

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

November 8, 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: November 14, 2013
 Scheduled date of commencement of dividend payments: December 2, 2013
 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 2013 ending March 31, 2014

(From April 1, 2013 to September 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 Half, Fiscal 2013	135,100	9.5	10,347	28.8	11,043	39.2	7,089	79.4
First Half, Fiscal 2012	123,418	0.3	8,031	9.1	7,933	10.2	3,951	11.8

(Note) Comprehensive income: First half, fiscal 2013: 20,483 million yen (-%) First half, fiscal 2012: 1,339 million yen (-47.2%)

	Net income per share (Basic)	Net income per share (Diluted)
	Yen	Yen
First Half, Fiscal 2013	23.76	-
First Half, Fiscal 2012	13.24	-

(2) Financial position

	Total assets	Net assets	Net worth/Total assets
	Million yen	Million yen	%
First Half, Fiscal 2013	321,834	179,825	54.3
Fiscal 2012	299,571	161,322	52.4

(Note): Net worth: First half, fiscal 2013: 174,675 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	-	6.00			
Fiscal 2013 (Forecast)			-	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
Full-year	270,000	8.6	20,000	14.0	20,500	11.0	12,000	37.7	40.22

(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: 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 half, fiscal 2013: 303,108,724 shares
 - Fiscal 2012: 303,108,724 shares
 - (ii) Numbers of treasury shares at the end of the terms:
 - First half, fiscal 2013: 4,744,447 shares
 - Fiscal 2012: 4,727,008 shares
 - (iii) Average numbers of shares issued during the terms (consolidated accumulation periods):
 - First half, fiscal 2013: 298,372,472 shares
 - First half, fiscal 2012: 298,388,669 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 Half Ended September 30, 2013” on page 4 of the accompanying materials.
2. Supplementary documents for financial results will be posted on the Company’s website on November 8, 2013 (Friday).
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 11, 2013 (Monday): Briefing for institutional investors and security analysts

Accompanying Materials – Contents

1.	Qualitative Information on Financial Results, etc. for the First Half Ended September 30, 2013.....	2
	(1) Details of operating results	2
	(2) Details of financial position.....	3
	(3) Information on the consolidated earnings forecasts and other future forecasts	4
2.	Matters Relating to Summary Information (Notes)	4
	(1) Important changes of subsidiaries during the term	4
	(2) Application of special accounting treatment to the preparation of quarterly consolidated financial statements	4
	(3) Changes in accounting policies and changes or restatement of accounting estimates	4
3.	Consolidated Financial Statements	5
	(1) Consolidated balance sheet.....	5
	(2) Consolidated statements of income and consolidated statements of comprehensive income.....	7
	Consolidated statements of income	
	Consolidated first half	7
	Consolidated statements of comprehensive income	
	Consolidated first half	8
	(3) Consolidated statements of cash flows	9
	(4) Notes to consolidated quarterly financial statements.....	10
	(Notes on assumption of going business)	10
	(Notes on significant changes in the amount of shareholders' equity)	10
	(Segment information, etc.)	10

1. Qualitative Information on Financial Results, etc., for the First Half Ended September 30, 2013

(1) Details of operating results

During the first half of the consolidated fiscal year under review, the global economy saw continuing uncertainties, including the ongoing financial instability in the US and Europe and an economic slowdown beginning to show in emerging countries such as China and India, despite the moderate recovery that has begun, particularly in the earnings of Japanese companies.

In the business environment of the Toyo Ink Group, while demand began to pick up, raw material prices continued to rise as the yen weakened, and the Company strived to increase its earnings by bolstering sales of advanced products and cutting costs.

As a result, consolidated sales for the first half of the consolidated fiscal year under review were ¥ 135,100 million, up 9.5% year on year. Profits were also up, with operating income at ¥10,347 million, up 28.8% year on year, recurring income at ¥11,043 million, up 39.2% year on year, and net income at ¥7,089 million, up 79.4% year on year.

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 ¥39,959 million, up 9.0% year on year. Operating income was ¥2,362 million, up 89.3% year on year.

(ii) Packaging Materials Related Business

While domestic demand for gravure inks used in printing continued to decline and sales of mainstay gravure inks for packaging also remained sluggish in the first half of the period due to weak consumption, sales of beverage-related products, in particular, began to pick up in the latter half. The Company's operating income, however, continued to suffer due to a significant surge in the prices of raw materials, despite its efforts to revise sales prices.

Sales in the gravure cylinders business grew, however sales of gravure equipment declined.

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 9.9% year on year, to ¥30,768 million, and operating income also grew 6.7% year on year, to ¥1,094 million.

(iii) Polymers and Coatings Related Business

Demand for can coatings (finishes) in Japan increased as products for cans for beer and similar beverages sold well in the extremely hot summer. Overall demand, however, continued to decline, mainly reflecting an increase in the use of plastic bottles and coffee sold in convenience stores. Meanwhile, sales of products for both food cans and beverage cans remained strong in China and Southeast Asia. Sales of resins were weak in the first half of the period, however they began to grow in the housing-related product segment.

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 Company's operating income continued to suffer due to a significant surge in the prices of raw materials, despite its efforts to revise sales prices. Sales of adhesive compounds also remained stagnant, given the sluggish growth in demand for products used for labels. In the coating materials segment, sales of products for electronics, including electromagnetic shielding films for smartphones, achieved significant growth, while sales of advertising-related products remained generally unchanged year on year.

As a result of the above factors, sales in the overall Polymer and Coating Business rose 7.5% year on year, to ¥27,968 million, and operating income grew 3.7% year on year, to ¥2,028 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 the overseas markets, sales of products for office equipment in China and Southeast Asia and automobile-related products in North America remained robust.

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

As a result of the above factors, sales in the overall Colorants and Functional Materials Business increased to ¥37,090 million, up 12.0% year on year, and operating income rose 34.2%, to ¥4,421 million.

(2) Details of financial position

Total assets at the end of the first half of the fiscal year under review stood at ¥321,834 million, an increase of ¥22,263 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 ¥142,008 million, an increase of ¥3,759 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 ¥179,825 million, an increase of ¥18,503 million from net assets at the beginning of the fiscal year under review.

On the last day of the first half 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.

(State of cash flows)

Cash and cash equivalents (“cash”) at the end of the first half under review stood at ¥30,888 million, down ¥4,444 million from the level at the beginning of the fiscal year.

Cash provided by operating activities stood at ¥8,339 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 ¥7,345 million, mainly reflecting purchases of property, plant, and equipment and the shares of the ARETS Group.

Cash used in financing activities stood at ¥6,806 million, which was attributable primarily to the repayment of long-term loans payable and cash outflows from dividends paid.

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

The full-year forecasts for the fiscal year ending March 31, 2014, announced on May 14, 2013, have been revised. Refer to “Announcement of Difference from Earnings Forecasts for the First Half of the Consolidated Fiscal Year and Revision to Full-Year Consolidated Earnings Forecasts” published today (November 8, 2013) for details.

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 half accounting period (As of September 30, 2013)
(Assets)		
Current assets		
Cash and bank deposits	33,996	27,632
Notes and accounts receivable	82,733	87,540
Marketable securities	2,278	1,172
Goods and products	23,683	25,187
Work-in-process	1,158	1,407
Raw material and supplies	12,676	13,394
Deferred income tax assets	2,646	2,481
Others	3,379	6,559
Allowance for doubtful receivables	-590	-835
Total current assets	161,963	164,540
Fixed assets		
Property, plant and equipment		
Building and structures	82,735	86,358
Accumulated depreciation	-50,666	-52,708
Building and structures (net amount)	32,069	33,650
Machinery and vehicles	132,288	137,424
Accumulated depreciation	-112,782	-116,830
Machinery and vehicles (net amount)	19,506	20,594
Tools, furniture and fixtures	20,857	21,632
Accumulated depreciation	-18,157	-18,823
Tools, furniture and fixtures (net amount)	2,699	2,808
Land	28,043	28,659
Leased assets	259	317
Accumulated depreciation	-117	-149
Leased assets (net amount)	141	168
Construction in progress	4,663	6,328
Total property, plant and equipment	87,124	92,208
Intangible fixed assets		
Goodwill	459	4,249
Others	276	299
Total intangible fixed assets	736	4,549
Investments and other assets		
Investment in securities	35,816	46,533
Deferred income tax assets	1,053	942
Others	13,432	13,655
Allowance for doubtful receivables	-554	-595
Total investments and other assets	49,747	60,536
Total fixed assets	137,608	157,293
Total assets	299,571	321,834

(Million yen)

	End of the previous consolidated fiscal year (As of March 31, 2013)	End of the consolidated first half accounting period (As of September 30, 2013)
(Liabilities)		
Current liabilities		
Notes and accounts payable	43,585	44,556
Short-term loans payable	34,822	35,569
Accrued income taxes	4,371	3,183
Others	15,220	14,653
Total current liabilities	98,000	97,962
Long-term liabilities		
Long-term loans payable	35,383	35,403
Deferred income tax liabilities	1,481	5,044
Liability for employees' retirement benefits	1,432	1,511
Provision for environmental measures	306	303
Asset retirement obligations	32	32
Others	1,611	1,749
Total long-term liabilities	40,248	44,045
Total liabilities	138,249	142,008
(Net assets)		
Shareholders' equity		
Common stock	31,733	31,733
Capital surplus	32,920	32,920
Retained earnings	100,540	105,839
Treasury stock, at cost	-1,732	-1,741
Total shareholders' equity	163,461	168,751
Accumulated other comprehensive income		
Net unrealized gains on available-for-sale securities	-1	6,183
Foreign currency translation adjustments	-6,623	-259
Total accumulated other comprehensive income	-6,625	5,923
Minority interests	4,487	5,150
Total net assets	161,322	179,825
Total of liabilities and net assets	299,571	321,834

(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, 2012 to September 30, 2012)	First half under review (From April 1, 2013 to September 30, 2013)
Net sales	123,418	135,100
Cost of sales	95,100	103,307
Gross profit	28,318	31,792
Selling, general and administrative expenses		
Packing expenses and freight charge	2,910	3,085
Salaries and allowance	4,863	5,325
Bonuses	1,197	1,240
Welfare expenses	1,253	1,329
Depreciation expenses	484	520
Research and development expenses	1,591	1,556
Others	7,986	8,387
Total selling, general and administrative expenses	20,286	21,445
Operating income	8,031	10,347
Non-operating income		
Interest income	59	64
Dividend income	318	328
Gain on foreign currency exchange	-	340
Investment income according to the equity method	55	3
Others	355	486
Total non-operating income	789	1,223
Non-operating expenses		
Interest expenses	482	411
Foreign exchange losses	201	-
Others	203	115
Total non-operating expenses	887	527
Recurring income	7,933	11,043
Extraordinary profit		
Gain on sales of property, plant and equipment	10	7
Others	1	0
Total extraordinary profit	11	7
Extraordinary loss		
Loss on sales of property, plant and equipment	173	106
Loss on valuation of investment securities	436	-
Others	59	0
Total extraordinary loss	668	106
Income before income taxes and minority interests	7,276	10,943
Income taxes, current	2,891	3,258
Income taxes, deferred	280	399
Total income taxes	3,171	3,657
Income before minority interests	4,104	7,286
Minority interests	153	197
Net income	3,951	7,089

Consolidated statements of comprehensive income

Consolidated first half

(Million yen)

	Previous first half period (From April 1, 2012 to September 30, 2012)	First half under review (From April 1, 2013 to September 30, 2013)
Income before minority interests	4,104	7,286
Other comprehensive income		
Net unrealized gains on available-for-sale securities	-3,199	6,189
Foreign currency translation adjustments	413	6,680
Share of other comprehensive income of associates accounted for using equity method	20	326
Total other comprehensive income	-2,765	13,197
Comprehensive income	1,339	20,483
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,114	19,639
Comprehensive income attributable to minority interests	224	844

(3) Consolidated statements of cash flows

(Million yen)

	Previous first half period (From April 1, 2012 to September 30, 2012)	First half under review (From April 1, 2013 to September 30, 2013)
Cash flows from operating activities		
Income before income taxes and minority interests	7,276	10,943
Depreciation and amortization	4,164	4,510
Interest and dividend income	-378	-393
Interest expenses	482	411
Equity/loss in earnings of associated companies (- is equity)	-55	-3
Loss/gain on sales of property, plant and equipment (- is gain)	-5	8
Loss on disposals of property, plant and equipment	122	30
Loss/gain on valuation of investment securities (- is gain)	436	-
Increase/decrease in notes and accounts receivable (- is increases)	37	164
Increase/decrease in inventories (- is increases)	973	751
Increase/decrease in notes and accounts payable (- is decreases)	-448	-2,236
Others	-195	-2,031
Subtotal	12,409	12,156
Interest and dividend received	381	449
Interest paid	-489	-387
Income taxes paid	-4,524	-3,879
Net cash provided by operating activities	7,776	8,339
Cash flows from investing activities		
Increase in time deposits	-105	-271
Income on certificate of deposit repayment	312	247
Purchases of property, plant and equipment	-5,567	-5,847
Proceeds from sales of property, plant and equipment	26	88
Purchase of short-term and long term investment securities	-2,806	-1,413
Proceeds from sales and redemption of short-term and long term investment securities	494	835
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	-1,207
Payments for guarantee deposits	-242	-54
Proceeds from collection of guarantee deposits	94	406
Others	-271	-127
Net cash used in investing activities	-8,066	-7,345
Cash flows from financing activities		
Increase/decrease in short-term loans payable, net (- is decrease)	391	-787
Proceeds from long-term loans payable	12,000	-
Repayments of long-term loans payable	-10,000	-4,183
Dividends paid	-1,788	-1,789
Dividends paid to minority interests	-45	-8
Others	-24	-37
Net cash provided by/used in financing activities	532	-6,806
Foreign currency translation adjustments on cash and cash equivalents	70	1,367
Net increase/decrease in cash and cash equivalents (- is decrease)	313	-4,444
Cash and cash equivalents, beginning of period	32,644	35,333
Cash and cash equivalents, end of period	32,958	30,888

(4) 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 September 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	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.

II. From April 1, 2013 to September 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	39,734	30,447	27,137	35,675	132,994	2,105	135,100	-	135,100
Intersegment sales	225	321	830	1,414	2,792	766	3,559	(3,559)	-
Total sales	39,959	30,768	27,968	37,090	135,787	2,872	138,660	(3,559)	135,100
Segment profits	2,362	1,094	2,028	4,421	9,906	417	10,323	23	10,347

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

2. An adjustment of ¥23 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.