

# Consolidated Quarterly Financial Results (Japanese Accounting Standards) for the First Half of the Fiscal Year Ending March 31, 2015

November 7, 2014

Name of Listed Company: TOYO INK SC HOLDINGS CO., LTD. Listings: Tokyo Stock Exchange  
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 Scheduled date of submission of quarterly report: November 14, 2014  
 Scheduled date of commencement of dividend payments: December 1, 2014  
 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 2014 ending March 31, 2015

(From April 1, 2014 to September 30, 2014)

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

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

	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Half, Fiscal 2014	139,509	3.3	9,007	-12.9	9,468	-14.3	9,831	38.7
First Half, Fiscal 2013	135,100	9.5	10,347	28.8	11,043	39.2	7,089	79.4

(Note) Comprehensive income: First half, fiscal 2014: 10,411 million yen (-49.2%)  
 First half, fiscal 2013: 20,483 million yen (-%)

	Net income per share (Basic)	Net income per share (Diluted)
	Yen	Yen
First Half, Fiscal 2014	32.95	—
First Half, Fiscal 2013	23.76	—

### (2) Financial position

	Total assets	Net assets	Net worth/Total assets
	Million yen	Million yen	%
First Half, Fiscal 2014	340,803	193,932	55.3
Fiscal 2013	336,601	186,608	53.7

(Note) Net worth: First half, fiscal 2014: 188,355 million yen  
 Fiscal 2013: 180,914 million yen

## 2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2013	—	6.00	—	7.00	13.00
Fiscal 2014	—	7.00	—	—	—
Fiscal 2014 (Forecast)	—	—	—	7.00	14.00

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

## 3. Forecasts for the year ending March 31, 2015 (From April 1, 2014 to March 31, 2015)

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

	Net sales		Operating income		Recurring income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	290,000	3.7	20,000	1.4	20,500	-0.3	13,000	6.0	43.57

(Note) Revision to consolidated business performance forecasts published most recently: Yes

\* 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): No
  - (iii) Changes in accounting estimates: No
  - (iv) Restatement: No
- (4) Numbers of shares issued (common shares)
- (i) Numbers of shares issued (including treasury shares):
    - First half, fiscal 2014: 303,108,724 shares
    - Fiscal 2013: 303,108,724 shares
  - (ii) Numbers of treasury shares at the end of the terms:
    - First half, fiscal 2014: 4,771,583 shares
    - Fiscal 2013: 4,762,518 shares
  - (iii) Average numbers of shares issued during the terms (consolidated accumulation periods):
    - First half, fiscal 2014: 298,340,333 shares
    - First half, fiscal 2013: 298,372,472 shares

\* Status of a quarterly review

This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. The quarterly consolidated financial statements under the Financial Instruments and Exchange Act have not been reviewed at the time of the announcement of this financial summary.

\* 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 September 30, 2014” on page 4 of the accompanying materials.
2. Supplementary documents for financial results will be posted on the Company’s website on November 7, 2014 (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.
  - November 10, 2014 (Monday): Briefing for institutional investors and security analysts

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## 1. Qualitative Information on Financial Results, etc., for the First Half Ended September 30, 2014

### (1) Details of operating results

During the first half of the consolidated fiscal year under review, the U.S. economy maintained a firm recovery trend, while growth slowed in emerging economies, including China and India. The Japanese economy continued to see sluggish growth due to a reaction to the spike in demand ahead of the consumption tax hike and adverse weather conditions during the summer.

In this challenging environment, the Toyo Ink Group developed advanced products, bolstered sales globally, and cut costs. However, the Group's earnings were hit hard by sluggish growth in demand and high raw material costs associated with the weaker yen.

Reflecting this situation, although consolidated sales for the first half under review rose 3.3% year on year, to 139,509 million yen, operating income declined to 9,007 million yen (down 12.9% year on year) and recurring income declined to 9,468 million yen (down 14.3%). However, net income climbed to 9,831 million yen (up 38.7%), reflecting the incurrence of gains on sales of property, plant and equipment.

Results by segment are as follows (the classification and order of the segments have changed in the first half under review, and the results in each segment for the first half under review are compared with the results in the same period of the previous fiscal year that reflect the change in the classification and order):

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

Sales of high-function pigments and materials for LCD color filters were weak in Japan, but recovered in Taiwan and South Korea. Sales of these products also expanded in China. However, there was downward pressure on profits, reflecting increasing requests to cut the costs of LCD materials due to intensifying LCD price competition.

Domestic sales of commodity-type pigments for printing and coating were weak due to the effect of the consumption tax hike, but sales of commodity-type pigments expanded in China.

Sales of plastic colorants in Japan were adversely affected by the consumption tax hike and bad weather, but sales of plastic colorants for containers and solar cells increased. In China, South Korea, and Southeast Asia, sales of plastic colorants for containers and office equipment also expanded.

As a result of the above factors, sales in the overall Colorants and Functional Materials Related Business increased to 38,283 million yen, up 3.1% year on year, but operating income declined 6.2%, to 3,904 million yen.

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

In the coating materials segment, sales of advertising-related products were strong, mainly reflecting demand from mass retailers associated with renovations. Sales of protection films for smartphones and semiconductor polishing tapes also grew. However, while sales of electromagnetic shielding films expanded in China, they saw sluggish growth in Japan and South Korea. Sales of adhesives used for solar cells were sluggish in Japan and South Korea, but sales of adhesives for packaging expanded in Japan, China, and Southeast Asia.

Sales of adhesive compounds for labels were strong in Japan and Southeast Asia, and sales of adhesive compounds for displays grew in South Korea and Taiwan. Sales of resins for print ink were weak, but sales of resins for building and civil engineering were strong. Operating income from adhesives, adhesive compounds, and resins saw sluggish growth, reflecting tardiness in passing high raw material costs in Japan on to sales prices.

Domestic sales of can coatings (finishes) for cans for coffee and similar beverages were weak in Japan due to an increase in coffee sold over the counter at convenience stores. Sales of can coatings for cans for beer and similar beverages grew, and sales of can coatings expanded in Southeast Asia.

As a result of the above factors, sales in the overall Polymer and Coating Business rose 5.0% year on year, to 29,550 million yen. However, operating income declined 7.2%, to 1,712 million yen.

**(iii) Packaging Materials Related Business**

Domestic sales of gravure inks for printed construction materials to be exported were strong. However, domestic demand for mainstay gravure inks for packaging saw stagnant growth in the second half of the period, given adverse weather conditions during the summer, and those for publications also continued to decline. There was significant downward pressure on operating income from gravure inks due to delays in passing high raw material costs on to sales prices.

Sales in the gravure cylinders business were on a par with the year-ago level, but sales of gravure equipment declined from a year earlier.

Overseas, sales of eco-friendly inks for packaging in the largest market segment expanded in Southeast Asia and India. However, sales of gravure inks for construction materials saw sluggish growth in North America.

As a result of the above factors, sales in the overall Packaging Materials Related Business decreased 0.1% year on year, to 30,733 million yen, almost on a par with those for the same period of the previous fiscal year. Operating income declined 23.0%, to 842 million yen.

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

In offset inks, sales of advanced products increased, including products with high UV sensitivity and hard coat products used in touchscreens. However, demand for sheet-fed printing, offset rotary printing, and newspaper inks was weak due to a structured recession resulting from the shrinking printing market associated with digitization and the significant effect of the consumption tax hike. Operating income declined significantly, as raw material prices remained high and the Company held off on passing the high raw material prices on to sales prices.

Demand was weak for both equipment and supplies for graphic arts, reflecting the sluggish domestic offset printing market.

Overseas, although demand in China started to slow, demand continued to grow in Southeast Asia and India. Moreover, the Company utilized the ARETS Group, which was acquired in April 2013, in a bid to expand the UV ink business, mainly in Europe. In Brazil and India, the Company commenced the operation of a second production base to develop its supply system to meet expanding demand. However, with the incurrence of anticipatory expenses and raw material prices remaining at high levels, operating income saw stagnant growth.

As a result of the above factors, sales of the Printing and Information Related Business stood at 41,861 million yen, rising 4.8% year on year. However, operating income declined significantly by 49.7% year on year, to 1,115 million yen.

**(v) Others**

This segment includes businesses that are not included in the other segments and services provided mainly by TOYO INC SC HOLDINGS CO., LTD. Sales in this segment stood at 2,675 million yen, up 0.4% year on year, almost on a par with those for the same period of the previous fiscal year. Operating income increased 43.2%, to 1,436 million yen, chiefly due to cost cutting at TOYO INC SC HOLDINGS CO., LTD.

**(2) Details of financial position**

Total assets at the end of the first half of the fiscal year under review stood at 340,803 million yen, a rise of 4,201 million yen from the level at the end of the previous fiscal year. Liabilities were 146,871 million yen, a decline of 3,122 million yen from the level at the end of the previous fiscal year. Net assets stood at 193,932 million yen, an increase of 7,323 million yen from net assets at the end of the previous fiscal year.

As a result of the collection of the proceeds from sales of property, plant and equipment, short-term loans payable declined, and marketable securities increased. In addition, as a result of the cancellation of retirement benefit trusts, net defined benefit assets declined, and investments in securities increased.

(State of cash flows)

Cash and cash equivalents (“cash”) at the end of the first half of the fiscal year under review stood at 34,468 million yen, down 255 million yen from the level at the beginning of the fiscal year under review.

Cash provided by operating activities stood at 13,058 million yen (up 4,718 million yen year on year). This primarily reflected an increase in cash flows from income before income taxes and minority interests and a decline in cash flows from income taxes paid.

Cash used in investment activities was 6,458 million yen (a decline of 886 million yen year on year). This mainly reflected proceeds from sales of property, plant and equipment, offset by cash outflows from purchases of property, plant and equipment and an increase in securities.

Cash used in financing activities stood at 6,200 million yen (falling 606 million yen year on year). This was attributable primarily to cash outflows from the repayment of short-term loans payable and dividends paid.

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

The full-year forecasts for the fiscal year ending March 31, 2015, which were announced on May 13, 2014, have been revised. Refer to “Announcement of Difference from Earnings Forecasts for the First Half of the Consolidated Fiscal Year Ending March 31, 2015 and Revision to Full-Year Consolidated Earnings Forecasts” published today (November 7, 2014) for details.

## 2. Matters Relating to Summary Information (Notes)

### (1) Important changes of subsidiaries during the term

Not applicable.

### (2) Application of special accounting treatment to the preparation of quarterly consolidated financial statements

Not applicable.

### (3) Changes in accounting policies and changes or restatement of accounting estimates

Changes in accounting policies

(Application of accounting standards for retirement benefits etc.)

The Group has applied the provisions of the main clause of Article 35 of the “Accounting Standards for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No. 26 issued on May 17, 2012; hereinafter “Retirement Benefits Accounting Standards”) and the main clause of Article 67 of the “Guidance on Accounting Standards for Retirement Benefits” (ASBJ Guidance No. 25 issued on May 17, 2012; hereinafter “Guidance”) from the first quarter of this fiscal year, and the method of calculating retirement benefit liabilities and service costs was reviewed. The method of allocating expected retirement benefits to periods has been changed from the fixed-amount method to the projected benefit method. The discount rate has been changed from a discount rate based on a number of years approximating to the employees’ average remaining service years to a single weighted average discount rate reflecting the estimated timing of benefit payments and amounts for each timing.

The adoption of the Retirement Benefits Accounting Standards and the Guideline is subject to the transitional treatment stipulated by Paragraph 37 of the Retirement Benefits Accounting Standards, and we have made an adjustment for the amount affected by the change in the method for calculating retirement benefit liabilities and service costs to retained earnings at the beginning of the first half under review.

As a result, at the beginning of the first half under review, net defined benefit asset declined 1,521 million yen, and retained earnings fell 979 million yen. The effect on earnings in the first half under review is minor.

## 3. Consolidated Financial Statements

## (1) Consolidated balance sheet

	(Million yen)	
	End of the previous consolidated fiscal year (As of March 31, 2014)	End of the consolidated first half accounting period (As of September 30, 2014)
(Assets)		
Current assets		
Cash and bank deposits	31,894	32,364
Notes and accounts receivable	92,991	91,236
Marketable securities	700	6,325
Goods and products	25,409	26,239
Work-in-process	1,541	1,271
Raw material and supplies	15,146	14,741
Deferred income tax assets	2,248	2,157
Others	7,571	7,004
Allowance for doubtful receivables	-893	-908
Total current assets	176,609	180,433
Fixed assets		
Property, plant and equipment		
Building and structures	87,522	88,643
Accumulated depreciation	-52,380	-52,951
Building and structures (net amount)	35,141	35,692
Machinery and vehicles	138,910	137,837
Accumulated depreciation	-118,033	-116,769
Machinery and vehicles (net amount)	20,877	21,068
Tools, furniture and fixtures	21,873	22,201
Accumulated depreciation	-18,782	-19,209
Tools, furniture and fixtures (net amount)	3,090	2,991
Land	28,771	28,433
Leased assets	379	433
Accumulated depreciation	-182	-216
Leased assets (net amount)	196	216
Construction in progress	8,229	8,182
Total property, plant and equipment	96,306	96,584
Intangible fixed assets		
Goodwill	4,425	3,915
Others	287	329
Total intangible fixed assets	4,713	4,244
Investments and other assets		
Investment in securities	46,230	53,256
Net defined benefit asset	7,552	1,248
Deferred income tax assets	938	896
Others	4,739	4,641
Allowance for doubtful receivables	-487	-503
Total investments and other assets	58,973	59,540
Total fixed assets	159,992	160,370
Total assets	336,601	340,803

(Million yen)

	End of the previous consolidated fiscal year (As of March 31, 2014)	End of the consolidated first half accounting period (As of September 30, 2014)
(Liabilities)		
Current liabilities		
Notes and accounts payable	48,159	47,440
Short-term loans payable	33,369	29,220
Accrued income taxes	3,658	2,817
Others	16,424	16,423
<b>Total current liabilities</b>	<b>101,612</b>	<b>95,903</b>
Long-term liabilities		
Long-term loans payable	40,051	39,776
Deferred income tax liabilities	4,664	7,564
Provision for environmental measures	365	360
Net defined benefit liability	1,496	1,574
Asset retirement obligations	27	27
Others	1,775	1,665
<b>Total long-term liabilities</b>	<b>48,380</b>	<b>50,967</b>
<b>Total liabilities</b>	<b>149,993</b>	<b>146,871</b>
(Net assets)		
Shareholders' equity		
Common stock	31,733	31,733
Capital surplus	32,920	32,920
Retained earnings	109,220	115,983
Treasury stock, at cost	-1,750	-1,754
<b>Total shareholders' equity</b>	<b>172,123</b>	<b>178,882</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,065	7,170
Foreign currency translation adjustments	3,928	1,329
Remeasurements of defined benefit plans	-1,203	973
<b>Total accumulated other comprehensive income</b>	<b>8,791</b>	<b>9,472</b>
<b>Minority interests</b>	<b>5,694</b>	<b>5,577</b>
<b>Total net assets</b>	<b>186,608</b>	<b>193,932</b>
<b>Total of liabilities and net assets</b>	<b>336,601</b>	<b>340,803</b>

## (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 April 1, 2013 to September 30, 2013)	First half under review (From April 1, 2014 to September 30, 2014)
Net sales	135,100	139,509
Cost of sales	103,307	108,298
Gross profit	31,792	31,210
Selling, general and administrative expenses		
Packing expenses and freight charge	3,085	3,167
Salaries and allowance	5,325	5,668
Bonuses	1,240	1,284
Welfare expenses	1,329	1,426
Depreciation expenses	520	580
Research and development expenses	1,556	1,489
Others	8,387	8,586
Total selling, general and administrative expenses	21,445	22,203
Operating income	10,347	9,007
Non-operating income		
Interest income	64	105
Dividend income	328	384
Foreign exchange gains	340	169
Investment income according to the equity method	3	70
Others	486	360
Total non-operating income	1,223	1,090
Non-operating expenses		
Interest expenses	411	390
Others	115	238
Total non-operating expenses	527	629
Recurring income	11,043	9,468
Extraordinary profit		
Gain on sales of fixed assets	7	6,837
Others	0	54
Total extraordinary profit	7	6,891
Extraordinary loss		
Loss on sales of fixed assets	106	152
Loss on cancellation of retirement benefit trust	-	1,125
Others	0	16
Total extraordinary loss	106	1,295
Income before income taxes and minority interests	10,943	15,065
Income taxes, current	3,258	3,239
Income taxes, deferred	399	1,780
Total income taxes	3,657	5,020
Income before minority interests	7,286	10,045
Minority interests	197	213
Net income	7,089	9,831

## Consolidated statements of comprehensive income

Consolidated first half

(Million yen)

	Previous first half period (From April 1, 2013 to September 30, 2013)	First half under review (From April 1, 2014 to September 30, 2014)
Income before minority interests	7,286	10,045
Other comprehensive income		
Valuation difference on available-for-sale securities	6,189	1,102
Foreign currency translation adjustments	6,680	-2,873
Remeasurements of defined benefit plans, net of tax	-	2,176
Share of other comprehensive income of associates accounted for using equity method	326	-39
Total other comprehensive income	13,197	366
Comprehensive income	20,483	10,411
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	19,639	10,512
Comprehensive income attributable to minority interests	844	-101

## (3) Consolidated statements of cash flows

(Million yen)

	Previous first half period From April 1, 2013 to September 30, 2013	First half under review From April 1, 2014 to September 30, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	10,943	15,065
Depreciation and amortization	4,510	4,579
Interest and dividend income	-393	-489
Interest expenses	411	390
Share of profit/loss of entities accounted for using equity method (- is profit)	-3	-70
Gain/loss on sale of property, plant and equipment (- is gain)	8	-6,832
Loss on disposals of property, plant and equipment	30	79
Loss on cancellation of retirement benefit trust	-	1,125
Increase/decrease in notes and accounts receivable (- is increases)	164	157
Increase/decrease in inventories (- is increases)	751	-1,045
Increase/decrease in notes and accounts payable (- is decreases)	-2,236	265
Others	-2,031	825
Subtotal	12,156	14,049
Interest and dividend received	449	556
Interest paid	-387	-396
Redemption of retirement benefit trust	-	2,795
Income taxes paid	-3,879	-3,946
Net cash provided by operating activities	8,339	13,058
Cash flows from investing activities		
Increase in time deposits	-271	-649
Income on certificate of deposit repayment	247	53
Purchases of property, plant and equipment	-5,847	-6,906
Proceeds from sales of property, plant and equipment	88	7,200
Purchase of short-term and long-term investment securities	-1,413	-6,097
Proceeds from sales and redemption of short-term and long-term investment securities	835	35
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-1,207	-
Others	223	-95
Net cash used in investing activities	-7,345	-6,458
Cash flows from financing activities		
Increase/decrease in short-term loans payable, net (- is decrease)	-787	-3,944
Repayments of long-term loans payable	-4,183	-109
Dividends paid	-1,789	-2,087
Dividends paid to minority interests	-8	-15
Others	-37	-41
Net cash used in financing activities	-6,806	-6,200
Foreign currency translation adjustments on cash and cash equivalents	1,367	-654
Net increase (decrease) in cash and cash equivalents (- is decrease)	-4,444	-255
Cash and cash equivalents, beginning of period	35,333	34,723
Cash and cash equivalents, end of period	30,888	34,468

## (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

(Segment information, etc.)

In its evolution into a science company, the Toyo Ink Group is seeking to reform its business portfolio and has changed the order of its reported segments in the first quarter of the fiscal year ending March 31, 2015.

In line with this change, the reported segments in the first half of the previous fiscal year are also arranged in the new order.

## I. From April 1, 2013 to September 30, 2013

## 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 (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	35,713	27,299	30,447	39,734	133,194	1,905	135,100	-	135,100
Intersegment sales	1,414	837	321	225	2,799	759	3,559	-3,559	-
Total sales	37,128	28,137	30,768	39,959	135,994	2,665	138,660	-3,559	135,100
Segment profits	4,160	1,845	1,094	2,218	9,319	1,003	10,323	23	10,347

(Notes) 1. The "Others" segment is the business segment that is not included in reportable segments. It includes service provision.

2. An adjustment of 23 million yen in segment profits mainly represents the deduction of intersegment transactions.

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

## II. From April 1, 2014 to September 30, 2014

## 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 (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	36,977	28,466	30,382	41,713	137,540	1,969	139,509	-	139,509
Intersegment sales	1,305	1,083	351	148	2,888	706	3,595	-3,595	-
Total sales	38,283	29,550	30,733	41,861	140,429	2,675	143,104	-3,595	139,509
Segment profits	3,904	1,712	842	1,115	7,574	1,436	9,011	-4	9,007

(Notes) 1. The "Others" segment is the business segment that is not included in reportable segments. It includes service provision.

2. An adjustment of -4 million yen in segment profits mainly represents the deduction of intersegment transactions.

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

## 2. Change in the reported segments

The Group's classification for performance management has been reviewed, and from the first quarter of the fiscal year ending March 31, 2015, developed products that were included in "Others" are included in the Colorants and Functional Materials Related Business, Polymers and Coatings Related Business, and Printing and Information Related Business.

The segment information for the previous first half is created in accordance with the revised classification.