coatings, functional dispersions, inkjet inks, 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.

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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.21
Sales	70,736
Operating Income	3,570
Operating Margin	5.0%

*Unit: million yen

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



For this segment, the Company develops functional polymers 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.21
Sales	73,645
Operating Income	1,813
Operating Margin	2.5%

*Unit: million yen

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 printing.

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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.21
Sales	66,695
Operating Income	1,730
Operating Margin	2.6%

*Unit: 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
Printing and information, others	Screen inks, other developed products



This segment is the base 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.

As of the end of December 2021, the Company has about 44 overseas consolidated subsidiaries in a wide range of countries around the world.

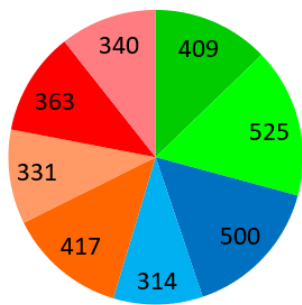
	Sales	YoY	Operating Income	YoY
Japan	1,735	+7.2%	73	+13.1%
Asia	1,136	+20.2%	48	-18.6%
Europe	211	+17.3%	13	+155.4%
The Americas	162	+27.7%	1	-
Adjustment	-364	-	-5	-
Consolidated total	2,880	+11.8%	130	+0.7%

*Unit: 100 million yen

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Domestic and Overseas Sales by Segment
(FY December 2021, 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

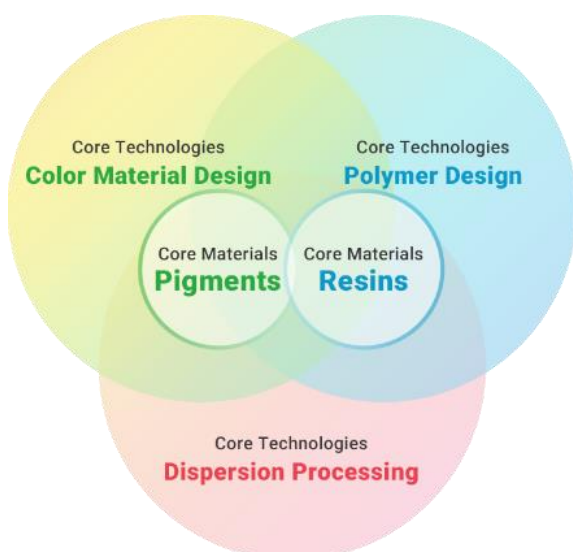
	FY 12/ 17	FY 12/ 18	FY 12/ 19	FY 12/ 20	FY 12/21
ROE (%)	4.8	5.4	3.9	2.8	4.4
Net income margin (%)	4.32	4.08	3.04	2.34	3.30
Total asset turnover [times]	0.65	0.77	0.75	0.68	0.73
Leverage [times] (x)	1.72	1.72	1.72	1.76	1.84

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 its core materials, pigments and polymers, 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.



(From the Company's HP)

(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. Fiscal Year ended December 2021 Earnings Results

(1) Business Results

	FY 12/ 20	Ratio to sales	FY 12/ 21	Ratio to sales	YoY	Compared to Initial Plan	Compared to Revised Plan
Sales	257,675	100.0%	287,989	100.0%	+11.8%	+6.7%	+2.9%
Gross profit	57,196	22.2%	58,704	20.4%	+2.6%	-	-
SG&A	44,286	17.2%	45,699	15.9%	+3.2%	-	-
Operating Income	12,909	5.0%	13,005	4.5%	+0.7%	-7.1%	-10.3%
Ordinary Income	12,543	4.9%	15,442	5.4%	+23.1%	+10.3%	+2.9%
Net Income	6,019	2.3%	9,492	3.3%	+57.7%	+26.6%	+11.7%

*Unit: million yen.

Increase in Sales, Profit at the same level as the previous year.

Sales increased 11.8% year on year to 287.9 billion yen. Sales increased in all segments as the company has been recovering from the impact of the novel coronavirus in the fiscal year ended December 2020. Sales of electronics-related materials such as materials for display and 5G grew.

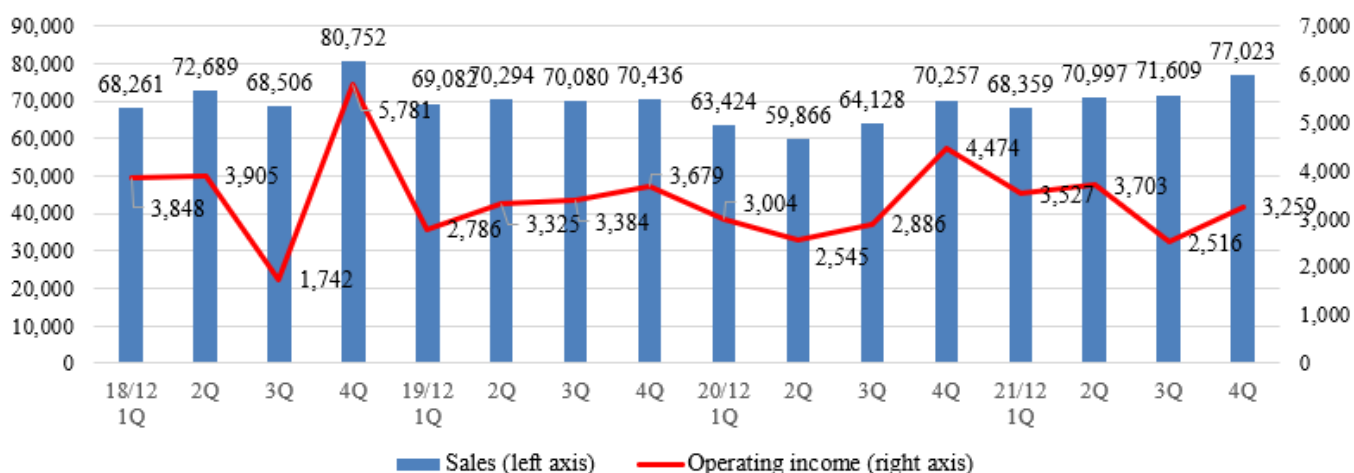
Operating income rose 0.7% year on year to 13.0 billion yen. Despite sales expansion (+8.9 billion yen) and price revisions (+4.5 billion yen), the company's sales remained flat year-on-year due to higher raw material prices (-10.4 billion yen) and increased expenses and distribution costs due to higher sales volume (-3.0 billion yen).

Ordinary income and net income, too, increased by 23.1% and 57.7%, year on year respectively, because there was no longer foreign exchange loss, which was posted in the previous year, a foreign exchange gain was posted, and there were extraordinary losses related to business restructuring in Japan and overseas and extraordinary gains from reassessment of assets held by the Company were recorded. Regarding quarterly performance, in the third quarter, sales increased while profit decreased year on year and quarter on quarter. In the fourth quarter (Oct.-Dec.), sales increased and profit decreased year on year, while both sales and profit grew quarter on quarter.

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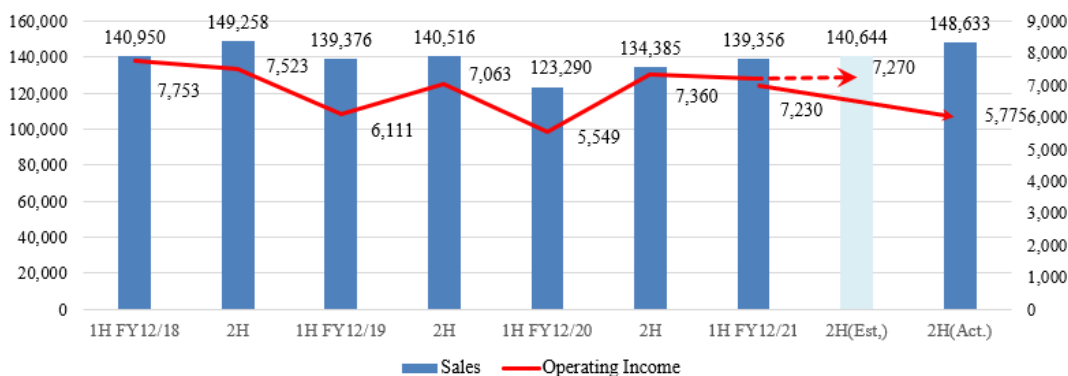


Trends of quarterly sales and operating income (units: million yen)



Sales exceeded the forecast, but operating income did not reach the forecast. In the second half, soaring raw material prices pushed profit down significantly.

Trends of sales and operating income (units: million yen)



(2) Trends by Segment

	FY 12/ 20	Ratio to sales	FY 12/ 21	Ratio to sales	YoY	Compared to Initial Plan	Compared to Revised Plan
Sales							
Colorant/Functional materials	65,049	25.2%	74,995	26.0%	+15.3%	+11.1%	+1.3%
Polymers/Coatings	62,328	24.2%	70,736	24.6%	+13.5%	+6.4%	+3.3%
Packaging materials	66,589	25.8%	73,645	25.6%	+10.6%	+3.0%	+2.3%
Printing/Information	62,188	24.1%	66,695	23.2%	+7.2%	+3.4%	+1.8%
Others/Adjustments	1,520	-	1,915	-	-	-	-
Total	257,675	100.0%	287,989	100.0%	+11.8%	+6.7%	+2.9%
Operating Income							
Colorant/Functional materials	2,259	3.5%	5,391	7.2%	+138.6%	+79.7%	-10.2%
Polymers/Coatings	5,937	9.5%	3,570	5.0%	-39.9%	-45.1%	-15.0%
Packaging materials	3,885	5.8%	1,813	2.5%	-53.3%	-54.7%	-32.9%

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Printing/Information	597	1.0%	1,730	2.6%	+189.4%	+73.0%	-13.5%
Others/Adjustments	228	-	501	-	-		
Total	12,909	5.0%	13,005	4.5%	+0.7%	-7.1%	-10.3%

*Unit: million yen

☆Colorants and Functional Materials Related Business

Sales and profit increased.

The favorable business environment of the materials for display continued, and overseas sales of plastic colorants increased. Profit increased significantly due to the growth of sales of materials for display, plastic colorants, and inkjet inks, and a shift to high-performance products.

(Materials for display)

Sales increased 19%. Sales and market share increased owing to sales expansion of resist and paste in China and Taiwan.

(Colorants)

Sales increased 13%. Highly profitable development MB outside Japan has become a proven performer. Domestic market share increased for containers and caps.

(Pigments)

Sales increased 11%. The decrease in demand for pigments for offset printing was offset by those for digital printing and packaging.

(Inkjet)

Sales grew 48%. Demand is expanding globally, mainly in China and Europe. Investment in new production equipment was also successful.

(Functional dispersions)

Sales increased 55%. Aggressive capital investment was made in lithium-ion battery materials to establish a four-pole production system (in Europe, the U.S., China, and Japan).

☆Polymers & Coatings Related Business

Sales increased while profit decreased.

The sales of functional films and tapes expanded mainly for 5G and panel applications, while the sales of adhesives grew both in Japan and overseas. Although the sales of high value-added products grew, profit growth was stagnant due to soaring raw material prices.

(Packaging and industrial materials)

Sales increased 10%. Adhesives for food packaging materials and labels performed well, while overseas sales of environmentally friendly products and industrial applications expanded.

(Electronics)

Sales increased 27%. Sales of functional films and tapes, especially for 5G, grew significantly. Coating agents for panels also performed well.

(Medical/Health Care)

Sales increased 6%. While demand for adhesive patches declined due to the novel coronavirus pandemic, sales of adhesives for healthcare use in China expanded.

☆Packaging Materials Related Business

Sales increased while profit decreased.

Sales of food packaging materials expanded both in Japan and overseas, while environmentally friendly products performed well in Japan. Profit decreased due to price revisions that were not sufficient to offset the sharp rise in raw material prices.

BRIDGE REPORT



(Domestic liquid ink)

Sales grew 8%. Sales of flexible food packaging and refill pouches were strong, and sales of environmentally friendly products such as biomass ink improved.

(Overseas liquid ink)

Sales increased 14%. The performance in China and Southeast Asia, which declined last fiscal year, also recovered significantly. Sales of water-based flexible packaging inks increased in South Korea, India, and Taiwan.

★Printing & Information Related Business

Sales and profit increased.

Sales of functional inks for packaging are growing in both Japan and overseas. Overseas demand is on a recovery trend. The profit structure is improving due to the growth of sales of functional inks and structural reform.

(Offset inks)

Sales grew 7%. Overseas demand is on a recovery trend from the novel coronavirus crisis, but the shrinkage of domestic market accelerates. The company will promote structural reform such as production alliances.

(Functional inks)

Sales increased 13%. Sales of environmentally friendly products such as UV ink biomass for packaging grew both in Japan and overseas.

(4) Financial standing and cash flows

◎Main Balance Sheet

	End of December 2020	End of December 2021	Increase /Decrease		End of December 2020	End of December 2021	Increase /Decrease
Current Assets	214,097	223,589	+9,492	Current liabilities	91,411	112,125	+20,714
Cash	76,469	64,816	-11,653	Payables	54,608	68,221	+13,613
Receivables	87,126	94,297	+7,171	ST Interest Bearing Liabilities	19,379	24,042	+4,663
Inventories	46,188	59,570	+13,382	Noncurrent liabilities	71,491	67,823	-3,668
Noncurrent Assets	166,130	183,306	+17,176	LT Interest Bearing Liabilities	60,492	55,415	-5,077
Tangible Assets	102,616	111,716	+9,100	Total Liabilities	162,902	179,948	+17,046
Intangible Assets	3,113	2,225	-888	Net Assets	217,325	226,947	+9,622
Investment, Others	60,399	69,364	+8,965	Retained Earnings	147,390	151,740	+4,350
Total assets	380,227	406,896	+26,669	Total liabilities and net assets	380,227	406,896	+26,669
				Interest Bearing Liabilities Balance	79,871	79,457	-414

*Unit: million yen

Total assets increased 26.6 billion yen from the end of the previous term to 406.8 billion yen, mainly owing to an increase in inventories and tangible assets, despite a decrease in cash.

Total liabilities rose 17.0 billion yen from the end of the previous fiscal year to 179.9 billion yen due to an increase in payables. Net assets grew 9.6 billion yen from the end of the previous fiscal year to 226.9 billion yen due to an increase in retained earnings and valuation difference on available-for-sale securities and a reduction in the deficit of the foreign exchange translation adjustment account. As a result, equity ratio fell 1.5 points from 55.2% at the end of the previous fiscal year to 53.7%.

BRIDGE REPORT



◎Cash Flow

	FY 12/20	FY 12/21	Increase/Decrease
Operating Cash Flow	16,743	15,760	-983
Investing Cash Flow	-13,294	-17,576	-4,282
Free Cash Flow	3,449	-1,816	-5,265
Financing Cash Flow	16,221	-11,988	-28,209
Term End Cash and Equivalents	73,117	60,949	-12,168

*Unit: million yen

The increase in inventories and other factors reduced the cash inflow from operating activities. Free cash flow turned negative due to an increase in expenditures for the purchase of tangible assets. CF turned negative due to an increase in purchase of treasury stock. The cash position has deteriorated.

3. Fiscal Year ending December 2022 Earnings Forecasts

(1) Business forecasts

	FY 12/ 21	Ratio to sales	FY 12/ 22 Est.	Ratio to sales	YoY
Sales	287,989	100.0%	295,000	100.0%	+2.4%
Operating Income	13,005	4.5%	14,500	4.9%	+11.5%
Ordinary Income	15,442	5.4%	15,000	5.1%	-2.9%
Net Income	9,492	3.3%	10,000	3.4%	+5.3%

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

Sales and operating income grew

Sales are projected to rise 2.4% year on year to 295.0 billion yen and operating income is estimated to increase 11.5% year on year to 14.5 billion yen.

Sales and profits are expected to increase in Colorants & Functional Materials, Polymers & Coatings, and Packaging material, while sales and profits are expected to decrease in Printing & Information.

We expect operating income to increase, as sales expansion (+2.6 billion yen) and price revisions (+6.2 billion yen) will offset soaring raw material prices (-5.0 billion yen) and increased distribution and other costs (-2.0 billion yen).

To cope with soaring raw material prices, the company will promptly implement price revisions in the Polymer&Coatings, and Packaging segments, which are most affected by the price hikes, and also promote measures such as sales expansion, sales growth, shift to high-performance products, improvement of unprofitable products, fixed cost reduction, and improvement of SCM.

The dividend is to be 90.00 yen/share, unchanged from the previous term. The estimated payout ratio is 50.3%.

(2) Trends by Segment

Sales	FY 12/21	FY 12/22 Est.	YoY
Colorant/Functional materials	750	770	+2.7%
Polymers/Coatings	707	740	+4.6%
Packaging materials	736	760	+3.2%
Printing/Information	667	660	-1.0%
Others/Adjustment	19	20	-
Total	2,880	2,950	+2.4%
Operating Income			

BRIDGE REPORT



Colorant/Functional materials	54	55	+2.0%
Polymers/Coatings	36	48	+34.5%
Packaging materials	18	25	+37.9%
Printing/Information	17	17	-1.7%
Others/Adjustment	5	0	-
Total	130	145	+11.5%

* Unit: 100 million yen.

(Priority measures in each segment)

☆Colorants and Functional Materials Related Business

Increase in sales and profit

Priority measure:

To accelerate the establishment of earnings pillars in growing markets

In EV-related materials, the company will accelerate the global distribution of lithium-ion battery-related materials and peripheral materials.

In digital-related materials, the company will expand the Chinese market share of resist inks for FPDs, and boost sales of image sensor materials and inkjet inks.

In the environment and recycling business, the company will expand plastic colorants that retain various functions to meet changing social needs.

☆Polymers & Coatings Related Business

Increase in sales and profit

Priority measure:

To expand the global No. 1 product lineup and transform the earning structure

In the electronics field, the company will work to expand its 5G product lineup and nurture its global No. 1 product lineup.

In packaging and industrial materials, the company will increase production capacity at overseas bases, develop environmentally friendly product lineups, and reform its earning structure by revising prices to reasonable levels and reviewing low-profit products.

In the medical/healthcare business, the company will cultivate related product groups and strengthen overseas operations.

☆Packaging Materials Related Business

Increase in sales and profit

Priority measure:

To lead the way in addressing environmental issues and accelerate investment for growth in every overseas area market

The company will promote the development of environmentally friendly products such as water-based, biomass, paper-based, and recycled products.

The company will concentrate investment in China, India, Turkey, Southeast Asia, etc. to earn profits.

The company will address soaring raw material prices and supply concerns by revising prices to reasonable levels and expanding the global SCM system.

☆Printing & Information Related Business

Decrease in sales and profit.

Priority measure:

To promote reforms to make the business more profitable by adapting to the market environment

The company will accelerate the growth of environmentally friendly products by developing functional inks for paper containers, labels, and other packaging applications worldwide.

The company will continue to promote fundamental structural reforms by thoroughly streamlining production, distribution, and sales

systems and promoting DX utilization.

4. Progress of the Medium-term Management Plan SIC-II (2021-2023)

The progress on the basic policies, etc. in the mid-term management plan SIC-II (2021-2023) is as follows.

4-1 Basic Policy

(1) Basic Policy ①: Strengthen the profitability of businesses

① Materials for display

The company aims to expand its market share by taking the initiative in dealing with the changing LCD panel market.

While the market for large-size panels for TV is maturing, the market for small- and medium-size panels is expanding. In addition, the shift to China is accelerating and competition is intensifying.

In the large-size panel market, the company will strengthen its cost competitiveness through innovative manufacturing methods based on an integrated production system from pigments to resists, and will promote local alliances in China to expand its market share in China, the largest market.

In the small- and medium-sized high-end market, the company will develop thoroughly differentiated and functional products with thin-film high-definition, CMOS and wavelength control, and dispersion-less pigments.

The company aims to achieve a 15% share of the global market by 2023.

② Adhesives

The company will endeavor to grow into a global adhesive manufacturer.

The company will promote a shift to high-value-added products by reforming its profit structure through the development of products that emphasize both environmental friendliness and functionality.

In addition, the company will expand its business in the electronics, industrial materials, and healthcare fields by increasing production capacity at its overseas production bases in Turkey, India, South Korea, China, and the United States.

In 2023, overseas sales are expected to increase 52% from 2020.

③ Plastic colorants

The company will transform the business structure.

While the company will liquidate unprofitable bases in the Philippines, France, and other regions, it will expand sales of products for containers in Japan and focus on functional products such as those for solar cells, which are rapidly expanding in China and India, and environmentally friendly products (freshness retaining films, biodegradable [agricultural materials], etc.).

④ UV curable inks

The company will shift to environmentally friendly products and promote strategic expansion by promoting sales expansion in the packaging market in Japan and Europe.

(2) Basic Policy ②: Creation and expansion of priority development areas

The company will promote development and investment targeted at the green, digital, and health.

Field	Main Products	Sales Targets
Sustainable Science	*Environment-friendly packaging Biomass inks and water-based varnishes *EVs and new energy CNT dispersions and adhesives for lithium-ion batteries	34 billion yen in 2020 43.7 billion yen in 2021 target: 59 billion yen in 2023
Communication Science	*IoT and sensors Image sensors and optical materials *5G and semiconductors Low-dielectric materials and functional hard coatings	5.4 billion yen in 2020 6.9 billion yen in 2021 target: 13 billion yen in 2023
Life Science	*Medical	4.5 billion yen in 2020

	Biocompatible polymers *Digital printing Inkjet inks	6.1 billion yen in 2021 target: 7.5 billion yen in 2023
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* Materials for lithium-ion batteries

The company will expand its business by enhancing its global supply system and its proprietary technologies.

LIOACCUM[®], a conductive carbon nanotube (CNT) dispersion for lithium-ion battery cathode materials, has been adopted by the North American and European bases of SK ON, a Korean LiB manufacturer, and is now being supplied to Volkswagen's and Ford's electric vehicles (EV).

This has led to a rapid increase in new inquiries from top automotive high-capacity LiB manufacturers as the EV market rapidly expands. The company is advancing development for adoption in next-generation batteries.

Another major advantage is that the company has four production bases in the four major EV markets of Europe, North America (Georgia, USA), Europe (Hungary), Japan (Shizuoka), and China (Guangdong Province), and has established a stable local supply system. The company plans to invest 10 billion yen by 2026 to increase production capacity.

Also, it aims to expand sales from 1.15 billion yen in 2021 to 3.5 billion yen in 2022, 7.5 billion yen in 2023, and over 20 billion yen in 2026.

(3) Basic Policy ③: Enhance the value of management resources for sustainable growth

① ESG management

Topics in each area are as follows.

* E (Environment)

In February 2022, the company formulated its sustainability vision, TSV 2050/2030, which aims to achieve carbon neutrality by 2050 and contribute to the achievement of the SDGs by 2030.

In November 2020, the company announced its endorsement of the TCFD.

* S (Society)

A business contest was held to foster a climate of challenge.

The company is expanding the employment of people with disabilities and promoting diversity.

* G (Governance)

Transition to a company with an Audit Committee (subject to approval at the Annual Meeting of Shareholders to be held in March 2022). The Company has made progress in reducing strategically held shares. (115 stocks at the end of December 2020 → 104 stocks at the end of December 2021)

② R&D and DX

* Research and Development

In January 2022, the Toyo Ink Group Collaborative Research Center was established at the Tokyo Institute of Technology to strengthen the technological foundation through industry-academia collaboration.

The center will promote advanced research in the environment, IT, and biotechnology.

* DX

The company will promote DX in the areas of marketing (e.g., digital marketing), production (e.g., smart factories), technology development (e.g., materials informatics), and management (e.g., RPA promotion) to strengthen the company's foundation.

4-2 Capital Investment

The company will concentrate investment in growth markets.

A total of 40 billion yen is planned for SIC-II. The plan is 13.9 billion yen in FY2020 (actual), 19.7 billion yen in FY2021 (actual), and 10.6 billion yen in FY2022.

In Colorants & Functional Materials, the company plans to invest in EV-related materials in China; in Polymers & Coatings, it plans to increase capacity in medical (Moriyama Plant) and adhesives (the U.S., China, India, and South Korea); and in Packaging Materials, it plans to build a new plant in Turkey.

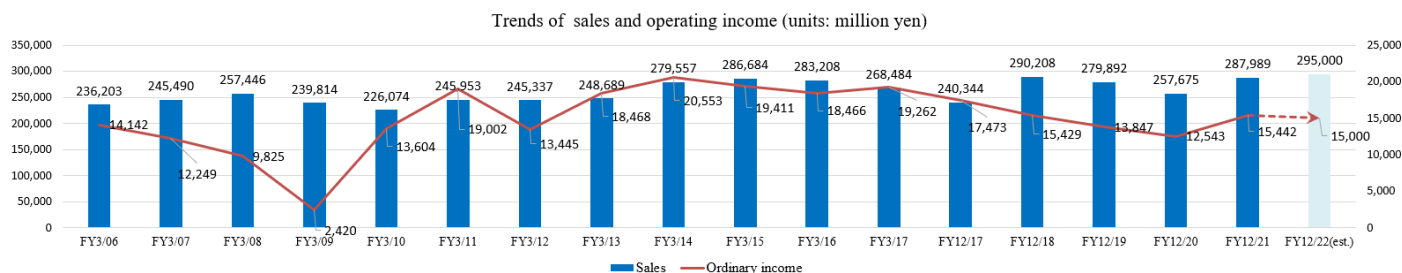
5. Future Focuses

The sharp rise in raw material prices, which significantly pushed down profits in the previous year, should be recognized as an uncertain factor that will continue to affect the company's earnings in the current fiscal year.

In the Polymers & Coatings and Packaging segments, which are particularly affected, the company will promptly implement price revisions (effect: +2.0 billion yen for Polymers & Coatings, +2.1 billion yen for Packaging) and take other measures such as sales expansion, sales growth, shift to high-performance products, improvement of unprofitable products, fixed cost reduction, and SCM improvement, to achieve a total of The company intends to improve profits by 3.1 billion yen in each of the Polymers & Coatings and Packaging.

This fiscal year, the company plans to achieve record-high sales, but ordinary income will remain at about 70% of its peak. The company plans to overcome the negative impact of high raw material prices and to improve its profit by 3.1 billion yen in each of the packaging and packaging-related businesses.

We expect profitability to improve in the next fiscal year and beyond by strengthening profitability in the Colorants & Functional Materials, Polymers & Coatings, and Packaging segments and by promoting fundamental structural reforms in the Printing & Information segment.



<Reference 1: Mid-Term Management Plan SIC-II (2021-2023)>

Under the 10-year long-term scheme, Scientific Innovation Chain 2027 (SIC27), aimed at achieving sustainable growth by 2027, the company breaks down the scheme into three 3-year mid-term management plans. They hope to clarify problems and roles in each stage, and to act steadily to realize an ideal future. Following the first stage of the scheme, Mid-Term Management Plan SIC-I (FY 2018-FY 2020), the second stage, Mid-Term Management Plan SIC-II (2021-2023) began in Jan. 2021.

<Summary of the Previous Mid-Term Management Plan SIC-I (2018-2020)>

Due to the significant changes in the external environment, including the skyrocketing of material prices, the changes in the market structure, and the coronavirus pandemic, the company failed to achieve its goals, but it was able to shift revenue sources to the polymers/coating and packaging material businesses, which are the prioritized area, and allocated resources to new businesses.

In addition, the company was able to proceed with the priority measure of promoting environmentally friendly products and distributed them in overseas areas too. With this, the company thinks they were able to produce results to some extent.

On the other hand, it was clarified that the company needs to further accelerate structural reform mainly in the Printing & Information Related Business, create pillars of new products and businesses, and respond to rapid changes in the market structure amid the coronavirus crisis.

<Recognition of the External Environment>

As for the novel coronavirus, the situation is improving gradually in FY 2021, but we must wait for the economic recovery to the pre-pandemic level until FY 2022 or later. The overseas market is expected to recover earlier than the domestic market.

The future outlook remains uncertain and the business and market environments will remain harsh, but the company recognizes this adverse condition as a chance to change.

BRIDGE REPORT



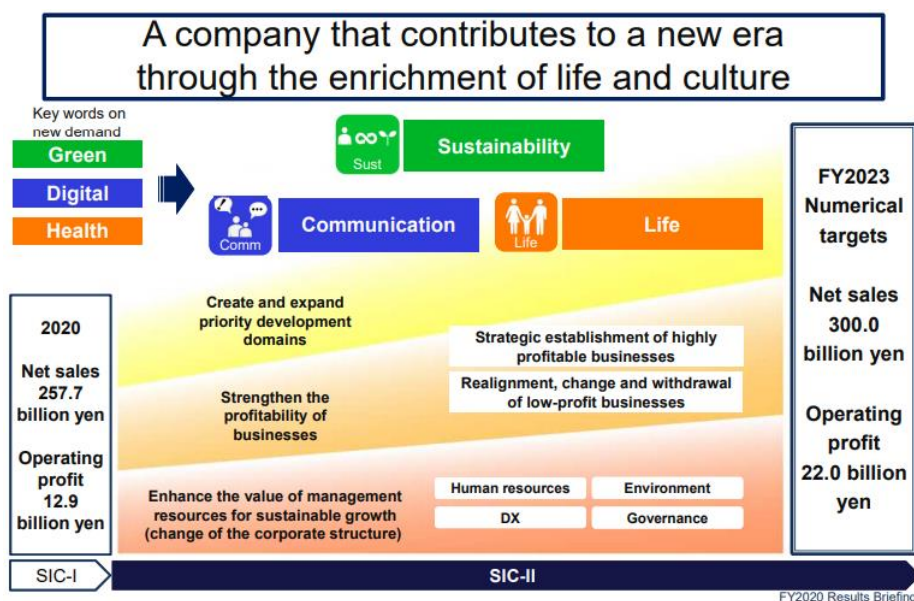
They set the keywords of the growing markets as “Green”, “Digital”, and “Health”.

<Ideal State>

The company aims to become “a company that contributes to a new era through the enrichment of life and culture.”

As mentioned above, the company defined the keywords of the growing markets as “Green”, “Digital”, and “Health”, and set their priority development areas as “sustainability”, “communication”, and “life”.

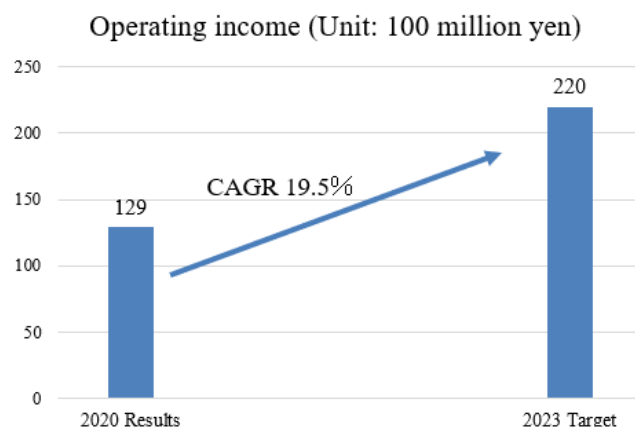
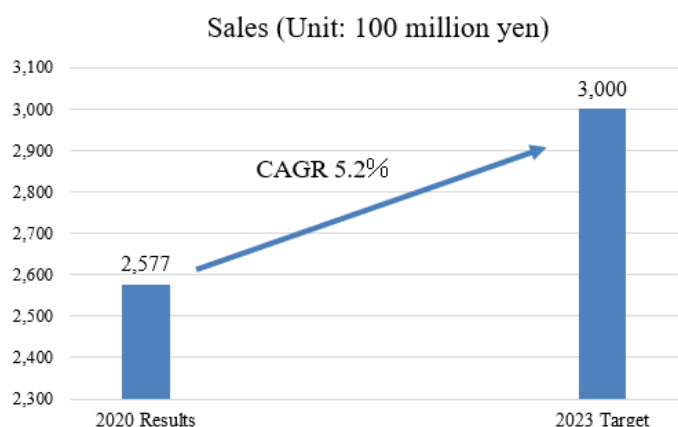
The company aims to realize an ideal state under the three policies: (1) Strengthen the profitability of businesses (2) Create more priority areas of development, and (3) Enhance the value of management resources for sustainable growth.



(Taken from the Company’s material)

<Numerical Goals>

The company aims to achieve sales of 300.0 billion yen, an operating income of 22.0 billion yen, an operating income margin of 7% or higher, and a ROE of 7% or higher in the term ending Dec. 2023.



<Basic Policy 1: Measures to Strengthen Segments’ Profitability>

☉ Measures for increasing revenues in each segment

Colorant/Functional materials	<p>◆ Establish an earning pillar in growing markets</p> <ul style="list-style-type: none"> -EV: To handle materials related to lithium-ion batteries -Digital: To expand the market share of resist inks for flat panel display (FPD) in China, and handle resist inks for image sensors and inkjet inks
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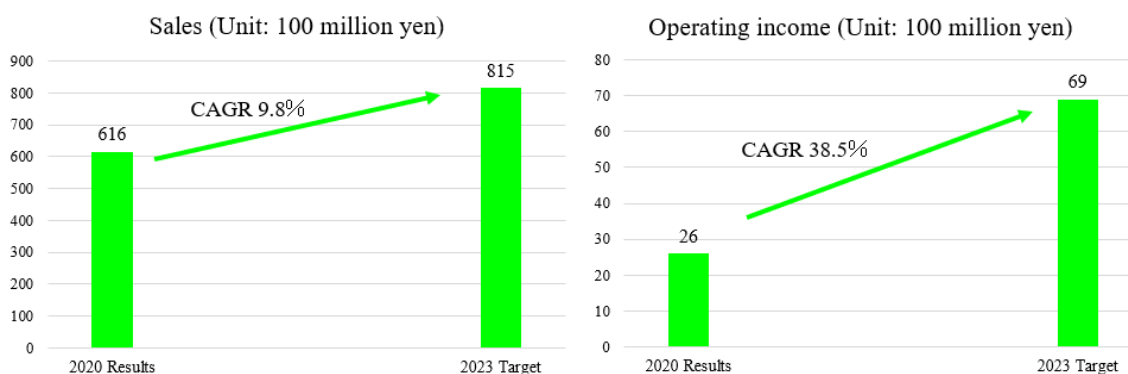


	-Plastic colorants: To reorganize facilities and promote products with high added value
Polymers/Coatings	<p>◆ Overseas expansion of the adhesives business and the entry to growing markets with new polymers</p> <p>-Packaging/industrial materials: To expand business outside Japan, by enhancing its production capacity and enriching the lineup of environmentally friendly products</p> <p>-5G and IoT: To establish a position in the 5G market and enter the semiconductor market</p> <p>-Medical/healthcare: To expand and develop the lineup of related products</p>
Packaging materials	<p>◆ Make products environmentally friendly and expand its business mainly in the Asian market</p> <p>-To commercialize the recycling of packages</p> <p>-To intensively invest in overseas growing markets in China, India, Turkey, Southeast Asia, etc.</p>
Printing/Information	<p>◆ Evolution into a profitable business that has adapted to the market environment</p> <p>-To promote functional inks for packages, such as paper containers, and the industrial field</p> <p>-To launch the color/communication business</p>

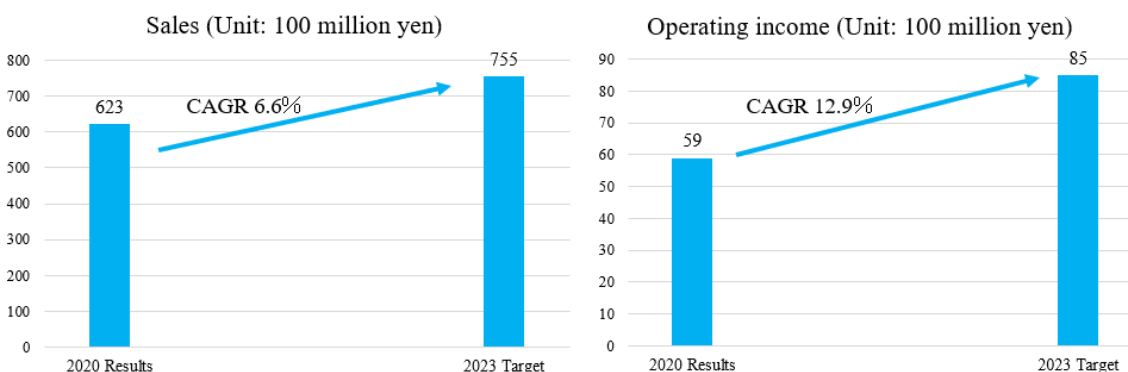
*From FY 2021, inkjet inks are included in the business of colorants/functional materials business rather than the printing/information business.

The target sales and operating income in each segment are as follows.

Colorant/Functional materials



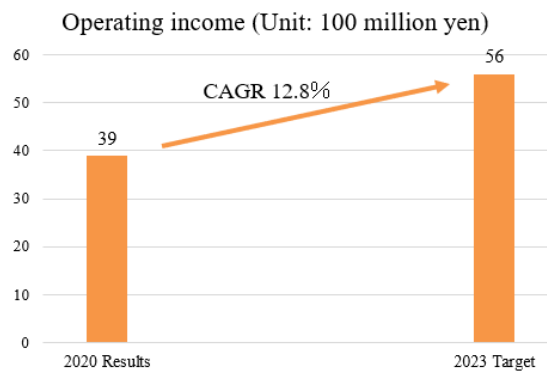
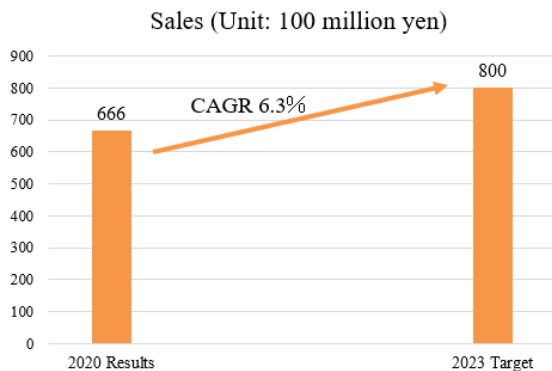
Polymers/Coatings



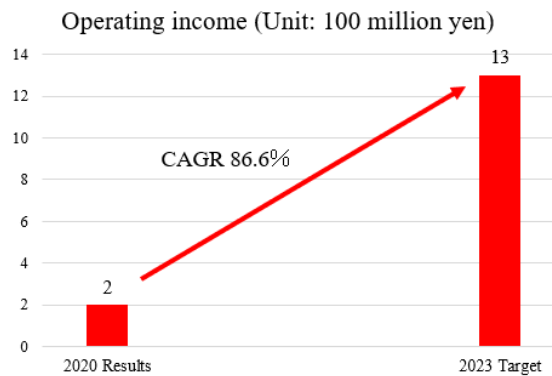
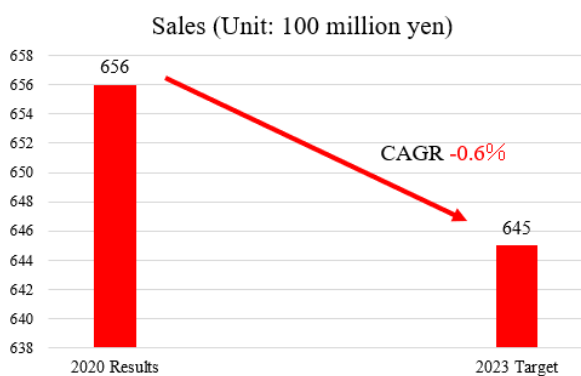
BRIDGE REPORT



Packaging materials



Printing/Information



<Basic Policy 2: Create and Expand Priority Development Domains>

◎ Three priority development domains

In the three priority development domains, the company will focus on the following points.

<p>Sustainable Science</p>	<p>◆ Realization of a sustainable society</p> <p>(Major items to be developed)</p> <ul style="list-style-type: none"> -Environmentally friendly packages made from biomass and recycled materials -Materials of lithium-ion batteries for EVs and new energy 						
	<p>The sales of Sustainable Science (Unit: 100 million yen)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Sales (Unit: 100 million yen)</th> </tr> </thead> <tbody> <tr> <td>2020 Results</td> <td>340</td> </tr> <tr> <td>2023 Target</td> <td>590</td> </tr> </tbody> </table> <p>CAGR 20.2%</p>	Year	Sales (Unit: 100 million yen)	2020 Results	340	2023 Target	590
Year	Sales (Unit: 100 million yen)						
2020 Results	340						
2023 Target	590						
<p>Communication Science</p>	<p>◆ Contribute to 5G and IoT societies with key materials</p> <p>(Major items to be developed)</p> <ul style="list-style-type: none"> -Optical control materials for IoT and sensors -Low-dielectric materials, functional films, etc. for 5G and semiconductors 						

BRIDGE REPORT



	<p>The sales of Communication Science (Unit: 100 million yen)</p> <table border="1"> <caption>The sales of Communication Science (Unit: 100 million yen)</caption> <thead> <tr> <th>Year</th> <th>Sales (100 million yen)</th> </tr> </thead> <tbody> <tr> <td>2020 Results</td> <td>54</td> </tr> <tr> <td>2023 Target</td> <td>130</td> </tr> </tbody> </table>	Year	Sales (100 million yen)	2020 Results	54	2023 Target	130
Year	Sales (100 million yen)						
2020 Results	54						
2023 Target	130						
<p>Life Science</p>	<p>◆ Make the lives of people affluent and healthy</p> <p>(Major items to be developed)</p> <ul style="list-style-type: none"> -Patch-type medicines -Inkjet inks for digital printing <p>The sales of Life Science (Unit: 100 million yen)</p> <table border="1"> <caption>The sales of Life Science (Unit: 100 million yen)</caption> <thead> <tr> <th>Year</th> <th>Sales (100 million yen)</th> </tr> </thead> <tbody> <tr> <td>2020 Results</td> <td>45</td> </tr> <tr> <td>2023 Target</td> <td>75</td> </tr> </tbody> </table>	Year	Sales (100 million yen)	2020 Results	45	2023 Target	75
Year	Sales (100 million yen)						
2020 Results	45						
2023 Target	75						

◎ **Reform of the development structure**

The company will strengthen the R&D structure in the priority development domains.

Research institutes will be established in the main company of each segment. These institutes will act as the specialized department for mid-term development strategies, dealing with them in a span of two to five years, and accelerate the creation of new products and businesses.

Colorants/Functional materials	Advanced Material Development Laboratory
Polymers/Coatings	Polymer Material Development Laboratory
Packaging materials	Functional Material Development Laboratory
Printing/Information	

For longer-term development, Holdings R&D laboratories and Production Technology Research Laboratory will be in charge, and proceed with R&D in cooperation with other institutes.

◎ **Investment plan**

The company will concentrate investments in growing markets.

For SIC-II, it plans to invest a total of 40 billion yen. In detail, 29% will be invested in colorants/functionals materials, 31% in polymers/coatings, 25% in packaging materials, and 11% in printing/information.

In six years, with the focus on the next three years (SIC-III), the company plans to invest about 20 billion yen in colorants/functional

materials, about 30 billion yen in polymers/coatings, and about 40 billion yen in packaging materials.

The company plans to construct/upgrade factories for each segment as follows: (1) For colorants/functional materials, factories for EV-related materials in Japan, China, the U.S., and Europe, (2) for polymers/coating, factories for pharmaceuticals (Moriyama Factory), new polymer synthesis (Kawagoe Plant), and adhesives (the U.S., China, and India) and (3) for packaging materials, factories in Turkey, India, China, and Indonesia.

<Basic Policy 3: Enhance the Value of Management Resources for Sustainable Growth>

For reforming the corporate culture, the company will implement the following measures.

◎ Reform of workstyles and HR systems

The company will strengthen a performance-based evaluation system.

Based on the declaration of empowerment of women, the company will raise the ratio of female managers in Japan from 4% to 8%.

It will recruit not only new graduates, but also various workers throughout the year.

It will discern the optimal scale of workforce, and conduct appropriate staffing.

As remote work has become common, the company will reform its offices for innovation.

◎ Promotion of Digital Transformation (DX)

The company recognizes DX as an important management mission for achieving sustainable growth, and will promote it in each department.

Department	Measures
Sales	-Digital marketing -Development of new business models
Production	-Smart factories -Improvement of processes by IoT
Technology development	-Materials informatics -Acceleration of development
Management	-Promotion of Robotic Process Automation (RPA) -Education for promoting DX

◎ Transformation of the governance structure

In particular, the company will improve the independence of directors and auditors, secure transparency, adopt a performance-based remuneration system, strengthen risk management, and reduce strategically held shares.

◎ Promotion of environment-conscious management

As the company is deeply aware of environmental issues, it will focus on the development and promotion of environmentally friendly products, and contribute to the development of a sustainable society.

Social issues	Products/services
Energy saving	-High-sensitive UV curing -EB (electron beam) curing
Measures for VOC	-To make them water-base -To make them solvent-free
Reduction of CO ₂ emissions	-Biomass products
Reduction of food loss	-To retain freshness -To supply of materials for retort pouches
Recycling of waste plastics	-Biodegradation -Recycling system

In addition, the company will actively address the problem of climate change, by reducing CO₂ emissions and saving energy, to realize the Carbon Neutrality 2050 vision, which is promoted by the government. In 2020, Kawagoe Plant received the Chairperson Award of The Energy Conservation Grand Prize, Japan.

◎ **Cash flow policy**

The company puts importance on the balance between financial soundness and investment/return to shareholders.

For financial soundness, the company will keep capital-to-asset ratio at the appropriate level and secure liquidity on hand.

It will actively conduct the investment in equipment, technologies, and human resources, and M&As.

It will also continue to pay dividends stably. In Feb. 2021, the company purchased treasury shares at a price of 5 billion yen, and will plan to purchase more treasury shares depending on the situation.

<Reference 2: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization type	Company with auditors
Directors	10 directors, including 5 external ones
Auditors	5 auditors, including 3 external ones

(As of March 24, 2021)

◎ Corporate Governance Report

The latest update: April 7, 2021.

<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>

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.	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, all strategically held shares of two companies and part of strategically held shares of five companies were sold.

BRIDGE REPORT



	<p>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>
<p>Principle 5-1.</p>	<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, 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.</p>

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