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
Inquiries:	Hiroya Aoyama, Senior Managing Director in charge of Finance
Phone:	+81-3-3272-5731 (Japan)

Notice of Partial Correction to Consolidated Financial Results for the Fiscal Year Ended December 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 Fiscal Year Ended December 31, 2017, which were announced on February 14, 2018.

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 Financial Results (Japanese Accounting Standards) for the Fiscal Year Ended December 31, 2017

February 14, 2018

Name of Listed Company: TOYO INK SC HOLDINGS CO., LTD. Listings: Tokyo Stock Exchange
Code: 4634 URL: http://schd.toyoinkgroup.com
Representative: Katsumi Kitagawa, President, CEO
Contact: Hiroya Aoyama, Senior Managing Director, CFO Tel: +81-3-3272-5731
Scheduled date of ordinary shareholders' meeting: March 27, 2018
Scheduled date of commencement of dividend payments: March 28, 2018
Scheduled date of submission of financial report: March 27, 2018
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 December 31, 2017 (from April 1, 2017 to December 31, 2017)

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

Year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 2017	240,344	–	16,774	–	17,473	–	10,376	–
March 2017	268,484	-5.2	19,231	5.5	19,262	4.3	12,702	7.5

(Note) Comprehensive income: December 2017 16,371 million yen (–%) March 2017 13,179 million yen (153.6%)

Year ended	Profit per share(Basic)	Profit per share (Diluted)	Return on equity	Ordinary profit/ Total assets	Operating profit/Net sales
	Yen	Yen	%	%	%
December 2017	35.55	35.51	4.8	4.7	7.0
March 2017	43.00	42.97	6.1	5.3	7.2

(Note) Equity in earnings of associated companies: December 2017 263 million yen March 2017 43 million yen

The Company has changed its fiscal year-end from March 31 to December 31 following the approval of the "Partial Amendment to the Articles of Incorporation" at the Ordinary General Meeting of Shareholders on June 29, 2017. Accordingly, with regard to the fiscal year ended December 31, 2017, which fell under the transitional period, the consolidated fiscal year of the Company and its domestic consolidated subsidiaries whose fiscal year-end date had been March 31 was the nine-month period from April 1, 2017 to December 31, 2017. For this reason, the report does not indicate year-on-year percentage changes. For overseas consolidated subsidiaries that had already adopted a fiscal year-end date of December 31, the consolidated fiscal period was the 12-month period from January 1, 2017 to December 31, 2017.

[Reference]

The following percentages (increase-decrease rates after adjustment) are calculated by comparing the results for nine months (from April 1 to December 31, 2016) of the previous fiscal year of the Company and its domestic subsidiaries with the results for the fiscal year under review.

(Million yen)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
December 2017	240,344	5.1%	16,774	8.0%	17,473	13.0%	10,376	24.1%

(2) Financial position

Year ended	Total assets	Net assets	Net worth/Total assets	Net assets per share
	Million yen	Million yen	%	Yen
December 2017	378,459	228,384	58.5	758.58
March 2017	364,066	216,979	57.9	721.65

(Note) Net worth: December 2017 221,450million yen March 2017 210,681million 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
December 2017	18,663	-5,912	-8,355	49,262
March 2017	23,370	-10,611	-11,231	44,132

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 2017	–	8.00	–	8.00	16.00	4,702	37.2	2.3
December 2017	–	8.00	–	8.00	16.00	4,670	45.0	2.2
December 2018(Forecast)	–	8.00	–	9.00	17.00		36.8	

3. Forecasts for the year ending December 31, 2018 (from January 1, 2018 to December 31, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	145,000	–	10,200	–	10,500	–	6,500	–	22.27
Full-year	300,000	–	21,500	–	22,000	–	13,500	–	46.24

With regard to the fiscal year ended December 31, 2017, the consolidated fiscal year of the Company and its domestic consolidated subsidiaries whose fiscal year-end date had been March 31 was the nine-month period from April 1, 2017 to December 31, 2017. For this reason, the report does not indicate percentage changes from the previous fiscal year and from the same period of the previous fiscal year.

[Reference]

The following percentages (increase-decrease rates after adjustment) were calculated by comparing the results for 12 months (from April 1 to December 31, 2016) of the fiscal year under review of the Company and its domestic subsidiaries with the forecasts for the next fiscal year.

(Million yen)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
First half	145,000	7.1%	10,200	1.4%	10,500	1.0%	6,500	-26.9%
Full-year	300,000	7.1%	21,500	5.0%	22,000	3.4%	13,500	-8.3%

* 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: No
- (ii) Changes in accounting policies other than (i): No
- (iii) Changes in accounting estimates: No
- (iv) Restatement: No

(3) Number of shares issued (ordinary shares)
- (i) Numbers of shares issued (including treasury shares):
  December 2017: 303,108,724 shares
  March 2017: 303,108,724 shares
- (ii) Numbers of treasury shares at the end of the terms:
  December 2017: 11,179,403 shares
  March 2017: 11,163,641 shares
- (iii) Average numbers of shares issued during the terms (consolidated accumulation periods):
  December 2017: 291,936,923 shares
  March 2017: 295,422,393 shares

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

Non-consolidated business results for the year ended December 31, 2017 (from April 1, 2017 to December 31, 2017)

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

Year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 2017	15,407	–	7,201	–	8,148	–	7,896	–
March 2017	19,016	-1.0	9,048	-6.1	10,088	-5.6	10,762	19.4

Year ended	Profit per share(Basic)	Profit per share (Diluted)
	Yen	Yen
December 2017	27.05	27.02
March 2017	36.43	36.41

The fiscal year ended December 31, 2017 is the nine months from April 1 to December 31, 2017 due to the change of the fiscal year-end date. For this reason, the report does not indicate year-on-year percentage changes.

[Reference]

The following percentages represent increase-decrease rates calculated by comparing the results for nine months (from April 1 to December 31, 2016) of the previous fiscal year of the Company with the results for the fiscal year under review.

(Million yen)

Year ended	Net sales		Operating profit		Ordinary profit		Profit	
December 2017	15,407	-1.6%	7,201	-11.1%	8,148	-9.2%	7,896	-8.9%

(2) Financial position

Year ended	Total assets	Net assets	Net worth/Total assets	Net asset sper share
	Million yen	Million yen	%	Yen
December 2017	250,227	177,042	70.7	605.89
March 2017	245,850	172,275	70.0	589.77

(Note) Net worth: December 2017 176,877million yen March 2017 172,180million yen

* These financial results are not subject to audit.

* 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 " (4) Future prospects" of "1. Overview of Operating Results, etc" 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.
   - February 20, 2018 (Tuesday): Briefing for institutional investors and security analysts.

Accompanying Materials – Contents

1. Overview of Operating Results, etc.

The Company and its domestic subsidiaries changed their fiscal year-end from March 31 to December 31, which is the same as that of its overseas subsidiaries. The new fiscal year-end applies from the fiscal year under review. Accordingly, the report on the business position during the fiscal year under review, which is the transitional period, covers the nine-month period from April 1 to December 31, 2017 for the domestic companies and the 12-month period from January 1 to December 31, 2017 for the overseas subsidiaries. The comparison with the results of the previous fiscal year uses data from the previous year that have been adjusted to the period corresponding to the fiscal year under review.

(1) Overview of operating results for the fiscal year ended December 31, 2017

(Million yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
December 2017	240,344	16,774	17,473	10,376
March 2017 (Adjusted)	228,761	15,530	15,465	8,363
Growth rate after adjustment (%)	5.1	8.0	13.0	24.1
March 2017	268,484	19,231	19,262	12,702

In the global economy during the fiscal year under review, the U.S. economy continued to recover on the back of strong personal consumption and China and other countries in Asia maintained growth, albeit at a slower pace; however, concerns over an economic downturn caused by political, financial market, and geopolitical risks also remained. In Japan, consumer spending is still somewhat weak despite the trend of economic recovery.

Despite this business environment, the Toyo Ink Group operated its business activities in line with the following three policies of the fiscal year under review with the aim of reforming its long-term vision and medium-term management plan and taking on new challenges.

Under the first policy, to execute its new growth strategy through the expansion of the value chains in all corporate activities, the Group developed and extended businesses and business models capable of providing high added value based on new products, new markets, and new businesses and aimed to achieve targets through its growth strategy.

In the Colorants and Functional Materials Related Business, the Group continued to develop new products of materials for LCD color filters and boosted sales in China and Taiwan, and expanded product lines such as materials for lithium-ion batteries and high-design property pigments for coatings to strengthen development into the automobile market. In the Polymers and Coatings Related Business, the Group promoted sales in the electronics and display markets using new products of conducting adhesive sheets and clean-type adhesive films and newly developed sales of can coatings (finishes) with environmental and safety features in the North American market. In the Packaging Materials Related Business, the Group developed a product line of biomass inks using plant-derived raw materials and commenced sales. In addition to growing sales of water-based inks for soft packaging in Japan and other Asian countries, the Group established a supply and sales promotion network for environmentally friendly products in the European market by signing a license agreement with an ink manufacturer in Luxembourg. In the Printing and Information Related Business, the Group promoted sales of new ultraviolet (UV) curable ink products developed at the new plant built at the Fuji Factory for continuous production with pigments and developed the application of inkjet inks for on-demand printing.

Under the second policy, to evolve supply chain management (SCM) through manufacturing from a viewpoint with an awareness of innovation, the Group improved its manufacturing processes and methods through the collaboration of establishments in Japan and abroad to reduce costs and increase productivity, and continued to develop a system that is capable of responding flexibly to changes in demand. Moreover, the Group constructed a new factory for plastic colorants in India, enhanced its gravure ink production facilities in Malaysia and Vietnam, and continued with procedures to acquire land for new factories in Turkey and Mexico to strengthen its supply systems and combine and expand businesses in regions where demand was expected to grow.

Finally, under the third policy, to promote the reform of the culture by reviewing the management foundation (management resources and governance), the Group worked to improve its operations and built a global consolidation system associated with the standardization of the fiscal year-end of all the Group companies to facilitate globally integrated business management and increase management transparency through the timely and appropriate disclosure of management information. The Group also worked to raise the mandatory retirement age and reconsider its retirement allowance system as part of its efforts to improve the use of human resources.

As a result, net sales for the fiscal year under review increased to 240,344 million yen (up 5.1% year on year), operating profit rose to 16,774 million yen (up 8.0% year on year), ordinary profit climbed to 17,473 million yen (up 13.0% year on year), and profit attributable to owners of parent grew to 10,376 million yen (up 24.1% year on year).

Results by segment are as follows.

(Million yen)

	Net sales			Operating profit		
	Previous term (adjusted)	Term under review	Adjusted change (%)	Previous term (adjusted)	Term under review	Adjusted change (%)
Colorants and Functional Materials Related Business	57,445	63,385	10.3	3,412	5,273	54.5
Polymers and Coatings Related Business	48,728	52,028	6.8	5,564	5,868	5.5
Packaging Materials Related Business	53,619	55,640	3.8	2,526	2,096	-17.0
Printing and Information Related Business	69,800	69,011	-1.1	2,831	2,996	5.8
Other	4,690	5,166	10.1	1,187	541	-54.4
Subtotal	234,284	245,233	4.7	15,522	16,775	8.1
Eliminations or corporate	-5,523	-4,889	–	8	-1	–
Total consolidated	228,761	240,344	5.1	15,530	16,774	8.0

(i) Colorants and Functional Materials Related Business

Sales of high-function pigments and materials for LCD color filters increased based on strong demand for high-definition, large TV sets as end products and recovering demand for smartphones. Additionally, sales promotions in China and Taiwan have also led to positive results.

While domestic sales of commodity-type pigments, particularly offset printing inks, remained weak, sales of commodity-type pigments for coatings and plastic grew in China and other regions.

Domestic sales of plastic colorants for caps for beverage and toiletry containers were strong, and sales of plastic colorants for office equipment recovered in China and Southeast Asia. However, sales of plastic colorants for automobiles were unexpectedly weak in Europe and the United States.

As a result, net sales and operating profit in the overall Colorants and Functional Materials Related Business rose. Net sales stood at 63,385 million yen (up 10.3% year on year) and operating profit was 5,273 million yen (up 54.5% year on year).

(ii) Polymers and Coatings Related Business

In the coating materials segment, although sales of electromagnetic shielding films struggled, sales of higher-quality conducting adhesive sheets for smartphones increased. Sales of adhesive films related to electronics grew, and the new medicated patch business remained strong.

In the adhesives segment, demand for use in the packaging of food and other products increased in Japan, South Korea, Southeast Asia, and other regions. In the adhesive compounds segment, sales of products for use in electronics were strong in Japan and South Korea and sales of those for use in labels also gradually recovered in the second half of the period; profit was reduced, however, by rising prices of raw materials.

Sales of can coatings (finishes) for coffee cans remained weak in Japan and those for beer cans also struggled due to unseasonable weather in the summer; sales in North America, however, increased.

As a result, both net sales and operating profit rose in the overall Polymers and Coatings Related Business. Net sales came to 52,028 million yen (up 6.8% year on year) and operating profit was 5,868 million yen (up 5.5% year on year).

(iii) Packaging Materials Related Business

Although domestic demand for gravure inks for publication continued to decline, domestic sales of mainstay gravure inks for packaging mainly for private brand applications and convenience stores were strong, and domestic sales of gravure inks for construction materials also increased.

Overseas sales increased in North America, Central and South America, India, and other regions despite sluggish demand in China due largely to environmental regulations.

In the gravure cylinder platemaking segment, while sales from general platemaking for packaging were weak, sales from special precision platemaking increased.

As a result, net sales increased year on year while operating profit decreased in the overall Packaging Materials Related Business. Net sales stood at 55,640 million yen (up 3.8% year on year) and operating profit came to 2,096 million yen (down 17.0% year on year).

(iv) Printing and Information Related Business

Given the shrinking domestic information-related print market associated with the progress of digitization, the Group sought to optimize its business scale by product line and streamlined products in Japan, while bolstering sales overseas by expanding global bases. Meanwhile, the Group focused on the development and sale of highly sensitive UV ink using leading-edge technology and other products such as inkjet ink for on-demand printing, thereby facilitating business growth.

Meanwhile, domestic demand for inks for commercial printing of circulars and other materials, existing information publications including newspapers and magazines, and related materials remained weaker than expected. A decline in capacity utilization at printing companies in China and Southeast Asia due to an economic slowdown and environmental regulations also caused a fall in sales.
As a result, operating profit increased despite a decrease in net sales in the overall Printing and Information Related Business. Net sales amounted to 69,011 million yen (down 1.1% year on year) and operating profit was 2,996 million yen (up 5.8% year on year).

(v) Other
This segment covers businesses not included in the above segments and services provided mainly by TOYO INK SC HOLDINGS CO., LTD. Net sales in this segment increased to 5,166 million yen (up 10.1% year on year). Operating profit, however, decreased to 541 million yen (down 54.4% year on year), due primarily to an increase in development expenses for the integrated global systems at the Holdings.

(2) Overview of financial position during the fiscal year ended December 31, 2017

(Million yen)

	End of previous fiscal year	End of fiscal year under review	Change
Total assets	364,066	378,459	14,393
Liabilities	147,087	150,075	2,988
Net assets	216,979	228,384	11,404

Total assets at the end of the fiscal year under review stood at 378,459 million yen, up 14,393 million yen from the end of the previous consolidated fiscal year. Liabilities were 150,075 million yen, up 2,988 million yen from the end of the previous consolidated fiscal year. Net assets came to 228,384 million yen, up 11,404 million yen from the end of the previous consolidated fiscal year.
The last day of the fiscal year under review fell on a public holiday in Japan, which resulted in an increase in accounts receivable-trade and accounts payable-trade. Property, plant and equipment decreased due primarily to impairment. In the meantime, investment securities and net defined benefit assets rose, partly reflecting increased stock prices. In connection with this, a valuation difference on available-for-sale securities, remeasurements of defined benefit plans, and deferred tax liabilities increased. Short-term loans payable decreased and long-term loans payable increased due to refinancing after reducing the amount by appropriating funds on hand as loans payable reached maturity.

(3) Overview of cash flow during the fiscal year ended December 31, 2017

(Million yen)

	Previous term	Term under review	Change
Cash flows from operating activities	23,370	18,663	-4,706
Cash flows from investing activities	-10,611	-5,912	4,698
Cash flows from financing activities	-11,231	-8,355	2,876
Cash and cash equivalents at end of period	44,132	49,262	5,129

The report does not indicate year-on-year comparisons in each cash flow segment since the fiscal year under review is a transitional period between different fiscal year-end dates.
Cash and cash equivalents (“cash”) at the end of the fiscal year under review stood at 49,262 million yen, up 5,129 million yen from the end of the previous fiscal year.
Cash provided by operating activities stood at 18,663 million yen, mainly reflecting an increase in cash flows due to the posting of profit before income taxes and a decrease in cash flows due to income taxes paid.
Cash used in investment activities was 5,912 million yen, which mainly reflects the purchase of property, plant, and equipment.
Cash used in financing activities stood at 8,355 million yen, primarily reflecting repayments of loans payable and cash dividends paid.

Trends in Group cash flows are as follows:

	Term ended March 2015	Term ended March 2016	Term ended March 2017	Term ended December 2017
Capital adequacy ratio (%)	56.9	57.2	57.9	58.5
Market value-based capital adequacy ratio (%)	46.1	37.4	43.0	51.4
Ratio of interest-bearing debt to cash flows (years)	2.6	2.7	2.8	3.3
Interest coverage ratio (times)	31.6	35.2	25.7	23.6

Capital adequacy ratio: Shareholders' equity / total assets
Market value-based capital adequacy ratio: Market capitalization / total assets
Ratio of interest-bearing debt to cash flows: Interest-bearing debt / cash flows
Interest coverage ratio: Cash flows / interest payments
(Notes) 1. Each indicator is calculated using consolidated financial data.
2. Market capitalization is computed based on the number of shares issued excluding treasury shares.
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.

(4) Future prospects

(Million yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Term ending December 2018 (forecast)	300,000	21,500	22,000	13,500
Term ended December 2017 (after adjustment)	280,066	20,475	21,269	14,714
Growth rate after adjustment (%)	7.1	5.0	3.4	-8.3

While a moderate recovery is expected to continue globally in the economic environment of the next fiscal year, uncertainty about the future is also likely to remain.
The Toyo Ink Group also expects that a harsh business environment with challenges such as the rising cost of raw materials will continue, and forecasts that net sales will be 300 billion yen (up 7.1% from net sales for the fiscal year under review after adjusting the net sales of the Company and its domestic subsidiaries for a 12-month period), operating profit will be 21.5 billion yen (up 5.0% year on year after the corresponding adjustment), ordinary profit will be 22.0 billion yen (up 3.4% year on year after the corresponding adjustment), and profit attributable to owners of parent will be 13.5 billion yen (down 8.3% year on year after the corresponding adjustment) after taking measures to address the issues described on pages 8 and 9.

2. Group Overview

The Group is constituted of the Company, 66 consolidated subsidiaries and 9 equity method affiliate companies.

Business lines of the Group are as follows:

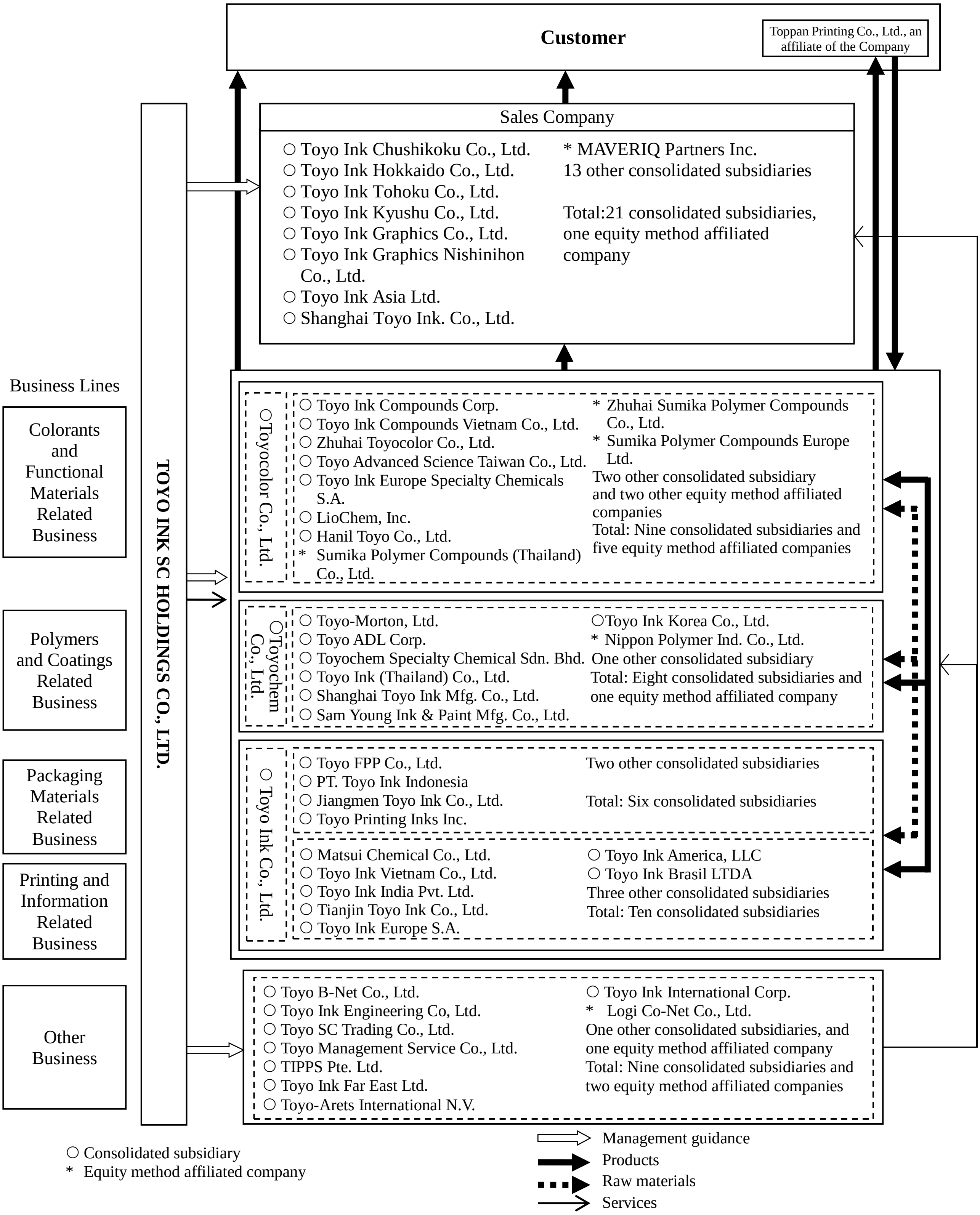
Business line	Major Business	Major Company	
Colorants and Functional Materials Related Business	Organic pigments, processed pigments, plastic colorants, color filter materials and others	Domestic	Toyocolor Co., Ltd. and others
		Overseas	Toyo Ink Compounds Corp., Toyo Ink Compounds Vietnam Co., Ltd., Zhuhai Toyocolor Co., Ltd. (Note), 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, adhesive compounds, coating materials, natural materials, medical products 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 printing inks, printing machines, printing equipment, 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 Europe S.A., 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. and others

(Note) Zhuhai Toyocolor Co., Ltd. is the former Toyo Zhuhai Toyochem Co., Ltd. whose name was changed in July 2017.

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.

In 2018, the Group commemorated the 122nd anniversary of its foundation. While maintaining the corporate philosophy, corporate policy and guiding principles described above as unchangeable, the Group will undertake the necessary adaptation in line with the times, aiming for sustainable growth toward the 200th anniversary of its foundation.

Specifically, the Group will expand the scope of our contribution as a company creating new value for human culture from consumers to life and the global environment and work on solving such issues, thereby contributing to the realization of a world where everyone and everything can live together in harmony.

In addition, the Group will endeavor to reform its corporate character to enable it to achieve sustainable growth and increase satisfaction from a long-term perspective to ensure the sustainability of all stakeholders, including the pursuit of value innovation and the enhancement of risk management.

(2) Medium- to long-term management strategy

The Toyo Ink Group establishes its long-term vision every 10 years. The Group decided that the value it would provide in the next 10 years until 2027 would be “For a Vibrant World,” and is striving to reform itself to build a corporate structure capable of achieving century-long sustainable growth and become a corporate group that contributes to the development of a world where all consumers, lives, and the global environment coexist vibrantly.

The concept for corporate activities in this new long-term vision is “Scientific Innovation Chain 2027 (SIC27),” which has five core themes: “technology and product,” “business model,” “network,” “manufacturing,” and “management foundation.” Under this concept, the Group is implementing innovative thinking and scientific execution, and through a chain of this action, it is aiming to reform its corporate system to one that is capable of achieving sustainable growth. In addition, the Group is focusing not only on growth markets, but also on business domains that may lead to the resolution of social issues and potential for the sustainable growth of life and the global environment by strategically improving and expanding the framework of its business domains.

The Group has positioned the medium-term management plan “SIC-I (FY2018 through FY2020),” which is the first step of this long-term vision, as the period of building the foundation for sustainable growth based on the long-term vision SIC27. The Group will reform its existing businesses to proposal-based businesses based on the potential needs of the market, develop them in new regions and markets, and create new businesses using the Group’s core technologies to expand its business domains and increase sales.

In addition to reforming its production process, the Group will achieve manufacturing innovation by adopting technologies such as IoT, AI, and robotics, improve and revitalize its establishments in Japan and abroad, and aim to enable timely product supply and globally stable quality and low cost, thereby attaining the further growth of its earnings.

Furthermore, the Group will enhance its management resources that are necessary for business domain expansion and manufacturing innovation, establish its management basis by promoting CSR, strengthening its risk management system, etc., and fulfill more responsibilities as a member of society.

(3) Our challenges

FY2018 is the first fiscal year in this new medium-term management plan, which is an important year for the Toyo Ink Group to continue its growth. To take a strong step forward, the Group will follow three policies in the operation of its businesses: “prompting product development ahead of potential market needs and expanding businesses by providing value,” “ensuring and increasing profit by comprehensively improving manufacturing, including procedures and production processes and materials,” and “implementing the structural reform of management resources and employee functions to achieve sustainable growth.”

In the Colorants and Functional Materials Related Business, the Group established Toyo Visual Solutions Co., Ltd. in January 2018, which unifies the production, sale, and technical functions of the business for materials for LCD color filters. The company will accelerate business decision-making, strengthen sales in China where the market is growing, and develop and promote sales of high functional materials for image sensors. In the energy field, the company will develop materials for lithium-ion batteries for automobiles and mobile devices and improve the supply system for such products.

In the Polymers and Coatings Related Business, the Group will promote sales of electronics- and display-related materials by offering solutions that combine adhesive development and clean coating technology and expand the lines of environmentally friendly products in the packaging and industrial material segment. The Group will also continue to enhance its production capacity in North America, India, Turkey, and other regions to facilitate global sales and improve supply-chain management.

In the Packaging Materials Related Business, the Group will further develop environmentally friendly products that are differentiated to meet needs by area, including water-based flexographic inks, Electron Beam (EB) curable flexographic inks, and biomass inks, in response to a global increase in environmental awareness. Moreover, the Group will develop a supply system in regions where demand is growing by commencing the operation of the additional gravure ink production facilities constructed in Southeast Asia at an early stage.

In the Printing and Information Related Business, the Group will continue to develop and promote the sale of energy-saving type UV curable inks and increase the application of inkjet inks. In Japan, where demand continues to decrease, the Group will reorganize its production and distribution centers and implement structural reform to increase profitability.

In addition, the Group will strengthen and increase its technological development function through open innovation and the improvement of internal systems and review its production and management systems using data science to take a strong step forward into the first year of the medium-term management plan.

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 and Primary Notes

(1) Consolidated balance sheet

(Million yen)

		As of March 31, 2017		As of December 31, 2017
(Assets)				
Current assets				
Cash and deposits		44,903		50,260
Notes and accounts receivable - trade		89,049	*5	94,594
Securities		116		477
Merchandise and finished goods		27,228		29,477
Work in process		1,279		1,103
Raw materials and supplies		13,963		16,085
Deferred tax assets		1,908		1,380
Other		3,852		3,220
Allowance for doubtful accounts		-1,086		-993
Total current assets		181,214		195,606
Non-current assets				
Property, plant and equipment				
Buildings and structures	*2, *6	98,960	*2, *6	98,901
Accumulated depreciation		-58,320		-60,139
Buildings and structures, net		40,639		38,762
Machinery, equipment and vehicles	*2	147,205	*2	149,060
Accumulated depreciation		-122,081		-125,954
Machinery, equipment and vehicles, net		25,124		23,105
Tools, furniture and fixtures		23,734		23,974
Accumulated depreciation		-20,907		-21,329
Tools, furniture and fixtures, net		2,827		2,644
Land	*2, *6	30,003	*2, *6	30,007
Leased assets		617		669
Accumulated depreciation		-420		-481
Leased assets, net		196		187
Construction in progress		2,607		2,373
Total property, plant and equipment		101,398		97,081
Intangible assets		4,487		4,307
Investments and other assets				
Investment securities	*1	66,718	*1	68,541
Net defined benefit asset		5,927		8,614
Deferred tax assets		833		1,068
Other		3,904		3,671
Allowance for doubtful accounts		-419		-432
Total investments and other assets		76,964		81,463
Total non-current assets		182,851		182,853
Total assets		364,066		378,459

(Million yen)

	As of March 31, 2017	As of December 31, 2017
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	*2 49,588	*2, *5 56,129
Short-term loans payable	*2 30,660	*2 22,507
Income taxes payable	3,088	1,485
Other	14,175	14,685
Total current liabilities	97,513	94,808
Non-current liabilities		
Long-term loans payable	33,262	38,409
Deferred tax liabilities	10,884	11,641
Provision for environmental measures	2,504	2,349
Net defined benefit liability	1,865	1,868
Asset retirement obligations	29	29
Other	1,027	968
Total non-current liabilities	49,573	55,267
Total liabilities	147,087	150,075
(Net assets)		
Shareholders’ equity		
Capital stock	31,733	31,733
Capital surplus	32,918	32,710
Retained earnings	130,496	136,202
Treasury shares	-4,992	-5,002
Total shareholders' equity	190,155	195,642
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,726	19,284
Foreign currency translation adjustment	1,144	3,299
Remeasurements of defined benefit plans	1,653	3,223
Total accumulated other comprehensive income	20,525	25,807
Subscription rights to shares	95	164
Non-controlling interests	6,202	6,768
Total net assets	216,979	228,384
Total liabilities and net assets	364,066	378,459

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

Consolidated statements of income

(Million yen)

		From April 1, 2016 to March 31, 2017		From April 1, 2017 to December 31, 2017
Net sales		268,484		240,344
Cost of sales	*1	203,095	*1	184,433
Gross profit		65,388		55,910
Selling, general and administrative expenses				
Packing and transportation expenses		6,420		5,304
Salaries and allowance		11,596		9,991
Bonuses		2,698		2,123
Welfare expenses		3,006		2,443
Depreciation		1,801		1,525
Research and development expenses	*1	2,831	*1	2,786
Other		17,801		14,959
Total selling, general and administrative expenses		46,156		39,136
Operating profit		19,231		16,774
Non-operating income				
Interest income		191		229
Dividend income		1,094		940
Share of profit of entities accounted for using equity method		43		263
Other		467		491
Total non-operating income		1,796		1,925
Non-operating expenses				
Interest expenses		896		756
Foreign exchange losses		385		94
Other		484		375
Total non-operating expenses		1,766		1,226
Ordinary profit		19,262		17,473
Extraordinary income				
Gain on sales of non-current assets	*2	67	*2	579
Gain on sales of investment securities		2,637		340
Other		155		9
Total extraordinary income		2,860		929
Extraordinary losses				
Loss on sales and retirement of non-current assets	*3	322	*3	210
Impairment loss	*4	375	*4	3,054
Amortization of goodwill	*5	650		–
Provision for environmental measures		2,950		–
Other		596		371
Total extraordinary losses		4,895		3,637
Profit before income taxes		17,227		14,765
Income taxes - current		5,346		4,142
Income taxes - deferred		-1,355		-276
Total income taxes		3,990		3,865
Profit		13,236		10,900
Profit attributable to non-controlling interests		534		523
Profit attributable to owners of parent		12,702		10,376

Consolidated statements of comprehensive income

(Million yen)

	From April 1, 2016 to March 31, 2017	From April 1, 2017 to December 31, 2017
Profit	13,236	10,900
Other comprehensive income		
Valuation difference on available-for-sale securities	5,115	1,559
Foreign currency translation adjustment	-4,837	2,376
Remeasurements of defined benefit plans, net of tax	-127	1,569
Share of other comprehensive income of entities accounted for using equity method	-208	-34
Total other comprehensive income	*1 -57	*1 5,471
Comprehensive income	13,179	16,371
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,167	15,659
Comprehensive income attributable to non-controlling interests	11	711

(3) Consolidated statements of changes in equity

From April 1, 2016 to March 31, 2017

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	31,733	32,926	122,450	-1,771	185,338
Cumulative effects of changes in accounting policies			97		97
Restated balance	31,733	32,926	122,547	-1,771	185,435
Changes of items during period					
Dividends of surplus			-4,753		-4,753
Profit attributable to owners of parent			12,702		12,702
Purchase of treasury shares				-3,221	-3,221
Disposal of treasury shares		0		0	0
Change in ownership interest of parent due to transactions with non-controlling interests		-7			-7
Net changes of items other than shareholders' equity					
Total changes of items during period	–	-7	7,948	-3,220	4,719
Balance at end of current period	31,733	32,918	130,496	-4,992	190,155

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	12,610	5,669	1,781	20,060	38	6,422	211,859
Cumulative effects of changes in accounting policies							97
Restated balance	12,610	5,669	1,781	20,060	38	6,422	211,957
Changes of items during period							
Dividends of surplus							-4,753
Profit attributable to owners of parent							12,702
Purchase of treasury shares							-3,221
Disposal of treasury shares							0
Change in ownership interest of parent due to transactions with non-controlling interests						7	–
Net changes of items other than shareholders' equity	5,116	-4,524	-127	465	56	-227	294
Total changes of items during period	5,116	-4,524	-127	465	56	-219	5,021
Balance at end of current period	17,726	1,144	1,653	20,525	95	6,202	216,979

From April 1, 2017 to December 31, 2017

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	31,733	32,918	130,496	-4,992	190,155
Cumulative effects of changes in accounting policies					–
Restated balance	31,733	32,918	130,496	-4,992	190,155
Changes of items during period					
Dividends of surplus			-4,671		-4,671
Profit attributable to owners of parent			10,376		10,376
Purchase of treasury shares				-12	-12
Disposal of treasury shares		-0	-0	1	1
Change in ownership interest of parent due to transactions with non-controlling interests		-208			-208
Net changes of items other than shareholders' equity					
Total changes of items during period	–	-208	5,705	-10	5,487
Balance at end of current period	31,733	32,710	136,202	-5,002	195,642

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	17,726	1,144	1,653	20,525	95	6,202	216,979
Cumulative effects of changes in accounting policies							–
Restated balance	17,726	1,144	1,653	20,525	95	6,202	216,979
Changes of items during period							
Dividends of surplus							-4,671
Profit attributable to owners of parent							10,376
Purchase of treasury shares							-12
Disposal of treasury shares							1
Change in ownership interest of parent due to transactions with non-controlling interests						208	–
Net changes of items other than shareholders' equity	1,557	2,154	1,569	5,282	69	357	5,709
Total changes of items during period	1,557	2,154	1,569	5,282	69	565	11,404
Balance at end of current period	19,284	3,299	3,223	25,807	164	6,768	228,384

(4) Consolidated statements of cash flows

(Million yen)

	From April 1, 2016 to March 31, 2017	From April 1, 2017 to December 31, 2017
Cash flows from operating activities		
Profit before income taxes	17,227	14,765
Depreciation	10,540	8,731
Impairment loss	375	3,054
Interest and dividend income	-1,286	-1,170
Interest expenses	896	756
Share of (profit) loss of entities accounted for using equity method	-43	-263
Loss (gain) on sales of property, plant and equipment	-52	-561
Loss on retirement of property, plant and equipment	164	116
Loss (gain) on sales of investment securities	-2,637	-303
Decrease (increase) in notes and accounts receivable - trade	-921	-4,295
Decrease (increase) in inventories	-186	-3,474
Increase (decrease) in notes and accounts payable - trade	1,745	7,047
Other	1,577	-525
Subtotal	27,401	23,877
Interest and dividend income received	1,300	1,156
Interest expenses paid	-909	-791
Income taxes paid	-4,423	-5,579
Net cash provided by (used in) operating activities	23,370	18,663
Cash flows from investing activities		
Payments into time deposits	-363	-570
Proceeds from withdrawal of time deposits	677	454
Purchase of property, plant and equipment	-14,371	-6,778
Proceeds from sales of property, plant and equipment	321	1,189
Purchase of intangible assets	-577	-525
Purchase of short-term and long-term investment securities	-34	-287
Proceeds from sales and redemption of short-term and long-term investment securities	3,647	782
Other	90	-177
Net cash provided by (used in) investing activities	-10,611	-5,912
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-2,172	3,587
Proceeds from long-term loans payable	47	6,000
Repayments of long-term loans payable	-680	-12,946
Cash dividends paid	-4,752	-4,664
Dividends paid to non-controlling interests	-304	-324
Other	-3,370	-7
Net cash provided by (used in) financing activities	-11,231	-8,355
Effect of exchange rate change on cash and cash equivalents	-1,138	733
Net increase (decrease) in cash and cash equivalents	388	5,129
Cash and cash equivalents at beginning of period	43,744	44,132
Cash and cash equivalents at end of period	*1 44,132	*1 49,262

(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 66 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 Ink Chushikoku Co., Ltd.;
Toyo B-Net Co., Ltd.;
Tianjin Toyo Ink Co., Ltd.;
Toyo Ink (Thailand) Co., Ltd.;
TIPPS Pte. Ltd.;
Toyo Advanced Science Taiwan Co., Ltd.;
Shanghai Toyo Ink Mfg. Co., Ltd.;
Toyo Ink India Pvt. Ltd.;
Zhuhai Toyocolor Co., Ltd.;
Toyochem Specialty Chemical Sdn. Bhd..;
Toyo Ink Europe S.A.;
Sam Young Ink & Paint Mfg. Co., Ltd.;
Toyo Ink Europe Specialty Chemicals S.A.;
Toyo Ink America, LLC;
Jiangmen Toyo Ink Co.

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

- In the fiscal year under review, Toyo Visual Solutions Co., Ltd. was established and became a consolidated subsidiary.
- Toyo Colortech Co., Ltd., which was a consolidated subsidiary during the previous fiscal year, merged with Toyo Ink Co., Ltd. in the fiscal year under review and has been excluded from the scope of consolidation.
- Toyo Ink Business Network India Pvt. Ltd., which was a consolidated subsidiary during the previous fiscal year, merged with Toyo Ink India Pvt. Ltd. in the fiscal year under review and has been excluded from the scope of consolidation.

The name of the following consolidated subsidiary was changed in the consolidated fiscal year under review:

- Zhuhai Toyocolor Co., Ltd. (formerly Zhuhai Toyochem Co., Ltd.)

2. Application of the equity method

The equity method is applied to investments in nine affiliates.

Names of major subsidiaries

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

In the consolidated fiscal year under review, the one company was excluded from the affiliates accounted for using the equity method.

- Sumitomo Chemical Polymer Compounds Saudi Arabia Co., Ltd., which was an equity method affiliate during the previous fiscal year, was sold by the Company in the fiscal year under review and has been excluded from the scope of application of the equity method.

3. Change of consolidated closing date

The Company changed its fiscal year-end from March 31 to December 31 following a resolution passed at the Ordinary General Meeting of Shareholders on June 29, 2017 to facilitate globally integrated business management and increase management transparency through the timely and appropriate disclosure of management information as “a science company that contributes to the world.”

Due to this change, the fiscal year under review is the nine months from April 1 to December 31, 2017.

4. Fiscal year-end of consolidated subsidiaries

The fiscal year-end date of consolidated subsidiaries is the same as the consolidated closing date.

In the preparation of consolidated financial statements for the fiscal year under review, the consolidated fiscal year of the Company and its domestic consolidated subsidiaries, whose fiscal year-end date had been March 31, was the nine-month period from April 1, 2017 to December 31, 2017. For overseas consolidated subsidiaries that had already adopted a fiscal year-end date of December 31, the consolidated fiscal period was the 12-month period from January 1 to December 31, 2017.

5. 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

Finished goods, 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.

Merchandise 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)

The constant percentage method is applied to the Company and its domestic consolidated subsidiaries (however, the straight-line method is applied for buildings (not including facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016); and the straight-line method is mainly applied to overseas consolidated subsidiaries.

Major useful lives:

Buildings and structures	Eight to 50 years
Machinery, equipment and vehicles	Four to 15 years
Tools, furniture and fixtures	Two 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 loans payable

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.

(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 to basis of presenting consolidated financial statements)

(Consolidated statements of cash flows)

“Amortization of goodwill” and “increase (decrease) in provision for environmental measures” under “cash flow from operating activities,” which were listed independently in the previous consolidated fiscal year, decreased in materiality, and for that reason they are included in “other” from the 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, “amortization of goodwill” totaling 937 million yen, “increase (decrease) in provision for environmental measures” totaling 1,736 million yen, and “other” totaling -1,096 million yen, which were recorded in “cash flow from operating activities” in the consolidated statement of cash flows for the previous consolidated fiscal year, are restated as “other” totaling 1,577 million yen.

“Payments for guarantee deposits” and “proceeds from collection of guarantee deposits” under “cash flow from investing activities,” which were listed independently in the previous consolidated fiscal year, decreased in materiality, and for that reason they are included in “other” from the 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, “payments for guarantee deposits” totaling -40 million yen, “proceeds from collection of guarantee deposits” totaling 677 million yen, and “other” totaling -546 million yen under “cash flow from investing activities” in the consolidated statement of cash flows for the previous consolidated fiscal year are restated as “other” amounting to 90 million yen.

“Purchase of treasury shares” under “cash flow from financing activities,” which was listed independently in the previous consolidated fiscal year, decreased in materiality, and for that reason it is included in “other” starting in the 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, “purchase of treasury shares” totaling -3,221 million yen and “other” totaling -148 million yen under “cash flow from financing activities” in the consolidated statement of cash flows for the previous consolidated fiscal year are restated as “other” amounting to -3,370 million yen.

(Notes to consolidated balance sheet)

*1. Shares of affiliates (Million yen)

	As of March 31, 2017	As of December 31, 2017
Investment securities (shares)	4,168	4,214

*2. Assets pledged as collateral and secured debt

Assets pledged as collateral (Million yen)

	As of March 31, 2017	As of December 31, 2017
Buildings and structures	1,300	1,373
Machinery, equipment and vehicles	103	136
Land	534	586
Total	1,938	2,096

Secured debt is as follows. (Million yen)

	As of March 31, 2017	As of December 31, 2017
Notes and accounts payable - trade	185	173
Short-term loans payable	141	183
Total	327	357

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, 2017		As of December 31, 2017	
ZHUHAI SUMIKA POLYMER COMPOUNDS Co., Ltd. (US$4,837,000)	542	ZHUHAI SUMIKA POLYMER COMPOUNDS Co., Ltd. (US$4,423,000)	499
Sumika Polymer Compounds (UK) Ltd. (GBP 2,168,000, etc.)	312	Sumika Polymer Compounds (UK) Ltd. (GBP 1,808,000, etc.)	276
Sumika Polymer Compounds Europe Ltd. (GBP 1,211,000, etc.)	198	Sumika Polymer Compounds Europe Ltd. (GBP 1,287000, etc.)	225
Other: five companies	741	Other: four companies	490
Employees (housing loans)	132	Employees (housing loans)	108
Total	1,928	Total	1,601

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

	As of March 31, 2017	As of December 31, 2017
Discounts on notes and accounts receivable	95	86
Endorsement of notes and accounts receivable	16	18

*5. Treatment of notes maturing on the last day of the fiscal year

Although the last day of the fiscal year under review fell on a bank holiday, notes that matured on the last day of the fiscal year are treated in accounting as having settled on the maturity date. The values of notes that matured on the last day of the fiscal year under review are as follows: (Million yen)

	As of March 31, 2017	As of December 31, 2017
Notes receivable - trade	–	1,773
Notes payable - trade	–	94

*6. Reduction entry

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

	As of March 31, 2017	As of December 31, 2017
Buildings and structures	1,924	1,924
Land	6,763	6,763
Total	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, 2016 to March 31, 2017	From April 1, 2017 to December 31, 2017
7,390	5,894

*2. Details of gain on sale of non-current assets (Million yen)

	From April 1, 2016 to March 31, 2017	From April 1, 2017 to December 31, 2017
Land	46	495
Other	21	84
Total	67	579

*3. Details of loss on sales and retirement of non-current assets (Million yen)

	From April 1, 2016 to March 31, 2017	From April 1, 2017 to December 31, 2017
Buildings and structures	145	120
Other	176	90
Total	322	210

*4. Impairment loss

The Group recorded an impairment loss for the following asset group.

From April 1, 2016 to March 31, 2017

Location	Use	Type
Kitakyushu, Fukuoka	Idle assets	Land, buildings and structures, etc.

The Group classifies its assets based on the categories of management accounting and classifies idle assets and assets for lease by individual property.

In the consolidated fiscal year under review, the Group has reduced the book value of idle assets, which are expected not to be used in the future, to their recoverable amount and recorded the amount of reduction as an impairment loss (375 million yen) in extraordinary losses. The breakdown of the impairment loss is land of 104 million yen, buildings and structures of 264 million yen and other of 6 million yen.

The recoverable amount is measured by the net cash value and calculated by making a reasonable adjustment to the assessed value of fixed assets.

From April 1, 2017 to December 31, 2017

Location	Use	Type
Kawagoe, Saitama, etc.	Factory assets, etc.	Buildings and structures, machinery, equipment, and vehicles, etc.

The Group classifies its assets based on the categories of management accounting and classifies idle assets and assets for lease by individual property.

The book value of the above asset group has been reduced to its recoverable amount due to the unlikelihood of making the profit initially expected as a result of structural recession associated with the digitization of the domestic printing market, and the amount of the reduction is recorded as an impairment loss (3,054 million yen) in extraordinary losses. The breakdown of the impairment loss is buildings and structures of 1,596 million yen, machinery, equipment, and vehicles of 1,219 million yen, and other of 239 million yen.

The recoverable amount of the asset group is measured by the value in use and calculated by discounting future cash flow at 4.7%.

*5 Amortization of goodwill
From April 1, 2016 to March 31, 2017
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 28, 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, 2016 to March 31, 2017	From April 1, 2017 to December 31, 2017
Valuation difference on available-for-sale securities		
Amount arisen in the fiscal year under review	9,973	2,269
Amount of recycling	-2,627	-109
Before tax adjustment	7,345	2,159
Amount of the tax effect equivalent	-2,229	-599
Valuation difference on available-for-sale securities	5,115	1,559
Foreign currency translation adjustments		
Amount arisen in the fiscal year under review	-4,889	2,428
Amount of the tax effect equivalent	52	-52
Foreign currency translation adjustments	-4,837	2,376
Remeasurements of defined benefit plans, net of tax		
Amount arisen in the fiscal year under review	366	2,270
Amount of recycling	-549	-8
Before tax adjustment	-183	2,262
Amount of the tax effect equivalent	56	-692
Remeasurements of defined benefit plans, net of tax	-127	1,569
Share of other comprehensive income of entities accounted for using equity method		
Amount arisen in the fiscal year under review	-157	158
Amount of recycling	-50	-193
Share of other comprehensive income of entities accounted for using equity method	-208	-34
Total other comprehensive income	-57	5,471

(Notes to consolidated statements of changes in net assets)
From April 1, 2016 to March 31, 2017
1. Matters concerning the type and the number of shares issued and treasury shares (Thousand shares)

	At the beginning of this period	Increase	Decrease	At the end of this period
Shares issued				
Ordinary shares	303,108	–	–	303,108
Total	303,108	–	–	303,108
Treasury shares				
Ordinary shares (Notes 1, 2)	4,803	6,360	0	11,163
Total	4,803	6,360	0	11,163

(Notes) 1 The increase of 6,360 thousand shares in the number of shares of treasury ordinary stock is attributed to an increase of 6,339 thousand shares due to the acquisition of treasury shares following a resolution passed by the Board of Directors and an increase of 21,000 shares due to the purchase of odd-lot shares.
2 The decrease of 0 shares in the number of shares of treasury ordinary stock is due to requests for the purchase of odd-lot shares.

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	–	–	–	–	–	95
Total			–	–	–	–	95

3. Matters concerning dividend

(1) Cash dividends paid

Resolution	Type of stock	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary meeting of shareholders on June 29, 2016	Ordinary shares	2,386	8.00	March 31, 2016	June 30, 2016
Board of directors' meeting on November 9, 2016	Ordinary shares	2,366	8.00	September 30, 2016	December 1, 2016

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year.

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, 2017	Ordinary shares	2,335	Retained earnings	8.00	March 31, 2017	June 30, 2017

From April 1, 2017 to December 31, 2017

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

	At the beginning of this period	Increase	Decrease	At the end of this period
Shares issued				
Ordinary shares	303,108	–	–	303,108
Total	303,108	–	–	303,108
Treasury shares				
Ordinary shares (Notes 1, 2)	11,163	20	4	11,179
Total	11,163	20	4	11,179

(Notes) 1. The increase of 20 thousand shares in the number of shares of treasury ordinary stock is due to the purchase of odd-lot shares.

2. The decrease of 4 thousand shares in the number of shares of treasury ordinary stock is due to a decrease of 4 thousand shares as a result of the exercise of stock options and a decrease of 0 thousand shares due to requests for the purchase of odd-lot shares.

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	–	–	–	–	–	164
Total			–	–	–	–	164

3. Matters concerning dividend

(1) Cash dividends paid

Resolution	Type of stock	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary meeting of shareholders on June 29, 2017	Ordinary shares	2,335	8.00	March 31, 2017	June 30, 2017
Board of directors' meeting on November 7, 2017	Ordinary shares	2,335	8.00	September 30, 2017	December 1, 2017

(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 March 27, 2018	Ordinary shares	2,335	Retained earnings	8.00	December 31, 2017	March 28, 2018

(Notes to consolidated statements 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, 2016 to March 31, 2017	From April 1, 2017 to December 31, 2017
Cash and time deposits	44,903	50,260
Securities	116	477
Total	45,019	50,738
Time deposits with maturity of more than 3 months	-883	-1,071
Bonds with a redemption period of more than 3 months	-3	-403
Cash and cash equivalents	44,132	49,262

(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 natural materials and medical products. 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 net 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 by reportable segment

From April 1, 2016 to March 31, 2017 (Million yen)

	Reported segments					Other (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	63,442	56,771	62,386	81,586	264,186	4,297	–	268,484
Intersegment sales	2,492	1,554	579	65	4,691	1,817	-6,509	–
Total	65,935	58,325	62,965	81,651	268,877	6,115	-6,509	268,484
Segment profits	4,604	6,641	2,871	3,317	17,435	1,777	18	19,231

(Notes) 1. The “Other” 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 18 million yen in segment profits mainly represents the deduction of intersegment transactions.
3. Segment profits have been adjusted with operating profit recorded in the consolidated financial statements.

From April 1, 2017 to December 31, 2017 (Million yen)

	Reported segments					Other (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	61,355	51,051	55,167	68,976	236,551	3,792	–	240,344
Intersegment sales	2,029	976	473	34	3,514	1,374	-4,889	–
Total	63,385	52,028	55,640	69,011	240,066	5,166	-4,889	240,344
Segment profits	5,273	5,868	2,096	2,996	16,234	541	-1	16,774

(Notes) 1. The “Other” 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 -1 million yen in segment profits mainly represents the deduction of intersegment transactions.
3. Segment profits have been adjusted with operating profit recorded in the consolidated financial statements.

b. Relevant information

Information by region

Net sales

From April 1, 2016 to March 31, 2017

(Million yen)

Japan	China	Other	Total
155,308	32,928	80,246	268,484

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

From April 1, 2017 to December 31, 2017

(Million yen)

Japan	China	Other	Total
117,417	34,488	88,438	240,344

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

(Per share information)

	From April 1, 2016 to March 31, 2017	From April 1, 2017 to December 31, 2017
Net assets per share	721.65 yen	758.58 yen
Profit per share	43.00 yen	35.55 yen
Fully diluted profit per share	42.97 yen	35.51 yen

(Notes) 1. The basis of calculating profit per share and fully diluted profit per share is as follows:

	From April 1, 2016 to March 31, 2017	From April 1, 2017 to December 31, 2017
Profit per share		
Profit attributable to owners of parent (million yen)	12,702	10,376
Amount not belonging to common shareholders (million yen)	–	–
Profit attributable to owners of parent concerning ordinary shares (million yen)	12,702	10,376
Weighted average number of shares issued and outstanding during the period (thousand shares)	295,422	291,936
Fully diluted profit per share		
Profit attributable to owners of parent (million yen)	–	–
Increase in the number of ordinary shares (thousand shares)	193	318
(Subscription rights to shares included) (thousand shares)	193	318
Overview of dilutive shares not included in the calculation of the amount of fully diluted profit per share due to absence of dilutive effect	–	–

2. The grounds for the calculation of net assets per share

	As of March 31, 2017	As of December 31, 2017
Net assets on the consolidated balance sheet (million yen)	216,979	228,384
Amount deducted from total net assets (million yen)	6,298	6,933
(Subscription rights to shares included (million yen))	(95)	(164)
(Non-controlling interests included (million yen))	(6,202)	(6,768)
Year-end net assets concerning ordinary shares (million yen)	210,681	221,450
Ordinary shares used for calculation of net assets per share (thousand shares)	291,945	291,929

(Important subsequent events)

(Reorganization of Display Materials Related Business)

At the meeting of the Board of Directors held on September 19, 2017, the Company passed a resolution to reorganize the Group's Display Materials Related Business. In connection with this, the Company established Toyo Visual Solutions Co., Ltd. (hereafter "TVS") as a wholly-owned subsidiary on September 19, 2017, and TVS took over the Display Materials Related Business of Toyocolor Co., Ltd. (hereafter "Toyocolor"), a wholly-owned subsidiary of the Company, through an absorption-type demerger (hereafter "the demerger") on January 1, 2018.

The key details of this reorganization are as follows:

1. Purpose of reorganizing the Display Materials Related Business

The Toyo Ink Group aims to expand its business related to display materials, which are related to LCD and sensors, by establishing an independent company integrating production, sales, and technology functions to accelerate business decision-making and further increase manufacturing efficiency.

2. Summary of the demerger

(1) Method of the demerger

The demerger is an absorption-type demerger where Toyocolor is the demerged company and TVS is the successor company.

(2) Allocation of shares, etc. related to the demerger

Because both Toyocolor and TVS are wholly-owned subsidiaries of the Company, there will be no allocation or issuance of shares, money, etc. as a result of the demerger.

(3) Subscription rights to shares and bonds with subscription rights to shares associated with the demerger

Not applicable

(4) Changes in capital, etc. as a result of the demerger

There will be no changes to the capital of either Toyocolor or TVS as a result of the demerger.

(5) Succession of rights and obligations by the successor company

TVS will assume all of the assets, liabilities, employment contracts, contractual status, and other rights and obligations of the Display Materials Related Business acquired from Toyocolor. The obligations taken over by TVS will be assumed jointly by TVS and Toyocolor.

(6) Outlook for performance of obligations

Both Toyocolor and TVS are expected to have assets in excess of liabilities following the demerger and, at this point in time, there is no foreseeable obstacle to the performance of their obligations. The Company therefore considers that both Toyocolor and TVS will be able to repay debts for which they will be liable after the demerger.

(7) Assets and liabilities to be taken over

Total assets: 9,123 million yen

Total liabilities: 7,112 million yen

3. Status of the demerged company and successor company following the demerger (as of January 1, 2018)

	Demerged Company	Successor Company
(1) Company Name	Toyocolor Co., Ltd.	Toyo Visual Solutions Co., Ltd.
(2) Business Description	Colorants and Functional Materials Related Business (excluding the Display Materials Related Business)	Display Materials Related Business
(3) Capital	500 million yen	300 million yen
(4) Number of Shares Outstanding	10,000 shares	6,001 shares
(5) Net Assets	10,861 million yen	2,279 million yen
(6) Total Assets	29,600 million yen	9,377 million yen

(Change of share trading unit, reverse stock split, and partial revision of the Articles of Incorporation)

At the meeting of the Board of Directors held on February 14, 2018, the Company passed a resolution to change the share trading unit and partially revise the Articles of Incorporation pursuant to the provisions of paragraph (1), Article 195 of the Companies Act and to submit a proposal for a reverse stock split to the 180th Ordinary General Meeting of Shareholders scheduled to be held on March 27, 2018.

For details, please refer to “Announcement Regarding a Change in the Share Trading Unit, Reverse Stock Split, and Partial Changes of the Articles of Incorporation” announced separately today.

6. Other

(1) Management turnover

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