

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

February 12, 2013

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: February 14, 2013
 Scheduled date of commencement of dividend payments: –
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: No

(Amounts of less than million yen are omitted.)

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

(From April 1, 2012 to December 31, 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 Three Quarters, Fiscal 2012	187,189	0.9	13,773	25.9	14,307	32.4	6,102	4.6
First Three Quarters, Fiscal 2011	185,596	0.2	10,941	-28.2	10,808	-28.7	5,833	-35.9

(Note) Comprehensive income: First three quarters, fiscal 2012: 6,268 million yen (–%)
 First three quarters, fiscal 2011: 545 million yen (-90.0%)

	Net income per share (Basic)	Net income per share (Diluted)
	Yen	Yen
First Three Quarters, Fiscal 2012	20.45	–
First Three Quarters, Fiscal 2011	19.55	–

(2) Financial position

	Total assets	Net assets	Net worth/Total assets
	Million yen	Million yen	%
First Three Quarters, Fiscal 2012	286,021	149,466	50.9
Fiscal 2011	283,144	146,913	50.6

(Note) Net worth: First three quarters, fiscal 2012: 145,535 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	250,000	1.9	17,500	28.2	18,000	33.9	8,000	10.5	26.81

(Note) Revision to consolidated business performance forecasts published most recently: Yes

* 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 three quarters, fiscal 2012: 303,108,724 shares

Fiscal 2011: 303,108,724 shares

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

First three quarters, fiscal 2012: 4,723,065 shares

Fiscal 2011: 4,718,072 shares

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

First three quarters, fiscal 2012: 298,387,828 shares

First three quarters, fiscal 2011: 298,394,114 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 Three Quarters Ended December 31, 2012” on page 4 of the accompanying materials.

2. Supplementary documents for financial results will be posted on the Company’s website on February 12, 2013 (Tuesday).

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1. Qualitative Information on Financial Results, etc. for the First Three Quarters Ended December 31, 2012

(1) Qualitative information on the consolidated results

During the first three quarters 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 economy, meanwhile, continued to experience sluggish growth in the short-term, with continued deflationary pressure and the recording of a trade deficit, although hopes of an economic recovery have been growing with the advent of a new government.

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 three quarters of the consolidated fiscal year under review were ¥187,189 million, up 0.9% year on year. Profits also increased, with operating income at ¥13,773 million, up 25.9% year on year, recurring income at ¥14,307 million, rising 32.4% year on year, and net income at ¥6,102 million, an increase of 4.6% 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 ¥56,150 million, down 2.1% year on year, but operating income increased to ¥2,440 million, up 144.3% year on year, as a result of cost-cutting measures and higher sales of advanced products.

(ii) Packaging Business

As for gravure inks in Japan, while demand for inks for printing continued to decline, sales of mainstay gravure inks for packaging also remained sluggish, although they recovered slightly in the second half, reflecting weak general consumption and the prolonged negative reaction from anticipatory demand in the expectation of product shortages due to the earthquake in 2011. 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 weak, although it recovered slightly in the second half, as a result of stagnant demand for new packaging designs.

As a result of the above factors, sales in the overall Packaging Business were ¥42,607 million, up 1.5% year on year. Operating income was ¥1,876 million, up 40.4% year on year.

(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 remained stagnant, reflecting an accident at the material manufacturer in the second half.

For adhesives, sales of products for packaging remained sluggish, and those for solar cells were also stagnant. Sales of adhesive compounds also remained stagnant, given sluggish growth in demand, as well as the effects of the accident at the material manufacturer in the second half. 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 3.0% year on year, to ¥38,502 million, but operating income rose 33.3%, to ¥2,893 million, the result of cost cutting measures and higher sales of advanced products.

(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 tablet terminals and smartphones were strong. As the recovery in demand for products for TVs was delayed, sales remained sluggish in Japan and Taiwan, but increased in South Korea and China.

As a result of the above factors, sales in the overall Color and Functional Materials Business increased to ¥50,252 million, up 5.5% year on year, but operating income rose 12.5%, to ¥5,822 million.

(2) Qualitative information on the consolidated financial position

Total assets at the end of the first three quarters of the fiscal year under review stood at ¥286,021 million, an increase of ¥2,877 million from the level at the beginning of the fiscal year under review. Cash and bank deposits declined, but notes and accounts receivable and accounts receivable-other increased. Property, plant and equipment also increased, reflecting the restructuring of the domestic production and research and development bases, as well as the expansion of production bases overseas.

Liabilities at the end of the first three quarters of the fiscal year under review were ¥136,554 million, an increase of ¥323 million from the level at the beginning of the fiscal year under review. Long-term loans payable increased and short-term loans payable decreased, the result of the refinancing of long-term loans payable.

Net assets at the end of the first three quarters under review stood at ¥149,466 million, an increase of ¥2,553 million from net assets at the beginning of the fiscal year under review. Retained earnings increased due to the recognition of profit from the three quarters under review.

(3) Qualitative information on the consolidated earnings forecasts

As the global economy is expected to remain uncertain until the end of the fiscal year under review, net sales are likely to fall slightly short of the forecasts made at the beginning of the term. However, given the progress of cost cutting measures and increases in sales of advanced products, as well as rising profitability in export products on the back of the recent depreciation of the yen, operating income is set to exceed the forecasts.

Recurring income is also likely to top the forecasts, given higher foreign exchange gains. However, mainly reflecting the recording of the settlement package in the third quarter (announced on December 18, 2012), net income is expected to remain unchanged from the forecasts.

As a result, the Company has decided to revise its full-year forecasts announced on May 14, 2012, as follows:

Revision of consolidated business results forecasts for the fiscal year ending March 2013

(April 1, 2012 – March 31, 2013)

	Net sales	Operating income	Recurring income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Forecast as of May 14 2012 (A)	255,000	16,000	16,000	8,000	26.81
Revised forecast (B)	250,000	17,500	18,000	8,000	26.81
Difference (B–A)	-5,000	1,500	2,000	–	–
Percentage change (%)	-2.10	9.4	12.5	–	–
Reference: Last fiscal year ended (March 31, 2012)	245,337	13,648	13,445	7,238	24.26

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 three quarters of the fiscal year under review have increased by ¥123 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 three quarters accounting period (As of December 31, 2012)
(Assets)		
Current assets		
Cash and bank deposits	32,457	28,369
Notes and accounts receivable	81,413	83,092
Marketable securities	815	1,164
Goods and products	22,009	23,212
Work-in-process	1,248	1,037
Raw material and supplies	12,896	11,338
Deferred income tax assets	2,184	1,933
Others	3,253	6,985
Allowance for doubtful receivables	-568	-548
Total current assets	155,709	156,584
Fixed assets		
Property, plant and equipment		
Building and structures	80,067	80,311
Accumulated depreciation	-49,774	-49,497
Building and structures (net amount)	30,293	30,814
Machinery and vehicles	125,980	128,986
Accumulated depreciation	-108,295	-110,399
Machinery and vehicles (net amount)	17,684	18,587
Tools, furniture and fixtures	20,174	20,211
Accumulated depreciation	-17,732	-17,697
Tools, furniture and fixtures (net amount)	2,441	2,513
Land	26,805	27,711
Leased assets	184	215
Accumulated depreciation	-83	-104
Leased assets (net amount)	101	110
Construction in progress	3,424	3,067
Total property, plant and equipment	80,752	82,804
Intangible fixed assets	895	770
Investments and other assets		
Investment in securities	30,476	30,340
Deferred income tax assets	3,882	3,158
Others	12,016	12,871
Allowance for doubtful receivables	-587	-508
Total investments and other assets	45,787	45,862
Total fixed assets	127,435	129,437
Total assets	283,144	286,021

(Million yen)

	End of the previous consolidated fiscal year (As of March 31, 2012)	End of the consolidated first three quarters accounting period (As of December 31, 2012)
(Liabilities)		
Current liabilities		
Notes and accounts payable	44,766	45,030
Short-term loans payable	35,306	25,181
Accrued income taxes	4,522	2,524
Others	14,531	14,994
Total current liabilities	99,127	87,730
Long-term liabilities		
Long-term loans payable	31,491	43,495
Deferred income tax liabilities	2,104	2,007
Liability for employees' retirement benefits	1,458	1,380
Provision for environmental measures	337	325
Asset retirement obligations	31	32
Others	1,678	1,582
Total long-term liabilities	37,103	48,823
Total liabilities	136,230	136,554
(Net assets)		
Shareholders' equity		
Common stock	31,733	31,733
Capital surplus	32,920	32,920
Retained earnings	95,406	97,928
Treasury stock, at cost	-1,729	-1,730
Total shareholders' equity	158,330	160,850
Accumulated other comprehensive income		
Net unrealized gains on available-for-sale securities	-2,919	-3,270
Foreign currency translation adjustments	-12,269	-12,045
Total accumulated other comprehensive income	-15,189	-15,315
Minority interests	3,772	3,931
Total net assets	146,913	149,466
Total of liabilities and net assets	283,144	286,021

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

Consolidated statements of income

Consolidated first three quarters	(Million yen)	
	Previous first three quarters period (From April 1, 2011 to December 31, 2011)	First three quarters under review (From April 1, 2012 to December 31, 2012)
Net sales	185,596	187,189
Cost of sales	144,638	143,072
Gross profit	40,957	44,116
Selling, general and administrative expenses		
Packing expenses and freight charge	4,373	4,397
Salaries and allowance	7,134	7,211
Bonuses	1,808	1,799
Welfare expenses	1,800	1,856
Depreciation expenses	883	725
Research and development expenses	2,247	2,389
Others	11,766	11,962
Total selling, general and administrative expenses	30,015	30,343
Operating income	10,941	13,773
Non-operating income		
Interest income	65	79
Dividend income	589	633
Foreign exchange gains	-	256
Investment income according to the equity method	68	12
Others	497	486
Total non-operating income	1,220	1,467
Non-operating expenses		
Interest expenses	724	693
Foreign exchange losses	364	-
Others	265	239
Total non-operating expenses	1,353	933
Recurring income	10,808	14,307
Extraordinary profit		
Compensation for transfer	-	1,994
Others	69	106
Total extraordinary profit	69	2,100
Extraordinary loss		
Loss on sales of property, plant and equipment	205	297
Loss on valuation of investment securities	71	292
Settlement package	-	3,822
Head office transfer cost	-	460
Loss on business withdrawal	1,198	-
Others	42	7
Total extraordinary loss	1,517	4,880
Income before income taxes and minority interests	9,360	11,527
Income taxes, current	3,610	4,092
Income taxes, deferred	-330	1,054
Total income taxes	3,280	5,146
Income before minority interests	6,080	6,381
Minority interests	247	279
Net income	5,833	6,102

Consolidated statements of comprehensive income

Consolidated first three quarters	(Million yen)	
	Previous first three quarters period (From April 1, 2011 to December 31, 2011)	First three quarters under review (From April 1, 2012 to December 31, 2012)
Income before minority interests	6,080	6,381
Other comprehensive income		
Net unrealized gains on available-for-sale securities	-3,250	-350
Foreign currency translation adjustments	-2,201	249
Share of other comprehensive income of associates accounted for using equity method	-82	-12
Total other comprehensive income	-5,535	-113
Comprehensive income	545	6,268
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	405	5,976
Comprehensive income attributable to minority interests	139	291

(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 December 31, 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	57,082	41,190	38,701	45,252	182,226	3,369	185,596	–	185,596
Intersegment sales	247	774	995	2,392	4,410	1,210	5,620	(5,620)	–
Total sales	57,330	41,964	39,696	47,644	186,636	4,580	191,217	(5,620)	185,596
Segment profits	998	1,337	2,170	5,174	9,680	1,118	10,799	142	10,941

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

2. An adjustment of ¥142 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 December 31, 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	55,920	42,185	37,389	48,235	183,731	3,458	187,189	–	187,189
Intersegment sales	229	421	1,113	2,017	3,782	1,112	4,894	(4,894)	–
Total sales	56,150	42,607	38,502	50,252	187,513	4,570	192,083	(4,894)	187,189
Segment profits	2,440	1,876	2,893	5,822	13,032	657	13,690	83	13,773

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

2. An adjustment of ¥83 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.