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February 14, 2023

Consolidated Financial Results for the Nine Months Ended December 31, 2022 [JGAAP]

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Stock Code: 4116

(URL: <https://www.daicolor.co.jp>)

Stock Exchange Listing: Tokyo

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Scheduled date to submit the Quarterly Securities Report: February 14, 2023

Availability of supplementary briefing material on quarterly results: Yes

Holding of Quarterly Results Briefing Session: None

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2022 (From April 1, 2022 to December 31, 2022)

(1) Consolidated Results of Operations (cumulative) (% indicates changes from the previous corresponding term)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2022	92,806	1.6	2,487	(60.8)	3,216	(54.1)	2,432	(54.0)
Nine months ended December 31, 2021	91,319	–	6,343	127.6	7,008	101.7	5,286	51.1

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥7,372 million [16.9%]
Nine months ended December 31, 2021: ¥6,308 million [29.7%]

(Note) Since “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc. have been applied from the first quarter of the fiscal year ended March 31, 2022, the above amounts of consolidated financial results reflect the application of the accounting standard, etc. Therefore, the change from the previous corresponding term for “Net sales” for the nine months ended December 31, 2021 is not shown.

	Profit per share	Fully diluted profit per share
	Yen	Yen
Nine months ended December 31, 2022	131.58	–
Nine months ended December 31, 2021	286.12	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2022	202,164	116,330	56.4
As of March 31, 2022	196,709	110,487	55.1

(Reference) Equity: As of December 31, 2022: ¥113,924 million
As of March 31, 2022: ¥108,447 million

2. Dividends

	Annual cash dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	–	40.00	–	40.00	80.00
Year ending March 31, 2023	–	40.00	–		
Year ending March 31, 2023 (Forecast)				40.00	80.00

(Note) Revisions of dividend forecast from recently announced figures: Not applicable

3. Earnings Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023 (From April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding term)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	121,000	(0.8)	2,400	(67.8)	3,100	(62.7)	3,100	(49.7)	167.65

(Note) Revisions of forecast of financial results from recently announced figures: Applicable

* Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2022 (changes in specific subsidiaries involving changes in the scope of consolidation): Not applicable
- (2) Adoption of specific accounting treatments to the preparation of quarterly consolidated financial statements: Not applicable
- (3) Changes in accounting policies, changes in accounting estimates and restatements
 - 1) Changes in accounting policies due to the revision of accounting standards: Applicable
 - 2) Changes in accounting policies other than 1): Not applicable
 - 3) Changes in accounting estimates: Not applicable
 - 4) Restatements: Not applicable

(Note) For details, please refer to the “2. Quarterly Consolidated Financial Statements and Principal Notes (3) Notes to Quarterly Consolidated Financial Statements” on page 8 of this report.

(4) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury shares):	As of December 31, 2022	18,613,110 shares	As of March 31, 2022	18,613,110 shares
2) Total number of treasury shares at the end of the period:	As of December 31, 2022	122,030 shares	As of March 31, 2022	133,494 shares
3) Average number of shares during the period (cumulative):	Nine months ended December 31, 2022	18,487,247 shares	Nine months ended December 31, 2021	18,477,612 shares

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants and audit corporations.

* Explanation for the appropriate use of performance forecasts and other special notes:

- The statements regarding forecast of financial results in this report are based on the information that is available to the Company, as well as certain assumptions that are deemed to be reasonable by management, and they are not meant to be a commitment by the Company. Therefore, there might be cases in which actual results differ materially from forecast values due to various factors. For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information” on page 3 of this report.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

With regard to the economic environment surrounding the Group in the nine months ended December 31, 2022, while economic activity increased due to easing of restrictions on activities due to the novel coronavirus disease (COVID-19), the economic outlook is uncertain due to raw material prices remaining high and a slowdown in global economy, etc. caused by inflation.

In this economic environment, regarding net sales for the nine months ended December 31, 2022, sales of pigments, colorants and resins for the transportation industry and for the information-electronics industry were sluggish due to the impact of stagnant automobile production and production inventory adjustment of LCD panels. On the other hand, net sales stood at ¥92,806 million, up by 1.6% compared with the previous fiscal year, as a result of the revision of sales prices and an increase in net sales after translation to yen of overseas subsidiaries due to a weakened yen. On the other hand, despite a revision of sales prices, due to a decrease in sales volume, operating profit was ¥2,487 million, down by 60.8% compared with the same period of the previous fiscal year, ordinary profit was ¥3,216 million, down by 54.1% compared with the same period of the previous fiscal year, and profit attributable to owners of parent was ¥2,432 million, down by 54.0% compared with the same period of the previous fiscal year.

Operating results by reportable segment are as follows:

(Color & Functional Products)

In the Color & Functional Products business, the Group manufactures and sells pigments, colorants for fabrics, colorants used in plastics, compounds, pigment dispersion and functional materials.

Net sales of pigments and pigment dispersion for the information-electronics industry were sluggish for display applications due to inventory adjustment of LCD panels and due to a decrease in demand from people staying at home, while sales for office equipment applications continued to recover. Net sales of compounds and colorants for the home appliance and OA equipment industry and the automobile industry were sluggish in Japan due to stagnant automobile production caused by the shortage of semiconductors, etc., but were solid overseas mainly in South China district and in Southeast Asia areas.

As a result, net sales in the segment stood at ¥51,228 million, down by 2.7% compared with the same period of the previous fiscal year, while operating profit was ¥2,078 million, down by 48.7% compared with the same period of the previous fiscal year.

(Polymers & Coating Materials)

In the Polymers & Coating Materials business, the Group manufactures and sells UV and EB coating materials, polyurethanes and polymers derived from natural substances.

Net sales of polyurethanes were weak overall, including weak sales for the automobile industry due to the impact of stagnant automobile production. Sales of coating materials for the information-electronics industry were sluggish for display applications due to inventory adjustment of LCD panels and due to a decrease in demand from people staying at home.

As a result, net sales in the segment stood at ¥17,973 million, up by 2.1% compared with the same period of the previous fiscal year, while operating profit was ¥1,463 million, down by 45.3% compared with the same period of the previous fiscal year.

(Graphic & Printing Materials)

In the Graphic & Printing Materials business, the Group manufactures and sells gravure printing ink and offset printing ink.

Sales of gravure printing ink for the packaging materials industry were solid in Japan mainly for beverage label applications. Sales overseas were up due to recovery from lockdown at the subsidiary in Indonesia. Sales of offset printing ink were weak due to a decrease in demand.

As a result, net sales in the segment stood at ¥23,548 million, up by 12.0% compared with the same period of the previous fiscal year, and operating loss was ¥1,074 million (compared with operating loss of ¥407 million

for the same period of the previous fiscal year) due to raw material prices remaining high and recording relocation expenses for new plants.

(2) Explanation of Financial Position

(Assets)

Total assets as of December 31, 2022 increased by ¥5,454 million compared with the end of the previous fiscal year to ¥202,164 million. This is mainly due to increases in “notes and accounts receivable - trade” and “inventories.”

(Liabilities)

Total liabilities as of December 31, 2022 decreased by ¥388 million compared with the end of the previous fiscal year to ¥85,834 million. This is mainly due to a decrease in “income taxes payable.”

(Net assets)

Total assets as of December 31, 2022 increased by ¥5,843 million compared with the end of the previous fiscal year to ¥116,330 million. This is mainly due to an increase in “foreign currency translation adjustment.”

(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information

The Group has revised the forecast of financial results for the fiscal year ending March 31, 2023 announced on November 10, 2022, in light of its performance in the nine months ended December 31, 2022, as well as its future outlook.

For details, please refer to the “Notice Concerning Revision of Forecast of Consolidated Financial Results” announced today (February 14, 2023, Japanese only).

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	26,346	22,384
Notes and accounts receivable - trade	51,539	55,261
Inventories	31,714	36,556
Other	1,823	2,536
Allowance for doubtful accounts	(80)	(89)
Total current assets	111,343	116,649
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,452	22,117
Land	14,013	13,876
Other, net	16,882	16,721
Total property, plant and equipment	52,348	52,715
Intangible assets		
Other	1,911	1,528
Total intangible assets	1,911	1,528
Investments and other assets		
Investment securities	18,568	18,513
Retirement benefit asset	9,414	9,722
Other	3,144	3,052
Allowance for doubtful accounts	(21)	(17)
Total investments and other assets	31,106	31,271
Total non-current assets	85,366	85,515
Total assets	196,709	202,164
Liabilities		
Current liabilities		
Notes and accounts payable - trade	31,939	32,771
Short-term borrowings	11,460	12,597
Current portion of long-term borrowings	6,918	6,046
Income taxes payable	1,495	441
Provision for bonuses	2,047	1,108
Provision for loss on liquidation of subsidiaries and associates	8	-
Provision for environmental measures	31	13
Other	5,551	5,846
Total current liabilities	59,452	58,827
Non-current liabilities		
Long-term borrowings	13,882	13,369
Provision for environmental measures	2,981	2,970
Retirement benefit liability	8,281	8,518
Other	1,624	2,148
Total non-current liabilities	26,769	27,006
Total liabilities	86,222	85,834

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Net assets		
Shareholders' equity		
Share capital	10,039	10,039
Capital surplus	9,773	9,768
Retained earnings	81,265	82,216
Treasury shares	(315)	(287)
Total shareholders' equity	100,763	101,737
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,435	6,337
Foreign currency translation adjustment	592	5,160
Remeasurements of defined benefit plans	656	688
Total accumulated other comprehensive income	7,684	12,186
Non-controlling interests	2,039	2,406
Total net assets	110,487	116,330
Total liabilities and net assets	196,709	202,164

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statements of Income)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	91,319	92,806
Cost of sales	71,387	76,205
Gross profit	19,932	16,601
Selling, general and administrative expenses	13,588	14,114
Operating profit	6,343	2,487
Non-operating income		
Interest income	64	99
Dividend income	322	380
Share of profit of entities accounted for using equity method	123	-
Foreign exchange gains	3	138
Other	512	500
Total non-operating income	1,027	1,119
Non-operating expenses		
Interest expenses	263	215
Share of loss of entities accounted for using equity method	-	22
Other	98	152
Total non-operating expenses	362	389
Ordinary profit	7,008	3,216
Extraordinary income		
Gain on sale of non-current assets	31	45
Gain on sale of investment securities	216	542
Other	3	-
Total extraordinary income	251	588
Extraordinary losses		
Loss on retirement of non-current assets	103	94
Loss on valuation of investment securities	-	10
Loss on COVID-19	-	115
Other	21	12
Total extraordinary losses	124	232
Profit before income taxes	7,135	3,573
Income taxes - current	1,745	421
Income taxes - deferred	(50)	639
Total income taxes	1,695	1,061
Profit	5,440	2,511
Profit attributable to non-controlling interests	153	79
Profit attributable to owners of parent	5,286	2,432

(Quarterly Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	5,440	2,511
Other comprehensive income		
Valuation difference on available-for-sale securities	(969)	(98)
Foreign currency translation adjustment	1,546	4,729
Remeasurements of defined benefit plans, net of tax	200	31
Share of other comprehensive income of entities accounted for using equity method	91	196
Total other comprehensive income	868	4,860
Comprehensive income	6,308	7,372
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,035	6,935
Comprehensive income attributable to non-controlling interests	273	436

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

(Notes to Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Change in Accounting Policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the first quarter of the fiscal year ending March 31, 2023. Furthermore, in accordance with the transitional treatment prescribed in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Company has prospectively applied the new accounting policy provided in the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact on the quarterly consolidated financial statements.

(Segment Information)

I. For the nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)

1. Information regarding net sales and operating profit or loss by the reportable segments

(Millions of yen)

	Reportable segments				Other	Posted amount to the quarterly consolidated statements of income
	Color & Functional Products	Polymers & Coating Materials	Graphic & Printing Materials	Total		
Net sales						
(1) Net sales to external customers	52,631	17,604	21,020	91,256	62	91,319
(2) Intersegment net sales and transfer	101	280	–	382	(382)	–
Total	52,733	17,885	21,020	91,639	(320)	91,319
Segment profit [Operating profit] (loss)	4,049	2,673	(407)	6,314	28	6,343

Note: The “Other” category comprises adjusted amounts and business that is not included in reportable segments, and includes the company that provides services such as property management for the Group companies.

2. Information on disaggregation of revenue from contracts with customers

<By region> <By contract>

(Millions of yen)

	Reportable segments				Other	Posted amount to the quarterly consolidated statements of income
	Color & Functional Products	Polymers & Coating Materials	Graphic & Printing Materials	Total		
Japan	37,810	12,885	16,308	67,004	62	67,066
Asia (excluding Japan)	11,437	2,713	4,400	18,552	–	18,552
Other	3,383	2,005	312	5,700	–	5,700
Total	52,631	17,604	21,020	91,256	62	91,319
Revenue from contracts with customers	52,631	17,604	21,020	91,256	36	91,293
Other revenue	–	–	–	–	26	26
Net sales to external customers	52,631	17,604	21,020	91,256	62	91,319

<Impact of subcontract processing with charged receipt on net sales>

(Millions of yen)

	Reportable segments				Other	Posted amount to the quarterly consolidated statements of income
	Color & Functional Products	Polymers & Coating Materials	Graphic & Printing Materials	Total		
Gross sales to external customers	86,365	17,652	21,024	125,043	62	125,105
Amount of sales offset due to subcontract processing with charged receipt	(33,734)	(48)	(4)	(33,786)	–	(33,786)
Net sales to external customers	52,631	17,604	21,020	91,256	62	91,319

II. For the nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)

1. Information regarding net sales and operating profit or loss by the reportable segments

(Millions of yen)

	Reportable segments				Other	Posted amount to the quarterly consolidated statements of income
	Color & Functional Products	Polymers & Coating Materials	Graphic & Printing Materials	Total		
Net sales						
(1) Net sales to external customers	51,228	17,973	23,548	92,749	56	92,806
(2) Intersegment net sales and transfer	112	353	–	466	(466)	–
Total	51,341	18,327	23,548	93,216	(409)	92,806
Segment profit [Operating profit] (loss)	2,078	1,463	(1,074)	2,466	20	2,487

Note: The “Other” category comprises adjusted amounts and business that is not included in reportable segments, and includes the company that provides services such as property management for the Group companies.

2. Information on disaggregation of revenue from contracts with customers

<By region> <By contract>

(Millions of yen)

	Reportable segments				Other	Posted amount to the quarterly consolidated statements of income
	Color & Functional Products	Polymers & Coating Materials	Graphic & Printing Materials	Total		
Japan	36,824	12,969	17,348	67,141	56	67,198
Asia (excluding Japan)	11,350	2,746	5,741	19,838	–	19,838
Other	3,053	2,257	458	5,769	–	5,769
Total	51,228	17,973	23,548	92,749	56	92,806
Revenue from contracts with customers	51,228	17,973	23,548	92,749	32	92,782
Other revenue	–	–	–	–	24	24
Net sales to external customers	51,228	17,973	23,548	92,749	56	92,806

<Impact of subcontract processing with charged receipt on net sales>

(Millions of yen)

	Reportable segments				Other	Posted amount to the quarterly consolidated statements of income
	Color & Functional Products	Polymers & Coating Materials	Graphic & Printing Materials	Total		
Gross sales to external customers	87,150	18,018	23,552	128,721	56	128,778
Amount of sales offset due to subcontract processing with charged receipt	(35,922)	(45)	(3)	(35,971)	–	(35,971)
Net sales to external customers	51,228	17,973	23,548	92,749	56	92,806

(Notes Related to Revenue Recognition)

Information on disaggregation of revenue from contracts with customers is presented in “(3) Notes to Quarterly Consolidated Financial Statements (Segment Information).”

(Significant Subsequent Events)

(Sale of Investment Securities)

The Company and the Company's consolidated subsidiaries sold a portion of their investment securities (two issues with listed shares) between January 23 and January 25, 2023 in order to increase the efficiency of the assets held and strengthen their financial structure. Accompanying this sale, the Company recorded ¥911 million from gain on sale of investment securities as extraordinary income in the fourth quarter of the fiscal year ending March 31, 2023.