

Consolidated Financial Results for the First Three Quarters of the Fiscal Year Ending December 31, 2021 (Japanese GAAP)

November 12, 2021

Name of Listed Company: TOYO INK SC HOLDINGS CO., LTD. Listings: Tokyo Stock Exchange
 Code: 4634 URL: <https://schd.toyoinkgroup.com>
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 Scheduled date of submission of quarterly report: November 12, 2021
 Scheduled date of commencement of dividend payments: —
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: None

(Amounts of less than one million yen are omitted)

1. Consolidated business results for the first three quarters of fiscal 2021 ending December 31, 2021 (From January 1, 2021 to September 30, 2021)

(1) Business results (cumulative totals) (Percentages indicate year-on-year change.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First three quarters, fiscal 2021	210,965	12.6	9,746	15.5	11,159	49.5	6,985	65.7
First three quarters, fiscal 2020	187,418	-10.5	8,435	-11.2	7,466	-22.3	4,215	-22.1

(Note) Comprehensive income: First three quarters, fiscal 2021: 14,790 million (-%)
 First three quarters, fiscal 2020: -8,819 million (-%)

	Profit per share (Basic)	Profit per share (Diluted)
	Yen	Yen
First three quarters, fiscal 2021	124.47	124.26
First three quarters, fiscal 2020	72.18	72.03

(2) Financial position

	Total assets	Net assets	Net worth/Total assets
	Million yen	Million yen	%
First three quarters, fiscal 2021	390,296	221,847	54.8
Fiscal 2020	380,227	217,325	55.2

(Note) Shareholders' equity: First three quarters, fiscal 2021: 213,708 million
 Fiscal 2020: 209,705 million

2. Dividends

	Dividend per share				
	End of Q1	End of Q2	End of Q3	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2020	—	45.00	—	45.00	90.00
Fiscal 2021	—	45.00	—		
Fiscal 2021 (forecast)				45.00	90.00

(Note) Revision to dividend forecasts published most recently: None

3. Forecasts for the fiscal year ending December 31, 2021 (January 1, 2021 to December 31, 2021)

(Percentages indicate year-on-year change.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	280,000	8.7	14,500	12.3	15,000	19.6	8,500	41.2	151.66

(Note) Revision to consolidated business performance forecasts published most recently: None

- * 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 of accounting methods: | No |
| (ii) Changes in accounting policies other than (i): | No |
| (iii) Changes in accounting estimates: | No |
| (iv) Restatement of revisions: | No |
- (4) Number of shares issued (common shares)
- | | | | |
|--|-------------------|--------------------------------------|-------------------|
| (i) Number of shares issued at the end of the terms (including treasury shares): | | | |
| First three quarters of fiscal 2021: | 60,621,744 shares | Fiscal 2020: | 60,621,744 shares |
| (ii) Numbers of treasury shares at the end of the terms: | | | |
| First three quarters of fiscal 2021: | 4,779,574 shares | Fiscal 2020: | 2,195,524 shares |
| (iii) Average numbers of shares issued during the terms (consolidated accumulation periods): | | | |
| First three quarters of fiscal 2021: | 56,116,835 shares | First three quarters of fiscal 2020: | 58,410,196 shares |

* These quarterly financial results are not subject to quarterly audits by certified public accountants or audit corporations.

* Explanations about the proper use of financial forecasts and other important notes:

- 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" in "1. Qualitative Information on Financial Results, etc., for the First Three Quarters Ended September 30, 2021" on page 3 of the accompanying materials.
- Supplementary documents for financial results will be posted on the Company's website on November 12, 2021 (Friday).

○ Accompanying Materials – Contents

1. Qualitative Information on Financial Results, etc., for the First Three Quarters Ended September 30, 2021.....	2
(1) Details of operating results.....	2
(2) Details of financial position.....	3
(3) Information on the consolidated earnings forecasts and other future forecasts	3
2. Consolidated Financial Statements and Primary Notes	4
(1) Consolidated balance sheet.....	4
(2) Consolidated statements of income and consolidated statements of comprehensive income	6
(3) Notes to consolidated quarterly financial statements	8
(Notes on assumption of going business).....	8
(Notes on significant changes in the amount of shareholders' equity)	8
(Additional Information).....	8
(Segment information, etc.).....	9

1. Qualitative Information on Financial Results, etc., for the First Three Quarters Ended September 30, 2021

(1) Details of operating results

In the first three quarters of the fiscal year under review, the conditions surrounding the global economy remained severe due to the COVID-19 pandemic. Despite this, there have been signs of a recovery with progress in vaccination and the effects of large-scale policies. Nevertheless, the business environment for the Group is expected to remain challenging, with raw material supply shortages and price increases continuing worldwide due to the damage of multiple raw material manufacturers' plants and the stagnation of logistics, as well as continuing increases in crude oil prices at present.

In this situation, the Group responded to these challenges and worked to realize its annual policies, enhancing the profitability of its businesses, creating and expanding priority development areas, and enhancing the value of management resources for sustainable growth.

As a result, net sales in the first three quarters of the fiscal year under review increased to 210,965 million yen (up 12.6% year on year), which was an increase from the same period of the previous fiscal year. In addition, operating profit increased to 9,746 million yen (up 15.5% year on year), ordinary profit increased to 11,159 million yen (up 49.5% year on year), and profit attributable to owners of parent increased to 6,985 million yen (up 65.7% year on year).

Operating results by segment are as follows.

From first quarter of the fiscal year under review, the Company changed its classification of reportable segments for certain businesses. Comparison and analysis for the first three quarters of the fiscal year under review are based on the new classification.

(i) Colorants and Functional Materials Related Business

There was strong demand for high-performance pigments and materials for liquid crystal display color filters for displays for TVs, tablets, and PCs due to people voluntarily refraining from leaving home. Sales also expanded in Taiwan and China.

In general-purpose pigments, sales for liquid inks were firm, but sales for information-based printing inks remained sluggish and were affected by soaring raw material prices. In inkjet inks, demand for digital printing remained firm, particularly in China, Europe and the United States.

In plastic colorants, sales for household goods and containers were strong, and profitability improved due to the withdrawal from unprofitable bases in Europe and Southeast Asia. In addition, the Group has been revising selling prices in response to increased raw material prices.

The Group launched a base in the U.S. and began local production of lithium-ion battery materials for automotive applications.

As a result, overall sales in this segment as a whole increased to 55,508 million yen (up 18.9% year on year), and operating profit increased to 4,036 million yen (up 204.5% year on year).

(ii) Polymers and Coatings Related Business

In functional films and tapes, sales of conductive adhesive sheets and electromagnetic shielding films for smartphones were strong, and sales of heat durable and low adhesives for LCD panels and automobile applications were favorable.

In the adhesives segment, sales for packaging applications such as snacks and pet foods are firm in Japan and overseas sales were also robust for use in food packaging. In the pressure sensitive adhesives segment, demand for use in labels was firm in Japan, and sales for use in polarizing films were also strong both Japan and overseas. On the other hand, in response to the difficulty of procuring raw materials worldwide and the sharp rise in prices, the Group has been cutting costs and revising selling prices, but profits have been greatly squeezed.

In can coatings, domestic demand for cans was robust due to capturing the demand of consumption driven by people refraining from leaving home and expanding new products. Overseas, demand recovered in China and Thailand, but was affected by soaring raw material prices.

As a result, net sales for this segment as a whole increased to 51,676 million yen (up 13.3% year on year), but operating profit decreased to 2,687 million yen (down 34.5% year on year).

(iii) Packaging Materials Related Business

In Japan, demand for liquid inks for paper bags for souvenirs and apparel was sluggish due to people voluntarily refraining from leaving home. However, sales of liquid inks for home-use foods such as frozen foods and noodles were firm, and sales expanded. Demand for use in interior decoration materials also recovered. In Overseas, demand declined in Southeast Asia due in part to restrictions on economic activity, but was strong in China, India, and the Middle East. Meanwhile, the Group continued to revise selling prices due to ongoing worldwide difficulties in procuring raw materials and rising prices, but profits were significantly affected.

In the gravure cylinder platemaking business, sales of electronics-related precision plates were firm, and sales

for flexible packaging and paper container-related packaging recovered.

As a result, net sales for this segment as a whole increased to 53,558 million yen (up 8.9% year on year), but operating profit decreased to 1,476 million yen (down 45.8% year on year).

(iv) Printing and Information Related Businesses

Structural contraction in the information-related printing market continued to advance due to the spread of the COVID-19 coronavirus, the prolongation of the pandemic and the resulting limitation of economic activity. Domestic sales for flyers, advertising, and publishing were sluggish, but the Group made progress in improving its business structure, including collaboration with other companies in the same industry, cost reduction, and the passing on of a portion of the increase in raw material prices to sale prices.

Overseas, demand recovered in China and India, and sales for paper containers such as food and medical products were firm. In line with demand, the Group worked to optimize its global supply system and rebuild the business structure of each base.

As a result, overall sales in this segment increased to 48,847 million yen (up 9.0% year on year), and operating profit increased to 996 million yen (19.7 times year on year).

(v) Other

This report covers businesses not included in the above segments, as well as services provided by TOYO INK SC HOLDINGS CO., LTD. and other means. Net sales decreased to 4,471 million yen (down 3.9% year on year), but operating income increased to 569 million yen (up 158.3% year on year).

(2) Details of financial position

Total assets at the end of the third quarter under review were 390,296 million yen, an increase of 10,068 million yen from the end of the previous fiscal year. Liabilities were 168,448 million yen, an increase of 5,546 million yen from the end of the previous fiscal year. Net assets were 221,847 million yen, an increase of 4,522 million yen from the end of the previous fiscal year.

Assets, liabilities, and foreign currency translation adjustments held in foreign subsidiaries increased due to the yen's depreciation against foreign currencies compared to the exchange rates at the end of the previous fiscal year on the last day of third quarter of the fiscal year under review. Inventories also increased in line with higher raw material prices. In addition, investment securities, deferred tax liabilities, and unrealized gains on available-for-sale securities each increased, reflecting rising stock prices in Japan. On the other hand, cash and deposits decreased due to the effect of the last day of the previous fiscal year being a holiday for financial institutions, the purchase of treasury stock, and cash dividends paid. Short-term borrowings increased and long-term borrowings decreased due to their maturity within 1 year.

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

The forecast for the fiscal year ending December 2021 remains unchanged from the forecast announced on August 6, 2021.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated balance sheet

(Million yen)

	End of the previous consolidated fiscal year (As of December 31, 2020)	End of the consolidated third quarter accounting period (As of September 30, 2021)
(Assets)		
Current assets		
Cash and deposits	76,469	61,791
Notes and accounts receivable - trade	87,126	89,184
Securities	57	42
Merchandise and finished goods	28,328	31,207
Work in process	1,070	1,284
Raw materials and supplies	16,790	23,093
Other	5,178	5,081
Allowance for doubtful accounts	-924	-1,090
Total current assets	214,097	210,593
Non-current assets		
Property, plant and equipment		
Buildings and structures	100,156	102,660
Accumulated depreciation	-65,629	-67,225
Buildings and structures, net	34,526	35,434
Machinery, equipment and vehicles	152,140	154,518
Accumulated depreciation	-131,816	-133,428
Machinery, equipment and vehicles, net	20,324	21,089
Tools, furniture and fixtures	25,303	26,024
Accumulated depreciation	-22,067	-22,476
Tools, furniture and fixtures, net	3,236	3,548
Land	30,529	30,423
Leased assets	4,996	5,301
Accumulated depreciation	-1,269	-1,486
Leased assets, net	3,726	3,815
Construction in progress	10,273	16,831
Total property, plant and equipment	102,616	111,142
Intangible assets	3,113	2,460
Investments and other assets		
Investment securities	48,440	53,800
Retirement benefit asset	8,608	8,747
Deferred tax assets	2,398	2,601
Other	1,143	1,144
Allowance for doubtful accounts	-191	-194
Total investments and other assets	60,399	66,098
Total noncurrent assets	166,130	179,702
Total assets	380,227	390,296

(Million yen)

	End of the previous consolidated fiscal year (As of December 31, 2020)	End of the consolidated third quarter accounting period (As of September 30, 2021)
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	54,608	57,468
Short-term loans payable	19,379	24,244
Income taxes payable	1,082	1,169
Other	16,340	17,862
Total current liabilities	91,411	100,746
Non-current liabilities		
Long-term borrowings	60,492	55,320
Deferred tax liabilities	6,561	7,733
Provision for environmental measures	1,485	1,450
Retirement benefit liability	1,914	2,042
Asset retirement obligations	31	32
Other	1,005	1,123
Total non-current liabilities	71,491	67,701
Total liabilities	162,902	168,448
(Net assets)		
Shareholders' equity		
Capital stock	31,733	31,733
Capital surplus	32,499	32,544
Retained earnings	147,390	149,233
Treasury shares	-4,916	-9,793
Total shareholders' equity	206,706	203,718
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,699	9,611
Foreign currency translation adjustment	-5,284	-2,099
Remeasurements of defined benefit plans	2,583	2,478
Total accumulated other comprehensive income	2,998	9,990
Subscription rights to shares	249	174
Non-controlling interests	7,370	7,964
Total net assets	217,325	221,847
Total liabilities and net assets	380,227	390,296

(2) Consolidated statements of income and consolidated statements of comprehensive income
 Consolidated statements of income
 Consolidated first three quarters

	(Million yen)	
	Previous first three quarter period (From January 1, 2020 to September 30, 2020)	First three quarters under review (From January 1, 2021 to September 30, 2021)
Net sales	187,418	210,965
Cost of sales	146,242	167,206
Gross profit	41,176	43,759
Selling, general and administrative expenses		
Packing and transportation costs	4,880	5,527
Salaries and allowances	8,465	8,791
Bonuses	1,936	1,933
Welfare expenses	2,151	2,269
Depreciation	1,459	1,517
Research and development expenses	2,222	2,487
Other	11,624	11,484
Total selling, general and administrative expenses	32,740	34,012
Operating profit	8,435	9,746
Non-operating income		
Interest income	171	126
Dividend income	917	799
Foreign exchange gains	-	730
Other	301	600
Total non-operating income	1,390	2,256
Non-operating expenses		
Interest expenses	397	399
Foreign exchange losses	1,265	-
Share of loss of entities accounted for using equity method	176	143
Other	520	301
Total non-operating expenses	2,360	844
Ordinary profit	7,466	11,159
Extraordinary income		
Gain on sales of non-current assets	19	311
Gain on sales of investment securities	-	227
Other	0	14
Total extraordinary income	20	553
Extraordinary losses		
Loss on sales and retirement of non-current assets	200	175
Impairment loss	-	603
Business restructuring expenses	-	1,208
Loss on liquidation of business	-	247
Shutdown costs	363	-
Other	29	33
Total extraordinary losses	592	2,268
Profit before income taxes	6,893	9,443
Income taxes - current	2,528	2,900
Income taxes - deferred	-179	-611
Total income taxes	2,349	2,288
Profit	4,544	7,154
Profit attributable to non-controlling interests	328	169
Profit attributable to owners of parent	4,215	6,985

Consolidated statements of comprehensive income
Consolidated first three quarters

(Million yen)

	Previous first three quarter period (From January 1, 2020 to September 30, 2020)	First three quarters under review (From January 1, 2021 to September 30, 2021)
Profit	4,544	7,154
Other comprehensive income		
Valuation difference on available-for-sale securities	-9,784	3,915
Foreign currency translation adjustment	-3,485	3,707
Remeasurements of defined benefit plans, net of tax	70	-105
Share of other comprehensive income of entities accounted for using equity method	-164	118
Total other comprehensive income	-13,363	7,635
Comprehensive income	-8,819	14,790
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-9,074	13,976
Comprehensive income attributable to non-controlling interests	255	813

(3) Notes on consolidated quarterly financial statements

(Notes on assumption of going business)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Additional Information)

(Application of tax effect accounting in the transition from the consolidated taxation system to the Group tax sharing system)

The Company and some domestic consolidated subsidiaries did not apply the provisions of paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018) in accordance with the treatment of paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ Practical Issues Task Force No. 39, March 31, 2020) for items for which a review of the non-consolidated taxation system was conducted in conjunction with the transition to the Group Total System established in the Act for Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020) and the transition to the Group Total System. The amount of deferred tax assets and deferred tax liabilities is based on the provisions of the pre-revision tax law.

(Accounting estimates regarding the impact of the COVID-19 pandemic)

There have been no material changes in the accounting estimate assumptions related to the impact of the COVID-19 pandemic described in (Additional Information) in the previous fiscal year's securities report.

(Segment information, etc.)

I Consolidated cumulative first three quarters of the previous fiscal year (from January 1, 2020 to September 30, 2020)

1. Information on net sales and profits and losses by reportable segment

(Million yen)

	Reported segments					Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	Colorants and Functional Materials Related Business	Polymers and Coatings Related Business	Packaging Materials Related Business	Printing and Information Related Businesses	Total				
Net sales									
Sales to customers	44,968	45,409	48,725	44,791	183,894	3,524	187,418	—	187,418
Intersegment sales	1,727	189	452	16	2,386	1,130	3,516	-3,516	—
Total	46,695	45,598	49,177	44,808	186,280	4,654	190,934	-3,516	187,418
Segment profit	1,325	4,106	2,723	50	8,205	220	8,425	9	8,435

(Notes) 1. The "Other" segment comprises business segments that are not included in the reportable segments, which include sales of raw materials, other profit-earning business activities carried out by the Company as a parent, and delivery of services.

2. The adjustment of 9 million yen in segment profits mainly represents the deduction of intersegment transactions.

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

2. Information on impairment loss on non-current assets by reportable segment

Not applicable.

II. Consolidated cumulative first three quarters under review (January 1, 2021 to September 30, 2021)

1. Information on net sales and profits and losses by reportable segment

(Million yen)

	Reported segments					Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	Colorants and Functional Materials Related Business	Polymers and Coatings Related Business	Packaging Materials Related Business	Printing and Information Related Businesses	Total				
Net sales									
Sales to customers	54,038	51,471	52,979	48,843	207,332	3,633	210,965	—	210,965
Intersegment sales	1,470	204	579	4	2,258	838	3,097	-3,097	—
Total	55,508	51,676	53,558	48,847	209,590	4,471	214,062	-3,097	210,965
Segment profit	4,036	2,687	1,476	996	9,196	569	9,765	-19	9,746

(Notes) 1. The "Other" segment comprises business segments that are not included in the reportable segments, which include sales of raw materials, other profit-earning business activities carried out by the Company as a parent, and delivery of services.

2. The adjustment of -19 million yen in segment profits mainly represents the deduction of intersegment transactions.

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

2. Matters concerning changes in reportable segments

(Change in the method of classifying reportable segments)

Effective from the first quarter of the current fiscal year, the Company has revised the classification of the businesses it administers to accelerate their development. Certain businesses previously included in printing and information related business have been reclassified into the colorants and functional materials related business.

Segment information for first three quarters of the previous fiscal year has been prepared based on the revised reportable segment classification.

3. Information on impairment loss on non-current assets by reportable segment

(Million yen)

	Reported segments					Other	Adjustment	Total
	Colorants and Functional Materials Related Business	Polymers and Coatings Related Business	Packaging Materials Related Business	Printing and Information Related Businesses	Total			
Impairment loss	1,008	65	399	137	1,611	—	—	1,611

(Note) Impairment loss of 1,008 million yen related to "colorants and functional materials related business" is included in "Business restructuring expenses" in the quarterly consolidated statements of income.