

February 13, 2020

Consolidated Third Quarter Results

April 1, 2019 through December 31, 2019 of Fiscal Year Ending on March 31, 2020

Figures in Million Yen, unless otherwise noted

1. Revenue and Income from April 1, 2019, through December 31, 2019

	Revenue	Operating Income	Ordinary Income	Net Income attributable to owners of parent	Net Income Per Share
Current Fiscal Year (FY) Through 3 Quarters	23,257	△37	△22	△263	△25.98Yen
Converted into Millions of U.S. Dollars	214.0	△0.3	△0.2	△2.4	△US\$0.239
Last FY Through 3 Quarters	24,951	397	410	△116	△11.46Yen
Percent Change From Last FY First Half	△6.8%	—	—	—	—

Note: US\$ amounts are converted from Yen, for convenience only, at the rate of US\$1.00 = ¥108.66.

2. Financial Status

December 31, 2019

	Total Assets	Net Assets	Capital Adequacy Ratio	Net Assets Per Share
End of Current FY First 3 Quarters December 31, 2019	39,047	10,617	23.6%	911.14Yen
Converted into Millions of U.S. Dollars	356.4	96.9	—	US\$8.317
End of FY 2018 March 31, 2019	38,456	11,681	25.8%	978.69Yen

Note: US\$ amounts are converted from Yen, for convenience only, at the rate of US\$1.00 = ¥109.55.

3. Forecast of Current Fiscal Year, which will end on March 31, 2020

	Revenue	Operating Income	Ordinary Income	Net Income attributable to owners of parent	Net Income per Share
Whole FY	31,500	△120	△150	△350	△34.58Yen

Observation of First 3 Quarters

During the First 3 Quarters of the Fiscal Year (FY) 2019 (April to December, 2019), TOMOEGAWA vastly increased the sales of newly introduced products during the current fiscal year. Our Functional paper business was able to improve profitability through active marketing efforts even while some products' markets keep shrinking, and through continuous cost reduction effort. On the other hand, our Toner business experienced declining sales amount even though it sold a similar volume of products to that of same period of last FY through both domestic and international marketing efforts. The sales amount decreases are attributed to a mix of price-cutting competition into global markets, the US-China trade conflict, and Yen appreciation. Sales of Electronic Material business did not show full recovery even though signs of semiconductor market recovery can be seen at some places. In total, Tomoegawa's Q3 Consolidated Sales amount was ¥23,257 million, down △¥1,693 million or △6.8% from the Q3 sales of previous FY.

In terms of profit, despite the company-wide cost reduction and the productivity improvement effort, sales decline and overall fixed cost increase caused by the aggressive capital investments made during last FY, made Tomoegawa record a Consolidated Operating Loss of △¥37 million, which is the decrease of △¥435 million from previous Q3 number. Consolidated Ordinary Loss and Net Loss are △¥22 million (△¥432 million decline) and △¥263 million (△¥146 million decline), respectively.

Forecast of FY2019 Result

In the Fourth Quarter, intensified price competition in Toner business, and demand shrinkage for mobile device related optical film in Electronic Material business are expected. Under such circumstances, even though we will work on improving profitability through group-wide new cost reduction projects, effect of those will not be large enough to cover the profit reduction caused by the sales decline.

In addition, we included the estimated effect of extended Chinese New Year shutdown of our China subsidiaries, caused by the “2019 Novel Coronavirus (COVID-19)” spread.

Taking the above factors into consideration, TOMOEGAWA has decided to lower the profit projection announced on November 12, 2019. Our new estimated numbers for ‘Sales amount’, ‘Operating Income’, ‘Ordinary Income’ and ‘Net Income attributed to owners of the parent company’ for whole FY are now ¥31,500 million, △¥120 million, △¥150 million and △¥350 million, respectively. We also change the estimation of dividend payment from ¥25.00 per share to zero dividends.

From now on, we will focus on making our business profitable again by taking multiple profitability improvement projects such as fixed cost reductions, and by accelerating each business units’ launch of new products, especially “5G” related new products by Electronic Material business. We set our target for the resumption of dividend payments on the next Fiscal Year.