

February 9, 2018

**Consolidated Third Quarter Results**

**From April 1, 2017 to December 31, 2017 of Fiscal Year Ending on March 31, 2018**

Figures in Million Yen, unless otherwise noted

1. Revenue and Income from April 1, 2017, to December 31, 2017

	Revenue	Operating Income	Ordinary Income	Net Income attributable to owners of parent	Net Income Per Share
Current Year Third Quarter	26,561	1,183	1,095	694	13.63Yen
Converted into Millions of U.S. Dollars	235.0	10.5	9.7	6.1	US\$0.121
Last Year Third Quarter	23,557	296	91	△283	△5.56Yen
Percent Change from Last Year Third Quarter	+12.8%	+299.4%	—	—	—

Note:

U.S. dollar amounts are converted from Yen, for convenience only, at the rate of US\$1.00 = ¥113.05.

## 2. Financial Status

December 31, 2017

	Total Assets	Net Assets	Capital to Asset Ratio	Net Assets Per Share
End of Current Year Third Quarter December 31, 2017	39,003	14,313	32.5%	248.35Yen
Converted into Millions of U.S. dollars	345.0	126.6	-	US\$2.197
End of FY 2016 March 31, 2017	38,275	13,260	30.6%	230.06Yen

Note:

U.S. dollar amounts are converted from Yen, for convenience only, at the rate of US\$1.00 = ¥113.05.

During the first 3 quarters of the Fiscal Year 2017, April to December 2017, business has stayed in good shape paralleling the strong Japanese economy which comes with the consistent improvement of the global economy.

In our TOMOEGAWA group, toner business has continuously increased sales volume, in both existing and newly developed products. The sales of materials and products used in the production process of semiconductors and the sales of optical films used in Flat Panel Display components have experienced major increases in their respective orders compared to the sales during the first 3 quarters of the previous Fiscal Year (FY). The sales in our functional paper business, of some products whose markets are shrinking, exceeded those of first 3 Quarters of previous FY, thanks to marketing efforts and contributions from new product launches.

Consequently, we recorded the revenue of ¥26,561 million for the current FY, which was an increase of ¥3,003 million or 12.8%, compared to the same period of the previous FY. As reported previously, we adjusted the fiscal year-end of subsidiaries in China and Hong Kong to March, which added ¥814 million to our revenue. The sales growth reached 9.3%, even excluding this impact.

As for profits, operating income drastically increased by ¥886 million or 299.4% year-on-year basis and achieved ¥1,183 million. This was achieved through the steady improvement of sales performance, and the reduction of electricity consumption and other manufacturing cost while keeping a high level of production volume, and continuous efforts in productivity enhancement. Non-operating income and loss showed that exchange loss substantially reduced to - ¥17 million compared to - ¥254 million during the previous Q3. We attributed this improvement to the stable foreign exchange market and our enhanced asset and liability management in foreign currency. As a result, Ordinary Income rose significantly by ¥1,003 million or 1,093.0%, compared to the same period of previous FY and rose to ¥1,095 million. Following the major boost in Ordinary Income, Net Income attributed to owners of parent company achieved a turnaround to ¥694 million from -¥283 million of the previous FY, which included -¥129 million of one-time restructuring costs to decrease the production capacity at our USA subsidiary. This was achieved even with the fact that -¥77 million of fixed asset disposal cost, which were of primarily old infrastructure facilities, was recorded. In all, TOMOEGAWA made a large improvement in our business performance.

#### **FY 2017 forecasts ending on March 31, 2018**

We released our upward revision of FY2017 forecast on October 25th, 2017, in which Revenue was adjusted upward to ¥350 million, Operating Income ¥11 million, Ordinary Income ¥10 million and

Net Income ¥6 million, respectively. Since then, demands from customers have sustained so strong that the Q3 results already outperformed the upwardly revised whole FY projections. However, we have a sense of uncertainty in our recent business environment such as simultaneous global stock price fall and the appreciating yen. Materials and products used in the production process of semiconductors are going to go through the adjustment phase of supply-demand cycle and the market trend of products used in Flat Panel Display components is unstable. Further decrease of sales and production, and the necessity of inventory reduction are anticipated. We included these negative factors in the last upward revision, and now even assume the cost increase from procurement of raw material such as pulp, facilities repair and depreciation of new equipment. Based on the above factors, TOMOEGAWA maintains the FY 2017 forecast released on October 25th even though we will pursue additional increase in revenue and profit.

Our plan to pay dividends of ¥5 per share is kept as initially announced.