

# CONSOLIDATED FINANCIAL STATEMENTS for the FY2002

(for the fiscal year ended March 31, 2003)

May 14, 2003

Name of Company: **Toyo Ink Mfg. Co., Ltd.**  
 Stock Listings: Tokyo  
 Security Code No.: 4634 (URL <http://www.toyoink.co.jp/>)  
 Address of Head Office: 3-13, Kyobashi 2-chome, Chuo-ku, Tokyo 104-8377  
 Phone: +81-3-3272-5731  
 Representative: Mr. Kunio Sakuma, President, CEO  
 Contact: Mr. Masaru Suzuki, Director, CFO  
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 Date of Board Meeting for Settlement of Accounts: 14 May, 2003  
 Application of US Accounting Standards: No

## 1. Consolidated operating results for the FY 2002

(1) Results of operations Note : Amounts of less than million yen are omitted.

	Net sales		Operating income		Recurring income	
	JPY(million)	%	JPY(million)	%	JPY(million)	%
FY2002	217,049	-2.4	8,093	16.6	7,552	16.4
FY2001	222,358	0.1	6,941	-32.2	6,488	-35.0

	Net income		Net income per share (Basic)		Net income per share (Fully diluted)	
	JPY(million)	%	JPY		JPY	
FY2002	2,099	160.9	7.29		6.38	
FY2001	804	-53.0	2.91		-	

	Return on equity		Recurring income/ Total assets		Recurring income/ Net sales	
		%		%		%
FY2002	1.8		2.8		3.5	
FY2001	0.7		2.3		2.9	

Note 1 : Equity in earnings of associated companies : 234M JPY(FY2002), -311M JPY(FY2001)

2 : Average number of outstanding shares (consolidated) : 276,582,022shares(FY2002), 276,717,846shares(FY2001)

3 : Change in method of accounting : None

4 : % change for net sales, operating income, recurring income and net income are presented in comparison with the previous FY.

## (2) Financial conditions

	Total assets	Shareholders' equity	Shareholders' equity/ Total assets	Shareholders' equity per share
	JPY(million)	JPY(million)	%	JPY
As of March 31, 2003	264,792	116,278	43.9	420.31
As of March 31, 2002	283,221	118,086	41.7	426.77

Note : Number of outstanding shares at the end of the fiscal year (consolidated) :

276,449,597shares(As of March 31, 2003), 276,697,146shares(As of March 31, 2002)

## (3) Results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents
	JPY(million)	JPY(million)	JPY(million)	JPY(million)
FY2002	12,015	-9,300	-4,945	17,754
FY2001	12,005	-14,839	-3,971	20,646

## (4) Scope of consolidation and application of equity method :

Number of consolidated subsidiaries : 67  
 Number of non-consolidated subsidiaries accounted for by the equity method: none  
 Number of affiliates accounted for by the equity method: 12

## (5) Changes in scope of consolidation and application of equity method :

Number of companies newly consolidated : 1  
 Number of companies excluded from consolidation : 2  
 Number of companies newly accounted for by the equity method : none  
 Number of companies excluded from the equity method of accounting: 1

## 2. Forecast for the Year Ending 31 March, 2004 (FY2003)

	Net sales	Recurring income	Net income
	JPY(million)	JPY(million)	JPY(million)
First half ending Sept.2003	113,000	4,400	2,100
FY2003 ending Mar,2004	230,000	9,000	4,000

Note : Projected net income per share for the year ending March 31, 2004 is 14.16yen

The company bases its forecasts on assumptions that are believed to be reasonable under information available at the time of the forecasts. Actual results may materially differ from these forecasts due to potential risks and uncertainties.

## 1. Group Corporate Overview

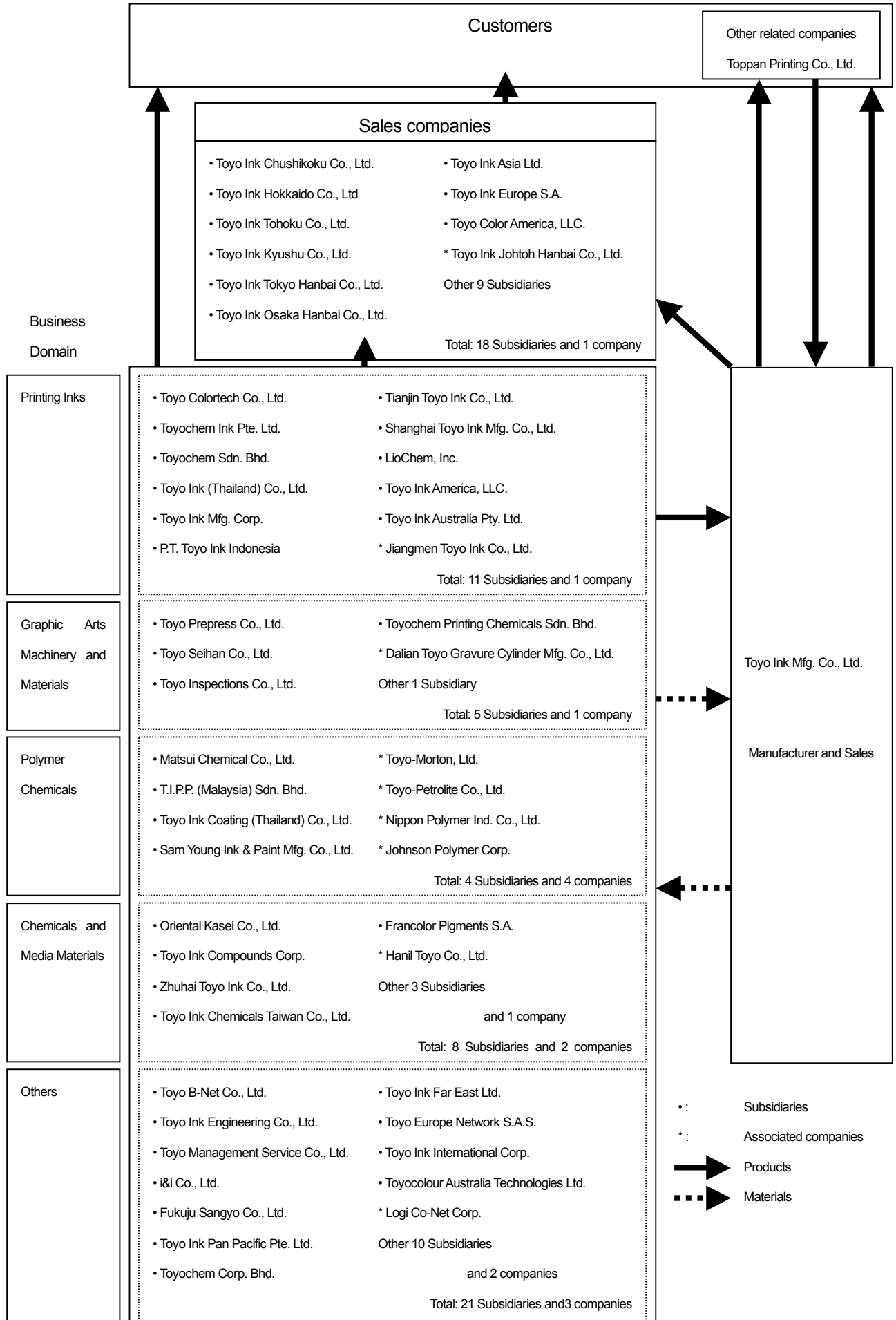
Our corporate group is organized by the company which presents the consolidated financial statements (Toyo Ink Mfg. Co., Ltd.), 67 subsidiaries, and 12 associated companies.

Following is the details of our corporate group.

Business domain	Main Products	Companies	
Printing inks	Offset inks, Gravure inks, etc.	Japan	Toyo Ink Mfg. Co., Ltd., etc.
		Overseas	Toyochem Sdn. Bhd., Tianjin Toyo Ink Co., Ltd., LioChem, Inc., Toyo Ink America, LLC., Toyo Ink Australia Pty. Ltd., etc.
Graphic arts machinery and supplies	Printing machinery, Prepress systems, Printing supplies, Gravure cylinders, etc.	Japan	Toyo Ink Mfg. Co., Ltd., Toyo Prepress Co., Ltd., Toyo Seihan Co., Ltd., etc.
		Overseas	Toyochem Printing Chemical Sdn. Bhd., Dalian Toyo Gravure Cylinder Mfg. Co., Ltd., etc.
Polymer chemicals	Can coating finishes, Metal decorative inks, Resins, Adhesives, Waxes, Adhesive tapes, etc.	Japan	Toyo Ink Mfg. Co., Ltd., Matsui Chemical Co., Ltd., Toyo-Petrolite Co., Ltd., etc.
		Overseas	T.I.P.P. (Malaysia) Sdn. Bhd., Sam Young Ink & Paint Mfg. Co., Ltd., etc.
Chemicals and media materials	Organic pigments, Processed pigments, Dye stuff, Plastic colorants, Resist inks for color filters, Electronic materials, etc.	Japan	Toyo Ink Mfg. Co., Ltd., Oriental Kasei Co., Ltd., etc.
		Overseas	Zhuhai Toyo Ink Co., Ltd., Francolor Pigments S.A. Hanil Toyo Co., Ltd., etc.
Others	Software development, Human resources management, Lease management of real estate, Investment for subsidiaries, etc.	Japan	Toyo Ink Mfg Co., Ltd., Toyo B-Net Co., Ltd., Toyo Ink Engineering Co., Ltd., etc.
		Overseas	Toyo Ink Pan Pacific Pte. Ltd., Toyo Ink Far East Ltd., Toyo Europe Network S.A.S., Toyo Ink International Corp., etc.
Sales	Sales of products which are handled TOYO INK Group	Japan	Toyo Ink Chushikoku Co., Ltd., Toyo Ink Hokkaido Co., Ltd., Toyo Ink Tohoku Co., Ltd., Toyo Ink Kyushu Co., Ltd., Toyo Ink Tokyo Hanbai Co., Ltd., etc.
		Overseas	Toyo Ink Asia Ltd., Toyo Ink Europe S.A. (Belgium), Toyo Color America, LLC., etc.

In addition, our company trades the products and the commodities with Toppan Printing Co., Ltd., which owns 23.12% of the shares of our company.

(Business diagram)



A director of Toyo Seikan Co., Ltd. (which is our customer) serves concurrently with the director of Toyo Ink Mfg. Co., Ltd.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(unit : JPY million)

Terms Items	FY2002		FY2001		Increase / Decrease
	As of March 31, 2003		As of March 31, 2002		
	Amount	composition	Amount	composition	
(Assets)		%		%	
Current assets	( 133,094 )	50.3	( 145,355 )	51.3	( -12,261 )
Cash and bank deposits	16,704		19,509		-2,805
Notes and accounts receivable	80,622		85,798		-5,176
Marketable securities	1,698		3,810		-2,112
Inventories	29,323		31,398		-2,075
Deferred income tax assets	1,811		1,820		-9
Others	3,919		3,859		59
Allowance for doubtful receivables	-985		-843		-142
Fixed Assets	( 131,669 )	49.7	( 137,839 )	48.7	( -6,170 )
Property, plant and equipment	[ 88,061 ]	33.2	[ 88,523 ]	31.3	[ -462 ]
Building and structures	28,139		28,511		-372
Machinery and vehicles	27,851		28,083		-231
Tools, furniture and fixtures	3,271		3,313		-42
Land	27,309		27,100		208
Construction in progress	1,488		1,514		-25
Intangible fixed assets	[ 3,903 ]	1.5	[ 3,337 ]	1.2	[ 566 ]
Consolidation adjustment account	-		0		-0
Others	3,903		3,336		567
Investments and Other Assets	[ 39,705 ]	15.0	[ 45,979 ]	16.2	[ -6,274 ]
Investment securities	23,967		32,774		-8,806
Deferred income tax assets	7,809		7,985		-175
Others	9,727		7,087		2,639
Allowance for doubtful receivables	-1,798		-1,867		68
Deferred assets	( 28 )	0.0	( 25 )	0.0	( 3 )
<b>Total assets</b>	<b>264,792</b>	<b>100.0</b>	<b>283,221</b>	<b>100.0</b>	<b>-18,428</b>

(unit : JPY million)

Terms Items	FY2002		FY2001		Increase / Decrease
	As of March 31, 2003		As of March 31, 2002		
	Amount	composition	Amount	composition	
(Liabilities)		%		%	
Current Liabilities	( 81,417 )	30.8	( 109,055 )	38.5	( -27,637 )
Notes and Accounts Payable	37,477		48,622		-11,144
Short-term Loans Payable	24,178		23,509		668
Commercial Paper	6,500		7,000		-500
Current Portion of Convertible Bonds	-		15,829		-15,829
Accrued Income Taxes	1,148		1,450		-302
Deferred Income Tax Liabilities	25		38		-13
Others	12,087		12,604		-516
Long-term Liabilities	( 63,549 )	24.0	( 52,315 )	18.5	( 11,234 )
Convertible Bonds	42,614		42,614		-
Long-term Loans Payable	16,930		5,415		11,515
Liability for Employees' Retirement Benefits	1,293		1,373		-80
Liability for Directors' Retirement Benefits	580		617		-36
Deferred Income Tax Liabilities	1,740		1,902		-161
Others	390		392		-2
Total Liabilities	144,967	54.8	161,371	57.0	-16,403
(Minority Interests)					
Minority Interests	( 3,546 )	1.3	( 3,763 )	1.3	( -216 )
(Shareholders' Equity)					
Common Stock	( 24,610 )	9.3	( 24,610 )	8.7	( - )
Additional Paid-in Capital	( 25,823 )	9.7	( 25,823 )	9.1	( - )
Retained Earnings	( 70,354 )	26.6	( 70,004 )	24.7	( 349 )
Net Unrealized (Losses) Gains on Available-for-sale Securities	( -1,621 )	-0.6	( -764 )	-0.3	( -856 )
Foreign Exchange Translation Adjustments	( -2,801 )	-1.1	( -1,579 )	-0.5	( -1,222 )
Treasury Stock, at Cost	( -86 )	-0.0	( -7 )	0.0	( -78 )
Total Shareholders' Equity	116,278	43.9	118,086	41.7	-1,808
Total of Liabilities, Minority Interests and Shareholders' Equity	264,792	100.0	283,221	100.0	-18,428

## (2) Consolidated Statements of Income

(unit : JPY million)

Terms Items	FY2002		FY2001		Increase / Decrease	
	From April 1, 2002		From April 1, 2001		Amount	
	To March 31, 2003		To March 31, 2002			
	Amount	Composition	Amount	Composition	Amount	+/-
Net sales	217,049	100.0	222,358	100.0	-5,309	-2.4
Cost of sales	164,801	75.9	176,593	79.4	-11,792	-6.7
Gross Profit	52,247	24.1	45,765	20.6	6,482	14.2
Selling, general and administrative expenses	( 44,154 )	20.4	( 38,823 )	17.5	( 5,330 )	13.7
Packing expenses and freight charge	5,808		5,784		24	
Salaries and allowance	9,809		9,899		-89	
Bonuses	2,774		2,841		-66	
Welfare expenses	2,404		2,584		-179	
Depreciation expenses	1,935		1,795		139	
Research and development expenses	3,563		3,575		-12	
Others	17,857		12,343		5,514	
Operating income	8,093	3.7	6,941	3.1	1,151	16.6
Non-operating income	( 3,231 )	1.5	( 3,446 )	1.6	( -215 )	-6.2
Interest income	348		628		-279	
Dividend income	246		212		33	
Income from lease and rent	363		-		363	
Gain on foreign currency exchange	-		724		-724	
Equity in earnings of associated companies	234		-		234	
Unrealized gain on derivative instruments	330		-		330	
Others	1,707		1,881		-173	
Non-operating expenses	( 3,772 )	1.7	( 3,900 )	1.8	( -128 )	-3.3
Interest expenses	1,401		1,739		-338	
Loss on foreign currency exchange	759		-		759	
Equity in losses of associated companies	-		311		-311	
Unrealized losses on derivative instruments	-		214		-214	
Others	1,611		1,633		-22	
Recurring income	7,552	3.5	6,488	2.9	1,064	16.4
Extraordinary profit	( 5,003 )	2.3	( 2,968 )	1.3	( 2,034 )	68.5
Gain on sales of property, plant and equipment	348		2,602		-2,253	
Gain on sales of investment securities	209		64		145	
Gain on exemption from future pension obligation of the government program	4,140		-		4,140	
Gain on the government grant	160		-		160	
Profit from prior period adjustment	-		190		-190	
Reversal of reserve on dept guarantee	-		111		-111	
Gain on the cancellation of insurance agreement	144		-		144	
Extraordinary loss	( 7,530 )	3.5	( 7,886 )	3.5	( -355 )	-4.5
Loss on disposals of property, plant and equipment	973		988		-15	
Loss on redemption of marketable securities	-		425		-425	
Loss on sales of investment securities	235		8		226	
Loss on impairment of investment securities	5,022		3,804		1,218	
Provision of allowance for doubtful receivables	-		332		-332	
Loss on impairment of memberships	119		192		-72	
Loss on impairment of merchandise	667		522		144	
Loss on discontinued operations	512		449		63	
Special retirement allowance	-		334		-334	
Payment for lawsuit settlement	-		735		-735	
Others	-		93		-93	
Income before income taxes and minority interests	5,026	2.3	1,570	0.7	3,455	220.0
Income taxes, current	1,910	0.8	2,310	1.0	-400	-17.3
Income taxes, deferred	607	0.3	-1,856	-0.8	2,464	132.7
Minority interests	407	0.2	311	0.1	96	30.8
Net income	2,099	1.0	804	0.4	1,295	160.9

## (3)Consolidated Statements of Cash Flow

(unit : JPY million)

Items	Terms	FY2002	FY2001
		From April 1, 2002	From April 1, 2001
		To March 31, 2003	To March 31, 2002
		Amount	Amount
I Cash flows from operating activities			
Income before income taxes and minority interests	5,026	1,570	
Depreciation and amortization	10,976	10,318	
Interest and dividend income	-595	-841	
Interest expenses	1,401	1,739	
Gain on sales of property, plant and equipment, net	-290	-2,436	
Loss on disposal of Property, Plant and Equipment, net	831	819	
Loss (gain) on sales of investment securities, net	25	-55	
Loss on redemption of marketable securities	-	425	
Loss on impairment of investment securities	5,022	3,804	
Gain on exemption from future pension obligation of the government program	-4,140	-	
Profit from prior period adjustment	-	-190	
Increase/decrease in notes and accounts receivable(- is increases)	3,255	3,244	
Increase/decrease in inventories(- is increases)	893	-810	
Increase/decrease in notes and accounts payable(- is decreases)	-10,418	-675	
Others	2,572	2,628	
Subtotal	14,559	19,539	
Interest and dividend received	1,035	892	
Interest paid	-1,392	-1,915	
Income taxes paid	-2,186	-6,512	
Net cash provided by operating activities	12,015	12,005	
II Cash flows from investing activities			
Increase in time deposits	-391	-1,644	
Decrease in time deposits	1,343	749	
Purchases of marketable securities	-63	-2,999	
Proceeds from sales of marketable securities	1,126	3,360	
Purchases of property, plant and equipment	-13,050	-13,703	
Proceeds from sales of property, plant and equipment	1,187	3,663	
Purchases of investment securities	-2,125	-4,031	
Proceeds from sales of investment securities	3,606	1,844	
Increase in loans receivable	-477	-830	
Decrease in loans receivable	414	122	
Other in increase/decrease of assets(- is increases)	-869	-1,369	
Net cash used in investing activities	-9,300	-14,839	
III Cash flows from financing activities			
Increase/decreases in short-term loans payable, net (- is decrease)	241	-1,495	
Increase/decreases in commercial paper, net (- is decrease)	-500	4,000	
Proceeds from long-term loans payable	13,288	749	
Repayments of long-term loans payable	-300	-1,806	
Redemption of corporate bonds	-15,829	-3,162	
Increase/decreases in treasury stock, net	-76	-7	
Dividends paid	-1,658	-1,658	
Dividends paid to minority interests	-94	-90	
Outflow by cancellation of derivatives	-	-475	
Others	-15	-24	
Net cash used in financing activities	-4,945	-3,971	
IV Foreign currency translation adjustments on cash and cash equivalents	-662	1,271	
V Net decrease in cash and cash equivalents	-2,892	-5,534	
VI Cash and cash equivalents, beginning of year	20,646	26,180	
VII Cash and cash equivalents, end of year	17,754	20,646	

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## (1)Segment Information by Business Group

Consolidated FY 2002

(unit : JPY million)

	Printing inks	Graphic arts machinery and supplies	Polymer chemicals	Chemicals and media materials	Others	Subtotal	Elimination or corporate	Total consolidated
I Net sales and operating income or loss								
(1)Sales to customers	87,094	32,814	40,141	50,258	6,739	217,049	-	217,049
(2)Intersegment sales	252	370	1,485	2,304	3,603	8,017	-8,017	-
Total sales	87,347	33,185	41,627	52,562	10,343	225,066	-8,017	217,049
Operating expenses	78,285	33,711	38,010	45,673	10,734	206,415	2,540	208,955
Operating income or loss(-)	9,062	-526	3,616	6,889	-390	18,651	-10,557	8,093
II Assets, depreciation and capital expenditures								
Assets	87,083	23,753	37,485	50,851	12,204	211,379	53,413	264,792
Depreciation	3,700	611	2,073	3,286	259	9,931	1,044	10,976
Capital expenditures	5,723	758	1,644	5,903	258	14,289	467	14,756

Consolidated FY 2001

(unit : JPY million)

	Printing inks	Graphic arts machinery and supplies	Polymer chemicals	Chemicals and media materials	Others	Subtotal	Elimination or corporate	Total consolidated
I Net sales and operating income or loss								
(1)Sales to customers	87,744	37,730	40,812	47,505	8,565	222,358	-	222,358
(2)Intersegment sales	246	210	1,919	2,470	3,510	8,357	-8,357	-
Total sales	87,990	37,941	42,732	49,975	12,076	230,716	-8,357	222,358
Operating expenses	79,826	38,132	38,518	44,208	11,768	212,455	2,961	215,417
Operating income or loss(-)	8,164	-190	4,213	5,766	307	18,261	-11,319	6,941
II Assets, depreciation and capital expenditures								
Assets	91,416	25,941	41,810	51,009	13,833	224,012	59,209	283,221
Depreciation	3,832	631	1,790	2,705	306	9,266	1,051	10,318
Capital expenditures	6,666	556	4,510	4,628	507	16,869	906	17,776

## (2)Segment Information by Locations

Consolidated FY 2002

(unit : JPY million)

	Japan	Asia-Oceania	Europe	North America	Subtotal	Elimination or corporate	Total consolidated
I Net sales and operating income or loss							
(1)Sales to customers	170,706	29,723	8,522	8,096	217,049	-	217,049
(2)Intersegment sales	8,724	1,380	490	32	10,628	-10,628	-
Total sales	179,430	31,104	9,013	8,128	227,677	-10,628	217,049
Operating expenses	174,069	28,533	9,197	7,888	219,689	-10,733	208,955
Operating income or loss(-)	5,360	2,571	-183	240	7,988	105	8,093
II Assets	162,657	38,211	7,718	6,171	214,758	50,034	264,792

Consolidated FY 2001

(unit : JPY million)

	Japan	Asia-Oceania	Europe	North America	Subtotal	Elimination or corporate	Total consolidated
I Net sales and operating income or loss							
(1)Sales to customers	176,911	26,747	8,364	10,334	222,358	-	222,358
(2)Intersegment sales	7,637	1,143	304	13	9,098	-9,098	-
Total sales	184,548	27,891	8,668	10,348	231,457	-9,098	222,358
Operating expenses	178,660	26,395	8,722	10,279	224,057	-8,640	215,417
Operating income or loss(-)	5,887	1,495	-53	69	7,399	-457	6,941
II Assets	174,776	36,697	7,431	8,066	226,971	56,250	283,221