

December 13, 2019

To All Shareholders and Stakeholders:

**Company Name:** Toyo Ink SC Holdings Co., Ltd.  
**Representative:** Katsumi Kitagawa,  
President and Representative Director  
**Stock Code:** 4634; Tokyo Stock Exchange First  
Section  
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Director in charge of Finance  
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## **Notice of Partial Correction to Consolidated Financial Results for the First Half of the Fiscal Year Ending December 31, 2019**

Toyo Ink SC Holdings Co., Ltd. (the “Company”) hereby announces that it has made partial corrections to its consolidated financial results (Japanese accounting standards) for the First Half of the Fiscal Year Ending December 31, 2019, which were announced on August 9, 2019.

### **1. Details of and reason for the corrections**

The details of and reasons for the corrections are described in the “Notice of Partial Corrections to Consolidated Financial Results for Past Fiscal Years” dated December 13, 2019.

### **2. Corrected areas**

Because the corrections are numerous, a full report reflecting the corrections is attached with the corrected areas underlined.

# Consolidated Quarterly Financial Results (Japanese Accounting Standards) for the First Half of the Fiscal Year Ending December 31, 2019

August 9, 2019

Name of Listed Company: TOYO INK SC HOLDINGS CO., LTD. Listings: Tokyo Stock Exchange  
 Code: 4634 URL: <https://schr.toyoinkgroup.com>  
 Representative: Katsumi Kitagawa, President, CEO  
 Contact: Hiroya Aoyama, Senior Managing Director, CFO Tel: +81-3-3272-5731  
 Scheduled date of submission of quarterly report: August 9, 2019  
 Scheduled date of commencement of dividend payments: September 2, 2019  
 Supplementary documents for quarterly results: Yes  
 Quarterly results briefing: Yes (for institutional investors and securities analysts)

(Amounts of less than million yen are omitted.)

## 1. Consolidated business results for the first half of fiscal 2019 ending December 31, 2019

(From January 1, 2019 to June 30, 2019)

### (1) Business results (cumulative totals)

(Figures in percentages denote the year-on-year change.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Half, Fiscal 2019	139,376	-1.1	6,111	-20.6	6,347	-15.0	2,770	-47.8
First Half, Fiscal 2018	140,950	—	7,700	—	7,466	—	5,307	—

(Note) Comprehensive income: First half, fiscal 2019: -1,030 million yen (-%)  
 First half, fiscal 2018: -2,980 million yen (-%)

	Profit per share (Basic)		Profit per share (Diluted)	
	Yen		Yen	
First Half, Fiscal 2019	47.44		47.36	
First Half, Fiscal 2018	90.90		90.79	

\* The Company conducted a consolidation of common stock at the ratio of five to one (5:1) effective as of July 1, 2018. In this regard, the basic profit per share and the diluted profit per share are calculated on the assumption that the said stock consolidation was implemented at the beginning of the previous fiscal year.

The Company changed its fiscal year-end from March 31 to December 31 as of the fiscal year ended December 31, 2017. Because of this change, the increase-decrease rates from the previous fiscal year are not presented because the period of the first half of the fiscal year ended December 31, 2018 (from January 1, 2018 to June 30, 2018) is different from the period of the second quarter of the fiscal year ended December 31, 2017 (from April 1, 2017 to September 30, 2017), which is the target period for comparison.

### (2) Financial position

	Total assets		Net assets		Net worth/Total assets	
	Million yen		Million yen		%	
First Half, Fiscal 2019	362,623		217,035		58.1	
Fiscal 2018	371,610		221,091		57.6	

(Note) Net worth: First half, fiscal 2019: 210,588 million yen  
 Fiscal 2018: 214,170 million yen

\* The Company adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28 issued on February 16, 2018), etc. at the beginning of the first quarter of the current fiscal year, and the values for the fiscal year ended December 31, 2018 are those after the said Standard, etc. are applied retrospectively.

## 2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Annual
	Yen		Yen		Yen
Fiscal 2018	—	8.00	—	45.00	—
Fiscal 2019	—	45.00	—	—	—
Fiscal 2019 (Forecast)	—	—	—	45.00	90.00

(Note) Revision to dividend forecasts published most recently: No

\* For the year-end dividend per share for the fiscal year ended December 31, 2018, the amount considering the impact of the said stock consolidation is stated, and the specific total annual dividends are not stated, with only "—" stated. The annual dividend per share recalculated based on the standards after the stock consolidation is 85 yen for the fiscal year ended December 31, 2018.

### 3. Forecasts for the year ending December 31, 2019 (From January 1, 2019 to December 31, 2019)

(Figures in percentages denote the year-on-year change.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	300,000	3.4	17,500	<u>14.6</u>	18,000	<u>16.7</u>	12,000	<u>1.3</u>	205.51

(Note) Revision to consolidated business performance forecasts published most recently: No

#### \* Notes

- (1) Important changes of subsidiaries during the term (changes in specific subsidiaries accompanied by a change in the scope of consolidation): No
- (2) Application of special accounting treatment to the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies and changes or restatement of accounting estimates
  - (i) Changes in accounting policies due to the modification in accounting methods: Yes
  - (ii) Changes in accounting policies other than (i): Yes
  - (iii) Changes in accounting estimates: Yes
  - (iv) Restatement: No
- (4) Numbers of shares issued (common shares)
  - (i) Numbers of shares issued at the end of the terms (including treasury shares):
 

First half, fiscal 2019:	60,621,744 shares
Fiscal 2018:	60,621,744 shares
  - (ii) Numbers of treasury shares at the end of the terms:
 

First half, fiscal 2019:	2,229,460 shares
Fiscal 2018:	2,238,409 shares
  - (iii) Average numbers of shares issued during the terms (consolidated accumulation periods):
 

First half, fiscal 2019:	58,391,814 shares
First half, fiscal 2018:	58,384,585 shares

\* The Company conducted a consolidation of common stock at the ratio of five to one (5:1) effective as of July 1, 2018. In this regard, the average numbers of shares issued during the terms are calculated on the assumption that the said stock consolidation was implemented at the beginning of the previous fiscal year.

\* These quarterly financial results are not subject to quarterly audits by certified public accountants or audit corporations.

#### \* Explanations about the proper use of financial forecasts and other important notes

1. The above forecasts are based on the information available on the date these materials are released and incorporate assumptions about uncertainties that may affect future earnings. The forecasts do not constitute an assurance that the Company promises to achieve the earnings. Actual earnings could differ materially from these forecasts due to various factors in the future. For notes about assumptions of earnings forecasts and the use of earnings forecasts, refer to "(3) Information on the consolidated earnings forecasts and other future forecasts" of "1. Qualitative Information on Financial Results, etc., for the First Half Ended June 30, 2019" on page 4 of the accompanying materials.
2. Supplementary documents for financial results will be posted on the Company's website on August 9, 2019 (Friday).
3. The Company will hold a financial results briefing for investors as follows. Reference materials for financial results and forecasts used in the briefing will be posted on the Company's website after the close of the briefing.
  - August 20, 2019 (Tuesday): Briefing for institutional investors and security analysts.

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## 1. Qualitative Information on Financial Results, etc., for the First Half Ended June 30, 2019

### (1) Details of operating results

During the first half of the consolidated fiscal year under review, the global economy showed rapidly growing signs of a slowdown associated with trade friction between the United States and China and the increasing political risk, although growth continued in the United States and China. In Japan, business confidence was also deteriorating, although a moderate recovery trend continued.

In this business environment, the Toyo Ink Group operated its businesses based on the following three policies: “developing new businesses and providing value that captures changes in the market and customer needs,” “leading the market with leading-edge technology by fundamentally reviewing the supply chains, the product structure, and manufacturing processes and procedures at bases in Japan and overseas as a manufacturing company,” and “reforming the culture, personnel system and operations so as to be willing to change and encourage challenges.”

However, the market for high-performance products such as smartphones remained weak, associated with the prolonged trade friction between the United States and China, and raw materials prices remained high. As a result, net sales for the first half under review declined to 139,376 million yen (down 1.1% year on year), and profit also fell with operating profit of 6,111 million yen (down 20.6% year on year), ordinary profit of 6,347 million yen (down 15.0% year on year), and profit attributable to owners of parent of 2,770 million yen (down 47.8% year on year).

Results by segment are as follows:

#### (i) Colorants and Functional Materials Related Business

Sales of high-functional pigments and materials for LCD color filters did not grow much because utilization shrank, particularly among customers in Japan that deal with high-definition products, due to weak demand for smartphones and TV sets. Profits were also squeezed, with demand for the reduction of costs for parts and materials becoming stronger in China and Taiwan.

Sales of commodity-type pigments, particularly those for printing inks for publications, continued to be weak, and those for automobile coatings also grew at a sluggish pace. The prices of raw materials, mainly caused by the supply shortage associated with environmental regulations, continued to rise, and an effort to shift some of the higher raw material prices onto sales prices was not enough to make up for the decline in profits.

While sales of plastic colorants for containers continued to grow, sales of high-performance products such as plastic colorants for automobiles, construction materials and solar cells remained weak.

As a result, net sales in the overall Colorants and Functional Materials Related Business decreased to 34,620 million yen (down 5.3% year on year), and operating profit fell to 1,949 million yen (down 26.7% year on year).

#### (ii) Polymers and Coatings Related Business

In the coating materials segment, both sales and operating profit grew at a sluggish pace in general due to the weak smartphone market in China and South Korea, although the Group advanced the development and sales of electromagnetic shielding films for high-speed communication and other products.

In the adhesives segment, domestic sales of those for use in packaging remained firm, and sales of adhesives for use in lithium-ion batteries, particularly those for automobiles, expanded. In the overseas business, sales expansion advanced in China and Southeast Asia. In the adhesive compounds segment, demand for those for labels recovered in Japan, and sales of those for LCD polarization plates expanded.

In the can coatings (finishers) segment, sales of those for coffee cans continued to be weak in Japan, although sales of econ-friendly type products expanded in North America.

As a result, net sales in the overall Polymers and Coatings Related Business stood at 32,701 million yen (up 2.6%

year on year), and operating profit fell to 2,789 million yen (down 3.6% year on year).

#### (iii) Packaging Materials Related Business

Although domestic sales of gravure inks for construction materials remained flat from the previous year, in addition to a continued fall in domestic demand for gravure inks for publication, sales of those for the packaging of food and drinks, mainly for private brands and convenience stores, remained firm. Above all, sales of biomass inks grew strongly. Overseas, sales of eco-friendly type products expanded in Southeast Asia and India, while sales did not grow much in China.

Following a sharp rise in raw material prices from the previous fiscal year in Japan and overseas, the Group systematically promoted cost reductions and shifted some of the higher costs onto sales prices.

In the gravure cylinder platemaking segment, sales of those for packaging grew at a sluggish pace, but sales from precision plate-making related to electronics expanded.

As a result, net sales of the overall Packaging Materials Related Business increased to 33,434 million yen (up 1.5% year on year), and operating profit also rose to 1,148 million yen (up 53.6% year on year).

#### (iv) Printing and Information Related Business

Given the shrinking domestic information-related print market associated with the progress of digitization, the Group strongly sought to optimize its business scale by product and reduce costs in Japan, while bolstering sales overseas by expanding its global bases, which resulted in the advancement of sales expansion in India and South America. In addition, the Group promoted sales expansion in the growing African market by establishing a sales company in Morocco. The development and sales expansion of highly sensitive UV ink using leading-edge technology and other products such as inkjet ink for on-demand printing also made progress.

However, domestic demand for offset inks for the commercial printing of circulars and other materials, as well as existing information publications including newspapers and magazines, declined more than expected. In addition, the rising prices of raw materials, mainly due to the supply shortage associated with environmental regulations, also put a squeeze on profits. In this environment, the Group undertook revisions of sales prices.

As a result, net sales in the overall Printing and Information Related Business decreased to 37,633 million yen (down 2.9% year on year), and operating profit fell to 37 million yen (down 94.7% year on year).

#### (v) Others

This segment covers businesses not included in the above segments and services provided mainly by TOYO INK SC HOLDINGS CO., LTD. Net sales increased to 3,652 million yen (up 9.3% year on year), but operating profit fell to 193 million yen (down 71.9% year on year) due to an increase in expenses for global system integration and retirement benefit expenses.

### (2) Details of financial position

The Company adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 issued on February 16, 2018), etc. at the beginning of the first quarter of the current fiscal year, and in the details of financial position, a comparison with the previous consolidated fiscal year and an analysis are carried out using the values after the said Standard, etc. are applied retrospectively.

Total assets at the end of the second quarter of the current fiscal year stood at 362,623 million yen, down 8,986 million yen from the end of the previous consolidated fiscal year. Liabilities were 145,588 million yen, down 4,930 million yen from the end of the previous consolidated fiscal year. Net assets came to 217,035 million yen, down 4,056 million yen from the end of the previous consolidated fiscal year.

On the last day of the second quarter of the current fiscal year, the exchange value of the yen rose above its level on the last day of the previous consolidated fiscal year. As a result, assets and liabilities held by overseas subsidiaries

and foreign currency translation adjustments fell. In the meantime, investment securities, deferred tax liabilities, and a valuation difference on available-for-sale securities each fell, reflecting decreased stock prices in Japan.

(Status of cash flow)

Cash and cash equivalents (“cash”) at the end of the first half of the fiscal year under review stood at 51,149 million yen, up 191 million yen from the balance at the beginning of the fiscal year under review.

Cash provided by operating activities stood at 10,094 million yen (down 1,447 million yen). This was primarily attributable to an increase in cash flows from income before income taxes and a decline in cash flows from income taxes paid.

Cash used in investment activities was 4,848 million yen (up 253 million yen), largely as a result of a cash outflow from purchases of property, plant, and equipment.

Cash used in financing activities came to 4,585 million yen (up 2,467 million yen), due chiefly to cash outflows from the repayment of loans payable and cash dividends paid.

(3) Information on the consolidated earnings forecasts and other future forecasts

The Company has not revised its consolidated financial forecast for the full year ending December 31, 2019 that was announced on February 14, 2019.

## 2. Consolidated Financial Statements and Primary Notes

## (1) Consolidated balance sheet

(Million yen)

	End of the previous consolidated fiscal year (As of December 31, 2018)	End of the consolidated second quarter accounting period (As of June 30, 2019)
(Assets)		
Current assets		
Cash and deposits	52,706	52,442
Notes and accounts receivable - trade	95,553	89,356
Securities	43	92
Merchandise and finished goods	29,873	29,891
Work in process	1,034	1,358
Raw materials and supplies	17,872	18,165
Other	6,744	4,580
Allowance for doubtful accounts	-765	-741
Total current assets	203,063	195,145
Non-current assets		
Property, plant and equipment		
Buildings and structures	98,588	98,286
Accumulated depreciation	-61,760	-62,349
Buildings and structures, net	36,828	35,937
Machinery, equipment and vehicles	149,386	149,554
Accumulated depreciation	-127,551	-128,329
Machinery, equipment and vehicles, net	21,834	21,225
Tools, furniture and fixtures	24,249	24,513
Accumulated depreciation	-21,527	-21,649
Tools, furniture and fixtures, net	2,722	2,864
Land	30,272	30,160
Leased assets	678	4,678
Accumulated depreciation	-542	-771
Leased assets, net	136	3,906
Construction in progress	2,219	3,332
Total property, plant and equipment	94,013	97,426
Intangible assets	4,649	4,527
Investments and other assets		
Investment securities	58,302	55,450
Net defined benefit asset	6,423	6,594
Deferred tax assets	2,163	2,358
Other	3,228	1,312
Allowance for doubtful accounts	-234	-190
Total investments and other assets	69,883	65,524
Total non-current assets	168,547	167,478
Total assets	371,610	362,623

(Million yen)

	End of the previous consolidated fiscal year (As of December 31, 2018)	End of the consolidated second quarter accounting period (As of June 30, 2019)
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	62,460	56,573
Short-term loans payable	20,593	30,733
Income taxes payable	1,470	1,769
Provision for environmental measures	884	884
Other	15,429	17,082
Total current liabilities	100,839	107,043
Non-current liabilities		
Long-term loans payable	38,845	26,557
Deferred tax liabilities	7,847	5,936
Provision for environmental measures	538	3,191
Net defined benefit liability	1,784	1,764
Asset retirement obligations	30	30
Other	632	1,065
Total non-current liabilities	49,679	38,545
Total liabilities	150,518	145,588
(Net assets)		
Shareholders' equity		
Capital stock	31,733	31,733
Capital surplus	32,500	32,500
Retained earnings	143,379	143,520
Treasury shares	-5,012	-4,993
Total shareholders' equity	202,600	202,762
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,888	10,219
Foreign currency translation adjustment	-1,513	-3,630
Remeasurements of defined benefit plans	1,195	1,237
Total accumulated other comprehensive income	11,570	7,826
Subscription rights to shares	248	285
Non-controlling interests	6,671	6,161
Total net assets	221,091	217,035
Total liabilities and net assets	371,610	362,623

## (2) Consolidated statements of income and consolidated statements of comprehensive income

## Consolidated statements of income

Consolidated first half	(Million yen)	
	Previous first half period (From January 1, 2018 to June 30, 2018)	First half under review (From January 1, 2019 to June 30, 2019)
Net sales	140,950	139,376
Cost of sales	<u>109,834</u>	<u>109,062</u>
Gross profit	<u>31,116</u>	<u>30,313</u>
Selling, general and administrative expenses		
Packing and transportation expenses	3,318	3,458
Salaries and allowances	5,896	5,915
Bonuses	1,401	1,345
Welfare expenses	1,515	1,503
Depreciation	<u>881</u>	<u>922</u>
Research and development expenses	1,573	1,631
Other	8,827	9,424
Total selling, general and administrative expenses	<u>23,415</u>	<u>24,202</u>
Operating profit	<u>7,700</u>	<u>6,111</u>
Non-operating income		
Interest income	98	96
Dividend income	587	567
Share of profit of entities accounted for using equity method	145	-
Other	321	275
Total non-operating income	<u>1,153</u>	<u>939</u>
Non-operating expenses		
Interest expenses	<u>348</u>	<u>322</u>
Foreign exchange losses	836	117
Share of profit of entities accounted for using equity method	-	15
Other	202	246
Total non-operating expenses	<u>1,387</u>	<u>702</u>
Ordinary profit	<u>7,466</u>	<u>6,347</u>
Extraordinary income		
Gain on sales of non-current assets	857	23
Gain on sales of investment securities	0	359
Total extraordinary income	<u>857</u>	<u>383</u>
Extraordinary losses		
Loss on sales and retirement of non-current assets	149	70
Fire loss	92	-
Provision for environmental measures	-	2,688
Other	1	7
Total extraordinary losses	<u>243</u>	<u>2,765</u>
Profit before income taxes	<u>8,080</u>	<u>3,965</u>
Income taxes - current	3,041	2,478
Income taxes - deferred	-459	-1,419
Total income taxes	2,581	1,058
Profit	<u>5,498</u>	<u>2,906</u>
Profit attributable to non-controlling interests	<u>191</u>	<u>136</u>
Profit attributable to owners of parent	<u>5,307</u>	<u>2,770</u>

## Consolidated statements of comprehensive income

Consolidated first half	(Million yen)	
	Previous first half period (From January 1, 2018 to June 30, 2018)	First half under review (From January 1, 2019 to June 30, 2019)
Profit	<u>5,498</u>	<u>2,906</u>
Other comprehensive income		
Valuation difference on available-for-sale securities	-4,126	-1,671
Foreign currency translation adjustment	<u>-4,213</u>	<u>-2,254</u>
Remeasurements of defined benefit plans, net of tax	19	41
Share of other comprehensive income of entities accounted for using equity method	-158	-52
Total other comprehensive income	<u>-8,478</u>	<u>-3,936</u>
Comprehensive income	<u>-2,980</u>	<u>-1,030</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	<u>-2,852</u>	<u>-974</u>
Comprehensive income attributable to non-controlling interests	<u>-128</u>	<u>-55</u>

## (3) Consolidated statements of cash flows

(Million yen)

	Previous first half period (From January 1, 2018 to June 30, 2018)	First half under review (From January 1, 2019 to June 30, 2019)
<b>Cash flows from operating activities</b>		
Profit before income taxes	8,080	3,965
Depreciation	4,803	4,527
Interest and dividend income	-685	-663
Interest expenses	348	322
Share of (profit) loss of entities accounted for using equity method	-145	15
Loss (gain) on sales of property, plant and equipment	-840	-22
Loss on retirement of property, plant and equipment	73	18
Fire loss	92	-
Loss (gain) on sales of investment securities	-0	-359
Increase (decrease) in provision for environmental measures	-924	2,653
Decrease (increase) in notes and accounts receivable - trade	-254	5,140
Decrease (increase) in inventories	-2,227	-1,445
Increase (decrease) in notes and accounts payable - trade	3,374	-5,360
Other, net	1,483	2,697
Subtotal	13,177	11,488
Interest and dividend income received	717	680
Interest expenses paid	-342	-314
Income taxes paid	-2,011	-1,759
Net cash provided by (used in) operating activities	11,542	10,094
<b>Cash flows from investing activities</b>		
Payments into time deposits	-499	-396
Proceeds from withdrawal of time deposits	373	732
Purchase of property, plant and equipment	-4,294	-4,485
Proceeds from sales of property, plant and equipment	936	139
Purchase of intangible assets	-888	-703
Purchase of short-term and long-term investment securities	-574	-14
Proceeds from sales and redemption of short-term and long-term investment securities	405	673
Purchase of shares of subsidiaries	-	-775
Other, net	-54	-19
Net cash provided by (used in) investing activities	-4,595	-4,848
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	614	-1,632
Cash dividends paid	-2,336	-2,623
Dividends paid to non-controlling interests	-220	-87
Other, net	-175	-242
Net cash provided by (used in) financing activities	-2,117	-4,585
Effect of exchange rate change on cash and cash equivalents	-1,099	-468
Net increase (decrease) in cash and cash equivalents	3,729	191
Cash and cash equivalents at beginning of period	49,262	50,958
Cash and cash equivalents at end of period	52,991	51,149

(4) Notes to consolidated quarterly financial statements

(Notes on assumption of going business)

Not applicable

(Notes on significant changes in the amount of shareholders' equity)

Not applicable

(Changes in accounting policies)

(Adoption of IFRS 16 Leases)

Overseas consolidated subsidiaries other than those in the United States have adopted IFRS 16 Leases in the first quarter, and the Company has adopted a method of recognizing the cumulative effect of applying the Standard on the day of the initial application, which is permitted as a transitional measure.

As a result, lease assets, "Other" of current liabilities, and "Other" of non-current liabilities increased 3,811 million yen, 266 million yen, and 566 million yen, respectively, while "Other" of investments and other assets decreased 2,983 million yen at the end of the second quarter of the current fiscal year. The impact on profit and loss and per-share information in the first half under review is minor.

(Changes in accounting policies that are difficult to differentiate from accounting estimates)

(Changes in the depreciation method of property, plant and equipment)

While the Company and its consolidated subsidiaries in Japan previously used the declining-balance method (however, the straight-line method for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016) as the depreciation method of property, plant and equipment (excluding lease assets), the Company has changed to the straight-line method from the first quarter.

The Group conducts business activities by positioning the medium-term management plan "SIC-I" starting from fiscal 2018 as a period when the Group will build its foundation for sustainable growth, and closely examines the actual utilization and operational status of the production facilities it owns once again in the process of strengthening the global production system amid the rising overseas sales ratio.

As a result, it has been discovered that the long-term stable operation of the domestic production facilities of the Group is expected in general, given that investments are made primarily for their renewal and higher efficiency associated with the shift to the global production and sales systems by changing the focus on Japan in its effort to promote the review and revitalization of domestic and overseas bases and build the global manufacturing network. For this reason, the Group has decided that it is more appropriate to change the depreciation method of property, plant and equipment in Japan to the straight-line method.

As a result of this change, operating profit, ordinary profit and profit before income taxes each increased 426 million yen in the first half under review in comparison with the previous method.

The impact of this change on the segments is stated in (Segment information, etc.).

(Additional information)

(Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

The Company adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018), etc. at the beginning of the first quarter of the current fiscal year. As a result, deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities.

(Segment information, etc.)

## I. From January 1, 2018 to June 30, 2018

## 1. Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments					Others (Note) 1	Total	Adjustment (Note) 2	Amount recorded in consolidated statements of income (Note) 3
	Colorants and Functional Materials Related Business	Polymers and Coatings Related Business	Packaging Materials Related Business	Printing and Information Related Business	Total				
Net sales									
Sales to customers	35,396	31,828	32,555	38,734	138,514	2,436	140,950	–	140,950
Intersegment sales	1,157	45	383	22	1,609	905	2,514	-2,514	–
Total	36,554	31,874	32,938	38,756	140,123	3,341	143,465	-2,514	140,950
Segment profits	<u>2,659</u>	2,893	747	699	<u>6,999</u>	688	<u>7,688</u>	12	<u>7,700</u>

(Notes) 1. The “Others” segment comprises business segments that are not included in the reportable segments, which include sales of raw materials, other profit-earning business activities carried out by the Company as a parent, and delivery of services.

2. An adjustment of 12 million yen in segment profits mainly represents the deduction of intersegment transactions.

3. Segment profits have been adjusted with operating profit recorded in the consolidated quarterly income statement.

## II. From January 1, 2019 to June 30, 2019

## 1. Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments					Others (Note) 1	Total	Adjustment (Note) 2	Amount recorded in consolidated statements of income (Note) 3
	Colorants and Functional Materials Related Business	Polymers and Coatings Related Business	Packaging Materials Related Business	Printing and Information Related Business	Total				
Net sales									
Sales to customers	33,493	32,583	33,063	37,614	136,755	2,620	139,376	–	139,376
Intersegment sales	1,127	118	371	19	1,636	1,031	2,667	-2,667	–
Total	34,620	32,701	33,434	37,633	138,391	3,652	142,044	-2,667	139,376
Segment profits	<u>1,949</u>	2,789	1,148	37	<u>5,925</u>	193	<u>6,119</u>	-8	<u>6,111</u>

(Notes) 1. The “Others” segment comprises business segments that are not included in the reportable segments, which include sales of raw materials, other profit-earning business activities carried out by the Company as a parent, and delivery of services.

2. An adjustment of -8 million yen in segment profits mainly represents the deduction of intersegment transactions.

3. Segment profits have been adjusted with operating profit recorded in the consolidated quarterly income statement.

## 2. Matters concerning changes in reportable segments

(Changes in the depreciation method of property, plant and equipment)

As stated in (Changes in accounting policies that are difficult to differentiate from accounting estimates), while the Company and its consolidated subsidiaries in Japan previously used the declining-balance method (the straight-line method for buildings [excluding facilities attached to buildings] acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016) as the depreciation method of property, plant and equipment (excluding lease assets), the Company has changed to the straight-line method from the first quarter.

As a result of this change, segment profits in the first half under review increased 141 million yen in the Colorants and Functional Materials Business, 95 million yen in the Polymers and Coatings Related Business, 87 million yen in the Packaging Materials Business, 59 million yen in the Printing and Information Business and 42 million yen in Other Business in comparison with profits based on the previous method.