

SIC-II — New Medium-term Management Plan (Fiscal 2021 - 2023)

The SIC27 long-term corporate vision consists of three medium-term management plans. Under SIC-II, the second stage, we aim to continue to add achievements and provide the value that is truly needed by society to respond to the changing needs of society.

Comprehensive picture of the medium- to long-term management plan

SIC27 — Long-term Vision

We will contribute to improving the sustainability of consumers, living beings, and the global environment

SIC-II — New Medium-term Management Plan (Fiscal 2021 - 2023)

Ideal state: A company that contributes to a new era through the enrichment of life and culture

SIC-II basic policy

1 Improve the profitability of businesses

- Strategic establishment of very profitable businesses
- Realignment, change and withdrawal of low-profit businesses

2 Create more priority areas of development

Priority areas of development

- Sustainable Science
- Communication Science
- Life Science

Reinforce the R&D structure

Intensive investment in growth markets

3 Enhance the value of management resources for sustainable growth (change of the corporate structure)

Reform of workstyles and personnel systems

Advancement of DX

Transformation of the governance system

Promotion of environmental management

Impact of COVID-19

- FY2021: Economy will gradually trend toward recovery
- Economic recovery to the pre-COVID-19 level will occur in FY2022 or after
- Overseas markets will recover quickly

Social Issues

- Environmental problems including climate change and marine pollution
- Response to the new normal created by the COVID-19 pandemic (changes in values and workstyles) and the rapid acceleration of digitalization
- Rising awareness of safety, security, and health attributed in part to the aging of the population

The Toyo Ink Group advances initiatives under three basic policies, with the goal of being a company that contributes to a new era through the enrichment of life and culture.

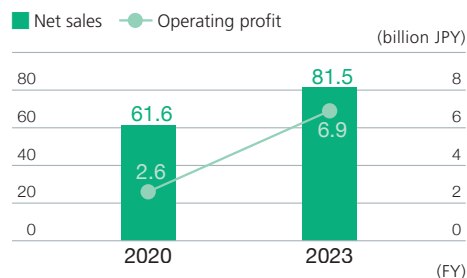
Basic Policy 1 Improve the profitability of businesses

We will increase the earning capacity of our businesses through the strategic establishment of very profitable businesses and the realignment, change and withdrawal of low-profit businesses, thus building a resilient business portfolio which enables sustainable growth.

Colorants and Functional Materials

Establish the main source of revenue in the growth market

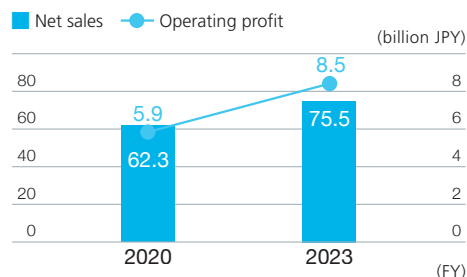
- **Materials related to electric vehicles (EVs)** Global expansion of materials for lithium ion batteries
 - **Materials related to digital technologies** Increase the market share of the resist inks for FPD color filters in China, strengthen the business of resist materials for imaging sensors, and expand inkjet inks*1 globally
 - **Plastic colorants** Rebuild global bases and expand high value-added products
- (▶ For further details, see page 28)



Polymers and Coatings

Expand the adhesives business overseas and expand business into growth markets with new polymers

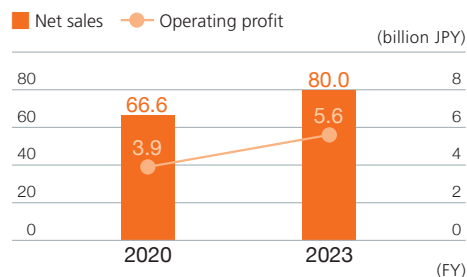
- **Packaging and industrial materials** ... Achieve overseas expansion by increasing production capacity and enhancing environmentally friendly products
 - **Electronics (5G and IoT)** Establish a position in the 5G market and enter the semiconductor market
 - **Medical and health care** Expand and develop related products
- (▶ For further details, see page 30)



Packaging Materials

Take the lead in eco-friendly initiatives and strive to achieve growth and expansion, particularly in the Asian market

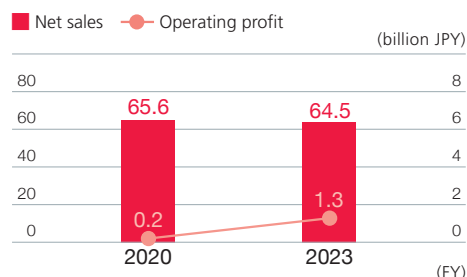
- Promote the commercialization of a system for recycling plastic container packaging materials
 - Intensively invest in overseas growth markets, such as China, India, Turkey and Southeast Asia
- (▶ For further details, see page 32)



Printing and Information

Move forward with our evolution into a profitable business structure that adapts to market conditions

- Increase sales of functional inks*2 for packaging applications such as paper containers and use in the industrial field
 - Facilitate the launch of the color communications business
- (▶ For further details, see page 34)



*1 Segment changes: Effective January 2021, inkjet inks are classified as products of the Colorants and Functional Materials Business instead of the Printing and Information Business.

*2 Functional inks: UV curing inks, metal decorating inks, and screen inks

Basic Policy 2 Create more priority areas of development

At the Toyo Ink Group, we have identified *Green*: Increasing awareness of environmental problems, *Digital*: Rapid acceleration of digitalization, and *Health*: Rising awareness of safety, security, and health as new social needs and have established three priority areas of development corresponding to the respective issues: Sustainable Science, Communication Science, and Life Science. We will strengthen R&D functions and investment in the priority areas of development, to provide the value that is truly needed for each group of social needs and create and expand new businesses.

Priority areas of development



Sustainable Science

For creating a sustainable society

Green



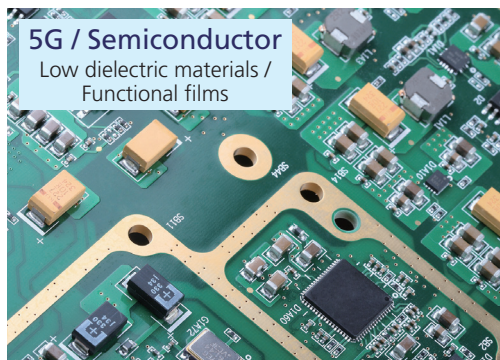
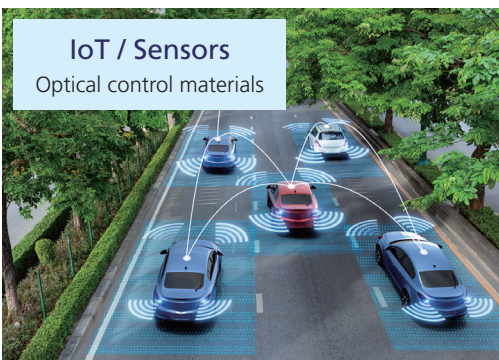
Sales target
FY2020
34 billion JPY
▼
FY2023
59 billion JPY



Communication Science

Contribute to a 5G and IoT society with key materials and solutions

Digital



Sales target
FY2020
5.4 billion JPY
▼
FY2023
13 billion JPY



Life Science

Enrich people's lives and improve their health

Health



Sales target
FY2020
4.5 billion JPY
▼
FY2023
7.5 billion JPY

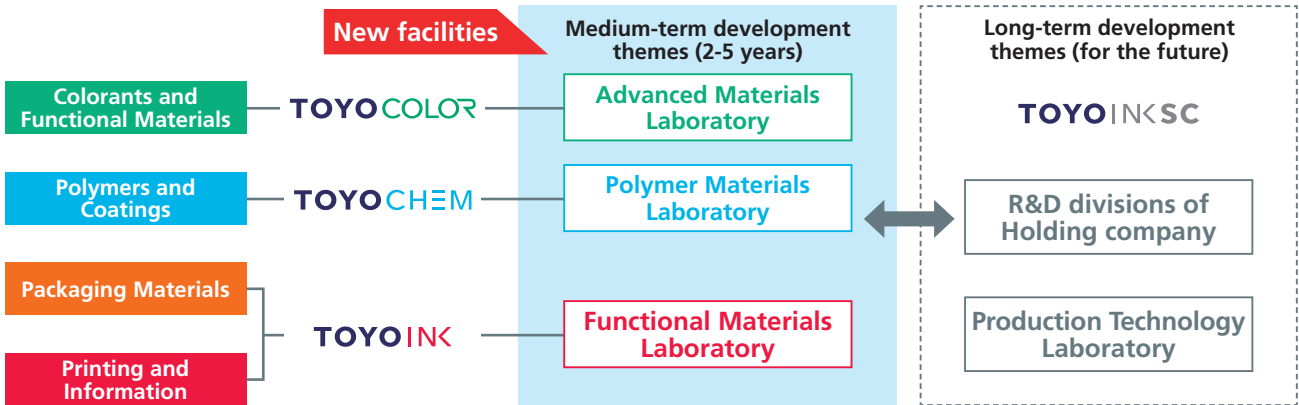
Reinforce the R&D structure

We will establish new research laboratories that will be in charge of medium-term development, at the companies responsible for each business segment, with the goal of strengthening R&D functions. We will improve our medium-term development capabilities and accelerate the creation of new products and businesses.

Establish new research laboratories that will be operated by companies responsible for respective business segment

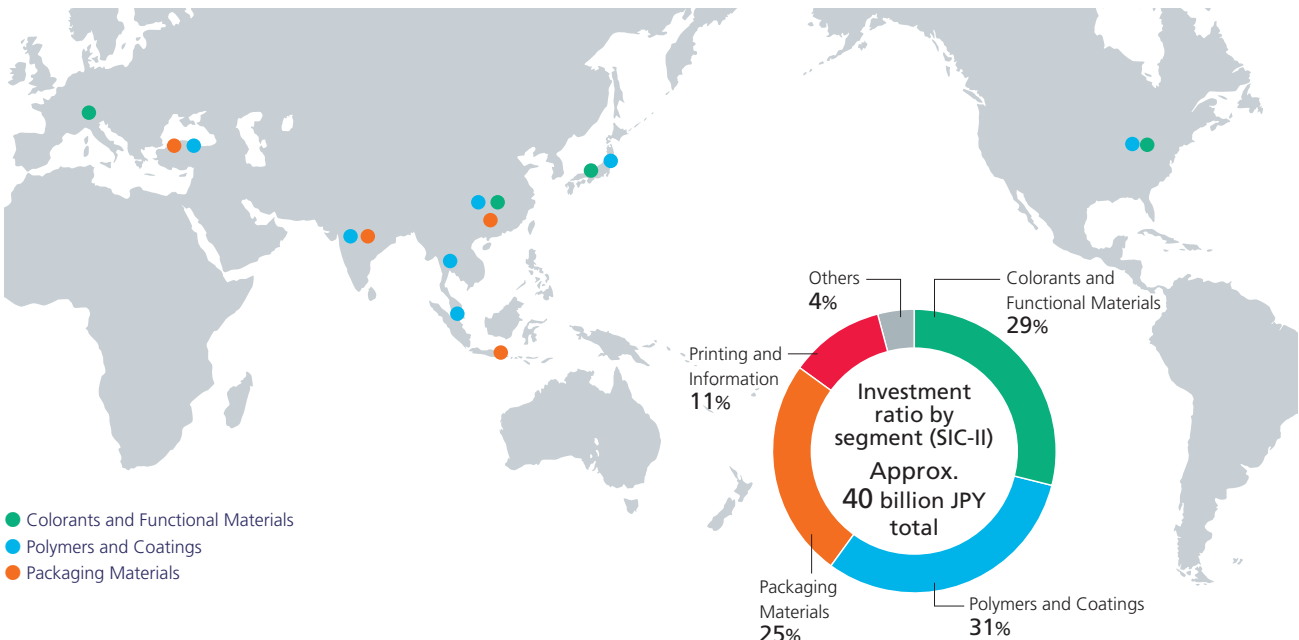
Dedicated to producing development strategies on a medium-term basis

Acceleration of the creation of new products and businesses.



Intensive investment in growth markets

We will invest intensively in target growth markets, including markets for materials related to electric vehicles (EVs) and pharmaceuticals, as well as the packaging material markets of emerging countries, to create more priority areas of development more quickly. During SIC-II, we plan to invest a total of approx. 40 billion JPY.



Major investment destinations during SIC-II (FY2021 to 2023) and SIC-III (FY2024 to 2026)

Colorants and Functional Materials About 20 billion JPY	<ul style="list-style-type: none"> ● Japan, China, United States, Europe (EV related materials) 	Polymers and Coatings About 30 billion JPY	<ul style="list-style-type: none"> ● Moriyama (Pharmaceuticals) ● Kawagoe (Synthesis new polymers) ● United States, China, India (Adhesives, PSA) 	Packaging Materials About 40 billion JPY	<ul style="list-style-type: none"> ● Turkey ● India ● China ● Indonesia
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Basic Policy 3 Enhance the value of management resources for sustainable growth (change of the corporate structure)

To improve the value of the management resources that support our sustainable growth, we will strengthen initiatives for reforming workstyles and our personnel system, advancing digital transformation (DX), transforming our governance system, and promoting environmental management.

Reform of workstyles and personnel systems

- Strengthen performance-linked evaluation systems
- Declaration on the Active Participation of Women (percentage of managers in Japan that are women: from 4% in FY2020 to 8% in FY2023)
- Increase employment opportunities on a full-year basis
- Maintain the proper size and deployment of the Group's employees
- Introduce remote offices (innovation, office reform)

Advancement of DX

- Key management issues for sustainable growth

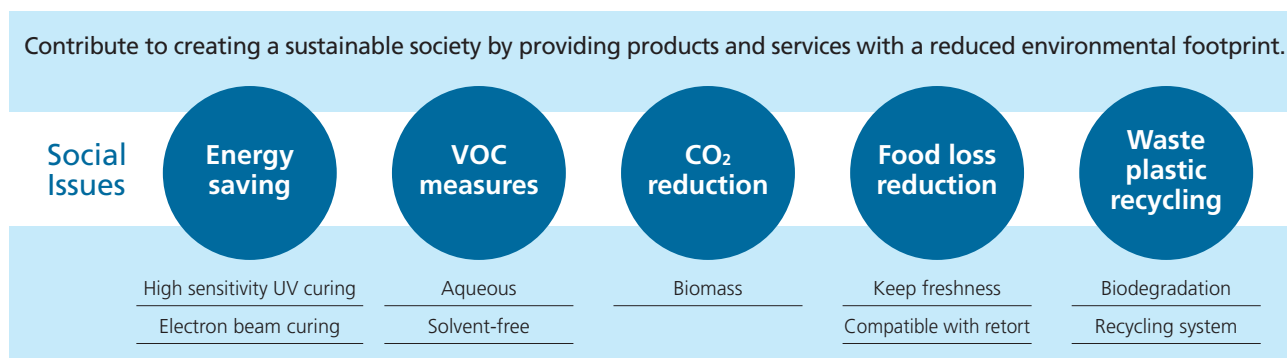
Sales	<ul style="list-style-type: none"> Digital marketing Establishment of new business models 	R&D	<ul style="list-style-type: none"> Utilization of materials informatics Efforts to move development forward at a faster rate
Production	<ul style="list-style-type: none"> Smart factory Process evolution using IoT 	Management	<ul style="list-style-type: none"> Automation and improvement of the efficiency of operations to be achieved through RPA Training to facilitate DX

Transformation of the governance system

- Enhance the independence of the directors and Audit & Supervisory Board members
- Adopt a transparency-oriented and performance-linked remuneration system
- Strengthen risk management
- Reduce cross-shareholdings

Promotion of environmental management

- Develop and increase environmentally friendly products



- Climate change initiatives

Reduction of CO₂ emissions	2050 : Efforts in CO ₂ reductions will be made for carbon neutrality
Continuation of energy-saving activities	Won the Chairman of ECCJ (Energy Conservation Center, Japan) Prize at the Energy Conservation Grand Prize Award (FY2020, Kawagoe Factory of Toyochem Co., Ltd.)

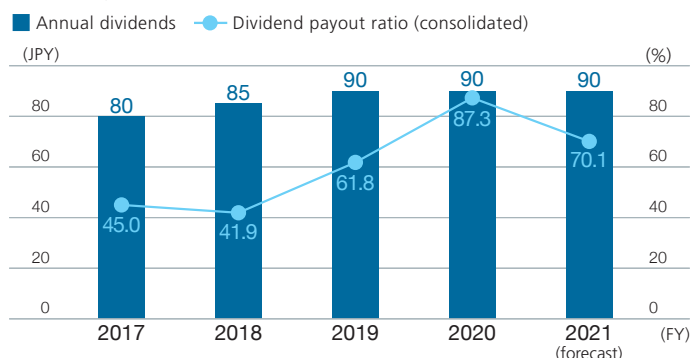
Financial policy and numerical targets

We will advance the allocation of resources by stressing the importance of the appropriate balancing of financial soundness, growth investment and shareholder returns, to support the Group's sustainable growth during SIC-II.

Financial policy

Financial soundness	<ul style="list-style-type: none"> Total shareholders' equity ratio Securing liquidity on hand
Proactive investments for growth	<ul style="list-style-type: none"> Investment in plant, equipment and technology Investment in human resources M&A
Shareholder returns	<ul style="list-style-type: none"> Continuation of stable dividend payments Treasury stock worth 5 billion JPY acquired in February 2021

Changes in the amounts of annual dividends*



*The annual dividends shown in the graph are the amounts calculated taking into consideration the reverse stock split implemented on July 1, 2018.

Numerical targets

SIC-II medium-term management plan targets	
Net sales	300 billion JPY
Operating profit	22 billion JPY
Operating margin:	7% or higher
ROE	7% or more

	(billion JPY)			
	FY2020 (results)		FY2023 (planned)	
	Net sales	Operating profit	Net sales	Operating profit
Colorants and Functional Materials	61.6	2.6	81.5	6.9
Polymers and Coatings	62.3	5.9	75.5	8.5
Packaging Materials	66.6	3.9	80.0	5.6
Printing and Information	65.6	0.2	64.5	1.3
Others and Adjustments	1.5	0.2	-1.5	-0.3
Total (consolidated)	257.7	12.9	300.0	22.0

Message from Management

During the SIC-II medium-term management plan, the Toyo Ink Group will attach greater importance to operating profit and operating margin as indexes for gauging corporate value than to pursuit of net sales as an indicator of company size. In the last several years, the Group has been in a standstill, just below achieving net sales of 300 billion JPY and operating profit of 20 billion JPY. We therefore aim to break these barriers.

Our cash flow policy during SIC-II will be to implement strategies while stressing the importance of the balance between financial soundness and investments/shareholder returns. Regarding investments, we will proactively and intensively invest in growth markets and growth regions and also invest aggressively in the promotion of DX and human resource development, among other areas, to build a foundation for the Group's sustainable growth.



Hiroya Aoyama

Senior Managing Director,
Chief Financial Officer