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

February 12, 2015

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 13, 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 three quarters of fiscal 2014 ending March 31, 2015 (From April 1, 2014 to December 31, 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 Three Quarters, Fiscal 2014	212,537	2.9	14,025	-8.3	15,303	-8.1	13,703	31.5
First Three Quarters, Fiscal 2013	206,631	10.4	15,303	11.1	16,651	16.4	10,422	70.8

(Note) Comprehensive income: First three quarters, fiscal 2014: 22,905 million yen (-13.2%)
First three quarters, fiscal 2013: 26,401 million yen (321.2%)

	Net income per share (Basic)	Net income per share (Diluted)
	Yen	Yen
First Three Quarters, Fiscal 2014	45.93	–
First Three Quarters, Fiscal 2013	34.93	–

(2) Financial position

	Total assets	Net assets	Net worth/Total assets
	Million yen	Million yen	%
First Three Quarters, Fiscal 2014	361,459	204,168	54.8
Fiscal 2013	336,601	186,608	53.7

(Note): Net worth: First three quarters, fiscal 2014: 198,198 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	–	7.00	–		
Fiscal 2014 (Forecast)				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
Full-year	290,000	3.7	20,000	1.4	20,500	-0.3	13,000	6.0	43.58

(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 2014: 303,108,724 shares
  Fiscal 2013: 303,108,724 shares
- (ii) Numbers of treasury shares at the end of the terms:
  First three quarters, fiscal 2014: 4,779,229 shares
  Fiscal 2013: 4,762,518 shares
- (iii) Average numbers of shares issued during the terms (consolidated accumulation periods):
  First three quarters, fiscal 2014: 298,337,927 shares
  First three quarters, fiscal 2013: 298,367,488 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, 2014” on page 4 of the accompanying materials.
2. Supplementary documents for financial results will be posted on the Company’s website on February 12, 2015 (Thursday).

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1. Qualitative Information on Financial Results, etc., for the First Three Quarters Ended December 31, 2014

(1) Details of operating results

During the first three quarters of the consolidated fiscal year under review, the U.S. economy maintained a firm recovery trend. However, concern about the European economy grew, and emerging economies, including China and India, showed growing signs of an economic slowdown. In Japan, consumer spending failed to grow after a reaction to a last-minute rise in demand before the consumption tax hike.

In this challenging environment, the Toyo Ink Group developed advanced products, bolstered sales globally, and cut costs. However, the Group's earnings continued to be hit hard by sluggish growth in domestic demand and high raw material costs due to the weaker yen.

Reflecting this situation, although consolidated sales for the first three quarters under review rose 2.9% year on year, to 212,537 million yen, operating income declined to 14,025 million yen (down 8.3% year on year) and recurring income declined to 15,303 million yen (down 8.1%). However, net income climbed to 13,703 million yen (up 31.5%), reflecting the incurrence of gains on sales of property, plant and equipment during the first half of this fiscal year.

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

(i) Colorants and Functional Materials Related Business

Domestic demand for high-function pigments and materials for LCD color filters was weak, but overseas demand in Taiwan and South Korea remained strong. Sales of these products also expanded in China. However, there were increasing requests to cut the costs of LCD materials due to intensifying LCD price competition attributable to changes in the market, and profits declined.

Domestic sales of commodity-type pigments for printing and coating were weak due to the effect of the consumption tax hike, but overseas sales of commodity-type pigments expanded in Southeast Asia.

Sales of plastic colorants in Japan were adversely affected by the consumption tax hike and bad weather, but sales of plastic colorants for containers and construction materials increased. In China, South Korea, and Southeast Asia, sales of plastic colorants for containers and office equipment also expanded.

As a result of the above factors, sales in the overall Colorants and Functional Materials Related Business increased to 57,983 million yen, up 2.7% year on year, but operating income declined 6.0%, to 5,855 million yen.

(ii) Polymers and Coatings Related Business

In the coating materials segment, sales of advertisement-related products were strong, mainly reflecting demand from mass retailers associated with renovations. Sales of protection films for smartphones and semiconductor polishing tapes also grew. Sales of electromagnetic shielding films, a core product, expanded in China, but were stagnant in Japan and South Korea.

Sales of adhesives used for solar cells were weak in Japan and South Korea, but sales of adhesives for packaging expanded in Japan, China, and Southeast Asia. Sales of adhesive compounds for labels slowed in Japan in the second half, but sales of adhesive compounds for automobile and home electrical appliances increased in Southeast Asia, and sales of adhesive compounds for displays grew in South Korea and Taiwan. Sales of resins for print ink were weak, and sales of resins for building and civil engineering were also stagnant in the second half. Operating income from adhesives, adhesive compounds, and resins remained low, 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 Coatings Related Business rose 5.1% year on year, to 44,639 million yen, and operating income increased 2.4%, to 2,644 million yen, showing a rise in sales and income.

(iii) Packaging Materials Related Business
Domestic sales of gravure inks for publications remained on a structurally declining trend. In addition, domestic sales of mainstay gravure inks for packaging failed to grow after unseasonable weather during the summer. Domestic sales of gravure inks for printed construction materials also remained weak in the second half. There was downward pressure on operating income due to delays in passing high raw material costs on to sales prices.
In the gravure cylinders business, demand fell in the second half, and sales of gravure equipment declined from a year earlier.
Overseas, sales of eco-friendly inks for packaging in the largest market segment expanded in Southeast Asia and India. However, sales of gravure inks for construction materials saw sluggish growth in North America.
As a result of the above factors, sales in the overall Packaging Materials Related Business decreased 0.2% year on year, to 46,892 million yen, almost on a par with those for the same period of the previous fiscal year. Operating income declined 25.4%, to 1,303 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, although demand in China started to slow, demand continued to grow in Southeast Asia and India. Moreover, the Company utilized the ARETS Group, which was acquired in April 2013, in a bid to expand the UV ink business globally. In Brazil and India, the Company commenced the operation of a second production base to develop its supply system to meet expanding demand. However, with the incurrence of anticipatory expenses and raw material prices remaining at high levels, operating income saw stagnant growth.
As a result of the above factors, sales of the Printing and Information Related Business stood at 64,612 million yen, rising 4.1% year on year. However, operating income declined significantly by 37.5% year on year, to 2,067 million yen.

(v) Others
This segment includes businesses that are not included in the other segments and services provided mainly by TOYO INK SC HOLDINGS CO., LTD. Sales in this segment stood at 4,236 million yen, up 3.6% year on year. Operating income increased 53.1%, to 2,136 million yen, due chiefly to cost reductions by TOYO INK SC HOLDINGS CO., LTD.

(2) Details of financial position

Total assets at the end of the first three quarters of the fiscal year under review stood at 361,459 million yen, a rise of 24,857 million yen from the level at the end of the previous fiscal year. Liabilities were 157,291 million yen, up 7,298 million yen from the level at the end of the previous fiscal year. Net assets stood at 204,168 million yen, an increase of 17,559 million yen from net assets at the end of the previous fiscal year.

As a result of the collection of the proceeds from sales of property, plant and equipment, short-term loans payable declined, and marketable securities increased. In addition, as a result of the cancellation of retirement benefit trusts, net defined benefit assets declined, and investments in securities increased. In addition, notes and accounts receivable, and notes and account payable rose due to the effect of the last day of the third quarter of the fiscal year under review, which was a holiday, and investment in securities increased reflecting growth in the market capitalization of listed shares.

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

Looking at the full-year forecasts for the fiscal year ending March 2015, there is no change in the forecast figures announced on November 7, 2014.

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 of this fiscal year, 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 three quarters under review.

As a result, at the beginning of the first three quarters 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 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, 2014)	End of the consolidated first three quarters accounting period (As of December 31, 2014)
(Assets)		
Current assets		
Cash and bank deposits	31,894	36,414
Notes and accounts receivable	92,991	96,929
Marketable securities	700	6,408
Goods and products	25,409	27,292
Work-in-process	1,541	1,028
Raw material and supplies	15,146	16,188
Deferred income tax assets	2,248	1,559
Others	7,571	7,490
Allowance for doubtful receivables	-893	-957
Total current assets	176,609	192,354
Fixed assets		
Property, plant and equipment		
Building and structures	87,522	92,401
Accumulated depreciation	-52,380	-54,049
Building and structures (net amount)	35,141	38,352
Machinery and vehicles	138,910	142,075
Accumulated depreciation	-118,033	-119,196
Machinery and vehicles (net amount)	20,877	22,878
Tools, furniture and fixtures	21,873	22,551
Accumulated depreciation	-18,782	-19,543
Tools, furniture and fixtures (net amount)	3,090	3,008
Land	28,771	28,576
Leased assets	379	446
Accumulated depreciation	-182	-240
Leased assets (net amount)	196	205
Construction in progress	8,229	5,986
Total property, plant and equipment	96,306	99,007
Intangible fixed assets		
Goodwill	4,425	3,773
Others	287	386
Total intangible fixed assets	4,713	4,159
Investments and other assets		
Investment in securities	46,230	59,225
Net defined benefit asset	7,552	1,532
Deferred income tax assets	938	881
Others	4,739	4,819
Allowance for doubtful receivables	-487	-521
Total investments and other assets	58,973	65,938
Total fixed assets	159,992	169,105
Total assets	336,601	361,459

(Million yen)

	End of the previous consolidated fiscal year (As of March 31, 2014)	End of the consolidated first three quarters accounting period (As of December 31, 2014)
(Liabilities)		
Current liabilities		
Notes and accounts payable	48,159	53,910
Short-term loans payable	33,369	30,489
Accrued income taxes	3,658	1,583
Others	16,424	18,022
Total current liabilities	101,612	104,006
Long-term liabilities		
Long-term loans payable	40,051	39,917
Deferred income tax liabilities	4,664	9,637
Provision for environmental measures	365	359
Net defined benefit liability	1,496	1,679
Asset retirement obligations	27	27
Others	1,775	1,664
Total long-term liabilities	48,380	53,284
Total liabilities	149,993	157,291
(Net assets)		
Shareholders' equity		
Common stock	31,733	31,733
Capital surplus	32,920	32,920
Retained earnings	109,220	117,767
Treasury stock, at cost	-1,750	-1,758
Total shareholders' equity	172,123	180,662
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,065	10,824
Foreign currency translation adjustments	3,928	5,713
Remeasurements of defined benefit plans	-1,203	997
Total accumulated other comprehensive income	8,791	17,535
Minority interests	5,694	5,969
Total net assets	186,608	204,168
Total of liabilities and net assets	336,601	361,459

(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, 2013 to December 31, 2013)	First three quarters under review (From April 1, 2014 to December 31, 2014)
Net sales	206,631	212,537
Cost of sales	158,425	164,736
Gross profit	48,206	47,801
Selling, general and administrative expenses		
Packing expenses and freight charge	4,756	4,896
Salaries and allowance	8,011	8,495
Bonuses	1,887	1,941
Welfare expenses	2,009	2,166
Depreciation expenses	830	914
Research and development expenses	2,363	2,288
Others	13,043	13,072
Total selling, general and administrative expenses	32,902	33,775
Operating income	15,303	14,025
Non-operating income		
Interest income	125	157
Dividend income	653	742
Foreign exchange gains	731	691
Investment income according to the equity method	38	145
Others	664	450
Total non-operating income	2,212	2,186
Non-operating expenses		
Interest expenses	652	587
Others	211	321
Total non-operating expenses	864	908
Recurring income	16,651	15,303
Extraordinary profit		
Gain on sales of fixed assets	10	6,838
Others	6	55
Total extraordinary profit	17	6,894
Extraordinary loss		
Loss on sales of fixed assets	174	172
Provision for environmental measures	61	–
Loss on cancellation of retirement benefit trust	–	1,125
Others	3	20
Total extraordinary loss	239	1,318
Income before income taxes and minority interests	16,428	20,879
Income taxes, current	4,595	4,297
Income taxes, deferred	1,076	2,553
Total income taxes	5,671	6,850
Income before minority interests	10,756	14,028
Minority interests	334	325
Net income	10,422	13,703

Consolidated statements of comprehensive income

Consolidated first three quarters (Million yen)

	Previous first three quarters period (From April 1, 2013 to December 31, 2013)	First three quarters under review (From April 1, 2014 to December 31, 2014)
Income before minority interests	10,756	14,028
Other comprehensive income		
Valuation difference on available-for-sale securities	8,957	4,758
Foreign currency translation adjustments	6,277	1,683
Remeasurements of defined benefit plans, net of tax	–	2,200
Share of other comprehensive income of associates accounted for using equity method	409	234
Total other comprehensive income	15,644	8,876
Comprehensive income	26,401	22,905
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	25,418	22,447
Comprehensive income attributable to minority interests	983	457

(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 of the fiscal year ending March 31, 2015.
In line with this change, the reported segments in the first three quarters of the previous fiscal year are also arranged in the new order.

I. From April 1, 2013 to December 31, 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	54,315	41,133	46,446	61,761	203,658	2,973	206,631	–	206,631
Intersegment sales	2,139	1,326	523	300	4,290	1,116	5,407	-5,407	–
Total sales	56,455	42,460	46,969	62,062	207,949	4,089	212,038	-5,407	206,631
Segment profits	6,229	2,583	1,746	3,308	13,867	1,395	15,262	40	15,303

(Notes) 1. The "Others" segment is the business segment that is not included in reportable segments. It includes service provision.
2. An adjustment of 40 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 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.

2. Change in the reported segments

The Group's classification for performance management has been reviewed, and from the first quarter of the fiscal year ending March 31, 2015, 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 three quarters is created in accordance with the revised classification.