

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS for the FY2006

(for the first half of fiscal year March 31, 2007 ended September 30, 2006 (November 16, 2006))

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. Takeshi Suzuki, Managing Director, CFO  
 Date of Board Meeting for Settlement of Accounts: November 16, 2005  
 Name of Other Related Company: TOPPAN PRINTING CO., LTD. (Security Code No.7911)  
 Voting Rights by Other Related Company: 22.69%  
 Application of US Accounting Standards: No

## 1. Consolidated operating results for the first half of FY 2006(from April 1,2006 to September 30, 2006)

(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)	%
First half of FY2006	120,828	5.3	6,624	-4.2	6,756	-8.9
First half of FY2005	114,800	2.1	6,912	-0.8	7,416	0.2
FY2005	236,203		13,153		14,142	

	Net income		Net income per share (Basic)	Net income per share (Diluted)
	JPY(million)	%	JPY	JPY
First half of FY2006	4,356	51.1	14.40	13.40
First half of FY2005	2,883	9.9	10.44	9.02
FY2005	6,283		22.01	20.44

- Note 1 : Equity in earnings of associated companies : 51M JPY (first half of FY2006), 108M JPY (first half of FY2005), 106M JPY(FY2005)  
 2 : Average number of outstanding shares (consolidated) :302,496,119shares(first half of FY2006), 276,298,053shares(first half of FY2005), 278,469,236shares(FY2005)  
 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 first half of FY.

## (2) Financial conditions

	Total assets	Net assets	Net assets / Total assets	Net worth per share
	JPY(million)	JPY(million)	%	JPY
As of Sept. 30, 2006	302,040	160,492	50.9	508.40
As of Sept. 30, 2005	277,315	129,253	46.6	467.84
As of March 31, 2005	305,336	151,524	49.6	500.38

- Note : Number of shares outstanding (consolidated) : 302,485,263shares(as of Sept. 30, 2006), 276,278,358shares(as of Sept. 30, 2005), 302,510,346shares(as of March 31, 2005)  
 Net assets of first half of FY2005 and FY2005 do not include minority interests.  
 Net worth is the same as shareholders' equity of first half of FY2005 and FY2005, while net worth of first half of FY2006 consists of shareholders' equity and valuation and translation adjustments.

## (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)
First half of FY2006	10,866	-6,848	-12,149	22,239
First half of FY2005	9,283	-5,007	-3,939	15,332
FY2005	21,484	-10,432	3,579	30,366

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

- Number of consolidated subsidiaries : 66  
 Number of non-consolidated subsidiaries accounted for by the equity method: none  
 Number of associated companies accounted for by the equity method: 8

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

- Number of companies newly consolidated : 3  
 Number of companies excluded from consolidation : none  
 Number of companies newly accounted for by the equity method : none  
 Number of companies excluded from the equity method of accounting: none

## 2. Forecast for the Year Ending 31 March, 2007 (FY2006)

	Net sales	Recurring income	Net income
	JPY(million)	JPY(million)	JPY(million)
FY2006 ending March, 2007	250,000	13,500	7,500

Note : Projected net income per share for the year ending March 31, 2007 is 24.79yen

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.

## Group Corporate Overview

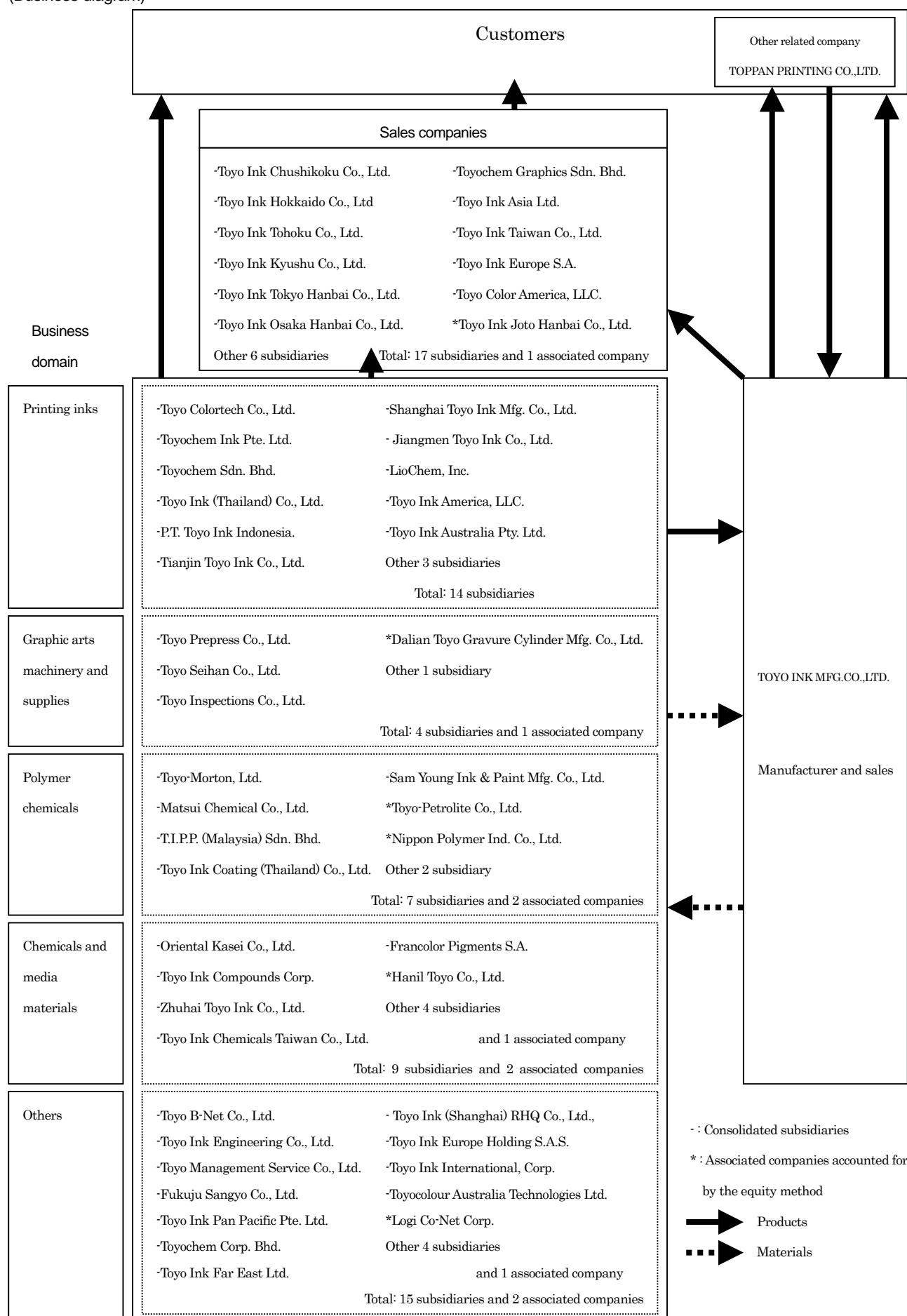
Our corporate group is organized by the company which presents the consolidated financial statements (TOYO INK MFG. CO., LTD.), 66 subsidiaries, and 8 associated companies.

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 cylinder making, etc.	Japan	Toyo Ink Mfg. Co., Ltd., Toyo Prepress Co., Ltd., Toyo Seihan Co., Ltd., etc.
		Overseas	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., Toyo-Morton 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, Plastic colorants, Resist inks for color filters, Electronic materials, Inkjet inks, etc.	Japan	Toyo Ink Mfg. Co., Ltd., Oriental Kasei Co., Ltd., etc.
		Overseas	Zhuhai Toyo Ink Co., Ltd., Toyo Ink Chemicals Taiwan Co., Ltd., Francolor Pigments S.A., Hanil Toyo Co., Ltd., etc.
Others	Natural products, 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 Ink (Shanghai) RHQ Co., Ltd., Toyo Ink Europe Holding 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 trade products and commodities with TOPPAN PRINTING CO., LTD. which is an other related 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.

# Interim Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(unit : JPY million)

Terms Items	First half of FY2006		First half of FY2005		FY2005	
	As of Sept. 30, 2006		As of Sept. 30, 2005		As of Mar. 31, 2006	
	Amount	composition	Amount	composition	Amount	composition
(Assets)		%		%		%
Current assets	( 149,354 )	49.4	( 134,796 )	48.6	( 155,508 )	50.9
Cash and bank deposits	18,636		14,798		15,518	
Notes and accounts receivable	88,591		83,658		87,217	
Marketable securities	1,423		1,244		1,279	
Inventories	33,555		31,911		32,688	
Deferred income tax assets	2,799		2,493		3,145	
Deposit	-		-		14,211	
Others	5,521		2,040		2,822	
Allowance for doubtful receivables	-1,173		-1,350		-1,375	
Fixed assets	( 152,685 )	50.6	( 142,483 )	51.4	( 149,827 )	49.1
Property, plant and equipment	[ 97,842 ]	32.4	[ 93,803 ]	33.8	[ 95,420 ]	31.3
Building and structures	32,225		31,667		32,420	
Machinery and vehicles	29,641		29,078		30,183	
Tools, furniture and fixtures	3,559		3,492		3,578	
Land	27,102		26,929		27,103	
Construction in progress	5,313		2,635		2,134	
Intangible fixed assets	[ 2,919 ]	1.0	[ 3,570 ]	1.3	[ 3,290 ]	1.1
Investments and other assets	[ 51,923 ]	17.2	[ 45,109 ]	16.3	[ 51,117 ]	16.7
Investment securities	45,741		35,552		40,790	
Deferred income tax assets	748		756		776	
Others	6,120		9,500		10,366	
Allowance for doubtful receivables	-686		-701		-816	
Deferred assets	( - )	-	( 36 )	0.0	( - )	-
<b>Total assets</b>	<b>302,040</b>	<b>100.0</b>	<b>277,315</b>	<b>100.0</b>	<b>305,336</b>	<b>100.0</b>

(unit : JPY million)

Terms Items	First half of FY2006		First half of FY2005		FY2005	
	As of Sept. 30, 2006		As of Sept. 30, 2005		As of Mar. 31, 2006	
	Amount	composition	Amount	composition	Amount	composition
(Liabilities)		%		%		%
Current liabilities	( 98,430 )	32.6	( 93,408 )	33.7	( 94,603 )	31.0
Notes and accounts payable	49,765		42,267		44,350	
Short-term loans payable	29,201		20,238		20,419	
Commercial paper	-		-		10,000	
Current portion of convertible bonds	-		14,999		-	
Accrued income taxes	2,236		1,504		3,633	
Others	17,226		14,399		16,199	
Long-term liabilities	( 43,117 )	14.3	( 49,053 )	17.7	( 52,417 )	17.2
Convertible bonds	14,343		14,346		14,346	
Long-term loans payable	18,990		28,284		28,430	
Deferred income tax liabilities	7,492		4,273		7,296	
Liability for employees' retirement benefits	1,491		1,410		1,439	
Liability for directors' retirement benefits	197		610		618	
Others	601		129		286	
Total liabilities	141,547	46.9	142,462	51.4	147,020	48.2
(Minority interests)						
Minority interests	( - )	-	( 5,599 )	2.0	( 6,791 )	2.2
(Shareholders' equity)						
Common stock	( - )	-	( 24,610 )	8.9	( 31,711 )	10.4
Capital surplus	( - )	-	( 25,824 )	9.3	( 32,899 )	10.8
Retained earnings	( - )	-	( 76,677 )	27.7	( 78,926 )	25.8
Net unrealized gains on available-for-sale securities	( - )	-	( 5,531 )	2.0	( 9,173 )	3.0
Foreign currency translation adjustments	( - )	-	( -3,232 )	-1.2	( -991 )	-0.3
Treasury stock, at cost	( - )	-	( -157 )	-0.1	( -194 )	-0.1
Total shareholders' equity	-	-	129,253	46.6	151,524	49.6
Total of liabilities, minority interests and shareholders' equity	-	-	277,315	100.0	305,336	100.0
(Net assets)						
Shareholders' equity	( 146,175 )	48.3	( - )	-	( - )	-
Common stock	31,713	10.5	-	-	-	-
Capital surplus	32,901	10.9	-	-	-	-
Retained earnings	81,772	27.0	-	-	-	-
Treasury stock, at cost	-211	-0.1	-	-	-	-
Valuation and translation adjustment	( 7,500 )	2.5	( - )	-	( - )	-
Net unrealized gains on available-for-sale securities	8,464	2.8	-	-	-	-
Foreign currency translation adjustments	-964	-0.3	-	-	-	-
Minority interests	( 6,817 )	2.3	( - )	-	( - )	-
Total net assets	160,492	53.1	-	-	-	-
Total of liabilities and net assets	302,040	100.0	-	-	-	-

## (2) Interim Consolidated Statements of Income

(unit : JPY million)

Terms Items	First half of FY 2006		First half of FY 2005		FY 2005	
	From Apr. 1, 2006 to Sept. 30, 2006		From Apr. 1, 2005 to Sept. 30, 2005		From Apr. 1, 2005 to Mar. 31, 2006	
	Amount	Composition	Amount	Composition	Amount	Composition
Net sales	120,828	100.0	114,800	100.0	236,203	100.0
Cost of sales	92,883	76.9	87,673	76.4	181,614	76.9
Gross profit	27,944	23.1	27,126	23.6	54,588	23.1
Selling, general and administrative expenses	( 21,319 )	17.6	( 20,214 )	17.6	( 41,435 )	17.5
Packing expenses and freight charge	3,273		3,131		6,551	
Salaries and allowance	5,048		4,761		9,537	
Bonuses	1,333		1,222		2,668	
Welfare expenses	1,270		1,150		2,279	
Depreciation expenses	929		903		1,893	
Research and development expenses	1,347		1,630		2,821	
Others	8,117		7,414		15,683	
Operating income	6,624	5.5	6,912	6.0	13,153	5.6
Non-operating income	( 1,114 )	0.9	( 1,448 )	1.3	( 3,009 )	1.3
Interest income	91		78		223	
Dividend income	197		215		432	
Income from lease and rent	156		202		418	
Gain on foreign currency exchange	52		304		708	
Equity in earnings of associated companies	51		108		106	
Others	564		538		1,119	
Non-operating expenses	( 982 )	0.8	( 944 )	0.8	( 2,019 )	0.9
Interest expenses	528		493		988	
Foreign withholding tax	113		-		-	
Others	340		451		1,030	
Recurring Income	6,756	5.6	7,416	6.5	14,142	6.0
Extraordinary profit	( 1,513 )	1.2	( 91 )	0.0	( 1,600 )	0.7
Gain on sales of investment securities	-		84		774	
Gain on termination of employees' retirement benefit trust	1,108		-		-	
Reversal of allowance for doubtful receivables	302		-		-	
Others	102		7		826	
Extraordinary loss	( 528 )	0.4	( 2,179 )	1.9	( 4,120 )	1.8
Loss on disposals of property, plant and equipment	300		654		966	
Loss from dismantle of property, plant and equipment	157		-		417	
Loss on discontinued operations	-		536		611	
Environmental spending	71		-		1,050	
Impairment loss on fixed assets	-		877		894	
Others	-		111		180	
Income before income taxes and minority interests	7,741	6.4	5,328	4.6	11,623	4.9
Income taxes, current	2,002	1.6	1,478	1.3	4,201	1.8
Income taxes, deferred	1,051	0.9	683	0.6	551	0.2
Minority interests	331	0.3	282	0.2	586	0.2
Net income	4,356	3.6	2,883	2.5	6,283	2.7

## (3) Interim Consolidated Statements of Cash Flows

(unit : JPY million)

Items	Terms	First half of FY 2006	First half of FY 2005	FY 2005
		From Apr. 1, 2006 to Sept. 30, 2006	From Apr. 1, 2005 to Sept. 30, 2005	From Apr. 1, 2005 to Mar. 31, 2006
		Amount	Amount	Amount
I Cash flows from operating activities				
Income before income taxes and minority interests		7,741	5,328	11,623
Depreciation and amortization		5,578	5,500	11,552
Interest and dividend income		-288	-293	-656
Interest expenses		528	493	988
Loss on disposal of property, plant and equipment		285	446	844
Gain on sales of investment securities, net		-	-	-738
Equity in earnings of associated companies		-51	-108	-106
Impairment loss on fixed assets		-	877	894
Increase/decrease in notes and accounts receivable(- is increases)		-1,461	-232	-1,715
Increase/decrease in inventories(- is increases)		-857	-1,038	-540
Increase/decrease in notes and accounts payable(- is decreases)		4,720	-340	997
Others		-1,967	-74	506
Subtotal		14,227	10,557	23,649
Interest and dividend received		512	418	715
Interest paid		-508	-485	-977
Income taxes paid		-3,363	-1,207	-1,902
Net cash provided by operating activities		10,866	9,283	21,484
II Cash flows from investing activities				
Increase in time deposits		-	-306	-403
Decrease in time deposits		-	134	232
Purchases of property, plant and equipment		-6,000	-7,334	-14,795
Proceeds from sales of property, plant and equipment		113	312	1,299
Purchases of investment securities		-1,235	-1,167	-2,876
Proceeds from sales of investment securities		335	1,314	3,941
Proceeds from newly consolidated subsidiaries		-	1,237	1,296
Others		-61	801	872
Net cash used in investing activities		-6,848	-5,007	-10,432
III Cash flows from financing activities				
Increase/decreases in short-term loans payable, net (- is decrease)		-161	-591	-3,527
Increase/decreases in commercial paper, net (- is decrease)		-10,000	-2,000	8,000
Proceeds from long-term loans payable		-	164	2,798
Repayments of long-term loans payable		-495	-159	-301
Dividends paid		-1,361	-1,105	-2,210
Dividends paid to minority interests		-113	-230	-448
Others		-18	-18	-731
Net cash used in/provided by financing activities		-12,149	-3,939	3,579
IV Foreign currency translation adjustments on cash and cash equivalents		4	471	1,209
V Net increase(decrease) in cash and cash equivalents		-8,126	807	15,841
VI Cash and cash equivalents, beginning of fiscal year		30,366	14,525	14,525
VII Cash and cash equivalents, end of period		22,239	15,332	30,366

#### 4. Segment Information

##### (1) Segment Information by Business Group

First half of FY 2006 (from April 1, 2006 to September 30, 2006)

(unit : JPY million)

	Printing inks	Graphic arts machinery and supplies	Polymer chemicals	Chemicals and media materials	Others	Subtotal	Eliminations or corporate	Total consolidated
Net sales and operating income								
(1) Sales to customers	49,106	15,485	22,720	29,641	3,873	120,828	-	120,828
(2) Intersegment sales	314	25	719	1,112	1,154	3,327	-3,327	-
Total sales	49,421	15,511	23,440	30,754	5,027	124,156	-3,327	120,828
Operating expenses	45,286	15,043	21,334	25,917	4,774	112,357	1,846	114,203
Operating income	4,134	467	2,105	4,837	253	11,798	-5,174	6,624

First half of FY 2005 (from April 1, 2005 to September 30, 2005)

(unit : JPY million)

	Printing inks	Graphic arts machinery and supplies	Polymer chemicals	Chemicals and media materials	Others	Subtotal	Eliminations or corporate	Total consolidated
Net sales and operating income								
(1) Sales to customers	44,626	17,225	21,159	28,200	3,588	114,800	-	114,800
(2) Intersegment sales	244	33	578	872	1,741	3,470	-3,470	-
Total sales	44,870	17,258	21,737	29,073	5,330	118,271	-3,470	114,800
Operating expenses	40,720	16,719	19,894	23,739	5,256	106,329	1,557	107,887
Operating income	4,150	538	1,843	5,334	74	11,941	-5,028	6,912

FY 2005 (from April 1, 2005 to March 31, 2006)

(unit : JPY million)

	Printing inks	Graphic arts machinery and supplies	Polymer chemicals	Chemicals and media materials	Others	Subtotal	Eliminations or corporate	Total consolidated
Net sales and operating income or loss								
(1) Sales to customers	93,213	33,545	43,170	58,572	7,701	236,203	-	236,203
(2) Intersegment sales	595	77	1,321	1,829	2,979	6,803	-6,803	-
Total sales	93,809	33,623	44,492	60,402	10,680	243,007	-6,803	236,203
Operating expenses	85,445	32,745	41,060	49,713	10,413	219,378	3,671	223,050
Operating income	8,363	877	3,431	10,688	266	23,628	-10,475	13,153



## (2)Segment Information by Locations

First half of FY 2006 (from April 1, 2006 to September 30, 2006)

(unit : JPY million)

	Japan	Asia-Oceania	Europe	North America	Subtotal	Eliminations or corporate	Total consolidated
Net sales and operating income or loss							
(1)Sales to customers	87,445	24,056	3,348	5,977	120,828	-	120,828
(2)Intersegment sales	8,293	1,376	327	11	10,009	-10,009	-
Total sales	95,738	25,433	3,676	5,989	130,838	-10,009	120,828
Operating expenses	90,748	23,993	4,210	5,612	124,565	-10,361	114,203
Operating income or loss(-)	4,990	1,439	-533	376	6,273	351	6,624

First half of FY 2005 (from April 1, 2005 to September 30, 2005)

(unit : JPY million)

	Japan	Asia-Oceania	Europe	North America	Subtotal	Eliminations or corporate	Total consolidated
Net sales and operating income or loss							
(1)Sales to customers	86,978	19,350	3,314	5,157	114,800	-	114,800
(2)Intersegment sales	8,013	1,225	383	37	9,659	-9,659	-
Total sales	94,992	20,575	3,697	5,194	124,460	-9,659	114,800
Operating expenses	89,323	19,506	3,892	5,175	117,897	-10,010	107,887
Operating income or loss(-)	5,668	1,069	-195	18	6,562	350	6,912

FY 2005 (from April 1, 2005 to March 31, 2006)

(unit : JPY million)

	Japan	Asia-Oceania	Europe	North America	Subtotal	Eliminations or corporate	Total consolidated
Net sales and operating income or loss							
(1)Sales to customers	174,244	43,889	6,845	11,223	236,203	-	236,203
(2)Intersegment sales	17,005	2,766	659	157	20,588	-20,588	-
Total sales	191,250	46,656	7,504	11,380	256,792	-20,588	236,203
Operating expenses	180,725	44,235	8,061	11,133	244,157	-21,106	223,050
Operating income or loss(-)	10,524	2,420	-557	247	12,635	518	13,153