

First Half of FY2020 Results Briefing

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The forecast or projections set out in this presentation are based on the assumptions and beliefs of our management in light of the information available to it as of August 18, 2020. Changes in global, economic and business conditions could cause actual results to differ materially from these forecasts. All amounts are rounded to the nearest 100 million yen.

Summary of Consolidated Business Performance

- Decrease in sales: In particular, demand for offset inks/colorant for plastics fell sharply due to stagnant consumption activities worldwide.
- Decrease in profit: Significantly affected by the impact of the fall in quantity sold due to the COVID-19 pandemic.

(Unit: 1 billion yen)

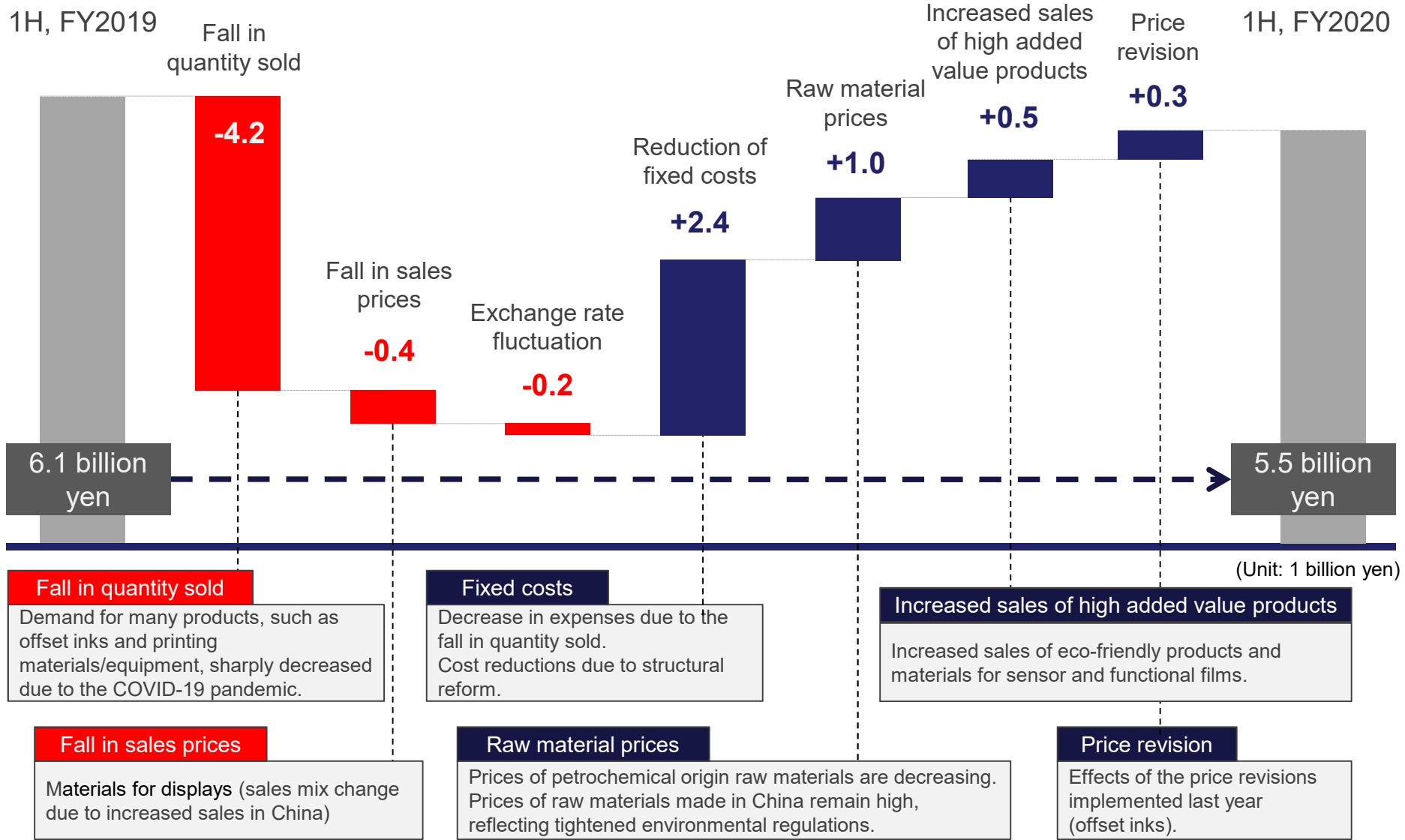
	1H, FY2019	Results for 1H, FY2020	Increase/decrease (%)	Initial full year targets for FY2020	Revised full year targets for FY2020
Net sales	139.4	123.3	-11.5	290.0	260.0
Operating profit	6.1	5.5	-9.2	15.0	12.0
Ordinary profit	6.3	4.9	-22.3	15.5	11.5
Profit attributable to owners of parent	2.8	2.6	-4.5	10.0	6.0
Operating margin	4.4%	4.5%	0.1 points	5.2%	
Overseas sales ratio	46.0%	44.3%	-1.7 points	45.0%	

Assumed indexes for targets

		1H, 2019 avg.	1H, 2020 avg.	2020 projections
Exchange rate	1 USD=	¥110.0	¥108.2	¥105.0
	1 EUR=	¥124.1	¥119.4	¥120.0
	1 RMB=	¥16.2	¥15.3	¥15.0

		1H, 2019 avg.	1H, 2020 avg.	2020 projections
Raw material	Naphtha	¥43,300/KL	¥34,900/KL	¥35,000/KL
	Rosin	\$1,634/t	\$1,470/t	\$1,500/t

Analysis of Factors Behind YoY Difference in Operating Profit



Revisions of Consolidated Business Performance for the Full Year of FY2020

Revised the full-year forecast downward for business performance impacted by COVID-19.

	Results for FY2019	Initial targets for FY2020	Revised targets for FY2020	Difference
Net sales	279.9	290.0	260.0	-30.0
Operating profit	13.2	15.0	12.0	-3.0
Ordinary profit	13.8	15.5	11.5	-4.0
Profit attributable to owners of parent	8.5	10.0	6.0	-4.0

(Unit: 1 billion yen)

■ Impact of the COVID-19 pandemic:

The impact on net sales due to the fall in demand is expected to slightly surpass 30 billion yen for the full year.

It is anticipated that the impact of the COVID-19 pandemic will be prolonged, causing a decline in quantity sold, a fall in sales unit price, and a change in the supply chain due to movement restrictions on people.

■ Forecast for operating profit:

The impact due to the decline in demand is expected to be 2.2 billion yen for first half and 4.0 billion yen for the full year. Meanwhile, we plan to obtain 1.0 billion yen by capturing new demand and structural reform.

■ Forecast for ordinary profit/net income:

Decreases are anticipated, considering an increase in foreign exchange loss arisen from strong yen/weaker currencies of developing countries, a rise in income taxed-deferred due to sluggish profits and the possibility of incurring losses associated with the restructuring of businesses.

Performance by Segment

(Unit: 1 billion yen)

	1H, FY2019		1H, FY2020		Increase/decrease (%)		Initial targets for FY2020		Revised targets for FY2020	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Colorants and Functional Materials	34.6	1.9	28.8	1.3	-16.9	-33.8	72.5	3.8	61.0	2.6
Polymers and Coatings	32.7	2.8	29.9	2.4	-8.5	-12.2	70.5	6.5	64.5	5.7
Packaging Materials	33.4	1.1	32.9	1.9	-1.6	66.9	70.0	3.5	68.5	4.0
Printing and Information	37.6	0.0	30.8	-0.2	-18.1	-	76.0	1.5	64.0	0.0
Others, Adjustment	1.0	0.2	0.9	0.1	-	-	1.0	-0.3	2.0	-0.3
Consolidated	139.4	6.1	123.3	5.5	-11.5	-9.2	290.0	15.0	260.0	12.0

■ Colorants and Functional Materials:

Demand for plastic colorant declined and the unit price of materials for displays in the Chinese market fell. Meanwhile, increased sales of materials for EV-mounted lithium-ion batteries progressed.

■ **Polymers and Coatings:** Despite the sluggish smartphone market, the label for packaging remained strong.

■ **Packaging Materials:** Even in the COVID-19 pandemic, demand for food packaging was favorable.

■ **Printing and Information:** As the decline in demand accelerates, fixed costs were substantially reduced thanks to the implementation of structural reform.

■ Common issues across the Company:

Operations at bases in China, India, the Philippines, and Malaysia were temporarily restricted due to the COVID-19 pandemic, but have returned to normal.

Summary of Performance by Segment (Colorants and Functional Materials)

(Unit: 1 billion yen)

Summary of Performance	Results for 1H, FY2019	Results for 1H, FY2020	Increase/decrease (%)	Initial targets for FY2020	Revised targets for FY2020
Sales	34.6	28.8	-16.9	72.5	61.0
Operating profit	1.9	1.3	-33.8	3.8	2.6

Key Product Sales Targets	Results for 1H, FY2019	Results for 1H, FY2020	Increase/decrease (%)	Targets for FY2020
Media materials	9.3	8.3	-11.0	19.4

Summary 1H, FY2020

- Pigments
 - Although increased sales in Japan and overseas progressed, pigments were affected by the shrinking printing market and a decline in demand due to the COVID-19 pandemic.
 - New realization in the ink jet ink market.
- Materials for displays
 - Japan: Demand for materials for displays for automobiles and industrial machinery declined. In addition, demand for TV was weak due to operation adjustment associated with the COVID-19 pandemic.
 - Overseas: Despite a continuing fall in the unit price, a high operation rate was maintained and remained strong in the Chinese market.
- Plastic colorants
 - Inbound demand and demand for plastic colorant for going out/outings sharply decreased. Operation of users of plastic colorants related to automobile/construction materials got stagnant.
 - Plastic colorants related to sterilizing/anti-bacterial containers and food packaging were strong.
- Functional dispersions
 - Production plan of materials for EV-mounted lithium-ion batteries progressed at overseas bases.

Initiatives for Second Half by Segment (Colorants and Functional Materials)

Main Initiatives for Second Half of FY2020

- | | |
|------------------------|--|
| Pigments | <ul style="list-style-type: none"> ● Achievement of increased sales for existing products, newly developed products and cost reductions ● Development of digital printing materials and increase in sales globally |
| Materials for displays | <ul style="list-style-type: none"> ● Enhancement of presence in China market ● Facilitation of development of sensor materials as a next-generation business |
| Plastic colorants | <ul style="list-style-type: none"> ● Reinforcement of supply for demand in plastic colorants for sterilizing/anti-bacterial containers and food packaging ● Development of eco-friendly products, realization of functional master batches |
| Functional dispersions | <ul style="list-style-type: none"> ● Increase sales of materials for EV-mounted lithium-ion batteries in the European and the U.S. EV market ● Development of electro-mobility/medicine-related functional dispersions |

Priority Measures

■ Development of new materials through optical control technology

Solve social issues with functional materials

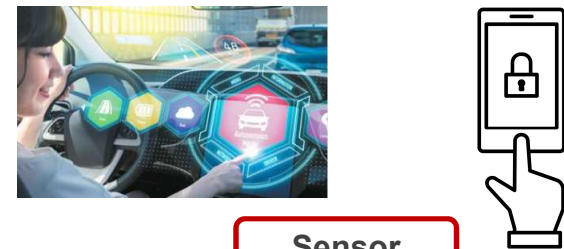
Technology

Proposal: Extend the guarantee period for medicines.
Reduce the burden on health care workers.



Medicine packaging

Proposal: Avoid collisions.
Provide a security function.



Sensor



Summary of Performance by Segment (Polymers and Coatings)

(Unit: 1 billion yen)

Summary of Performance	Results for 1H, FY2019	Results for 1H, FY2020	Increase/ decrease (%)	Initial targets for FY2020	Revised targets for FY2020
Sales	32.7	29.9	-8.5	70.5	64.5
Operating profit	2.8	2.4	-12.2	6.5	5.7

Key Product Sales Targets	Results for 1H, FY2019	Results for 1H, FY2020	Increase/ decrease (%)	Targets for FY2020
Electronic/ optical products	6.2	5.6	-9.5	14.0
Medical and health care-related products	0.9	0.8	-10.3	2.0

Summary 1H, FY2020

- Functional films and tapes**
 - Despite sales growth in the high frequency shield for 5G, overall sales suffered due to the fall in the smartphone market.
 - Sales of coating materials for tablets increased due to demand for remote work, but sales of coating materials for TV displays were weak.
- Adhesives**
 - Japan: Sales of adhesives for packaging and labels were strong, but sales for polarizers and lithium-ion batteries remained slow.
 - Overseas: Suffered significantly from the impact of the suspension of operations at the Group's production facilities and its trading partners due to the COVID-19 pandemic.
- Coatings/resins**
 - Coatings: Sales of coatings for cans of alcohol increased, but overall sales fell short of the previous year's level due to a decrease in demand for outings.
 - Resins: Sales of resins for architecture/civil-engineering declined due to the construction suspension at general contractors due to the COVID-19 pandemic.

Initiatives for Second Half by Segment (Polymers and Coatings)

Main Initiatives for Second Half of FY2020

Packaging and industrial materials

- Global expansion of eco-friendly products with a focus on approach to brand owners
- Expansion of high value-added products including resins for lithium-ion battery separators

Electronics

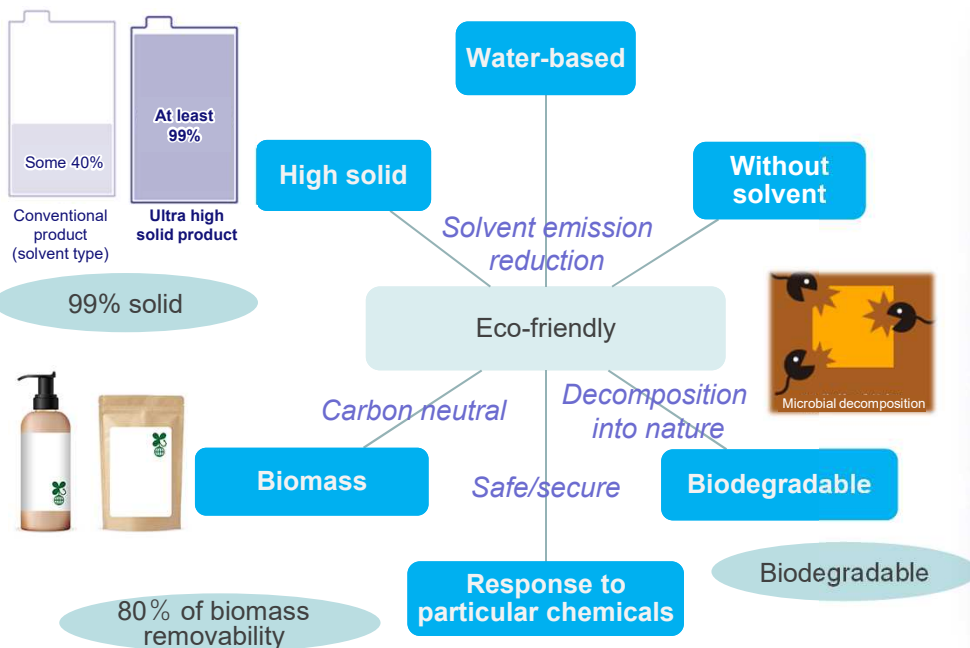
- Expansion in 5G and IoT markets (high-speed communication terminals and base stations)
- Capturing demand for remote work equipment (tablets)

Medical and health care

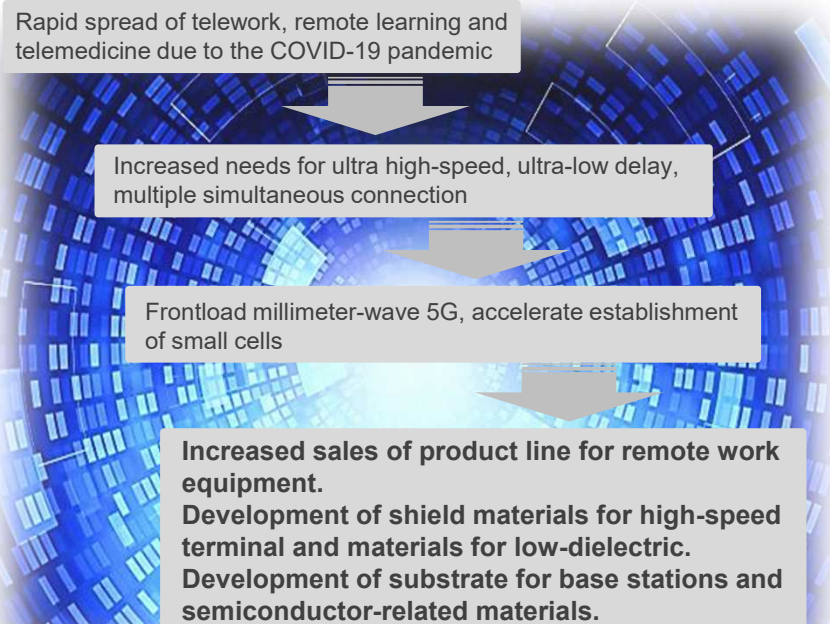
- Enhancement of new pipeline for patch medicines
- Expansion of adhesives into the U.S./China healthcare markets
- Expansion of anti-bacterial/anti-viral products

Priority Measures

■ Adhesives: Enhancement of eco-friendly products



■ Acceleration of the development of 5G and IoT-related products



Summary of Performance by Segment (Packaging Materials)

(Unit: 1 billion yen)

Summary of Performance	Results for 1H, FY2019	Results for 1H, FY2020	Increase/decrease (%)	Initial targets for FY2020	Revised targets for FY2020
Sales	33.4	32.9	-1.6	70.0	68.5
Operating profit	1.1	1.9	66.9	3.5	4.0

Key Product Sales Targets	Results for 1H, FY2019	Results for 1H, FY2020	Increase/decrease (%)	Targets for FY2020
Overseas liquid inks	13.8	13.9	0.7	32.5

Summary 1H, FY2020

- Flexible packaging materials**
 - Japan: Despite strong sales for food flexible packaging materials thanks to demand for nest-dweller consumption, sales of flexible packaging materials for beverage labels were weak due to restrictions on outings.
 - Overseas: Lifted operation restrictions at an early state for essential businesses. Demand for inks for food flexible packaging materials was robust.
- Construction materials**
 - Demand declined due to the stagnation, delay in the architectural and reform market due to the COVID-19 pandemic, and sales were weak.
- Cardboard**
 - Demand for the paper bag segment (craft) disappeared due to the business closures at department stores, specialty stores and no inbound demand. Although demand for cardboard for mail-order exists, it is limited.
 - Price revisions advanced partially.

Initiatives for Second Half by Segment (Packaging Materials)

Main Initiatives for Second Half of FY2020

Flexible packaging materials / construction materials

- Japan: Development and increased sales of eco-friendly products, improvement of production efficiency, promotion of development in construction materials segment and expansion in share of flexographic inks through sales of new product
- Overseas: Reinforcement of capturing of demand in areas of early recovery
- Reinforcement of production facilities in emerging areas
- Improvement in profitability of global bases

Cardboard

- Disseminate price revisions
- Facilitation of increased sales in craft segment
- Improvement in profitability through a range of cost-cutting measures

Priority Measures

■ Japan

New product development

Eco-friendly products



- Increase adoption of biomass inks
- Enhance product portfolio by application
- Water-based inks that contribute to the enhancement of productivity

Flexographic inks for flexible packaging

- Label application
- High-performance laminating inks

Reinforcement of corporate structure

Facilitate efficiency

- Integration of product varieties, cost reduction

■ Overseas

New product development

Non-toluene inks

Accelerate development for emerging markets

Water-based inks

Respond to VOC reduction needs
Target China/East Asia

Summary of Performance by Segment (Printing and Information)

(Unit: 1 billion yen)

Summary of Performance	Results for 1H, FY2019	Results for 1H, FY2020	Increase/ decrease (%)	Initial targets for FY2020	Revised targets for FY2020
Sales	37.6	30.8	-18.1	76.0	64.0
Operating profit	0.0	-0.2	-	1.5	0.0

Key Product Sales Targets	Results for 1H, FY2019	Results for 1H, FY2020	Increase/ decrease (%)	Targets for FY2020
Functional material inks	16.0	13.7	-14.6	33.5

Summary 1H, FY2020

- Offset inks
- Japan: Sales of commercial printing, including flyers and newspaper ink, was sluggish due to the impact of restrictions on going out.
 - Overseas: The commercial printing market, particularly in Europe and the U.S., was slow, affected by the COVID-19 pandemic in the second quarter.
- Functional Inks
- Inkjet: Development of water-based inks for flexible packaging application progressed.
 - UV curable inks: Although cost reduction was implemented, it was insufficient to compensate for the sluggish commercial printing market.
 - Metal decorating inks: Production started in Thailand and South Korea.

Initiatives for Second Half by Segment (Printing and Information)

Main Initiatives for Second Half of FY2020

- Offset inks
 - Facilitation of structural reform both in Japan and overseas
 - Advancement of cost reductions including a review of raw materials and profit improvement
 - Acceleration of global SCM restructuring
- Functional inks
 - UV curable inks: Expansion of eco-friendly products into the paper container and packaging markets
 - Inkjet inks: Accelerated development of products for China and the product line for flexible packaging
 - Metal decorating inks: Expansion of UV curing inks in the Asian market

Priority Measures

Structural reform of existing businesses

- Organizational downsizing
 - ⇒ Completion of reallocation of human resources for 71 persons (first round) (down 8.9% from 2019)
- Production optimization through production alliance

Accelerated contraction of the information market (Japan)

Initial forecast	Market contraction due to DX -5 to 7% per year
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Revised forecast	Market contraction -20 to 30% per year
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DX + COVID-19

New product development

Expand functional products into other application markets.

- EB offset ink products
 - For a small-lot flexible packaging market
 - Expand into many applications
- Inkjet for flexible packaging Reinforcement of products
 - Water-based inks that excel in color reproducibility
 - Cleared the ability for materials for a variety of packaging
 - Anchor and coating to meet a wide range of needs

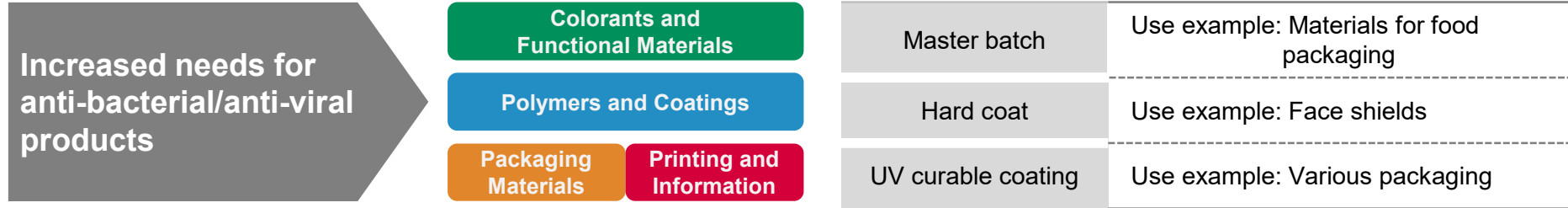
Forecast of Main Industries and Impact on the Company's Business

Industry	Forecast (estimation)		Market Conditions/Summary	Colorants and Functional Material	Polymers and Coatings	Packaging Materials	Printing and Information
	During COVID-19	After COVID-19					
Display			<ul style="list-style-type: none"> - Decline in demand for smartphones + Demand for TV and monitor increased due to an increase in telework Digitalization accelerated in the long-term				
Electronics			<ul style="list-style-type: none"> - Decline in demand for smartphones + Demand for semi-conductors increased Digitalization accelerated in the long-term. 5G fully implemented				
Automobile			<ul style="list-style-type: none"> - Weak personal consumption + Progress of automatic operation/electric vehicle 				
Building materials/ Industrials			<ul style="list-style-type: none"> - Economic deterioration and stagnant public works + Long-term economic recovery 				
Packaging /Food			<ul style="list-style-type: none"> - Sharp decrease in inbound demand, rise in environmental needs + Increases in nest-dwellers' consumption, home meals and ready-made meals 				
Analog printing			<ul style="list-style-type: none"> - Acceleration of contraction of printing market 				
Digital printing			<ul style="list-style-type: none"> - Contraction of printing market + Accelerated digitalization in many applications 				
Health care			<ul style="list-style-type: none"> + Aging society and rising health consciousness 				

Note: Darker: Bigger impact ←→ Lighter: Smaller impact

Policy During/After COVID-19

- During COVID-19: Facilitate the development of new products for new social needs.



- After COVID-19: As a company to create new value for human culture, provide products and services for the new normal. Concrete focus on domains and business policies will be announced in the next medium-term management plan.

Investment policy

- Flexibly review/postpone the plan in accordance with the demand fluctuation forecast.
- Continue to facilitate investments in priority domains and new businesses, focusing on the post-COVID-19 era.

FY2020 Initial Investment Plan*

18.5 billion yen

FY2020 Revised Investment Plan*

17.7 billion yen

* Based on purchase orders

Progress of main plans

Packaging Materials	<u>Turkey</u>	Started construction of a new plant, reinforced production facilities for gravure inks/laminating adhesive
Polymers and Coatings	<u>The U.S./China</u>	Reinforced/newly established production facilities for solvent-based/water-based adhesives
Colorants and Functional Materials	<u>The U.S./Europe</u>	Newly established production facilities for materials for automotive lithium-ion batteries
Printing and Information	<u>France</u>	Reinforced production facilities for inkjet inks

■ Online exhibition: Information on Co-Creation Forum

TOYOINKGROUP
Co-Creation Forum

Scheduled to be held from
September 28, 2020

Contact:

tigexpo@toyoincgroup.com



■ Inquiries concerning IR

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(Reference) Consolidated Balance Sheet

(Unit: 1 billion yen)

	As at December 31, 2019	As at June 30, 2020	Increase/decrease (%)
Current assets	200.0	202.6	1.3
Non-current assets	176.2	165.1	-6.3
Total assets	376.1	367.6	-2.3

Current liabilities	106.7	100.4	-6.0
Non-current liabilities	42.5	50.9	19.9
Total liabilities	149.2	151.3	1.4

Total net assets	226.9	216.3	-4.7
Total of liabilities and net assets	376.1	367.6	-2.3

	As at December 31, 2019	As at June 30, 2020
Interest-bearing debt (1 billion yen)	59.5	74.9
Net worth ratio (%)	58.3	56.8
D/E ratio	0.29	0.36

Enhanced cash on hand by through a new borrowing as a countermeasure against the COVID-19 pandemic.

Number of affiliated companies

	As at December 31, 2019	As at June 30, 2020
Consolidated subsidiaries	62	63
Equity method companies	7	7

Dividend payment

(Unit: Yen/share)

	FY2019	FY2020
Interim	45.0	45.0
Year-end	45.0	45.0 (Forecast)

Investment in facilities and depreciation expenses

(Unit: 1 billion yen)

	Results for 1H, FY2020	Full year targets for FY2020
Capital investment	6.0	18.5
Depreciation	4.5	10.0

* Capital investment: Results shows the amount on an acceptance inspection basis, while the targets shows the amount on an order-placing basis.

Performance by Segment

		FY2020 2 nd Quarter (1 billion yen)		Increase/ decrease (%) Year on Year		Increase/ decrease (%) Quarter on Quarter		FY2020 Total Results (1 billion yen)		Increase/ decrease (%) Year on Year	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Colorants and Functional Materials	Japan	8.3	0.2	▲14.2	▲62.0	▲10.4	▲69.2	17.5	1.0	▲6.9	▲19.0
	Overseas	8.8	0.2	▲22.0	▲58.1	▲10.8	▲16.8	18.8	0.4	▲17.5	▲46.3
	Total	13.7	0.5	▲23.2	▲54.7	▲9.2	▲44.2	28.8	1.3	▲16.9	▲33.8
Polymers and Coatings	Japan	11.5	0.7	▲8.5	▲27.7	3.5	6.4	22.5	1.4	▲6.5	▲14.9
	Overseas	5.6	0.6	▲17.3	▲8.5	1.5	33.1	11.2	1.0	▲14.9	▲8.6
	Total	15.1	1.3	▲11.0	▲20.7	1.6	9.5	29.9	2.4	▲8.5	▲12.2
Packaging Materials	Japan	9.8	0.5	▲4.7	35.2	2.4	14.9	19.4	0.9	▲3.3	42.3
	Overseas	7.1	0.6	2.7	95.0	1.9	36.5	14.0	1.0	1.7	105.3
	Total	16.6	1.1	▲2.4	58.5	1.6	24.2	32.9	1.9	▲1.6	66.9
Printing and Information	Japan	8.5	▲0.4	▲19.6	-	▲16.6	-	18.7	▲0.5	▲15.7	-
	Overseas	6.3	0.1	▲26.7	▲61.9	▲16.9	▲48.0	14.0	0.3	▲21.5	▲40.9
	Total	13.9	▲0.3	▲22.9	-	▲17.4	-	30.8	▲0.2	▲18.1	-
Others		1.8	0.1	▲4.5	59.5	14.0	51.6	3.3	0.1	▲9.1	▲26.1
Adjustment		▲1.2	▲0.0	-	-	-	-	▲2.4	▲0.0	-	-
Total consolidated		59.9	2.5	▲14.8	▲23.4	▲5.6	▲15.3	123.3	5.5	▲11.5	▲9.2

(Note) The segment performance for Japan and overseas does not take into account eliminations between regions.

First Half of FY2020 Results Briefing

Performance by Region

FY2020	FY2020 2 nd Quarter (1 billion yen)		Increase/decrease (%) Year on Year		Increase/decrease (%) Quarter on Quarter		FY2020 1-6 Results (1 billion yen)		Increase/decrease (%) Year on Year	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
	Japan	39.2	1.1	▲10.8	▲34.0	▲4.5	▲38.7	80.2	3.0	▲7.7
Asia	21.7	1.6	▲14.4	9.4	▲0.1	44.1	43.4	2.7	▲14.2	▲0.9
Europe	3.9	▲0.1	▲20.2	-	▲19.1	-	8.6	0.1	▲14.5	▲29.8
The Americas	2.4	▲0.1	▲33.6	-	▲29.3	-	5.9	▲0.1	▲17.3	-
Adjustment	▲7.3	0.0	-	-	-	-	▲14.8	▲0.0	-	-
Total consolidated	59.9	2.5	▲14.8	▲23.4	▲5.6	▲15.3	123.3	5.5	▲11.5	▲9.2

(Note) FY2019 (1 billion yen)	1 st Quarter		2 nd Quarter		3 rd Quarter		4 th Quarter		Total	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Japan	43.0	1.5	43.9	1.7	43.9	1.9	44.6	2.7	175.5	7.8
Asia	25.2	1.3	25.3	1.5	25.4	1.6	25.3	1.4	101.2	5.7
Europe	5.3	▲0.0	4.8	0.1	4.8	▲0.1	4.9	▲0.2	19.8	▲0.2
The Americas	3.5	▲0.1	3.7	0.0	3.5	▲0.1	3.4	▲0.1	14.0	▲0.2
Adjustment	▲7.9	0.1	▲7.5	0.0	▲7.5	0.1	▲7.8	▲0.1	▲30.6	0.1
Total consolidated	69.1	2.8	70.3	3.3	70.1	3.4	70.4	3.7	279.9	13.2