

Bridge Report Toyo Ink SC Holdings, Co., Ltd. (4634)

 President Katsumi Kitagawa	Company	Toyo Ink SC Holdings, Co., Ltd.		
	Code No.	4634		
	Exchange	TSE 1st Section		
	Industry	Chemical (Manufacturing)		
	President and CEO	Katsumi Kitagawa		
	Address	3-7-1 Kyobashi, Chuo-ku, Tokyo		
	Business	Top printing ink manufacturer in Japan. A Toppan Printing Group company. Source of profit is coloring materials for LCD panels. Capital alliance with Sakata Inx.		
	Year-end	End of March		
	HP	http://schr.toyoinkgroup.com/en/index.html		

— Stock Information —

Share Price	Number of shares issued (excluding treasury shares)		Total market cap	ROE (Actual)	Trading Unit
¥430	298,304,821 shares		¥128,271million	5.9%	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥16.00	3.7%	¥40.23	10.7 times	¥697.57	0.76times

* Share price as of closing on the end of June 14. Number of shares outstanding is as of quarter end from the most recent earnings briefing. ROE and BPS are based on actual results of the previous term end.

— Consolidated Earnings Trends —

(Unit: Million yen, yen)

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
March 2010 (Actual)	226,074	13,339	13,604	6,556	21.77	10.00
March 2011 (Actual)	245,958	19,145	19,002	11,517	38.60	12.00
March 2012 (Actual)	245,337	13,648	13,445	7,238	24.26	12.00
March 2013 (Actual)	248,689	17,547	18,468	8,714	29.20	12.00
March 2014 (Actual)	279,557	19,728	20,553	12,260	41.09	13.00
March 2015 (Actual)	286,684	18,210	19,411	13,304	44.60	14.50
March 2016 (Actual)	283,208	18,470	18,697	12,190	40.87	15.00
March 2017 (Est.)	290,000	19,500	20,000	12,000	40.23	16.00

* Estimates are those of the Company. Net income is net income attributable to owners of parent.

This Bridge Report provides overview of fiscal year March 2016 earnings results, etc.

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<Reference 1 : Midterm Business Management Plan, SCC-III>

<Reference 2 : Corporate governance>

Key Points

• Toyo Ink SC Holdings, Co., Ltd. is Japan's top manufacturer of printing inks. Using the processing technologies of pigments and resins that are the raw materials of inks, the Company manufactures various products such as LCD color filters and electromagnetic shielding films. The Toyo Ink Group is comprised of Toyo Ink SC Holdings, 67 consolidated subsidiaries in and outside Japan, and 12 equity method affiliate companies. Their business is carried out in 24 countries around the world. In the "Midterm Business Plan SCC-III", the Company is aiming to "transform from a specialty chemical manufacturer to a science company". It aims to grow through development of new products and acceleration of overseas expansion.

• The sales for the term ended March 2016 were 283.2 billion yen, down 1.2% YoY. This slight decrease was caused by declining demand for printing in Japan and economic slowdown in China. Operating income was 18.4 billion yen, up 1.4% YoY. Improved profitability in sales (1.6 billion yen), specifically caused by price revision and improvement of profit in exportation, a fall in the price of raw materials (1.8 billion yen), and reduced fixed costs (0.6 billion yen) made up for less sales units (2.1 billion yen) and less sales of high function products (1.6 billion yen), which caused the decrease in operating income.

Overall, profit exceeded the revised forecast.

• The sales for the term ending March 2017 are estimated to be 290 billion yen, up 2.4% YoY. All segments are estimated to increase in sales despite the prolonged harsh business environment. Operating income is estimated to increase by 5.6% to 19.5 billion yen. Profit is estimated to increase in all segments as well. Dividend is expected to be 16.00 yen per share, up 0.50 yen per share. Payout ratio is estimated to be 39.8%.

• In the previous report, we mentioned that the level of increase in sales and profit from the revised full-year forecast was the key in the short term. Although sales were slightly below the forecast, profit exceeded the revised forecast, thanks to price revision and the decrease in the price of raw materials, even in a harsh business environment.

For this term, the trend of sales and profit needs to be watched closely as it is expected to increase in all segments.

On the other hand, in the mid to long term, the company has a high expectation for the development in the area of health care products as it has a potential for growth with a newly acquired platform for pharmaceutical business.

1. Company Profile

Toyo Ink SC Holdings is Japan's top manufacturer of printing inks. Using the processing technologies of pigments and resins that are the raw materials of inks, the Company manufactures various products such as LCD color filters and electromagnetic shielding films, etc. The Toyo Ink Group is comprised of Toyo Ink SC Holdings, 67 consolidated subsidiaries in and outside Japan, and 12 equity method affiliate companies. They are operating business in 24 countries around the world. In the "Midterm Business Plan SCC-III", the Company is aiming to "transform from a specialty chemical manufacturer to a science company". It aims to grow through development of new products and acceleration of overseas expansion.

【History】

The origin of Toyo Ink dates back to 1896, when founder Kamataro Kobayashi opened *Kobayashi's Ink Shop* as sole proprietorship at Nihonbashi, Tokyo. In 1907, it was reorganized and renamed as *Toyo Ink Manufacturing Co., Ltd.* During the Meiji period, many newspapers and magazines, including the *Yomiuri Shimbun* (founded in 1874) and the *Asahi Shimbun* (founded in 1879), were launched. The government also printed increasing number of materials including textbooks to enhance educational levels under the policy of increasing wealth and military power. Under these circumstances, the demand for printing inks expanded rapidly.

Initially, inks in the Japanese market were mostly imported products; however, as the national policy favored high quality domestically produced inks, the Company, with its advanced technological skills, successfully expanded its business with clients such as the Printing Bureau of the Ministry of Finance and other government bodies, in addition to private printing

companies. Exports also grew during the same time. The Company's rapid growth was also due in part to the early introduction of integrated manufacturing system from raw materials (pigments, resins) to finished products (printing inks). Another contributing factor may be that the Company, since its inception, had strong ties with Toppan Printing Co., Ltd., which, by then, was among Japan's largest printing companies. The Company survived the difficult times of the Great Kanto Earthquake and the World War II and experienced rapid growth again during the period of high economic growth after the war. The Company was listed in the Second Section of the Tokyo Stock Exchange in 1961 and moved to the First Section of the Tokyo Stock Exchange in 1967.

The Company is expanding its businesses from manufacturing of printing inks to other fields such as LCD film materials, using its wide range of technologies and know-how cultivated through manufacturing and processing of raw materials such as pigments and resins. In 2011, the Company adopted a holding company system for further expansion and growth of the Group, and changed its name to Toyo Ink SC Holdings, Co., Ltd.

【Corporate Philosophy】

The Toyo Ink Group's Corporate Philosophy was established in April 1993. It consists of 3 parts, namely, corporate philosophy, corporate policies, and guiding principles. The Philosophy embodies the original roots of the brand of the corporate group and serves as guidelines that each employee of the Group should always keep in mind and act on as a business professional.

In April 2014, "improving shareholder satisfaction" was added to its guiding principles. With this revision, the Company is aiming to improve satisfaction of all stakeholders.

<Toyo Ink Corporate Philosophy>

Management philosophy	People-oriented management
Corporate policies	<p>We, the Toyo Ink Group, endeavor to be a company that contributes to the enrichment of life and culture throughout the world.</p> <ul style="list-style-type: none"> • Contribute to the affluence and culture of people worldwide. • Create lifestyle value for the new age. • Provide advanced technology and quality products and services.
Guiding principles	<ul style="list-style-type: none"> • Provide knowledge that enhances customer trust and satisfaction. • Respect the materialization of all employees' dreams. • Act as a responsible citizen in harmony with society and the environment • Respect shareholders' rights, improve shareholder value and enhance market valuation.

All employees must always carry this philosophy system printed on a credo card, read it out in the 5-minute meeting every week at each division, and repeatedly confirm its meaning through discussion. This way, the employees are expected to have deeper understanding and implement the philosophy.

Furthermore, the "Toyo Ink Group Corporate Philosophy" is printed on the first page of every single issue of the Company's in-house magazine, which is published for the Group's unity and circulated to the entire Group including the overseas locations. Also, the above-mentioned credo has "Japanese/English" version as well as "Chinese/English" version to share and spread the corporate philosophy globally.



【Market Environment】

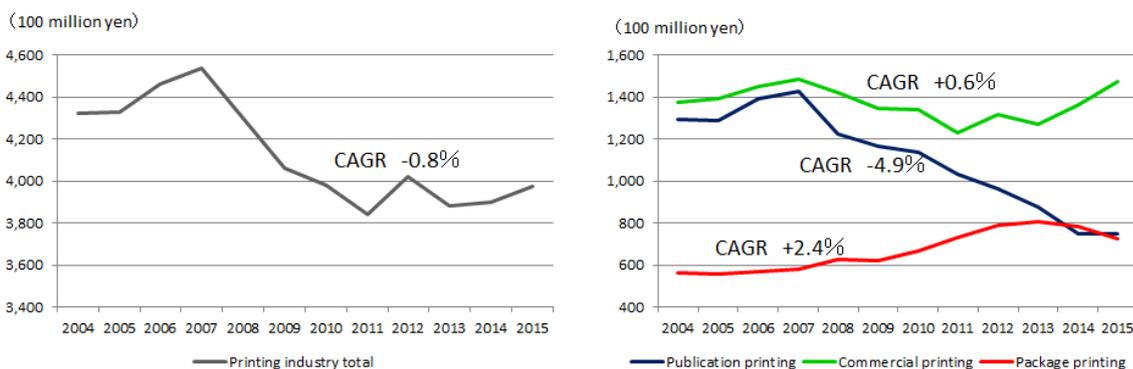
◎ Overview

(Market trend)

The production value of the Japanese printing industry is declining especially in the realm of publication printing of newspapers and magazines as a result of increasing digitization and aliteracy.

In the realm of commercial printing, on the other hand, of posters, catalogues, fliers, POP, etc. demand is fairly steady. Furthermore, printing on food and pharmaceutical packages and plastic containers is steadily increasing at the compound annual growth rate (CAGR) of 2.4% from 2004 to 2015.

Transition of Production value in the Printing Industry



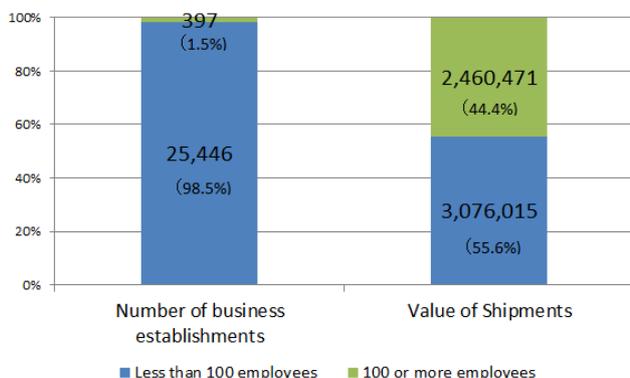
* Developed by Investment Bridge Co., Ltd. based on Current Survey of Production Annual Report "Paper, Printing, Plastic Products, Rubber Products" by Ministry of Economy, Trade and Industry (METI)

Meanwhile, overseas, especially in newly emerging countries, both printing on papers (offset printing) and printing on film of food packages (gravure printing, flexographic printing) is expected to grow, and the Company is focusing on responding to the demand.

As innovation of printing machine is progressing, quality of printing is enhancing. Overseas local inks, in many cases, cannot respond to such demand for high quality, which may lead to more demand of excellent Japanese ink.

(Printing houses and printing ink manufacturers)

According to the "Census of Manufactures 2014: Report by Industry" by METI, there were 25,843 business entities in the printing and related industries in 2014. 25,446 (98.5%) of them are small and medium-sized enterprises with fewer than 100 employees.



* Developed by Investment Bridge Co., Ltd. based on the data from "Census of Manufactures 2014: Report by Industry" by METI
 * The unit of the value of shipments is ¥million.

The Company's customers i.e. printing companies purchase printing inks and carry out printing. However, printing cannot be done simply by setting printing inks and papers and starting the machine. Printing companies are faced with needs such as "selection of the ink for the new types of paper", "producing special color" and "producing premium look" and challenges such as improving printing efficiency and taking environmental measures. The Company provides its

customers with information on new products and various advices concerning these needs and challenges. Most of the 26,000 printing companies in Japan can hardly conduct business without such solutions. Therefore, printing ink manufacturers play a crucial role in the printing industry.

Thus, the Company's customers seek direct dealings with the Company. As a result, nearly 80% of the Company's domestic sales come from direct sales to its customers. These strong relationships with the customers are among the Company's major characteristics.

◎ Other companies in the industry

There are 6 major listed companies including Toyo Ink in the ink industry in Japan.

Whereas (4631) DIC is the number one company in the world, Toyo Ink is the top runner in Japanese printing ink industry, and ranks first or second by most product categories. Globally, the Company is ranked third (The second is a European firm).

(4633) SAKATA INX is the second largest shareholder of the Company. The Company and SAKATA INX complement each other mainly in logistical aspects. The two companies concluded a capital and business alliance agreement in 2000.

		Sales	Sales increase rate	Operating income	Profit increase rate	Operating income rate	Total market value	PER	PBR	ROE
4116	Dainichiseika Color & Chemicals Mfg. Co., Ltd.	161,000	+0.1%	10,000	+0.5	6.2%	39,823	5.0	0.5	5.3
4631	DIC	800,000	-2.4%	54,000	+5.7%	6.8%	220,357	8.7	0.8	14.6
4633	SAKATA INX	151,000	-2.6%	8,050	+4.7%	5.3%	80,052	11.0	1.2	11.9
4634	Toyo Ink SCHLD	290,000	+2.4%	19,500	+5.6%	6.7%	128,271	10.7	0.6	5.9
4635	Tokyo Printing Ink Mfg. Co., Ltd.	44,500	-3.6%	450	-23.3%	1.0%	5,055	14.0	0.2	1.6
4636	T&K TOKA	47,860	+2.4%	2,670	+3.2%	5.6%	19,497	7.8	0.5	7.9

*Sales and operating income are based on estimations of each company for this FY. ROE and BPS are based on actual results of the previous term end.

Unit: Million, -fold. Total market value is based on the closing price as of June 14, 2016.

【Business Contents】

◎ Concerning “printing inks”

Followings are the summary of printing inks, one of the major product categories of the Company, categorized by “raw materials” and “types and purposes of use”.

<Composing elements of printing inks>

Pigments (organic pigments, inorganic pigments, etc.)	Pigments are powders that are used to provide color and are insolvent to water and oil.
Varnish (synthetic resins, lipids, fluxing materials, etc.)	Varnish is a combination of lipids, natural resins, synthetic resins, etc. in a solvent. It diffuses pigments, transfers and fixes them to printing materials.
Additives (lubricant, hardening agent, etc.)	Additives used to adjust so-called printability such as drying performance and fluidity, as well as printing effect.

High-level diffusion technologies are required when various inks are produced by combining the above 3 raw materials. Since its foundation, the Company also has been expanding its business categories by exploring application of these raw materials in the process of manufacturing them.

<Types and intended use of major printing inks>

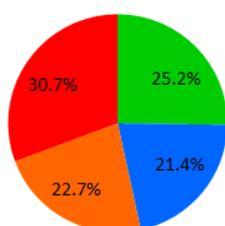
Types	Characteristics and Intended Use
Planographic inks	Typical printing ink on paper. They are used for printing magazines, posters, fliers, etc.
Gravure inks	Because of their capacity to express detailed graduation, it is suitable for printing photo images. Currently, they are mainly used for printing films such as food wrapping materials.
Screen inks	They are mainly used for printing on materials that are difficult to be printed with other methods, including industrial products such as meters and gauges of cars, circuit board formation, and CDs/DVDs.
Flexographic inks	They are used to print on the surface of cardboard boxes, films and clothes.
UV curing inks	Because they dry instantly without using heat drier in the drying process, they are used for UV curing printing that does not directly generate CO ₂ . They are environmentally friendly inks that do not generate Volatile Organic Compounds (VOC).

◎Business segments

The business activities of the Company are classified into 4 segments: the “Colorants & Functional Materials Related Business”, “Polymers & Coatings Related Business”, “Printing & Information Related Business”, and “Packaging Materials Related Business”.

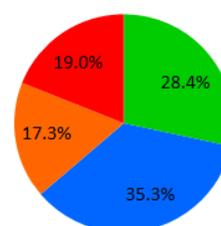
The “Printing & Information Related Business” mainly deals with planographic inks that are used for printing on papers (offset inks, etc.). The “Packaging Materials Related Business” deals with gravure inks and flexographic inks that are used for printing on films of food packages. The “Colorants & Functional Materials Related Business” deals with products related to pigments that are also the raw materials of printing inks as core materials. The “Polymers & Coatings Related Business” began with resins that are the main raw materials of inks and their design technologies.

Sales composition ratio
(FY March 2016)



■ Colorants and Functional Materials ■ Polymers/Coatings
■ Packaging Materials ■ Printing/Information

Operating income composition ratio
(FY March 2016)



■ Colorants and Functional Materials ■ Polymers/Coatings
■ Packaging Materials ■ Printing/Information

* "Other" segment is excluded. The inter-segment elimination is not taken into consideration for both sales and operating income.

★Colorants and Functional Materials Related Business

(Units: Million yen)

	FY 2015	FY 2016
Sales	78,465	71,878
Operating income	7,290	4,461
Profit rate	9.3%	6.2%

Sub segment	Major products
Chemicals	Pigments, high function pigments, color filters (CF), paste
Display materials	Resist inks for LCD color filter
Colorants	Colorants, functional colorants



Based on the organic pigments that are the main raw materials for printing inks, and by integrating their color material technologies, organic chemical synthetic technologies and high-level dispersion technologies, the Company offers materials that are used in various fields. Especially, it created higher functional LCD color filter materials using their nano-level dispersion technologies through integration of technologies that have been accumulated from their ink and painting materials production experiences.

Furthermore, the Company’s dispersion processing technologies are used not only for organic pigments but also inorganic materials such as carbon nanotube (CNT), which lead to expansion of their business in the new energy field such as secondary battery materials. They constitute about 40% of the Company’s operating income.

★Polymers & Coatings Related Business

(Units: Million yen)

	FY 2015	FY 2016
Sales	59,495	60,894
Operating income	3,646	5,547
Profit rate	6.1%	9.1%

Sub segment	Major products
Coating materials	Adhesive tapes, bonding tapes, marking films, electromagnetic shielding films
Adhesives	Adhesive compounds, adhesive bonds, laminating adhesives, hot-melt adhesives
Coatings, resins	Can coatings, resins



For this segment, the Company develops functional resins as the core materials with different functional features. Using unique technologies that have been developed for many years, the Company creates new functions to cultivate new demand and open new markets in electronics, energy, health care and other fields.

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★Packaging Materials Related Business

(Units: Million yen)

	FY 2015	FY 2016
Sales	63,114	64,623
Operating income	1,768	2,723
Profit rate	2.8%	4.2%

Sub segment	Major products
Liquid inks	Gravure inks, flexographic inks, screen inks, gravure solvent
Gravure equipment, plate making	Gravure equipment/plate making



For this segment, the Company deals with printing inks and equipment used in packages such as gravure printing, flexographic graphic printing and screen-printing. In the field of food packaging, etc., the Company is dedicated to developing environmentally friendly products using water-based ink to assure their safety to the consumers.

★Printing & Information Related Business

(Units: Million yen)

	FY 2015	FY 2016
Sales	87,468	87,439
Operating income	2,639	2,977
Profit rate	3.0%	3.4%

Sub segment	Major products
Offset inks	Offset inks, newspaper inks, UV curable inks, metal inks, hard coat
Printing materials and equipment	Printing machinery & equipment, printing materials
Inkjet inks, others	Inkjet inks, other development products



This segment is the core segment of the Company since its establishment. For this segment, the Company deals mainly with printing inks used for printing on paper.

The Company offers not only printing inks but also sales of machinery/equipment, support for streamlining customers' printing process, and support and tools for color management and color universal design.

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◎Overseas expansion

While the Company is improving profitability by offering high-value-added products in the Japanese market, where a rapid growth is not expected, it is aggressively expanding its business from both production and sales perspectives in the overseas market where future growth is expected.

Development of its overseas manufacturing structures was almost completed during the previous Midterm Business Plan, and the Company is carrying out both raw material procurement and production at the local sites.

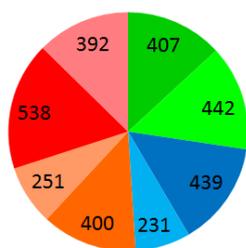
As of the end of March 2016, the Company has 50 overseas subsidiaries and 51 plants in 23 countries around the world.

<Segment trend by region>

(Units: Million yen)

	Sales			Operating income		
	FY 2015	FY 2016	YoY	FY 2015	FY 2016	YoY
Japan	1,890	1,819	-3.8%	126	119	-6.0%
Asia & Oceania	1,022	1,007	-1.4%	57	63	+10.0%
Europe	142	145	+2.0%	2	4	+137.4%
The Americas	124	142	+14.6%	-4	-1	-
Adjustment	-311	-281	-	0	1	-
Consolidated total	2,867	2,832	-1.2%	182	185	+1.4%

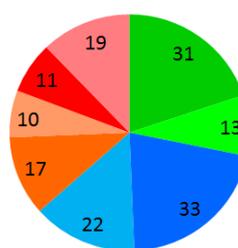
Domestic and Overseas operating profit by segment
(FY March 2016, Unit:100 million yen)



■ Colorants and Functional Materials (Japan) ■ Colorants and Functional Materials (Overseas)
 ■ Polymers/Coatings (Japan) ■ Polymers/Coatings (Overseas)
 ■ Packaging Materials (Japan) ■ Packaging Materials (Overseas)
 ■ Printing & Information (Japan) ■ Printing & Information (Overseas)

* Elimination among regions is not taken into consideration.

Domestic and Overseas sales by segment
(FY March 2016, Unit:100 million yen)



■ Colorants and Functional Materials (Japan) ■ Colorants and Functional Materials (Overseas)
 ■ Polymers/Coatings (Japan) ■ Polymers/Coatings (Overseas)
 ■ Packaging Materials (Japan) ■ Packaging Materials (Overseas)
 ■ Printing & Information (Japan) ■ Printing & Information (Overseas)

* Elimination among regions is not taken into consideration.

【ROE Analysis】

	FY 2013	FY 2014	FY 2015	FY2016
ROE (%)	5.8	7.3	6.9	5.9
Net income to net sales ratio (%)	3.50	4.39	4.64	4.30
Total asset turnover rate (number of times)	0.85	0.88	0.82	0.78
Leverage (fold)	1.94	1.88	1.80	1.75

In the section of “Target Management Indicators” within the earnings result report, not only the expansion of sales and profit but also the improvement of ROA and ROE is mentioned among what is expected of a high-value added company. ROE is expected to increase by enhancing margin and efficiency (total asset turnover rate).

【Characteristics and Strengths】

(1) Strong technological edge

As described above, the Company has been manufacturing in-house pigments and resins, which are the raw materials of printing inks. Its technological capacities form the basis of high quality printing ink production and lead to expansion of business areas and product range such as, LCD color filter materials, adhesive bonds and adhesive compounds.

(2) Excellent problem solving skills

One of the reasons for the Company to be at the top of the Japanese printing inks industry is its excellent problem solving capability in all aspects of printing.

The Company not only produces and supplies printing inks but also studies elements related to “printing” as a whole including plate making and images. Such efforts enable the Company to make technological proposals, demonstrate advanced service skills, and obtain high customer satisfaction.

(3) Environmental concerns

The Company is a forerunner in CO₂ emission reduction as well as production of eco-friendly inks such as non-VOC inks, water-base inks, and UV inks. In the newly developed countries, too, the environmental regulations are becoming tighter, and the needs for environmentally friendly products are increasing. The Company is also working on assuring safety such as chemical substances control and manufacturing a line of products that meet the Swiss Ordinance, ahead of other companies.

(4) Uniqueness of management strategies

The Company considers M&A as one of the options for exploring new markets with its technological edge, if M&A is expected to bring synergy effects to the Company. It is also taking an initiative in the printing ink industry to establish “local production for local consumption” policy in the overseas market for enhancing efficiency (e.g. reduction in transport mileage) and social contribution (e.g. utilization of local products) purposes.

2. Fiscal Year March 2016 Earnings Results

(1) Business results overview

(Units: Million yen)

	FY 2015	Share	FY 2016	Share	YoY change	Initial forecast comparison	Revised forecast comparison
Sales	286,684	100.0%	283,208	100.0%	-1.2%	-5.6%	-2.3%
Gross margin	63,739	22.2%	65,130	23.0%	+2.2%	-	-
SG & A expenses	45,529	15.9%	46,660	16.5%	+2.5%	-	-
Operating income	18,210	6.4%	18,470	6.5%	+1.4%	-7.7%	+2.6%
Ordinary income	19,411	6.8%	18,697	6.6%	-3.7%	-8.8%	+1.1%
Net income	13,304	4.6%	12,190	4.3%	-8.4%	+1.6%	+1.6%

Increase in operating income due to the improvement of income margin despite slight fall in sales

The sales were 283.2 billion yen, down 1.2% YoY. This slight shrinkage was caused by sluggish demand for printing in Japan and economic slowdown in China.

Operating income was 18.4 billion yen, up 1.4% YoY. Improved profitability in sales (1.6 billion yen) which was caused by price revision and improvement of profit in exportation, drop of the price of raw materials (1.8 billion yen), and decreased fixed costs (0.6 billion yen) made up for less sales units (2.1 billion yen) and less sales of high function products (1.6 billion yen), which were the factors of decrease in operating income.

Overall, profit exceeded the revised forecast.

(2) Trend by segment

(Units: Million yen)

	Sales				Operating income			
	FY 2015	FY 2016	YoY change	Compared to the plan	FY 2015	FY 2016	YoY change	Compared to the plan
Colorant/Functional materials	78,465	71,878	-8.4%	-2.9%	7,290	4,461	-38.8%	-12.5%
Polymers/Coatings	59,495	60,894	+2.4%	-4.1%	3,646	5,547	+52.1%	+8.8%
Packaging	63,114	64,623	+2.4%	-2.1%	1,768	2,723	+54.0%	+4.7%
Printing/Information	87,468	87,439	-0.0%	-1.2%	2,639	2,977	+12.8%	+10.3%
Others	5,704	5,980	+4.8%	-	2,833	2,754	-2.8%	-
Adjustment	-7,564	-7,608	-	-	33	5	-	-
Total	286,684	283,208	-1.2%	-2.3%	18,210	18,470	+1.4%	+2.6%

★Colorants and Functional Materials Related Business

Decrease in both sales and profit from the previous year did not reach the estimated values.

With regard to major new products, the sales of carbon dispersions for lithium ion secondary batteries were above the target. However, the sales of masterbatch for solar cells didn't reach the target.

<Chemical products>

Decrease in both sales and profit from the previous term.

The performance of pigments slowed down due to sluggish domestic demand for printing inks. Production adjustment through model change in the South Korean market influenced the performance of CF paste.

<Display materials>

Decreases in both sales and profit.

The profit decreased significantly because of diminished share in Taiwan and delayed adoption of new products. Prices for parts were reduced with lower panel prices caused by the declining operation rate for liquid crystal panels.

<Colorants>

Decrease in both sales and profit.

While the container market has remained firm, the overseas market for office automation equipment was stagnant.

★Polymers & Coatings Related Business

Both sales and profit increased from the previous term. While sales failed to meet the target, profit exceeded the target.

<Coating materials>

Increase in sales and decrease in profit.

Sales of functional films (TSS group) expanded in South Korea and China. The transactions for sign-related products decreased due to the sluggish market condition. Regarding tape-related products, the performance of grinders, the company's mainstay product, stalled because of the slowdown of HDD, LCD, etc.

<Adhesives and adhesive compounds>

Both sales and profit increased.

For sales of optic (ITC) related products, the sales of products for display in South Korean and Chinese markets rose. An increased number of laminating adhesives were sold in Thailand, Vietnam etc. Regarding industrial materials, the sales expanded in North America. Although sales of hot-melt for domestic market were sound, profit fell due to increase in prices of raw materials.

<Coating resins >

Both sales and profit increased.

For coating materials for can production, which the company was looking to find new customers, stably led to a good result. Foundation for profit for resins was strengthened.

★Packaging Materials Related Business

Both sales and profit increased. Compared with the initial estimate, sales were smaller but income was larger.

<Gravure inks in Japan>

Decrease in sales and increase in profit.

Demands in the packaging use expanded. Especially the mainstay gravure inks for food packaging, achieved increase in sales. On the other hand, sales of solvent decreased, with declining prices of naphtha affecting selling price.

<Gravure inks overseas >

Both sales and profit increased.

Increased sales of environment-friendly gravure inks and flexographic inks helped middle-grade products with more sales, especially in China, Southeast Asia and India. Operation of a technical center was started in Thailand.

★Printing & Information Related Business

Decrease in sales and increase in profit. Profit exceeded but sales fell below the plan.

<Offset inks (Japan)>

Decrease in both sales and profit.

Sales of UV inks expanded. Inks for offset rotary press, sheet printing inks and inks for newspaper remained low due to the shrinking demand.

<Offset inks (overseas)>

Both sales and profit increased.

Sales of UV inks remained steady overseas too. In addition, expansion of sales of sheet printing inks and inks for metals contributed to increase in profit. Operation of a technical center was started in China.

(3) Financial Situation and Cash Flow

◎Main BS

(Units: Million yen)

	End of March 2015	End of March 2016		End of March 2015	End of March 2016
Current assets	187,727	184,064	Current liabilities	90,742	85,686
Cash and deposits	39,620	44,470	Trade payables	48,773	48,369
Trade receivables	94,883	90,949	Short-term loans	20,931	20,401
Inventories	45,430	44,391	Noncurrent liabilities	59,763	60,166
Noncurrent assets	176,535	176,462	Long-term loans	44,895	46,037
Property, plant and equipment	101,865	100,698	Total liabilities	150,506	145,853
Intangible assets	2,796	5,683	Net assets	213,756	214,673
Investments, others	71,873	70,080	Equity	180,259	187,972
Total assets	364,262	360,526	Total liabilities, net assets	364,262	360,526
			Capital adequacy ratio	56.9%	57.7%

Current assets decreased 3.6 billion yen from the end of the previous term due to decline in cash and deposits and trade receivables. For noncurrent assets, intangible assets increased and achieved the same level as one in the end of the previous term while property, plant and equipment and investments and others fell. Total assets decreased 3.7 billion yen to 360.5 billion yen.

Total liabilities decreased 4.6 billion yen to 145.8 billion yen because of decrease in trade payables.

Net assets grew 900 million yen to 214.6 billion yen due to increase in retained earnings, despite decrease in foreign currency translation adjustment resulted from strong yen.

Equity ratio increased 0.8 points from 56.9% at the end of the previous term to 57.7%.

◎Cash flow

(Units: Million yen)

	FY 2015	FY 2016	YoY change
Operating CF	25,702	25,886	+184
Investing CF	-6,198	-17,457	-11,259
Free CF	19,504	8,429	-11,075
Financing CF	-13,585	-5,975	+7,610
Cash and Equivalents at Term End	42,546	43,744	+1,198

In spite of decrease in profit, operating CF slightly rose due to the decline in gain on sale of property, plant and equipment from the previous term.

Investing CF diminished further as purchase of intangible assets increased and proceeds from sales of property, plant and equipment, etc. fell. As a result, the increase of free CF shrunk.

Financial CF also shrunk due to decrease in repayment of long-term loans payable. The cash position increased.

3. Fiscal Year March 2017 Earnings Estimate

(1) Business forecast

(Units: Million yen)

	FY 2016	Composition rate	FY 2017 (Est.)	Composition rate	YoY change
Sales	283,208	100.0%	290,000	100.0%	+2.4%
Operating income	18,470	6.5%	19,500	6.7%	+5.6%
Ordinary income	18,697	6.6%	20,000	6.9%	+7.0%
Net income	12,190	4.3%	12,000	4.1%	-1.6%

*Forecasts are the figures announced by the Company.

Increases in sales and operating income are expected.

Sales are estimated to be 290 billion yen, up 2.4% YoY. Sales of all segments are expected to increase even though a harsh business environment is anticipated to continue.

Operating income is expected to be 19.5 billion yen, up 5.6% YoY. Operating income, too, is also expected to rise in all segments.

Dividend is estimated to increase by 0.50 yen per share YoY to 16.00 yen per share. Payout ratio is estimated to be 39.8%.

(2) Trend by segment

(Units: 100 Million yen)

	Sales			Operating income		
	FY 2016	FY 2017 (Est.)	YoY change	FY 2016	FY 2017 (Est.)	YoY change
Colorant/Function materials	719	725	+0.8%	45	48	+6.7%
Polymers/Coatings	609	635	+4.3%	55	63	+14.5%
Packaging	646	675	+4.5%	27	34	+25.9%
Printing/Information	874	885	+1.3%	30	40	+33.3%
Others, Adjustment	-16	-20	-	28	10	-
Total	2832	2900	+2.4%	185	195	+5.4%

*YoY changes are the figures calculated by Investment Bridge Co., Ltd. (Units: 100 Million yen)

★Colorants and Functional Materials Related Business

The following are the priority issues:

Recovery of profit through reorganization of display materials business	<ul style="list-style-type: none"> ◇ Increase in share of Taiwanese high-quality resist ◇ Sales targeted at new customers in the Chinese resist market
Improvement of profitability through structural reform of existing business	<ul style="list-style-type: none"> ◇ Selection and concentration on pigment products ◇ Innovation in production process for CF paste, etc.
Creation of new business and products	<ul style="list-style-type: none"> ◇ Sales of resist inks for image sensors ◇ Development of dispersion for LIB in response to the demand of the Chinese market

★Polymers & Coatings Related Business

The following are the priority issues:

Promotion of the development strategy	<ul style="list-style-type: none"> ◇ Expansion of ICT-related products (adhesives, coating materials, and resins) ◇ Expansion of energy-related products, including resins ◇ Increase in share of adhesives for industrial purposes
Development of new market and business	<ul style="list-style-type: none"> ◇ Better performance in the business of healthcare products ◇ Increase in overseas sales ratio due to strengthening of global supply chain management

★Packaging Materials Related Business

The following are the priority issues:

Strengthening of the earnings base through shift of resources towards more important businesses	<ul style="list-style-type: none"> ◇ Strengthening of gravure inks for domestic market ◇ Expansion of the business of flexo inks ◇ Expansion of the business of screen inks
Increase in sales through focused investment in growing market overseas	<ul style="list-style-type: none"> ◇ Increase in sales of liquid inks in growing market through the development of new business footholds under the Medium Term Plan ◇ Development of new products including high-performance water-based flexo inks
Improvement of product development and strengthening of craftsmanship	<ul style="list-style-type: none"> ◇ Marketing-driven development of differentiated products ◇ Global technology and establishment of production system

★Printing & Information Related Business

The following are the priority issues:

Strengthening of the earnings base through shift of resources towards more important business	<ul style="list-style-type: none"> ◇ Expansion of the business of UV inks. ◇ Expansion of the business of ink-jet inks. ◇ Expansion of sales of metallic inks.
Increase in sales through focused investment in overseas growing market	<ul style="list-style-type: none"> ◇ Strengthening of sales in India and Turkey ◇ Strengthening of marketing in South American countries surrounding Brazil, where the base is located.
Improvement of product development and strengthening of craftsmanship	<ul style="list-style-type: none"> ◇ Development of differentiated products through marketing ◇ Global technology and establishment of production system

4. Growth Strategies

The following are the ongoing projects related to new products and market.

◎New products

(1) Water-based flexo inks usable for high-speed printing

When looking at printing methods for film packaging materials by region, oil flexo is common in Europe and oil gravure is common in Asia. However, recently the demand for water-based printing has been growing due to regulation for food packaging materials in Europe and regulation of emission of VOC(*) in China from the environmental perspective.

Whether or not printing speed for water-based printing can be as fast as the one for oil flexo (500m/min.) is the key as water-based printing has its difficulty in productivity due to its drying capacity.

After Toyo Ink developed the world's first retort processable water-based inks in 2007, it continued R&D for the problems of drying capacity of the product. Finally in 2016, it succeeded in developing water-based laminate inks with low VOC for high-speed printing at a maximum speed of 400 to 500 meters/min.

The sale of the product was started in Europe, China and Japan, targeting food laminate packaging materials, which dominate the major share of film packaging materials.

The company targets sales of 1.5 billion yen for this term, and 2 billion yen for the next term.

VOC (*)

VOC stands for Volatile Organic Compounds. VOCs are organic chemicals such as toluene, xylene and ethyl acetate, which are included in paints, printing inks, adhesives, detergents, gasoline, and thinner. VOC is regarded as one of the substances that cause photochemical smog through photochemical reaction in the air. (Source: the website of the Ministry of Economy, Trade and Industry.)

(2) Polymer-related product group for optics

In the mobile market and display market, various changes have occurred, including the growing demand for durability of liquid crystal polarizing plates mainly for automobile use, rise of OLED (organic light-emitting diode)* for display, and shift of production bases to the Chinese market.

In response to these changes, by utilizing the group's advantage, Toyo Ink has been developing new polymer-related product group for optics such as **acrylic adhesive**, which was given the durability based on technology platform developed in different fields, **urethane adhesive**, allowing improved flexibility and controls conformably better than acrylic resin, and **UV adhesive**, which was prepared for new materials like COP by utilizing its own monomer.

With regard to the production system, especially in China and South Korea, reduction in distribution costs and quick delivery (local production for local consumption) have been promoted.

The target sales of products for electronics optical for this term are 4 billion yen.

Organic light-emitting diode (*)

Organic compounds are used as luminescent materials. OLED is thinner and lighter than liquid crystal, and has less power consumption, faster response, and higher contrast as well. It has been expected to be applied to light, TV and display devices in the near future.

(3) Resist-related products

<Improvement of share of CF materials through the originally developed pigment>

Pigment of RGB (red, green and blue) was originally developed in order to make power saving panels with high saturation as high-quality panels, and the result has been partially recognized.

Products tailored for the trend of improving quality, such as 4K/8K, is to be on sale in the market.

Coloring Materials		State
GREEN	High saturation	Mass production for high-quality TVs was started in the fourth quarter of the previous year. In use for evaluation.
	High intensity	In use for evaluation in Japan and overseas towards mass production in the fourth quarter of this year.
BLUE	Hybrid	Mass production for high-quality TVs was started in the fourth quarter of the previous year. In use for evaluation.
RED	New color	In use for evaluation towards mass production in the third quarter of this year.

Sales of materials for media were 22.5 billion yen in this term, and the target for the next term is 24.5 billion yen.

(4) Lithium-ion batteries-related parts

LIOACCUM™ ONESHOT WANISU™ series of electrode materials for lithium batteries has been adopted in Toyota Motor Corporation's new Prius hybrid vehicle which was released on December 19, 2015.

The LIOACCUM ONESHOT WANISU is a functional dispersion used for processing lithium-ion battery electrodes. Based on the group's expertise in dispersion and ink processing technology, it can be dispersing and mixing the conductive carbon and binder in an optimal state.

Compared with conventional manufacturing methods, ONESHOT WANISU dispersion make it possible to produce a high-grade and stable battery electrode by forming a homogeneous coating on the electrode surface. In addition, production time has dramatically been reduced.

With this development as a foundation, Toyo Ink moves forward with development in new markets especially the Chinese market. At the same time, the company also develops parts with more stability and environmental-friendliness by adding new technology.

The target sales of lithium-ion battery-related products for this term are 400 million yen. However, the sales for the term ending March 2019 are estimated to dramatically grow to 2 billion yen.

◎New market

(1) Development of business into the field of healthcare

With regard to the business of pasting pharmaceutical products, Toyo Ink obtained authorization of manufacturing/distribution of pharmaceutical products (Class 1). Manufacturing line for pharmaceutical products has been completed, and knowledge about operation of pharmaceutical business has been gained as well.

Completion of the platform for pharmaceutical business enabled direct participation in the medical health care market.

From this term, Toyo Ink aims at creating synergy with its core technology, including dispersion and prescription technique, polymer technique, coating and processing technique, device development technique, etc., and development of new products such as new pasting pharmaceutical products, medical adhesive and resin, and medical tapes, as well as overseas expansion.

Sales goal for this term for healthcare-related products is 2 billion yen.

(2) Global development

Toyo Ink Turkey was established in January 2015 as a sales corporation. It aims to earn recognition and increase sales in the region, and with the sales of high function products, it aims to have the largest share in Turkey.

The following are the development strategies.

- 1) Expansion of business via existing channels as hubs, group's channels and new channels. In the Middle East, North Africa and Central Asia, Toyo Ink aims at establishing business base and expanding the business early. On the other hand, brand development is planned in Europe, which is an environmentally advanced region.

- 2) Strengthening of the business of liquid inks as using the group's knowledge towards expansion of the share of packaging, a growing market.
- 3) Increase in sales through expansion of product lineups such as offset lithographic inks and paint, enabled by the group's technology.
- 4) Strengthening of solution capability through new product launches such as UV inks, inks for ink-jet printers and laminating adhesive.

Sales goal towards 2020 is to expand from nearly 6 billion yen to 10 billion yen.

5. Conclusions

In the previous report, we mentioned that the level of increase in sales and profit from the revised full-year forecast was the key in the short term. Although sales were slightly below the forecast, profit exceeded the revised forecast, due to price revision and the decrease in the price of raw materials, and despite the harsh business environment.

For this term, the trend of sales and profit need to be watched closely as they are expected to increase in all segments.

On the other hand, in the mid to long term, the company has a high expectation for the development in the area of health care products as it has a potential for growth with a newly acquired platform for pharmaceutical business.

<Reference: Midterm Business Management Plan, SCC-III>

(1) Midterm Business Management Plan, SCC-III

The Midterm Business Management Plan, called Science Company Change (SCC), began in April 2008. In April 2014, its 3rd term, "SCC-III Evolution Plan" for April 2014 to March 2017 began.

Goal	To be a corporate group that will create enriched life and culture together with various people in the world based on innovation of advanced technologies and group networks.
3 principles	Continuous innovation and strengthening of global network
	Drastic increase in earnings rate
	Strengthening governance

◎Business domains and technology platforms

In the SCC-III, the Company is aiming to "transform from Specialty Chemical Manufacturer to a Science Company" and established 3 business domains and 5 technology platforms. Through collaboration between the "Group Technology Center", which is the laboratory facility of the Holdings, and business departments of each group company in Japan and overseas, the Group will carry out basic research and product development.

<Business Domain>

Each business domain sets priority areas and will continuously develop and offer products that respond to the changing tide and market needs. Although the progress thus far is uneven, development of secondary battery related parts in the "Sustainability Science" domain reportedly started showing good results from this FY.

New Business Domain	Priority Areas of the Midterm Business Plan
"Life Science" that contributes to healthy living	<p><Packaging></p> <p>In addition to the expansion of gravure inks and flexographic inks, the Company aims to come up with solutions for new packages by further integrating its own products such as coatings and colorants. Design is another key element. The Company aims to achieve the global standard of safety and security.</p>
	<p><Healthcare></p> <p>The Company aims to contribute to people's health maintenance and promotion by using functional materials and integration technologies. By leveraging synthetic resin technologies, it will develop transdermal therapeutic drugs and medical devices using biocompatible resins.</p>



“Communication Science” that contributes to richness in mind	<Electronics> The Company will lead the ultra-high-definition high-speed communication era by using the latest material development and integration technologies. Following the resist inks for color filters and electromagnetic shielding films, the Company will continue to respond to the demand for display-related parts.
	<Fine imaging> The Company pursues advancement of colorants, printing and processing technologies and offers colors to various scenes in people’s lives. It will also work in product development that responds to the advancement of digital printing.
“Sustainability Science” that contributes to sustainable society	<Environmental consciousness> The Company aims to coexist with nature through the development of natural materials as well as products that contribute to improvement and conservation of environment. It will proactively work on environmental issues through, for example, land and water quality improvement using resin technologies.
	<Energy-related operations> The Company will contribute to future society through creation, accumulation and utilization of natural resources and energy such as power and heat. It aims at expanding business of solar batteries, secondary batteries and fuel batteries.

<Expansion of Technology Platform (TPF) >

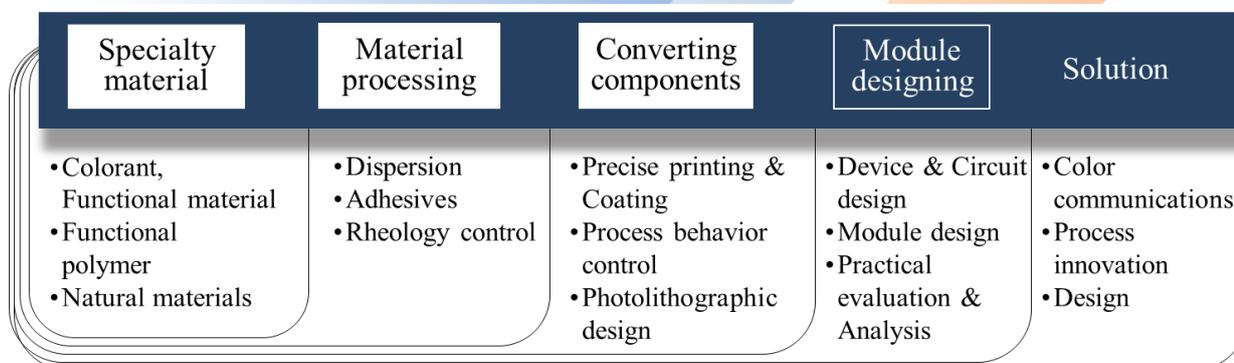
Technology platform refers to technology accumulation and basic technologies that will be the basis and foundation for developing new products.

The Company initially had three conventional TPFs: 1) “Specialty Materials” that advance existing materials to special materials, 2) “Material Processing” that adds functions and values with unique processing technologies to specialty materials, and 3) “Converting Components” that process materials to meet diversifying and advancing needs. Then Company added two more TPFs. One is “Module Designing,” which is a technology for examining products from customers’ point of view and reflecting the results in the downstream expansion of products and development of new products. The other is “Solution,” which is aimed at creating products that are valuable for the users by proposing design and formation. Thus, the Company has a total of five TPFs.

Creating products as a science company

Specialty chemical manufacturer

Chemistry, Chemical engineering, Interfacial chemistry, Thermal dynamics, Electrical and electronic engineering, Optics, Biochemistry, Environmental science, Behavioral science



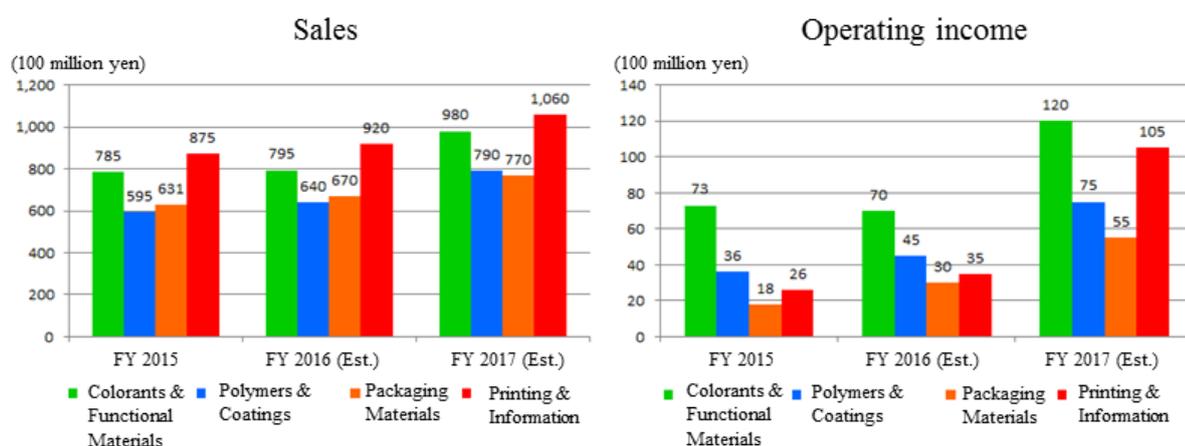
◎Plans for each business segment

The Company aims to expand its four business segments in a well-balanced manner.

The potential growth of “Colorants and Functional Materials Related Business” with a focus on LCD color filter, which occupies about 40% of the current operating income, is high but subject to economic trends. Printing inks, on the other

hand, can expect little of their market growth, but they are less likely to be affected by the changing economic environment. The Company will pursue market development in newly emerging countries based on the principle of “local production for local consumption” to obtain stable income base for the “Printing and Information Related Business” and “Packaging Materials Related Business” segments. At the same time, it will pursue growth by developing and selling new high-value-added products for the “Colorants and Functional Materials Related Business” and “Polymers and Coatings Related Business” segments.

Segment	Basic principles
Colorants and Functional Materials Related Business	<p>(1) Business structure reform through new product development and overseas market expansion for general-purpose products</p> <ul style="list-style-type: none"> • Business expansion in the healthcare market and energy market • Promotion of general-purpose products (pigments, colorants, etc.) overseas <p>(2) Establishment of next generation production structure by converting functions of domestic bases and creating overseas networks</p> <ul style="list-style-type: none"> • Establishment of efficient production structure of existing products • Establishment of infrastructure for new businesses <p>(3) Establishment of business operation structure from global perspectives</p> <ul style="list-style-type: none"> • Business expansion through collaboration with overseas local companies and overseas manufacturers
Polymers & Coatings Related Business	<p>(1) Promotion of growth strategies</p> <ul style="list-style-type: none"> • Promotion of new products and new businesses (package, ICT, natural materials, etc.) • Establishment of marketing networks in the priority areas • Strengthening development of healthcare products <p>(2) Strengthening business foundation</p> <ul style="list-style-type: none"> • Strengthening sales in Japan (e.g. coatings for cans, optics adhesives, etc.) • Strengthening the foundation for manufacturing (e.g. improvement of operation capacity of the Kawagoe Factory). • Strengthening earning power based on planned costs. <p>(3) Expansion of business through new converging products group</p> <ul style="list-style-type: none"> • Expansion of business fields by enhancement of converting technologies
Packaging Materials Related Business	<p>(1) Connect the foundation strengthening actions that were carried out during the SCC-II to the actual performance results</p> <ul style="list-style-type: none"> • Strengthening sales in newly emerging countries • Improving profit for the liquid ink business in the USA <p>(2) Formation of new business groups</p> <ul style="list-style-type: none"> • Expansion of film flexographic business • Development of inks and coating agents for construction materials • Development of silk screen high-value-added products <p>(3) Establishment of products made to globally common specifications and materialization of SCM</p> <ul style="list-style-type: none"> • Setting strategic gravure inks and flexographic inks • Strengthening responses to global account • Development of products that meet various environmental regulations
Printing & Information Related Business	<p>(1) Connecting foundation strengthening actions that were carried out during the SCC-II to the performance results</p> <ul style="list-style-type: none"> • Strengthening sales in the newly emerging countries • Strengthening profitability by shifting to high function products <p>(2) Formation of new business groups</p> <ul style="list-style-type: none"> • Expansion of UV inks business through synergy with the Arets Group. • Expansion of IJ business through intensifying high functionality and diversifying product lines. <p>(3) Establishment of products made to globally common specifications and materialization of SCM</p> <ul style="list-style-type: none"> • Setting offset inks and UV inks • Overseas expansion of metal inks • Enhancing technological capacities of overseas locations and connecting their networks



◎Overseas expansion

The goal of SCC-III for the overseas sales ratio is 50% (it was 43% during FY 2015).

The local manufacturing structure of printing inks in India and Brazil has been almost completed during the previous Medium Term Plan. From this FY on, the Company is planning to accelerate production and strengthen production and sales of adhesives in Asia and the United States for diversification.

Furthermore, in an effort to explore new markets, the Company will also work on marketing in Mekong Basin area and Mexico and strengthen sales in Turkey for the possible future local production.

In the market of emerging countries, the Company will make efforts to expand sales by selling high-spec products just like the ones sold in Japan, as well as lowering costs of the Company's unique middle-spec products that are high quality and eco-friendly.

In developed countries, the Company will make efforts to expand sales of UV inks, which is the Company's strength, taking advantage of growing number of Japanese printing machinery sold in Europe and the U.S. The UV inks for packaging made by Arets International NV (current Toyo Aretz International NV), which was acquired by the Company in April 2013, will also be a strong asset for the Company.

◎Strengthening management foundation

In addition to the above-mentioned actions to expand the business, the Company is making efforts to strengthen management base through "strengthening the manufacturing base" with a focus on cost reduction, "promotion of environmental management" to reduce CO₂ emission, "development and utilization of human resources" by expanding diversity, and "streamlining management" by introducing integrated systems on a global scale.

◎Numerical targets

Indicators	FY 2015 (Actual)	FY 2017 (Plan)
Sales	2,867	3,600
Operating income	182	360
Operating margin	6.4%	10.0%
Overseas sales rate	43.0%	50.0%
ROE	6.9%	10%
ROA	5.6%	6%
Interest-bearing debt	669	500
Operating cash flow	257	800

*Unit: ¥100 million. ROA means "Return on Assets (Ordinary income / Total assets)."

(2) Message from the Company to the investors

As stated in our management philosophy, we Toyo Ink, a lifestyle creating company, is always aiming to develop products from the consumers' perspective.

Even if you have never heard of our name, we would like you to know that our products are used in various situations in your life.

Not as a mere ink manufacturer but as a science company, we will continue looking towards the client companies' future and plan to expand the range of products that are essential to the society.

We added "improving shareholders' value" last year in its Guiding Principle, and are successfully changing the corporate minds and the mind of employees.

We would like our investors to see our steady growth through new product development and overseas expansion, and seek support from our investors from mid- to long-term perspectives.

<Reference 2: Corporate Governance>

◎Structure of organization form, directors and auditors

Organization Form	Company with board of company auditors
Directors	13 including 2 outside directors
Auditors	5 including 2 outside auditors

◎Corporate Governance Report

Toyo Ink SC Holdings Co., Ltd. Submitted a Corporate Governance Report on December 15, 2015 after Corporate Governance Code was applied.

<Principles not to be followed and the reasons>

Principles	Reasons
Amendment 4-1-3	Successor to the President, Representative Director is not yet chosen completely. A candidate with the most suitable character, knowledge and achievement will be chosen among others.
Amendment 4-11-3	The Board of Auditors shall conduct evaluation of the board of directors every year through confirmation note for performance of duty that targets executive directors. From the next term, Board of Directors evaluates effectiveness of the whole Board of Directors, targeting directors and auditors as well. Summary of the result will be disclosed when the evaluation is completed.

<Major disclosed principles>

Principles	Disclosure
Principle1-4.	<p>Toyo Ink SC Holdings Co., Ltd. shall hold shares of some companies as its policy and as part of its management strategy, including forming of business alliances, maintenance and strengthening of business relationships, and stable procurement of raw materials. In terms of strategic holding shares, Toyo Ink verifies economic rationality from mid- to long-term perspective at the Board of Directors.</p> <p>When exercising voting right to the listed strategic holding shares, Toyo Ink shall qualitatively and comprehensively consider whether or not each bill contributes to improvement of issuing companies' value from a mid- to long-term perspective and to shared interest of shareholders including Toyo Ink. It also shall consider possible influence that each bill has to management of the group and its business. Then Toyo Ink shall appropriately exercise voting right at each bill.</p>

Principle 5-1.	<p>Toyo Ink shall consider its shareholders and investors as important stakeholders. For this reason, Toyo Ink shall respect shareholders' right and work towards improvement of shareholders' value according to SHS (shareholder satisfaction) as one of its principles. Among others, Toyo Ink especially shall regard constructive dialogue with shareholders and investors as an important factor. Therefore, Toyo Ink shall assign directors in charge of finance, general affairs and IR, and make sure to share information through organic ties with each department. The company also shall aim at promoting dialogue with shareholders and investors, having a group department of general affairs and group department of public relations as special desks respectively, and report important opinions grasped through the dialogue to directors in charge.</p> <p>To manage insider information, Toyo Ink shall stipulate regulations for insider trading and information protection and include articles about it in its business principles. Toyo Ink shall also distribute the guidebook and hold training regularly to ensure the full dissemination to all employees.</p>
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