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Medium-Term Management Plan for 2020 to 2022
– The Toagosei Group Medium-Term Management Plan “Stage up for the Future” –

Under the corporate philosophy of “Through the endless possibilities of chemistry, we bring happiness created by highly functional materials,” the Toagosei Group aims to achieve sustainable growth by creating new products and new businesses, as well as to increase medium- to long-term corporate value. Under the new medium-term management plan for the years 2020 to 2022, “Stage up for the Future,” we will pursue further expansion of our high-value-added products businesses by strengthening new business creation, research and development functions, as well as continuing our focus on the development of new products and active capital investment, which were pursued under the previous medium-term management plan, “Trajectory Toward Growth 2019.”

1. Basic policies

(1) Expand high-value-added businesses

Expand high-value-added products businesses by implementing solid initiatives to strengthen sales and new product development in businesses that are leading growth, and achieve net sales of 163 billion yen in 2022.

(2) Creation of new business units, including the “fourth core” business that will underpin the future of Toagosei Group

Create multiple new business units, leveraging the Toagosei Group’s core technologies to handle new key materials and services that expand beyond the scope of our existing businesses.

(3) Strengthen core businesses and execute business reorganization

Push ahead with planned investment and the continued rationalization of core businesses in order to strengthen our profit base, and reorganize and downsize existing businesses that lack growth.

2. Key initiatives

(1) Strengthen the new business creation function and the R&D function

Accelerate the new business creation function of the newly established New Business Planning Department, strengthen open innovation and intellectual property strategy, and promote greater efficiency and enhancement of research and development through the introduction of materials informatics (MI).

(2) Promote the overseas expansion of the instant glues business

Restructure the business in North America, and commence full-scale entry into emerging markets, especially in Asia.

(3) Enhance competitive advantage and function through digital transformation (DX)

Promote product development and innovation in production to meet customer needs, through

the integration of company-wide information processing networks and advanced information utilization.

(4) Secure and cultivate human resources to drive our growth strategy

Review and enhance our methods of recruiting and cultivating human resources, and actively promote overseas personnel, to establish a corporate environment in step with increasingly diverse societies.

(5) Promote sustainable management, co-existence and co-prosperity with stakeholders

Centering on the newly-established Sustainable Promotion Department, promote the development of new businesses and new products that will contribute to global environmental protection, and strengthen stakeholder engagement.

3. Quantitative targets

	FY2022 target
Net sales	163 billion yen
Operating income	17 billion yen
Ref.) Operating income to net sales ratio	10.4%
EBITDA	27 billion yen
High-value-added product ratio (net sales)	47%
Capital investment (acceptance basis)	44 billion yen (3yr. cum. for 2020-2022)
Overseas net sales	32.5 billion yen
Ref.) Overseas net sales ratio	20%
Earnings per share (EPS)	106 yen
Return on assets (ROA)	7.0%

(1) Capital investment plans

Continuing on from the previous medium-term management plan, we plan a total capital investment of 44 billion yen over the three years from 2020-2022, focusing on investment in high-value-added products, as well as facilities renewal and factory automation in our Commodity Chemicals business, and the strengthening of information-related investment to drive digital transformation.

(2) Overseas expansion plans

We will promote active overseas expansion of our high-value-added products businesses, primarily in the Polymer & Oligomer, Adhesive Material and Performance Chemicals businesses, and target an overseas net sales ratio greater than 20% in 2022.

(3) Capital policy

Promote the following capital policies to improve capital efficiency and enhance shareholder return.

- ★Enhance and improve profitability and capital efficiency, with EPS and ROA as numerical indicators.
- ★Improve consolidated total shareholder return and EPS, by maintaining stable dividends aiming at a payout ratio of 30% or greater and conducting share buybacks (around 10 billion yen over the three years from 2020-2022).

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