

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  
**Inquiries:** Hiroya Aoyama, Senior Managing  
Director in charge of Finance  
**Phone:** +81-3-3272-5731 (Japan)

## **Notice of Partial Correction to Consolidated Financial Results for the First Half of the Fiscal Year Ending December 31, 2018**

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, 2018, which were announced on August 10, 2018.

### **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, 2018

August 10, 2018

Name of Listed Company: TOYO INK SC HOLDINGS CO., LTD. Listings: Tokyo Stock Exchange  
Code: 4634 URL: <http://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 10, 2018  
Scheduled date of commencement of dividend payments: September 3, 2018  
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 2018 ending December 31, 2018

(From January 1, 2018 to June 30, 2018)

### (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 2018	140,950	—	7,700	—	7,466	—	5,307	—
First Half, Fiscal 2017	135,598	1.9	9,514	8.2	9,971	27.9	7,416	43.2

(Note) Comprehensive income: First half, fiscal 2018: -2,980 million yen (-%)  
First half, fiscal 2017: 11,270 million yen (-%)

	Profit per share (Basic)		Profit per share (Diluted)	
	Yen		Yen	
First Half, Fiscal 2018	90.90		90.79	
First Half, Fiscal 2017	127.02		126.89	

\* 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. Accordingly, the period of the first half under review (from January 1, 2018 to June 30, 2018) does not correspond to the previous first half (April 1, 2017 to September 30, 2017) in comparison. The year-on-year percentage changes are therefore not stated. In this regard, the previous first half that is included in the period of consolidation is respectively the period from April 1, 2017 to September 30, 2017 for the Company and its consolidated domestic subsidiaries whose fiscal year-end is March 31 and the period from January 1, 2017 to June 30, 2017 for the consolidated overseas subsidiaries whose fiscal year-end is December 31.

[Reference]

The following percentages (increase-decrease rates after adjustment) are calculated by comparison with the results for the same period of the previous year (from January 1, 2017 to June 30, 2017) corresponding to the first half under review (from January 1, 2018 to June 30, 2018).

(Million yen)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
First Half, Fiscal 2018	140,950	4.1%	7,700	-23.5%	7,466	-28.2%	5,307	-40.3%

### (2) Financial position

	Total assets		Net assets		Net worth/Total assets	
	Million yen		Million yen		%	
First Half, Fiscal 2018	375,712		222,899		57.5	
Fiscal 2017	378,459		228,384		58.5	

(Note) Net worth: First half, fiscal 2018: 216,163 million yen  
Fiscal 2017: 221,450 million yen

## 2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Annual
	Yen				
Fiscal 2017	—	8.00	—	8.00	16.00
Fiscal 2018	—	8.00			
Fiscal 2018 (Forecast)			—	45.00	—

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

\* For the (forecast) year-end dividend per share for the fiscal year ending 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. When the stock consolidation is not taken into consideration, the (forecast) year-end dividend per share for the fiscal year ending December 31, 2018 is 9 yen and the annual dividends per share are 17 yen. For details, please see “Explanations about the proper use of financial forecasts and other important notes” below.

### 3. Forecasts for the year ending December 31, 2018 (From January 1, 2018 to December 31, 2018)

(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	—	18,500	—	18,500	—	13,500	—	231.23

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

\* Of the consolidated business performance forecasts for the fiscal year ending December 31, 2018 on a full-year basis, profit per share reflects the impact of the stock consolidation. For details, please see “Explanations about the proper use of financial forecasts and other important notes” below.

With regard to the fiscal year ended December 31, 2017, the consolidated fiscal year of the Company and its domestic consolidated subsidiaries whose fiscal year-end date had been March 31 was the nine-month period from April 1, 2017 to December 31, 2017. For this reason, the report does not indicate percentage changes from the previous fiscal year and from the same period of the previous fiscal year.

[Reference]

The following percentages (increase-decrease rates after adjustment) are calculated by comparing the results for twelve months (from January 1, 2017 to December 31, 2017) of the previous fiscal year of the Company and its domestic subsidiaries with the forecasts for the fiscal year under review.

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
		(Million yen)						
Full-year	300,000	7.1%	18,500	-9.6%	18,500	-13.0%	13,500	-8.3%

#### \* 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: No
  - (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 at the end of the terms (including treasury shares):
 

First half, fiscal 2018:	60,621,744 shares
Fiscal 2017:	60,621,744 shares
  - (ii) Numbers of treasury shares at the end of the terms:
 

First half, fiscal 2018:	2,236,969 shares
Fiscal 2017:	2,235,880 shares
  - (iii) Average numbers of shares issued during the terms (consolidated accumulation periods):
 

First half, fiscal 2018:	58,384,585 shares
First half, fiscal 2017:	58,387,953 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 number of shares issued at the end of the term, the number of treasury shares at the end of the term, and the average numbers of shares issued during the term 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, 2018” on page 5 of the accompanying materials.

2. The Company conducted a consolidation of common stock at the ratio of five to one (5:1) effective as of July 1, 2018, as the proposal for the stock consolidation was approved at the 180th Ordinary General Meeting of Shareholders held on March 27, 2018. In this regard, the dividend forecasts and consolidated business performance forecasts for the fiscal year ending December 31, 2018 based on the conversion before taking the stock consolidation into consideration are as shown below.

- (1) Dividend forecasts for the fiscal year ending December 31, 2018
 

Dividends per share	8.00 yen at the end of the second quarter (Note 1)	9.00 yen at the end of the fiscal year (Note 2)
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- (2) Consolidated business performance forecasts for the fiscal year ending December 31, 2018
 

Profit per share	Full year: 46.25 yen
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(Note 1) Dividends at the end of the second quarter will be paid according to the number of shares before the stock consolidation is conducted.

(Note 2) This dividend amount is based on the conversion before taking the stock consolidation into consideration.

(Note 3) The annual dividends (before taking the stock consolidation into consideration) for the fiscal year ending December 31, 2018 are 17 yen.

3. Supplementary documents for financial results will be posted on the Company’s website on August 10, 2018 (Friday).

4. 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 21, 2018 (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, 2018

From the previous fiscal year, the Company and its domestic subsidiaries changed their fiscal year-end from March 31 to December 31, which is the same as that of its overseas subsidiaries. Accordingly, the report on the business position during the first half under review covers the period from January 1 to June 30, 2018 for both the domestic companies and the overseas companies. The comparison with the results for the same period of the previous fiscal year uses data from the same period of the previous year that have been adjusted to the period corresponding to the first half under review.

### (1) Details of operating results

(Million yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
First six months of the fiscal year ending December 31, 2018	140,950	<u>7,700</u>	<u>7,466</u>	<u>5,307</u>
First six months of the fiscal year ended December 31, 2017 (Adjusted)	135,352	<u>10,062</u>	<u>10,392</u>	<u>8,894</u>
Growth rate after adjustment (%)	4.1	<u>-23.5</u>	<u>-28.2</u>	<u>-40.3</u>
First six months of the fiscal year ended December 31, 2017	135,598	<u>9,514</u>	<u>9,971</u>	<u>7,416</u>

During the first half of the consolidated fiscal year under review, the U.S. economy continued to recover on the back of strong personal consumption. In China and other countries in Asia, growth continued, although the pace of growth slowed. However, concern regarding an economic downturn due to trade friction, regional conflicts and other political risks is increasing. Uncertainty over the outlook is still spreading. In Japan, consumer spending is still somewhat weak, despite the trend of economic recovery.

In this business environment, the Toyo Ink Group conducted business under the following policies: “implementation of business expansion by prompt product development and provision of value by capturing hidden needs in the market in advance,” “realization of securing and increasing profits through an overall review of processing, production process, materials and manufacturing” and “implementation of structural reforms of management resources and staff functions toward sustainable growth.”

Consequently, net sales for the first half under review increased to 140,950 million yen (up 4.1% year on year). Profits fell, however, mainly due to a sharp rise in the prices of raw materials with operating profit of 7,700 million yen (down 23.5% year on year), ordinary profit of 7,466 million yen (down 28.2% year on year), and profit attributable to owners of parent of 5,307 million yen (down 40.3% year on year).

Results by segment are as follows:

(Million yen)

	Net sales			Operating profit		
	Previous first half (adjusted)	Current first half	Adjusted change (%)	Previous first half (adjusted)	Current first half	Adjusted change (%)
Colorants and Functional Materials Related Business	34,716	36,554	5.3	<u>3,310</u>	<u>2,659</u>	<u>-19.7</u>
Polymers and Coatings Related Business	30,705	31,874	3.8	3,654	2,893	-20.8
Packaging Materials Related Business	30,486	32,938	8.0	1,167	747	-36.0
Printing and Information Related Business	39,287	38,756	-1.4	1,126	699	-38.0
Other	3,077	3,341	8.6	816	688	-15.7
Subtotal	138,273	143,465	3.8	<u>10,076</u>	<u>7,688</u>	<u>-23.7</u>
Adjustment	-2,920	-2,514	-	-13	12	-
Total consolidated	135,352	140,950	4.1	<u>10,062</u>	<u>7,700</u>	<u>-23.5</u>

(i) Colorants and Functional Materials Related Business

Sales of high-function pigments and materials for LCD color filters did not grow much in Japan, partly because of the closure of the production lines of customers. In China, Taiwan and South Korea, however, their sales were strong driven by the demand for large, high-definition TV sets. Meanwhile, profits were squeezed due to the stronger demand for the reduction of costs for parts and materials, while the competition over the price for LCD panels intensified with the market changes.

Domestic sales of commodity-type pigments, particularly gravure inks and those for automobiles, were strong. Sales continued to expand in China as well. However, the sharp rise in the prices of raw materials due to a shortfall of supplies caused by the environmental regulations put a squeeze on profits, leading to revisions to selling prices.

While domestic sales of plastic colorants for containers were strong, those for automobiles and building materials were weak. Overseas sales of plastic colorants for office equipment in Southeast Asia were strong, and sales increased for those for displays in South Korea.

As a result, net sales in the overall Colorants and Functional Materials Related Business rose to 36,554 million yen (up 5.3% year on year) and operating profit was 2,659 million yen (down 19.7% year on year).

(ii) Polymers and Coatings Related Business

In the coating materials segment, sales of conducting adhesive sheets for smartphones directed at China and South Korea and adhesive films for displays were strong.

In the adhesives segment, domestic sales of those for use in the packaging of food and drinks and other products grow much, and sales of those for use in lithium-ion batteries also grew. In the overseas business, sales expansion advanced in Vietnam and other countries of Southeast Asia and India. However, the sharp rise in the prices of raw materials caused mainly by the rise in the oil price put a squeeze on profits, leading to revisions to selling prices. In the adhesive compounds segment, while sales of those for displays expanded in South Korea and China, sales of those for use in labels, the mainstay product in the domestic business, did not grow much initially, and the sharp rise in the prices of raw materials put a squeeze on profits.

Sales of can coatings (finishers) for coffee cans remained weak in Japan and did not grow much in Southeast Asia, although sales of eco-friendly type products expanded in Europe and America.

As a result, net sales in the overall Polymers and Coatings Related Business stood at 31,874 million yen (up 3.8% year on year), and operating profit fell to 2,893 million yen (down 20.8% year on year).

## (iii) Packaging Materials Related Business

Although domestic demand for gravure inks for publication continued to decline, domestic sales of mainstay gravure inks for packaging mainly for private brand applications and convenience stores were strong. Domestic sales of gravure inks for construction materials were also strong, and sales of solvents also grew. However, the sharp rise in the prices of raw materials, mainly caused by the rise in the oil price, put a squeeze on profits beyond self-efforts, leading to revisions to selling prices.

Overseas sales of eco-friendly type products also increased in Southeast Asia, China, South Korea and Turkey. However, the sharp rise in the prices of raw materials put a squeeze on profits.

In the gravure cylinder platemaking segment, sales were sluggish for packaging, but sales from precision plate-making related to electronics expanded.

As a result, net sales in the overall Packaging Materials Related Business increased to 32,938 million yen (up 8.0% year on year) and operating profit decreased to 747 million yen (down 36.0% 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 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 Turkey. Meanwhile, the Group focused on the development and sale of highly sensitive UV ink using leading-edge technology and other products such as inkjet ink for on-demand printing and the increase of the linkage among different businesses, thereby facilitating business growth.

However, domestic demand for offset inks for the commercial printing of circulars and other materials, existing information publications including newspapers and magazines, and related materials remained weaker than expected. In addition, the rise in the prices of raw materials also put a squeeze on profits.

As a result, both net sales and operating profit in the overall Printing and Information Related Business decreased. Net sales amounted to 38,756 million yen (down 1.4% year on year) and operating profit was 699 million yen (down 38.0% year on year).

## (v) Others

This segment covers business not included in the above segments and services provided mainly by TOYO INK SC HOLDINGS CO., LTD. Net sales increased to 3,341 million yen (up 8.6% year on year). However, operating profit decreased to 688 million yen (down 15.7% year on year), mainly due to a decrease in rent income of real estate from companies of the Group.

## (2) Details of financial position

Total assets at the end of the first half under review stood at 375,712 million yen, down 2,747 million yen from the end of the previous consolidated fiscal year. Liabilities were 152,812 million yen, up 2,737 million yen from the end of the previous consolidated fiscal year. Net assets came to 222,899 million yen, down 5,484 million yen from the end of the previous consolidated fiscal year.

On the last day of the first half under review, 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. On the other hand, notes and accounts payable - trade increased due to the impact of a sharp rise in the prices of raw materials.

## (Status of cash flow)

Year-on-year comparisons related to the respective cash flows are not presented because the Company changed its fiscal year-end in the previous consolidated fiscal year.

Cash and cash equivalents (“cash”) at the end of the first half of the fiscal year under review stood at 52,991 million yen, up 3,729 million yen from the balance at the beginning of the fiscal year under review.

Cash provided by operating activities stood at 11,542 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 4,595 million yen, largely as a result of a cash outflow from purchases of property, plant, and equipment.

Cash used in financing activities came to 2,117 million yen due chiefly to cash outflows from the dividends paid.

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

In terms of consolidated financial results for the first six months of the fiscal year ending December 31, 2018, net sales were almost in line with the initial forecasts. However, profits below the operating profit level fell short of initial expectations, reflecting the greater-than-expected surge in raw material prices that were mainly caused by an increase in oil prices and a shortfall of supplies associated with the tightening of environmental control.

Prices of raw materials are expected to keep rising in the third quarter and beyond. While the Group will undertake an appropriate price pass-through approach to sales prices, in addition to efforts to expand sales of high-function products and implement thorough cost reductions, it has concluded that such measures will not fully recover the shortfalls recorded in the first six months, and it has therefore decided to make the following revisions to the figures of the full-year earnings forecasts announced on February 14, 2018.

Revision to the consolidated earnings forecasts for the fiscal year ending December 31, 2018 (From January 1, 2018 to December 31, 2018)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecasts (A)	300,000	21,500	22,000	13,500	231.23
Revised forecasts (B)	300,000	18,500	18,500	13,500	231.23
Change in value (B-A)	–	-3,000	-3,500	–	–
Change in ratio (%)	–	-14.0	-15.9	–	–
(Reference) Adjusted results for the previous fiscal year	280,066	<u>20,475</u>	<u>21,269</u>	<u>14,714</u>	<u>251.73</u>
(Reference) Results for the previous fiscal year	240,344	<u>16,774</u>	<u>17,473</u>	<u>10,376</u>	<u>177.73</u>

(Notes) 1. With regard to the fiscal year ended December 31, 2017, the consolidated fiscal year of the Company and its domestic consolidated subsidiaries whose fiscal year-end date had been March 31 was the nine-month period from April 1, 2017 to December 31, 2017. For this reason, the results for the previous fiscal year after adjustment (fiscal year ended December 31, 2017) were presented after adjusting the results of the Company and its domestic consolidated subsidiaries based on the assumption that their consolidated fiscal year was a twelve-month period (from January 1, 2017 to December 31, 2017).

2. The Company conducted a consolidation of common stock at the ratio of five to one (5:1) effective as of July 1, 2018, as the proposal for the stock consolidation was approved at the 180th Ordinary General Meeting of Shareholders held on March 27, 2018. In this regard, the profit per share is calculated on the assumption that the said stock consolidation was implemented at the beginning of the previous fiscal year.



## 2. Consolidated Financial Statements and Primary Notes

## (1) Consolidated balance sheet

(Million yen)

	End of the previous consolidated fiscal year (As of December 31, 2017)	End of the consolidated first half accounting period (As of June 30, 2018)
(Assets)		
Current assets		
Cash and deposits	50,260	54,100
Notes and accounts receivable - trade	94,594	92,754
Securities	477	35
Merchandise and finished goods	29,477	28,642
Work in process	1,103	1,436
Raw materials and supplies	16,085	17,293
Deferred tax assets	1,380	2,245
Other	3,220	4,173
Allowance for doubtful accounts	-993	-854
Total current assets	<u>195,606</u>	<u>199,828</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	98,901	98,265
Accumulated depreciation	-60,139	-60,709
Buildings and structures, net	<u>38,762</u>	<u>37,556</u>
Machinery, equipment and vehicles	149,060	147,995
Accumulated depreciation	-125,954	-126,208
Machinery, equipment and vehicles, net	<u>23,105</u>	<u>21,786</u>
Tools, furniture and fixtures	23,974	24,285
Accumulated depreciation	-21,329	-21,343
Tools, furniture and fixtures, net	<u>2,644</u>	<u>2,941</u>
Land	30,007	30,348
Leased assets	669	693
Accumulated depreciation	-481	-511
Leased assets, net	<u>187</u>	<u>181</u>
Construction in progress	2,373	2,295
Total property, plant and equipment	<u>97,081</u>	<u>95,111</u>
Intangible assets	4,307	4,516
Investments and other assets		
Investment securities	68,541	63,197
Net defined benefit asset	8,614	9,014
Deferred tax assets	1,068	1,043
Other	3,671	3,255
Allowance for doubtful accounts	-432	-253
Total investments and other assets	<u>81,463</u>	<u>76,256</u>
Total non-current assets	<u>182,853</u>	<u>175,884</u>
Total assets	<u>378,459</u>	<u>375,712</u>

(Million yen)

	End of the previous consolidated fiscal year (As of December 31, 2017)	End of the consolidated first half accounting period (As of June 30, 2018)
(Liabilities)		
Current liabilities		
Notes and accounts payable – trade	<u>56,129</u>	<u>58,323</u>
Short-term loans payable	<u>22,507</u>	<u>22,355</u>
Income taxes payable	1,485	2,661
Other	14,685	16,692
Total current liabilities	<u>94,808</u>	<u>100,032</u>
Non-current liabilities		
Long-term loans payable	38,409	38,288
Deferred tax liabilities	11,641	10,300
Provision for environmental measures	2,349	1,425
Net defined benefit liability	1,868	1,824
Asset retirement obligations	29	30
Other	968	910
Total non-current liabilities	<u>55,267</u>	<u>52,779</u>
Total liabilities	<u>150,075</u>	<u>152,812</u>
(Net assets)		
Shareholders' equity		
Capital stock	31,733	31,733
Capital surplus	32,710	32,615
Retained earnings	<u>136,202</u>	<u>139,173</u>
Treasury shares	-5,002	-5,007
Total shareholders' equity	<u>195,642</u>	<u>198,515</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,284	15,159
Foreign currency translation adjustment	<u>3,299</u>	<u>-753</u>
Remeasurements of defined benefit plans	3,223	3,242
Total accumulated other comprehensive income	<u>25,807</u>	<u>17,648</u>
Subscription rights to shares	164	252
Non-controlling interests	<u>6,768</u>	<u>6,483</u>
Total net assets	<u>228,384</u>	<u>222,899</u>
Total liabilities and net assets	<u>378,459</u>	<u>375,712</u>

## (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, 2017 to September 30, 2017)	First half under review (From January 1, 2018 to June 30, 2018)
Net sales	135,598	140,950
Cost of sales	<u>102,702</u>	<u>109,834</u>
Gross profit	<u>32,895</u>	<u>31,116</u>
Selling, general and administrative expenses		
Packing and transportation expenses	3,090	3,318
Salaries and allowances	5,901	5,896
Bonuses	1,373	1,401
Welfare expenses	1,510	1,515
Depreciation	<u>928</u>	<u>881</u>
Research and development expenses	1,747	1,573
Other	8,829	8,827
Total selling, general and administrative expenses	<u>23,381</u>	<u>23,415</u>
Operating profit	<u>9,514</u>	<u>7,700</u>
Non-operating income		
Interest income	94	98
Dividend income	562	587
Share of profit of entities accounted for using equity method	146	145
Other	281	321
Total non-operating income	<u>1,085</u>	<u>1,153</u>
Non-operating expenses		
Interest expenses	<u>470</u>	<u>348</u>
Foreign exchange losses	0	836
Other	157	202
Total non-operating expenses	<u>628</u>	<u>1,387</u>
Ordinary profit	<u>9,971</u>	<u>7,466</u>
Extraordinary income		
Gain on sales of non-current assets	237	857
Other	340	0
Total extraordinary income	<u>577</u>	<u>857</u>
Extraordinary losses		
Loss on sales and retirement of non-current assets	104	149
Fire loss	-	92
Other	-	1
Total extraordinary losses	<u>104</u>	<u>243</u>
Profit before income taxes	<u>10,444</u>	<u>8,080</u>
Income taxes - current	2,672	3,041
Income taxes - deferred	131	-459
Total income taxes	2,804	2,581
Profit	<u>7,640</u>	<u>5,498</u>
Profit attributable to non-controlling interests	230	207
Profit attributable to owners of parent	<u>7,416</u>	<u>5,307</u>

## Consolidated statements of comprehensive income

Consolidated first half	(Million yen)	
	Previous first half period (From April 1, 2017 to September 30, 2017)	First half under review (From January 1, 2018 to June 30, 2018)
Profit	<u>7,640</u>	<u>5,498</u>
Other comprehensive income		
Valuation difference on available-for-sale securities	4,354	-4,126
Foreign currency translation adjustment	<u>-582</u>	<u>-4,213</u>
Remeasurements of defined benefit plans, net of tax	-31	19
Share of other comprehensive income of entities accounted for using equity method	-110	-158
Total other comprehensive income	<u>3,630</u>	<u>-8,478</u>
Comprehensive income	<u>11,270</u>	<u>-2,980</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	<u>11,143</u>	<u>-2,852</u>
Comprehensive income attributable to non-controlling interests	<u>127</u>	<u>-128</u>

## (3) Consolidated statements of cash flows

(Million yen)

	Previous first half period (From April 1, 2017 to September 30, 2017)	First half under review (From January 1, 2018 to June 30, 2018)
<b>Cash flows from operating activities</b>		
Profit before income taxes	10,444	8,080
Depreciation	5,090	4,803
Interest and dividend income	-657	-685
Interest expenses	470	348
Share of (profit) loss of entities accounted for using equity method	-146	-145
Loss (gain) on sales of property, plant and equipment	-234	-840
Loss on retirement of property, plant and equipment	51	73
Fire loss	-	92
Decrease (increase) in notes and accounts receivable - trade	-1,663	-254
Decrease (increase) in inventories	-2,060	-2,227
Increase (decrease) in notes and accounts payable - trade	4,713	3,374
Other, net	-998	559
Subtotal	15,011	13,177
Interest and dividend income received	681	717
Interest expenses paid	-491	-342
Income taxes paid	-3,585	-2,011
Net cash provided by (used in) operating activities	11,615	11,542
<b>Cash flows from investing activities</b>		
Payments into time deposits	-225	-499
Proceeds from withdrawal of time deposits	322	373
Purchase of property, plant and equipment	-3,656	-4,294
Proceeds from sales of property, plant and equipment	604	936
Purchase of intangible assets	-215	-888
Purchase of short-term and long-term investment securities	-275	-574
Proceeds from sales and redemption of short-term and long-term investment securities	749	405
Other, net	-132	-54
Net cash provided by (used in) investing activities	-2,827	-4,595
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	1,427	614
Cash dividends paid	-2,335	-2,336
Dividends paid to non-controlling interests	-11	-220
Other, net	-6,929	-175
Net cash provided by (used in) financing activities	-7,849	-2,117
Effect of exchange rate change on cash and cash equivalents	-196	-1,099
Net increase (decrease) in cash and cash equivalents	742	3,729
Cash and cash equivalents at beginning of period	44,132	49,262
Cash and cash equivalents at end of period	44,875	52,991

(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.)

I. From April 1, 2017 to September 30, 2017

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	33,521	29,263	31,551	39,019	133,356	2,241	135,598	–	135,598
Intersegment sales	1,198	517	297	22	2,036	831	2,867	-2,867	–
Total	34,720	29,780	31,849	39,041	135,392	3,073	138,466	-2,867	135,598
Segment profits	<u>3,412</u>	3,239	1,259	1,321	<u>9,232</u>	294	<u>9,527</u>	-12	<u>9,514</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, 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.

**(Important subsequent events)****(Stock consolidation and change in the share trading unit)**

The Company resolved to make a change in the share trading unit and partial changes to the articles of resolution at the Board of Directors' meeting held on February 14, 2018, and decided to submit an agenda item on a stock consolidation at the 180<sup>th</sup> Ordinary General Meeting of Shareholders held on March 27, 2018. The stock consolidation was approved at the said General Meeting of Shareholders and took effect on July 1, 2018.

**1. Purpose of the stock consolidation and change in the share trading unit**

The Japanese Stock Exchanges announced the Action Plan for Consolidating Trading Units with the aim of uniformly adopting the share trading unit of 100 shares by October 1, 2018 with regard to the common stocks of all domestic listed companies.

As a listed company on the Tokyo Stock Exchange (TSE), the Company respected this intent and decided to change its share trading unit from 1,000 shares to 100 shares. In addition, in conjunction with the change, it is in the process of executing a stock consolidation (five shares to be consolidated into one share) to adjust the number of investment units to an appropriate level.

**2. Consolidation ratio and timing**

The Company implemented a one-for-five consolidation on July 1, 2018 for shares owned by shareholders registered in the shareholders' registry updated as of June 30, 2018 (June 29, 2018 in practice).

**3. Number of shares to be decreased due to the reverse stock split**

Total number of shares issued before the stock consolidation (June 30, 2018)	303,108,724
Total number of shares to be decreased due to the stock consolidation	242,486,980
Total number of shares issued after the stock consolidation	60,621,744

**4. Impact on information per share**

The impact of the relevant stock consolidation is reflected in the summary information.