

November 8, 2018

Consolidated First Half Results
April 1, 2018 through September 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 September 30, 2018

	Revenue	Operating Income	Ordinary Income	Net Income attributable to owners of parent	Net Income Per Share
Current Year First Half	16,447	305	317	85	8.41Yen (*)
Converted into Millions of U.S. Dollars	149.1	2.7	2.8	0.7	US\$0.076 (*)
Last Year First Half Excluding Accounting Change Effect	16,708	643	602	401	39.40Yen (*)
Percent Change from Last Year First Half	△1.6%	△52.4%	△47.2%	△78.6%	—

Note: US\$ amounts are converted from Yen, for convenience only, at the rate of US\$1.00 = ¥110.26.

(*) Tomoegawa made 5-to-1 share consolidation, effective October 1, 2018. The consolidation is accounted in the calculation of the "Net Income per Share" for current FY and last FY for the convenience of comparison.

2. Financial Status September 30, 2018

	Total Assets	Net Assets	Capital Adequacy Ratio	Net Assets Per Share
End of Current Year First Half September 30, 2018	39,549	14,034	31.1%	1,208.30 Yen
Converted into Millions of U.S. Dollars	348.2	123.5	-	US\$10.63
End of FY 2017 March 31, 2018	38,044	14,006	32.5%	1,213.19 Yen

Note: US\$ amounts are converted from Yen, for convenience only, at the rate of US\$1.00 = ¥113.58.

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
Whole Fiscal Year	35,000	1,000	950	300	29.43Yen

Tomoe-gawa made 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

Tomoegawa Group's Income Statement numbers of previous Fiscal Year 2018 (April 2017 to March 2018) involve the effect of the consolidation policy change, which made the January to March 2017 numbers of our China business to be included in FY2018 result. The size of such effect on Sales, Operating Income, Ordinary Income and Net Income are ¥816 million, ¥29 million, ¥41 million and ¥41 million, respectively.

Also, we 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.

Observation of Current First Half Result

Numbers of the previous Fiscal Year mentioned in the following portion are those of adjusted basis that exclude the effect of China-related accounting policy change.

During the First Half (H1) of the Fiscal Year (FY) 2018 (April to September, 2018), the world economy in general was in good shape, even though US-China trade conflict casts serious shadow on the future outlook. Under such environment, sales by each of our Electronic Material division and Functional Paper division managed to surpass the last FY H1 sales amount, thanks to an increase in existing product sales and contribution from new product sales. Toner sales number by Imaging Material division decreased compared to a strong previous FY H1 numbers, due to the inventories adjustment by major printer manufactures. Overall, Tomoegawa's H1 sales was ¥16,447 million, down \triangle ¥261 million or \triangle 1.6% from the sales during H1 of previous FY.

In terms of profit, Consolidated Operating Income was ¥305 million, a decrease by ¥337 million (\triangle 52.4%) from previous H1 number. In addition to a sales decrease effect, soaring prices of raw materials such as pulp and forward looking spending on plant equipment and human resource training worked to decrease profit levels. Consolidated Ordinary Income and Net Income attributed to owners of parent company, have similar results, they were ¥317 million (\triangle ¥284 million, \triangle 47.2%) and ¥85 million

(△315 million, △78.6%) respectively. Tax cost increase was one of major reasons for a sharp decline of Net Income.

Forecast of FY2019 Result

In our forecast of the Second Half, Electronic Material division and Functional Paper division are expected to keep increasing its profit level. As for Imaging Material division, sales are expected to increase since negative effect of customer inventory adjustment is projected to fade out, and we will offer aggressive pricing on existing products and expect the contribution from new products. Overall, we see increase in our consolidated sales in H2.

On the other hand, while we continue the planned investment on equipment and human resources, we will actively pursue energy cost reduction by putting a new co-generation system into work. We are also working on productivity improvements of human resources according to our management plan. Finally, 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 ¥35,000 million, ¥1,000 million, ¥950 million and ¥300 million, respectively.