

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



November 9, 2023

Consolidated Financial Results for the Six Months Ended September 30, 2023 [JGAAP]

Company Name: DAINICHISEIKA COLOR & CHEMICALS MFG. CO., LTD.

Stock Code: 4116

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

Stock Exchange Listing: Tokyo

Representative: Koji Takahashi, Representative Director and President

Contact: Tatsuhiko Komada, Senior Managing Executive Officer, Chief Financial Officer

Phone: +81-3-3662-1638

Scheduled date to submit the Quarterly Securities Report: November 10, 2023

Scheduled date to commence dividend payments: December 8, 2023

Availability of supplementary briefing material on quarterly results: Yes

Holding of Quarterly Results Briefing Session: Yes

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (From April 1, 2023 to September 30, 2023)

(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	%
Six months ended September 30, 2023	59,512	(4.1)	1,708	(4.7)	2,144	(12.7)	2,544	57.0
Six months ended September 30, 2022	62,087	3.0	1,791	(61.1)	2,457	(51.0)	1,620	(52.5)

(Note) Comprehensive income: Six months ended September 30, 2023: ¥5,454 million [(14.7%)]
Six months ended September 30, 2022: ¥6,394 million [26.3%]

	Profit per share		Fully diluted profit per share	
	Yen		Yen	
Six months ended September 30, 2023	140.98		—	
Six months ended September 30, 2022	87.68		—	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of September 30, 2023	195,107		116,068		58.3	
As of March 31, 2023	192,765		114,301		58.1	

(Reference) Equity: As of September 30, 2023: ¥113,712 million
As of March 31, 2023: ¥112,058 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, 2023	–	40.00	–	40.00	80.00
Year ending March 31, 2024	–	40.00			
Year ending March 31, 2024 (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, 2024 (From April 1, 2023 to March 31, 2024)

(% 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	120,400	(1.3)	4,400	66.9	4,500	33.4	4,100	104.3	238.97

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

*** Notes**

- (1) Changes in significant subsidiaries during the six months ended September 30, 2023 (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: Not applicable
 - 2) Changes in accounting policies other than 1): Not applicable
 - 3) Changes in accounting estimates: Not applicable
 - 4) Restatements: Not applicable

(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 September 30, 2023	18,613,110 shares	As of March 31, 2023	18,613,110 shares
2) Total number of treasury shares at the end of the period:	As of September 30, 2023	1,456,124 shares	As of March 31, 2023	122,030 shares
3) Average number of shares during the period (cumulative):	Six months ended September 30, 2023	18,047,909 shares	Six months ended September 30, 2022	18,485,326 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.
- The Company plans to hold a quarterly results briefing session as follows. We also plan to disclose and publish the documents, etc. to be distributed at this session to the Tokyo Stock Exchange and on the Company’s website by the day before the session.

Date: Thursday, December 7, 2023, 13:00 (JST)

Outline: Quarterly results briefing session for institutional investors and analysts

Date: Thursday, January 18, 2024, 13:00 (JST)

Outline: Quarterly results briefing session for individual investors

Table of Contents of Appendix

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information	3
2. Quarterly Consolidated Financial Statements and Principal Notes	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(Quarterly Consolidated Statements of Income)	7
(Quarterly Consolidated Statements of Comprehensive Income)	8
(3) Notes to Quarterly Consolidated Financial Statements	9
(Notes to Going Concern Assumption)	9
(Notes to Significant Changes in the Amount of Shareholders' Equity)	9
(Segment Information)	10
(Notes Related to Revenue Recognition)	11

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

With regard to the economic environment surrounding the Group in the six months ended September 30, 2023, while overseas economies such as Europe and China slowed down due to declining global demand caused by ongoing inflation, the Japanese economy showed a gradual recovery trend due to the rebound for automobile production as a result of easing supply constraints and the recovery in inbound demand.

In this economic environment, sales to the Group's main customers in the information-electronics industry of products for use in LCD trended favorably as inventory adjustments in the supply chain ran their course, and sales of products for use in automobiles in the transportation industry were on a gentle recovery path. On the other hand, sales of products for the packaging materials and building materials industries were sluggish, affected by weak consumption against a backdrop of high prices. Overseas sales were sluggish, affected by the economic stagnation in China. As a result, net sales decreased to ¥59,512 million, down by 4.1% compared with the same period of the previous fiscal year. Operating profit decreased to ¥1,708 million, down by 4.7% compared with the same period of the previous fiscal year, and ordinary profit decreased to ¥2,144 million, down by 12.7% compared with the same period of the previous fiscal year, respectively. Profit attributable to owners of parent increased to ¥2,544 million, up by 57.0% compared with the same period of the previous fiscal year, mainly due to recording a gain on the sale of strategic shareholdings in extraordinary income.

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.

Although net sales of pigments and dispersion for the information-electronics industry showed a recovery trend from the beginning of the period for LCD applications, pigments and colorants for building materials were weak. Sales of compounds and colorants for the transportation industry recovered steadily due to the rebound in automobile production. Overseas, sales of compounds and colorants for home appliance and OA equipment applications remained sluggish at a local subsidiary in China.

As a result, net sales in the segment stood at ¥32,344 million, down by 6.2% compared with the same period of the previous fiscal year, while operating profit was ¥742 million, down by 49.0% 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 generally solid with the rebound in automobile production, while sales of thermal-recording coating materials for industrial materials were sluggish. Sales of UV coating materials for the information-electronics industry trended favorably as demand for products for LCDs recovered.

As a result, net sales in the segment stood at ¥11,919 million, down by 0.5% compared with the same period of the previous fiscal year, while operating profit was ¥1,328 million, up by 27.7% 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 for beverage label applications due to a hot summer, while those for flexible packaging applications for food products were sluggish due to the high price of goods. Sales of offset printing ink were weak due to a decrease in demand.

As a result, net sales in this segment decreased to ¥15,218 million, down by 2.3% compared with the same period of the previous fiscal year, but the operating loss narrowed to ¥348 million (compared with the operating loss of ¥711 million for the same period of the previous fiscal year) due to the disappearance of one-time new plant

relocation expenses recorded in the previous fiscal year and progress in price revisions at overseas subsidiaries in addition to the calming down of raw material prices.

(2) Explanation of Financial Position

(Assets)

Total assets as of September 30, 2023 increased by ¥2,341 million compared with the end of the previous fiscal year to ¥195,107 million. This is mainly due to an increase in “notes and accounts receivable - trade,” despite a decrease in “inventories.”

(Liabilities)

Total liabilities as of September 30, 2023 increased by ¥574 million compared with the end of the previous fiscal year to ¥79,038 million. This is mainly due to increases in “income taxes payable” and “provision for bonuses.”

(Net assets)

Total net assets as of September 30, 2023 increased by ¥1,767 million compared with the end of the previous fiscal year to ¥116,068 million. This was mainly due to an increase in “retained earnings” resulting from recording “profit attributable to owners of parent” and an increase in “foreign currency translation adjustments,” despite a decrease from the purchase of “treasury shares.”

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

The Group is positioned as a midstream business in the chemical industry that supplies products to the automobile, information-electronics, building material, industrial material, packaging and various other industries.

The Group’s projections for net sales by industry are as follows.

- Automobile industry

Compounds and colorants for automobiles have recovered gently in the first half of the fiscal year due to the rebound in production and they are expected to sell well in the second half of the fiscal year.

- Information-electronics industry

Pigments and coatings for LCDs staged an earlier-than-expected recovery from spring but sales are expected to remain weak in the second half of the fiscal year.

- Packaging materials industry

Sales for gravure printing ink are recovering for their use in beverages as a result of the increase in human flow, but sales are expected to fall below the initial estimates due to a decline in demand for food and beverages due to the high price of goods.

- Building material industry

Sales of colorants and coatings are projected to be weak due to an expected slowdown in the number of housing starts.

In terms of profit, we expect increased profits in the second half compared with the first half due to growth in the sales volume, despite the need to pay attention to the trend of raw material prices and utility costs.

Under such business environment, the Group continues to work towards expanding its business, increasing sales of high value-added products and revising sales prices.

The Group has revised the forecast of financial results for the fiscal year ending March 31, 2024 announced on May 15, 2023, in light of the above outlook.

Earnings Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024 (From April 1, 2023 to March 31, 2024)

	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
Previously announced forecasts (A)	128,000	5,200	5,600	4,300	232.54
Revised forecasts (B)	120,400	4,400	4,500	4,100	238.97
Change (B-A)	(7,600)	(800)	(1,100)	(200)	–
Change (%)	(5.9)	(15.4)	(19.6)	(4.7)	–
(Reference) Actual results for the fiscal year ended March 31, 2023	122,005	2,635	3,373	2,007	108.58

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	24,756	24,180
Notes and accounts receivable - trade	49,352	54,000
Inventories	33,994	32,725
Other	2,219	1,483
Allowance for doubtful accounts	(79)	(91)
Total current assets	110,243	112,298
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,451	21,371
Land	13,871	13,914
Other, net	14,451	15,069
Total property, plant and equipment	49,774	50,355
Intangible assets		
Other	1,394	1,250
Total intangible assets	1,394	1,250
Investments and other assets		
Investment securities	18,018	17,951
Retirement benefit asset	10,492	10,676
Other	2,857	2,589
Allowance for doubtful accounts	(15)	(15)
Total investments and other assets	31,353	31,202
Total non-current assets	82,522	82,808
Total assets	192,765	195,107
Liabilities		
Current liabilities		
Notes and accounts payable - trade	28,771	28,812
Short-term borrowings	12,431	14,466
Current portion of long-term borrowings	5,502	4,642
Income taxes payable	548	835
Provision for bonuses	1,661	1,871
Provision for environmental measures	13	2,867
Other	4,611	5,238
Total current liabilities	53,539	58,733
Non-current liabilities		
Long-term borrowings	12,507	10,441
Provision for environmental measures	2,967	101
Retirement benefit liability	7,619	7,797
Other	1,829	1,964
Total non-current liabilities	24,924	20,304
Total liabilities	78,464	79,038

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	10,039	10,039
Capital surplus	9,768	9,768
Retained earnings	81,791	83,593
Treasury shares	(287)	(3,130)
Total shareholders' equity	101,312	100,272
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,113	6,203
Foreign currency translation adjustment	3,201	5,920
Remeasurements of defined benefit plans	1,431	1,315
Total accumulated other comprehensive income	10,745	13,439
Non-controlling interests	2,243	2,356
Total net assets	114,301	116,068
Total liabilities and net assets	192,765	195,107

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

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	62,087	59,512
Cost of sales	50,921	48,988
Gross profit	11,165	10,523
Selling, general and administrative expenses	9,373	8,814
Operating profit	1,791	1,708
Non-operating income		
Interest income	53	108
Dividend income	221	213
Foreign exchange gains	246	257
Other	419	340
Total non-operating income	940	921
Non-operating expenses		
Interest expenses	149	138
Share of loss of entities accounted for using equity method	3	257
Rental expenses on non-current assets	28	29
Other	92	59
Total non-operating expenses	275	485
Ordinary profit	2,457	2,144
Extraordinary income		
Gain on sale of non-current assets	45	1
Gain on sale of investment securities	13	1,559
Total extraordinary income	58	1,561
Extraordinary losses		
Loss on retirement of non-current assets	79	37
Loss on valuation of investment securities	13	6
Loss on COVID-19	112	-
Other	3	0
Total extraordinary losses	208	44
Profit before income taxes	2,306	3,661
Income taxes - current	493	968
Income taxes - deferred	155	100
Total income taxes	648	1,068
Profit	1,658	2,593
Profit attributable to non-controlling interests	37	49
Profit attributable to owners of parent	1,620	2,544

(Quarterly Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	1,658	2,593
Other comprehensive income		
Valuation difference on available-for-sale securities	335	90
Foreign currency translation adjustment	4,111	2,723
Remeasurements of defined benefit plans, net of tax	21	(116)
Share of other comprehensive income of entities accounted for using equity method	267	163
Total other comprehensive income	4,735	2,860
Comprehensive income	6,394	5,454
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,052	5,238
Comprehensive income attributable to non-controlling interests	341	215

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

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

The Company purchased 1,343,000 treasury shares in accordance with a resolution of the Board of Directors held on August 9, 2023. The Company disposed of 9,240 treasury shares as restricted shares compensation in accordance with a resolution of the Board of Directors held on June 29, 2023.

As a result, including the purchase of treasury shares in association with the buyback of shares less than a trading unit, treasury shares increased by ¥2,842 million during the six months ended September 30, 2023 to ¥3,130 million as of September 30, 2023.

(Segment Information)

I. For the six months ended September 30, 2022 (From April 1, 2022 to September 30, 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	34,491	11,984	15,581	62,057	30	62,087
(2) Intersegment net sales and transfer	82	242	–	324	(324)	–
Total	34,573	12,227	15,581	62,382	(294)	62,087
Segment profit [Operating profit] (loss)	1,456	1,040	(711)	1,784	7	1,791

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	24,599	8,561	11,647	44,807	30	44,837
Asia (excluding Japan)	7,528	1,877	3,670	13,076	–	13,076
Other	2,363	1,546	263	4,173	–	4,173
Total	34,491	11,984	15,581	62,057	30	62,087
Revenue from contracts with customers	34,491	11,984	15,581	62,057	21	62,078
Other revenue	–	–	–	–	8	8
Net sales to external customers	34,491	11,984	15,581	62,057	30	62,087

<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	57,003	12,015	15,584	84,603	30	84,634
Amount of sales offset due to subcontract processing with charged receipt	(22,512)	(30)	(3)	(22,546)	–	(22,546)
Net sales to external customers	34,491	11,984	15,581	62,057	30	62,087

II. For the six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)

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	32,344	11,919	15,218	59,483	29	59,512
(2) Intersegment net sales and transfer	53	201	–	254	(254)	–
Total	32,398	12,121	15,218	59,737	(225)	59,512
Segment profit [Operating profit] (loss)	742	1,328	(348)	1,721	(13)	1,708

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	25,315	8,186	11,178	44,680	29	44,710
Asia (excluding Japan)	4,456	2,267	3,824	10,548	–	10,548
Other	2,572	1,465	215	4,254	–	4,254
Total	32,344	11,919	15,218	59,483	29	59,512
Revenue from contracts with customers	32,344	11,919	15,218	59,483	21	59,504
Other revenue	–	–	–	–	8	8
Net sales to external customers	32,344	11,919	15,218	59,483	29	59,512

<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	52,086	11,953	15,221	79,260	29	79,290
Amount of sales offset due to subcontract processing with charged receipt	(19,741)	(33)	(3)	(19,777)	–	(19,777)
Net sales to external customers	32,344	11,919	15,218	59,483	29	59,512

(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).”