

August 7, 2020

**Consolidated First Quarter Results**

**April 1, 2020 through June 30, 2020 of Fiscal Year Ending on March 31, 2021**

Figures in Million Yen, unless otherwise noted

**1. Revenue and Income** from April 1, 2020 through June 30, 2020

	Revenue	Operating Income	Ordinary Income	(Note1) Net Income	(Note1) Net Income Per Share
Current Fiscal Year (FY2021) First Quarter (Q1)	7,051	▲438	▲438	▲645	▲64.51Yen
Converted into Million U.S. dollars (Note2)	65.5	▲4.0	▲4.0	▲5.99	▲US\$0.59
Last Fiscal Year (FY2020) Q1	7,658	▲26	▲22	▲97	▲9.64Yen
Change to FY2021 Q1 from FY2020 Q1	▲606	▲412	▲415	▲548	—
FY 2021 Q1 without newly consolidated subsidiaries	5,859	▲509	▲493	▲645	—
Change from FY2020 Q1 to FY2021 Q1 without newly consolidated subsidiaries	▲1,798	▲482	▲471	▲548	—
Percent Change from FY2020 Q1 to FY2021 Q1 w/o newly consolidated subsidiaries	▲23.5%	—	—	—	—

Note1: "Net Income" in this paper is "Net Income attributable to owners of parent" in current accounting standards

Note2: U.S. dollar amounts are converted from Yen, for convenience only, at the rate of US\$1.00 = ¥107.63

**2. Financial Status** June 30, 2020

	Total Assets	Net Assets	Capital to Asset Ratio	Net Assets Per Share
End of FY 2021 Q1 June 30, 2020	42,660	11,883	20.0%	850.15Yen
Converted into Million U.S. dollars (Note)	395.9	110.2	-	US\$7.890
End of FY 2020 March 31, 2020	44,186	12,404	20.6%	909.31Yen

Note: U.S. dollar amounts are converted from Yen, for convenience only, at the rate of US\$1.00 = ¥107.74

### 3. Forecast of Current Fiscal Year, which will end on March 31, 2021

	Revenue	Operating Income	Ordinary Income	Net Income <sup>(Note)</sup>	Net Income Per Share <sup>(Note)</sup>
First Half	14,500	▲1,200	▲1,100	▲1,700	▲169.79Yen
Whole fiscal year	32,000	▲900	▲700	▲1,600	▲159.81Yen

Note: "Net Income" in this paper is "Net Income attributable to owners of parent" in current accounting standards

#### **Observation of Current First Quarter Result**

During the First Quarter (Q1) of the Fiscal Year (FY) 2020 (April to June, 2020), despite TOMOEGAWA's company-wide effort on expanding existing product sales and releases of several new "iCas" brand products, economic stagnation in world's major markets caused by COVID-19 pandemic negatively affected our performance, which resulted in Sales amount of ¥7,051 million, down ▲¥606 million or ▲7.9% from the Sales during Q1 of previous FY.

As for the profit, our consolidated Operating Income (Loss) and Ordinary Income (Loss) were ▲¥438 million (down ▲¥412 million from last FY Q1 number) and ▲¥438 million (▲¥415 million), respectively. Even though our cost reduction effort produced significant improvement and the abolishment of one of our four paper production machines gave us a large fixed cost reduction effect, those were not large enough to cover the effect of COVID-19 caused sales decline. Net Income (Loss) is ▲¥645 million (down ▲¥548 million), which includes the effect of deferred tax asset reduction we made based on our estimation of the whole year worth of COVID-19 effect.

Current FY's sales and profit numbers include those numbers of two subsidiaries added to the consolidation at the end of FY2020. Since last FY numbers do not include those, the actual declines of sales and profit are much larger than those stated above. The downside effect of COVID-19 on our numbers are estimated to be ▲¥1,500 million for Sales and ▲¥500 million for profit. That means, if there were no effects of neither COVID-19 pandemic nor new addition to consolidation, our result should have been a sales

decrease coupled with a profit increase. Net Income in the First Quarter should have been increased from that of last FY Q1 which would have been slightly positive.

### **The Projection of FY2021**

TOMOEGAWA has not disclosed a FY2021 sales and profit estimation because of the difficulty in providing a reasonable projection of demand and other factors affected by the COVID-19 pandemic. Now, we decided to make our projection public based on the currently available information and on the assumption that demand will start to improve from and after the Second Quarter.

In our Toner business, the COVID-19 affected struggling sales is not expected to be over during the Second Quarter (July to September, 2020), but recovery will start during Third Quarter (October to December, 2020), while the Second Quarter sales recovery is expected for the Electronic Material business and Functional Paper business.

As for the cost aspect, we will continue our cost reduction effort even further. But at our US toner subsidiary, the restructuring cost and asset disposal cost will be recorded regarding the factory shut down during the Second Quarter. The amount of those losses is expected to be around ▲¥200 million. Production volume adjustment in Toner business and Functional Paper business will lead to the reduction of production margin. Also, in newly-added Security Media business, ▲¥100 million loss caused by seasonal factors is expected. Because of those factors, our Second Quarter performance compared to that of the First Quarter will be a sales increase coupled with a profit decrease. As a result, our First Half numbers will be Sales of ¥14,500 million, Operating Loss of ▲¥1,200 million, and Ordinary Loss of ▲¥1,100 million. Net Loss will be ▲¥1,700 million which includes a Special Loss of ▲¥400 million asset impairment loss from US toner factory shut down.

We expect demand increase in the Second Half, and sales increase from new products in “iCas” related business and existing business. Still, the total sales amount will not reach last FY’s number due to prolonged effect of the COVID-19 pandemic.

The cost reduction effect, such as fixed cost reduction from US toner factory shut down will be in effect starting during the Second Quarter.

Taking the above factors into consideration, TOMOEGAWA estimate a sales increase coupled with a positive profits in the Second Half. Still, that will not be large enough to cover the loss during the First Half. Our estimation will be Sales of ¥32,000 million, Operating Loss of ▲¥900 million, Ordinary Loss of ▲¥700 million and Net Loss of ▲¥1,600 million.

As for the Dividend, since Net Loss is expected for FY2021, which will be 2 years in a row, we believe that, at this stage rather than paying dividends, keeping cash on-hand will serve better for our shareholders in the long run. We do not plan to make a dividend payment corresponding to FY2021 results.

Your continuous support of TOMOEGAWA will be greatly appreciated.