

TRANSLATION:

This is an English translation of Consolidated Quarterly Financial Results (Japanese Accounting Standards) for the First Three Quarters of the Fiscal Year Ending December 31, 2023. This is an English translation of the Japanese original, prepared only for the convenience of shareholders residing outside Japan. The original Japanese version will prevail should there be any difference in the meaning between the English version and the Japanese version.



Consolidated Quarterly Financial Results (Japanese Accounting Standards) for the First Three Quarters of the Fiscal Year Ending December 31, 2023

November 10, 2023

Name of Listed Company: TOYO INK SC HOLDINGS CO., LTD. Listings: Tokyo Stock Exchange
Code: 4634 URL: <https://schd.toyoinkgroup.com>
Representative: Satoru Takashima, President and Representative Director, Group CEO
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Scheduled date of submission of quarterly report: November 14, 2023

Scheduled date of commencement of dividend payments: —

Supplementary documents for quarterly results: Yes

Quarterly results briefing: None

(Amounts of less than million yen are omitted.)

1. Consolidated business results for the First Three Quarters of fiscal 2023 ending December 31, 2023

(From January 1, 2023 to September 30, 2023)

(1) Business results (cumulative totals)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Three Quarters, Fiscal 2023	238,235	1.4	9,131	72.0	9,772	35.1	7,219	-17.6
First Three Quarters, Fiscal 2022	235,006	11.4	5,309	-45.5	7,235	-35.2	8,758	25.4

(Note) Comprehensive income: First Three Quarters, fiscal 2023: 30,342 million yen (48.5%) First Three Quarters, fiscal 2022: 20,430 million yen (38.1%)

	Profit per share (Basic)	Profit per share (Diluted)
	Yen	Yen
First Three Quarters, Fiscal 2023	136.20	136.11
First Three Quarters, Fiscal 2022	160.09	159.90

(2) Financial position

	Total assets	Net assets	Net worth/Total assets
	Million yen	Million yen	%
First Three Quarters, Fiscal 2023	443,504	253,811	55.0
Fiscal 2022	411,177	227,877	53.3

(Note) Net worth: First Three Quarters, fiscal 2023: 243,906 million yen Fiscal 2022: 219,047 million yen

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2022	—	45.00	—	45.00	90.00
Fiscal 2023	—	45.00	—	—	—
Fiscal 2023 (Forecast)	—	—	—	45.00	90.00

(Note) Revisions to the most recently announced dividend forecasts: None

3. Forecasts for the year ending December 31, 2023 (From January 1, 2023 to December 31, 2023)

(Figures in percentages denote the 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	320,000	1.3	12,000	74.8%	12,500	58.1	8,000	-14.1	150.92

(Note) Revisions to the most recently announced earnings forecasts: Yes

* Notes

- | | |
|--|-------------------|
| (1) Important changes of subsidiaries during the term | 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 (ordinary shares) | |
| (i) Numbers of shares issued at the end of the terms (including treasury shares): | |
| First Three Quarters, Fiscal 2023: | 58,286,544 shares |
| Fiscal 2022: | 58,286,544 shares |
| (ii) Numbers of treasury shares at the end of the terms: | |
| First Three Quarters, Fiscal 2023: | 5,268,691 shares |
| Fiscal 2022: | 5,298,507 shares |
| (iii) Average numbers of shares issued during the terms (consolidated accumulation periods): | |
| First Three Quarters, Fiscal 2023: | 53,006,527 shares |
| First Three Quarters, Fiscal 2022: | 54,707,680 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 note

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 September 30, 2023” on page 4 of the accompanying materials.

2. Supplementary documents for financial results will be posted on the Company’s website on November 10, 2023 (Friday).

Accompanying Materials – Contents

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1. Qualitative Information on Financial Results, etc. for the First Three Quarters Ended September 30, 2023

(1) Details of operating results

During the first three quarters of the consolidated year under review, the global economy recovered modestly, bolstered by various policies amid improvement in the employment and income situation; however, the outlook remains uncertain, with consumers pulling back on spending because of higher prices and energy prices remaining stubbornly high due to the protracted Ukraine conflict.

In this environment, the Toyo Ink Group worked to achieve its policies for the year of 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 increased to 238,235 million yen (up 1.4% year on year), operating profit increased to 9,131 million yen (up 72.0% year on year), and ordinary profit increased to 9,772 million yen (up 35.1% year on year) in the first three quarters of the fiscal year under review. However, due to the decrease of gain on sale of investment securities, profit attributable to owners of parent dipped to 7,219 million yen (down 17.6% year on year).

Operating results by segment are as follows.

(i) Colorants and Functional Materials Related Business

In materials for LCD color filters, production at LCD panel manufacturers started to recover in the latter half of the first three quarters under review, and shipments also increased, in addition to increased sales in China and expansion of market share in Taiwan.

Sales of plastic colorants for containers and construction material films were sluggish in Japan due to consumer pullbacks and a drop in housing construction starts; however, sales of plastic colorants for solar cells were strong overseas.

Sales of inkjet inks were impacted by inventory adjustments in overseas markets but started to recover in the latter half of the first three quarters under review. Sales of lithium-ion battery materials for automotive applications grew through the ramp-up of supply in the U.S. and Europe, and the Group is expanding facilities to meet further expansion in demand in the U.S. and China.

As a result, net sales for this segment as a whole increased to 60,539 million yen (up 2.6% year on year), and operating profit increased to 2,109 million yen (up 55.4% year on year).

(ii) Polymers and Coatings Related Business

Among functional films and tapes, functional films for smartphones started to recover in the latter half of the first three quarters under review, owing partly to sales expansion efforts, while materials for LCD panels, etc. were lackluster amid continued adjustment in the market.

Slow growth in domestic sales of pressure sensitive adhesives for labels and displays was offset by increased sales of pressure sensitive adhesives in the U.S., India and China. Sales of adhesives for packaging in Japan and overseas were sluggish due to a downturn in consumption, while sales of adhesives for industrial use in overseas markets were strong, attributable partly to efforts to expand sales of adhesives for lithium-ion batteries.

Domestic sales of can coatings were subpar, reflecting slow growth in customer operations, and overseas sales of coatings for food cans were also weak, mainly due to a decline in fish catches. However, the Group made steady progress in its business expansion as a result of efforts to expand sales in Turkey and the acquisition of a local coating manufacturer in Thailand.

Consequently, this segment achieved growth in both revenues and income, partly attributable to the effect of price revision. Net sales as a whole came to 57,186 million yen (up 0.8% year on year), and operating profit were 3,726 million yen (up 107.6%).

(iii) Packaging Materials Related Business

In the liquid ink products market in Japan, restrained purchases among consumers due to rising prices led to slow growth in demand for packaging materials for food products, and sales decreased compared to a year ago when there were customer inventory increases due to expectations of difficulties in procurement. Sales of products for cardboard boxes were also lackluster as demand for fruit and vegetable applications declined due to extreme heat and surging prices.

Overseas, demand in India was solid and sales also held firm; however, sales of products for food packaging were weak due to sluggish consumption in China. Profitability also improved both in Japan and overseas thanks to progress with the revision of selling prices in response to rising raw material prices.

In the gravure cylinder platemaking business, while sales of products for packaging were firm, partly owing to efforts to capture new demand, sales of precision platemaking related to electronics were weak.

As a result, net sales for this segment as a whole increased to 62,431 million yen (up 0.5% year on year), and operating profit increased to 2,575 million yen (up 302.0% year on year).

(iv) Printing and Information Related Business

While domestic sales of products for flyers, advertising, and publishing were sluggish due to the continued structural contraction of the information-related printing market, sales of products for paper containers and packaging were firm partly attributable to efforts to bolster sales. In face of persistently high energy and raw material costs, the Group continued to reduce costs through collaboration with competitors and business structure reforms while at the same time making revisions to selling prices to cover cost increases the Group could not absorb through its own efforts.

In overseas markets, sales were lackluster, partly due to economic downturn in China caused by property market woes and weak exports; however, sales of functional coatings for paper containers and packaging increased.

As a result, net sales of the overall Printing and Information Related Business increased to 56,404 million yen (up 1.2% year on year), and operating profit increased to 941 million yen (up 27.5% year on year).

(v) Other

This Other segment includes businesses not included in the above segments, services provided by Toyo Ink SC Holdings Co. Ltd., etc., and other businesses. Net sales for the first three quarters under review increased to 4,086 million yen (up 10.3% year on year), but operating loss of 199 million yen (operating profit of 776 million yen in the same period of the previous fiscal year) mainly due to a decrease in revenue from the rendering of services.

(2) Details of financial position

Total assets at the end of the first three quarters under review stood at 443,504 million yen, up 32,326 million yen from the end of the previous consolidated fiscal year. Liabilities were 189,692 million yen, up 6,392 million yen from the end of the previous consolidated fiscal year. Net assets came to 253,811 million yen, up 25,934 million yen from the end of the previous consolidated fiscal year.

On the last day of the third quarter of the fiscal year under review, the exchange value of the yen decreased from its level on the last day of the previous consolidated fiscal year. As a result, assets and liabilities held by overseas subsidiaries and foreign currency translation adjustments increased respectively. Property, plant and equipment also increased as a result of the construction of a new plant overseas. Furthermore, investment securities, deferred tax liabilities, and valuation difference on available-for-sale securities each increased, reflecting rising stock prices in Japan. On the other hand, notes and accounts payable - trade decreased, reflecting a decline in inventory. Additionally, some long-term loans payable were restated as short-term loans payable because they will mature within a year.

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

In the first three quarters of the consolidated fiscal year under review, the global economy recovered modestly, bolstered by various policies amid improvement in the employment and income situation; however, the outlook remains uncertain, with consumers pulling back on spending because of higher prices and energy prices remaining stubbornly high due to the protracted Ukraine conflict.

In this operating environment, the Group expects to post net sales below the initial targets given sluggish sales volume growth in the first half of the year due to weakness in the LCD panel market, electronics market, and Chinese market. Although a recovery was seen in the second half of the year, it was not sufficient to offset the first half.

However, profit is continuing to improve thanks to progress in cost cutting and sales price revisions through business structure improvement and other initiatives to respond to soaring prices of raw materials, energy, and other items. After factoring in the impact of foreign exchange gains arising from the depreciation of the yen, profits are expected to exceed the initial targets.

Due to the above, the Group has thus changed the full-year consolidated results forecast for the fiscal year ending December 31, 2023 that was announced on February 14, 2023. For details, please refer to the "Notice Concerning Revisions to Full-Year Consolidated Financial Results Forecasts" announced on November 10, 2023.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated balance sheet

(Million yen)

	End of the previous consolidated fiscal year (As of December 31, 2022)	End of the consolidated third quarter accounting period (As of September 30, 2023)
(Assets)		
Current assets		
Cash and deposits	55,117	53,471
Notes and accounts receivable - trade	100,390	104,992
Securities	430	55
Merchandise and finished goods	38,494	38,565
Work in process	1,000	1,327
Raw materials and supplies	28,088	26,752
Other	6,881	6,058
Allowance for doubtful accounts	-1,154	-1,272
Total current assets	229,247	229,951
Non-current assets		
Property, plant and equipment		
Buildings and structures	113,121	118,797
Accumulated depreciation	-70,863	-74,455
Buildings and structures, net	42,258	44,341
Machinery, equipment and vehicles	165,907	176,118
Accumulated depreciation	-138,746	-145,432
Machinery, equipment and vehicles, net	27,160	30,685
Tools, furniture and fixtures	28,442	29,002
Accumulated depreciation	-23,092	-23,634
Tools, furniture and fixtures, net	5,349	5,368
Land	30,490	30,878
Leased assets	6,978	7,968
Accumulated depreciation	-1,944	-2,476
Leased assets, net	5,033	5,492
Construction in progress	12,075	17,272
Total property, plant and equipment	122,366	134,039
Intangible assets	2,619	5,125
Investments and other assets		
Investment securities	42,791	61,470
Retirement benefit asset	7,645	7,750
Deferred tax assets	2,826	2,911
Other	3,881	2,449
Allowance for doubtful accounts	-200	-193
Total investments and other assets	56,944	74,388
Total non-current assets	181,930	213,553
Total assets	411,177	443,504

(Million yen)

	End of the previous consolidated fiscal year (As of December 31, 2022)	End of the consolidated third quarter accounting period (As of September 30, 2023)
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	70,738	67,635
Short-term loans payable	24,022	38,480
Income taxes payable	726	1,289
Other	17,975	19,638
Total current liabilities	113,463	127,044
Non-current liabilities		
Bonds payable	5,000	5,000
Long-term loans payable	54,851	40,649
Deferred tax liabilities	6,276	12,567
Provision for environmental measures	251	244
Retirement benefit liability	1,676	2,002
Asset retirement obligations	33	34
Other	1,746	2,150
Total non-current liabilities	69,836	62,648
Total liabilities	183,300	189,692
(Net assets)		
Shareholders' equity		
Capital stock	31,733	31,733
Capital surplus	32,530	32,467
Retained earnings	151,414	153,864
Treasury shares	-10,687	-10,627
Total shareholders' equity	204,990	207,438
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,007	18,082
Foreign currency translation adjustment	7,986	17,590
Remeasurements of defined benefit plans	1,062	795
Total accumulated other comprehensive income	14,056	36,468
Subscription rights to shares	98	59
Non-controlling interests	8,731	9,846
Total net assets	227,877	253,811
Total liabilities and net assets	411,177	443,504

(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 January 1, 2022 to September 30, 2022)	First three quarters under review (From January 1, 2023 to September 30, 2023)
Net sales	235,006	238,235
Cost of sales	194,514	191,996
Gross profit	40,491	46,238
Selling, general and administrative expenses		
Packing and transportation costs	5,808	5,496
Salaries and allowances	9,123	9,539
Bonuses	2,020	1,868
Welfare expenses	2,322	2,292
Depreciation	1,382	1,370
Research and development expenses	2,577	2,730
Other	11,947	13,809
Total selling, general and administrative expenses	35,181	37,107
Operating profit	5,309	9,131
Non-operating income		
Interest income	155	255
Dividend income	973	746
Foreign exchange gains	2,452	1,519
Other	601	355
Total non-operating income	4,182	2,876
Non-operating expenses		
Interest expenses	855	1,540
Share of loss of entities accounted for using equity method	165	20
Loss on net monetary position	1,007	119
Other	229	554
Total non-operating expenses	2,257	2,234
Ordinary profit	7,235	9,772
Extraordinary profit		
Gain on sales of non-current assets	18	137
Gain on sales of investment securities	5,534	1,767
Total extraordinary profit	5,553	1,905
Extraordinary losses		
Loss on sales and retirement of non-current assets	257	201
Loss on sales of investment securities	–	297
Business restructuring expenses	–	534
Business suspension costs	225	–
Other	134	200
Total extraordinary loss	618	1,234
Profit before income taxes	12,170	10,443
Income taxes - current	3,639	2,732
Income taxes - deferred	-300	450
Total income taxes	3,338	3,183
Profit	8,831	7,260
Profit (loss) attributable to non-controlling interests	73	41
Profit attributable to owners of parent	8,758	7,219

Consolidated statements of comprehensive income

Consolidated first three quarters

(Million yen)

	Previous first three quarters period (From January 1, 2022 to September 30, 2022)	First three quarters under review (From January 1, 2023 to September 30, 2023)
Profit	8,831	7,260
Other comprehensive income		
Valuation difference on available-for-sale securities	-3,425	13,075
Foreign currency translation adjustment	15,050	9,704
Remeasurements of defined benefit plans, net of tax	-340	-267
Share of other comprehensive income of entities accounted for using equity method	315	568
Total other comprehensive income	11,598	23,081
Comprehensive income	20,430	30,342
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	19,261	29,631
Comprehensive income attributable to non-controlling interests	1,168	710

(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

(Changes in accounting policies)

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company started to apply the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Fair Value Measurement Accounting Standard Implementation Guidance") at the beginning of the first quarter. Moving forward, the Company will apply the new accounting policies prescribed in the Fair Value Measurement Accounting Standard Implementation Guidance in accordance with transitional measures stipulated in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance. The application of the accounting standard has no impact on the consolidated quarterly financial statements.

(Additional information)

(Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and its consolidated subsidiaries in Japan made a shift from the consolidated taxation system to the group tax sharing system in the first quarter of the fiscal year. Consequently, regarding accounting processing and disclosures for income taxes, local corporate income taxes and tax effect accounting, the Company started to apply the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force No. 42 issued August 12, 2021, hereinafter "PITF No. 42"). In addition, based on Paragraph 32-(1) of PITF No. 42, the Company considers that there will be no impact of changes in its accounting policy resulting from the application of PITF No. 42.

(Segment information, etc.)

I. From January 1, 2022 to September 30, 2022

1. Information on net sales and profits or losses by reported 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 Business	Total				
Net sales									
Sales to customers	58,086	56,460	61,481	55,748	231,776	3,229	235,006	—	235,006
Intersegment sales	938	296	666	2	1,903	474	2,378	-2,378	—
Total	59,025	56,756	62,148	55,750	233,680	3,704	237,384	-2,378	235,006
Segment profits	1,357	1,794	640	737	4,531	776	5,307	2	5,309

(Note) 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. An adjustment of 2 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. From January 1, 2023 to September 30, 2023

1. Information on net sales and profits or losses by reported 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 Business	Total				
Net sales									
Sales to customers	59,477	57,063	61,916	56,384	234,841	3,393	238,235	—	238,235
Intersegment sales	1,062	123	515	20	1,721	692	2,414	-2,414	—
Total	60,539	57,186	62,431	56,404	236,563	4,086	240,649	-2,414	238,235
Segment profits and losses(-)	2,109	3,726	2,575	941	9,352	-199	9,153	-22	9,131

(Note) 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. An adjustment of -22 million yen in segment profits and losses(-) mainly represents the deduction of intersegment transactions.

3. Segment profits and losses(-) 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

(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 Business	Total			
Impairment loss	356	-	-	-	356	-	-	356

(Note) An impairment loss of 356 million yen related to Colorants and Functional Materials Related Business is business restructuring expenses in the quarterly consolidated statement of income.