CONSOLIDATED FINANCIAL STATEMENTS
for the Year ended March 2009

May 19, 2009

Name of Listed Company: TOYO INK MFG, CO., LTD.
Listings: Tokyo Stock Exchange, First Section
Code: 4634 URL: http://www.toyoink.co.jp/
Representative: Kunio Sakuma, President, CEO
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Scheduled date of ordinary shareholders' meeting: June 26, 2009
Scheduled dividend payment start date: June 29, 2009
Scheduled date of submission of financial report: June 26, 2009

Note: Amounts of less than million yen are omitted.

1. Consolidated business results for the year ended March, 2009 (from April 1, 2008 to March 31, 2009)

(1) Business results (Figures in percentages denote the year-on-year change.)

Year ended	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March, 2009	239,814	-6.8	3,733	-64.5	2,420	-75.4	-3,859	–
March, 2008	257,446	4.9	10,512	-11.4	9,825	-19.8	6,719	-15.0

Year ended	Net income per share (Basic)	Net income per share (Diluted)	Return on equity	Recurring income/ Total assets	Operating income/ Net sales
	Yen	Yen	%	%	%
March, 2009	-12.76	–	-2.7	0.9	1.6
March, 2008	22.21	20.74	4.4	3.3	4.1

(Note) Equity in earnings of associated companies: -11 million yen (March, 2009), -105 million yen (March, 2008)

(2) Financial position

Year ended	Total assets	Net assets	Net worth/Total assets	Net worth per share
	Million yen	Million yen	%	Yen
March, 2009	260,689	137,022	50.5	435.61
March, 2008	294,961	160,493	51.8	505.02

(Note) Net worth: 131,750 million yen (March, 2009), 152,760 million yen (March, 2008)

(3) Consolidated cash flow condition

Year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
March, 2009	7,708	-11,821	6,862	12,468
March, 2008	9,894	-18,818	-1,480	12,086

2. Dividend

Date of standard	Dividends per share					Dividends total (Annual)	Dividend payout ratio (consolidated)	Dividends/ Net assets
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March, 2008	–	5.50	–	5.50	11.00	3,327	49.5	2.2
March, 2009	–	5.50	–	4.50	10.00	3,024	–	2.1
March, 2010 (Forecast)	–	4.50	–	5.00	9.50	–	95.8	–

3. Forecast for the year ending March, 2010 (from April 1, 2009 to March 31, 2010)

(Figures in percentages denote the year-on-year change.)

	Net sales		Operating income		Recurring income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	110,000	-12.5	2,600	-36.7	2,500	-41.2	1,100	-2.3	3.64
Full-year	230,000	-4.1	7,000	87.5	6,700	176.8	3,000	–	9.92

4. Others

(1) Important changes of subsidiaries during the term : Yes

New subsidiary: (Name:) Excluded: One (Name: Toyo Ink Europe Holding S.A.S.)

(Note) For details, refer to “Group Overview” on page 11.

(2) Changes in accounting policies

1) Change due to the modification in accounting methods: Yes

2) Any other changes: No

(Note) For details, refer to “Important Matters for the Consolidated Financial Statements” on page 22, and “Basic Important Matters for Preparation of Consolidated Financial Statements” on page 26 (Japanese version).

(3) Number of shares issued as of the end of the period (Common stock)

1) Number of shares issued (including treasury stock):

March, 2009 303,108,724 shares, March, 2008 303,108,724 shares

2) Number of treasury stock at the end of the period: March, 2009 655,559 shares, March, 2008 624,410 shares

(Note) For the number of shares that is the basis for computing (consolidated) net income per share, refer to “Per Share Information” on page 43 (Japanese version).

Reference: Financial summary (Non-consolidated) Note: Amounts of less than million yen are omitted.

1. Non-consolidated business results for the year ended March, 2009 (from April 1, 2008 to March 31, 2009)

(1) Results of operations (Percentages show year-on-year rates.)

Year ended	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March, 2009	164,920	-8.8	-1,362	–	929	-86.5	-3,271	–
March, 2008	180,835	1.4	4,491	-27.8	6,874	-34.7	4,920	-19.1

Year ended	Net income per share (Basic)	Net income per share (Diluted)
	Yen	Yen
March, 2009	-10.82	–
March, 2008	16.27	15.27

(2) Financial conditions

Year ended	Total assets	Net assets	Net worth/Total assets	Net worth per share
	Million yen	Million yen	%	Yen
March, 2009	221,472	124,624	56.3	412.04
March, 2008	236,956	134,163	56.6	443.54

(Note) Net worth: 124,624 million yen (March, 2009), 134,163 million yen (March, 2008)

2. Forecast for the year ending March, 2010 (from April 1, 2009 to March 31, 2010)

(Percentages show year-on-year rates.)

	Net sales		Operating income		Recurring income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	78,000	-11.6	0	-100.0	1,100	-60.6	600	-52.4	1.98
Full-year	160,000	-3.0	1,500	–	3,300	255.2	1,700	–	5.62

* Explanation about the proper use of financial forecasts and other important notes

The above forecasts are based on the information available on the date these materials are released and incorporate assumptions about uncertainties that may affect future earnings. Actual earnings could differ materially from these forecasts due to various factors in the future. For notes about assumptions of earnings forecasts and the use of earnings forecasts, refer to page 8 of the attachment.

1. Operating Results

(1) Analysis of operating results

(Million yen)

	Net sales	Operating income	Recurring income	Net income
March, 2009	239,814	3,733	2,420	-3,859
March, 2008	257,446	10,512	9,825	6,719
Growth rate (%)	-6.8	-64.5	-75.4	–

The global economy, already sluggish because of the subprime loan problem and fluctuating prices of raw materials, entered an unprecedented recession with the so-called Lehman Shock of September 2008 as the trigger.

In the operating environment surrounding the Toyo Ink Group, the domestic printing market continued to struggle, while demand in markets that were formerly steady—such as LCD and other consumer electronics, electronics, and automobiles—plunged. Profits also come under pressure with the appreciation of the yen and soaring raw materials prices.

In response, the Group sought to build its operations as a global manufacturer with a focus on providing products and services that meet the true needs of customers in countries around the world. Specifically, we adopted the following three management policies for fiscal 2008, the first year of our three-year, medium-term management plan, and used them as the basis for our operations:

1. Promoting technical development, market development, and growth initiatives, as well as launching and expanding businesses in growth areas;
2. Cutting costs while responding to demands for a broader array of products by integrating the efforts of the manufacturing, sales, and technology divisions; and,
3. Strengthening risk management and promoting network management by small units.

With respect to development and breaking new ground, sales of functional coating agent products, linked with the development of new markets, produced tangible results, while sales of industrial high-durability adhesives soared. In addition, at drupa2008, held in Dusseldorf, Germany, in May 2008, we presented a display with the core concepts of high-function materials, coloring technology, and globalization, while at a private show held in Tokyo in January 2009, we showed new and existing products that best represent the direction the Group is taking, on the theme of “Environmentally friendliness and process innovation.” Both presentations received strong reviews.

To facilitate future growth, we introduced a system of international operations headquarters to bolster our overseas businesses, under which we set up four area divisions (China/East Asia, Asia/Oceania, Europe, and the Americas), and encouraged the coordination needed to expand in each of these areas. In the printing inks segment, we began operating a new offset ink plant in India, while stepping up marketing activities for gravure inks. In addition, with the purpose of upgrading the business basis in the Southeast Asia region, the Group has commenced a reorganization, such as making local affiliates full subsidiaries. In the polymer chemicals segment, the Group completed the installation of production equipment and lines at a new plant in Texas, the United States. Meanwhile, in the chemical and media materials segment, we developed bases founded on global supply-chain management (SCM) for plastic colorants.

To strengthen management and cut costs, we focused on streamlining, such as amalgamating sales offices, and sought to refine our product lineup, as part of our structural reforms of the printing inks business. Also, the Group merged subsidiaries with the aim of restructuring the gravure platemaking business, and withdrew from the monochrome electrostatic toner business. Moreover, with the economic environment deteriorating rapidly from early in the fall of 2008, we took emergency action focused on cash flows, such as reviewing capital investment plans, reducing procurement costs, cutting total fixed costs by streamlining operations, strengthening credit exposure management, and optimizing inventory, among other measures. These efforts produced some significant results.

These initiatives could not, however, offset unprecedented sluggishness in demand, and sales and profits both declined on a year-on-year basis. Specifically, sales in the consolidated fiscal year under review fell 6.8% from a year earlier, to 239,814 million yen, operating income dropped 64.5%, to 3,733 million yen, and recurring income declined 75.4%, to 2,420 million yen. On a bottom-line basis, the Company posted a consolidated net loss of 3,859 million yen, mainly because of the posting of a loss on valuation of securities as an extraordinary item, in comparison with consolidated net profit of 6,719 million yen in the previous consolidated fiscal year.

Results by Segment

(i) By business category

(Million yen)

	Net sales			Operating income		
	Previous term	Term under review	Change (%)	Previous term	Term under review	Change (%)
Printing inks	107,996	104,836	-2.9	8,447	4,862	-42.4
Graphic arts machinery and supplies	33,908	27,095	-20.1	1,028	883	-14.1
Polymer chemicals	51,090	52,093	2.0	3,998	3,031	-24.2
Chemicals and media materials	61,891	54,771	-11.5	8,075	5,693	-29.5
Others	7,960	6,554	-17.7	37	56	50.6
Subtotal	262,847	245,351	-6.7	21,587	14,527	-32.7
Eliminations or corporate	-5,400	-5,536	–	-11,074	-10,793	–
Total consolidated	257,446	239,814	-6.8	10,512	3,733	-64.5

a. Printing Inks segment

The performance of offset inks suffered as demand fell sharply given the structural sluggishness of the Japanese printing industry, which combined with the worldwide recession and soaring raw materials prices. In this very difficult environment, the Group is proceeding with structural reform in the offset inks business, such as streamlining through the integration of sales bases and the optimization of a number of products. We also released the new TOYOKING NEX series of products for sheet-fed printing, which feature excellent printability, as well as the FD Carton X series for UV packs. In addition, we announced the Rice Ink series, which uses rice bran oil that can be procured largely from domestic sources, as a new environmentally friendly ink that embodies the concept of local production for local consumption.

Overseas, performance in North America and Oceania was sluggish throughout the consolidated fiscal year. Moreover, demand in Southeast Asia and China began to decline following the 2008 Summer Olympics in Beijing, as the global economy began to struggle. As in Japan, overseas profits fell as the Group had difficulties raising product prices despite soaring raw material prices.

Although domestic sales of gravure inks for printing and construction materials remained sluggish in a slowing economy, demand for mainstay gravure inks for food packaging held steady. In addition, we are making proposals to customers concerning the use of eco-friendly products, such as the solvent collection system and water inks. Nevertheless, raising product prices and cutting costs could not fully account for the increases in raw material prices, resulting in reduced profits.

In overseas markets, sales of inks for construction materials were weak given the economic slowdown in North America, while sales also stalled in China because of production cuts among food companies that arose from the food safety issue and in Southeast Asia because of inventory adjustment induced by the global recession. Performance in those two areas in the consolidated fiscal year decreased on the year-on-year basis.

As a result, sales in the printing inks segment overall in the consolidated fiscal year under review stood at 104,836 million yen, a year-on-year decline of 2.9%. Operating income was 4,862 million yen, down 42.4% from a year earlier.

b. Graphic Arts Machinery and Supplies segment

Sales for graphic arts machinery plunged with the further cutbacks in capital spending, which conspired with the global recession to slow the domestic printing market.

Although sales of graphic arts supplies for computer-to-plate (CTP) prints rose due to the advancement of CTP printmaking, overall graphic arts supplies sales declined, affected by the printing market slowdown. In the gravure cylinders business, our subsidiary Toyo Prepress Co., Ltd. (Saitama and Fukuoka) absorbed another subsidiary Toyo Seihan Co., Ltd. (Hokkaido) to better streamline management nationwide, and commenced operation as a new company on January 1, 2009.

As a result, sales in the graphic arts machinery and supplies segment in the consolidated fiscal year under review stood at 27,095 million yen, a decrease of 20.1% from a year earlier, while operating income declined 14.1% on a year-on-year basis, to 883 million yen.

c. Polymer Chemicals segment

In the polymer chemicals segment, although demand for can coatings (finishes) in Japan was negatively influenced in the second half of the consolidated fiscal year under review because of the recession, the overall performance was steady thanks to the successful expansion of sales for major customers. Overseas, meanwhile, regional demand in South Korea remained sluggish, and the performance in Thailand was also weak, given falling demand for export purposes. In addition, despite increasing our product prices, our profits were squeezed both in Japan and overseas by soaring raw material prices.

With respect to resins, despite demand for resins for building renovation, demand for resins for new houses decreased, producing in an overall decline. Meanwhile, there has been progress in sales growth and cost cutting in Southeast Asia, China, and South Korea.

In adhesives, although sales of products for displays and automobiles plunged, sales of eco-friendly laminate adhesives for food packages increased, and sales of DYNAGRAND, a highly durable adhesive for industrial use, expanded as we added products with longer durability and moisture-resistance to the lineup. On the other hand, profits remained sluggish as skyrocketing raw materials far exceeded any cost savings or sales price increases.

With respect to coating materials, sales of mainstay marking films, marketed as “sticking paints,” were sluggish in the face of weak demand in the construction and signs markets. Also, despite the poor performance of products for the electronics industry induced by production cuts by customers, sales of high-function products such as chip-on-film (COFs), cell phones, and solar battery parts posted steady gains. In addition, the Group introduced the TSS series of electromagnetic shield films for flexible printed circuits (FPCs), which are highly bendable, shielding, and flame resistant.

As a result, sales in the overall polymer chemicals segment in the consolidated fiscal year under review increased 2.0% from a year earlier, to 52,093 million yen, although operating income declined 24.2% year on year, to 3,031 million yen.

d. Chemicals and Media Materials segment

In the chemicals and media materials segment, sales of both commodity-type pigments for printing inks and high-function pigments for LCDs were significantly lower than the results for the previous consolidated fiscal year, reflecting sluggish demand in Japan and overseas attributable to the global recession, as well as lower exports from Japan because of the rapid appreciation of the Japanese currency. In Europe, meanwhile, despite the decline in sales following the withdrawal from commodity-type pigments and the transition to the high-function pigments business, namely for LCDs, profits improved significantly.

With respect to plastic colorants, domestic sales for containers remained steady, but sales of pigments for automobiles and construction materials fell as a result of the weaker economy. Overseas, sales rose significantly as new subsidiaries in China, Asia, and Europe came on-stream, but profits were lower because of launch expenses.

Sales of LCD color filter materials remained solid during the first half of the consolidated fiscal year under review, but in the second half, demand declined in Japan and overseas because of overproduction in the LCD market compounded by the global economic downturn. Meanwhile, inkjet materials remained relatively strong despite the sluggish demand for advertising signs in the second half of the consolidated fiscal year under review. In addition, the conductive ink REXALPHA and insulating ink LIORESIST were released to facilitate the Group’s entry into the printable electronics market, such as touch-panel use. Meanwhile, we withdrew from both production and sales in the monochrome electrostatic toner (electronic materials) business, which has been struggling. The associated expenses were recorded as an extraordinary loss.

As a result of the factors outlined above, sales in the chemicals and media materials segment stood at 54,771 million yen, a decrease of 11.5% from the previous consolidated fiscal year, and operating income also declined 29.5% from a year earlier to 5,693 million yen, resulting in a decrease in both sales and profits.

e. Others

In this segment, sales increased for the dietary supplements SASA MAROYAKA CHA (Mild Bamboo Tea) containing bamboo grass extracts and SASA-BIYORI soap, which we released during the period, but declined for other products. As a result, sales in this segment were 6,554 million yen, down 17.7% from a year earlier, while operating income rose 50.6% year-on-year, to 56 million yen.

(ii) By geographical area

(Million yen)

	Net sales			Operating income (loss)		
	Previous term	Term under review	Change (%)	Previous term	Term under review	Change (%)
Japan	199,995	184,466	-7.8	7,202	501	-93.0
Asia – Oceania	64,194	64,142	-0.1	3,962	3,221	-18.7
Europe	6,268	4,370	-30.3	-1,660	-518	–
North America	9,387	7,049	-24.9	269	-75	–
Subtotal	279,846	260,029	-7.1	9,774	3,129	-68.0
Eliminations or corporate	-22,399	-20,214	–	738	604	–
Total consolidated	257,446	239,814	-6.8	10,512	3,733	-64.5

a. Japan

In sales, performance of offset inks and commodity-type pigments for printing inks remained weak because of the travails of the printing market in Japan, compounded by a fall in exports linked to the rapid appreciation of the Japanese currency. Sales of high-function pigments also struggled, as customers in the LCD market entered a period of inventory adjustment. In contrast, sales of gravure inks for food packaging held firm, and the performance of adhesives for both industrial and packaging uses rose strongly with growth in sales of high-function products. Meanwhile, sales of LCD color filter materials were favorable in the first half of the consolidated fiscal year under review, but weakened in the second half due to the significant production cuts of television manufacturers.

Turning to profits, the Company reflected soaring raw material prices in sales prices in an appropriate manner, but this was not sufficient to offset the overall increase in the costs of raw materials. To compensate for the drop in sales in the second half of the consolidated fiscal year triggered by the global recession, we rigorously reviewed the procurement of raw and other materials, and made further cuts to labor and other costs. However, this was not able to offset the fall in sales, and the performance in each segment continued to be severe.

As a result, both sales and profits declined, with net sales of 184,466 million yen (down 7.8% year on year), and operating income of 501 million yen (down 93.0%).

b. Asia, Oceania

In China, where demand had been strong, especially for printing inks, we enjoyed special demand relating to the 2008 Beijing Olympics Games. However, both domestic demand and exports declined overall given the negative effects of the global recession, the appreciation of the Chinese currency, and issues related to food safety. Profits were squeezed by soaring raw material prices and rising labor costs. In Taiwan, LCD color filter materials experienced sluggish growth in the second half of the consolidated fiscal year, as in the case of Japan.

In Southeast Asia, sales expanded for offset inks and plastic colorants, but profits were squeezed by soaring raw material prices. Although our offset ink manufacturing plant in India was completed on schedule and sales commenced, performance was weak due to factors including the terrorist attack in November 2008. Sales of offset inks in Oceania also stalled.

As a consequence, net sales in the consolidated fiscal year under review stood at 64,142 million, a decrease of 0.1% from a year earlier, and operating income fell 18.7% year-on-year, to 3,221 million, a decline in both sales and profits.

c. Europe

We withdrew at the end of the previous consolidated fiscal year from the commodity-type pigments business, which had been our mainstay in the region but was incurring losses as demand fell, with customers increasingly procuring such pigments in-house, price competition intensifying, and raw material prices rising sharply. Instead, we shifted to high value-added products. As a result, sales fell, but profits improved significantly. In France, we began in September 2008 operations at a new plastic colorant manufacturing plant.

Consequently, net sales fell to 4,370 million yen (down 30.3% year-on-year), but the operating loss was reduced markedly, to 518 million yen, compared with 1,660 million yen in the previous consolidated fiscal year. In addition, sales rose in new businesses, such as high-function pigments.

d. North America

Sales of mainstay gravure inks for construction materials remained weak given a fall in housing demand following the subprime mortgage crisis, while the performance of colorants for automobiles was also sluggish. In addition, due to the negative effects of our withdrawal from the monochrome electrostatic toner business and a decline in yen-denominated performance linked to the depreciation of the U.S. currency, net sales plunged to 7,049 million yen (down 24.9% year-on-year), and we incurred an operating loss of 75 million yen (compared with operating income 269 million yen in the previous consolidated fiscal year). In October 2008, we opened an adhesive and packaging printing ink manufacturing plant in Texas. We expect that the plant will contribute to sales and profits starting the consolidated fiscal year ending March 31, 2010.

(2) Analysis of financial position

(i) Assets, liabilities, and net assets

(Million yen)

	End of previous fiscal year	End of fiscal year under review	Change
Total assets	294,961	260,689	-34,272
Liabilities	134,468	123,666	-10,802
Net assets	160,493	137,022	-23,470

Total assets at the end of the consolidated fiscal year under review were 260,689 million yen, a decline of 34,272 million yen from the beginning of the fiscal year. Notes and accounts receivable decreased, mainly because of the decline in sales induced by sluggish demand, while property, plant and equipment also fell as we limited new capital investment.

Liabilities at the end of the consolidated fiscal year were 123,666 million yen, down 10,802 million yen from the outset of the fiscal year. Notes and accounts payable decreased, while long-term loans payable rose to finance our aggressive overseas investment and repayment of convertible bonds.

Net assets fell 23,470 million yen from the beginning of the term, to 137,022 million at the end of the term. Retained earnings decreased due to a net loss, and foreign currency translation adjustments declined with progress in the appreciation of the Japanese currency. Also, net unrealized gains (losses) on available-for-sale securities decreased.

(ii) Cash flows

(Million yen)

	Previous term	Term under review	Change
Cash flows from operating activities	9,894	7,708	-2,186
Cash flows from investing activities	-18,818	-11,821	6,996
Cash flows from financing activities	-1,480	6,862	8,343
Balance of cash and cash equivalents	12,086	12,468	381

Cash and cash equivalents (hereinafter “funds”) at the end of the consolidated fiscal year under review rose 381 million yen from the beginning of the term, to 12,468 million yen.

Cash provided by operating activities were 7,708 million yen. Income before income taxes and minority interests was negative because of the effects of an appraisal loss for investment securities, a non-cash loss. Cash was also influenced by a decrease in notes and accounts receivable and accounts payable.

Cash used in investing activities were 11,821 million yen. This result was attributable to outlays for the purchase of property, plant and equipment.

Cash provided by financing activities were 6,862 million yen. The convertible bonds that matured in the current consolidated fiscal year were refinanced through long-term loans payable, and the outlay for dividends payment was offset by cash from an increase in borrowings.

Trends in Group cash flows are as follows:

	Term ended March 2006	Term ended March 2007	Term ended March, 2008	Term ended March, 2009
Capital adequacy ratio (%)	49.6	50.7	51.8	50.5
Market value-based capital adequacy ratio (%)	60.3	43.3	35.4	23.1
Ratio of interest-bearing debt to cash flows (years)	3.4	3.1	6.8	9.7
Interest coverage ratio (times)	22.0	19.3	8.2	6.6

Capital adequacy ratio: Shareholders' equity / total assets

Market value-based capital adequacy ratio: Market capitalization / total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt / cash flows

Interest coverage ratio: Cash flows / interest payments

(Notes)
1. Each indicator is calculated using consolidated financial data.
2. Market capitalization is computed based on the number of shares issued excluding treasury stock.
3. Cash flows denote cash flows from operating activities.
4. Interest-bearing debt denotes all debts and discounted notes receivable recorded in consolidated balance sheets that pay interest.

(3) Forecasts for the next fiscal year

(Million yen)

	Net sales	Operating income	Recurring income	Net income
Term ending March, 2010	230,000	7,000	6,700	3,000
Term ended March, 2009	239,814	3,733	2,420	-3,859
Growth rate (%)	-4.9	87.5	176.8	–

The global economic slowdown in the consolidated fiscal year under review was of unprecedented severity, and we expect that the uncertainty will continue into the next fiscal year. Looking at the environment surrounding the Group, demand is likely to remain generally weak, although it will vary depending on the business.

In this very difficult management environment, we intend to follow through with our return to manufacturing basics, while striving to achieve an appropriate level of total fixed costs, practice global procurement of raw and other materials, reduce costs throughout the Group through operational reforms and other measures, and proceed with streamlining. In addition, we plan to continue to turn the Group into an aggressive manufacturer through a marketing-driven environmental business that has a strong customer focus, a focus on businesses that are less reliant on petrochemicals, among other initiatives.

Although there are many uncertainties for LCD color filter materials, sales of which fell away sharply in the second half of the current consolidated fiscal year, we expect that sales will start to recover as inventory adjustment concludes and a rise in demand in China, among other factors.

With respect to offset inks, the profitability of which has deteriorated given structural weaknesses in demand in the domestic printing market, we will move ahead quickly with structural reforms so that the Group is still profitable.

With the above measures, we expect to post net sales of 230.0 billion yen (down 4.1% year on year), operating income of 7.0 billion yen (rising 87.5%), recurring income of 6.7 billion yen (increasing 176.8%), and net income of 3.0 billion yen (a net loss of 3,859 million yen during the consolidated fiscal year under review).

(4) Basic policy on profit distribution and dividends for the term under review and next term

The Company's basic policy on profit distribution is to continue to pay stable dividends to shareholders while enhancing retained earnings to bolster its operating base. The Company plans to appropriate retained earnings for capital expenditure in basic and growth businesses and for R&D that will contribute to future increases in earnings.

Given this basic policy, as announced on March 16, 2009, the Company plans to pay 4.5 yen per share as a year-end dividend (10 yen for the full year).

The Company plans to pay an annual dividend of 9.5 yen per share (an interim dividend of 4.5 yen and a year-end dividend of 5 yen).

(5) Risks in operations

(i) Risks relating to economic trends

The markets for the Group's mainstay products, including printing inks, are susceptible to general consumption trends. These trends had a particularly large impact during the consolidated fiscal year under review, resulting in a sharp decline in sales and profits. To counter this, the Group sought to reduce costs in every aspect, including reductions in total fixed expenses such as labor costs and in variable expenses such as raw material costs. In the meantime, the Group stepped up the development and sales of highly functional and high value-added products. Despite these initiatives, sales and profits of the Group are at risk of falling if consumption declines or selling prices drop.

In addition, the main ingredients of our manufactured products are petrochemical products, the prices of which fluctuate with changes in the balance of supply and demand and the effects of international crude oil markets. An unfavorable trend could in turn rapidly produce an unexpectedly significant price increase for petrochemical products and a supply shortage, lowering the Group's profits.

(ii) Risks relating to general laws and regulations

General laws and regulations apply to the operations of the Group in Japan and foreign countries where the Group has operations. To comply with these laws and regulations, the Group has established a Risk Management Committee, a Compliance Committee, and an Environment and Safety Committee under the Corporate Social Responsibility (CSR) Control Committee. In addition, the Internal Control Promotion Committee is building an internal control system to ensure the adequacy of financial reporting. However, there is no guarantee that there will be no lawsuits, disputes, or other legal proceedings with the potential to have significant effects on the operations of the Group in relation to environmental issues, product liability, patent infringement, and other issues in association with domestic and overseas operations. If legal proceedings should commence, they might have adverse effects on the operating results and financial position of the Group, depending on the amounts involved and other factors.

(iii) Risks relating to information leaks

The Group has growing transactions with customers competing with foreign corporate groups in the high-tech industry, forming, as a specialty chemical maker, supply chains involving materials for electronic parts with the customers. This business is characterized by a large volume of confidential information concerning the performance of operations, which is accompanied by information risks. In addition, a large volume of information necessary for corporate activities is stored as electronic information, and the use of this information is accompanied by information risks. The Group has established an Information Security Office to mitigate these risks. In the event of unexpected occurrences, however, there is a risk of a loss of credibility, violations of non-disclosure agreements, and a loss of competitiveness from leaks of the Group's expertise.

(iv) Risks relating to general debt collection

The Group delivers its products to a large number of customers in a range of industries both in Japan and overseas, and faces the risk of being unable to collect notes and accounts receivable, and loans to customers in relation to transactions. The Group posts an estimated irrecoverable amount of existing receivables as an allowance and is bolstering credit control to reduce the volume irrecoverable debts. However, if an unexpectedly large volume of irrecoverable debts occur, it could have adverse effects on the operating results and financial position of the Group.

(v) Potential risks in overseas activities

The Group performs production and sales activities overseas and plans to make inroads into growth markets overseas. The expansion of operations overseas has the intrinsic risks described below, each of which has the potential to adversely affect the operating results and financial position of the Group:

- Unexpected laws and regulations, unfavorable changes in the taxation system
- Adverse effects of insufficient social infrastructure on the activities of the Group
- Political factors that have a negative influence on the Group
- Social turmoil caused by terrorism, war, or contagious diseases such as new influenza
- Unexpectedly rapid changes in the labor environment
- Unexpectedly rapid movements in exchange rates

(vi) Risks relating to disasters and effects on the environment

The Group's principal business is to manufacture chemicals and it handles a number of dangerous and chemical materials that are included in raw materials and products. We have a strong commitment to preventing accidents, including fire, and to minimizing the effects on the circumstances surrounding our plants under the direction of the Environment and Safety Committee of the CSR Control Committee, as part of our social responsibility management. In addition, the Environment Division takes every possible step to address risks assumed in relation to the use of chemical materials. Notwithstanding these efforts, in the event of unforeseeable circumstances or problems such as land contamination arising from activities before relevant laws were developed, we may lose production capacity or the confidence of the community. We have also taken steps to address risks relating to natural disasters including earthquakes. We are considering specific measures such as preparing an emergency action manual as part of our measures against a possible earthquake in the Tokai or Tokyo metropolitan areas. However, if damage is more extensive than expected or if the interruption is longer than expected, our supply capacity is at risk of being reduced.

2. Group Overview

The Group consists of the Company, 67 consolidated subsidiaries, and eight equity method affiliates.

The description of businesses operated by the Group is as follows:

Category	Description of major business	Major companies	
Printing ink business	Offset inks, gravure inks, etc.	Japan	TOYO INK MFG. CO., LTD. etc.
		Overseas	TOYOCHEM SDN. BHD. TOYO INK (THAILAND) CO., LTD. TIANJIN TOYO INK CO., LTD. SHANGHAI TOYO INK MFG. CO., LTD. JIANGMEN TOYO INK CO., LTD. TOYO INK MFG. AMERICA, LLC (*1) LIOCHEM, INC. TOYO INK AMERICA, LLC TOYO INK AUSTRALIA PTY. LTD. etc.
Graphic arts machinery and supplies business	Printing machinery, printing equipment, prepress system, printing materials, gravure cylinder platemaking, etc.	Japan	TOYO INK MFG. CO., LTD. TOYO PREPRESS CO., LTD. etc.
		Overseas	Dalian Toyo Gravure Cylinder Mfg. Co., Ltd., etc.
Polymer chemical materials business	Paint coating products for the inside and outside surfaces of cans, metal inks, resins, adhesives, waxes, paint coating products, etc.	Japan	TOYO INK MFG. CO., LTD. Toyo-Morton, Ltd. TOYO ADL CORP. MATSUI CHEMICAL CO., LTD. etc.
		Overseas	T.I.P.P. (MALAYSIA) SDN. BHD. Sam Young Ink & Paint Mfg., etc.
Chemicals and media materials business	Organic pigments, processed pigments, colorants for synthetic resins, plastic colorants, color filter materials, electronic materials, ink jet materials, etc.	Japan	TOYO INK MFG. CO., LTD. ORIENTAL KASEI CO., LTD., etc.
		Overseas	TOYO INK COMPOUNDS VIETNAM CO., LTD. ZHUHAI TOYO INK CO., LTD. TOYO INK CHEMICALS TAIWAN CO., LTD. TOYO INK EUROPE SPECIALTY CHEMICALS S.A. (*2) Han Il Toyo, etc.
Other businesses	Natural materials, service provision, property lease and rental management, holding company of subsidiaries, etc.	Japan	TOYO INK MFG. CO., LTD. TOYO B-Net CO., LTD. TOYO INK ENGINEERING CO., LTD. TOYONEX CO., LTD. etc.
		Overseas	TOYO INK PAN PACIFIC PTE. LTD. Toyo Ink Far East Ltd. TOYO INK (SHANGHAI) RHQ CO., LTD. TOYO INK INTERNATIONAL CORP., etc.
Sales business	Sales of various products manufactured by the companies belonging to the Group	Japan	TOYO INK CHUSHIKOKU CO., LTD. TOYO INK HOKKAIDO CO., LTD. TOYO INK TOHOKU CO., LTD. TOYO INK KYUSHU CO., LTD. TOYO INK GRAPHICS CO., LTD. TOYO INK OSAKA HANBAI CO., LTD. etc.
		Overseas	TOYO INK ASIA LTD. TOYO INK EUROPE S.A. etc.

(Note) 1. Toyo Color America, LLC. changed its name to Toyo Ink Mfg. America, LLC., effective on July 1, 2008.
2. Toyo Ink Specialty Chemicals, S.A. changed its name from FRANCOLOR PIGMENTS S.A. in May 2008.

In addition, transactions involving finished and manufactured goods are conducted between the Company and another affiliate, Toppan Printing Co., Ltd.

Toyo Ink Europe Holding S.A.S., a specified subsidiary during the previous consolidated fiscal year, was excluded from the scope of consolidation because it was dissolved.

3. Management Policy

(1) Basic management policy

All corporate activities of the Group are guided by a corporate philosophy of “People-oriented management,” a corporate policy of “Aiming to be a company creating new values for human culture throughout the world,” and guiding principles that call for customer satisfaction, employee satisfaction, and community satisfaction.

As a manufacturer in the 21st century, we will consistently propose and provide new value for ever-changing living from consumers’ perspective, will consider harmony with the environment centered on the conservation of energy and materials, as well as a commitment to safety and security, and will fulfill the corporate social responsibility of a chemical corporation. Through these activities we will aspire to maximize the satisfaction of all stakeholders. To this end, we will establish a healthy and robust operating base and enhance corporate value with the development of environmentally friendly products, the proactive disclosure of information in IR and PR activities, appropriate internal controls and corporate governance, and management focused on efficiency and performance.

(2) Target management indicators

The Group, which has entered its second century, has adopted the corporate vision set out in SCC2017, which describes the direction we seek to take over the period from fiscal 2008 to fiscal 2016, ending March 31, 2017. SCC stands for “Specialty Chemical maker Challenge.”

Under this corporate vision, we will continue to reform our business and profit structures to increase not only sales and profit but also ROA and ROE, as a company creating high added value.

(3) Medium- to long-term management strategy

Under SCC2017, we aim to evolve into a specialty chemical maker that is able to make a global contribution, based on a firm corporate policy. We will achieve the goals in SCC2017 in three three-year medium-term management plans, named SCC-I, II, and III. The medium-term management plan SCC-I from FY2008 is the first step.

In SSC-I, the medium-term management plan that is in its second year in fiscal 2009, we announced the following as our basic policy, and we are executing the plan accordingly.

First, we will tenaciously pursue product development, market exploration, and marketing-led business expansion and create new revenue growth. Specifically, we will focus on expanding operations into growth areas and developing new products for rapidly changing markets. Globally, we will develop production bases in growth areas in China, Southeast Asia, India, and other emerging countries, achieving growth by organically using these facilities. To develop changing and niche markets, we will focus on electronics, displays, automobiles, and environment and energy-related materials.

Second, we will create next-generation supply chain management (SCM) in order to ensure that we a manufacturer that is responding to prevailing demand. Specifically, we will manufacture the right categories of products using the right materials in the right quantities based on a commitment to conserving energy and materials, as well as to ensuring safety and security, and will thereby build a production system that will enable us to improve efficiency and at the same time to manufacture products that will meet diverse needs and reduce pressure on the environment. We will also promote cost cutting using a unique approach from the perspective of total SCM.

We will build a management system that emphasizes harmony with the environment, risk response, and global coexistence, and will manage our Company with an emphasis on corporate social responsibility (CSR). To address diversifying risks, we will bolster our risk management system in terms of both prevention and response and will execute a transformation to network-type management.

(4) Our challenges

In executing the profit plan for fiscal 2009 under the medium-term management plans mentioned above, we understand that we must go back to manufacturing basics and create new businesses with marketing-driven technologies and business development. We are also cognizant of the need to equip our management mechanisms for the global market and to rebuild our profit structure so that it is geared to withstand the violent changes that we have seen in the operating environment.

To complete these tasks and achieve our goals, we will execute the following initiatives for each business:

In the offset inks business of the Printing Inks segment, we will seek to transform our corporate culture into one that can generate profits irrespective of fluctuations in sales volume, by continuing to streamline our supply chain management system, while stepping up global marketing by strengthening product capabilities in China, India, and elsewhere, and boosting output. In the gravure inks business, we will take fundamental cost cutting action through a collaboration among manufacturing, sales, and technology, while expanding the lineup of highly functional and eco-friendly products. In addition, we will aim to boost sales through total solutions based on a collaboration between platemaking and adhesives, with the core element of inks. Overseas, we will construct our product network as quickly as possible.

In the Polymer Chemicals segment, we will strengthen our approach to the market, and will strive to expand sales of high-value-added products for displays, the electronics, and automobile-related markets. In addition, we will procure globally and optimize our production system at our five production bases in Japan, Thailand, Malaysia, China (Shanghai), and the newest base in Texas.

In the Chemicals and Media Materials segment, we will take steps to increase the contributions of the segment in consolidated results by refining and optimizing the global network that we have built. In the media materials business, we will introduce to the global market our new ink jet-related products, expand the optoelectronics adhesives business in Japan, Taiwan, South Korea, and China, boost sales of touch panel materials, and bolster sales of the solar battery-related business.

We recently launched a Production and Logistics Headquarters as a cross-section function tasked with maximizing manufacturing effective from a global perspective, achieving our environmental goals, and eliminating waste from all processes of production and logistics. We also established a Procurement Headquarters to execute the optimal procurement strategy for the Group worldwide, with an emphasis on preserving the environment. In addition, we set up a committee for operations innovation and the creation of new business.