

December 13, 2019

To All Shareholders and Stakeholders:

Company Name: Toyo Ink SC Holdings Co., Ltd.
Representative: Katsumi Kitagawa,
President and Representative Director
Stock Code: 4634; Tokyo Stock Exchange First
Section
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Notice of Partial Correction to Consolidated Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2017

Toyo Ink SC Holdings Co., Ltd. (the “Company”) hereby announces that it has made partial corrections to its consolidated financial results (Japanese accounting standards) for the first half of the First Three Quarters of the Fiscal Year Ending March 31, 2017, which were announced on February 9, 2017.

1. Details of and reason for the corrections

The details of and reasons for the corrections are described in the “Notice of Partial Corrections to Consolidated Financial Results for Past Fiscal Years” dated December 13, 2019.

2. Corrected areas

Because the corrections are numerous, a full report reflecting the corrections is attached with the corrected areas underlined.

Consolidated Quarterly Financial Results (Japanese Accounting Standards) for the First Three Quarters of the Fiscal Year Ending March 31, 2017

February 9, 2017

Name of Listed Company: TOYO INK SC HOLDINGS CO., LTD. Listings: Tokyo Stock Exchange
Code: 4634 URL: <http://sched.toyoinkgroup.com>
Representative: Katsumi Kitagawa, President, CEO
Contact: Hiroya Aoyama, Managing Director, CFO Tel: +81-3-3272-5731
Scheduled date of submission of quarterly report: February 14, 2017
Scheduled date of commencement of dividend payments: –
Supplementary documents for quarterly results: Yes
Quarterly results briefing: No

(Amounts of less than million yen are omitted.)

1. Consolidated business results for the first three quarters of fiscal 2016 ending March 31, 2017

(From April 1, 2016 to December 31, 2016)

(1) Business results (cumulative totals)

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

	Net sales		Operating income		Recurring income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Three Quarters, Fiscal 2016	200,098	-6.2	<u>13,738</u>	<u>-0.5</u>	<u>13,496</u>	<u>-2.9</u>	<u>7,298</u>	<u>-20.2</u>
First Three Quarters, Fiscal 2015	213,400	0.4	<u>13,808</u>	<u>-1.6</u>	<u>13,906</u>	<u>-9.1</u>	<u>9,140</u>	<u>-33.3</u>

(Note) Comprehensive income: First three quarters, fiscal 2016: 1,991 million yen (-78.5%)
First three quarters, fiscal 2015: 9,241 million yen (-59.7%)

	Net income per share (Basic)	Net income per share (Diluted)
	Yen	Yen
First Three Quarters, Fiscal 2016	<u>24.64</u>	<u>24.63</u>
First Three Quarters, Fiscal 2015	<u>30.64</u>	<u>30.64</u>

(2) Financial position

	Total assets	Net assets	Net worth/Total assets
	Million yen	Million yen	%
First Three Quarters, Fiscal 2016	<u>361,102</u>	<u>207,987</u>	<u>56.0</u>
Fiscal 2015	<u>359,395</u>	<u>211,859</u>	<u>57.2</u>

(Note) Net worth: First three quarters, fiscal 2016: 202,353 million yen
Fiscal 2015: 205,398 million yen

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2015	–	7.50	–	8.00	15.50
Fiscal 2016	–	8.00	–		
Fiscal 2016 (Forecast)				8.00	16.00

(Note) Revision to dividend forecasts published most recently: No

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
Full-year	290,000	2.4	19,500	<u>6.9</u>	20,000	<u>8.3</u>	12,000	<u>1.5</u>	40.53

(Note) Revision to consolidated business performance forecasts published most recently: No

* Notes

- (1) Important changes of subsidiaries during the term (changes in specific subsidiaries accompanied by a change in the scope of consolidation): No
- (2) Application of special accounting treatment to the preparation of quarterly consolidated financial statements: No
- (3) 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
- (4) Numbers of shares issued (common shares)
- (i) Numbers of shares issued (including treasury shares):
First three quarters, fiscal 2016: 303,108,724 shares
Fiscal 2015: 303,108,724 shares
 - (ii) Numbers of treasury shares at the end of the terms:
First three quarters, fiscal 2016: 7,238,635 shares
Fiscal 2015: 4,803,903 shares
 - (iii) Average numbers of shares issued during the terms (consolidated accumulation periods):
First three quarters, fiscal 2016: 296,145,208 shares
First three quarters, fiscal 2015: 298,313,306 shares

* Status of a quarterly review

This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. The quarterly consolidated financial statements under the Financial Instruments and Exchange Act have not been reviewed at the time of the announcement of this financial summary.

* 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) Information on the consolidated earnings forecasts and other future forecasts” of “1. Qualitative Information on Financial Results, etc. for the First Three Quarters Ended December 31, 2016” on page 4 of the accompanying materials.
2. Supplementary documents for financial results will be posted on the Company’s website on February 9, 2017 (Thursday).

Accompanying Materials – Contents

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1. Qualitative Information on Financial Results, etc., for the First Three Quarters Ended December 31, 2016

(1) Details of operating results

During the first three quarters of the consolidated fiscal year under review, the global economy showed continuous improvements supported by consumer spending in the United States. However, the pace of growth slowed further in China and other emerging nations. In an additional development, economic uncertainty mounted on factors that included the spread of nationalist politics as well as social and global affairs at the mercy of the attitude of the new U.S. president. The Japanese economy continued to struggle in reaction to these trends.

Under these circumstances, the Toyo Ink Group has been promoting its respective businesses in accordance with the Group management policy of “steady acquisition of business by accelerating marketing-driven innovation,” “building of global networks that can cope flexibly with changes” and “acceleration of the autonomy, independence, and self-propelling force of group companies through further promoting the transfer of authority,” which were set as the issues for management. However, the conditions in the environment remained harsh due to stagnant demand.

Reflecting this situation, consolidated net sales for the first three quarters under review decreased to ¥ 200,098 million (6.2% decrease year on year) due to foreign currency translation adjustments for operating results posted by overseas subsidiaries. In addition, operating income decreased to 13,738 million yen (down 0.5% year on year), recurring income fell to 13,496 million yen (down 2.9% year on year), and net income attributable to owners of the parent dropped to 7,298 million yen (down 20.2% year on year).

Results by segment are as follows:

(i) Colorants and Functional Materials Related Business

Sales and operating income of high-function pigments and materials for LCD color filters were squeezed further due to intensified price competition associated with a market shift to China, in addition to sluggish growth in global demand for end products such as TV sets and smartphones.

Domestic sales of commodity-type pigments were strong for printing inks for packages and automobile-related applications, and were recovering for construction-related uses. Sales of commodity-type pigments were sluggish in China and Southeast Asia.

Domestic sales of plastic colorants expanded for container applications. Overseas, profitability improved thanks to the shift to sophisticated products, while applications for office equipment and home electronics remained weak in China and Southeast Asia.

As a result of the above factors, sales in the overall Colorants and Functional Materials Related Business decreased 10.7% year on year, to 48,895 million yen, and operating income declined 10.9%, to 3,066 million yen, showing a decline in sales and income.

(ii) Polymers and Coatings Related Business

In the coating materials segment, sales of new products of functional films, including electromagnetic shielding films, expanded against the backdrop of the struggling market for smartphones. Sales of double-sided tape for industrial application were strong in South Korea, while those for advertisement-related products were sluggish. The Group entered the medical market. It acquired a medicated patch business, which commenced operation in July.

In the adhesives segment, demand for use in packages remained strong in Japan and expanded in China, but was weak in Southeast Asia, including Indonesia. In the adhesive compounds segment, sales were weak for use in labels in Japan as well as for use in displays in South Korea and China, but expanded for industrial use in North America.

Sales of can coatings (finishes) for coffee cans remained weak in Japan, while those for beer cans expanded in Japan and were strong in Southeast Asia.

As a result of the above factors, sales in the overall Polymer and Coatings Related Business decreased 4.6% year on year, to 43,650 million yen, but operating income increased 19.3%, to 4,820 million yen, reflecting the effects of cost reduction initiatives.

(iii) Packaging Materials Related Business

In addition to the continuous decline in domestic demand for gravure inks for publication, sales of solvents as resale products declined. On the other hand, domestic sales of mainstay gravure inks for packaging were strong, mainly for beverage and private brand applications. Demand for gravure inks for construction materials recovered in the latter half of the period, and profitability improved.

Overseas, sales of eco-friendly inks for packaging in the largest market segment continued to expand in Southeast Asia and India.

In the gravure cylinders business, revenue increased thanks to the strong demand for packaging, and sales of gravure equipment also increased.

As a result of the above factors, sales in the overall Packaging Materials Related Business fell 2.8% year on year, to 47,254 million yen, and operating income increased 18.3%, to 2,234 million yen.

(iv) Printing and Information Related Business

In offset inks, the export profit from Japan was squeezed by the strong yen, in addition to the continuous decrease in demand due to the structural depression where the information-related print market shrank associated with the progress of digitalization in Japan. Meanwhile, sales of UV ink expanded not only in Japan but also on a global scale, particularly in Europe, and hard coating agents for touch panels sold well.

Sales were weak in China and Southeast Asia, reflecting the slowdown of economic activity. In India and Brazil, sales expanded and profitability also improved.

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

As a result of the above factors, sales in the overall Printing and Information Related Business decreased to 60,781 million yen, down 7.3% year on year, but operating income increased 13.9%, to 2,457 million yen, thanks to the effects of cost reduction initiatives.

(v) Others

This segment covers businesses not included in the above segments and services provided mainly by TOYO INK SC HOLDINGS CO., LTD. (hereinafter the “Company”). Sales in this segment came to 4,598 million yen, up 3.7% year on year. However, operating income fell to 1,163 million yen, down 48.4%, mainly reflecting emerged expenses associated with the transfer of the head office of the Company and greater costs for developing a global integrated system for the Company.

(2) Details of financial position

Total assets at the end of the first three quarters under review stood at 361,102 million yen, up 1,706 million yen from the end of the previous consolidated fiscal year. Liabilities were 153,114 million yen, up 5,578 million yen from the end of the previous consolidated fiscal year. Net assets came to 207,987 million yen, down 3,872 million yen from the end of the previous consolidated fiscal year.

On the last day of the first three quarters under review, the exchange value of the yen rose above its level on the last day of the previous consolidated fiscal year. As a result, assets owned by Group companies overseas, their liabilities and foreign currency translation adjustments all fell. In the meantime, investments in securities and a valuation difference on available-for-sale securities rose, reflecting increased stock prices in Japan. Accounts payable also

grew under the effects of a holiday that fell on the last day of the first three quarters under review. Some of the long-term loans payable were transferred to short-term loans payable because their repayment became due within one year.

(3) Information on the consolidated earnings forecasts and other future forecasts

The Company has not revised its consolidated financial forecast for the full year ending March 31, 2017, which was announced on May 13, 2016.

2. Matters Relating to Summary Information (Notes)

(1) Important changes of subsidiaries during the term

Not applicable.

(2) Application of special accounting treatment to the preparation of quarterly consolidated financial statements

Not applicable.

(3) Changes in accounting policies and changes or restatement of accounting estimates

Changes in accounting policies

(Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

The Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26; March 28, 2016; hereinafter the “Guidelines”) have been applied starting from the first quarter of this consolidated fiscal year, and the account processing was partly reviewed regarding the recoverability of deferred tax assets.

With regard to the application of the Guidelines, the transitional treatment stipulated in Article 49 (4) in the Guidelines was adhered to: the amount of the difference between the amount of deferred tax assets and deferred tax liabilities when the stipulations included in Article 49 (3) 1 to 3 in the Guidelines were applied at the beginning of the consolidated first quarter period and the amount of deferred tax assets and deferred tax liabilities at the end of the previous consolidated fiscal year were added to the retained earnings at the beginning of the consolidated first quarter period under review.

The impact on the quarterly consolidated financial statements for the first three quarters of the consolidated fiscal year under review is minimal.

(Application of the Practical Solution on a change in depreciation method due to Tax Reform 2016)

Based on the revision of the Corporation Tax Law, the Practical Solution on a change in depreciation method due to Tax Reform 2016 (ASBJ PITF No. 32; June 17, 2016) was applied to the first quarter consolidated accounting period. The depreciation method related to buildings, attached facilities and structures that were acquired on or after April 1, 2016 was changed from the declining balance method to the straight-line method.

The impact on the profit and loss of the first three quarters of the consolidated fiscal year under review is minimal.

3. Consolidated Financial Statements

(1) Consolidated balance sheet

	(Million yen)	
	End of the previous consolidated fiscal year (As of March 31, 2016)	End of the consolidated first three quarters accounting period (As of December 31, 2016)
(Assets)		
Current assets		
Cash and bank deposits	44,470	42,627
Notes and accounts receivable	90,949	89,121
Marketable securities	529	94
Goods and products	<u>28,560</u>	<u>26,544</u>
Work-in-process	<u>1,421</u>	<u>938</u>
Raw material and supplies	<u>13,768</u>	<u>13,165</u>
Deferred income tax assets	1,908	1,304
Others	3,046	4,751
Allowance for doubtful receivables	-1,233	-989
Total current assets	<u>183,422</u>	<u>177,558</u>
Fixed assets		
Property, plant and equipment		
Building and structures	<u>96,075</u>	<u>96,491</u>
Accumulated depreciation	<u>-56,993</u>	<u>-56,871</u>
Building and structures (net amount)	<u>39,081</u>	<u>39,620</u>
Machinery and vehicles	<u>146,078</u>	<u>143,199</u>
Accumulated depreciation	<u>-120,731</u>	<u>-119,211</u>
Machinery and vehicles (net amount)	<u>25,347</u>	<u>23,988</u>
Tools, furniture and fixtures	<u>23,635</u>	<u>23,401</u>
Accumulated depreciation	<u>-20,828</u>	<u>-20,613</u>
Tools, furniture and fixtures (net amount)	<u>2,807</u>	<u>2,787</u>
Land	28,374	30,031
Leased assets	566	582
Accumulated depreciation	-314	-389
Leased assets (net amount)	251	192
Construction in progress	4,346	2,777
Total property, plant and equipment	<u>100,209</u>	<u>99,398</u>
Intangible fixed assets	5,683	5,119
Investments and other assets		
Investment in securities	60,604	69,739
Net defined benefit asset	4,293	5,258
Deferred income tax assets	771	786
Others	4,715	3,522
Allowance for doubtful receivables	-304	-282
Total investments and other assets	<u>70,080</u>	<u>79,025</u>
Total fixed assets	<u>175,973</u>	<u>183,543</u>
Total assets	<u>359,395</u>	<u>361,102</u>

(Million yen)

	End of the previous consolidated fiscal year (As of March 31, 2016)	End of the consolidated first three quarters accounting period (As of December 31, 2016)
(Liabilities)		
Current liabilities		
Notes and accounts payable	48,520	53,552
Short-term loans payable	21,932	32,920
Accrued income taxes	1,880	927
Others	15,036	14,885
Total current liabilities	<u>87,369</u>	<u>102,286</u>
Long-term liabilities		
Long-term loans payable	46,037	33,370
Deferred income tax liabilities	10,175	12,101
Provision for environmental measures	768	2,528
Net defined benefit liability	1,891	1,806
Asset retirement obligations	28	28
Others	1,266	992
Total long-term liabilities	<u>60,166</u>	<u>50,828</u>
Total liabilities	<u>147,536</u>	<u>153,114</u>
(Net assets)		
Shareholders' equity		
Common stock	31,733	31,733
Capital surplus	32,926	32,918
Retained earnings	122,450	125,092
Treasury stock, at cost	-1,771	-2,814
Total shareholders' equity	<u>185,338</u>	<u>186,930</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,610	19,250
Foreign currency translation adjustments	5,669	-5,330
Remeasurements of defined benefit plans	1,781	1,503
Total accumulated other comprehensive income	<u>20,060</u>	<u>15,423</u>
Subscription rights to shares	38	95
Non-controlling interests	6,422	5,537
Total net assets	<u>211,859</u>	<u>207,987</u>
Total of liabilities and net assets	<u>359,395</u>	<u>361,102</u>

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

Consolidated statements of income

Consolidated first three quarters

(Million yen)

	Previous first three quarters period (From April 1, 2015 to December 31, 2015)	First three quarters under review (From April 1, 2016 to December 31, 2016)
Net sales	213,400	200,098
Cost of sales	164,785	151,730
Gross profit	48,614	48,367
Selling, general and administrative expenses		
Packing expenses and freight charge	4,954	4,777
Salaries and allowance	8,852	8,717
Bonuses	2,051	2,040
Welfare expenses	2,245	2,222
Depreciation expenses	1,002	1,287
Research and development expenses	2,153	2,105
Others	13,546	13,478
Total selling, general and administrative expenses	34,806	34,629
Operating income	13,808	13,738
Non-operating income		
Interest income	175	130
Dividend income	940	917
Investment income according to the equity method	–	65
Others	611	321
Total non-operating income	1,728	1,434
Non-operating expenses		
Interest expenses	556	677
Foreign exchange losses	599	725
Investment losses according to the equity method	223	–
Others	251	273
Total non-operating expenses	1,629	1,676
Recurring income	13,906	13,496
Extraordinary profit		
Gain on sales of fixed assets	41	15
Gain on sales of investment securities	8	65
Gain on change in equity	133	140
Others	–	14
Total extraordinary profit	183	236
Extraordinary loss		
Loss on sales of fixed assets	149	260
Impairment loss	98	–
Provision for environmental measures	–	2,950
Others	0	182
Total extraordinary loss	249	3,393
Income before income taxes	13,840	10,339
Income taxes, current	2,889	2,777
Income taxes, deferred	1,439	-162
Total income taxes	4,328	2,615
Net income	9,511	7,724
Net income (loss) attributable to non-controlling interests	370	425
Net income (loss) attributable to owners of parent	9,140	7,298

Consolidated statements of comprehensive income

Consolidated first three quarters

(Million yen)

	Previous first three quarters period (From April 1, 2015 to December 31, 2015)	First three quarters under review (From April 1, 2016 to December 31, 2016)
Net income	<u>9,511</u>	<u>7,724</u>
Other comprehensive income		
Valuation difference on available-for-sale securities	4,684	6,641
Foreign currency translation adjustments	<u>-4,809</u>	<u>-11,782</u>
Remeasurements of defined benefit plans, net of tax	-102	-277
Share of other comprehensive income of associates accounted for using equity method	-42	-314
Total other comprehensive income	<u>-270</u>	<u>-5,733</u>
Comprehensive income	<u>9,241</u>	<u>1,991</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	<u>9,022</u>	<u>2,661</u>
Comprehensive income attributable to non-controlling interests	<u>218</u>	<u>-670</u>

(3) Notes to consolidated quarterly financial statements

(Notes on assumption of going business)

Not applicable

(Notes on significant changes in the amount of shareholders' equity)

Not applicable

(Segment information, etc.)

I. From April 1, 2015 to December 31, 2015

1. Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments					Others (Note) 1	Total	Adjustment (Note) 2	Amount recorded in Consolidated 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	52,558	44,224	48,087	65,447	210,317	3,082	213,400	–	213,400
Intersegment sales	2,210	1,518	544	104	4,377	1,352	5,729	-5,729	–
Total	54,768	45,742	48,632	65,552	214,695	4,434	219,130	-5,729	213,400
Segment profits	3,442	4,042	1,889	2,157	11,530	2,255	13,785	22	13,808

(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 22 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 quarterly income statement.

II. From April 1, 2016 to December 31, 2016

1. Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments					Others (Note) 1	Total	Adjustment (Note) 2	Amount recorded in Consolidated 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	46,969	42,355	46,795	60,730	196,851	3,247	200,098	–	200,098
Intersegment sales	1,925	1,295	459	50	3,731	1,351	5,083	-5,083	–
Total	48,895	43,650	47,254	60,781	200,583	4,598	205,182	-5,083	200,098
Segment profits	3,066	4,820	2,234	2,457	12,578	1,163	13,741	-3	13,738

(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 -3 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 quarterly income statement.