

Consolidated Quarterly Financial Results (Japanese Accounting Standards) for the First Quarter of the Fiscal Year Ending March 31, 2014

August 9, 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: August 13, 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 quarter of fiscal 2013 ending March 31, 2014

(From April 1, 2013 to June 30, 2013)

(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 2013	64,485	6.9	5,082	29.5	5,669	38.4	3,705	88.0
First Quarter, Fiscal 2012	60,320	-1.5	3,925	-9.0	4,096	-11.6	1,971	-27.8

(Note) Comprehensive income: First quarter, fiscal 2013: 11,307 million yen (215.5%) First quarter, fiscal 2012: 3,583 million yen (-4.8%)

	Net income per share (Basic)	Net income per share (Diluted)
	Yen	Yen
First Quarter, Fiscal 2013	12.42	—
First Quarter, Fiscal 2012	6.61	—

(2) Financial position

	Total assets	Net assets	Net worth/Total assets
	Million yen	Million yen	%
First Quarter, Fiscal 2013	314,134	170,825	52.8
Fiscal 2012	299,571	161,322	52.4

(Note): Net worth: First quarter, fiscal 2013: 165,886 million yen
 Fiscal 2012: 156,835 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 2012	—	6.00	—	6.00	12.00
Fiscal 2013	—				
Fiscal 2013 (Forecast)		6.00	—	6.00	12.00

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

3. Forecasts for the year ending March 31, 2014 (From April 1, 2013 to March 31, 2014)

(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	130,000	5.3	9,500	18.3	9,500	19.7	5,000	26.5	16.76
Full-year	270,000	8.6	20,000	14.0	20,000	8.3	10,000	14.8	33.51

(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: No
 - (ii) Changes in accounting policies other than (i): No
 - (iii) Changes in accounting estimates: No
 - (iv) Restatement: No
- (4) Numbers of shares issued (common shares)
- (i) Numbers of shares issued (including treasury shares):
 - First quarter, fiscal 2013: 303,108,724 shares
 - Fiscal 2012: 303,108,724 shares
 - (ii) Numbers of treasury shares at the end of the terms:
 - First quarter, fiscal 2013: 4,732,644 shares
 - Fiscal 2012: 4,727,008 shares
 - (iii) Average numbers of shares issued during the terms (consolidated accumulation periods):
 - First quarter, fiscal 2013: 298,377,766 shares
 - First quarter, fiscal 2012: 298,390,225 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) Information on the consolidated earnings forecasts and other future forecasts” of “1. Qualitative Information on Financial Results, etc. for the First Quarter Ended June 30, 2013” on page 3 of the accompanying materials.
2. Supplementary documents for financial results will be posted on the Company’s website on August 9, 2013 (Friday).

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1. Qualitative Information on Financial Results, etc., for the First Quarter Ended June 30, 2013

(1) Details of operating results

During the first quarter of the consolidated fiscal year under review, the global economy showed a gradual recovery in the United States. However, the economy remained sluggish in Europe as the risk of the financial crisis in the region continued unabated, and the economic growth of China, India and other emerging economies that mainly deal with the Western market also slowed. The outlook of the Japanese economy also remained uncertain, given stagnant growth in consumer spending, although corporate earnings moved toward an improvement.

The Toyo Ink Group also faced a challenging business environment as the price of raw materials continued to rise, reflecting the depreciation of the yen, although demand picked up. Responding to this situation, the Group sought to enhance its earnings by bolstering sales of advanced products and cutting costs.

As a result, consolidated sales for the first quarter under review were ¥64,485 million, up 6.9% year on year. Profits were also up, with operating income at ¥5,082 million, up 29.5% year on year, recurring income at ¥5,669 million, up 38.4% year on year, and net income at ¥3,705 million, up 88.0% year on year, respectively.

Results by segment are as follows:

(i) Printing and Information Related 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, sales of advanced products increased, including products with high UV sensitivity and hard coat products used in touchscreens.

Overseas, the growth of demand in China slowed, but demand grew in Southeast Asia and India, where the Company focused on strengthening its capabilities to supply products to the largest market segment, and sales of products with high UV sensitivity also increased in the United States and Europe. In April 2013, the Company also acquired shares of the ARETS Group, a manufacturer of UV inks, which mainly operated in Europe.

As for graphic arts equipment and supplies, demand related to equipment investment in the domestic offset printing market recovered slightly, and sales of printing machines and newly developed print quality inspection equipment increased.

As a result of the above factors, sales in the overall Printing and Information Business were ¥18,511 million, up 3.4% year on year. Operating income was ¥961 million, up 232.7% year on year.

(ii) Packaging Materials Related Business

In gravure inks in Japan, demand for inks for printing continued to decline. Sales of mainstay gravure inks for packaging also remained sluggish, reflecting weak consumption and an increase in the use of simple packaging due to the rising popularity of private-brand products. Moreover, the business environment at the operating income level also remained challenging due to a significant surge in the prices of raw materials, despite the Company's efforts to revise sales prices.

Meanwhile, sales in the gravure cylinders business grew year on year, and those of gravure equipment also increased.

Overseas, sales of eco-friendly inks for packaging increased in China and Southeast Asia, and the newly built gravure inks plant commenced full-scale operations in India. Moreover, demand for gravure inks for construction materials also remained strong in North America.

As a result of the above factors, sales in the overall Packaging Business increased 9.1% year on year, to ¥14,714 million. Operating income declined 4.1%, to ¥448 million.

(iii) Polymers and Coatings Related Business

Demand for can coatings (finishes) declined further in Japan, mainly reflecting an increase in the popularity of coffee sold in convenience stores. However, in Southeast Asia and China, sales of these products, mainly for food cans, remained strong. Meanwhile, sales of resins remained stagnant, reflecting the continued impact of the accident that occurred at the material manufacturer in the previous fiscal year.

For adhesives, domestic sales of products for packaging increased, but those for solar cells were stagnant, given a noticeable delay in the recovery of demand. The business environment at the operating income level also remained challenging, mainly due to a surge in the prices of raw materials, despite the Company's efforts to revise sales prices. Sales of adhesive compounds also remained stagnant, given the sluggish growth in demand as well as the continued impact of the accident that occurred at the material manufacturer in the previous fiscal year. For coating materials, sales of products for both advertising and electronics, including electromagnetic shielding films for smartphones, continued to hold firm.

As a result of the above factors, sales in the overall Polymer and Coating Business rose 3.3% year on year, to ¥13,438 million. However, operating income declined 8.2%, to ¥1,046 million.

(iv) Colorants and Functional Materials Related Business

Demand for commodity-type pigments for printing and other products remained sluggish in Japan, but sales in China and Southeast Asia remained strong.

In Japan, sales of plastic colorants for containers remained strong, in addition to robust demand for products related to housing and civil engineering. Moreover, following the surge in raw material prices, the Company undertook a revision of sales prices. In China, Southeast Asia and North America, sales of products mainly for automobiles remained steady.

Sales of high-function pigments and materials for LCD color filters recovered in Japan and Taiwan and remained strong in South Korea and China, given a continued rise in demand for tablet terminals and smartphones, in addition to a slight recovery in demand for TVs.

As a result of the above factors, sales in the overall Colorants and Functional Materials Business increased to ¥18,086 million, up 12.0% year on year, and operating income rose 33.5%, to ¥2,329 million.

(2) Details of financial position

Total assets at the end of the first quarter of the fiscal year under review stood at ¥314,134 million, an increase of ¥14,562 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 ¥143,308 million, an increase of ¥5,059 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 ¥170,825 million, an increase of ¥9,503 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 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. Moreover, because the ARETS Group, which was acquired by the Company, became the Company's consolidated subsidiary, assets, including intangible fixed assets, and liabilities increased. In addition, in Group companies in Japan, given a recovery in stock prices in the domestic stock market, investment in securities and net unrealized gains on available-for-sale securities increased.

(3) Information on the consolidated earnings forecasts and other future forecasts

In the first quarter of the fiscal year under review, both sales and income increased from the same period of the previous fiscal year, when demand was sluggish both in Japan and overseas. However, these results remained almost in line with forecasts made at the beginning of the fiscal year. In light of these factors, operating forecasts for the

first half of the fiscal year ending March 31, 2014 and forecasts for the full fiscal year ending March 31, 2014, both of which were announced on May 14, 2013, 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

Not applicable.

3. Consolidated Financial Statements

(1) Consolidated balance sheet

	(Million yen)	
	End of the previous consolidated fiscal year (As of March 31, 2013)	End of the consolidated first quarter accounting period (As of June 30, 2013)
(Assets)		
Current assets		
Cash and bank deposits	33,996	29,210
Notes and accounts receivable	82,733	86,471
Marketable securities	2,278	1,787
Goods and products	23,683	25,533
Work-in-process	1,158	1,273
Raw material and supplies	12,676	13,513
Deferred income tax assets	2,646	2,850
Others	3,379	4,052
Allowance for doubtful receivables	-590	-783
Total current assets	161,963	163,909
Fixed assets		
Property, plant and equipment		
Building and structures	82,735	85,157
Accumulated depreciation	-50,666	-51,861
Building and structures (net amount)	32,069	33,296
Machinery and vehicles	132,288	135,977
Accumulated depreciation	-112,782	-115,901
Machinery and vehicles (net amount)	19,506	20,076
Tools, furniture and fixtures	20,857	21,474
Accumulated depreciation	-18,157	-18,615
Tools, furniture and fixtures (net amount)	2,699	2,859
Land	28,043	28,645
Leased assets	259	283
Accumulated depreciation	-117	-133
Leased assets (net amount)	141	149
Construction in progress	4,663	5,329
Total property, plant and equipment	87,124	90,355
Intangible fixed assets		
Goodwill	459	4,156
Others	276	297
Total intangible fixed assets	736	4,453
Investments and other assets		
Investment in securities	35,816	41,541
Deferred income tax assets	1,053	971
Others	13,432	13,483
Allowance for doubtful receivables	-554	-580
Total investments and other assets	49,747	55,416
Total fixed assets	137,608	150,225
Total assets	299,571	314,134

(Million yen)

	End of the previous consolidated fiscal year (As of March 31, 2013)	End of the consolidated first quarter accounting period (As of June 30, 2013)
(Liabilities)		
Current liabilities		
Notes and accounts payable	43,585	46,373
Short-term loans payable	34,822	35,154
Accrued income taxes	4,371	1,679
Others	15,220	17,740
Total current liabilities	98,000	100,948
Long-term liabilities		
Long-term loans payable	35,383	35,402
Deferred income tax liabilities	1,481	3,381
Liability for employees' retirement benefits	1,432	1,426
Provision for environmental measures	306	305
Asset retirement obligations	32	32
Others	1,611	1,811
Total long-term liabilities	40,248	42,360
Total liabilities	138,249	143,308
(Net assets)		
Shareholders' equity		
Common stock	31,733	31,733
Capital surplus	32,920	32,920
Retained earnings	100,540	102,455
Treasury stock, at cost	-1,732	-1,735
Total shareholders' equity	163,461	165,374
Accumulated other comprehensive income		
Net unrealized gains on available-for-sale securities	-1	3,208
Foreign currency translation adjustments	-6,623	-2,695
Total accumulated other comprehensive income	-6,625	512
Minority interests	4,487	4,939
Total net assets	161,322	170,825
Total of liabilities and net assets	299,571	314,134

(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, 2012 to June 30, 2012)	First quarter under review (From April 1, 2013 to June 30, 2013)
Net sales	60,320	64,485
Cost of sales	46,108	49,126
Gross profit	14,212	15,358
Selling, general and administrative expenses		
Packing expenses and freight charge	1,458	1,468
Salaries and allowance	2,503	2,558
Bonuses	583	618
Welfare expenses	650	662
Depreciation expenses	249	244
Research and development expenses	736	759
Others	4,105	3,965
Total selling, general and administrative expenses	10,286	10,276
Operating income	3,925	5,082
Non-operating income		
Interest income	24	31
Dividend income	309	317
Gain on foreign currency exchange	–	273
Investment income according to the equity method	25	–
Others	172	225
Total non-operating income	531	847
Non-operating expenses		
Interest expenses	239	195
Foreign exchange losses	50	–
Investment losses according to the equity method	–	13
Others	70	50
Total non-operating expenses	360	259
Recurring income	4,096	5,669
Extraordinary profit		
Gain on sales of property, plant and equipment	7	3
Total extraordinary profit	7	3
Extraordinary loss		
Loss on sales of property, plant and equipment	48	60
Loss on valuation of investment securities	362	–
Others	–	0
Total extraordinary loss	410	60
Income before income taxes and minority interests	3,692	5,612
Income taxes, current	1,086	1,923
Income taxes, deferred	580	-95
Total income taxes	1,667	1,828
Income before minority interests	2,025	3,784
Minority interests	53	78
Net income	1,971	3,705

Consolidated statements of comprehensive income

Consolidated first quarter

(Million yen)

	Previous first quarter period (From April 1, 2012 to June 30, 2012)	First quarter under review (From April 1, 2013 to June 30, 2013)
Income before minority interests	2,025	3,784
Other comprehensive income		
Net unrealized gains on available-for-sale securities	-1,466	3,211
Foreign currency translation adjustments	2,918	4,058
Share of other comprehensive income of associates accounted for using equity method	107	253
Total other comprehensive income	1,558	7,523
Comprehensive income	3,583	11,307
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,302	10,843
Comprehensive income attributable to minority interests	281	463

(3) Notes to consolidated quarterly financial statements

(Notes on assumption of going business)

Not applicable

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

Not applicable

(Segment information, etc.)

I. From April 1, 2012 to June 30, 2012

Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments					Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements (Note 3)
	Printing and Information Related Business	Packaging Materials Related Business	Polymers and Coatings Related Business	Colorants and Functional Materials Related 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.

II. From April 1, 2013 to June 30, 2013

Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments					Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements (Note 3)
	Printing and Information Related Business	Packaging Materials Related Business	Polymers and Coatings Related Business	Colorants and Functional Materials Related Business	Total				
Net sales									
Sales to customers	18,411	14,567	13,048	17,396	63,423	1,061	64,485	-	64,485
Intersegment sales	100	146	390	690	1,327	407	1,734	(1,734)	-
Total sales	18,511	14,714	13,438	18,086	64,750	1,468	66,219	(1,734)	64,485
Segment profits	961	448	1,046	2,329	4,786	281	5,067	14	5,082

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

2. An adjustment of ¥14 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.