

Financial Results Briefing for the Fiscal Year Ended December 31, 2021

Question & Answer

- Date/time: Feb.22, 2022 10:00am – 11:00am (Japan time)
- Speakers:
 - Satoru Takashima: President and Representative Director, and Group COO
 - Hiroyuki Hamada : Managing Director, General Manager of Corporate Planning Division
 - Takeshi Arimura: Executive Officer, Group Financial Director
 - Hideki Okaichi: President and Representative Director, TOYOCOLOR CO., LTD.
 - Masato Yanagi: President and Representative Director , TOYO INK CO., LTD.
- Presentation Material :
 - https://sched.toyoinkgroup.com/en/ir/archives/pdflib/2021/frp_fy2021_q4_en.pdf

TRANSLATION:

This is a transcript of Financial Results Briefing for the Fiscal Year Ended December 31, 2021, Question & Answer session, held on Feb.22, 2022. This is an English translation of the Japanese original, prepared only for the convenience of shareholders residing outside Japan. The original Japanese version will prevail should there be any difference in the meaning between the English version and the Japanese version.

DISCLAIMER:

The forecast or projections in this material are based on the assumptions and beliefs of our management in light of the information available as of Feb 22, 2022. Changes in global, economic and business conditions could cause actual results to differ materially from these forecasts.

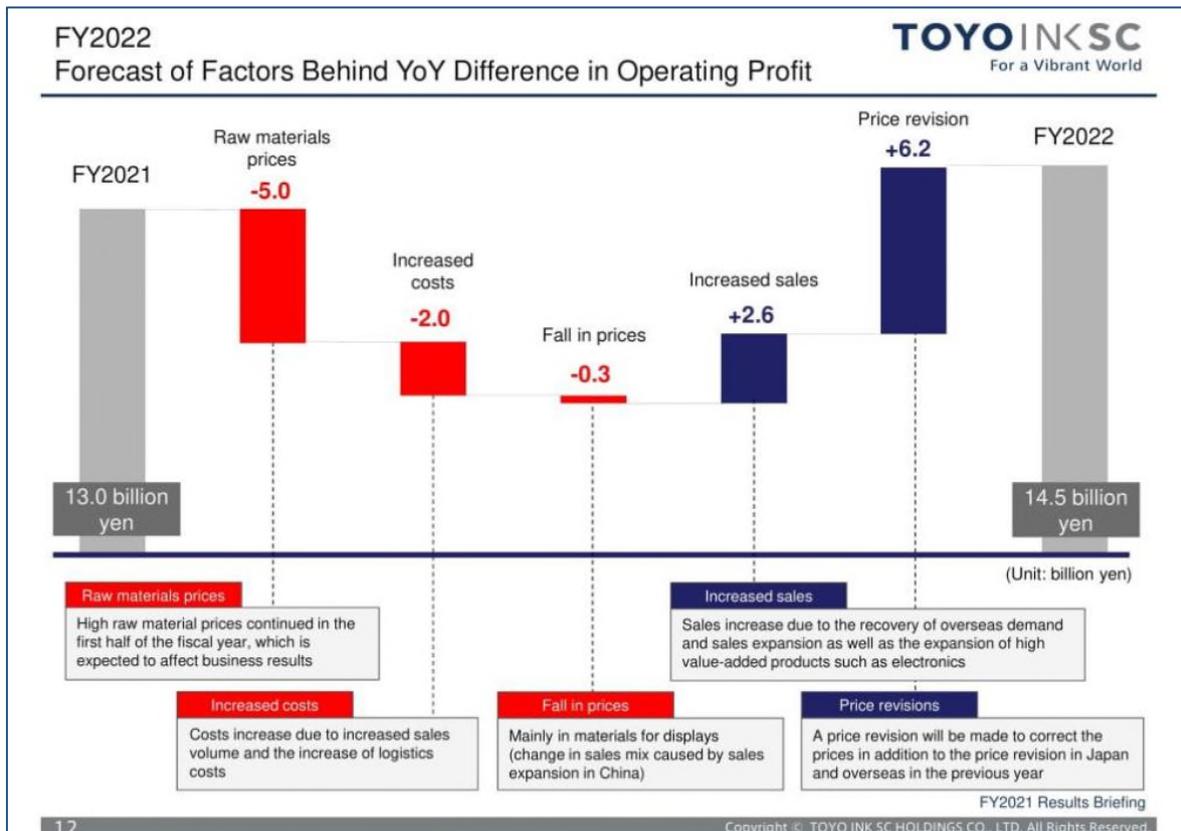
The content of this transcript have been edited or revised by the company.

Question & Answer

Q.1 : I have a question about the business plan for 2022. You mentioned that the effect of the price revision is planned to be JPY6.2 billion, and I would like to ask how much of this JPY6.2 billion is due to the price revision that has already been concluded.

A.1 (Takashima) : The price revision of JPY6.2 billion for this fiscal year includes the portions that were raised last year and have not yet been counted in this fiscal year. Roughly half of the amounts have already been concluded, and I think it is safe to say that these are the amounts that the effects can be expected this year.

On the other hand, since the latter half of last year, we have been persistently promoting price revisions in various products, such as UV inks, pigments, pressure sensitive adhesives, adhesives, and gravure inks, and have been explaining the revisions to our customers. However, there are still some parts that have not been concluded yet. We would like to continue to explain to our customers about this situation and return to appropriate price.



Q.2 : A question about the Colorants and Functional Materials segment. In the Colorants and Functional Materials segment, I believe that the significant increase in profit was due to a 19% increase in sales of high value-added materials for displays over the previous fiscal year. I would like to ask to explain in some detail the factors that led to the increase in revenue.

A.2 (Okaichi) : The Colorants and Functional Materials segment is broadly divided into the five categories of materials for displays, plastic colorants, pigments, inkjet inks, and functional dispersions, as shown in the lower part of page 6, and all of them have achieved increases in both sales and profits.

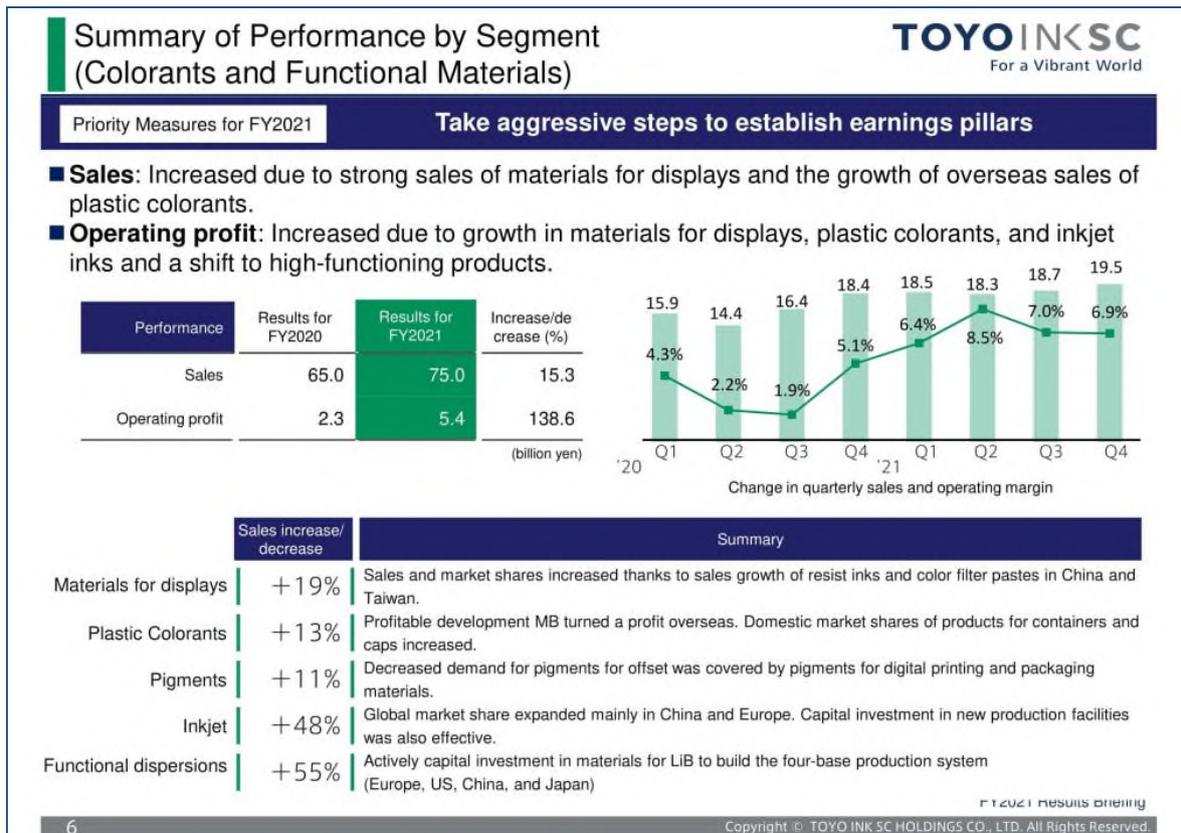
What was particularly significant was the materials for displays. As President Takashima explained at the beginning of this presentation, the expansion of the Taiwanese and Chinese markets is due in large part to the fact that panel prices remained stable at high levels until Q3 of last year, as well as to the increase in sales of panels for PCs, mobile devices, tablets and TVs due to stay-at-home demand.

Also, we are the only Company that produces from pigments to resist inks in an integrated manner, so the total cost reduction was a major factor in our success.

Also, as was mentioned earlier, in the area of plastic colorants, the reorganization and integration of bases, the increase in the overseas OA compounding business, and the significant growth in environmentally friendly materials, such as applications for solar cells, contributed to the growth.

Inkjet inks is contributing to this too. There are many different businesses in the inkjet inks business. Among them, we have focused on four markets in particular, and have been steering the course since last year.

We focused on four businesses: wide-format UV IJ, UV IJ for labels, water-based commercial printing, and water-based flexible packaging materials. The reason for the increase in sales and profits of Colorants and Functional Materials is that we are able to utilize the ink business technologies that we have cultivated since our days as TOYO INK, and these technologies have highly evaluated in Europe, the United States, China, Japan, and India.



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Q.3 : A question about the Printing and Information segment. Profit margins in the Printing and Information segment are still low, but the improvement was significant in FY2021. I would like to ask to explain the reasons, or factors, behind this.

A.3 (Yanagi) : In FY2021, the Printing and Information segment grew by 7.2%, from JPY62.2 billion in FY2020 to JPY66.7 billion, especially in terms of profit, from JPY0.6 billion to JPY1.7 billion, and I think your question is why this recovery happened.

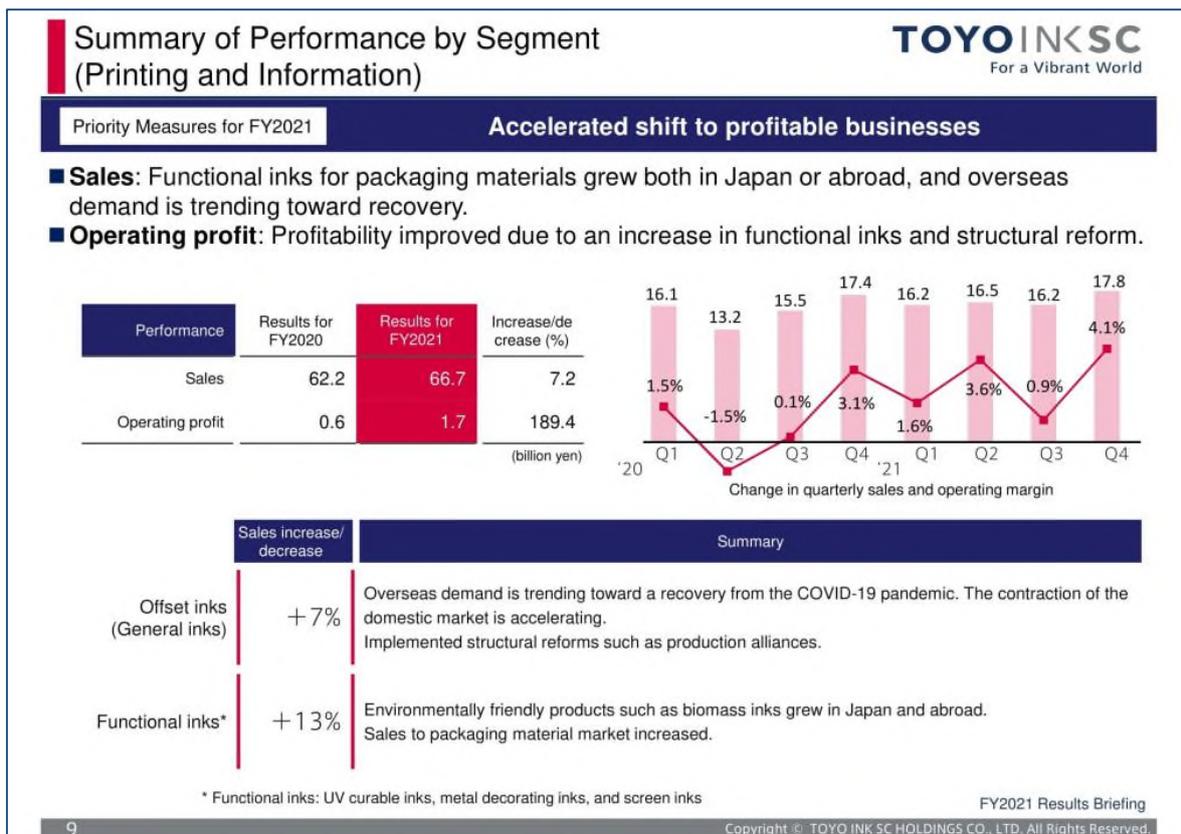
In the last fiscal year, especially overseas, shipments increased due to the economic recovery from the COVID-19 disaster, and this led to a large increase in sales. We expect this trend to continue in FY2022.

On the other hand, in Japan, the shrinkage of the commercial printing market, and the market for paper media was further accelerated by the COVID-19 disaster in FY2021, and conversely, unlike overseas, shipments continued to decline. We believe that the domestic market for offset printing, sheet-fed inks, and newspaper inks, which we call the general offset ink market, will continue to shrink in the future.

We will continue with the structural reform and reallocation of resources that we have been promoting since the past fiscal year to strengthen our cost structure, and one of the reasons for the increase in earnings is that we have become leaner in the process last fiscal year.

The main reason for the increase in earnings was functional inks. These inks performed well both in Japan and overseas, and in particular, UV inks in the functional inks category outperformed the initial plan and led the overall performance. The reason for the improvement in UV performance is due to the efforts of our technical team, which resulted in significant reallocation and optimization of composition formulations, and sales expansion. This has been successful, and UV inks have grown significantly, which is the reason for the expansion of our business in the last fiscal year.

We believe that this market will continue to grow in the future, so we will concentrate on this field, and we will also promote structural reform of general offset inks to increase the profit margin.



Q.4 : Questions about price revisions, and raw material price increases. What is the breakdown by segment of the increase in raw material prices in 2021, and 2022? We have also received a question asking if you could elaborate more on the reasons for the different price increases by segment.

A.4 (Arimura) : As explained earlier by President Takashima, the impact of raw material price hike was approximately JPY10.4 billion for the year, with the Polymers and Packaging segments being particularly hard hit.

These two segments had roughly 70% to 80% of the impact on the JPY10.4 billion. These two segments in particular use a lot of solvents and resins, whose prices are linked to naphtha, so you could say that these two segments have been affected by about 70 to 80% the impact on the JPY10.4 billion.



For a Vibrant World

Trends in Raw Material Prices and Purchasing Policy

Background behind the increase of raw material prices and forecast

- Rapidly increasing demand for various raw materials due to the economic recovery
- A surge in transportation cost linked to distribution disruptions
- Restricted supply caused by accidents, etc. at raw material manufacturers (affecting an extensive range of raw materials)
- Increased costs for actions to address the continuing enhancement of global environmental regulations
 - Raw material prices are expected to remain high and harsh conditions are likely to continue in FY2022.

Impact on operating profit (full-year, YoY)

| Impact of the raw materials price surge | Results of price revision |
|--|--|
| -10.4 billion yen (2.0 billion yen in 1st half and 8.4 billion yen in 2nd half) | 4.5 billion yen (0.7 billion yen in 1st half and 3.8 billion yen in 2nd half) |
| <ul style="list-style-type: none"> ■ Raw materials derived from naphtha ■ Organic solvents ■ Resin raw materials ■ Pigment raw materials | <ul style="list-style-type: none"> ■ Titanium oxide ■ Container (drum) ■ Pressure sensitive adhesives ■ Laminating adhesives ■ Coatings/resins ■ UV inks ■ Gravure inks |
| etc. | etc. |

 **FY2022: Promote revision to appropriate prices**

Purchasing policy

Prioritize responsibility for product supply and then improve SCM and review raw materials.

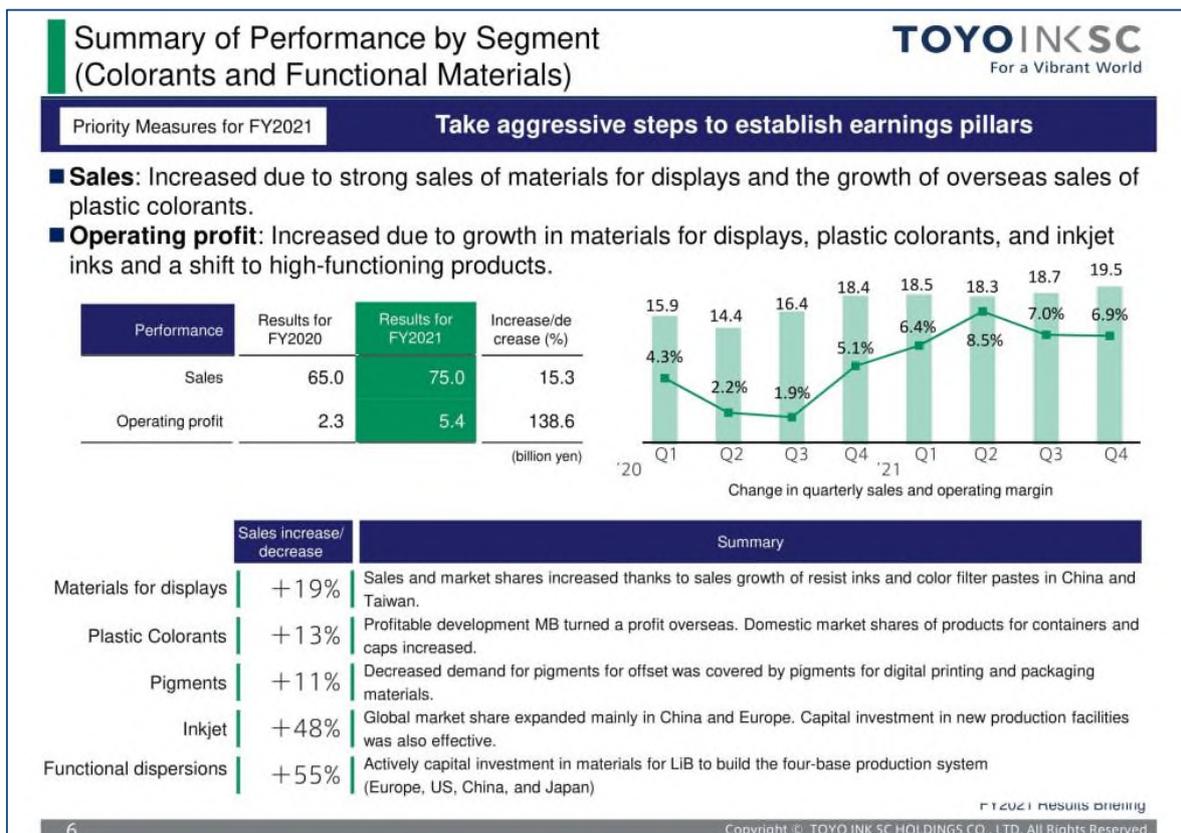
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Q.5 : Inkjet inks are now being applied to Packaging Materials in Europe. What do you think of the current capacity on a global basis, including the new facilities that have partially started operating? I would like to ask if you have any thoughts on applying our technology in markets other than the four markets we are focusing on, such as the display field.

A.5 (Okaichi): First of all, as you pointed out, the use of inkjet technology for printing has made significant progress in terms of environmental friendliness, and reducing energy consumption. In Europe, where it is particularly sensitive for environment, it is being applied to Packaging, and Packaging Materials. We have a base in France, and as you pointed out, we are adding a new line that started operating in the second half of last year as a new facility. In that sense, Europe is the largest market for inkjet Packaging Materials, so I think the current approach are fine for this market. If it is insufficient, we will consider the next investment.

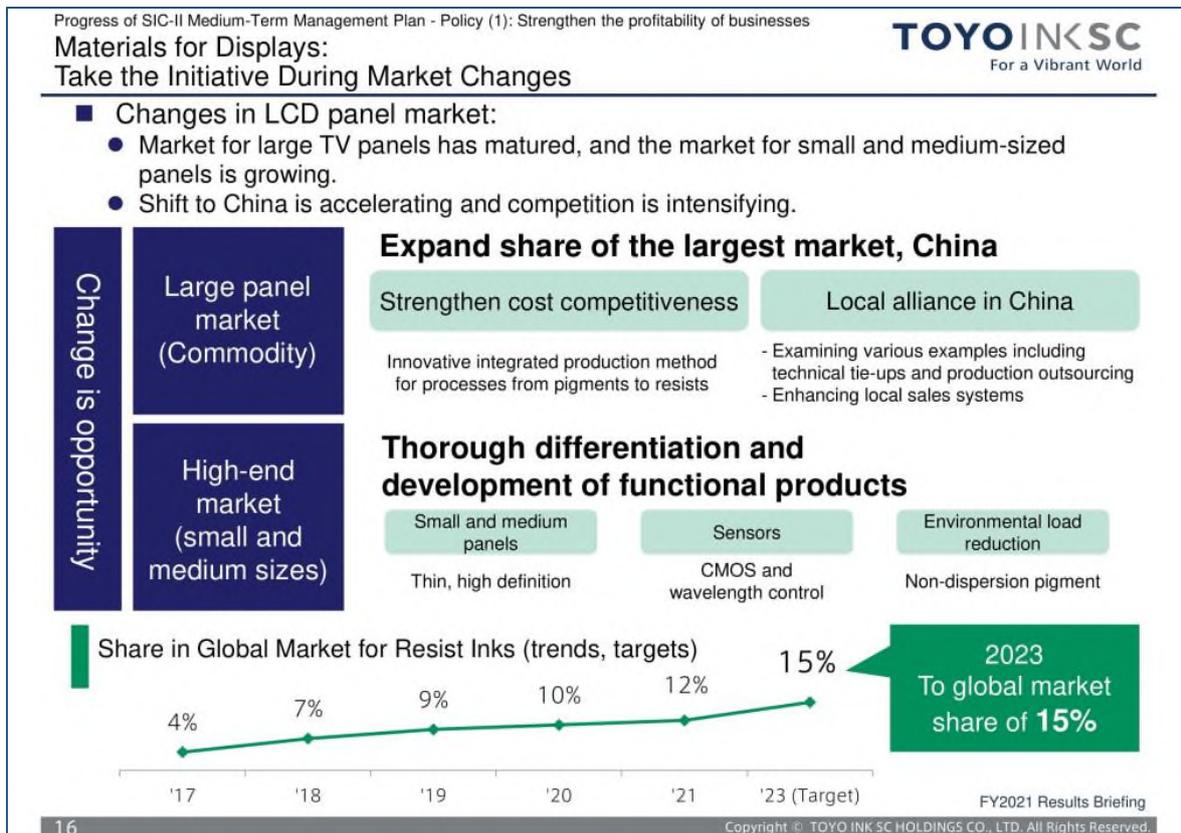
Is your next question about the application of inkjet technology to the display field? As you pointed out, we have market in LCD market, so we are in the process of examining how we can introduce inkjet technology into the market.



Q.6 : Questions about resists for LCD, and materials for displays. Regarding your policy of focusing on LCD panels, why do you expect TOYO INK to expand its market share while other companies are withdrawing from the Chinese market due to intensifying cost competition? I would like to ask what percentage of the Company's total sales is accounted for by the LCD panel-related product lines?

A.6 (Okaichi) : First of all, you asked why we think our group has the potential to expand our market share. As I mentioned earlier, we are proud of the fact that we have an integrated manufacturing process from pigments to intermediates to resist inks, which gives us a competitive edge over our competitors, and the evolution of our technological capabilities.

Secondly, sales related to LCD panels are just under JPY22 billion, which is JPY22billion of JPY280 billion, so 7% to 8% of total sales.



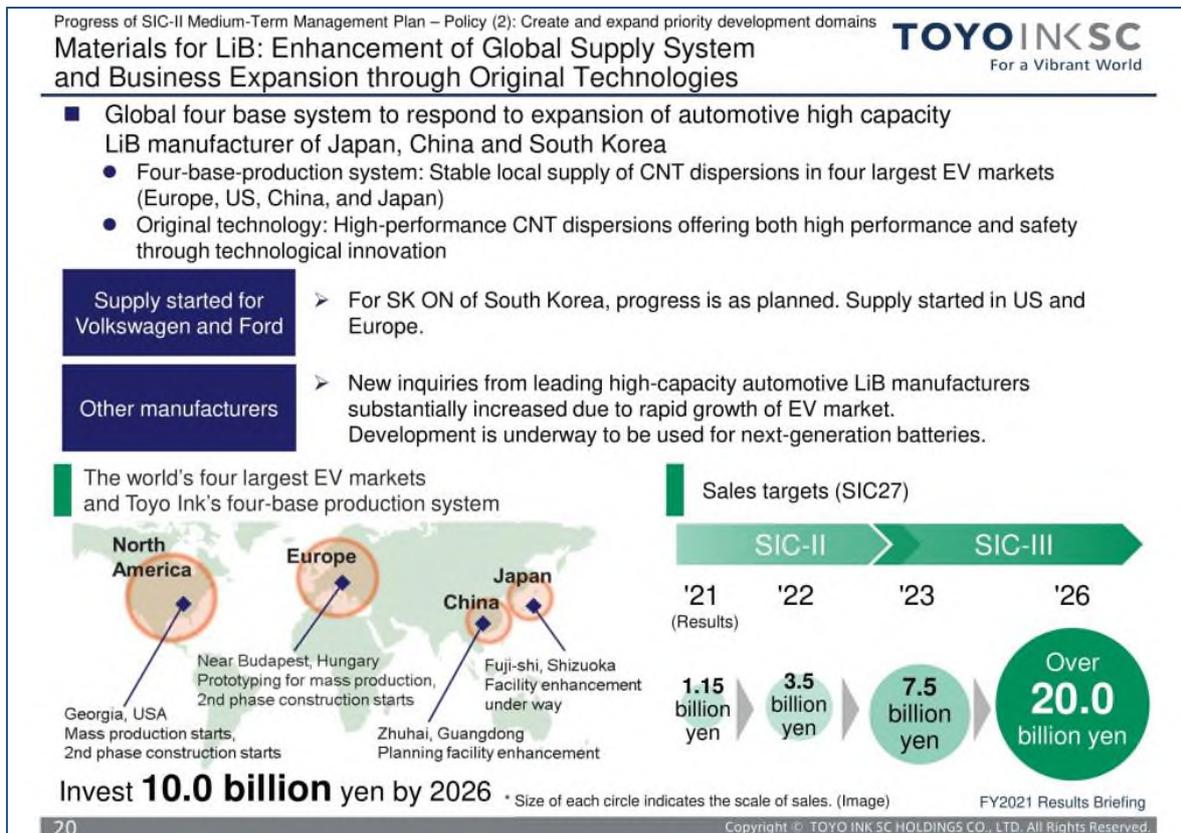
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Q.7 : Questions about materials for lithium-ion batteries. Are sales of lithium-ion battery materials accelerating compared to your plan? Mostly for SK, I guess? I would like to ask how the spread to new customers will be.?

A.7 (Okaichi) : First of all, as for your question about whether we are ahead of schedule compared to the plan, we are aware that we are almost on time.

As for your next question about whether most of the sales are to SK, at this point in time, we were originally selling to other customers in Japan, but if we talk about the level of so-called EVs, we have started selling lithium-ion materials to SK first. It is on-time. Hungary, and the United States.

Next, the expansion of new customers is a target we have been developing for a long time, and with our four-pole system around the world, and our advanced CNT dispersion technology, we are currently working with seven major companies around the world, including not only cathode but also anode, all of which are capable of producing high-capacity LiBs for EVs. We have received good responses, so we would like to invest more and more in the future.



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