Consolidated Quarterly Financial Results (Japanese Accounting Standards) for the First Quarter of the Fiscal Year Ending March 31, 2015

August 8, 2014

Name of Listed Company: TOYO INK SC HOLDINGS CO., LTD. Listings: Tokyo Stock Exchange
Code: 4634 URL: http://schd.toyoinkgroup.com
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Scheduled date of submission of quarterly report: August 12, 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 quarter of fiscal 2014 ending March 31, 2015 (From April 1, 2014 to June 30, 2014)

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

	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Quarter, Fiscal 2014	68,168	5.7	4,300	-15.4	4,653	-17.9	3,207	-13.4
First Quarter, Fiscal 2013	64,485	6.9	5,082	29.5	5,669	38.4	3,705	88.0

(Note) Comprehensive income: First quarter, fiscal 2014: 3,164 million yen (-72.0%)
First quarter, fiscal 2013: 11,307 million yen (215.5%)

	Net income per share (Basic)	Net income per share (Diluted)
	Yen	Yen
First Quarter, Fiscal 2014	10.75	–
First Quarter, Fiscal 2013	12.42	–

(2) Financial position

	Total assets	Net assets	Net worth/Total assets
	Million yen	Million yen	%
First Quarter, Fiscal 2014	334,570	186,687	54.1
Fiscal 2013	336,601	186,608	53.7

(Note): Net worth: First quarter, fiscal 2014: 181,145 million yen
Fiscal 2013: 180,914 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 2013	–	6.00	–	7.00	13.00
Fiscal 2014	–				
Fiscal 2014 (Forecast)		7.00	–	7.00	14.00

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

3. Forecasts for the year ending March 31, 2015 (From April 1, 2014 to March 31, 2015)

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

	Net sales		Operating income		Recurring income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	140,000	3.6	10,000	-3.4	10,200	-7.6	6,600	-6.9	22.12
Full-year	290,000	3.7	21,500	9.0	22,000	7.0	13,000	6.0	43.57

(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

(Note) For details, please refer to 2. Matters Relating to Summary Information (Notes), (3) Changes in accounting policies and changes or restatement of accounting estimates on page 4 of the accompanying materials.

(4) Numbers of shares issued (common shares)

(i) Numbers of shares issued (including treasury shares):
First quarter, fiscal 2014: 303,108,724 shares
Fiscal 2013: 303,108,724 shares

(ii) Numbers of treasury shares at the end of the terms:
First quarter, fiscal 2014: 4,767,375 shares
Fiscal 2013: 4,762,518 shares

(iii) Average numbers of shares issued during the terms (consolidated accumulation periods):
First quarter, fiscal 2014: 298,342,464 shares
First quarter, fiscal 2013: 298,377,766 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, 2014" on page 4 of the accompanying materials.
2. Supplementary documents for financial results will be posted on the Company's website on August 8, 2014 (Friday).

Accompanying Materials – Contents

1. Qualitative Information on Financial Results, etc. for the First Quarter Ended June 30, 2014 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
(Important subsequent events) 10

1. Qualitative Information on Financial Results, etc., for the First Quarter Ended June 30, 2014

(1) Details of operating results

During the first quarter of the consolidated fiscal year under review, the U.S. economy remained on a firm recovery trend, while in emerging economies, including China and India, growth slowed slightly. The Japanese economy continued to see sluggish growth due to a reaction to the spike in demand seen before the consumption tax hike.

In the challenging environment, the Toyo Ink Group developed advanced products, bolstered sales globally, and cut costs. However, the Group's earnings were hit hard by sluggish growth in demand and high raw material costs associated with the weaker yen.

Reflecting the situation, although consolidated sales for the first quarter under review rose 5.7% year on year, to 68,168 million yen, operating income, recurring income, and net income declined to 4,300 million yen (down 15.4% year on year), 4,653 million yen (down 17.9%), and 3,207 million yen (down 13.4%), respectively.

Results by segment are as follows (the classification and order of the segments have been changed in the first quarter under review, and the results in each segment for the first quarter under review are compared with the results in the same quarter of the previous fiscal year that reflect the change in the classification and order):

(i) Colorants and Functional Materials Related Business

Sales of high-function pigments and materials for LCD color filters were weak in Japan but recovered in Taiwan and South Korea in the latter half of the first quarter under review. Sales of these products expanded in China. However, there was downward pressure on profits, reflecting increasing requests to cut the costs of LCD materials due to intensifying LCD price competition.

Domestic sales of commodity-type pigments for printing and residential wall painting were weak due to the effect of the consumption tax hike, but sales of commodity-type pigments expanded in China.

Sales of plastic colorants in Japan were adversely affected by the consumption tax hike, but demand, especially for plastic colorants for containers and caps of beverage bottles, recovered in the latter half of the first quarter. In China, South Korea, and Southeast Asia, sales of plastic colorants for containers and for office equipment expanded.

As a result of the above factors, sales in the overall Colorants and Functional Materials Related Business increased to 19,049 million yen, up 5.3% year on year, but operating income declined 17.9%, to 1,799 million yen.

(ii) Polymers and Coatings Related Business

In the coating materials segment, sales of advertising-related products were strong, reflecting demand from mass retailers associated with renovation. Sales of products associated with electronics, including electromagnetic shielding films for smartphones and protection films relating to liquid crystal, expanded in China but saw sluggish growth in Japan and South Korea.

Sales of adhesives used for solar cells and for packaging were sluggish in Japan, but sales of adhesives for packaging expanded in China and Southeast Asia. Sales of adhesive compounds for labels were strong in Japan and Southeast Asia, and sales of adhesive compounds for displays grew in South Korea. Sales of resins for print ink were weak, but sales of resins for building and civil engineering were strong. Operating income from adhesives, adhesive compounds, and resins saw sluggish growth, reflecting tardiness in passing high raw material costs in Japan on to sales prices.

Domestic sales of can coatings (finishes) for cans for coffee and similar beverages were weak in Japan due to an increase in coffee sold over the counter at convenience stores. Sales of can coatings for cans for beer and similar beverages grew, and sales of can coatings expanded in Southeast Asia.

As a result of the above factors, sales in the overall Polymer and Coating Business rose 8.2% year on year, to 14,664 million yen. However, operating income declined 5.8%, to 903 million yen.

(iii) Packaging Materials Related Business

Domestic demand for gravure inks for packaging for drinks and foods declined only slightly after the consumption tax hike. Domestic sales of gravure inks for printed construction materials to be exported were strong, but those for publications continued to decline. There was downward pressure on operating income from gravure inks due to delays in passing high raw material costs on to sales prices.

Sales in the gravure cylinders business were on a par with the year-ago level, but sales of gravure equipment declined from a year earlier.

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

As a result of the above factors, sales in the overall Packaging Business increased 1.8% year on year, to 14,984 million yen. Operating income declined 11.5%, to 397 million yen.

(iv) Printing and Information Related Business

In offset inks, sales of advanced products increased, including products with high UV sensitivity and hard coat products used in touchscreens. However, demand for sheet-fed printing, offset rotary printing, and newspaper inks was weak due to a structured recession resulting from the shrinking printing market associated with digitization and the significant effect of the consumption tax hike. Operating income declined significantly, as raw material prices remained high and the Company held off on passing the high raw material prices on to sales prices.

Demand was weak for both equipment and supplies for graphic arts, reflecting the sluggish domestic offset printing market.

Overseas, demand continued to grow in China, Southeast Asia, and India. The Company utilized the ARETS Group acquired in April 2013 in a bid to expand the UV ink business mainly in Europe. In Brazil and India, the Company started the operation of a second production base to develop its supply system to meet expanding demand.

As a result of the above factors, sales of the Printing and Information Related Business stood at 19,955 million yen, rising 7.8% from a year earlier, before the consolidation of the ARETS Group. However, operating income declined 47.7% year on year, to 463 million yen.

(v) Others

This segment includes businesses that are not included in the other segments and services provided mainly by TOYO INC SC HOLDINGS CO., LTD. Sales in this segment stood at 1,336 million yen, down 0.5% year on year. Operating income increased 25.0%, to 727 million yen chiefly due to cost cutting at TOYO INC SC HOLDINGS CO., LTD.

(2) Details of financial position

Total assets at the end of the first quarter of the fiscal year under review stood at 334,570 million yen, a decrease of 2,031 million yen from the level at the beginning of the fiscal year under review. Liabilities at the end of the first quarter of the fiscal year under review were 147,882 million yen, a decline of 2,110 million yen from the level at the beginning of the fiscal year under review. Net assets at the end of the first quarter under review stood at 186,687 million yen, an increase of 78 million yen from net assets at the beginning of the fiscal year under review.

On the last day of the first quarter of the consolidated fiscal year under review, the yen was stronger than it was on the last day of the previous consolidated fiscal year, resulting in decreases in the assets, including notes and accounts receivable, liabilities, including notes and accounts payable, and foreign currency translation adjustments owned by overseas Group companies. Because of a rise in stock prices, the market value of investment in securities and net unrealized gains on available-for-sale securities rose.

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

In the first quarter of the fiscal year under review, income fell from the same period of the previous fiscal year, but the results remained almost in line with forecasts made at the beginning of the fiscal year. Thus operating forecasts for the first half of the fiscal year ending March 31, 2015 and forecasts for the full fiscal year ending March 31, 2015, both of which were announce on May 13, 2014, remain unchanged.

2. Matters Relating to Summary Information (Notes)

(1) Important changes of subsidiaries during the term

Not applicable.

(2) Application of special accounting treatment to the preparation of quarterly consolidated financial statements

Not applicable.

(3) Changes in accounting policies and changes or restatement of accounting estimates

Changes in accounting policies

(Application of accounting standards for retirement benefits etc.)

The Group has applied the provisions of the main clause of Article 35 of the "Accounting Standards for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26 issued on May 17, 2012; hereinafter "Retirement Benefits Accounting Standards") and the main clause of Article 67 of the "Guidance on Accounting Standards for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012; hereinafter "Guidance") from the first quarter under review, and the method of calculating retirement benefit liabilities and service costs was reviewed. The method of allocating expected retirement benefits to periods has been changed from the fixed-amount method to the projected benefit method. The discount rate has been changed from a discount rate based on a number of years approximating to the employees' average remaining service years to a single weighted average discount rate reflecting the estimated timing of benefit payments and amounts for each timing.

The adoption of the Retirement Benefits Accounting Standards and the Guideline is subject to the transitional treatment stipulated by Paragraph 37 of the Retirement Benefits Accounting Standards, and we have made an adjustment for the amount affected by the change in the method for calculating retirement benefit liabilities and service costs to retained earnings at the beginning of the first quarter under review.

As a result, at the beginning of the first quarter under review, net defined benefit asset declined 1,521 million yen, and retained earnings fell 979 million yen. The effect on earnings in the first quarter 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, 2014)	End of the consolidated first quarter accounting period (As of June 30, 2014)
(Assets)		
Current assets		
Cash and bank deposits	31,894	30,049
Notes and accounts receivable	92,991	90,398
Marketable securities	700	565
Goods and products	25,409	26,975
Work-in-process	1,541	1,377
Raw material and supplies	15,146	14,496
Deferred income tax assets	2,248	2,457
Others	7,571	7,842
Allowance for doubtful receivables	-893	-909
Total current assets	176,609	173,253
Fixed assets		
Property, plant and equipment		
Building and structures	87,522	87,272
Accumulated depreciation	-52,380	-52,534
Building and structures (net amount)	35,141	34,737
Machinery and vehicles	138,910	137,161
Accumulated depreciation	-118,033	-116,286
Machinery and vehicles (net amount)	20,877	20,875
Tools, furniture and fixtures	21,873	21,987
Accumulated depreciation	-18,782	-18,948
Tools, furniture and fixtures (net amount)	3,090	3,039
Land	28,771	28,749
Leased assets	379	392
Accumulated depreciation	-182	-200
Leased assets (net amount)	196	192
Construction in progress	8,229	8,338
Total property, plant and equipment	96,306	95,932
Intangible fixed assets		
Goodwill	4,425	4,165
Others	287	277
Total intangible fixed assets	4,713	4,443
Investments and other assets		
Investment in securities	46,230	47,451
Net defined benefit asset	7,552	8,325
Deferred income tax assets	938	958
Others	4,739	4,676
Allowance for doubtful receivables	-487	-471
Total investments and other assets	58,973	60,940
Total fixed assets	159,992	161,316
Total assets	336,601	334,570

(Million yen)

	End of the previous consolidated fiscal year (As of March 31, 2014)	End of the consolidated first quarter accounting period (As of June 30, 2014)
(Liabilities)		
Current liabilities		
Notes and accounts payable	48,159	46,889
Short-term loans payable	33,369	32,283
Accrued income taxes	3,658	1,760
Others	16,424	18,269
Total current liabilities	101,612	99,202
Long-term liabilities		
Long-term loans payable	40,051	39,930
Deferred income tax liabilities	4,664	5,159
Provision for environmental measures	365	365
Net defined benefit liability	1,496	1,519
Asset retirement obligations	27	27
Others	1,775	1,679
Total long-term liabilities	48,380	48,679
Total liabilities	149,993	147,882
(Net assets)		
Shareholders' equity		
Common stock	31,733	31,733
Capital surplus	32,920	32,920
Retained earnings	109,220	109,360
Treasury stock, at cost	-1,750	-1,752
Total shareholders' equity	172,123	172,261
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,065	6,743
Foreign currency translation adjustments	3,928	2,145
Remeasurements of defined benefit plans	-1,203	-4
Total accumulated other comprehensive income	8,791	8,883
Minority interests	5,694	5,542
Total net assets	186,608	186,687
Total of liabilities and net assets	336,601	334,570

(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, 2013 to June 30, 2013)	First quarter under review (From April 1, 2014 to June 30, 2014)
Net sales	64,485	68,168
Cost of sales	49,126	52,762
Gross profit	15,358	15,406
Selling, general and administrative expenses		
Packing expenses and freight charge	1,468	1,554
Salaries and allowance	2,558	2,879
Bonuses	618	639
Welfare expenses	662	706
Depreciation expenses	244	285
Research and development expenses	759	711
Others	3,965	4,329
Total selling, general and administrative expenses	10,276	11,105
Operating income	5,082	4,300
Non-operating income		
Interest income	31	43
Dividend income	317	372
Foreign exchange gains	273	–
Investment income according to the equity method	–	13
Others	225	272
Total non-operating income	847	702
Non-operating expenses		
Interest expenses	195	191
Foreign exchange losses	–	95
Investment losses according to the equity method	13	–
Others	50	61
Total non-operating expenses	259	348
Recurring income	5,669	4,653
Extraordinary profit		
Gain on sales of fixed assets	3	1
Gain on sales of golf memberships	–	0
Total extraordinary profit	3	1
Extraordinary loss		
Loss on sales of fixed assets	60	74
Others	0	12
Total extraordinary loss	60	86
Income before income taxes and minority interests	5,612	4,568
Income taxes, current	1,923	1,515
Income taxes, deferred	-95	-262
Total income taxes	1,828	1,253
Income before minority interests	3,784	3,314
Minority interests	78	107
Net income	3,705	3,207

Consolidated statements of comprehensive income

Consolidated first quarter (Million yen)

	Previous first quarter period (From April 1, 2013 to June 30, 2013)	First quarter under review (From April 1, 2014 to June 30, 2014)
Income before minority interests	3,784	3,314
Other comprehensive income		
Valuation difference on available-for-sale securities	3,211	676
Foreign currency translation adjustments	4,058	-1,936
Remeasurements of defined benefit plans, net of tax	–	1,198
Share of other comprehensive income of associates accounted for using equity method	253	-89
Total other comprehensive income	7,523	-150
Comprehensive income	11,307	3,164
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	10,843	3,300
Comprehensive income attributable to minority interests	463	-136

(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.)

In its evolution into a science company, the Toyo Ink Group is seeking to reform its business portfolio and has changed the order of its reported segments in the first quarter under review.
In line with this change, the reported segments in the previous quarter are also arranged in the new order.

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

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	17,407	13,160	14,567	18,411	63,546	938	64,485	–	64,485
Intersegment sales	690	393	146	100	1,330	404	1,734	-1,734	–
Total sales	18,097	13,553	14,714	18,511	64,876	1,343	66,219	-1,734	64,485
Segment profits	2,191	959	448	885	4,485	581	5,067	14	5,082

(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 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, 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.

2. Change in the reported segments

The Group's classification for performance management has been reviewed, and from the first quarter review, developed products that were included in "Others" are included in the Colorants and Functional Materials Related Business, Polymers and Coatings Related Business, and Printing and Information Related Business.

The segment information for the previous first quarter is created in accordance with the revised classification.

(Important subsequent events)

Transfer of fixed assets

On June 8, 2012, the Company concluded an agreement to transfer fixed assets based on a resolution at a meeting of the Board of Directors held on the same day. The transfer was completed on July 2, 2014. Details are as follows:

(1) Reason of the transfer

The Company has reviewed the functions of the Group's bases and has decided that it is best to move the Company's department and affiliate at 1-3356-47 Kaga, Itabashi-ku, Tokyo to an adjacent area and other places and to transfer the land to another company.

(2) Transferee

Nomura Real Estate Development Co., Ltd.

(3) Assets to be transferred and the use of the assets before the transfer

Assets to be transferred:	Land at 1-3356-47 Kaga, Itabashi-ku, Tokyo
Use before the transfer:	Technology building, R&D building, office building, and warehouse

(4) Transfer price etc.

Book value	364 million yen
Transfer price	7,483 million yen

(5) Effect of the transfer on earnings

In the first half of the fiscal year ending March 31, 2015, a gain on sales of fixed assets of 6,438 million yen (transfer price less the book value and expenses associated with the transfer) will be posted as an extraordinary profit.

The results forecasts for the fiscal year ending March 31, 2015 announced on May 13, 2014 had already factored in the extraordinary profit associated with the transfer of fixed assets and will not be changed.