

November 13, 2020

Consolidated First Half Results

April 1, 2020 through September 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 September 30, 2020

	Revenue	Operating Income	Ordinary Income	(Note1) Net Income	(Note1) Net Income Per Share
Current Fiscal Year (FY2021) First Half (H1)	13,950	▲865	▲812	▲1,674	▲167.20Yen
Converted into Million U.S. dollars (Note2)	130.4	▲8.0	▲7.6	▲15.65	▲US\$1.56
Last Fiscal Year (FY2020) H1	15,560	110	89	▲183	▲18.12Yen
Change to FY2021 H1 from FY2020 H1	▲1,609	▲975	▲902	▲1,490	—
FY 2021 H1 without newly consolidated subsidiaries	11,824	▲979	▲907	▲1,674	—
Change from FY2020 H1 to FY2021 H1 without newly consolidated subsidiaries	▲3,735	▲1,090	▲996	▲1,490	—

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 = ¥106.93

2. Financial Status September 30, 2020

	Total Assets	Net Assets	Capital to Asset Ratio	Net Assets Per Share
End of FY 2021 H1 September 30, 2020	40,834	10,896	18.4%	750.71Yen
Converted into Million U.S. dollars (Note)	385.9	103.0	-	US\$7.094
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 = ¥105.81

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

Forecast released (Release Date)	Revenue	Operating Income	Ordinary Income	(Note) Net Income	(Note) Net Income Per Share
Previous Forecast (August 7, 2020)	32,000	▲900	▲700	▲1,600	▲159.81Yen
Current Forecast (November 13, 2020)	30,500	▲700	▲650	▲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 Half Result

During the First Half (H1) of the Fiscal Year (FY) 2020 (April to September, 2020), economic stagnation caused by spread of COVID-19 pandemic strongly affected our overall performance in a negative manner. Sales amount was ¥13,950 million, down ▲¥1,609 million or ▲10.3% compared to sales during H1 of previous FY.

When the effect of two new subsidiaries that were added to consolidation at the end of last FY is excluded, the H1 sales decline will be ▲¥3,735 million or ▲24.0% from that of previous FY H1.

As for the profit, our consolidated Operating Income (Loss) and Ordinary Income (Loss) were ▲¥865 million (down ▲¥975 million from last FY H1 number) and ▲¥812 million (▲¥902 million), respectively. During the current period, the wide-range strict restriction on our business operation was inevitable, but the abolishment of some of our paper production machines during last FY end provided a fixed cost reduction effect. Although those changes were made, it was not large enough to cover the negative effect of sales decline and plant operation rate decline derived from necessary production-adjustment

When the effect of the addition of 2 new subsidiaries to consolidation at the end of last FY is excluded, the H1 Operating Income decline will be ▲¥1,090 million from that of previous FY H1.

When compared to the First Half estimation numbers that was released on August 7, 2020 together with Q1 result, the actual revenue is smaller than estimated numbers. Still, actual Operating Income and Ordinary

Income are better than estimated numbers by ¥334 million and by ¥287 million, respectively, thanks to the earlier-than-expected market recovery of highly profitable electronic materials, larger-than-estimated Employment Adjustment Subsidy receipt and less-than-estimated Operating Expense derived from the shut-down of US toner manufacturing factory.

Net Income (Loss) is ▲¥1,674 million (down ▲¥1,490 million), the same number as we released on August 7th. This number includes the special loss from overseas subsidiary restructuring expense derived from US toner factory shut-down, and effect of deferred tax asset reduction we made based on our estimation that current FY result will be significantly deteriorated by COVID-19.

The effect of COVID-19 spread on the numbers stated above is ▲¥3,000 million in sales and ▲¥800 million in Operating Income.

The Projection of FY2021 Second Half

We foresee the moderate demand recovery in our Electronic Material business and other businesses. Also, in “iCas” business area, we have recorded steady progress in new products development toward product launch, which will increase our revenue. Because of those, we expect steep increase in Second Half sales compared to First Half numbers.

As for the cost aspect, we will pursue result of cost efficiency even further by continuing our cost reduction effort, such as efficiency improvement activities at production sites. In addition to the fixed cost reduction as the result of US toner factory shut-down, we will run the company-wide effort of even further reduction of fixed cost, which will include the reduction of labor cost.

The weak First Half result, uncertainty from new wave of COVID-19 infection spread that casts over demand recovery, and foreign exchange market currently leaning toward a weak USD, we take those factors into consideration in making the projection of whole FY2021. As a result, we project FY2021 numbers will be ¥30,500 million for Sales, ▲¥700 million for Operating Loss, and ▲¥650 million for Ordinary Loss. The amount of

estimated Loss is smaller than those of earlier projection. Positive figures of Operating Income and Ordinary Income is projected for the Second Half. No change is made for Net Loss of ▲¥1,600 million.

We are considering further structural reform as the measure to meet estimated demand shift for next FY and beyond, and will disclose such a plan when ready, together with the medium term business target indexes.

Your continuous support of TOMOEGAWA will be greatly appreciated.