

Consolidated Quarterly Financial Results (Japanese Accounting Standards) for the First Quarter of the Fiscal Year Ending March 31, 2016

August 7, 2015

Name of Listed Company: TOYO INK SC HOLDINGS CO., LTD. Listings: Tokyo Stock Exchange
 Code: 4634 URL: <http://sched.toyoinkgroup.com>
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 Scheduled date of submission of quarterly report: August 11, 2015
 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 2015 ending March 31, 2016

(From April 1, 2015 to June 30, 2015)

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

	Net sales		Operating income		Recurring income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Quarter, Fiscal 2015	68,248	0.1	3,635	-15.5	4,081	-12.3	2,621	-18.3
First Quarter, Fiscal 2014	68,168	5.7	4,300	-15.4	4,653	-17.9	3,207	-13.4

(Note) Comprehensive income: First quarter, fiscal 2015: 2,686 million yen (-15.1%)
 First quarter, fiscal 2014: 3,164 million yen (-72.0%)

	Net income per share (Basic)	Net income per share (Diluted)
	Yen	Yen
First Quarter, Fiscal 2015	8.79	–
First Quarter, Fiscal 2014	10.75	–

(2) Financial position

	Total assets	Net assets	Net worth/Total assets
	Million yen	Million yen	%
First Quarter, Fiscal 2015	362,094	214,192	57.3
Fiscal 2014	364,262	213,756	56.9

(Note) Net worth: First quarter, fiscal 2015: 207,596 million yen
 Fiscal 2014: 207,220 million yen

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2014	–	7.00	–	7.50	14.50
Fiscal 2015	–				
Fiscal 2015 (Forecast)		7.50	–	7.50	15.00

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

3. Forecasts for the year ending March 31, 2016 (From April 1, 2015 to March 31, 2016)

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

	Net sales		Operating income		Recurring income		Net income attributable to shareholders of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	145,000	3.9	9,000	-0.1	9,300	-1.8	5,600	-43.0	18.77
Full-year	300,000	4.6	20,000	9.8	20,500	5.6	12,000	-9.8	40.23

(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: No
 - (iv) Restatement: No
- (4) Numbers of shares issued (common shares)
- (i) Numbers of shares issued (including treasury shares):
 - First quarter, fiscal 2015: 303,108,724 shares
 - Fiscal 2014: 303,108,724 shares
 - (ii) Numbers of treasury shares at the end of the terms:
 - First quarter, fiscal 2015: 4,791,879 shares
 - Fiscal 2014: 4,785,989 shares
 - (iii) Average numbers of shares issued during the terms (consolidated accumulation periods):
 - First quarter, fiscal 2015: 298,318,198 shares
 - First quarter, fiscal 2014: 298,342,464 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, 2015” on page 4 of the accompanying materials.
2. Supplementary documents for financial results will be posted on the Company’s website on August 7, 2015 (Friday).

Accompanying Materials – Contents

1.	Qualitative Information on Financial Results, etc. for the First Quarter Ended June 30, 2015	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 quarter	7
	Consolidated statements of comprehensive income	
	Consolidated first quarter	8
	(3) Notes to consolidated quarterly financial statements.....	9
	(Notes on assumption of going business)	9
	(Notes on significant changes in the amount of shareholders' equity)	9
	(Segment information, etc.)	9

1. Qualitative Information on Financial Results, etc., for the First Quarter Ended June 30, 2015

(1) Details of operating results

During the first quarter of the consolidated fiscal year under review, the global economy showed gradual improvements on the strength of the solid economic environment in the United States. However, downside risks are increasing, as seen in the further slowdown in the speed of growth in China. In Japan, consumer spending remained stagnant, despite a trend of improvement in corporate earnings.

Under these circumstances, the Toyo Ink Group has been promoting its respective businesses in accordance with the Group management policy of “striving to launch innovations constantly and enhancing marketing capabilities,” “strengthening global networks from both offensive and defensive perspectives” and “seeking to enhance the value of six management resources as well as group companies,” which were set as the important issues for management. However, the conditions in the environment for profitability remained harsh due to stagnant demand.

Reflecting the situation, although consolidated sales for the first quarter under review posted a marginal increase of 0.1% year on year, to 68,248 million yen, operating income declined to 3,635 million yen (down 15.5% year on year), recurring income fell to 4,081 million yen (down 12.3%), and net income attributable to owners of the parent dropped to 2,621 million yen (down 18.3%).

Results by segment are as follows:

(i) Colorants and Functional Materials Related Business

Sales and operating income of high-function pigments and materials for LCD color filters were squeezed by continuously weak domestic demand, escalating requests for significant cost reductions in materials against the backdrop of intensifying price competition for LCD panel in China, Taiwan and South Korea, and difficulties faced in increasing sales.

Domestic sales of commodity-type pigments were strong for printing inks for packages and automobile-related applications, but were weak for construction-related uses. Overseas sales of commodity-type pigments expanded in Southeast Asia, but were sluggish in China.

Domestic sales of plastic colorants expanded for container applications, but were weak for industrial material applications such as automobiles and construction materials. Overseas, profitability improved in Europe thanks to expanded sales, while applications for office equipment and home electronics were weak in China and Southeast Asia.

As a result of the above factors, sales in the overall Colorants and Functional Materials Related Business decreased 4.7% year on year, to 18,160 million yen, and operating income declined 42.5%, to 1,034 million yen, showing a decline in sales and income.

(ii) Polymers and Coatings Related Business

In the coating materials segment, sales of advertisement-related products and protection films for smartphones were strong. Sales of electromagnetic shielding films expanded in China in the latter half of the period under review, but remained stagnant in South Korea from the previous period.

In the adhesives segment, although demand for use in packages and solar cells remained weak in Japan, sales of environmentally friendly products for packaging expanded in China and Southeast Asia. In the adhesive compounds segment, although sales for use in automobiles and construction declined, sales for use in labels were strong. In addition, sales expanded in South Korea and China for use in displays and in North America for industrial use.

Sales of can coatings (finishes) were on a par with the year-ago level in Japan, while sales expanded in Southeast Asia.

As a result of the above factors, sales in the overall Polymer and Coatings Related Business posted a slight increase

of 0.4% year on year, to 14,727 million yen, and operating income increased 23.9%, to 1.119 million yen, reflecting the effects of cost reduction initiatives.

(iii) Packaging Materials Related Business

Domestic sales of gravure inks for publications remained on a structurally declining trend. On the other hand, domestic sales of mainstay gravure inks for packaging, mainly for food applications, were strong, and sales of new products expanded. These factors contributed to an improvement in operating income. Demand for gravure inks for construction materials started to recover in the latter half of the first quarter under review.

Overseas, sales of eco-friendly inks for packaging in the largest market segment expanded in Southeast Asia and India. Sales of gravure inks for construction materials were also strong in North America.

In the gravure cylinders business, demand remained weak, and sales of gravure equipment also declined.

As a result of the above factors, sales in the overall Polymer and Coatings Related Business rose 2.9% year on year, to 15,416 million yen, and operating income increased 12.6%, to 447 million yen, showing a rise in sales and income.

(iv) Printing and Information Related Business

In offset inks, sales of products with high UV sensitivity expanded, not only in Japan but also on a global scale, particularly in Europe. However, demand for sheet-fed printing, offset rotary printing, and newspaper inks continued to fall due to the structural recession resulting from the shrinking printing market associated with digitization. Furthermore, raw material prices, which remained at a high level, continued to put pressure on operating income. Sales were weak in China and Southeast Asia, reflecting the slowdown of economic activity. In India, initial investment costs for business expansion adversely impacted income.

In equipment and supplies for graphic arts, both sales of supplies for printing and sales of equipment were weak, reflecting the sluggish domestic offset printing market.

As a result of the above factors, sales in the overall Colorants and Functional Materials Related Business increased to 20,456 million yen, up 2.5% year on year, but operating income declined 46.3%, to 249 million yen.

(v) Others

This segment includes businesses that are not included in the above segments and services provided mainly by Toyo Ink SC Holdings Co., Ltd. Sales in this segment stood at 1,372 million yen, up 2.6% year on year. Operating income increased 10.0%, to 800 million yen, showing an increase in sales and income.

(2) Details of financial position

Total assets at the end of the fiscal year under review stood at 362,094 million yen, a decrease of 2,168 million yen from the beginning of the fiscal year. Liabilities at the end of the fiscal year were 147,901 million yen, a decrease of 2,604 million yen from the beginning of the fiscal year. Net assets at the end of the first quarter under review stood at 214,192 million yen, a rise of 436 million yen from the beginning of the fiscal year.

Investments in securities and the valuation difference on available-for-sale securities increased, reflecting rising stock prices in Japan. On the last day of the first quarter of the consolidated fiscal year under review, the yen was stronger than it was on the last day of the previous consolidated fiscal year, resulting in decreases in foreign currency translation adjustments. Accrued income taxes decreased due to the payment of corporation taxes for the previous period in Japan, and cash and bank deposits decreased due in part to the payment of dividends. Notes and accounts receivable and notes and accounts payable decreased, while goods and products increased.

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

In the first quarter under review, income decreased compared to a year ago but was generally in line with initial expectations. Accordingly, the Company has not revised its consolidated financial forecast for the first half and full year ending March 31, 2016, which was announced on May 15, 2015.

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

(Application of Accounting Standard for Business Combinations, etc.)

Starting in the first quarter of the consolidated accounting period under review, the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013; hereinafter “the Accounting Standard for Business Combinations”), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013); hereinafter “the Accounting Standard for Consolidated Financial Statements”) and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013); hereinafter “the Accounting Standard for Business Divestitures”) have been applied. Accordingly, the method of appropriating changes in the Company’s ownership interests in a subsidiary while retaining controlling financial interests in the subsidiary as capital surplus and of appropriating expenses related to such acquisition as expenses in the consolidated fiscal year in which they arise has been adopted. With respect to business combinations that may be implemented after the beginning of the first quarter under review, the method of reflecting the adjustment of amounts upon the finalization of the provisional accounting treatment of purchase price allocations in the consolidated quarterly financial statements for the quarterly period in which the business combination occurs has been applied. In addition, changes in the presentation of quarterly net income and from minority interests to non-controlling interests have been made. To reflect these changes in presentation, the Company has made certain reclassifications to its consolidated financial statements for the previous consolidated first quarter and fiscal year.

With respect to the Accounting Standard for Business Combinations, etc., it was adopted as at the beginning of the first quarter under review, and it will continue to be applied in the future in accordance with the provisional measures specified in Item 58-2(4) of the Accounting Standard for Business Combinations, Item 44-5(4) of the Accounting Standard for Consolidated Financial Statements and Item 57-4(4) of the Accounting Standard for Business Divestitures.

There is no impact from these changes during the consolidated first quarter under review on the consolidated financial statements for the quarter.

3. Consolidated Financial Statements

(1) Consolidated balance sheet

	(Million yen)	
	End of the previous consolidated fiscal year (As of March 31, 2015)	End of the consolidated first quarter accounting period (As of June 30, 2015)
(Assets)		
Current assets		
Cash and bank deposits	39,620	37,228
Notes and accounts receivable	94,883	90,281
Marketable securities	563	567
Goods and products	27,795	30,009
Work-in-process	1,496	1,407
Raw material and supplies	16,139	16,088
Deferred income tax assets	2,048	2,326
Others	6,226	7,211
Allowance for doubtful receivables	-1,047	-1,019
Total current assets	187,727	184,102
Fixed assets		
Property, plant and equipment		
Building and structures	94,888	94,743
Accumulated depreciation	-55,144	-55,545
Building and structures (net amount)	39,744	39,198
Machinery and vehicles	146,927	146,346
Accumulated depreciation	-121,597	-121,512
Machinery and vehicles (net amount)	25,329	24,834
Tools, furniture and fixtures	23,103	23,256
Accumulated depreciation	-20,021	-20,199
Tools, furniture and fixtures (net amount)	3,081	3,056
Land	28,617	28,420
Leased assets	449	493
Accumulated depreciation	-261	-282
Leased assets (net amount)	187	210
Construction in progress	4,903	5,288
Total property, plant and equipment	101,865	101,007
Intangible fixed assets	2,796	2,865
Investments and other assets		
Investment in securities	62,223	64,188
Net defined benefit asset	4,115	4,436
Deferred income tax assets	1,025	1,014
Others	5,020	4,974
Allowance for doubtful receivables	-512	-497
Total investments and other assets	71,873	74,117
Total fixed assets	176,535	177,991
Total assets	364,262	362,094

(Million yen)

	End of the previous consolidated fiscal year (As of March 31, 2015)	End of the consolidated first quarter accounting period (As of June 30, 2015)
(Liabilities)		
Current liabilities		
Notes and accounts payable	48,773	46,913
Short-term loans payable	20,931	21,078
Accrued income taxes	2,824	1,530
Others	18,212	18,466
Total current liabilities	90,742	87,988
Long-term liabilities		
Long-term loans payable	44,895	44,726
Deferred income tax liabilities	10,451	11,018
Provision for environmental measures	889	881
Net defined benefit liability	1,775	1,763
Asset retirement obligations	27	27
Others	1,724	1,494
Total long-term liabilities	59,763	59,912
Total liabilities	150,506	147,901
(Net assets)		
Shareholders' equity		
Common stock	31,733	31,733
Capital surplus	32,920	32,920
Retained earnings	117,368	117,752
Treasury stock, at cost	-1,762	-1,765
Total shareholders' equity	180,259	180,639
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,396	14,768
Foreign currency translation adjustments	10,933	9,589
Remeasurements of defined benefit plans	2,630	2,598
Total accumulated other comprehensive income	26,960	26,956
Non-controlling interests	6,536	6,596
Total net assets	213,756	214,192
Total of liabilities and net assets	364,262	362,094

(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, 2014 to June 30, 2014)	First quarter under review (From April 1, 2015 to June 30, 2015)
Net sales	68,168	68,248
Cost of sales	52,762	53,127
Gross profit	15,406	15,121
Selling, general and administrative expenses		
Packing expenses and freight charge	1,554	1,575
Salaries and allowance	2,879	3,000
Bonuses	639	693
Welfare expenses	706	767
Depreciation expenses	285	327
Research and development expenses	711	696
Others	4,329	4,425
Total selling, general and administrative expenses	11,105	11,486
Operating income	4,300	3,635
Non-operating income		
Interest income	43	47
Dividend income	372	477
Foreign exchange gains	-	47
Investment income according to the equity method	13	-
Others	272	200
Total non-operating income	702	772
Non-operating expenses		
Interest expenses	191	186
Foreign exchange losses	95	-
Investment losses according to the equity method	-	33
Others	61	107
Total non-operating expenses	348	327
Recurring income	4,653	4,081
Extraordinary profit		
Gain on sales of fixed assets	1	5
Gain on sales of investment securities	-	2
Gain on sales of golf memberships	0	-
Total extraordinary profit	1	7
Extraordinary loss		
Loss on sales of fixed assets	74	49
Others	12	-
Total extraordinary loss	86	49
Income before income taxes and minority interests	4,568	4,039
Income taxes, current	1,515	1,604
Income taxes, deferred	-262	-256
Total income taxes	1,253	1,347
Net income	3,314	2,692
Net income (loss) attributable to non-controlling interests	107	71
Net income (loss) attributable to owners of parent	3,207	2,621

Consolidated statements of comprehensive income

Consolidated first quarter

(Million yen)

	Previous first quarter period (From April 1, 2014 to June 30, 2014)	First quarter under review (From April 1, 2015 to June 30, 2015)
Net income	3,314	2,692
Other comprehensive income		
Valuation difference on available-for-sale securities	676	1,373
Foreign currency translation adjustments	-1,936	-1,401
Remeasurements of defined benefit plans, net of tax	1,198	-32
Share of other comprehensive income of associates	-89	54
Total other comprehensive income	-150	-5
Comprehensive income	3,164	2,686
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,300	2,616
Comprehensive income attributable to non-controlling	-136	69

(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, 2014 to June 30, 2014

1. 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)
	Colorants and Functional Materials Related Business	Polymers and Coatings Related Business	Packaging Materials Related Business	Printing and Information Related Business	Total				
Net sales									
Sales to customers	18,404	14,116	14,801	19,878	67,201	967	68,168	-	68,168
Intersegment sales	644	547	183	76	1,452	369	1,822	-1,822	-
Total sales	19,049	14,664	14,984	19,955	68,653	1,336	69,990	-1,822	68,168
Segment profits	1,799	903	397	463	3,564	727	4,291	8	4,300

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

2. An adjustment of 8 million yen 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, 2015 to June 30, 2015

1. 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)
	Colorants and Functional Materials Related Business	Polymers and Coatings Related Business	Packaging Materials Related Business	Printing and Information Related Business	Total				
Net sales									
Sales to customers	17,420	14,219	15,255	20,359	67,255	993	68,248	-	68,248
Intersegment sales	740	508	160	96	1,505	378	1,883	-1,883	-
Total sales	18,160	14,727	15,416	20,456	68,760	1,372	70,132	-1,883	68,248
Segment profits	1,034	1,119	447	249	2,850	800	3,650	-14	3,635

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

2. An adjustment of ¥14 million yen in segment loss mainly represents the deduction of intersegment transactions.

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