

# Consolidated Financial Results (Japanese Accounting Standards) for the Fiscal Year Ended March 31, 2016

May 13, 2016

Name of Listed Company: TOYO INK SC HOLDINGS CO., LTD. Listings: Tokyo Stock Exchange  
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 Scheduled date of ordinary shareholders' meeting: June 29, 2016  
 Scheduled date of commencement of dividend payments: June 30, 2016  
 Scheduled date of submission of financial report: June 29, 2016  
 Supplementary documents for financial results: Yes  
 Financial results briefing: Yes (for institutional investors and securities analysts)

(Amounts of less than million yen are omitted.)

## 1. Consolidated business results for the year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

### (1) Business results (cumulative totals)

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

Year ended	Net sales		Operating income		Recurring income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 2016	283,208	-1.2	18,470	1.4	18,697	-3.7	12,190	-8.4
March 2015	286,684	2.5	18,210	-7.7	19,411	-5.6	13,304	8.5

(Note) Comprehensive income: Fiscal 2016 5,576 million yen (-82.9%) Fiscal 2015 32,605 million yen (7.4%)

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 2016	40.87	40.86	5.9	5.2	6.5
March 2015	44.60	-	6.9	5.6	6.4

(Note) Equity in earnings of associated companies: Fiscal 2016-67 million yen Fiscal 201582 million yen

### (2) Financial position

Year ended	Total assets	Net assets	Net worth/Total assets	Net assets per share
	Million yen	Million yen	%	Yen
March 2016	360,526	214,673	57.7	697.57
March 2015	364,262	213,756	56.9	694.62

(Note) Net worth: Fiscal 2016208,087 million yen Fiscal 2015207,220 million yen

### (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 2016	25,886	-17,457	-5,975	43,744
March 2015	25,702	-6,198	-13,585	42,546

## 2. Dividends

	Dividends per share					Dividends total (annual)	Dividend payout ratio (consolidated)	Dividends/Net assets (consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 2015	-	7.00	-	7.50	14.50	4,325	32.5	2.2
March 2016	-	7.50	-	8.00	15.50	4,623	37.9	2.2
March 2017 (Forecast)	-	8.00	-	8.00	16.00		39.8	

## 3. Forecasts for the year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

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

	Net sales		Operating income		Recurring income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	140,000	-0.7	9,000	6.4	9,300	6.3	5,500	-3.2	18.44
Full-year	290,000	2.4	19,500	5.6	20,000	7.0	12,000	-1.6	40.23

**\* Notes:**

- (1) Important changes of subsidiaries during the term (changes in specific subsidiaries accompanied by a change in the scope of consolidation): No
- (2) Changes in accounting policies and changes or restatement of accounting estimates
- (i) Changes in accounting policies due to the modification in accounting methods: Yes
- (ii) Changes in accounting policies other than (i): No
- (iii) Changes in accounting estimates: No
- (iv) Restatement: No
- (3) Numbers of shares issued (common shares)
- (i) Numbers of shares issued (including treasury shares):
- Fiscal 2016: 303,108,724 shares
- Fiscal 2015: 303,108,724 shares
- (ii) Numbers of treasury shares at the end of the terms:
- Fiscal 2016: 4,803,903 shares
- Fiscal 2015: 4,785,989 shares
- (iii) Average numbers of shares issued during the terms (consolidated accumulation periods):
- Fiscal 2015: 298,311,290 shares
- Fiscal 2016: 298,334,651 shares

Reference: Financial summary (non-consolidated)

(Amounts of less than million yen are omitted.)

Non-consolidated business results for the year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(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 2016	19,201	-2.9	9,635	-5.9	10,686	-3.4	9,365	-10.4
March 2015	19,778	0.5	10,237	8.5	11,060	7.4	10,449	17.6

Year ended	Net income per share (Basic)	Net income per share (Diluted)
	Yen	Yen
March 2016	31.40	31.39
March 2015	35.03	—

(2) Financial position

Year ended	Total assets	Net assets	Net worth/Total assets	Net assets per share
	Million yen	Million yen	%	Yen
March 2016	235,307	166,617	70.8	558.55
March 2015	231,305	162,589	70.3	545.01

(Note) Net worth:

Fiscal 2016 166,578 million yen

Fiscal 2015 162,589 million yen

**\* Status of audit procedures**

This financial summary does not need to undergo audit procedures under the Financial Instruments and Exchange Act. As at the time of the announcement of this financial summary, the audit procedures for financial statements under the Financial Instruments and Exchange Act was being undertaken.

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

1. 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. The forecasts do not constitute an assurance that the Company promises to achieve the 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 “(3) Forecasts for the next fiscal year” of “1. Analysis of Operating Results and Financial Position” on page 5 of the accompanying materials.

2. The Company will hold a financial results briefing for investors as follows. Reference materials for financial results and forecasts used in the briefing will be posted on the Company’s website after the close of the briefing.

- May 20, 2016 (Friday): Briefing for institutional investors and security analysts.

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## 1. Analysis of Operating Results and Financial Position

### (1) Analysis of operating results

(Million yen)

	Net sales	Operating income	Recurring income	Net income attributable to owners of parent
March 2016	283,208	18,470	18,697	12,190
March 2015	286,684	18,210	19,411	13,304
Growth rate (%)	-1.2	1.4	-3.7	-8.4

During the consolidated fiscal year under review, the U.S. economy continued to recover on the back of strong personal consumption. However, uncertainty over the outlook for the global economy, which had maintained a moderate recovery, increased as the speed of growth in China and other emerging countries slowed sharply. In Japan, there were signs of a deterioration in business confidence and downside risks increased in the second half.

Despite this challenging business environment, the Toyo Ink Group operates the following business activities in line with its FY2015 Group Management Policy of “striving to launch innovations constantly and enhancing marketing capabilities,” “strengthening global networks from both offensive and defensive perspectives” and “seeking to enhance the value of six management resources (people, products, money, information, technology, and culture) as well as group companies.”

To consistently introduce innovations and enhance its marketing capabilities, the Group developed products that would contribute to growth markets in an effort to expand its business area. In the Colorants and Functional Materials Related Business, the Group began the commercialization of a new green liquid crystal color filter material that can contribute to higher definition and energy saving and commenced the supply of material for lithium-ion battery electrodes for new hybrid vehicles. In the Polymers and Coatings Related Business, the Group expanded the product line of functional films including electromagnetic shielding films and strengthened the supply system by installing clean, high precision coating equipment. In the Packaging Materials Related Business, the Group increased the product lines of gravure inks for packaging that can be marketed globally and developed flexographic inks for packaging with improved suitability for high-speed printing. In the Printing and Information Related Business, the Group launched the sale of environmentally friendly non-VOC sheet-fed inks and low-temperature drying offset rotary inks and worked to improve the UV ink performance. At the private exhibition held in February this year, the Group presented its next-generation products in a new business area leveraging the core technologies of the Group in addition to the introduction of these new products.

As part of strengthening its global networks from both offensive and defensive perspectives, the Group expanded its production facilities in growth regions such as India and Southeast Asia and founded a local subsidiary in Mexico to increase and improve the Group’s network. Further, in Turkey, the Group acquired a 75% share of DYO Printing Inks (now Toyo Printing Inks Inc.), a local printing ink manufacturer, in January this year following the new company foundation in the previous fiscal year to establish a base as a business hub of the Middle East, North Africa, Central Asia, and Europe.

Finally, in an effort to enhance the value of six management resources and group companies, the Group strengthened the management function of Toyocolor Co., Ltd., Toyochem Co., Ltd., and Toyo Ink Co., Ltd., comprising the core of the Group, to facilitate the independence, self-reliance, and self-management of Group companies. It also introduced integrated systems on a global scale to share management information in a timely manner.

Despite the above efforts and continued promotion of its businesses, the prolonged downturn in demand resulted in sales in the consolidated fiscal year under review of 283,208 million yen (down 2.3% from the Group’s forecast and down 1.2% year on year), although profits increased with operating income of 18,470 million yen (up 2.6% from the forecast and up 1.4% year on year). Recurring income rose to 18,697 million yen (up 1.1% from the forecast and down 3.7% year on year), and net income attributable to owners of parent fell to 12,190 million yen (up 1.6% from forecast and down 8.4% year on year).

Results by segment are as follows.

(Million yen)

	Net sales			Operating income		
	Previous term	Term under review	Change (%)	Previous term	Term under review	Change (%)
Colorants and Functional Materials Related Business	78,465	71,878	-8.4	7,290	4,461	-38.8
Polymers and Coatings Related Business	59,495	60,894	2.4	3,646	5,547	52.1
Packaging Materials Related Business	63,114	64,623	2.4	1,768	2,723	54.0
Printing and Information Related Business	87,468	87,439	-0.0	2,639	2,977	12.8
Others	5,704	5,980	4.8	2,833	2,754	-2.8
Subtotal	294,248	290,816	-1.2	18,177	18,464	1.6
Eliminations or corporate	-7,564	-7,608	—	33	5	—
Total consolidated	286,684	283,208	-1.2	18,210	18,470	1.4

**(i) Colorants and Functional Materials Related Business**

Sales and operating income of high-function pigments and materials for LCD color filters both fell, squeezed by continuously weak domestic demand, escalating requests for significant cost reductions in materials against the backdrop of a fall in the capacity utilization rate for LCD panels in Taiwan and South Korea and intensifying price competition due to the shift of the market to China, and difficulties faced in increasing sales.

Domestic sales of commodity-type pigments were strong for printing inks for packages and automobile-related applications, but were weak for construction-related uses. As for overseas sales, sales expanded in China and India.

Domestic sales of plastic colorants expanded for container applications, but were weak for industrial material applications such as solar cells. Overseas, profitability improved in Europe thanks to expanded sales, while applications for office equipment and home electronics were weak in China and Southeast Asia.

As a result, sales in the overall Colorants and Functional Materials Related Business decreased 8.4% year on year, to 71,878 million yen, and operating income declined 38.8% year on year, to 4,461 million yen, showing a decline in sales and income.

**(ii) Polymers and Coatings Related Business**

In the coating materials segment, sales of double-side tape for advertising and industrial applications were sluggish, but sales of electromagnetic shielding films recovered in South Korea and China.

In the adhesives segment, domestic demand for use in packages remained strong, sales of environmentally friendly products expanded in China and Southeast Asia, and products for solar cells increased overseas.

In the adhesive compounds segment, sales for use in labels were strong in Japan, and sales expanded in South Korea and China for use in displays and in North America for industrial use.

Sales of can coatings (finishes) expanded for beer and other beverage cans in Japan and were also strong in Southeast Asia.

As a result of the above factors, sales in the overall Polymers and Coatings Related Business climbed 2.4% year on year, to 60,894 million yen, and operating income increased 52.1% year on year, to 5,547 million yen, reflecting the effects of cost reduction initiatives.

**(iii) Packaging Materials Related Business**

Domestic sales of gravure inks for publications remained on a structurally declining trend, and sales of gravure inks for construction materials were also sluggish. On the other hand, domestic sales of mainstay gravure inks for packaging, mainly for food applications, were strong, and sales of new products expanded. These factors contributed to an improvement in operating

income.

Overseas, sales of eco-friendly inks for packaging in the largest market segment expanded in Southeast Asia and India. Sales of gravure inks for construction materials were also strong in North America.

In the gravure cylinders business, while demand declined due to the shift towards in-house production among customers, sales of gravure equipment increased.

As a result, sales in the overall Packaging Materials Related Business rose 2.4% year on year, to 64,623 million yen, and operating income increased 54.0% year on year, to 2,723 million yen, showing a rise in sales and income.

#### (iv) Printing and Information Related Business

In offset inks, in Japan, demand for sheet-fed printing, offset rotary printing, and newspaper inks continued to fall due to the structural recession resulting from the shrinking printing market associated with digitization, and raw material prices, which remained at a high level, continued to put pressure on operating income. Meanwhile, on a global scale, especially in Japan and Europe, sales of products with high UV sensitivity expanded. Sales of hard coating agent for touch panels recovered in the second half.

Sales were weak in China and Southeast Asia, reflecting the slowdown of economic activity. In India and Brazil, sales expanded, but initial investment costs for business expansion adversely impacted income.

In equipment and supplies for graphic arts, both sales of supplies for printing and sales of equipment were weak, reflecting the sluggish domestic offset printing market.

As a result, sales in the overall Printing and Information Related Business remained mostly the same as a year earlier, at 87,439 million yen, but operating income increased 12.8% year on year, to 2,977 million yen, showing a rise in income.

#### (v) Others

This segment includes businesses that are not included in the above segments and services provided mainly by Toyo Ink SC Holdings Co., Ltd. Sales in this segment stood at 5,980 million yen, up 4.8% year on year, while operating income fell by 2.8% year on year, to 2,754 million yen, showing a decrease in income.

## **(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	364,262	360,526	-3,736
Liabilities	150,506	145,853	-4,652
Net assets	213,756	214,673	916

Total assets at the end of the fiscal year under review stood at 360,526 million yen, a decrease of 3,736 million yen from the beginning of the fiscal year. Liabilities at the end of the fiscal year totaled 145,853 million yen, a decrease of 4,652 million yen from the beginning of the fiscal year. Net assets at the end of the fiscal year stood at 214,673 million yen, a rise of 916 million yen from the beginning of the fiscal year.

“Other current assets” decreased and “cash and bank deposits” increased due to a transfer to funds used as part of “other current assets” at the end of the previous fiscal year to the current account. “Intangible fixed assets” and other items increased due to the acquisition of shares of the ink manufacturer in Turkey. The foreign currency translation adjustment was reduced by the appreciation of the yen against other currencies on the last day of the fiscal year under review from what it was on the last day of the previous fiscal year.

## (ii) Cash flows

(Million yen)

	Previous term	Term under review	Change
Cash flows from operating activities	25,702	25,886	183
Cash flows from investing activities	-6,198	-17,457	-11,259
Cash flows from financing activities	-13,585	-5,975	7,609
Balance of cash and cash equivalents	42,546	43,744	1,197

Cash and cash equivalents (“cash”) at the end of the fiscal year under review stood at 43,744 million yen, up 1,197 million yen from the beginning of the fiscal year.

Cash provided by operating activities stood at 25,886 million yen, an increase of 183 million yen in cash inflows year on year, mainly reflecting an increase in cash flows due to the posting of income before income taxes, offsetting a decrease in cash flows due to the payment of corporate taxes.

Cash used in investing activities was 17,457 million yen, an increase in cash outflows of 11,259 million yen year on year, which reflects the purchase of property, plant, and equipment.

Cash used in financing activities stood at 5,975 million yen, a fall in cash outflows of 769 million yen from the previous fiscal year, primarily reflecting the dividends paid.

Trends in Group cash flows are as follows:

	Term ended March 2013	Term ended March 2014	Term ended March 2015	Term ended March 2016
Capital adequacy ratio (%)	52.4	53.7	56.9	57.7
Market value-based capital adequacy ratio (%)	43.8	37.0	46.1	37.3
Ratio of interest-bearing debt to cash flows (years)	4.1	4.2	2.6	2.6
Interest coverage ratio (times)	18.8	20.5	31.6	35.2

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 attributable to owners of parent
Term ending March 2017	290,000	19,500	20,000	12,000
Term ended March 2016	283,208	18,470	18,697	12,190
Growth rate (%)	2.4	5.6	7.0	-1.6

Looking ahead to the next consolidated fiscal year, the global economy is expected to continue its moderate recovery. However, uncertainty may grow even further, given such factors as the financial market turmoil, a fall in oil prices, regional disputes, and the increasing impact of terrorism.

While the Group anticipates that the difficult operating environment will continue, it expects to post net sales of 290 billion yen (up 2.4 % year on year), operating income of 19.5 billion yen (up 5.6% year on year), recurring income of 20 billion yen (up 7.0% year on year), and net income attributable to owners of parent amounting to 12 billion yen (down 1.6% year on year) in the next consolidated fiscal year by implementing measures to address the challenges outlined on page 9.

## 2. Group Overview

The Group is constituted of the Company, 68 consolidated subsidiaries and 12 equity method affiliate companies.

Business lines of the Group are as follows:

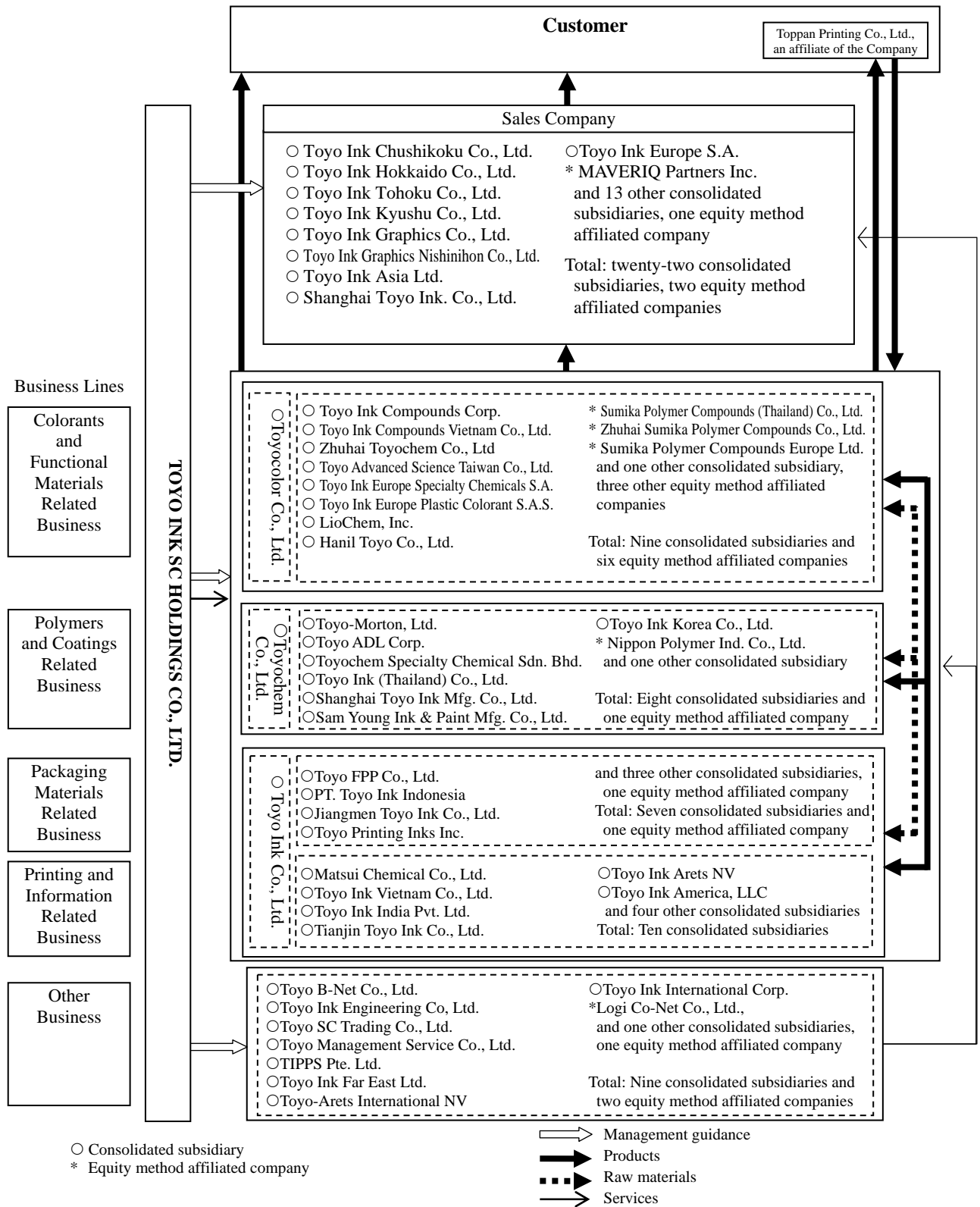
Business line	Major Business	Major Company	
Colorants and Functional Materials Related Business	Organic pigments, processed pigments, plastic colorants, color filter materials and others	Domestic	Toyocolor Co., Ltd. and others
		Overseas	Toyo Ink Compounds Corp., Toyo Ink Compounds Vietnam Co., Ltd., Zhuhai Toyochem Co., Ltd., Toyo Advanced Science Taiwan Co., Ltd., Toyo Ink Europe Specialty Chemicals S.A., LioChem, Inc. and others
Polymers and Coatings Related Business	Can coatings, resins, adhesives, pressure sensitive adhesives, coating materials, natural materials and others	Domestic	Toyochem Co., Ltd., Toyo-Morton, Ltd., Toyo ADL Corp. and others
		Overseas	Toyochem Specialty Chemical Sdn. Bhd., Toyo Ink (Thailand) Co., Ltd., Shanghai Toyo Ink Mfg. Co., Ltd., Sam Young Ink & Paint Mfg. Co., Ltd. and others
Packaging Materials Related Business	Gravure inks, flexographic inks, gravure cylinders and others	Domestic	Toyo Ink Co., Ltd. and others
		Overseas	PT. Toyo Ink Indonesia, Jiangmen Toyo Ink Co., Ltd., Toyo Printing Inks Inc. and others
Printing and Information Related Business	Offset inks, metal decorative inks, printing machineries, printing equipments, prepress systems, printing supplies, ink-jet materials and others	Domestic	Toyo Ink Co., Ltd., Matsui Chemical Co., Ltd.
		Overseas	Toyo Ink India Pvt. Ltd., Tianjin Toyo Ink Co., Ltd., Toyo Ink Arets NV, Toyo Ink America, LLC and others
Other Business	Sale of raw materials, Service provision, real estate rental business management, holding company for subsidiaries and others	Domestic	Toyo Ink SC Holdings Co., Ltd., Toyo B-Net Co., Ltd. and others
		Overseas	TIPPS Pte. Ltd., Toyo Ink Far East Ltd., Toyo Ink International Corp. and others
Sales Business	Sales of products handled by the Group companies	Domestic	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. and others
		Overseas	Toyo Ink Asia Ltd., Toyo Ink Europe S.A. and others

The Toyo Ink Group deals with Toppan Printing Co., Ltd., an affiliate of the Group, in finished goods and merchandise.



The organization chart is as follows:

(Organization Chart)



### 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, society satisfaction, and shareholder satisfaction.

As a manufacturer that aims to achieve sustainable growth over the next 100 years, 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 science company. 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, 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, with the aim of realizing the corporate visions 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.

#### **(3) Medium- to long-term management strategy**

The Group is promoting the realization of the corporate visions set out in SCC2017 through three three-year medium term plans, named SCC-I, II and III. Under SCC-I, we strengthened our revenue base in the wake of the collapse of Lehman Brothers, and, under SCC-II, we promoted growth strategies to recover from the influence of the Great East Japan Earthquake.

From fiscal 2014 until fiscal 2016, the Group is promoting the new medium-term management plan SCC-III, which is the final stage of SCC2017. Under this plan, named the “Evolution Plan,” we will steadily translate the infrastructure and growth strategies set out under SCC-I and II into results, transform into a science company that undertakes the evolution and expansion of business and technology domains with a scientific approach, and aim to be a corporate group that creates a variety of lifestyles with diverse people in the world.

In aiming to be a science company, we have defined three business domains: Life Science (Packaging and Healthcare), Communication Science (Electronics and Fine Imaging) and Sustainability Science (Environmental Consciousness and Energy-related Operations). By facilitating growth strategies through the development of new products and businesses that fit these domains, we will achieve improvement in customer satisfaction (CS) and society satisfaction (SS).

In terms of global expansion, we will work to expand business domains at strategic bases in China, Southeast Asia and South Asia. In new markets such as inland areas of China, Central and South America, and Turkey, we will flexibly use management resources through our network to start up business quickly. Thus, we will aim for an overseas sales ratio of 50%. We will also make comprehensive proposals for products of the Toyo Ink Group to large global manufacturers of end consumer goods and strive to enhance brand value.

Additionally, we will pursue the optimum material and product supply systems on a global scale and promote maximum utilization of assets and process innovations to further strengthen our revenue base. Further, we have added “Enhancement of SHS (Shareholder Satisfaction)” to our guiding principles and will also try to be worthy of the trust placed in us by our shareholders by aiming to further enhance corporate value.

#### **(4) Our challenges**

Fiscal 2016 is the final year of the medium-term management plan SCC-III. Viewing fiscal 2016 as the year for ensuring the achievements and linking them to the next step, the Group will operate its businesses while focusing on its goals, including “steady acquisition of business through accelerated innovation led by marketing,” “building a global network capable of responding flexibly to changes,” and “accelerating the independence, self-reliance, and self-management of group companies by promoting further empowerment.”

In the Colorants and Functional Materials Related Business, the Group will strengthen its sales structure in China in line with the shift of the LCD market to China and promote the sales of the newly developed green pigments and other products. The Group will also improve its technical organization to accelerate product development and develop high-performance materials for image sensors, etc. In the energy sector, the Group will develop and promote the sales of materials for lithium-ion batteries, etc. that will target the Chinese market. Plastic colorants will be converted to a business model for high value-added products. The production of plastic colorants for automobile materials will begin in Mexico, which will help expand the Group’s global supply system.

In the Polymers and Coatings Related Business, the Group will develop and promote the sales of electronics and display-related materials such as functional films, conductive materials, and UV adhesives and healthcare-related materials such as adhesive compounds for hygiene products, and subsequently enter the pharmaceutical industry to expand the business and product lines. Sales of laminate adhesives, adhesive compounds, and can coatings for the packaging market will be launched in Turkey, the Middle East, India, and North America while strengthening the Group’s global systems of product development, production management, and quality assurance encompassing the business bases in Japan, South Korea, China, and Southeast Asia.

In the Packaging Materials Related Business, the Group will further improve the performance of its environmentally friendly gravure inks and flexographic inks for soft packaging, which are marketed globally, and enhance its technical services in China, Southeast Asia, and Europe in an effort to provide products that will meet local needs. Additionally, the Group will leverage its expanded production facilities in India, Brazil, and Sichuan Province in China and the printing ink manufacturer acquired in Turkey to promote local sales and subsequently develop the market in the surrounding areas as well.

In the Printing and Information Related Business, the Group will initiate the early, stable operation of a factory whose production will be unified with the pigment production of Fuji Factory currently under construction and a factory in Belgium specializing in food-related printing in order to expand the Group’s global supply system for UV inks for which there is increasing demand in the global market. In the sheet-fed printing, offset rotary printing, and newspaper ink business, the Group will continue to implement the integration of models and the development of sales systems in Japan and China, where demand is gradually decreasing, to achieve both quality improvement and cost reduction while also promoting sales in India and Brazil and developing business into Turkey, the Middle East, and Africa.

Meanwhile, the private exhibition will be enhanced in the next fiscal year to commemorate the company’s 110th anniversary, which will be held both in Tokyo and Osaka to strengthen the Group’s communication skills and brand power. Starting with the relocation to the new head office building scheduled for the fall of this year, we will create a new corporate culture that will enhance our dignity as a corporate group and increase our corporate value.

#### **4. Basic Position on the selection of accounting standards**

The Group utilizes the Japanese accounting standards due to the possibility of comparing the terms of financial statements and performance between the companies.

We are moving ahead with the necessary preparations for the future adoption of International Financial Reporting Standards (IFRS). We intend to make a decision on suitable timing for its implementation, factoring in the situations in Japan and abroad.

5. Consolidated Financial Statements  
(1) Consolidated balance sheet

(Million yen)

	As of March 31, 2015	As of March 31, 2016
(Assets)		
Current assets		
Cash and bank deposits	39,620	44,470
Notes and accounts receivable	94,883	90,949
Marketable securities	563	529
Goods and products	27,795	28,803
Work-in-process	1,496	1,457
Raw material and supplies	16,139	14,131
Deferred income tax assets	2,048	1,908
Others	6,226	3,046
Allowance for doubtful receivables	-1,047	-1,233
Total current assets	187,727	184,064
Fixed assets		
Property, plant and equipment		
Building and structures	*2 94,888	*2 96,283
Accumulated depreciation	-55,144	-57,122
Building and structures (net amount)	39,744	39,161
Machinery and vehicles	*2 146,927	*2 147,075
Accumulated depreciation	-121,597	-121,335
Machinery and vehicles (net amount)	25,329	25,739
Tools, furniture and fixtures	23,103	23,728
Accumulated depreciation	-20,021	-20,903
Tools, furniture and fixtures (net amount)	3,081	2,824
Land	*2 28,617	*2 28,374
Leased assets	449	566
Accumulated depreciation	-261	-314
Leased assets (net amount)	187	251
Construction in progress	*5 4,903	*5 4,346
Total property, plant and equipment	101,865	100,698
Intangible fixed assets	2,796	5,683
Investments and other assets		
Investment in securities	*1 62,223	*1 60,604
Net defined benefit asset	4,115	4,293
Deferred income tax assets	1,025	771
Others	5,020	4,715
Allowance for doubtful receivables	-512	-304
Total investments and other assets	71,873	70,080
Total fixed assets	176,535	176,462
Total assets	364,262	360,526

(Million yen)

	As of March 31, 2015	As of March 31, 2016
(Liabilities)		
Current liabilities		
Notes and accounts payable	*248,773	*248,369
Short-term loans payable	*20,931	*20,401
Accrued income taxes	2,824	1,880
Others	18,212	15,036
Total current liabilities	90,742	85,686
Long-term liabilities		
Long-term loans payable	44,895	46,037
Deferred income tax liabilities	10,451	10,175
Provision for environmental measures	889	768
Net defined benefit liability	1,775	1,891
Asset retirement obligations	27	28
Others	1,724	1,266
Total long-term liabilities	59,763	60,166
Total liabilities	150,506	145,853
(Net assets)		
Shareholders' equity		
Common stock	31,733	31,733
Capital surplus	32,920	32,926
Retained earnings	117,368	125,084
Treasury stock, at cost	-1,762	-1,771
Total shareholders' equity	180,259	187,972
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,396	12,610
Foreign currency translation adjustments	10,933	5,724
Remeasurements of defined benefit plans	2,630	1,781
Total accumulated other comprehensive income	26,960	20,115
Subscription rights to shares	–	38
Non-controlling interests	6,536	6,546
Total net assets	213,756	214,673
Total of liabilities and net assets	364,262	360,526

**(2) Consolidated statements of income and consolidated statements of comprehensive income****Consolidated statements of income**

(Million yen)

	From April 1, 2014 to March 31, 2015	From April 1, 2015 to March 31, 2016
Net sales	286,684	283,208
Cost of sales	* <sup>1</sup> 222,944	* <sup>1</sup> 218,077
Gross profit	63,739	65,130
Selling, general and administrative expenses		
Packing expenses and freight charge	6,445	6,546
Salaries and allowance	11,301	11,762
Bonuses	2,563	2,708
Welfare expenses	2,914	2,969
Depreciation expenses	1,284	1,426
Research and development expenses	* <sup>1</sup> 3,082	* <sup>1</sup> 2,918
Others	17,939	18,328
Total selling, general and administrative expenses	45,529	46,660
Operating income	18,210	18,470
Non-operating income		
Interest income	212	239
Dividend income	751	1,078
Foreign exchange gains	929	–
Investment income according to the equity method	82	–
Others	680	637
Total non-operating income	2,656	1,955
Non-operating expenses		
Interest expenses	812	738
Foreign exchange losses	–	736
Investment losses according to the equity method	–	67
Others	642	186
Total non-operating expenses	1,455	1,728
Recurring income	19,411	18,697
Extraordinary profit		
Gain on sales of fixed assets	* <sup>2</sup> 6,854	* <sup>2</sup> 62
Gain on change in equity	–	133
Others	79	9
Total extraordinary profit	6,934	205
Extraordinary loss		
Loss on sales of fixed assets	* <sup>3</sup> 390	* <sup>3</sup> 375
Environmental expenses	–	83
Amortization of goodwill	* <sup>4</sup> 2,262	–
Provision for environmental measures	530	–
Loss on cancellation of retirement benefit trust	1,125	–
Others	599	76
Total extraordinary loss	4,908	534
Income before income taxes	21,437	18,367
Income taxes, current	5,989	4,375
Income taxes, deferred	1,686	1,251
Total income taxes	7,676	5,626
Net income	13,761	12,740
Net income (loss) attributable to non-controlling interests	456	549
Net income (loss) attributable to owners of parent	13,304	12,190

**Consolidated statements of comprehensive income**

(Million yen)

	From April 1, 2014 to March 31, 2015	From April 1, 2015 to March 31, 2016
Net income	13,761	12,740
Other comprehensive income		
Valuation difference on available-for-sale securities	7,332	-783
Foreign currency translation adjustments	7,333	-5,331
Remeasurements of defined benefit plans, net of tax	3,834	-849
Share of other comprehensive income of associates accounted for using equity method	344	-198
Total other comprehensive income	<sup>*1</sup> 18,844	<sup>*1</sup> -7,163
Comprehensive income	32,605	5,576
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	31,473	5,345
Comprehensive income attributable to non-controlling interests	1,132	230

### (3) Consolidated statements of changes in net assets

From April 1, 2014 to March 31, 2015

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at the beginning of the period	31,733	32,920	109,220	-1,750	172,123
Cumulative effects of changes in accounting policies			-979		-979
Restated balance	31,733	32,920	108,240	-1,750	171,144
Changes of items during the period					
Dividends from surplus			-4,176		-4,176
Net income attributable to owners of parent			13,304		13,304
Purchases of treasury stock				-12	-12
Change in treasury shares of parent arising from transactions with non-controlling shareholders					-
Net changes except for shareholders' equity					
Total changes of items during the period	-	-	9,127	-12	9,115
Balance at the end of the period	31,733	32,920	117,368	-1,762	180,259

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	6,065	3,928	-1,203	8,791	-	5,694	186,608
Cumulative effects of changes in accounting policies							-979
Restated balance	6,065	3,928	-1,203	8,791	-	5,694	185,629
Changes of items during the period							
Dividends from surplus							-4,176
Net income attributable to owners of parent							13,304
Purchases of treasury stock							-12
Change in treasury shares of parent arising from transactions with non-controlling shareholders							-
Net changes except for shareholders' equity	7,330	7,004	3,834	18,169	-	842	19,011
Total changes of items during the period	7,330	7,004	3,834	18,169	-	842	28,126
Balance at the end of the period	13,396	10,933	2,630	26,960	-	6,536	213,756



From April 1, 2015 to March 31, 2016

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at the beginning of the period	31,733	32,920	117,368	-1,762	180,259
Cumulative effects of changes in accounting policies					-
Restated balance	31,733	32,920	117,368	-1,762	180,259
Changes of items during the period					
Dividends from surplus			-4,474		-4,474
Net income attributable to owners of parent			12,190		12,190
Purchases of treasury stock				-9	-9
Change in treasury shares of parent arising from transactions with non-controlling shareholders		5			5
Net changes except for shareholders' equity					
Total changes of items during the period	-	5	7,715	-9	7,712
Balance at the end of the period	31,733	32,926	125,084	-1,771	187,972

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	13,396	10,933	2,630	26,960	-	6,536	213,756
Cumulative effects of changes in accounting policies							-
Restated balance	13,396	10,933	2,630	26,960	-	6,536	213,756
Changes of items during the period							
Dividends from surplus							-4,474
Net income attributable to owners of parent							12,190
Purchases of treasury stock							-9
Change in treasury shares of parent arising from transactions with non-controlling shareholders						-5	-
Net changes except for shareholders' equity	-785	-5,209	-849	-6,844	38	16	-6,790
Total changes of items during the period	-785	-5,209	-849	-6,844	38	10	916
Balance at the end of the period	12,610	5,724	1,781	20,115	38	6,546	214,673

**(4) Consolidated statements of cash flows**

(Million yen)

	From April 1, 2014 to March 31, 2015	From April 1, 2015 to March 31, 2016
<b>Cash flows from operating activities</b>		
Income before income taxes	21,437	18,367
Depreciation and amortization	9,958	10,586
Interest and dividend income	-963	-1,317
Interest expenses	812	738
Share of profit/loss of entities accounted for using equity method (- is profit)	-82	67
Gain/loss on sale of property, plant and equipment (- is gain)	-6,846	-10
Loss on disposals of property, plant and equipment	195	108
Loss on cancellation of retirement benefit trust	1,125	-
Gain on change in equity	-	-133
Environmental expenses	-	83
Increase/decrease in notes and accounts receivable (- is increases)	2,324	3,273
Increase/decrease in inventories (- is increases)	-860	296
Increase/decrease in notes and accounts payable (- is decreases)	-2,343	-146
Others	5,141	-1,669
Subtotal	29,899	30,243
Interest and dividend received	1,031	1,344
Interest paid	-812	-734
Loss on cancellation of retirement benefit trust refund	2,795	-
Income taxes paid	-7,210	-4,967
<b>Net cash provided by operating activities</b>	<b>25,702</b>	<b>25,886</b>
<b>Cash flows from investing activities</b>		
Increase in time deposits	-728	-1,099
Income on certificate of deposit repayment	958	229
Purchases of property, plant and equipment	-13,033	-12,088
Proceeds from sales of property, plant and equipment	7,164	112
Purchase of intangible assets	-194	-2,016
Purchase of short-term and long-term investment securities	-9,157	-3,068
Proceeds from sales and redemption of short-term and long-term investment securities	8,874	3,045
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	*2-2,190
Others	-80	-382
<b>Net cash used in investing activities</b>	<b>-6,198</b>	<b>-17,457</b>
<b>Cash flows from financing activities</b>		
Increase/decrease in short-term loans payable, net (- is decrease)	-3,142	-690
Proceeds from long-term loans payable	5,400	305
Repayments of long-term loans payable	-11,372	-637
Dividends paid	-4,176	-4,475
Dividends paid to non-controlling interests	-201	-361
Others	-92	-116
<b>Net cash used in financing activities</b>	<b>-13,585</b>	<b>-5,975</b>
Foreign currency translation adjustments on cash and cash equivalents	1,904	-1,254
<b>Net increase (decrease) in cash and cash equivalents (- is decrease)</b>	<b>7,822</b>	<b>1,197</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>34,723</b>	<b>42,546</b>
<b>Cash and cash equivalents, end of period</b>	<b>*142,546</b>	<b>*143,744</b>

## **(5) Explanatory notes to consolidated financial statements**

### **(Notes on assumption of going business)**

Not applicable

### **(Basic and important matters in preparing the consolidated financial statements)**

#### 1. Scope of consolidation

The Company had 68 consolidated subsidiaries; all of the subsidiaries were consolidated.

Names of major consolidated subsidiaries:

Toyocolor Co., Ltd.;  
Toyochem Co., Ltd.;  
Toyo Ink Co., Ltd.;  
Matsui Chemical Co., Ltd.;  
Toyo-Morton, Ltd.;  
Toyo B-Net Co., Ltd.;  
Toyo Ink Chushikoku Co., Ltd.;  
Toyo Ink Kyushu Co., Ltd.;  
Tianjin Toyo Ink Co., Ltd.;  
Toyo Ink (Thailand) Co., Ltd.;  
TIPPS Pte. Ltd.;  
Shanghai Toyo Ink Mfg. Co., Ltd.;  
Zhuhai Toyochem Co., Ltd.;  
Toyo Advanced Science Taiwan Co., Ltd.;  
Toyo Ink India Pvt. Ltd.;  
Toyochem Specialty Chemical Sdn. Bhd.;  
Toyo Ink America, LLC;  
Sam Young Ink & Paint Mfg. Co., Ltd.;  
Toyo Ink Arets NV;  
Toyo Ink Asia Ltd.

During the consolidated fiscal year under review, the Company consolidated three subsidiaries and deconsolidated two subsidiaries.

- In the consolidated fiscal year under review, DYO Printing Inks (now Toyo Printing Inks Inc.) became a consolidated subsidiary through share acquisition.
- In the consolidated fiscal year under review, Toyo Ink Mexico S.A. de C.V. and PT. Toyo Ink Trading Indonesia were established and became consolidated subsidiaries.
- Toyo Colour Australia Technologies Ltd. and Toyo Ink New Zealand Ltd., which had been consolidated subsidiaries until the previous fiscal year, were liquidated in the consolidated fiscal year under review and were excluded from the scope of consolidation.

#### 2. Application of the equity method

The equity method is applied to investments in twelve affiliates.

Names of major subsidiaries

NIPPON POLYMER IND. CO., LTD.;  
Zhuhai Sumika Polymer Compounds Co., Ltd.

#### 3. Fiscal year end of consolidated subsidiaries

All overseas consolidated subsidiaries settle their accounts on December 31, which is within three months of the consolidated settlement day. The Company therefore carried out no provisional settlement of accounts.

In connection with this, significant transactions accrued until the consolidated settlement day were adjusted for consolidation.

#### 4. Accounting standards

(1) Important appraisal standards and appraisal method for assets

1) Securities

For those with market value

Stated at market value based on market prices, etc., as of the period-end

(Unrealized valuation gains or losses are reported in the shareholders' equity, and sales costs are determined by the moving average method.)

For those without market value

Stated at cost as determined by the moving average method.

2) Derivatives

Market value method

3) Inventories

Products, work-in-process and raw material

In principle, the cost method based on the gross average method is applied.

(The value in the balance sheet is calculated by the method of book value devaluation based on lowering of profitability)

Overseas consolidated subsidiaries mainly use the gross average method or the lower-of-cost-or-market method according to the first-in, first-out method.

Goods and supplies

In principle, the last cost method is applied.

(The value in the balance sheet is calculated by the method of book value devaluation based on lowering of profitability)

Overseas consolidated subsidiaries mainly use the gross average method or the lower-of-cost-or-market method according to the first-in, first-out method.

(2) Depreciation method of important depreciable fixed assets

1) Property, plant and equipment (excluding leased assets)

In particular, the constant percentage method was applied to the Company and its domestic consolidated subsidiaries, except for buildings (not including associated facilities) acquired on or after April 1, 1998, for which the straight-line method was applied.

In principal, the straight-line method was applied to overseas consolidated subsidiaries.

Major useful lives:

Building and structures	Four to 50 years
Machinery and vehicles	Four to 15 years
Tools, furniture and fixtures	Three to 15 years

2) Leased assets

Financing lease transactions that do not involve a transfer of ownership

Calculation method for the equivalent of depreciation cost

The depreciation method for assets is to use the lease period as useful lives, calculating the residual value of such assets as zero.

Of financing lease transactions that do not involve a transfer of ownership, lease transactions that started on or before March 31, 2008 use the accounting method for normal lease transactions.

(3) Important standards for appropriation of allowances

1) Allowance for doubtful receivables

We record an allowance based on historical percentage for ordinary receivables and an estimated amount for specific uncollectible receivables.

2) Provision for environmental measures

To prepare for spending on environmental measures, we recorded the estimated amount of spending at the end of the consolidated fiscal year under review.

(4) Accounting treatment for retirement benefits

1) Attribution of estimated retirement benefits

To calculate benefit liabilities, the estimated amount of retirement benefits is attributed to the period until the end of the consolidated fiscal year under review based on the benefit formula.

2) Treatment of unrecognized actuarial differences and past service costs

Past service costs are posted in expenses based on the straight-line method for a fixed period of years (13 years) within the average remaining service years of employees when costs accrue from their service.

Actuarial differences are posted in expenses from the consolidated fiscal year following their accruals based on proportional division through the straight-line method for a fixed period of years (13 years) within the average remaining service years of employees.

(5) Standards for translating significant foreign currency-denominated assets or liabilities into Japanese yen

Foreign currency-denominated monetary receivables and payables are translated into Japanese yen at the spot exchange rates on the consolidated settlement day. The effect of exchange rate changes is posted as a translation gain or loss. In connection with this, assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen at the spot exchange rates on their settlement day. Revenues and expenses are translated into Japanese yen at the average rate during the year. The effect of exchange rate changes is posted in foreign currency translation adjustments and non-controlling interests in the section of net assets.

(6) Significant hedge accounting

1) Hedge accounting

Among interest swap transactions, those that satisfy special transaction requirements are processed.

2) Hedging method and hedging target

Hedging method: Interest swap transactions

Hedging target: Long-term borrowings

3) Hedging policy

The Company engages in interest swap transactions to prevent the risk of payable interest rate fluctuations and to fix payable interest cash flow.

4) Assessing hedging effectiveness

Assessing hedging effectiveness is omitted because interest swap transactions have satisfied requirements for special transactions.

(7) Amortization of goodwill and amortization period

Goodwill is amortized individually and equally over a reasonable period of up to 20 years. If a reasonable period cannot be estimated, goodwill is amortized equally over a period of five years.

(8) Cash and cash equivalents in the consolidated cash flow statements

In preparing the consolidated cash flow statements, cash on hand, readily available deposits, and short-term liquid investments with maturities not exceeding three months at the time of purchase and little risk of changing value are considered to be cash and cash equivalents.

(9) Other important matters for production of the consolidated financial statements

1) Accounting treatment of consumption tax, etc.

Amounts shown are exclusive of consumption tax and local consumption tax.

2) Application of a consolidated taxation system

The Company uses the consolidated taxation system.

**(Changes in accounting policies)**

(Application of Accounting Standard for Business Combinations, etc.)

The Accounting Standard for Business Combinations (ASBJ Statement No. 21 issued September 13, 2013; hereinafter the "Business Combination Accounting Standard"), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 issued September 13, 2013; hereinafter the "Consolidated Financial Statement Accounting Standard"), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7 issued September 13, 2013; hereinafter the "Business Divestiture Accounting Standard") and other standards have been applied from the consolidated fiscal year under review, effecting changes in the accounting method to record the difference associated with the changes in equity in subsidiaries remaining under the control of the Company as capital surplus, and to record acquisition-related costs as expenses for the fiscal year in which such costs are incurred. For the business combinations conducted after the beginning of the consolidated fiscal year under review, the review of the distribution of the acquisition cost through the tentative accounting settlement is reflected in the consolidated financial statements of the consolidated fiscal year in which the date of the business

combination is included. In addition, the Company has changed the presentation of the net income and the presentation from the minority interests to the non-controlling interests. To reflect these changes in presentations, the Company has reclassified the consolidated financial statements for the previous consolidated fiscal year ended March 31, 2015.

The Company follows the transitional treatment set forth in Paragraph 58-2 (4) of the Business Combination Accounting Standard, Paragraph 44-5 (4) of the Consolidated Financial Statement Accounting Standard, and Paragraph 57-4 (4) of the Business Divestiture Accounting Standard, and the accounting standards are applied from the beginning of the consolidated fiscal year under review.

As a result, operating income, recurring income, and income before income taxes were each reduced by 241 million yen.

In the consolidated statement of cash flows for the fiscal year under review, cash flow associated with the acquisition or sale of stocks of subsidiaries that does not affect the scope of consolidation is reported in “cash flows from financing activities,” and cash flow associated with expenses for the acquisition of stocks of subsidiaries that affects the scope of consolidation or expenses for the acquisition or sale of stocks of subsidiaries that does not affect the scope of consolidation is reported in “cash flows from operating activities.”

The effect on per-share information is noted in the corresponding section.

**(Changes to basis of presenting consolidated financial statements)**

(Consolidated statements of income)

“Impairment loss” under “extraordinary loss,” which was independently listed in the previous consolidated fiscal year, is now less than 10/100 of the total amount of extraordinary loss, and for that reason is included in “others” starting in the consolidated fiscal year under review. The consolidated financial statements for the previous consolidated fiscal year have been reorganized in order to apply this change in the presentation.

Consequently, “impairment loss” totaling 257 million yen and “others” totaling 341 million yen, which were recorded in “extraordinary loss” in the consolidated statements of income for the previous consolidated fiscal year, are restated as “others” amounting to 599 million yen.

(Consolidated statements of cash flows)

“Impairment loss” and “amortization of goodwill” under “cash flows from operating activities,” which were independently listed in the previous consolidated fiscal year, decreased in financial materiality, and for that reason are included in “others” starting in the consolidated fiscal year under review. The consolidated financial statements for the previous consolidated fiscal year have been reorganized in order to apply this change in the presentation.

Consequently, “impairment loss” totaling 257 million yen, “amortization of goodwill” totaling 2,898 million yen, and “others” totaling 1,984 million yen, which were recorded in “cash flows from operating activities” in the consolidated statements of cash flows for the previous consolidated fiscal year, are restated as “others” amounting to 5,141 million yen.

“Payments for acquisition of intangible fixed assets,” which was included in “others” in “cash flows from investing activities” in the previous consolidated fiscal year, increased in financial materiality, and for that reason is listed under the independent category in the consolidated fiscal year under review. The consolidated financial statements for the previous consolidated fiscal year have been reorganized in order to apply this change in the presentation.

Consequently, “others” totaling -275 million yen, which was recorded in “cash flows from investing activities” in the consolidated statement of cash flows for the previous consolidated fiscal year, is restated as “purchase of intangible fixed assets” amounting to -194 million yen and “others” amounting to -80 million yen.

**(Notes to consolidated balance sheet)**

\*1. Shares of affiliates

(Million yen)

	As of March 31, 2015	As of March 31, 2016
Investment securities (stocks)	4,420	4,275

\*2. Assets pledged as collateral and secured debt

Assets pledged as collateral	(Million yen)	
	As of March 31, 2015	As of March 31, 2016
Building and structures	1,207	1,446
Machinery and vehicles	109	134
Land	603	570
<b>Total</b>	<b>1,920</b>	<b>2,150</b>

Secured debt is as follows. (Million yen)

	(Million yen)	
	As of March 31, 2015	As of March 31, 2016
Notes and accounts payable	151	153
Short-term loans payable	109	131
<b>Total</b>	<b>261</b>	<b>285</b>

3. Liabilities on guarantee

The Company extends a guarantee over borrowings from financial institutions, etc. The foreign currency-denominated conversion amount of the yen is based on the exchange rate on the consolidated settlement date. (Million yen)

	As of March 31, 2015		As of March 31, 2016	
	Sumika Polymer Compounds America, Inc. (US\$6,075,000)	730	Sumika Polymer Compounds America, Inc. (US\$5,175,000)	583
ZHUHAI SUMIKA POLYMER COMPOUNDS Co., Ltd. (US\$3,622,000, etc.)	435	ZHUHAI SUMIKA POLYMER COMPOUNDS Co., Ltd. (US\$3,622,000, etc.)	408	
Sumika Polymer Compounds (UK) Ltd. (GBP 2,173,000)	392	Sumika Polymer Compounds (UK) Ltd. (GBP 2,337,000)	378	
Others: five companies	884	Others: five companies	965	
Employees (housing loans)	250	Employees (housing loans)	173	
<b>Total</b>	<b>2,691</b>	<b>Total</b>	<b>2,508</b>	

4. Discounts on notes and accounts receivable and endorsement of notes and accounts receivable (Million yen)

	(Million yen)	
	As of March 31, 2015	As of March 31, 2016
Discounts on notes and accounts receivable	465	115
Endorsement of notes and accounts receivable	18	19

\*5. Reduction entry

Reduction entry reflecting direct write-down of cost of fixed asset in connection with exchange of rights accompanying execution of Type I Urban Redevelopment Project pursuant to Urban Renewal Act is as follows: (Million yen)

	(Million yen)	
	As of March 31, 2015	As of March 31, 2016
Construction in progress	8,687	8,687

(Notes to consolidated statements of income)

\*1. Research and development expenses included in selling, general and administrative expenses and manufacturing cost

	(Million yen)	
	From April 1, 2014 to March 31, 2015	From April 1, 2015 to March 31, 2016
	7,340	7,434

\*2. Details of gain on sales of fixed assets (Million yen)

	From April 1, 2014 to March 31, 2015	From April 1, 2015 to March 31, 2016
Machinery and vehicles	108	41
Others	6,746	20
Total	6,854	62

\*3. Details of loss on disposals and sale of fixed assets (Million yen)

	From April 1, 2014 to March 31, 2015	From April 1, 2015 to March 31, 2016
Building and structures	161	92
Machinery and vehicles	218	230
Others	9	52
Total	390	375

\*4. Amortization of goodwill

Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)

Goodwill is amortized at one time in accordance with the provisions in Article 32 of the Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements (the Japanese Institute of Certified Public Accountants (JICPA) Accounting Practice Committee Report No.7 issued November 11, 2014).

(Notes to consolidated statements of comprehensive income)

\*1 The amount of recycling and the amount of tax effect associated with other comprehensive income (Million yen)

	From April 1, 2014 to March 31, 2015	From April 1, 2015 to March 31, 2016
Valuation difference on available-for-sale securities		
Amount arisen in the fiscal year under review	10,280	-1,494
Amount of recycling	-52	-6
Before tax adjustment	10,228	-1,501
Amount of the tax effect equivalent	-2,896	717
Valuation difference on available-for-sale securities	7,332	-783
Foreign currency translation adjustments		
Amount arisen in the fiscal year under review	7,333	-5,348
Amount of recycling	-	17
Foreign currency translation adjustments	7,333	-5,331
Remeasurements of defined benefit plans, net of tax		
Amount arisen in the fiscal year under review	4,397	-1,077
Amount of recycling	1,360	-243
Before tax adjustment	5,758	-1,321
Amount of the tax effect equivalent	-1,923	471
Remeasurements of defined benefit plans, net of tax	3,834	-849
Share of other comprehensive income of associates accounted for using equity method		
Amount arisen in the fiscal year under review	309	-189
Amount of recycling	34	-9
Share of other comprehensive income of associates accounted for using equity method	344	-198
Total other comprehensive income	18,844	-7,163



**(Notes to consolidated statements of changes in net assets)**

From April 1, 2014 to March 31, 2015

## 1. Matters concerning the type and the number of shares issued and treasury stock (Thousand shares)

	At the beginning of this period	Increase	Decrease	At the end of this period
Shares issued				
Common stock	303,108	–	–	303,108
Total	303,108	–	–	303,108
Treasury stock				
Common stock (Note)	4,762	23	–	4,785
Total	4,762	23	–	4,785

(Notes) An increase of 23,000 own shares of common stock was attributed to the purchasing shares of less than one unit.

## 2. Matters concerning dividend

## (1) Dividend payments

Resolution	Type of stock	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary meeting of shareholders on June 27, 2014	Common stock	2,088	7.00	March 31, 2014	June 30, 2014
Board of directors' meeting on November 7, 2014	Common stock	2,088	7.00	September 30, 2014	December 1, 2014

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year. The following is scheduled for resolution:

Resolution	Type of stock	Total amount of dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Ordinary meeting of shareholders on June 26, 2015	Common stock	2,237	Retained earnings	7.50	March 31, 2015	June 29, 2015

From April 1, 2015 to March 31, 2016

## 1. Matters concerning the type and the number of shares issued and treasury stock (Thousand shares)

	At the beginning of this period	Increase	Decrease	At the end of this period
Shares issued				
Common stock	303,108	–	–	303,108
Total	303,108	–	–	303,108
Treasury stock				
Common stock (Note)	4,785	17	–	4,803
Total	4,785	17	–	4,803

(Note) An increase of 17,000 own shares of common stock was attributed to the purchasing shares of less than one unit.

## 2. Matters concerning subscription rights to shares

Company	Breakdown	Type of stock purchased	Number of applicable shares (in thousands)				Balance at the end of this period (million yen)
			At the beginning of this period	Increase	Decrease	At the end of this period	
Reporting company	Subscription rights to shares as stock option	–	–	–	–	–	38
Total			–	–	–	–	38

### 3. Matters concerning dividend

#### (1) Dividend payments

Resolution	Type of stock	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary meeting of shareholders on June 26, 2015	Common stock	2,237	7.50	March 31, 2015	June 29, 2015
Board of directors' meeting on November 9, 2015	Common stock	2,237	7.50	September 30, 2015	December 1, 2015

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year. The following is scheduled for resolution:

Resolution	Type of stock	Total amount of dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Ordinary meeting of shareholders on June 29, 2016	Common stock	2,386	Retained earnings	8.00	March 31, 2016	June 30, 2016

#### (Consolidated statement of cash flows)

\*1. Reconciliation of the consolidated balance sheet items to cash and cash equivalents in the consolidated cash flows statements

(Million yen)

	From April 1, 2014 to March 31, 2015	From April 1, 2015 to March 31, 2016
Cash and time deposits	39,620	44,470
Securities	563	529
Other short-term loans receivable included in current assets (Repurchase agreement)	2,799	-
<b>Total</b>	<b>42,984</b>	<b>45,000</b>
Time deposits with maturity of more than 3 months	-433	-1,248
Investment in investment limited partnership, etc.	-4	-8
Cash and cash equivalents	42,546	43,744

\*2. Major components of assets and liabilities of companies newly consolidated due to an acquisition of shares

From April 1, 2015 to March 31, 2016

The relationships between the major components of assets and liabilities at the start of consolidation associated with the new consolidation of DYO Printing Inks (now Toyo Printing Inks Inc.) through the acquisition of shares and the cost of acquiring the shares of DYO Printing Inks and total net payments for acquisition are as follows:

	(Million yen)
Current assets	2,987
Fixed assets	1,288
Goodwill	2,254
Current liabilities	-2,403
Long-term liabilities	-1,576
Foreign currency translation adjustments	-137
Non-controlling interests	-73
Acquisition cost of shares	2,339
Cash and cash equivalents	-148
Net payment for acquisition	2,190

### 3. Content of important non-capital transactions

Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)

The amount of the increase in investment securities due to the cancellation of the retirement benefit trust in the consolidated fiscal year under review is ¥5,057 million.

#### **(Business combination, etc.)**

Business combination through acquisition

##### 1. Overview of business combination

###### (1) Name and business of acquired company

Name of acquired company: DYO Printing Inks

Type of business: Manufacturing and sale of gravure inks, can coatings, offset inks, etc.

###### (2) Primary reasons for business combination

The Toyo Ink Group, as a company contributing to the enrichment of the life and culture of people through manufacturing, is focusing its efforts on expanding inks and coatings for the packaging market, including materials for food packages that are essential for everyday living. The Group has been actively expanding globally and increasing its sales and profits in growth areas such as China and Southeast Asia and establishing businesses in emerging countries such as India and Brazil.

As a critical next step toward growth, the Group has made it a priority task to build a business base and expand its businesses in the Middle East and North Africa (MENA), Central Asia, and Eastern Europe and strengthen its activities in the European region, which is at the forefront of environmental technology and regulatory governance for industries such as the food industry. As part of its strategy in such areas, the Group has been focusing on Turkey as a platform for building a business hub, and established a liaison office in 2014 and a sales company in January 2015 while moving forward with marketing efforts in the country. With this background, the Group concluded that local production was essential for establishing an operating foothold in the area, which resulted in the decision to acquire a local company.

###### (3) Date of business combination

January 15, 2016

###### (4) Legal form of business combination

Acquisition of shares in exchange for cash

###### (5) Name of company after business combination

Toyo Printing Inks Inc.

###### (6) Ratio of voting rights acquired

75%

###### (7) Primary reasons for the selection of the company to acquire

The Company acquired 75% of the voting rights of DYO Printing Inks through the acquisition of shares in exchange for cash.

##### 2. Period of financial results of the acquired company to be included in the consolidated financial statements

The settlement date of the acquired company is December 31, which differs from the consolidated settlement date by three months. The financial results of the acquired company are therefore not included in the consolidated financial statements.

##### 3. Cost of acquiring the acquired company and breakdown by type of cost

Compensation for acquisition: Cash in the amount of 59,688,000 Turkish lira (2,339 million yen)

Cost of acquisition: 59,688,000 Turkish lira (2,339 million yen)

##### 4. Major expenses associated with the acquisition and amounts

Advisory expenses, etc.: 241 million yen

##### 5. Goodwill arising from the acquisition, reason for the goodwill, and method and period of amortization

###### (1) Amount of goodwill arising from the acquisition

54,345,000 Turkish lira (2,254 million yen)

###### (2) Reason for goodwill

Goodwill arises from future excess earning power expected from business development.

(3) Method and period of amortization

Amortized in equal amounts over a period of 15 years

6. Amounts and major components of assets received and liabilities taken over on the date of business combination

Current assets:	2,987 million yen
Fixed assets:	1,288 million yen
Total assets:	4,275 million yen
Current liabilities:	2,403 million yen
Long-term liabilities:	1,576 million yen
Total liabilities:	3,980 million yen

**(Segment information, etc.)**

a. Segment information

1. Overview of reportable segments

The reportable segments of the Company are those units for which separate financial statements can be obtained among the constituent units of the Company and which are regularly examined by the Board of Directors for decisions on the allocation of management resources and for assessing business performance.

Based on factors such as the type and similarity of operations, the Company has categorized its operations into four groups, which are the reportable segments. They are the Colorants and Functional Materials Related Business, the Polymers and Coatings Related Business, the Packaging Materials Related Business, the Printing and Information Related Business and. Each business unit operates by establishing comprehensive domestic and overseas strategies for each product and service.

The Colorants and Functional Materials Related Business mainly manufactures and sells organic pigments, processed pigments, plastic colorants and color filter materials. The Polymers and Coatings Related Business mainly manufactures and sells can coatings, resins, adhesives, adhesive compounds, coating materials and natural materials. The Packaging Materials Related Business mainly manufactures and sells gravure inks, flexographic inks and gravure cylinders. The Printing and Information Related Business mainly manufactures and sells offset inks, metal printing inks, printing presses, printing equipment, prepress systems, printing supplies, and ink-jet materials.

2. Method of calculation for nets sales, profits or losses by reportable segment

Accounting procedures for reported business segments are generally the same as those stated in “Basic and important Matters in preparing the Consolidated Financial Statements.”

Intersegment earnings and transfer are based on current market prices.

3. Information on net sales, profits or losses, assets, and other items by reportable segment

From April 1, 2014 to March 31, 2015

(Million yen)

	Reported segments					Others (Note) 1	Adjustment (Note) 2	Amounts recorded in Consolidated Financial Statements (Note) 3
	Colorants and Functional Materials Related Business	Polymers and Coatings Related Business	Packaging Materials Related Business	Printing and Information Related Business	Total			
Net sales								
Sales to customers	75,681	57,457	62,379	87,084	282,603	4,080	—	286,684
Intersegment sales	2,783	2,038	734	383	5,940	1,623	-7,564	—
Total	78,465	59,495	63,114	87,468	288,544	5,704	-7,564	286,684
Segment profits	7,290	3,646	1,768	2,639	15,344	2,833	33	18,210

(Notes)1. The “Others” segment comprises business segments that are not included in the reportable segments, which include sales of raw materials, other profit-earning business activities carried out by the Company as a parent, and delivery of services.

2. An adjustment of ¥33 million yen in segment profits mainly represents the deduction of intersegment transactions.

3. Segment profits have been adjusted with operating income recorded in the consolidated financial statements.

From April 1, 2015 to March 31, 2016

(Million yen)

	Reported segments					Others (Note) 1	Adjustment (Note) 2	Amounts recorded in Consolidated Financial Statements (Note) 3
	Colorants and Functional Materials Related Business	Polymers and Coatings Related Business	Packaging Materials Related Business	Printing and Information Related Business	Total			
Net sales								
Sales to customers	68,944	58,923	63,912	87,251	279,031	4,176	-	283,208
Intersegment sales	2,934	1,970	711	187	5,804	1,804	-7,608	-
Total	71,878	60,894	64,623	87,439	284,835	5,980	-7,608	283,208
Segment profits	4,461	5,547	2,723	2,977	15,709	2,754	5	18,470

(Notes)1. The “Others” segment comprises business segments that are not included in the reportable segments, which include sales of raw materials, other profit-earning business activities carried out by the Company as a parent, and delivery of services.

2. An adjustment of ¥5 million yen in segment profits mainly represents the deduction of intersegment transactions.

3. Segment profits have been adjusted with operating income recorded in the consolidated financial statements.

b. Relevant information

Information by region

Net sales

From April 1, 2014 to March 31, 2015

(Million yen)

Japan	China	Other	Total
163,285	38,474	84,924	286,684

(Note) Net sales are based on the geographical area of the customers and categorized by country or region.

From April 1, 2015 to March 31, 2016

(Million yen)

Japan	China	Other	Total
158,586	39,667	84,954	283,208

(Note) Net sales are based on the geographical area of the customers and categorized by country or region.

**(Per share information)**

	From April 1, 2014 to March 31, 2015	From April 1, 2015 to March 31, 2016
Net assets per share	694.62 yen	697.57 yne
Net income per share	44.60 yen	40.87 yen
Fully diluted net income per share	-	40.86 yen

(Notes) 1. Fully diluted net income per share in the previous consolidated fiscal year is not presented, as there are no potentially dilutive shares.

2. The Business Combination Accounting Standard applies as stated in “Changes in accounting policies.” As a result, net assets per share for the consolidated fiscal year under review decreased 0.86 yen, and net income per share and fully diluted net income per share each decreased 0.81 yen.

3. The basis of calculating net income per share and fully diluted net income per share is as follows:

	From April 1, 2014 to March 31, 2015	From April 1, 2015 to March 31, 2016
Net income per share (million yen)		
Net income attributable to owners of parent	13,304	12,190
Amount not belonging to common shareholders (million yen)	–	–
Net income attributable to owners of parent concerning common shares (million yen)	13,304	12,190
Weighted average number of shares issued and outstanding during the period (thousand shares)	298,334	298,311
Fully diluted net income per share		
Net income attributable to owners of parent	–	–
Increase in the number of common shares	–	59
(Subscription rights to shares included (thousand shares))	–	59
Overview of dilutive shares not included in the calculation of the amount of fully diluted net income per share due to absence of dilutive effect	–	–

#### 4. The grounds for the calculation of net assets per share

	As of March 31, 2015	As of March 31, 2016
Net assets on the consolidated balance sheet (million yen)	213,756	214,673
Amount deducted from total net assets (million yen)	6,536	6,585
(Subscription rights to shares included (million yen))	–	38
(Non-controlling interests included (million yen))	6,536	6,546
Year-end net assets concerning common shares (million yen)	207,220	208,087
Common shares used for calculation of net assets per share (thousand shares)	298,322	298,304

#### (Important subsequent events)

Not applicable

#### 6. Others

##### (1) Management turnover

With respect to the transfer of directors, please refer to the “Announcement of Personnel Changes of Directors,” announced separately today.