

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

February 9, 2016

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 12, 2016
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 2015 ending March 31, 2016 (From April 1, 2015 to December 31, 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 Three Quarters, Fiscal 2015	213,400	0.4	13,835	-1.4	13,935	-8.9	9,247	-32.5
First Three Quarters, Fiscal 2014	212,537	2.9	14,025	-8.3	15,303	-8.1	13,703	31.5

(Note) Comprehensive income: First three quarters, fiscal 2015: 9,339 million yen (-59.2%)
First three quarters, fiscal 2014: 22,905 million yen (-13.2%)

	Net income per share (Basic)	Net income per share (Diluted)
	Yen	Yen
First Three Quarters, Fiscal 2015	31.00	30.99
First Three Quarters, Fiscal 2014	45.93	—

(2) Financial position

	Total assets	Net assets	Net worth/Total assets
	Million yen	Million yen	%
First Three Quarters, Fiscal 2015	370,972	218,374	57.1
Fiscal 2014	364,262	213,756	56.9

(Note): Net worth: First three quarters, fiscal 2015: 211,859 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	—	7.50	—		
Fiscal 2015 (Forecast)				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 owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	290,000	1.2	18,000	-1.2	18,500	-4.7	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 three quarters, fiscal 2015: 303,108,724 shares
Fiscal 2014: 303,108,724 shares
 - (ii) Numbers of treasury shares at the end of the terms:
First three quarters, fiscal 2015: 4,802,609 shares
Fiscal 2014: 4,785,989 shares
 - (iii) Average numbers of shares issued during the terms (consolidated accumulation periods):
First three quarters, fiscal 2015: 298,313,306 shares
First three quarters, fiscal 2014: 298,337,927 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 Three Quarters Ended December 31, 2015” on page 3 of the accompanying materials.
2. Supplementary documents for financial results will be posted on the Company’s website on February 9, 2016 (Tuesday).

Accompanying Materials – Contents

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1. Qualitative Information on Financial Results, etc., for the First Three Quarters Ended December 31, 2015

(1) Details of operating results

During the first three quarters of the consolidated fiscal year under review, the U.S. economy continued to recover on the back of strong personal consumption. However, uncertainty over the outlook for the global economy increased as the speed of growth in China and other emerging countries slowed sharply. In Japan, there were signs of a deterioration in business confidence and downside risks increased in the second half.

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, demand was stagnant, and the business environment remained harsh.

Reflecting the situation, although consolidated sales for the first three quarters under review rose 0.4% year on year, to 213,400 million yen, operating income declined to 13,835 million yen (down 1.4% year on year), recurring income fell to 13,935 million yen (down 8.9%), and net income attributable to owners of parent dropped to 9,247 million yen (down 32.5%).

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 both fell, squeezed by continuously weak domestic demand, escalating requests for significant cost reductions in materials against the backdrop of a fall in the capacity utilization rate and intensifying price competition for LCD panels 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. As for overseas sales, sales expanded in China and India.

Domestic sales of plastic colorants expanded for container applications, but were weak for industrial material applications such as solar cells. 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 5.5% year on year, to 54,768 million yen, and operating income declined 40.7%, to 3,469 million yen, showing a decline in sales and income.

(ii) Polymers and Coatings Related Business

In the coating materials segment, sales of double-side tape for advertising and industrial applications were sluggish, but sales of electromagnetic shielding films recovered in South Korea and China.

In the adhesive segment, although demand for use in solar cells remained weak, demand for use in packages recovered in the second half. Sales of environmentally friendly products expanded in China and Southeast Asia.

In the adhesive compounds segment, sales for use in labels were strong in Japan, and sales expanded in South Korea and China for use in displays and in North America for industrial use.

Sales of can coatings (finishes) expanded for beer and other beverage cans in Japan and were also strong in Southeast Asia.

As a result of the above factors, sales in the overall Polymer and Coatings Related Business climbed 2.5% year on year, to 45,742 million yen, and operating income increased 52.8%, to 4,042 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, and sales of gravure inks for construction materials were also sluggish. 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.

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 declined due to the shift towards in-house production among customers, and sales of gravure equipment also declined.

As a result of the above factors, sales in the overall Packaging Materials Related Business rose 3.7% year on year, to 48,632 million yen, and operating income increased 45.0%, to 1,889 million yen, showing a rise in sales and income.

(iv) Printing and Information Related Business

In offset inks, in Japan, 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, and raw material prices, which remained at a high level, continued to put pressure on operating income. Meanwhile, on a global scale, especially in Japan and Europe, sales of products with high UV sensitivity expanded. Sales of hard coating agent for touch panels recovered in the second half.

Sales were weak in China and Southeast Asia, reflecting the slowdown of economic activity. In India and Brazil, sales expanded, but 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 Printing and Information Related Business rose 1.5% year on year, to 65,552 million yen, and operating income increased 4.3%, to 2,157 million yen, showing a rise in sales and income.

(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 4,434 million yen, up 4.7% year on year. Operating income increased 5.5%, to 2,255 million yen, showing an increase in sales and income.

(2) Details of financial position

Total assets at the end of the first three quarters of the fiscal year under review stood at 370,972 million yen, a rise of 6,710 million yen from the level at the end of the previous fiscal year. Liabilities were 152,597 million yen, an increase of 2,091 million yen from the level at the end of the previous fiscal year. Net assets stood at 218,374 million yen, an increase of 4,618 million yen from net assets at the end of the previous fiscal year.

Securities increased due to the deposit of cash and deposits in the form of negotiable deposits. Investments in securities and the valuation difference on available-for-sale securities increased, reflecting a rise in the market value of the domestic shares held by the Group. In Japan, the last day of the quarter was a bank holiday, and due to the effect of that, accounts payable increased.

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

The Company has not revised its consolidated financial forecast for the full year ending March 31, 2016, which was announced on November 9, 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

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 three quarters 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.

The impact of these changes on operating income, recurring income, and income before income taxes and minority interests in the first three quarters under review is minor.

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 three quarters accounting period (As of December 31, 2015)
(Assets)		
Current assets		
Cash and bank deposits	39,620	39,747
Notes and accounts receivable	94,883	93,341
Marketable securities	563	3,544
Goods and products	27,795	28,354
Work-in-process	1,496	1,097
Raw material and supplies	16,139	14,995
Deferred income tax assets	2,048	1,402
Others	6,226	7,845
Allowance for doubtful receivables	-1,047	-1,264
Total current assets	187,727	189,065
Fixed assets		
Property, plant and equipment		
Building and structures	94,888	95,275
Accumulated depreciation	-55,144	-56,530
Building and structures (net amount)	39,744	38,745
Machinery and vehicles	146,927	146,633
Accumulated depreciation	-121,597	-122,216
Machinery and vehicles (net amount)	25,329	24,417
Tools, furniture and fixtures	23,103	23,424
Accumulated depreciation	-20,021	-20,614
Tools, furniture and fixtures (net amount)	3,081	2,810
Land	28,617	28,130
Leased assets	449	549
Accumulated depreciation	-261	-287
Leased assets (net amount)	187	261
Construction in progress	4,903	4,810
Total property, plant and equipment	101,865	99,175
Intangible fixed assets	2,796	3,192
Investments and other assets		
Investment in securities	62,223	69,006
Net defined benefit asset	4,115	5,083
Deferred income tax assets	1,025	938
Others	5,020	4,889
Allowance for doubtful receivables	-512	-378
Total investments and other assets	71,873	79,538
Total fixed assets	176,535	181,906
Total assets	364,262	370,972

(Million yen)

	End of the previous consolidated fiscal year (As of March 31, 2015)	End of the consolidated first three quarters accounting period (As of December 31, 2015)
(Liabilities)		
Current liabilities		
Notes and accounts payable	48,773	52,862
Short-term loans payable	20,931	19,745
Accrued income taxes	2,824	1,178
Others	18,212	16,696
Total current liabilities	90,742	90,483
Long-term liabilities		
Long-term loans payable	44,895	44,816
Deferred income tax liabilities	10,451	13,380
Provision for environmental measures	889	769
Net defined benefit liability	1,775	1,753
Asset retirement obligations	27	28
Others	1,724	1,365
Total long-term liabilities	59,763	62,114
Total liabilities	150,506	152,597
(Net assets)		
Shareholders' equity		
Common stock	31,733	31,733
Capital surplus	32,920	32,926
Retained earnings	117,368	122,140
Treasury stock, at cost	-1,762	-1,771
Total shareholders' equity	180,259	185,029
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,396	18,077
Foreign currency translation adjustments	10,933	6,224
Remeasurements of defined benefit plans	2,630	2,528
Total accumulated other comprehensive income	26,960	26,830
Subscription rights to shares	–	38
Non-controlling interests	6,536	6,476
Total net assets	213,756	218,374
Total of liabilities and net assets	364,262	370,972

(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, 2014 to December 31, 2014)	First three quarters under review (From April 1, 2015 to December 31, 2015)
Net sales	212,537	213,400
Cost of sales	164,736	164,744
Gross profit	47,801	48,655
Selling, general and administrative expenses		
Packing expenses and freight charge	4,896	4,954
Salaries and allowance	8,495	8,852
Bonuses	1,941	2,051
Welfare expenses	2,166	2,245
Depreciation expenses	914	1,016
Research and development expenses	2,288	2,153
Others	13,072	13,546
Total selling, general and administrative expenses	33,775	34,820
Operating income	14,025	13,835
Non-operating income		
Interest income	157	175
Dividend income	742	940
Foreign exchange gains	691	–
Investment income according to the equity method	145	–
Others	450	611
Total non-operating income	2,186	1,728
Non-operating expenses		
Interest expenses	587	554
Foreign exchange losses	–	599
Investment losses according to the equity method	–	223
Others	321	251
Total non-operating expenses	908	1,628
Recurring income	15,303	13,935
Extraordinary profit		
Gain on sales of fixed assets	6,838	41
Gain on change in equity	–	133
Others	55	8
Total extraordinary profit	6,894	183
Extraordinary loss		
Loss on sales of fixed assets	172	149
Loss on cancellation of retirement benefit trust	1,125	–
Others	20	17
Total extraordinary loss	1,318	167
Income before income taxes and minority interests	20,879	13,951
Income taxes, current	4,297	2,889
Income taxes, deferred	2,553	1,439
Total income taxes	6,850	4,328
Net income	14,028	9,622
Net income (loss) attributable to non-controlling interests	325	375
Net income (loss) attributable to owners of parent	13,703	9,247

Consolidated statements of comprehensive income

Consolidated first three quarters

(Million yen)

	Previous first three quarters period (From April 1, 2014 to December 31, 2014)	First three quarters under review (From April 1, 2015 to December 31, 2015)
Net income	14,028	9,622
Other comprehensive income		
Valuation difference on available-for-sale securities	4,758	4,684
Foreign currency translation adjustments	1,683	-4,822
Remeasurements of defined benefit plans, net of tax	2,200	-102
Share of other comprehensive income of associates accounted for using equity method	234	-42
Total other comprehensive income	8,876	-282
Comprehensive income	22,905	9,339
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	22,447	9,116
Comprehensive income attributable to non-controlling interests	457	222

(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 December 31, 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	55,906	42,876	46,342	64,336	209,462	3,075	212,537	–	212,537
Intersegment sales	2,076	1,763	550	275	4,665	1,161	5,826	-5,826	–
Total sales	57,983	44,639	46,892	64,612	214,128	4,236	218,364	-5,826	212,537
Segment profits	5,855	2,644	1,303	2,067	11,870	2,136	14,007	18	14,025

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

2. An adjustment of 18 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 December 31, 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	52,558	44,224	48,087	65,447	210,317	3,082	213,400	–	213,400
Intersegment sales	2,210	1,518	544	104	4,377	1,352	5,729	-5,729	–
Total sales	54,768	45,742	48,632	65,552	214,695	4,434	219,130	-5,729	213,400
Segment profits	3,469	4,042	1,889	2,157	11,558	2,255	13,813	22	13,835

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

2. An adjustment of 22 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.

(Important subsequent events)**(Acquisition of shares)**

On December 16, 2015, the Company signed a share purchase agreement with Yaşar Holding Anonim Şirketi (“YASAR”) of the Republic of Turkey (“Turkey”) to acquire 75% of outstanding shares of DYO Matbaa Mürekkepleri Sanayi ve Ticaret Anonim Şirketi (“DYO Printing Inks”), a subsidiary of YASAR. On January 15, 2016, the Company acquired the shares. When the shares were acquired, the name of DYO Printing Inks changed to Toyo Printing Inks Matbaa Mürekkepleri Sanayi ve Ticaret Anonim Şirketi

1. Purpose of acquisition

The Toyo Ink Group, as a company contributing to enriching people’s lives in different cultures through manufacturing, is focusing on inks and coating materials for the packaging market, particularly materials for food packages, which are essential to everyday life. The Group has been accelerating global expansion, expanding sales and profits in China and Southeast Asia, growing areas, and expanding into emerging countries, including India and Brazil.

In the next stage, the Toyo Ink Group believes that it urgently needs to establish business bases and expand operations in the MENA (the Middle East and North Africa) region, Central Asia, and Eastern Europe and to strengthen its business base in Europe, which is taking the lead in environmental technology and environmental regulations in the food industry and other industries. As part of its strategy, the Group has been focusing on Turkey. To establish hubs in the country, the Group established a liaison office in 2014 and a sales company in January 2015. While developing marketing first, the Group determined that it needs to start on-site manufacturing to establish a business foundation in this area. The Group then decided to acquire the local company.

2. Counterparty of share acquisition

Yaşar Holding Anonim Şirketi

3. Name, business, and size of the company acquired

(1) Name	DYO Matbaa Mürekkepleri Sanayi ve Ticaret Anonim Şirketi
(2) Business	Manufacture and sale of gravure inks, can coatings, offset inks, among other products
(3) Capital	8,450,000 Turkish Lira
(4) Sales	126,774,000 Turkish Lira (Note)
(5) Operating profit	7,770,000 Turkish Lira (Note)
(6) Net income	1,094,000 Turkish Lira (Note)

(Note) Results in the fiscal year ended December 31, 2014

4. Date of share acquisition

January 15, 2016

5. Number of shares acquired, acquisition cost, and shareholding after the acquisition

(1) Number of shares acquired	633,750,000 shares
(2) Acquisition cost	58,500,000 Turkish Lira (Note)
(3) Shareholding after acquisition	75%

(Note) The final acquisition cost will reflect the acquisition cost above and a price adjustment specified in the share

purchase agreement.