

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, 2018

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, 2018, which were announced on February 14, 2019.

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, 2018

February 14, 2019

Name of Listed Company: TOYO INK SC HOLDINGS CO., LTD.

Listings: Tokyo Stock Exchange

Code: 4634

URL: <https://sacd.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 26, 2019

Scheduled date of commencement of dividend payments: March 27, 2019

Scheduled date of submission of financial report: March 26, 2019

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, 2018 (from January 1, 2018 to December 31, 2018)

(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 2018	290,208	-	15,276	-	15,429	-	11,847	-
December 2017	240,344	-	16,774	-	17,473	-	10,376	-

(Note) Comprehensive income: December 2018 -2,409 million yen (-%) December 2017 16,345 million yen (-%)

Year ended	Profit per share (Basic)	Profit per share (Diluted)	Return on equity	Ordinary profit/Total assets	Operating profit/Net sales
	Yen	Yen	%	%	%
December 2018	202.93	202.60	5.4	4.1	5.3
December 2017	177.73	177.53	4.8	4.7	7.0

(Note) Equity in earnings of associated companies: December 2018 65 million yen December 2017 263 million yen

* The Company conducted a consolidation of common stock at the ratio of five to one (5:1) effective as of July 1, 2018. In this regard, the basic profit per share, the diluted profit per share and net assets per share in (2) Financial position are calculated on the assumption that the said stock consolidation was implemented at the beginning of the previous fiscal year.

The Company changed its fiscal year-end from March 31 to December 31 as of the fiscal year ended December 31, 2017. Because of this change, the increase-decrease rates from the previous fiscal year are not presented because the period of the fiscal year under review (from January 1, 2018 to December 31, 2018) is different from the period of the previous fiscal year (from April 1, 2017 to December 31, 2017), which is the target period for comparison. For the previous fiscal year, the period subject to consolidation is from April 1, 2017 to December 31, 2017 for the Company and its consolidated subsidiaries in Japan that closed their accounts on March 31 and from January 1, 2017 to December 31, 2017 for overseas consolidated subsidiaries that closed their accounts on December 31.

[Reference]

The following percentages (increase-decrease rates after adjustment) are calculated by comparison with the results for the same period of the previous year (from January 1, 2017 to December 31, 2017) corresponding to the fiscal year under review (from January 1, 2018 to December 31, 2018).

(Million yen)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
December 2018	290,208	3.6%	15,276	-25.4%	15,429	-27.5%	11,847	-19.5%

(2) Financial position

Year ended	Total assets	Net assets	Net worth/Total assets	Net assets per share
	Million yen	Million yen	%	Yen
December 2018	373,535	221,091	57.3	3,668.36
December 2017	378,459	228,384	58.5	3,792.89

(Note) Net worth: December 2018 214,170 million yen December 2017 221,450 million yen

(3) Consolidated cash flow condition

Year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
December 2018	19,197	-10,828	-5,695	50,958
December 2017	18,663	-5,912	-8,355	49,262

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	%	%
December 2017	-	8.00	-	8.00	16.00	4,670	45.0	2.2
December 2018	-	8.00	-	45.00	-	4,962	41.9	2.3
December 2019 (Forecast)	-	45.00	-	45.00	90.00		43.8	

* For the year-end dividend per share for the fiscal year ended December 31, 2018, the amount considering the impact of the said stock consolidation is stated, and the specific total annual dividends are not stated, with only "-" stated. The annual dividend per share recalculated based on standards after the stock consolidation is 80 yen for the fiscal year ended December 31, 2017 and 85 yen for the fiscal year ended December 31, 2018.

3. Forecasts for the year ending December 31, 2019 (from January 1, 2019 to December 31, 2019)

(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
Full-year	300,000	3.4	17,500	<u>14.6</u>	18,000	<u>16.7</u>	12,000	<u>1.3</u>	205.54

* 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 2018: 60,621,744 shares
- December 2017: 60,621,744 shares
- (ii) Numbers of treasury shares at the end of the terms:
- December 2018: 2,238,409 shares
- December 2017: 2,235,880 shares
- (iii) Average numbers of shares issued during the terms (consolidated accumulation periods):
- December 2018: 58,384,130 shares
- December 2017: 58,387,384 shares

* The Company conducted a consolidation of common stock at the ratio of five to one (5:1) effective as of July 1, 2018. In this regard, the number of shares issued at the end of the term, the number of treasury shares at the end of the term, and the average numbers of shares issued during the term are calculated on the assumption that the said stock consolidation was implemented at the beginning of the previous fiscal year.

Reference: Financial summary (non-consolidated)

(Amounts of less than million yen are omitted.)

Non-consolidated business results for the year ended December 31, 2018 (from January 1, 2018 to December 31, 2018)

(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 2018	20,473	—	10,543	—	11,751	—	8,188	—
December 2017	15,407	—	7,201	—	8,148	—	7,896	—

Year ended	Profit per share (Basic)		Profit per share (Diluted)	
	Yen		Yen	
December 2018	140.24		140.02	
December 2017	135.25		135.10	

* The Company conducted a consolidation of common stock at the ratio of five to one (5:1) effective as of July 1, 2018. In this regard, the basic profit per share, the diluted profit per share and net assets per share in (2) Financial position (non-consolidated) are calculated on the assumption that the said stock consolidation was implemented at the beginning of the previous fiscal year.

The Company changed its fiscal year-end from March 31 to December 31 as of the fiscal year ended December 31, 2017. Because of this change, the increase-decrease rates from the previous fiscal year are not presented because the period of the fiscal year under review (from January 1, 2018 to December 31, 2018) is different from the period of the previous fiscal year (from April 1, 2017 to December 31, 2017), which is the target period for comparison.

[Reference]

The following percentages (increase-decrease rates after adjustment) are calculated by comparison with the results for the same period of the previous year (from January 1, 2017 to December 31, 2017) corresponding to the fiscal year under review (from January 1, 2018 to December 31, 2018).

(Million yen)

Year ended	Net sales		Operating profit		Ordinary profit		Profit	
December 2018	20,473	9.1%	10,543	29.3%	11,751	26.9%	8,188	-18.0%

(2) Financial position

Year ended	Total assets		Net assets		Net worth/Total assets		Net assets per share	
	Million yen		Million yen		%		Yen	
December 2018	247,930		173,110		69.7		2,960.81	
December 2017	250,227		177,042		70.7		3,029.46	

(Note) Net worth: December 2018 172,861 million yen December 2017 176,877 million yen

* These financial results are not subject to audits by certified public accountants or audit corporations.

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

- The above forecasts are based on the information available on the date these materials are released and incorporate assumptions about uncertainties that may affect future earnings. 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.
- 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, 2019 (Wednesday): Briefing for institutional investors and security analysts.

Accompanying Materials – Contents

- 1. Overview of Operating Results, etc. 2
 - (1) Overview of operating results for the fiscal year ended December 31, 2018..... 2
 - (2) Overview of financial position during the fiscal year ended December 31, 2018 4
 - (3) Overview of cash flow during the fiscal year ended December 31, 2018..... 4
 - (4) Future prospects 5
- 2. Group Overview..... 6
- 3. Management Policy..... 8
 - (1) Basic management policy 8
 - (2) Medium- to long-term management strategy 8
 - (3) Our challenges 8
- 4. Basic Position on the Selection of Accounting Standards..... 9
- 5. Consolidated Financial Statements and Primary Notes..... 10
 - (1) Consolidated balance sheet 10
 - (2) Consolidated statements of income and consolidated statements of comprehensive income 12
 - (3) Consolidated statements of changes in equity..... 14
 - (4) Consolidated statements of cash flows 16
 - (5) Explanatory notes to consolidated financial statements..... 17
 - (Notes on assumption of going business) 17
 - (Basic and important matters in preparing the consolidated financial statements) 17
 - (Notes to consolidated balance sheet)..... 19
 - (Notes to consolidated statements of income) 21
 - (Notes to consolidated statements of comprehensive income) 22
 - (Notes to consolidated statements of changes in equity) 22
 - (Notes to consolidated statements of cash flows) 24
 - (Segment information, etc.) 24
 - (Per share information) 26
 - (Important subsequent events)..... 26
- 6. Other 26
 - (1) Management turnover 26

1. Overview of Operating Results, etc.

From the previous fiscal year, 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. Accordingly, the report on the business position during the fiscal year under review covers the period from January 1 to December 31, 2018 for both the domestic companies and the overseas companies. The comparison with the results for the same period of the previous fiscal year uses data from the same period of 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, 2018

(Million yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
December 2018	290,208	<u>15,276</u>	<u>15,429</u>	<u>11,847</u>
December 2017 (Adjusted)	280,066	<u>20,475</u>	<u>21,269</u>	<u>14,714</u>
Growth rate after adjustment (%)	3.6	<u>-25.4</u>	<u>-27.5</u>	<u>-19.5</u>
December 2017	240,344	<u>16,774</u>	<u>17,473</u>	<u>10,376</u>

In the global economy during the fiscal year under review, the U.S. economy continued to recover on the back of strong personal consumption. In China and other countries in Asia, growth continued, although the pace of growth slowed. However, concerns regarding an economic downturn due to trade friction and rising political risks were increasing. In Japan, there was a growing sense of stagnation, partly due to the series of natural disasters that occurred, 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 implement business expansion by prompt product development and provision of value by capturing hidden needs in the market in advance, the Group aimed to expand business domains and realize growth strategies by developing new products, new markets and new businesses while strengthening marketing and capabilities to develop products.

In the Colorants and Functional Materials Related Business, the Group promoted sales expansion to China where the market was expanding and strengthened the development system of high-performance materials for image sensors by establishing Toyo Visual Solutions Co., Ltd., which unified the production, sales and technology functions of the materials business for LCD color filters, in January 2018. The Group also advanced the development and sales of high-design and high-performance dispersants such as jet black colorants and materials for lithium-ion batteries. In the Polymers and Coatings Related Business, the sales expansion of adhesive compounds and coating materials made progress in the electronics and display markets thanks to the development of new products, the strengthening of clean production technologies and solution proposal-based marketing. In addition, environmentally friendly adhesives for packaging and can coatings also continued to grow. In the Packaging Materials Related Business, the Group developed environmentally friendly products that addressed global needs, including biomass inks that received the Grand Prize for the Global Environment Award. The Group also embarked on the establishment of a new base in Myanmar after achieving the early and stable operation of production facilities that were enhanced in Malaysia and Vietnam. In the Printing and Information Related Business, the Group promoted the development of products tailored to customer needs in conventional inks by launching a new series of offset rotary inks for commercial printing that pursued ease of printing, as well as the development of inkjet and other functional inks and the enhancement of the supply system.

Under the second policy, to secure and increase profits through an overall review of processing, production process, materials and manufacturing, the Group improved quality and reduced costs by promoting the review of the production process of pigments and materials for color filters and the self-manufacturing of resin raw materials of offset inks that the Group purchased. In polymer-related products, the Group promoted the enhancement of the global supply system and the strengthening of networks by establishing new production facilities in Thailand and India.

Finally, under the third policy, to implement structural reforms of management resources and staff functions toward sustainable growth, the Group promoted the globally unified management of businesses and business performance associated with the unification of the fiscal year-end in Japan and overseas at the end of the previous fiscal year and worked to reduce management personnel by utilizing data and streamlining operations associated with the development of integrated systems. The Group also practiced management that gave consideration to the health of employees as exemplified by the achievement of the "Smart Meal" certification by the company cafeteria at the head office.

As a result, net sales for the fiscal year under review increased to 290,208 million yen (up 3.6% year on year), but operating profit decreased to 15,276 million yen (down 25.4% year on year) due to the effect of rising prices of raw materials as a result of the rise in oil prices and the deteriorated supply-demand balance associated with environmental regulations in many countries. Ordinary profit declined to 15,429 million yen (down 27.5% year on year), and profit attributable to owners of parent fell to 11,847 million yen (down 19.5% 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	71,875	74,660	3.9	<u>6,465</u>	<u>5,329</u>	<u>-17.6</u>
Polymers and Coatings Related Business	63,501	66,099	4.1	7,872	6,035	-23.3
Packaging Materials Related Business	63,490	68,047	7.2	2,422	1,491	-38.4
Printing and Information Related Business	80,491	79,378	-1.4	2,574	931	-63.8
Other	6,591	7,228	9.7	1,131	1,481	31.0
Subtotal	285,949	295,413	3.3	<u>20,466</u>	<u>15,269</u>	<u>-25.4</u>
Adjustment	-5,883	-5,205	-	8	6	-
Total consolidated	280,066	290,208	3.6	<u>20,475</u>	<u>15,276</u>	<u>-25.4</u>

(i) Colorants and Functional Materials Related Business

Sales of high-function pigments and materials for LCD color filters did not grow much in Japan, partly because of the closure of the production lines of customers. In China, Taiwan and South Korea, however, their sales were strong driven by the demand for large, high-definition TV sets. Meanwhile, profits were squeezed due to the stronger demand for the reduction of costs for parts and materials, while the competition over the price for LCD panels intensified with the market changes.

Sales of commodity-type pigments, particularly those for automobile coatings, expanded although those for printing inks for publications, among other applications, were sluggish. Meanwhile, the sharp rise in the prices of raw materials, mainly caused by a supply shortage associated with environmental regulations, put a significant squeeze on profits, leading to revisions to selling prices.

While domestic sales of plastic colorants for containers were strong, those for building materials were weak. Overseas sales of plastic colorants for office equipment in Southeast Asia were strong, and sales increased for those for displays in South Korea.

As a result, net sales in the overall Colorants and Functional Materials Related Business rose to 74,660 million yen (up 3.9% year on year) and operating profit was 5,329 million yen (down 17.6% year on year).

(ii) Polymers and Coatings Related Business

In the coating materials segment, sales of conducting adhesive sheets for smartphones directed at China and South Korea and adhesive films for displays were strong.

In the adhesives segment, domestic sales of those for use in the packaging of food and drinks and other products remained firm, and sales of those for use in lithium-ion batteries also grew. In the overseas business, sales expansion advanced in Southeast Asia and India. However, the sharp rise in the prices of raw materials caused mainly by the rise in oil prices put a squeeze on profits, leading to revisions to selling prices. In the adhesive compounds segment, sales of those for displays expanded in South Korea and Taiwan, and sales of those for use in labels recovered in the second half in Japan. However, the sharp rise in the prices of raw materials put a squeeze on profits.

Sales of can coatings (finishers) for coffee cans remained weak in Japan and did not grow much in Southeast Asia, although sales of eco-friendly type products expanded in Europe and America.

As a result, net sales in the overall Polymers and Coatings Related Business stood at 66,099 million yen (up 4.1% year on year), and operating profit fell to 6,035 million yen (down 23.3% 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. Domestic sales of gravure inks for construction materials were also strong, and sales of solvents also grew. However, the sharp rise in the prices of raw materials, mainly caused by the rise in the oil price, put a squeeze on profits beyond self-efforts, leading to revisions to selling prices.

Overseas sales of eco-friendly type products also increased in Southeast Asia, India, China and South Korea. However, the rise in the prices of raw materials put a squeeze on profits.

In the gravure cylinder platemaking segment, sales were sluggish for packaging, but sales from precision plate-making related to electronics expanded.

As a result, net sales in the overall Packaging Materials Related Business increased to 68,047 million yen (up 7.2% year on year) and operating profit decreased to 1,491 million yen (down 38.4% 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 and reduce costs in Japan, while bolstering sales overseas by expanding its global bases,

which resulted in the advancement of sales expansion in India and Turkey. 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 and the increase of the linkage among different businesses, thereby facilitating business growth.

However, domestic demand for offset inks for the commercial printing of circulars and other materials, existing information publications including newspapers and magazines, and related materials remained weaker than expected. In addition, the rise in the prices of raw materials also put a squeeze on profits.

As a result, both net sales and operating profit in the overall Printing and Information Related Business decreased. Net sales amounted to 79,378 million yen (down 1.4% year on year) and operating profit was 931 million yen (down 63.8% 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 increased to 7,228 million yen (up 9.7% year on year), and operating profit rose to 1,481 million yen (up 31.0% year on year), mainly due to a decrease in expenses in the administrative departments.

(2) Overview of financial position during the fiscal year ended December 31, 2018

(Million yen)

	End of previous fiscal year	End of fiscal year under review	Change
Total assets	<u>378,459</u>	<u>373,535</u>	<u>-4,924</u>
Liabilities	<u>150,075</u>	<u>152,443</u>	<u>2,368</u>
Net assets	<u>228,384</u>	<u>221,091</u>	<u>-7,292</u>

Total assets at the end of the fiscal year under review stood at 373,535 million yen, down 4,924 million yen from the end of the previous consolidated fiscal year. Liabilities were 152,443 million yen, up 2,368 million yen from the end of the previous consolidated fiscal year. Net assets came to 221,091 million yen, down 7,292 million yen from the end of the previous consolidated fiscal year.

On the last day of the fiscal year 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 and liabilities held by overseas subsidiaries and foreign currency translation adjustments fell. In the meantime, investment securities, deferred tax liabilities, and a valuation difference on available-for-sale securities each fell, reflecting decreased stock prices. On the other hand, raw materials and notes and accounts payable - trade increased due to the impact of a sharp rise in the prices of raw materials.

(3) Overview of cash flow during the fiscal year ended December 31, 2018

(Million yen)

	Previous term	Term under review	Change
Cash flows from operating activities	<u>18,663</u>	<u>19,197</u>	<u>533</u>
Cash flows from investing activities	-5,912	-10,828	-4,916
Cash flows from financing activities	<u>-8,355</u>	<u>-5,695</u>	<u>2,659</u>
Cash and cash equivalents at end of period	49,262	50,958	1,695

The report does not show year-on-year comparisons in each cash flow segment since the fiscal year-end was changed in the previous consolidated fiscal year.

Cash and cash equivalents ("cash") at the end of the fiscal year under review stood at 50,958 million yen, up 1,695 million yen from the end of the previous fiscal year.

Cash provided by operating activities stood at 19,197 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 10,828 million yen, which mainly reflects the purchase of property, plant, and equipment.

Cash used in financing activities stood at 5,695 million yen, primarily reflecting repayments of loans payable and cash dividends paid.

Trends in Group cash flows are as follows:

	Term ended March 2016	Term ended March 2017	Term ended December 2017	Term ended December 2018
Capital adequacy ratio (%)	<u>57.2</u>	<u>57.9</u>	<u>58.5</u>	<u>57.3</u>
Market value-based capital adequacy ratio (%)	<u>37.4</u>	<u>43.0</u>	<u>51.4</u>	<u>38.2</u>
Ratio of interest-bearing debt to cash flows (years)	<u>2.7</u>	<u>2.8</u>	<u>3.3</u>	<u>3.1</u>
Interest coverage ratio (times)	35.2	<u>25.7</u>	<u>23.6</u>	<u>25.8</u>

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 2019 (forecast)	300,000	17,500	18,000	12,000
Term ended December 2018	290,208	<u>15,276</u>	<u>15,429</u>	<u>11,847</u>
Growth rate (%)	3.4	<u>14.6</u>	<u>16.7</u>	<u>1.3</u>

While a moderate recovery is expected to continue globally in the economic environment of the next fiscal year, fear of an economic slowdown is gradually growing.

The Toyo Ink Group also expects that the 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 (growth rate of 3.4%), operating profit will be 17.5 billion yen (growth rate of 14.6%), ordinary profit will be 18.0 billion yen (growth rate of 16.7%), and profit attributable to owners of parent will be 12.0 billion yen (growth rate of 1.3%) as a result of taking measures to address the issues described on pages 8 and 9.

2. Group Overview

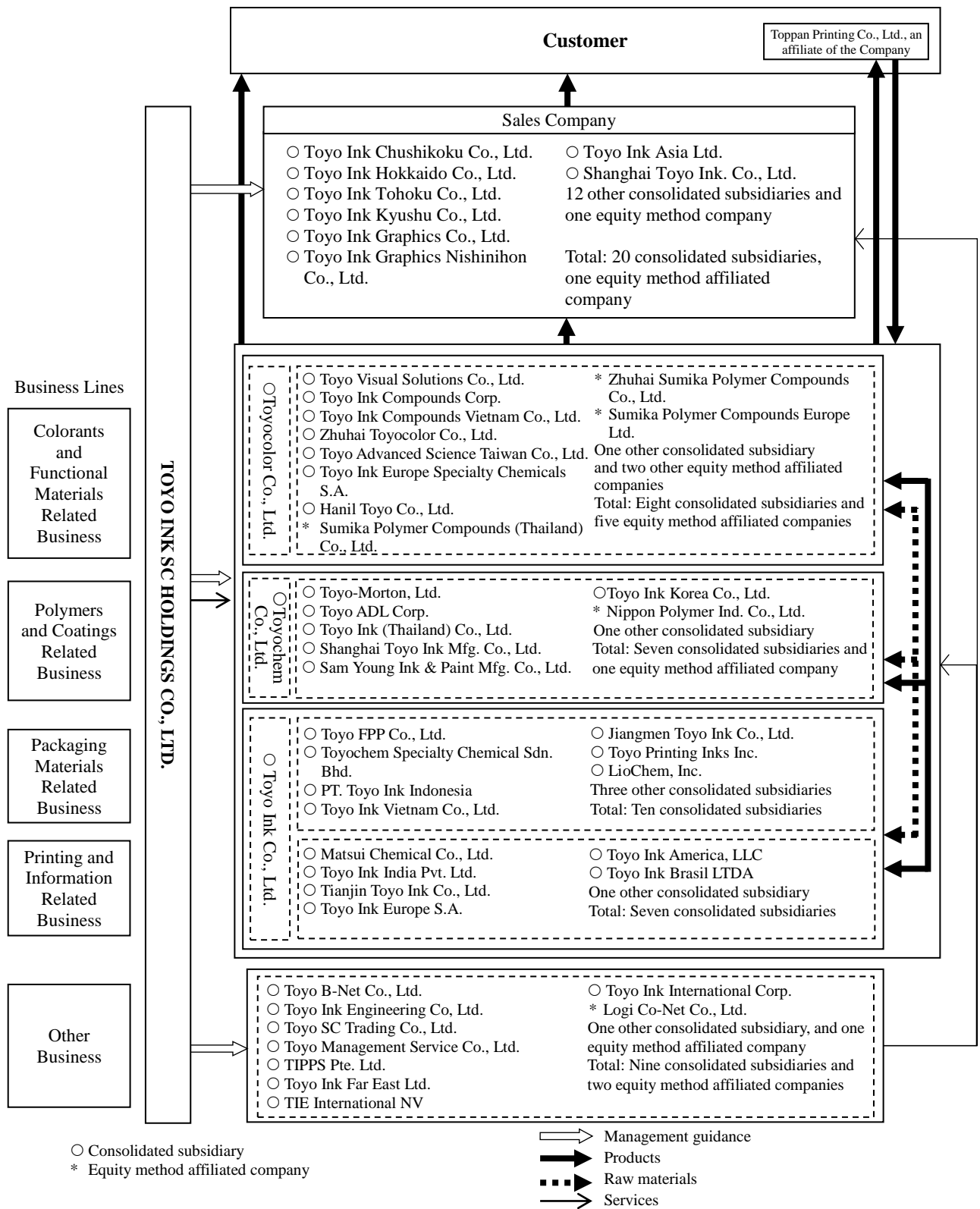
The Group is constituted of the Company, 64 consolidated subsidiaries and 9 equity method affiliate companies.

Business lines of the Group are as follows:

Business line	Major Business	Major Company	
		Domestic	Overseas
Colorants and Functional Materials Related Business	Organic pigments, processed pigments, plastic colorants, color filter materials and others	Domestic	Toyocolor Co., Ltd., Toyo Visual Solutions Co., Ltd., and others
		Overseas	Toyo Ink Compounds Corp., Toyo Ink Compounds Vietnam Co., Ltd., Zhuhai Toyocolor Co., Ltd., Toyo Advanced Science Taiwan Co., Ltd., Toyo Ink Europe Specialty Chemicals S.A., Hanil Toyo Co., Ltd. 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	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	Toyochem Specialty Chemical Sdn. Bhd., PT. Toyo Ink Indonesia, Jiangmen Toyo Ink Co., Ltd., Toyo Printing Inks Inc., LioChem, 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

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.

While maintaining the corporate philosophy, corporate policy and guiding principles described above as unchangeable throughout the ages, 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 aiming to reform its corporate system to one that is capable of achieving sustainable growth through a chain of actions of implementing innovative thinking and scientific execution. In addition, the Group will focus not only on growth markets, but also on business domains that will contribute 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

In the fiscal year under review, which is the first year of the medium-term management plan, the financial results grew at a sluggish pace because of the deteriorated business environment. In the following fiscal year, however, the Group will work on the structural reforms of its businesses and the reformation of its corporate character by reexamining the long-term vision and the medium-term management plan once again.

The Group will operate its businesses as described below based on the following three policies: “developing new businesses and providing value that captures changes in the market and customer needs,” “leading the market with leading-edge technology by fundamentally reviewing the supply chains, the product structure, and manufacturing processes and procedures at bases in Japan and overseas as a manufacturing company,” and “reforming the culture, personnel system and operations so as to be willing to change and encourage challenges.”

In the Colorants and Functional Materials Related Business, the Group will increase alliances in the pigments business where environmental regulations are a concern and expand the business domains in the functional materials business by developing the business in various growth markets in addition to expanding sales of materials for lithium-ion batteries. The Group will also continue to expand sales of materials for LCD color filters and strengthen the supply system, in addition to accelerating the development of materials for the next-generation displays and sensors.

In the Polymers and Coatings Related Business, the Group will enhance electronics- and display-related products and promote high functionality such as response to high-speed communication. The Group will also continue to expand sales of eco-friendly can coatings and adhesives for packaging on a global scale and strengthen the supply system. In addition, the Group will promote the development of products such as patch-type pharmaceutical products in the life science field and the improvement of supply chains.

In the Packaging Materials Related Business, the Group will continuously launch eco-friendly products using raw materials derived from natural sources in the market and promote the improved performance and sales expansion of gravure inks for the volume zone and curable flexographic inks overseas. The Group will also work to reduce costs by promoting the integration of product types and greater production efficiency.

In the Printing and Information Related Business, the Group will accelerate structural reforms in Japan where the market is

shrinking and continue to promote the area expansion to emerging markets where demand is expected to increase. In addition, the Group will further enhance UV inks that will contribute to energy saving and the inkjet inks business that will respond to digitalization.

In all the business segments, the Group will explore business opportunities in growth markets related to IoT, mobility, energy and the environment and deal properly with changes in demand associated with events in Japan such as the enthronement of the new Emperor, the consumption tax hike and the holding of the Rugby World Cup. In addition, as the second year of the medium-term management plan, the Group as a whole will aim to make a leap forward as a true science company by developing eco-friendly production methods and bases and reviewing the production and management systems utilizing data science.

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 December 31, 2017	As of December 31, 2018
(Assets)		
Current assets		
Cash and deposits	50,260	52,706
Notes and accounts receivable - trade	*5 94,594	*5 95,553
Securities	477	43
Merchandise and finished goods	<u>29,477</u>	<u>29,873</u>
Work in process	1,103	<u>1,034</u>
Raw materials and supplies	<u>16,085</u>	<u>17,872</u>
Deferred tax assets	1,380	2,179
Other	3,220	6,744
Allowance for doubtful accounts	-993	-765
Total current assets	<u>195,606</u>	<u>205,243</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	*2, *6 <u>98,901</u>	*2, *6 <u>98,588</u>
Accumulated depreciation	-60,139	-61,760
Buildings and structures, net	<u>38,762</u>	<u>36,828</u>
Machinery, equipment and vehicles	*2 <u>149,060</u>	*2 <u>149,386</u>
Accumulated depreciation	-125,954	-127,551
Machinery, equipment and vehicles, net	<u>23,105</u>	<u>21,834</u>
Tools, furniture and fixtures	<u>23,974</u>	<u>24,249</u>
Accumulated depreciation	-21,329	-21,527
Tools, furniture and fixtures, net	<u>2,644</u>	<u>2,722</u>
Land	*2, *6 30,007	*2, *6 30,272
Leased assets	669	678
Accumulated depreciation	-481	-542
Leased assets, net	187	136
Construction in progress	2,373	2,219
Total property, plant and equipment	<u>97,081</u>	<u>94,013</u>
Intangible assets	4,307	4,649
Investments and other assets		
Investment securities	*1 68,541	*1 58,302
Net defined benefit asset	8,614	6,423
Deferred tax assets	1,068	1,908
Other	3,671	3,228
Allowance for doubtful accounts	-432	-234
Total investments and other assets	81,463	69,629
Total non-current assets	<u>182,853</u>	<u>168,292</u>
Total assets	<u>378,459</u>	<u>373,535</u>

(Million yen)

	As of December 31, 2017	As of December 31, 2018
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	*2, *5 <u>56,129</u>	*2, *5 <u>62,460</u>
Short-term loans payable	*2 <u>22,507</u>	*2 <u>20,593</u>
Income taxes payable	1,485	1,470
Provision for environmental measures	–	884
Other	14,685	15,429
Total current liabilities	<u>94,808</u>	<u>100,839</u>
Non-current liabilities		
Long-term loans payable	38,409	38,845
Deferred tax liabilities	11,641	9,772
Provision for environmental measures	2,349	538
Net defined benefit liability	1,868	1,784
Asset retirement obligations	29	30
Other	968	632
Total non-current liabilities	<u>55,267</u>	<u>51,604</u>
Total liabilities	<u>150,075</u>	<u>152,443</u>
(Net assets)		
Shareholders' equity		
Capital stock	31,733	31,733
Capital surplus	32,710	32,500
Retained earnings	<u>136,202</u>	<u>143,379</u>
Treasury shares	-5,002	-5,012
Total shareholders' equity	<u>195,642</u>	<u>202,600</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,284	11,888
Foreign currency translation adjustment	<u>3,299</u>	<u>-1,513</u>
Remeasurements of defined benefit plans	3,223	1,195
Total accumulated other comprehensive income	<u>25,807</u>	<u>11,570</u>
Subscription rights to shares	164	248
Non-controlling interests	<u>6,768</u>	<u>6,671</u>
Total net assets	<u>228,384</u>	<u>221,091</u>
Total liabilities and net assets	<u>378,459</u>	<u>373,535</u>

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

(Million yen)

	From April 1, 2017 to December 31, 2017	From January 1, 2018 to December 31, 2018
Net sales	240,344	290,208
Cost of sales	*1 184,433	*1 227,914
Gross profit	<u>55,910</u>	<u>62,293</u>
Selling, general and administrative expenses		
Packing and transportation expenses	5,304	6,802
Salaries and allowance	9,991	11,691
Bonuses	2,123	2,760
Welfare expenses	2,443	3,062
Depreciation	1,525	1,805
Research and development expenses	*1 2,786	*1 3,372
Other	14,959	17,524
Total selling, general and administrative expenses	<u>39,136</u>	<u>47,017</u>
Operating profit	<u>16,774</u>	<u>15,276</u>
Non-operating income		
Interest income	229	244
Dividend income	940	1,126
Share of profit of entities accounted for using equity method	263	65
Other	491	802
Total non-operating income	<u>1,925</u>	<u>2,238</u>
Non-operating expenses		
Interest expenses	756	745
Foreign exchange losses	94	904
Other	375	434
Total non-operating expenses	<u>1,226</u>	<u>2,085</u>
Ordinary profit	<u>17,473</u>	<u>15,429</u>
Extraordinary income		
Gain on sales of non-current assets	*2 579	*2 866
Gain on sales of investment securities	340	489
Other	9	-
Total extraordinary income	<u>929</u>	<u>1,355</u>
Extraordinary losses		
Loss on sales and retirement of non-current assets	*3 210	*3 290
Impairment loss	*4 3,054	*4 437
Fire loss	-	98
Other	371	41
Total extraordinary losses	<u>3,637</u>	<u>867</u>
Profit before income taxes	<u>14,765</u>	<u>15,917</u>
Income taxes - current	4,142	3,249
Income taxes - deferred	-276	367
Total income taxes	<u>3,865</u>	<u>3,617</u>
Profit	<u>10,900</u>	<u>12,299</u>
Profit attributable to non-controlling interests	<u>523</u>	<u>451</u>
Profit attributable to owners of parent	<u>10,376</u>	<u>11,847</u>

Consolidated statements of comprehensive income

(Million yen)

	From April 1, 2017 to December 31, 2017	From January 1, 2018 to December 31, 2018
Profit	<u>10,900</u>	<u>12,299</u>
Other comprehensive income		
Valuation difference on available-for-sale securities	1,559	-7,394
Foreign currency translation adjustment	<u>2,376</u>	<u>-5,108</u>
Remeasurements of defined benefit plans, net of tax	1,569	-2,027
Share of other comprehensive income of entities accounted for using equity method	-34	-210
Total other comprehensive income	*1 <u>5,471</u>	*1 <u>-14,740</u>
Comprehensive income	<u>16,371</u>	<u>-2,441</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	<u>15,659</u>	<u>-2,389</u>
Comprehensive income attributable to non-controlling interests	<u>711</u>	<u>-51</u>

(3) Consolidated statements of changes in equity

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	<u>130,496</u>	-4,992	<u>190,155</u>
Changes of items during period					
Dividends of surplus			-4,671		-4,671
Profit attributable to owners of parent			<u>10,376</u>		<u>10,376</u>
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	<u>5,705</u>	-10	<u>5,487</u>
Balance at end of current period	31,733	32,710	<u>136,202</u>	-5,002	<u>195,642</u>

	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	<u>1,144</u>	1,653	<u>20,525</u>	95	<u>6,202</u>	<u>216,979</u>
Changes of items during period							
Dividends of surplus							-4,671
Profit attributable to owners of parent							<u>10,376</u>
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	<u>2,154</u>	1,569	<u>5,282</u>	69	<u>357</u>	<u>5,709</u>
Total changes of items during period	1,557	<u>2,154</u>	1,569	<u>5,282</u>	69	<u>565</u>	<u>11,404</u>
Balance at end of current period	19,284	<u>3,299</u>	3,223	<u>25,807</u>	164	<u>6,768</u>	<u>228,384</u>

From January 1, 2018 to December 31, 2018

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	31,733	32,710	<u>136,202</u>	-5,002	<u>195,642</u>
Changes of items during period					
Dividends of surplus			-4,670		-4,670
Profit attributable to owners of parent			<u>11,847</u>		<u>11,847</u>
Purchase of treasury shares				-16	-16
Disposal of treasury shares			-0	6	5
Change in ownership interest of parent due to transactions with non-controlling interests		-209			-209
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-209	<u>7,176</u>	-9	<u>6,957</u>
Balance at end of current period	31,733	32,500	<u>143,379</u>	-5,012	<u>202,600</u>

	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	19,284	<u>3,299</u>	3,223	<u>25,807</u>	164	<u>6,768</u>	<u>228,384</u>
Changes of items during period							
Dividends of surplus							-4,670
Profit attributable to owners of parent							<u>11,847</u>
Purchase of treasury shares							-16
Disposal of treasury shares							5
Change in ownership interest of parent due to transactions with non-controlling interests						209	-
Net changes of items other than shareholders' equity	-7,396	<u>-4,813</u>	-2,027	<u>-14,237</u>	84	<u>-306</u>	<u>-14,459</u>
Total changes of items during period	-7,396	<u>-4,813</u>	-2,027	<u>-14,237</u>	84	<u>-96</u>	<u>-7,292</u>
Balance at end of current period	11,888	<u>-1,513</u>	1,195	<u>11,570</u>	248	<u>6,671</u>	<u>221,091</u>

(4) Consolidated statements of cash flows

(Million yen)

	From April 1, 2017 to December 31, 2017	From January 1, 2018 to December 31, 2018
Cash flows from operating activities		
Profit before income taxes	14,765	15,917
Depreciation	8,731	9,939
Impairment loss	3,054	437
Interest and dividend income	-1,170	-1,371
Interest expenses	756	745
Share of (profit) loss of entities accounted for using equity method	-263	-65
Loss (gain) on sales of property, plant and equipment	-561	-844
Loss on retirement of property, plant and equipment	116	116
Fire loss	-	98
Loss (gain) on sales of investment securities	-303	-487
Decrease (increase) in notes and accounts receivable - trade	-4,295	-3,627
Decrease (increase) in inventories	-3,474	-3,983
Increase (decrease) in notes and accounts payable - trade	7,047	8,147
Other	-525	-2,828
Subtotal	23,877	22,194
Interest and dividend income received	1,156	1,444
Interest expenses paid	-791	-744
Income taxes paid	-5,579	-3,696
Net cash provided by (used in) operating activities	18,663	19,197
Cash flows from investing activities		
Payments into time deposits	-570	-4,152
Proceeds from withdrawal of time deposits	454	3,356
Purchase of property, plant and equipment	-6,778	-10,195
Proceeds from sales of property, plant and equipment	1,189	972
Purchase of intangible assets	-525	-899
Purchase of short-term and long-term investment securities	-287	-801
Proceeds from sales and redemption of short-term and long-term investment securities	782	1,292
Other	-177	-402
Net cash provided by (used in) investing activities	-5,912	-10,828
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,587	-969
Proceeds from long-term loans payable	6,000	716
Repayments of long-term loans payable	-12,946	-401
Cash dividends paid	-4,664	-4,675
Dividends paid to non-controlling interests	-324	-223
Other	-7	-142
Net cash provided by (used in) financing activities	-8,355	-5,695
Effect of exchange rate change on cash and cash equivalents	733	-976
Net increase (decrease) in cash and cash equivalents	5,129	1,695
Cash and cash equivalents at beginning of period	44,132	49,262
Cash and cash equivalents at end of period	*1 49,262	*1 50,958

(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 64 consolidated subsidiaries; all of the subsidiaries were consolidated.

Names of major consolidated subsidiaries:

Toyocolor Co., Ltd.;
Toyochem Co., Ltd.;
Toyo Ink Co., Ltd.;
Toyo Visual Solutions 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.;
Toyo Advanced Science Taiwan Co., Ltd.;
TIPPS Pte. Ltd.;
Toyo Ink India Pvt. Ltd.;
Shanghai Toyo Ink Mfg. Co., Ltd.;
Toyochem Specialty Chemical Sdn. Bhd.;
Zhuhai Toyocolor Co., Ltd.;
Toyo Ink Europe Specialty Chemicals S.A.;
Sam Young Ink & Paint Mfg. Co., Ltd.;
Toyo Ink Europe S.A.;
Toyo Ink America, LLC;
Jiangmen Toyo Ink Co.

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

- In the fiscal year under review, Toyo Ink Myanmar Co., Ltd. was established and became a consolidated subsidiary.
- Toyo Ink Arets Mexico, S.A. de C.V., which was a consolidated subsidiary during the previous fiscal year, merged with Toyo Ink Mexico, S.A. de C.V. in the fiscal year under review and has been excluded from the scope of consolidation.
- Toyo Ink Australia Pty. Ltd. and Toyo Ink Turkey Kimya Sanayi A.S., which were consolidated subsidiaries during the previous fiscal year, were liquidated in the fiscal year under review and have been excluded from the scope of consolidation.

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

- TIE International NV (formerly Toyo-Arets International NV)

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.

3. Fiscal year-end of consolidated subsidiaries

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

4. Accounting standards

(1) Important appraisal standards and appraisal method for assets

1) Securities

For those with market value

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

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

For those without market value

Stated at cost as determined by the moving average method.

2) Derivatives

Market value method

3) Inventories

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.

(Notes to consolidated balance sheet)

*1. Shares of affiliates

(Million yen)

	As of December 31, 2017	As of December 31, 2018
Investment securities (shares)	4,214	4,361

*2. Assets pledged as collateral and secured debt

Assets pledged as collateral

(Million yen)

	As of December 31, 2017	As of December 31, 2018
Buildings and structures	1,373	1,242
Machinery, equipment and vehicles	136	151
Land	586	548
Total	2,096	1,943

Secured debt is as follows.

(Million yen)

	As of December 31, 2017	As of December 31, 2018
Notes and accounts payable - trade	173	186
Short-term loans payable	183	118
Total	357	305

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 December 31, 2017		As of December 31, 2018
ZHUHAI SUMIKA POLYMER COMPOUNDS Co., Ltd. (US\$4,423,000)	499	ZHUHAI SUMIKA POLYMER COMPOUNDS Co., Ltd. (US\$4,230,000)	469
Sumika Polymer Compounds (UK) Ltd. (GBP 1,808,000, etc.)	276	Sumika Polymer Compounds (UK) Ltd. (GBP 1,794,000, etc.)	282
Sumika Polymer Compounds Thailand Ltd. (BT 31,500,000, etc.)	108	Sumika Polymer Compounds Thailand Ltd. (BT 63,000,000, etc.)	214
Other: four companies	607	Other: four companies	484
Employees (housing loans)	108	Employees (housing loans)	70
Total	1,601	Total	1,521

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

	As of December 31, 2017	As of December 31, 2018
Discounts on notes and accounts receivable	86	9
Endorsement of notes and accounts receivable	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 December 31, 2017	As of December 31, 2018
Notes receivable - trade	1,773	1,645
Notes payable - trade	94	96

*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 December 31, 2017	As of December 31, 2018
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, 2017 to December 31, 2017	From January 1, 2018 to December 31, 2018
	5,894	8,104

*2. Details of gain on sale of non-current assets

(Million yen)

	From April 1, 2017 to December 31, 2017	From January 1, 2018 to December 31, 2018
Land	495	831
Other	84	34
Total	579	866

*3. Details of loss on sales and retirement of non-current assets

(Million yen)

	From April 1, 2017 to December 31, 2017	From January 1, 2018 to December 31, 2018
Buildings and structures	120	120
Machinery, equipment and vehicles	82	154
Other	8	16
Total	210	290

*4. Impairment loss

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

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%.

From January 1, 2018 to December 31, 2018

Location	Use	Type
Kawagoe, Saitama, etc.	Factory assets, etc.	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 a delay in the improvement of earnings, partly caused by the rising prices of raw materials amid the structural recession associated with the digitization of the domestic printing market, despite our efforts to optimize the business size by product and reduce costs, and the amount of the reduction is recorded as an impairment loss (437 million yen) in extraordinary losses. The breakdown of the impairment loss is machinery, equipment, and vehicles of 361 million yen, and other of 75 million yen.

The recoverable amount of the asset group is measured by the value in use and calculated by discounting future cash flow at 5.1%.

(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, 2017 to December 31, 2017	From January 1, 2018 to December 31, 2018
Valuation difference on available-for-sale securities		
Amount arisen in the fiscal year under review	2,269	-9,912
Amount of recycling	-109	-502
Before tax adjustment	2,159	-10,415
Amount of the tax effect equivalent	-599	3,021
Valuation difference on available-for-sale securities	1,559	-7,394
Foreign currency translation adjustments		
Amount arisen in the fiscal year under review	<u>2,428</u>	<u>-5,535</u>
Amount of recycling	-	427
Before tax adjustment	<u>2,428</u>	<u>-5,108</u>
Amount of the tax effect equivalent	-52	-
Foreign currency translation adjustments	<u>2,376</u>	<u>-5,108</u>
Remeasurements of defined benefit plans, net of tax		
Amount arisen in the fiscal year under review	2,270	-2,644
Amount of recycling	-8	-278
Before tax adjustment	2,262	-2,922
Amount of the tax effect equivalent	-692	895
Remeasurements of defined benefit plans, net of tax	1,569	-2,027
Share of other comprehensive income of entities accounted for using equity method		
Amount arisen in the fiscal year under review	158	-163
Amount of recycling	-193	-46
Share of other comprehensive income of entities accounted for using equity method	-34	-210
Total other comprehensive income	<u>5,471</u>	<u>-14,740</u>

(Notes to consolidated statements of changes in equity)

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.

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

From January 1, 2018 to December 31, 2018

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 (Notes 1, 2)	303,108	–	242,486	60,621
Total	303,108	–	242,486	60,621
Treasury shares				
Ordinary shares (Notes 1, 3, 4)	11,179	14	8,955	2,238
Total	11,179	14	8,955	2,238

- (Notes)
- The Company conducted a consolidation of ordinary stock at the ratio of five to one effective as of July 1, 2018.
 - The decrease of 242,486 thousand shares in the number of shares issued of ordinary stock is due to the stock consolidation.
 - The increase of 14 thousand shares in the number of shares of treasury ordinary stock is due to the increase of 13 thousand shares due to the purchase of odd-lot shares (11 thousand shares before the stock consolidation and 2 thousand shares after the stock consolidation) and the increase of 0 thousand shares due to the purchase of fractional shares associated with the stock consolidation.
 - The decrease of 8,955 thousand shares in the number of shares of treasury ordinary stock is attributed to the decrease of 8,947 thousand shares due to the stock consolidation, the decrease of 7 thousand shares due to the exercise of stock options (6 thousand shares before the stock consolidation and 1 thousand shares after the stock consolidation) and the decrease of 0 thousand shares (after the stock consolidation) 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	–	–	–	–	–	248
Total			–	–	–	–	248

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 March 27, 2018	Ordinary shares	2,335	8.00	December 31, 2017	March 28, 2018
Board of directors' meeting on August 10, 2018	Ordinary shares	2,335	8.00	June 30, 2018	September 3, 2018

(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 March 26, 2019	Ordinary shares	2,627	Retained earnings	45.00	December 31, 2018	March 27, 2019

(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, 2017 to December 31, 2017	From January 1, 2018 to December 31, 2018
Cash and time deposits	50,260	52,706
Securities	477	43
Total	50,738	52,750
Time deposits with maturity of more than 3 months	-1,071	-1,787
Bonds with a redemption period of more than 3 months	-403	-4
Cash and cash equivalents	49,262	50,958

(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, 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	<u>5,273</u>	5,868	2,096	2,996	<u>16,234</u>	541	-1	<u>16,774</u>

(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.

From January 1, 2018 to December 31, 2018

(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	72,367	65,984	67,239	79,335	284,927	5,280	–	290,208
Intersegment sales	2,292	114	807	42	3,257	1,947	-5,205	–
Total	74,660	66,099	68,047	79,378	288,185	7,228	-5,205	290,208
Segment profits	<u>5,329</u>	6,035	1,491	931	<u>13,788</u>	1,481	6	<u>15,276</u>

(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 6 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, 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.

From January 1, 2018 to December 31, 2018

(Million yen)

Japan	China	Other	Total
155,568	34,918	99,720	290,208

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

(Per share information)

	From April 1, 2017 to December 31, 2017	From January 1, 2018 to December 31, 2018
Net assets per share	<u>3,792.89 yen</u>	<u>3,668.36 yen</u>
Profit per share	<u>177.73 yen</u>	<u>202.93 yen</u>
Fully diluted profit per share	<u>177.53 yen</u>	<u>202.60 yen</u>

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

2. The Company conducted a consolidation of ordinary stock at the ratio of five to one effective as of July 1, 2018. In this regard, net assets per share, profit per share and fully diluted profit per share are calculated on the assumption that the said stock consolidation was implemented at the beginning of the previous fiscal year.

	From April 1, 2017 to December 31, 2017	From January 1, 2018 to December 31, 2018
Profit per share		
Profit attributable to owners of parent (million yen)	<u>10,376</u>	<u>11,847</u>
Amount not belonging to common shareholders (million yen)	–	–
Profit attributable to owners of parent concerning ordinary shares (million yen)	<u>10,376</u>	<u>11,847</u>
Weighted average number of shares issued and outstanding during the period (thousand shares)	58,387	58,384
Fully diluted profit per share		
Profit attributable to owners of parent (million yen)	–	–
Increase in the number of ordinary shares (thousand shares)	63	95
(Subscription rights to shares included (thousand shares))	63	95
Overview of dilutive shares not included in the calculation of the amount of fully diluted profit per share due to absence of dilutive effect	–	–

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

	As of December 31, 2017	As of December 31, 2018
Net assets on the consolidated balance sheet (million yen)	<u>228,384</u>	<u>221,091</u>
Amount deducted from total net assets (million yen)	<u>6,933</u>	<u>6,920</u>
(Subscription rights to shares included (million yen))	(164)	(248)
(Non-controlling interests included (million yen))	<u>(6,768)</u>	<u>(6,671)</u>
Year-end net assets concerning ordinary shares (million yen)	<u>221,450</u>	<u>214,170</u>
Ordinary shares used for calculation of net assets per share (thousand shares)	58,385	58,383

(Important subsequent events)

Not applicable

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.