

# Consolidated Quarterly Financial Results (Japanese Accounting Standards) for the First Quarter of the Fiscal Year Ending March 31, 2013

August 9, 2012

Name of Listed Company: TOYO INK SC HOLDINGS CO., LTD. Listings: Tokyo Stock Exchange  
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 Scheduled date of submission of quarterly report: August 10, 2012  
 Scheduled date of commencement of dividend payments: –  
 Supplementary documents for quarterly results: Yes  
 Quarterly results briefing: No

(Amounts of less than million yen are omitted.)

## 1. Consolidated business results for the first quarter of fiscal 2012 ending March 31, 2013

(From April 1, 2012 to June 30, 2012)

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

	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Quarter, Fiscal 2012	60,320	-1.5	3,925	-9.0	4,096	-11.6	1,971	-27.8
First Quarter, Fiscal 2011	61,255	2.8	4,314	-12.1	4,635	-7.0	2,731	-7.8

(Note) Comprehensive income: First quarter, fiscal 2012: 3,583 million yen (-4.8%) First quarter, fiscal 2011: 3,765 million yen (133.2%)

	Net income per share (Basic)	Net income per share (Diluted)
	Yen	Yen
First Quarter, Fiscal 2012	6.61	—
First Quarter, Fiscal 2011	9.15	—

## (2) Financial position

	Total assets	Net assets	Net worth/Total assets
	Million yen	Million yen	%
First Quarter, Fiscal 2012	283,002	148,693	51.1
Fiscal 2011	283,144	146,913	50.6

(Note): Net worth: First quarter, fiscal 2012: 144,652 million yen  
 Fiscal 2011: 143,140 million yen

## 2. Dividends

(Date of standard)	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2011	—	6.00	—	6.00	12.00
Fiscal 2012	—				
Fiscal 2012 (Forecast)		6.00	—	6.00	12.00

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

## 3. Forecasts for the year ending March 31, 2013 (From April 1, 2012 to March 31, 2013)

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

	Net sales		Operating income		Recurring income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	126,000	2.4	7,500	1.9	7,500	4.2	3,800	7.6	12.74
Full-year	255,000	3.9	16,000	17.2	16,000	19.0	8,000	10.5	26.81

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

\* Notes

- (1) Important changes of subsidiaries during the term (changes in specific subsidiaries accompanied by a change in the scope of consolidation): No
- (2) Application of special accounting treatment to the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies and changes or restatement of accounting estimates
- (i) Changes in accounting policies due to the modification in accounting methods: Yes
  - (ii) Changes in accounting policies other than (i): No
  - (iii) Changes in accounting estimates: Yes
  - (iv) Restatement: No
- (4) Numbers of shares issued (common shares)
- (i) Numbers of shares issued (including treasury shares):
    - First quarter, fiscal 2012: 303,108,724 shares
    - Fiscal 2011: 303,108,724 shares
  - (ii) Numbers of treasury shares at the end of the terms:
    - First quarter, fiscal 2012: 4,718,625 shares
    - Fiscal 2011: 4,718,072 shares
  - (iii) Average numbers of shares issued during the terms (consolidated accumulation periods):
    - First quarter, fiscal 2012: 298,390,225 shares
    - First quarter, fiscal 2011: 298,395,987 shares

Status of a quarterly review

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

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

1. The above forecasts are based on the information available on the date these materials are released and incorporate assumptions about uncertainties that may affect future earnings. The forecasts do not constitute an assurance that the Company promises to achieve the earnings. Actual earnings could differ materially from these forecasts due to various factors in the future. For notes about assumptions of earnings forecasts and the use of earnings forecasts, refer to “(3) Qualitative information on the consolidated earnings forecasts” of “1. Qualitative Information on Financial Results, etc. for the First Quarter Ended June 30, 2012” on page 3 of the accompanying materials.
2. Supplementary documents for financial results will be posted on the Company’s website on August 9, 2012 (Thursday).

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## 1. Qualitative Information on Financial Results, etc., for the First Quarter Ended June 30, 2012

### (1) Qualitative information on the consolidated results

During the first quarter of the consolidated fiscal year under review, the Japanese economy experienced a modest recovery on the strength of reconstruction demand in the areas hit by the Great East Japan Earthquake. However, concerns over the European financial crisis increased, and emerging economies, including China and India, experienced sluggish growth, resulting in a global economic slowdown.

Against this challenging backdrop, the Toyo Ink Group faced a difficult business environment. Both in Japan and overseas, demand remained stagnant and the price of raw materials remained high.

As a result, consolidated sales for the first quarter under review were ¥60,320 million, down 1.5% year on year. Profits were also down, with operating income at ¥3,925 million, down 9.0% year on year, recurring income at ¥4,096 million, down 11.6% year on year, and net income at ¥1,971 million, down 27.8% year on year, respectively.

Results by segment are as follows:

#### (i) Printing and Information Business

In offset inks, demand in Japan remained stagnant, reflecting the delayed recovery of the economy as well as a structural recession resulting from the progress of digitization. However, compared with the same period in the previous fiscal year, when business was affected by voluntary advertising restraints due to the earthquake, demand for commercial and newspaper printing recovered. In addition, sales of advanced products increased, including new inks for rotary offset printing and products with high UV sensitivity. Overseas, a slowdown of the economies in China and Southeast Asia, which had been growing markedly, resulted in sluggish sales growth, and earnings were hurt by raw materials prices, which remained high.

Sales of graphic arts equipment and supplies were weak in the face of sluggish demand related to equipment investment in the domestic offset printing market.

As a result, sales in the overall Printing and Information Business decreased slightly to ¥17,895 million, down 0.8% year on year, but operating income increased to ¥288 million, up 17.0% year on year, as a result of cost reduction measures.

#### (ii) Packaging Business

In Japan, sales of mainstay gravure inks for packaging were strong in the first half of the quarter, mainly reflecting demand for private-brand products. However, sales were sluggish in the second half, and did not reach the level in the same period of the previous year, when there was anticipatory demand in expectation of a product shortage due to the earthquake. Sales of gravure inks for printing remained on a downward trend, but sales of gravure inks for construction materials were robust due to demand related to reconstruction activities in disaster-affected areas. Overseas, demand for gravure inks for food packaging grew slowly in China and Southeast Asia, but demand for gravure inks for construction materials remained strong in North America.

The gravure cylinders business remained sluggish as a result of stagnant demand for new packaging designs.

As a result of the above factors, sales in the overall Packaging Business decreased 2.1% year on year, to ¥13,488 million. Operating income also declined 17.2%, to ¥467 million, affected by raw materials prices, which remained high.

**(iii) Polymer and Coating Business**

Sales of can coatings (finishes) remained on a downward trend in Japan, and products for drink cans were weak due to the bad weather. However, in Southeast Asia and China, sales of these products, mainly for food cans, remained strong. Sales of resins for construction purposes were strong in Japan, following reconstruction demand in the areas affected by the disaster.

For adhesives, demand for products for packaging was steady in the first half of the quarter but slowed down in the second half. Sales of products for solar cells also remained weak. Demand for adhesive compounds for automobiles remained steady, but products for labels continued to grow slowly. For coating materials, demand started to recover for both products for advertising and those for electronics, including electromagnetic shielding films for smartphones.

As a result of the above factors, sales in the overall Polymer and Coating Business declined 4.2% year on year, to ¥13,013 million. However, operating income rose 19.5%, to ¥1,140 million, as a result of cost reduction measures.

**(iv) Color and Functional Materials Business**

Both in Japan and overseas, demand for commodity-type pigments for automobiles were on a recovery trend, but products for printing remained sluggish.

Plastic colorants for automobiles and containers saw a recovery in demand, and sales for products for solar cells grew, both in Japan and overseas. However, the continuous rise in raw material prices put pressure on operating income.

For high-function pigments and materials for LCD color filters, sales of products for small- and medium-sized panels for smartphones and tablet terminals were strong, and expanded to China and South Korea. However, sales in Japan and Taiwan declined because of the global slump in the demand for TVs.

As a result of the above factors, sales in the overall Color and Functional Materials Business increased slightly to ¥16,147 million, up 0.4% year on year, but operating income declined 12.3%, to ¥1,745 million.

**(2) Qualitative information on the consolidated financial position**

Total assets at the end of the first quarter of the fiscal year under review stood at ¥283,002 million, a decline of ¥141 million from the level at the beginning of the fiscal year under review. Liabilities at the end of the first quarter of the fiscal year under review were ¥134,309 million, a decrease of ¥1,921 million from the level at the beginning of the fiscal year under review. Net assets at the end of the first quarter under review stood at ¥148,693 million, an increase of ¥1,780 million from net assets at the beginning of the fiscal year under review.

On the last day of the first quarter of the consolidated fiscal year under review, the yen was temporarily weaker than the last day of the previous consolidated fiscal year, resulting in increases in the assets, liabilities, and foreign currency translation adjustments owned by overseas Group companies. In addition, Group companies in Japan paid income taxes that had been accrued and dividends, which resulted in a decline of cash and bank deposits. The amount of investment in securities and net unrealized gains on available-for-sale securities also decreased due to the weak stock market.

**(3) Qualitative information on the consolidated earnings forecasts**

In the first quarter of the year under review, both sales and income declined from the same period of the previous fiscal year, when there was anticipatory demand following the Great East Japan Earthquake, as demand remained sluggish due to the global economic slowdown, which started in the second half of the previous term, and the continued high price of raw materials. Despite these factors, sales and income for the first quarter of the fiscal year under review progressed as planned in the beginning of the fiscal year under review. In light of these factors, operating forecasts for the first half of the fiscal year ending March 31, 2013 and forecasts for the full fiscal year ending March 31, 2013, both of which were announced on May 14, 2012, remain unchanged.

2. Matters Relating to Summary Information (Notes)

(1) Important changes of subsidiaries during the term

Not applicable.

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

Not applicable.

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

Changes in accounting policies that are difficult to distinguish from changes in accounting estimates

In the first quarter of the fiscal year under review, the Company and its subsidiaries in Japan began to use a new method of depreciation based on the revised Corporation Tax Act, concerning property, plant and equipment acquired on or after April 1, 2012.

Accordingly, operating income, recurring income, and income before income taxes and minority interests for the first quarter of the fiscal year under review have increased by ¥12 million, respectively, compared with their values using the previous method of depreciation.

## 3. Consolidated Financial Statements

## (1) Consolidated balance sheet

	(Million yen)	
	End of the previous consolidated fiscal year (As of March 31, 2012)	End of the consolidated first quarter accounting period (As of June 30, 2012)
(Assets)		
Current assets		
Cash and bank deposits	32,457	27,421
Notes and accounts receivable	81,413	82,492
Marketable securities	815	994
Goods and products	22,009	23,721
Work-in-process	1,248	1,626
Raw material and supplies	12,896	12,070
Deferred income tax assets	2,184	1,707
Others	3,253	3,949
Allowance for doubtful receivables	-568	-628
Total current assets	155,709	153,355
Fixed assets		
Property, plant and equipment		
Building and structures	80,067	82,317
Accumulated depreciation	-49,774	-50,318
Building and structures (net amount)	30,293	31,998
Machinery and vehicles	125,980	128,868
Accumulated depreciation	-108,295	-109,875
Machinery and vehicles (net amount)	17,684	18,993
Tools, furniture and fixtures	20,174	20,350
Accumulated depreciation	-17,732	-17,924
Tools, furniture and fixtures (net amount)	2,441	2,425
Land	26,805	27,346
Leased assets	184	212
Accumulated depreciation	-83	-95
Leased assets (net amount)	101	116
Construction in progress	3,424	2,490
Total property, plant and equipment	80,752	83,370
Intangible fixed assets	895	855
Investments and other assets		
Investment in securities	30,476	29,296
Deferred income tax assets	3,882	4,357
Others	12,016	12,257
Allowance for doubtful receivables	-587	-490
Total investments and other assets	45,787	45,421
Total fixed assets	127,435	129,647
Total assets	283,144	283,002

(Million yen)

	End of the previous consolidated fiscal year (As of March 31, 2012)	End of the consolidated first quarter accounting period (As of June 30, 2012)
(Liabilities)		
Current liabilities		
Notes and accounts payable	44,766	44,732
Short-term loans payable	35,306	36,242
Accrued income taxes	4,522	1,375
Others	14,531	15,349
Total current liabilities	99,127	97,699
Long-term liabilities		
Long-term loans payable	31,491	31,524
Deferred income tax liabilities	2,104	1,865
Liability for employees' retirement benefits	1,458	1,346
Provision for environmental measures	337	332
Asset retirement obligations	31	32
Others	1,678	1,508
Total long-term liabilities	37,103	36,609
Total liabilities	136,230	134,309
(Net assets)		
Shareholders' equity		
Common stock	31,733	31,733
Capital surplus	32,920	32,920
Retained earnings	95,406	95,587
Treasury stock, at cost	-1,729	-1,729
Total shareholders' equity	158,330	158,511
Accumulated other comprehensive income		
Net unrealized gains on available-for-sale securities	-2,919	-4,384
Foreign currency translation adjustments	-12,269	-9,473
Total accumulated other comprehensive income	-15,189	-13,858
Minority interests	3,772	4,040
Total net assets	146,913	148,693
Total of liabilities and net assets	283,144	283,002

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

## Consolidated statements of income

Consolidated first quarter	(Million yen)	
	Previous first quarter period (From April 1, 2011 to June 30, 2011)	First quarter under review (From April 1, 2012 to June 30, 2012)
Net sales	61,255	60,320
Cost of sales	46,822	46,108
Gross profit	14,433	14,212
Selling, general and administrative expenses		
Packing expenses and freight charge	1,421	1,458
Salaries and allowance	2,450	2,503
Bonuses	596	583
Welfare expenses	602	650
Depreciation expenses	288	249
Research and development expenses	747	736
Others	4,012	4,105
Total selling, general and administrative expenses	10,118	10,286
Operating income	4,314	3,925
Non-operating income		
Interest income	19	24
Dividend income	290	309
Gain on foreign currency exchange	17	-
Investment income according to the equity method	63	25
Others	243	172
Total non-operating income	634	531
Non-operating expenses		
Interest expenses	229	239
Foreign exchange losses	-	50
Others	84	70
Total non-operating expenses	314	360
Recurring income	4,635	4,096
Extraordinary profit		
Gain on sales of property, plant and equipment	0	7
Total extraordinary profit	0	7
Extraordinary loss		
Loss on sales of property, plant and equipment	50	48
Loss on valuation of investment securities	0	362
Others	34	-
Total extraordinary loss	84	410
Income before income taxes and minority interests	4,551	3,692
Income taxes, current	1,874	1,086
Income taxes, deferred	-137	580
Total income taxes	1,736	1,667
Income before minority interests	2,814	2,025
Minority interests	83	53
Net income	2,731	1,971

## Consolidated statements of comprehensive income

Consolidated first quarter

(Million yen)

	Previous first quarter period (From April 1, 2011 to June 30, 2011)	First quarter under review (From April 1, 2012 to June 30, 2012)
Income before minority interests	2,814	2,025
Other comprehensive income		
Net unrealized gains on available-for-sale securities	-668	-1,466
Foreign currency translation adjustments	1,566	2,918
Share of other comprehensive income of associates accounted for using equity method	52	107
Total other comprehensive income	950	1,558
Comprehensive income	3,765	3,583
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,557	3,302
Comprehensive income attributable to minority interests	207	281

## (3) Notes on assumption of going business

Not applicable

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

Not applicable

## (5) Segment information, etc.

Segment information

## I. From April 1, 2011 to June 30, 2011

Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments					Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	Printing and Information Business	Packaging Business	Polymer and Coating Business	Color and Functional Materials Business	Total				
Net sales									
Sales to customers	17,941	13,499	13,263	15,391	60,095	1,160	61,255	–	61,255
Intersegment sales	94	278	316	694	1,384	409	1,794	(1,794)	–
Total sales	18,035	13,778	13,580	16,085	61,480	1,569	63,050	(1,794)	61,255
Segment profits	246	564	954	1,989	3,756	363	4,119	195	4,314

(Notes) 1. The Others segment is the business segment that is not included in reported segments. It includes service provision.

2. An adjustment of ¥195 million in segment profits mainly represents the deduction of intersegment transactions.

3. Segment profits have been adjusted with operating income recorded in the consolidated quarterly income statement.

## II. From April 1, 2012 to June 30, 2012

Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments					Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	Printing and Information Business	Packaging Business	Polymer and Coating Business	Color and Functional Materials Business	Total				
Net sales									
Sales to customers	17,817	13,310	12,642	15,458	59,229	1,091	60,320	–	60,320
Intersegment sales	77	177	371	688	1,315	410	1,725	(1,725)	–
Total sales	17,895	13,488	13,013	16,147	60,544	1,501	62,046	(1,725)	60,320
Segment profits	288	467	1,140	1,745	3,642	242	3,884	40	3,925

(Notes) 1. The Others segment is the business segment that is not included in reported segments. It includes service provision.

2. An adjustment of ¥40 million in segment profits mainly represents the deduction of intersegment transactions.

3. Segment profits have been adjusted with operating income recorded in the consolidated quarterly income statement.