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

February 12, 2014

Name of Listed Company: TOYO INK SC HOLDINGS CO., LTD. Listings: Tokyo Stock Exchange
Code: 4634 URL: http://schd.toyoinkgroup.com
Representative: Katsumi Kitagawa, President and Representative Director
Contact: Hiroya Aoyama, Managing Director, CFO Tel: +81-3-3272-5731
Scheduled date of submission of quarterly report: Februar 14, 2014
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 2013 ending March 31, 2014 (From April 1, 2013 to December 31, 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 Three Quarters, Fiscal 2013	206,631	10.4	15,303	11.1	16,651	16.4	10,422	70.8
First Three Quarters, Fiscal 2012	187,189	0.9	13,773	25.9	14,307	32.4	6,102	4.6

(Note) Comprehensive income: First three quarters, fiscal 2013: 26,401 million yen (321.2%)
First three quarters, fiscal 2012: 6,268 million yen (–%)

	Net income per share (Basic)	Net income per share (Diluted)
	Yen	Yen
First Three Quarters, Fiscal 2013	34.93	–
First Three Quarters, Fiscal 2012	20.45	–

(2) Financial position

	Total assets	Net assets	Net worth/Total assets
	Million yen	Million yen	%
First Three Quarters, Fiscal 2013	336,654	183,942	53.1
Fiscal 2012	299,571	161,322	52.4

(Note) Net worth: First three quarters, fiscal 2013: 178,657 million yen
Fiscal 2012: 156,835 million yen

2. Dividends

	Dividends per share				
(Date of standard)	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: 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 three quarters, fiscal 2013: 303,108,724 shares
  Fiscal 2012: 303,108,724 shares
- (ii) Numbers of treasury shares at the end of the terms:
  First three quarters, fiscal 2013: 4,758,179 shares
  Fiscal 2012: 4,727,008 shares
- (iii) Average numbers of shares issued during the terms (consolidated accumulation periods):
  First three quarters, fiscal 2013: 298,367,488 shares
  First three quarters, fiscal 2012: 298,387,828 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, 2013”on page 4 of the accompanying materials.
2. Supplementary documents for financial results will be posted on the Company’s website on February 12, 2014 (Wednesday).

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1. Qualitative Information on Financial Results, etc., for the First Three Quarters Ended December 31, 2013

(1) Details of operating results

During the first three quarters of the consolidated fiscal year under review, the U.S. economy remained firm. In Japan, the economy continued to stage a moderate recovery, centering on corporate earnings. However, the outlook remained uncertain, with a slowdown in the growth of emerging nations such as China and India, and the influence of the reduction of monetary easing in the United States.

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 three quarters of the consolidated fiscal year under review were ¥ 206,631 million, up 10.4% year on year. Profits were also up, with operating income at ¥15,303 million, up 11.1% year on year, recurring income at ¥16,651 million, up 16.4% year on year, and net income at ¥10,422 million, up 70.8% year on year.

Results by segment are as follows:

(i) Printing and Information Related Business

In offset inks, demand in Japan remained low, reflecting a structured recession resulting from ongoing digitalization. In addition, raw material prices rose sharply. 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 slightly, 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 ¥62,061 million, up 10.5% year on year. Operating income was ¥3,526 million, up 44.5% 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, demand for beverage and food-related products remained steady, and sales of a new environmentally friendly laminated ink product increased in the second half of the period. 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 10.2% year on year, to ¥46,969 million, but operating income declined 7.0% year on year, to ¥1,746 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 three quarters of the period, however they began to grow in the housing-related product segment.

For adhesives, there was a delay in the recovery of demand for adhesives used for solar cells. However, domestic sales of products for packaging rose. The Company's operating income continued to suffer given a significant surge in the prices of raw materials, despite its effort to revise sales prices. Among adhesive compounds, sales of products used for smartphones remained steady in the first half of the period and sales of products used for labels were firm in the second half. In the coating materials segment, sales of advertising-related products remained stagnant, but sales of products used for electromagnetic shielding films for smartphones and protection films relating to liquid crystal strengthened.

As a result of the above factors, sales in the overall Polymer and Coating Business rose 9.8% year on year, to ¥42,264 million, but operating income decreased 0.6% year on year, to ¥2,875 million.

(iv) Colorants and Functional Materials Related Business

For commodity-type pigments, domestic sales of products used for printing remained weak. However, sales of products used for construction and automobile coating grew in the second half of the period, and sales in China and Southeast Asia remained brisk.

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 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. However, sales in South Korea remained stagnant reflecting excess inventory of liquid crystal panels in the second half of the period.

As a result of the above factors, sales in the overall Colorants and Functional Materials Business increased to ¥56,401 million, up 12.2% year on year, and operating income rose 13.8%, to ¥6,626 million.

(2) Details of financial position

Total assets at the end of the first three quarters of the fiscal year under review stood at ¥336,654 million, an increase of ¥37,082 million from the level at the beginning of the fiscal year under review. Liabilities at the end of the first three quarters of the fiscal year under review were ¥152,711 million, an increase of ¥14,462 million from the level at the beginning of the fiscal year under review. Net assets at the end of the first three quarters under review stood at ¥183,942 million, an increase of ¥22,620 million from net assets at the beginning of the fiscal year under review.

On the last day of the first three quarters 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 during this fiscal year, 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, the market prices of investment securities holdings rose, and investment in securities and net unrealized gains on available-for-sale securities increased.

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

Looking at the full-year forecasts for the fiscal year ending March 2014, there is no change in the forecast figures announced on November 8, 2013.

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 three quarters accounting period (As of December 31, 2013)
(Assets)		
Current assets		
Cash and bank deposits	33,996	30,680
Notes and accounts receivable	82,733	92,800
Marketable securities	2,278	1,685
Goods and products	23,683	25,752
Work-in-process	1,158	937
Raw material and supplies	12,676	14,028
Deferred income tax assets	2,646	1,893
Others	3,379	8,059
Allowance for doubtful receivables	-590	-857
Total current assets	161,963	174,980
Fixed assets		
Property, plant and equipment		
Building and structures	82,735	86,034
Accumulated depreciation	-50,666	-51,464
Building and structures (net amount)	32,069	34,569
Machinery and vehicles	132,288	136,458
Accumulated depreciation	-112,782	-116,329
Machinery and vehicles (net amount)	19,506	20,128
Tools, furniture and fixtures	20,857	21,237
Accumulated depreciation	-18,157	-18,319
Tools, furniture and fixtures (net amount)	2,699	2,917
Land	28,043	28,591
Leased assets	259	363
Accumulated depreciation	-117	-164
Leased assets (net amount)	141	199
Construction in progress	4,663	6,191
Total property, plant and equipment	87,124	92,599
Intangible fixed assets		
Goodwill	459	4,197
Others	276	292
Total intangible fixed assets	736	4,490
Investments and other assets		
Investment in securities	35,816	50,486
Deferred income tax assets	1,053	932
Others	13,432	13,765
Allowance for doubtful receivables	-554	-599
Total investments and other assets	49,747	64,584
Total fixed assets	137,608	161,673
Total assets	299,571	336,654

(Million yen)

	End of the previous consolidated fiscal year (As of March 31, 2013)	End of the consolidated first three quarters accounting period (As of December 31, 2013)
(Liabilities)		
Current liabilities		
Notes and accounts payable	43,585	52,043
Short-term loans payable	34,822	36,508
Accrued income taxes	4,371	2,029
Others	15,220	15,733
Total current liabilities	98,000	106,315
Long-term liabilities		
Long-term loans payable	35,383	36,154
Deferred income tax liabilities	1,481	6,546
Liability for employees' retirement benefits	1,432	1,562
Provision for environmental measures	306	365
Asset retirement obligations	32	33
Others	1,611	1,733
Total long-term liabilities	40,248	46,395
Total liabilities	138,249	152,711
(Net assets)		
Shareholders' equity		
Common stock	31,733	31,733
Capital surplus	32,920	32,920
Retained earnings	100,540	107,381
Treasury stock, at cost	-1,732	-1,748
Total shareholders' equity	163,461	170,287
Accumulated other comprehensive income		
Net unrealized gains on available-for-sale securities	-1	8,949
Foreign currency translation adjustments	-6,623	-579
Total accumulated other comprehensive income	-6,625	8,370
Minority interests	4,487	5,284
Total net assets	161,322	183,942
Total of liabilities and net assets	299,571	336,654

(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, 2012 to December 31, 2012)	First three quarters under review (From April 1, 2013 to December 31, 2013)
Net sales	187,189	206,631
Cost of sales	143,072	158,425
Gross profit	44,116	48,206
Selling, general and administrative expenses		
Packing expenses and freight charge	4,397	4,756
Salaries and allowance	7,211	8,011
Bonuses	1,799	1,887
Welfare expenses	1,856	2,009
Depreciation expenses	725	830
Research and development expenses	2,389	2,363
Others	11,962	13,043
Total selling, general and administrative expenses	30,343	32,902
Operating income	13,773	15,303
Non-operating income		
Interest income	79	125
Dividend income	633	653
Gain on foreign currency exchange	256	731
Investment income according to the equity method	12	38
Others	486	664
Total non-operating income	1,467	2,212
Non-operating expenses		
Interest expenses	693	652
Others	239	211
Total non-operating expenses	933	864
Recurring income	14,307	16,651
Extraordinary profit		
Gain on sales of property, plant and equipment	74	10
Gain on sales of golf memberships	–	4
Compensation for transfer	1,994	–
Others	31	2
Total extraordinary profit	2,100	17
Extraordinary loss		
Loss on sales of property, plant and equipment	297	174
Loss on valuation of investment securities	292	–
Provision for environmental measures	–	61
Settlement package	3,822	–
Head office transfer cost	460	–
Others	7	3
Total extraordinary loss	4,880	239
Income before income taxes and minority interests	11,527	16,428
Income taxes, current	4,092	4,595
Income taxes, deferred	1,054	1,076
Total income taxes	5,146	5,671
Income before minority interests	6,381	10,756
Minority interests	279	334
Net income	6,102	10,422

Consolidated statements of comprehensive income

Consolidated first three quarters (Million yen)

	Previous first three quarters period (From April 1, 2012 to December 31, 2012)	First three quarters under review (From April 1, 2013 to December 31, 2013)
Income before minority interests	6,381	10,756
Other comprehensive income		
Net unrealized gains on available-for-sale securities	-350	8,957
Foreign currency translation adjustments	249	6,277
Share of other comprehensive income of associates accounted for using equity method	-12	409
Total other comprehensive income	-113	15,644
Comprehensive income	6,268	26,401
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,976	25,418
Comprehensive income attributable to minority interests	291	983

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

(Notes) 1. The "Others" segment is the business segment that is not included in reported segments. It includes service provision.
2. An adjustment of ¥83 million in segment profits mainly represents the deduction of intersegment transactions.
3. Segment profits have been adjusted with operating income recorded in the consolidated quarterly income statement.

II. From April 1, 2013 to December 31, 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	61,760	46,446	40,952	54,261	203,420	3,210	206,631	–	206,631
Intersegment sales	300	523	1,312	2,139	4,276	1,131	5,407	-5,407	–
Total sales	62,061	46,969	42,264	56,401	207,696	4,341	212,038	-5,407	206,631
Segment profits	3,526	1,746	2,875	6,626	14,774	488	15,262	40	15,303

(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.