

August 9, 2018

Consolidated First Quarter Results

April 1, 2018 through June 30, 2018 of Fiscal Year Ending on March 31, 2019

Figures in Million Yen, unless otherwise noted

1. Revenue and Income from April 1, 2018, through June 30, 2018

	Revenue	Operating Income	Ordinary Income	Net Income attributable to owners of parent	Net Income Per Share
Current Year First Quarter	8,246	260	285	99	1.96Yen
Converted into Millions of U.S. Dollars	74.4	2.3	2.6	0.9	US\$0.018
Last Year First Quarter	9,175	325	347	190	3.74Yen
Percent Change from Last Year First Quarter	△10.1%	△19.9%	△17.8%	△47.5%	—

Note: US\$ amounts are converted from Yen, for convenience only, at the rate of US\$1.00 = ¥110.86.

2. Financial Status

June 30, 2018

	Total Assets	Net Assets	Capital Adequacy Ratio	Net Assets Per Share
End of Current Year First Quarter June 30, 2018	39,767	13,992	30.9%	241.03Yen
Converted into Millions of U.S. Dollars	374.2	131.7	-	US\$2.268
End of FY 2017 March 31, 2018	38,044	14,006	32.5%	242.65Yen

Note: USD amounts are converted from Yen, for convenience only, at the rate of US\$1.00 = ¥106.27.

3. Forecast of Current Fiscal Year, which will end on March 31, 2019

	Revenue	Operating Income	Ordinary Income	Net Income attributable to owners of parent	Net Income per Share
First Half	17,000	400	350	100	1.96Yen
Whole Fiscal Year	35,000	1,000	950	300	29.43Yen

Tomoe-gawa is planning to make 5-to-1 share consolidation, effective October 1, 2018.

The consolidation is accounted in the calculation of the estimated "Net Income per Share" for the whole Fiscal Year.

Important Account Policy Change

Because of the increase of the should-be-consolidated operations due to the overseas sales bases reorganization, and of the increase of intergroup transactions caused by the transaction flows change, Tomoegawa Group altered the foreign exchange rate that is used in the conversion of overseas subsidiaries' Revenues and Expenses denominated in foreign currencies into Yen, from the rate on the last business day of the period, to the average rate during the period. This policy change is also applied retrospectively to Tomoegawa's past results, so Last Fiscal Year's First Quarter sales decreased by ¥28 million from the amount of ¥9,203 million before policy change. Also, the amounts of Operating Income, Ordinary Income and Net Income are decreased by ¥13 million, ¥1 million and ¥0.9 million, respectively, from the amounts before the policy change.

Observation of Current First Quarter Result

During the First Quarter (Q1) of the Fiscal Year (FY) 2018 (April to June, 2018), the world economy in general was in good shape, which helped show steady improvement in overall corporate performances. Under such environment, TOMOEGAWA's supply for semiconductor manufacturing business and Flat Panel Display (FPD) related business managed to record the amount of Q1 sales that is similar to last FY Q1 numbers even though there was supply-demand adjustment ongoing since last FY's Forth Quarter, thanks to the active sales promotion effort and the contribution from newly launched film product used for FPD. The sales of Functional paper business, whose existing products' markets keep shrinking, with the contribution from newly launched products and with strong sales of functional sheet, exceeded last FY Q1 numbers. The sales of globally-operating toner business showed significant drop even though there was an increase of highly profitable new product sales, because last FY Q1 number was inflated by ¥816 million due to the effect of our consolidation policy change on our China business.

In total, Tomoegawa's Q1 sales was ¥8,246 million, down \triangle ¥928 million or \triangle 10.1% from the sales during Q1 of previous FY. When the effect of China related accounting policy change is excluded, the decrease will be \triangle ¥112 million or \triangle 1.34%.

In terms of profit, we recorded Consolidated Operating Income of ¥260 million, a decrease by ¥64 million ($\triangle 19.9\%$) from previous Q1 number. Our efforts towards electricity cost increase prevention are producing positive results, but not large enough to counter the price increase of raw materials such as pulp and the negative effect of Yen appreciation. Consolidated Ordinary Income and Net Income attributed to owners of parent company, have similar results, they were ¥285 million ($\triangle ¥61$ million, $\triangle 17.8\%$) and ¥99 million ($\triangle 90$ million , $\triangle 47.5\%$) respectively.

Forecast of FY2019 Result

In our forecast of the Second to Forth Quarter, semiconductor manufacturing business and Flat Panel Display (FPD) related business will receive increase number of orders since ongoing supply-demand adjustment will end soon. In Toner business, we will pursue the more effective use of our worldwide production capacity. In Function Paper business, more vigorous marketing effort and more launches of new products are expected. On the other hand, we will increase our investment on facilities and human resources according to our management plan. Also, the demolition costs of old facilities are already accounted for in our projection.

Taking the above factors into consideration, TOMOEGAWA has decided to keep the profit projection announced on May 14, which states the Sales amount, Operating Income, Ordinary Income and Net Income attributed to owners of the parent company are ¥17,000 million, ¥400 million, ¥350 million and ¥100 million respectively for the First Half, and ¥35,000 million, ¥1,000 million, ¥950 million and ¥300 million respectively for the Whole Year.