May 14, 2021

Announcement on the formulation of new Mid-Term Business Plan

Founded in 1914 with the intention to achieve Japan's first domestic production of electric insulating paper, Tomoegawa has since successfully expanded its business field by integrating chemical and electrical properties evaluation technologies. Now, our founding business of papermaking (production of paper mainly from wooden pulp) owns mere less than 10% portion among our businesses.

In recent years, the spreading concepts of "IoT", "DX", etc., keeps gaining ground, for which the requirement for "the control of heat, electricity and electromagnetic waves," is becoming more and more important in electronic components and semiconductor manufacturing equipment businesses. In order to meet such demand increase, we have been working on the development of variety of sheet-form products through the application of our papermaking and coating technologies. As some of those new products are entering into the mass-production stage, to make it clear where we are and which direction we expand to, we hereby announce the formulation of **new** "5 year Mid-Term Business Plan", which will be concluded in Fiscal Year that ends in March 2026.

1. <u>Strengthen the linkage with the growth of semiconductor industry</u>

   As seen in the very high market shares of our Electronic Device products, such as "fixing tape for lead frames" used in semiconductor production" and "electrostatic chuck" used to fix the position of silicon wafer, we have been actively pursuing business opportunities in semiconductor industry. Recent boom in semiconductor industry is a significant help to our business. Also, our development effort of heat control materials in past few years is expected to produce the result; those materials can be adapted as the unique material used for semiconductor production equipment, as well as materials used for semiconductor itself.

We expect continuous growth of semiconductor industry during this 5 year Mid-term business plan period, and aim to enhance our capability of providing materials with a competitive edge.

2. Completion of the structural reform of our Main Businesses

For the Traditional Paper business, our founding business, the drastic reform is inevitable due to the demand decline and production line deterioration. Among the Electronic Device business, Display product business has the issue to be solved, which is stabilizing its profit level even with the tremendous difficulty in correctly projecting the fluctuating demand for smart phone market, etc.

COVID-19 pandemic carried on from last year forced lock downs or other measures globally, which lead to toner usage decline in offices and schools worldwide, which put some damage on our global toner business operation.

To deal with such severe circumstances, Tomoegawa has been working on structural changes, such as business portfolio restructuring and closures of production lines and sales locations. Actual measures we took are listed below. From now on, we accelerate the pace of sharing and integration of production lines and sales locations among group companies.

We estimate these measures will enable us to reduce cost, mainly fixed cost, and to achieve recording 5% or higher Operating margin in stable fashion.

<Recent Structural Changes >

December 2019	Paper Milling Machine No.7 stoppage
April 2020	Bringing in Shoei Printing into consolidation
September 2020	North America toner factory shut down and asset impairment
March 2021	Closure of Osaka sales office.
May 2021	Excluding Nippon Card Co., Ltd. from consolidation through stock sale
By the end of FY 2022	Paper Milling Machine No9. stoppage (projected)

3. Increase of Mass-production in Functional Paper Business

While Tomoegawa has been reducing Traditional paper business, we also launched several new products in Functional Sheet business area to utilize our strength in paper making technology by introducing small size paper making machines. Among those new products are, “Metal Fiber Sheet” that are sheets made from metals such as copper or stainless steel through our paper making technologies, and “Powder Holding Sheet” that holds functional powders within a sheet by using small amount of wooden pulp as binders.

During this Mid-Term business plan period, we aim to start the mass production process of Cellulose Micro Fiber product “CMF”, which has superiority to other materials in environmental burden reduction effect. Such effort of accelerating the process of bringing development stage New Products up to mass production stage will also be the key in Functional Paper Business and other measures will be taken to achieve that goal.

4. Increase of new product ratio

By taking above mentioned measures, we aim to bring up the percentage of “New Product” (*) among our whole sales up to 16% in the final year of Mid-Term business plan from current 13%.

(*) In this context, “New Product” means product with less than 4 years since its market launch.

5. Numerical management targets for Mid-Term

Figures in Million Yen, unless otherwise noted

Figures from Consolidate Income Statement

	March 2021	March 2022 (Estimation)	March 2026 (Final Year)
Revenue	30,768	32,000	More than 36,000
Growth Rate		4.0%	CAGR 3%

Operating Income Operating Income Ratio	▲15	600 1.8%	2,000 5.5%
Net Income	▲1,152	500	1,400
ROA	-2.4%	1.5%	More than 3%

Other Targets

	March 2021	March 2022 (Estimation)	March 2026 (Final Year)
Sales to Semiconductor Industry (tape, chuck & new products)	3,600	3,800	Around 5,000
Growth Rate from previous FY	5.4%	5.1%	CAGR 7%
Semiconductor market growth rate(*1)	5.1%	6.4%	*Around 5.0%*
Semiconductor manufacturing market growth rate (*2)	12.3%	7.2%	*Around 5.0%*
New Product Rate	13%	13%	More than 16%

(*1) World Semiconductor Trade Statics (WSTS) Forecast issued on December 1, 2020

(*2) Semiconductor Equipment Association of Japan (SEAJ) Forecast issued on January 14, 2021

Years in those forecasts are calendar year number of previous year.

Numbers in *italic letters* are estimation by Tomoegawa

Projection or estimation numbers are prepared based on the data available on this document's release date, and actual result may vary depending on multiple factors.