

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

November 12, 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: November 13, 2012
 Scheduled date of commencement of dividend payments: December 3, 2012
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes (for institutional investors and securities analysts)

(Amounts of less than million yen are omitted.)

1. Consolidated business results for the first half of fiscal 2012 ending March 31, 2012

(From April 1, 2012 to September 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 Half, Fiscal 2012	123,418	0.3	8,031	9.1	7,933	10.2	3,951	11.8
First Half, Fiscal 2011	123,072	0.8	7,361	-26.7	7,196	-27.4	3,533	-40.3

(Note) Comprehensive income: First half, fiscal 2012: 1,339 million yen (-47.2%) First half, fiscal 2011: 2,534 million yen (77.4%)

	Net income per share (Basic)	Net income per share (Diluted)
	Yen	Yen
First Half, Fiscal 2012	13.24	—
First Half, Fiscal 2011	11.84	—

(2) Financial position

	Total assets	Net assets	Net worth/Total assets
	Million yen	Million yen	%
First Half, Fiscal 2012	284,599	146,327	50.1
Fiscal 2011	283,144	146,913	50.6

(Note) Net worth: First half, fiscal 2012: 142,464 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	—	6.00	—	—	—
Fiscal 2012 (Forecast)	—	—	—	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
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

(Note) The Company has changed the depreciation method since the first quarter of the fiscal year under review, and the cases when changes in accounting methods that are difficult to distinguish from changes in accounting estimates are applicable. For details, please refer to 2. Matters Relating to Summary Information (Notes), (3) Changes in accounting policies and changes or restatement of accounting estimates on page 4 of the accompanying materials.

(4) Numbers of shares issued (common shares)

(i) Numbers of shares issued (including treasury shares):

First half, fiscal 2012: 303,108,724 shares

Fiscal 2011: 303,108,724 shares

(ii) Numbers of treasury shares at the end of the terms:

First half, fiscal 2012: 4,722,672 shares

Fiscal 2011: 4,718,072 shares

(iii) Average numbers of shares issued during the terms (consolidated accumulation periods):

First half, fiscal 2012: 298,388,669 shares

First half, fiscal 2011: 298,394,768 shares

* Status of a quarterly review

This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. As at the time when these quarterly financial results were disclosed, the quarterly review under the Financial Instruments and Exchange Act was being undertaken.

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

1. The above forecasts are based on the information available on the date these materials are released and incorporate assumptions about uncertainties that may affect future earnings. The forecasts do not constitute an assurance that the Company promises to achieve the earnings. Actual earnings could differ materially from these forecasts due to various factors in the future. For notes about assumptions of earnings forecasts and the use of earnings forecasts, refer to “(3) Qualitative information on the consolidated earnings forecasts” of “1. Qualitative Information on Financial Results, etc. for the First Half Ended September 30, 2012” on page 4 of the accompanying materials.

2. Supplementary documents for financial results will be posted on the Company’s website on November 12, 2012 (Monday).

3. 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.

- November 22, 2012 (Thursday): Briefing for institutional investors and security analysts

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1. Qualitative Information on Financial Results, etc. for the First Half Ended September 30, 2012

(1) Qualitative information on the consolidated results

During the first half of the consolidated fiscal year under review, the global economic slowdown became more apparent, mainly given the uncertain outlook of the fiscal crisis in Europe and the sluggish growth in China, India, and other emerging economies that had hitherto been the main engines of the world economy. The Japanese economic recovery also stalled, given the persistent strength of the yen and a deterioration in relations with China, among other negative factors.

Responding to this challenging business environment, Toyo Ink Group sought to bolster sales of mainly advanced products and eco-friendly products, while it focused on cutting costs by replacing raw materials and streamlining the production process. The Group also aggressively strengthened the global SCM system chiefly in its growth regions. As a result, consolidated sales for the first half of the consolidated fiscal year under review were ¥123,418 million, up 0.3% year on year. Profits also increased, with operating income at ¥8,031 million, up 9.1% year on year, recurring income at ¥7,933 million, rising 10.2% year on year, and net income at ¥3,951 million, an increase of 11.8% year on year.

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 products with high UV sensitivity and inks for rotary offset printing. 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 mainly by the escalating price competition and higher labor costs.

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 to ¥36,658 million, down 1.5% year on year, but operating income increased to ¥1,247 million, up 99.4% year on year, as a result of cost reduction measures.

(ii) Packaging Business

In Japan, sales of mainstay gravure inks for packaging were sluggish, due to generally stagnant consumption, and inks for printing remained on a downward trend. As a result, sales of gravure inks fell short of the level of the same period in the previous year, when there was anticipatory demand in expectation of product shortages due to the earthquake. Overseas, sales of eco-friendly inks for packaging increased in China and Southeast Asia, and demand for gravure inks for construction materials also 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 a slight 0.4% year on year, to ¥28,005 million. Operating income increased 5.6%, to ¥1,025 million.

(iii) Polymer and Coating Business

Sales of can coatings (finishes) remained on a downward trend in Japan. 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, sales of products for packaging remained sluggish, and those for solar cells were also stagnant. Sales of adhesive compounds for automobiles recovered, but those for film labels for home electronics appliances remained weak. For coating materials, sales of products for both advertising and those for electronics, including electromagnetic shielding films for smartphones, held firm.

As a result of the above factors, sales in the overall Polymer and Coating Business declined 2.8% year on year, to ¥26,008 million, but operating income rose 24.3%, to ¥1,955 million.

(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.

In Japan, sales of plastic colorants for the containers of mainly beverages remained strong, and those for products for solar cells also grew. Overseas, sales of products for office equipment and automobiles remained robust, but 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 to ¥33,124 million, up 5.6% year on year, but operating income declined 1.0%, to ¥3,294 million.

(2) Qualitative information on the consolidated financial position

Total assets at the end of the first half of the fiscal year under review stood at ¥284,599 million, an increase of ¥1,455 million from the level at the beginning of the fiscal year under review. Liabilities at the end of the first half of the fiscal year under review were ¥138,272 million, an increase of ¥2,041 million from the level at the beginning of the fiscal year under review. Net assets at the end of the first half under review stood at ¥146,327 million, a decrease of ¥586 million from net assets at the beginning of the fiscal year under review.

Property, plant and equipment increased, reflecting the restructuring of the domestic production and research and development bases, as well as the expansion of production bases overseas. Meanwhile, because of the sluggish stock market, investments in securities and net unrealized gains on available-for-sale securities decreased. Moreover, long-term loans payable increased and short-term loans payable decreased, the result of the refinancing of long-term loans payable.

(State of cash flows)

Cash and cash equivalents (“cash”) at the end of the first half under review stood at ¥32,958 million, up ¥313 million from the level at the beginning of the fiscal year.

Cash provided by operating activities stood at ¥7,776 million. This primarily reflected an increase in cash flows from income before income taxes and minority interests, and a decline in cash flows from income taxes paid.

Cash used in investment activities was ¥8,066 million, mainly reflecting purchases of property, plant and equipment and investment securities.

Cash provided by financial activities stood at ¥532 million, mainly attributable to an increase in cash flows from the refinancing of long-term loans payable and cash outflows from dividends paid.

(3) Qualitative information on the consolidated earnings forecasts

Results for the first half of the consolidated fiscal year under review slightly exceeded the plan prepared at the beginning of the fiscal year under review. From the third quarter, however, demand in the businesses that the Toyo Ink Group is engaged in is likely to weaken more than expected, given a slowdown in the global economy and the deterioration of the relationship between Japan and China, among other negative factors. For these reasons, full-year forecasts for the fiscal year ending March 31, 2013 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 this fiscal year, 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 half of the fiscal year under review have increased by ¥51 million, respectively, compared with their values using the previous method of depreciation.

3. Consolidated Financial Statements

(1) Consolidated balance sheet

(Million yen)

(Assets)	End of the previous consolidated fiscal year (As of March 31, 2012)	End of the consolidated first half accounting period (As of September 30, 2012)
Current assets		
Cash and bank deposits	32,457	32,545
Notes and accounts receivable	81,413	81,635
Marketable securities	815	1,137
Goods and products	22,009	22,626
Work-in-process	1,248	1,465
Raw material and supplies	12,896	11,341
Deferred income tax assets	2,184	2,292
Others	3,253	3,755
Allowance for doubtful receivables	-568	-544
Total current assets	155,709	156,254
Fixed assets		
Property, plant and equipment		
Building and structures	80,067	81,842
Accumulated depreciation	-49,774	-50,413
Building and structures (net amount)	30,293	31,428
Machinery and vehicles	125,980	127,986
Accumulated depreciation	-108,295	-109,812
Machinery and vehicles (net amount)	17,684	18,173
Tools, furniture and fixtures	20,174	20,482
Accumulated depreciation	-17,732	-18,015
Tools, furniture and fixtures (net amount)	2,441	2,466
Land	26,805	27,728
Leased assets	184	211
Accumulated depreciation	-83	-106
Leased assets (net amount)	101	105
Construction in progress	3,424	3,340
Total property, plant and equipment	80,752	83,243
Intangible fixed assets	895	834
Investments and other assets		
Investment in securities	30,476	27,721
Deferred income tax assets	3,882	4,499
Others	12,016	12,632
Allowance for doubtful receivables	-587	-585
Total investments and other assets	45,787	44,267
Total fixed assets	127,435	128,344
Total assets	283,144	284,599

(Million yen)

	End of the previous consolidated fiscal year (As of March 31, 2012)	End of the consolidated first half accounting period (As of September 30, 2012)
(Liabilities)		
Current liabilities		
Notes and accounts payable	44,766	44,507
Short-term loans payable	35,306	25,887
Accrued income taxes	4,522	2,973
Others	14,531	16,201
Total current liabilities	99,127	89,569
Long-term liabilities		
Long-term loans payable	31,491	43,489
Deferred income tax liabilities	2,104	1,901
Liability for employees' retirement benefits	1,458	1,326
Provision for environmental measures	337	332
Asset retirement obligations	31	32
Others	1,678	1,621
Total long-term liabilities	37,103	48,702
Total liabilities	136,230	138,272
(Net assets)		
Shareholders' equity		
Common stock	31,733	31,733
Capital surplus	32,920	32,920
Retained earnings	95,406	97,567
Treasury stock, at cost	-1,729	-1,730
Total shareholders' equity	158,330	160,490
Accumulated other comprehensive income		
Net unrealized gains on available-for-sale securities	-2,919	-6,116
Foreign currency translation adjustments	-12,269	-11,909
Total accumulated other comprehensive income	-15,189	-18,026
Minority interests	3,772	3,863
Total net assets	146,913	146,327
Total of liabilities and net assets	283,144	284,599

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

Consolidated statements of income

Consolidated first half	(Million yen)	
	Previous first half period (From April 1, 2011 to September 30, 2011)	First half under review (From April 1, 2012 to September 30, 2012)
Net sales	123,072	123,418
Cost of sales	95,766	95,100
Gross profit	27,306	28,318
Selling, general and administrative expenses		
Packing expenses and freight charge	2,877	2,910
Salaries and allowance	4,829	4,863
Bonuses	1,213	1,197
Welfare expenses	1,201	1,253
Depreciation expenses	515	484
Research and development expenses	1,493	1,591
Others	7,814	7,986
Total selling, general and administrative expenses	19,945	20,286
Operating income	7,361	8,031
Non-operating income		
Interest income	45	59
Dividend income	297	318
Investment income according to the equity method	46	55
Others	319	355
Total non-operating income	708	789
Non-operating expenses		
Interest expenses	473	482
Foreign exchange losses	273	201
Others	126	203
Total non-operating expenses	873	887
Recurring income	7,196	7,933
Extraordinary profit		
Gain on sales of property, plant and equipment	6	10
Others	-	1
Total extraordinary profit	6	11
Extraordinary loss		
Loss on sales of property, plant and equipment	127	173
Loss on valuation of investment securities	6	436
Loss on business withdrawal	1,198	-
Others	34	59
Total extraordinary loss	1,366	668
Income before income taxes and minority interests	5,836	7,276
Income taxes, current	2,939	2,891
Income taxes, deferred	-802	280
Total income taxes	2,136	3,171
Income before minority interests	3,700	4,104
Minority interests	167	153
Net income	3,533	3,951

Consolidated statements of comprehensive income

Consolidated first half

(Million yen)

	Previous first half period (From April 1, 2011 to September 30, 2011)	First half under review (From April 1, 2012 to September 30, 2012)
Income before minority interests	3,700	4,104
Other comprehensive income		
Net unrealized gains on available-for-sale securities	-1,852	-3,199
Foreign currency translation adjustments	672	413
Share of other comprehensive income of associates accounted for using equity method	15	20
Total other comprehensive income	-1,165	-2,765
Comprehensive income	2,534	1,339
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,308	1,114
Comprehensive income attributable to minority interests	225	224

(3) Consolidated statements of cash flows

(Million yen)

	Previous first half period (From April 1, 2011 to September 30, 2011)	First half under review (From April 1, 2012 to September 30, 2012)
Cash flows from operating activities		
Income before income taxes and minority interests	5,836	7,276
Depreciation and amortization	4,498	4,164
Interest and dividend income	-343	-378
Interest expenses	473	482
Equity/loss in earnings of associated companies (- is equity)	-46	-55
Loss/gain on sales of property, plant and equipment (- is gain)	-5	-5
Loss on disposals of property, plant and equipment	82	122
Loss/gain on valuation of investment securities (- is gain)	6	436
Loss on withdrawal from business	1,198	-
Increase/decrease in notes and accounts receivable (- is increases)	229	37
Increase/decrease in inventories (- is increases)	-3,727	973
Increase/decrease in notes and accounts payable (- is decreases)	2,248	-448
Others	-94	-195
Subtotal	10,356	12,409
Interest and dividend received	369	381
Interest paid	-472	-489
Income taxes paid	-4,952	-4,524
Net cash provided by operating activities	5,301	7,776
Cash flows from investing activities		
Increase in time deposits	-163	-105
Income on certificate of deposit repayment	215	312
Purchases of property, plant and equipment	-4,313	-5,567
Proceeds from sales of property, plant and equipment	19	26
Purchases of investment securities	-1,851	-2,806
Proceeds from sales of investment securities	676	494
Purchase of long-term prepaid expenses	-442	-207
Payments for guarantee deposits	-53	-242
Proceeds from collection of guarantee deposits	26	94
Others	9	-64
Net cash used in investing activities	-5,895	-8,066
Cash flows from financing activities		
Increase/decrease in short-term loans payable, net (- is decrease)	257	391
Proceeds from long-term loans payable	149	12,000
Repayments of long-term loans payable	-4	-10,000
Dividends paid	-1,790	-1,788
Dividends paid to minority interests	-80	-45
Others	-19	-24
Net cash provided by/used in financing activities	-1,487	532
Foreign currency translation adjustments on cash and cash equivalents	123	70
Net increase (decrease) in cash and cash equivalents (- is decrease)	-1,958	313
Cash and cash equivalents, beginning of period	26,732	32,644
Cash and cash equivalents, end of period	24,774	32,958

(4) Notes on assumption of going business

Not applicable

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

Not applicable

(6) Segment information, etc.

Segment information

I. From April 1, 2011 to September 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	37,135	27,611	26,018	30,043	120,809	2,263	123,072	–	123,072
Intersegment sales	98	508	734	1,322	2,664	771	3,435	(3,435)	–
Total sales	37,234	28,120	26,752	31,366	123,473	3,034	126,508	(3,435)	123,072
Segment profits	625	970	1,573	3,329	6,499	764	7,264	96	7,361

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

2. An adjustment of ¥96 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 September 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	36,529	27,671	25,305	31,798	121,306	2,112	123,418	–	123,418
Intersegment sales	128	333	703	1,325	2,490	749	3,240	(3,240)	–
Total sales	36,658	28,005	26,008	33,124	123,796	2,862	126,659	(3,240)	123,418
Segment profits	1,247	1,025	1,955	3,294	7,523	458	7,981	49	8,031

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

2. An adjustment of ¥49 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.