

May 14, 2021

Consolidated Financial Results of the Fiscal Year Ended on March 31, 2021
and

Outlook for Fiscal Year Ending on March 31, 2022

Figures in Million Yen, unless otherwise noted

1. Revenue and Income

from April 1, 2020 through March 31, 2021

	Revenue	Operating Income	Ordinary Income	Net Income attributable to owners of parent	Comprehensive Income	Net Income Per Share
FY 2021 ended on March 31, 2021	30,768	▲15	145	▲1,152	766	▲114.84Yen
Converted into Million U.S. dollars	290.0	▲0.1	1.4	▲10.9	7.22	▲US\$1.08
FY 2020 ended on March 31, 2020	30,995	▲64	▲146	510	▲553	50.43Yen
Change to FY2021 from FY2020	▲226	49	292	▲1,663	1,320	-
Percent Change from FY2020 numbers	▲0.7%	-	-	-		-

Note: U.S. dollar amounts are converted from Yen, for convenience only, at the rate of US\$1.00 = ¥106.10.

2. Financial Status

March 31, 2021

	Total Assets	Net Assets	Capital to Asset Ratio	Net Assets Per Share
End of FY 2021 March 31, 2021	40,658	15,313	28.3%	940.17Yen
Converted into Million U.S. dollars	367.2	138.3	-	US\$8.491
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 = ¥110.72.

3. Forecast of Current Fiscal Year, which will end on March 31, 2022

	Revenue	Operating Income	Ordinary Income	Net Income attributable to owners of parent	Net Income Per Share
First Half	15,000	200	150	200	19.93
Whole fiscal year	32,000	600	600	500	49.82

Observation of whole FY2021 (April 2020 to March 2021)

During Fiscal Year (FY) 2021, TOMOEGAWA Group had struggled in First Half, as COVID-19-caused economic stagnation suppressed demand for our product in large scale. However, in Second Half, rapid recovery was achieved in Semiconductor and Electronic Devices industry, where we maintain a competitive edge. Also, demand for Toner business and Functional Paper Business showed recovery from the decline in First Half. As a result, final Consolidated Revenue number of FY2021 reached ¥30,768 million, which is ▲¥226 million or ▲0.7% lower than that of previous FY. (When the numbers of 2 subsidiaries that are newly added to consolidation at the end of FY2020 are excluded, Consolidated Revenue is ¥26,476 million, which is ▲¥4,519 million less than that of previous FY.)

As for the profit, while we recorded large negative numbers in First Half due to the demand suppression, Second Half recovery enabled us to almost offset that loss and limit FY total Operating Loss at ▲¥15 million. Second Half recovery was brought by the demand recovery for high-profitability products such as Semiconductor and Electronic devices, fixed cost reduction through the discontinuation of toner manufacturing in North America, and other short-term cost-cutting activities. The addition of 2 new companies to consolidation also helped. (When the numbers of 2 subsidiaries that are newly added to consolidation at the end of FY2020 are excluded, Consolidated Operating Income is ▲¥324 million, ▲¥259 million less than that of previous FY.)

Ordinary Income was positive ¥145 million, which means the negative numbers at Q3 end was wiped out during Q4. Net Income was negative at ▲¥1,152 million. The asset impairment loss for Coated Paper business whose shrinkage was accelerated by COVID-19, and special loss attributed to North America toner production discontinuation are the main factors of this Net Loss. Thanks to the increase of asset value evaluation amounts, ¥1,612 million of Other Comprehensive Income was recorded, which made Comprehensive Income reach ¥766 million, more than offsetting the negative number at Net Income level.

During FY2021, we executed aggressive inventory reduction of more than ¥2.4 billion from the FY beginning balance, which lead to the significant Operating Cash Flow improvement. Also, at the end of March 2021, we issued ¥2 billion worth of Preferred Stock that does not carry conversion right to common stock. As a result of those efforts in addition to the increase of Comprehensive Income, our Net Asset ratio improved to 37.7%, up from 26.7% at Q2 end. Such activities to improve our Financial Structure has been and continues to be an integral part of our operation.

The Projection of FY2022 and beyond

Our Electronic Device products, such as “Lead frame fixing tape used in semiconductor production” and “electrostatic chuck for silicon wafer” own high market shares in the currently booming semiconductor industry. Sales for those products are expected to keep growing. Also, we expect demand for our Toner products, that was the key factor of FY2021 Second Half recovery, will continue to be steady as the world economy enters into the moderate recovery stage.

In addition to those, as the new application of Wood Pulp (Cellulose) material technology, Functional Paper Division will start the mass production process of Cellulose Micro Fiber product “CMF”, which has superiority to other materials in environmental burden reduction effect. Above-mentioned improvement of financial structure enabled us to accelerate the process of bringing development stage new products up to mass production stage. The cost reduction effort will also continue. Taking those into consideration, we set

the target for FY2022 as Revenue of ¥32 billion, Operating Income of ¥600 million, Ordinary Income of ¥600 million and Net Income of ¥500 million. “The new accounting standard for sales recognition” is applied to those projections, and its effect is about ¥1 billion reduction on Revenue and no effect on Income level.

Today, we have released the new “5 year Mid-term Business Plan” that started in April 2021. In that plan, included are the above-mentioned Growth Strategy, Re-evaluation of Business Portfolio and Structural Reform such as closure of some production and/or sales locations. By steadily following this plan, we expect to improve our Financial Structure to the level with Operating Margin of 5% and ROA of 3% in FY2026.

Your continuous support of TOMOEGAWA will be greatly appreciated.