

This PDF document is an updated note on the company. A comprehensive version of the report on the company, including this latest update, is available on [our website](#) and various professional platforms.

On **February 17, 2020**, Toyo Ink SC Holdings Co., Ltd. announced earnings results for full-year FY12/19.

Cumulative (JPYmn)	FY12/17 (9mo)			FY12/18				FY12/19				FY12/19	
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	66,252	135,598	240,344	68,261	140,950	213,474	290,208	69,082	139,376	209,456	279,892	100.0%	280,000
YoY	1.2%	1.9%	5.1%	1.0%	4.1%	3.3%	3.6%	1.2%	-1.1%	-1.9%	-3.6%		-3.5%
Gross profit	16,199	32,895	55,910	15,237	31,116	46,093	62,293	14,874	30,313	44,641	60,333		
YoY	5.5%	3.4%	-	-	-	-	-	-2.4%	-2.6%	-3.2%	-3.1%		
GPM	24.5%	24.3%	23.3%	22.3%	22.1%	21.6%	21.5%	21.5%	21.7%	21.3%	21.6%		
SG&A expenses	11,637	23,381	39,136	11,389	23,415	35,178	47,017	12,088	24,202	35,146	47,159		
YoY	0.7%	1.6%	-	-	-	-	-	6.1%	3.4%	-0.1%	0.3%		
SG&A ratio	17.6%	17.2%	16.3%	16.7%	16.6%	16.5%	16.2%	17.5%	17.4%	16.8%	16.8%		
Operating profit	4,562	9,514	16,774	3,848	7,700	10,915	15,276	2,786	6,111	9,495	13,174	99.1%	13,300
YoY	20.3%	8.2%	8.4%	-25.5%	-23.1%	-28.8%	-25.3%	-27.6%	-20.6%	-13.0%	-13.8%		-12.9%
OPM	6.9%	7.0%	7.0%	5.6%	5.5%	5.1%	5.3%	4.0%	4.4%	4.5%	4.7%		4.8%
Recurring profit	4,943	9,971	17,473	3,415	7,466	10,807	15,429	3,044	6,347	9,609	13,847	102.6%	13,500
YoY	50.1%	27.8%	13.4%	-34.2%	-27.7%	-31.7%	-27.3%	-10.9%	-15.0%	-11.1%	-10.3%		-12.5%
RPM	7.5%	7.4%	7.3%	5.0%	5.3%	5.1%	5.3%	4.4%	4.6%	4.6%	4.9%		4.8%
Net income	3,591	7,416	10,376	2,168	5,307	8,418	11,847	2,393	2,770	5,410	8,509	100.1%	8,500
YoY	68.0%	43.2%	24.9%	-58.8%	-39.9%	-36.7%	-19.4%	10.4%	-47.8%	-35.7%	-28.2%		-28.3%
Net margin	5.4%	5.5%	4.3%	3.2%	3.8%	3.9%	4.1%	3.5%	2.0%	2.6%	3.0%		3.0%

Quarterly (JPYmn)	FY12/17 (9mo)			FY12/18				FY12/19			
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	66,252	69,346	104,746	68,261	72,689	72,524	76,734	69,082	70,294	70,080	70,436
YoY	1.2%	2.6%	-	-	-	-	-	1.2%	-3.3%	-3.4%	-8.2%
Gross profit	16,199	16,696	23,015	15,237	15,879	14,977	16,200	14,874	15,439	14,328	15,692
YoY	5.5%	1.5%	-	-	-	-	-	-2.4%	-2.8%	-4.3%	-3.1%
GPM	24.5%	24.1%	22.0%	22.3%	21.8%	20.7%	21.1%	21.5%	22.0%	20.4%	22.3%
SG&A expenses	11,637	11,744	15,755	11,389	12,026	11,763	11,839	12,088	12,114	10,944	12,013
YoY	0.7%	2.5%	-	-	-	-	-	6.1%	0.7%	-7.0%	1.5%
SG&A ratio	17.6%	16.9%	15.0%	16.7%	16.5%	16.2%	15.4%	17.5%	17.2%	15.6%	17.1%
Operating profit	4,562	4,952	7,260	3,848	3,852	3,215	4,361	2,786	3,325	3,384	3,679
YoY	20.3%	-0.9%	-	-	-	-	-	-27.6%	-13.7%	5.3%	-15.6%
OPM	6.9%	7.1%	6.9%	5.6%	5.3%	4.4%	5.7%	4.0%	4.7%	4.8%	5.2%
Recurring profit	4,943	5,028	7,502	3,415	4,051	3,341	4,622	3,044	3,303	3,262	4,238
YoY	50.1%	11.6%	-	-	-	-	-	-10.9%	-18.5%	-2.4%	-8.3%
RPM	7.5%	7.3%	7.2%	5.0%	5.6%	4.6%	6.0%	4.4%	4.7%	4.7%	6.0%
Net income	3,591	3,825	2,960	2,168	3,139	3,111	3,429	2,393	377	2,640	3,099
YoY	68.0%	25.7%	-	-	-	-	-	10.4%	-88.0%	-15.1%	-9.6%
Net margin	5.4%	5.5%	2.8%	3.2%	4.3%	4.3%	4.5%	3.5%	0.5%	3.8%	4.4%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Full-year FY12/19 results

Summary

Reflecting the prolonged trade friction between the US and China and the accompanying slump in worldwide smartphone sales and elevated levels of raw materials prices, the company saw sales and profits remain under pressure during the year, with consolidated sales coming in at JPY279.9bn (-3.6% YoY), operating profit at JPY13.2bn (-13.8% YoY), recurring profit at JPY13.8bn (-10.3% YoY), and net income at JPY8.5bn (-28.2% YoY).

Progress versus full-year forecasts was 100.0% for sales, 99.1% for operating profit, 102.6% for recurring profit, and 100.1% for net income attributable to owners of the parent.

Segment results

The Colorants & Functional Materials segment reported full-year sales of JPY67.4bn (-9.7% YoY), the Polymers & Coatings segment reported sales of JPY65.9bn (-0.3% YoY), the Packaging Materials segment reported sales of JPY68.1bn (+0.0% YoY), the Printing & Information segment reported sales of JPY76.7bn (-3.4% YoY), and the Others segment reported sales of JPY7.3bn (-0.9% YoY).

Operating profit trends by segments were mixed, with the Colorants & Functional Materials segment reporting a full-year operating profit of JPY3.4bn (-36.5% YoY), the Polymers & Coatings segment reporting operating profit of JPY6.0bn (-0.4% YoY), the Packaging Materials segment reporting operating profit of JPY3.1bn (+105.1% YoY), the Printing & Information segment

reporting operating profit of JPY314mn (-66.3% YoY), and the Others segment reporting operating profit of JPY424mn (-71.4% YoY).

By segment (cumulative) (JPYmn)	FY12/17 (9mo)			FY12/18				FY12/19			
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	66,252	135,598	240,344	68,261	140,950	213,474	290,208	69,082	139,376	209,456	279,892
YoY	1.2%	4.1%	5.1%	1.0%	4.1%	3.3%	3.6%	1.2%	-1.1%	-1.9%	-3.6%
Colorants and Functional Materials	16,924	34,720	63,385	17,650	36,554	55,510	74,660	16,807	34,620	51,114	67,400
YoY	7.8%	8.0%	10.3%	3.1%	5.3%	4.5%	3.9%	-4.8%	-5.3%	-7.9%	-9.7%
Polymers and Coatings	14,917	29,780	52,028	15,207	31,874	48,705	66,099	15,761	32,701	49,146	65,887
YoY	2.8%	2.4%	6.8%	-0.2%	3.8%	4.3%	4.1%	3.6%	2.6%	0.9%	-0.3%
Packaging	15,733	31,849	55,640	15,853	32,938	50,003	68,047	16,439	33,434	50,505	68,071
YoY	1.1%	0.0%	3.8%	5.4%	8.0%	7.2%	7.2%	3.7%	1.5%	1.0%	0.0%
Printing and Information	18,687	39,041	69,011	19,158	38,756	57,902	79,378	19,562	37,633	57,290	76,680
YoY	-6.3%	-3.6%	-1.1%	-4.8%	-1.4%	-3.2%	-1.4%	2.1%	-2.9%	-1.1%	-3.4%
Operating profit	4,562	9,514	16,774	3,848	7,700	10,915	15,276	2,786	6,111	9,495	13,174
YoY	20.3%	8.2%	8.4%	-25.5%	-23.1%	-28.8%	-25.3%	-27.6%	-20.6%	-13.0%	-13.8%
Colorants and Functional Materials	1,747	3,412	5,273	1,254	2,659	3,833	5,329	928	1,949	2,725	3,386
YoY	253.6%	140.5%	56.4%	-14.9%	-18.6%	-25.6%	-17.3%	-26.0%	-26.7%	-28.9%	-36.5%
Polymers and Coatings	1,585	3,239	5,868	1,222	2,893	4,397	6,035	1,174	2,789	4,371	6,013
YoY	1.7%	1.4%	5.5%	-33.3%	-20.8%	-22.4%	-23.3%	-3.9%	-3.6%	-0.6%	-0.4%
Packaging	640	1,259	2,096	346	747	1,040	1,491	478	1,148	2,017	3,058
YoY	9.2%	-20.4%	-17.0%	-39.3%	-36.0%	-45.7%	-38.1%	38.2%	53.7%	93.9%	105.1%
Printing and Information	445	1,321	2,996	371	699	723	931	76	37	135	314
YoY	-23.3%	-16.2%	5.8%	-46.0%	-38.0%	-57.4%	-63.8%	-79.5%	-94.7%	-81.3%	-66.3%
Quarterly (JPYmn)	FY12/17 (9mo)			FY12/18				FY12/19			
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	66,252	69,346	104,746	68,261	72,689	72,524	76,734	69,082	70,294	70,080	70,436
YoY	1.2%	2.6%	-	-	-	-	-	1.2%	-3.3%	-3.4%	-8.2%
Colorants and Functional Materials	16,924	17,796	28,665	17,650	18,904	18,956	19,150	16,807	17,813	16,494	16,286
YoY	7.8%	8.3%	-	-	-	-	-	-4.8%	-5.8%	-13.0%	-15.0%
Polymers and Coatings	14,917	14,863	22,248	15,207	16,667	16,831	17,394	15,761	16,940	16,445	16,741
YoY	2.8%	2.0%	-	-	-	-	-	3.6%	1.6%	-2.3%	-3.8%
Packaging	15,733	16,116	23,791	15,853	17,085	17,065	18,044	16,439	16,995	17,071	17,566
YoY	1.1%	-1.0%	-	-	-	-	-	3.7%	-0.5%	0.0%	-2.6%
Printing and Information	18,687	20,354	29,970	19,158	19,598	19,146	21,476	19,562	18,071	19,657	19,390
YoY	-6.3%	-1.0%	-	-	-	-	-	2.1%	-7.8%	2.7%	-9.7%
Operating profit	4,562	4,952	7,260	3,848	3,852	3,215	4,361	2,786	3,325	3,384	3,679
YoY	20.3%	-0.9%	-	-	-	-	-	-27.6%	-13.7%	5.3%	-15.6%
Colorants and Functional Materials	1,747	1,665	1,861	1,254	1,405	1,174	1,496	928	1,021	776	661
YoY	253.6%	80.0%	-	-	-	-	-	-26.0%	-27.3%	-33.9%	-55.8%
Polymers and Coatings	1,585	1,654	2,629	1,222	1,671	1,504	1,638	1,174	1,615	1,582	1,642
YoY	1.7%	1.1%	-	-	-	-	-	-3.9%	-3.4%	5.2%	0.2%
Packaging	640	619	837	346	401	293	451	478	670	869	1,041
YoY	9.2%	-37.8%	-	-	-	-	-	38.2%	67.1%	196.6%	130.8%
Printing and Information	445	876	1,675	371	328	24	208	76	-39	98	179
YoY	-23.3%	-12.1%	-	-	-	-	-	-79.5%	-	308.3%	-13.9%

Source: Shared Research based on company data

Note: From FY12/18, a portion of businesses involving coating materials transferred from the Printing & Information segment to the Polymers & Coatings segment.

Note: Figures may differ from company materials due to differences in rounding methods.

Colorants & Functional Materials

Sales of high-performance pigments and materials used in LCD color filters remained under pressure, hurt by a prolonged slump in demand from the smartphone and television markets. Low operating rates at customers who handle high-end goods in Japan and South Korea weighed on sales, in particular. In addition to the drop in sales, profits came under additional pressure as client companies in China and Taiwan stepped up demands on suppliers for price cuts.

Sales of commodity-type pigments likewise struggled amid ongoing weakness in the printing ink market and faltering demand from the automotive paint market, which weakened along with the slowdown in car sales. The situation was further aggravated by soaring prices for raw materials (the result of shortages caused by tighter environmental regulations), only part of which was able to be passed along to customers through price hikes, leading to lower profit YoY.

Sales of plastic colorants for containers increased in Japan. However, sales of high-performance colorants for applications in the automotive, construction, solar battery, and other fields remained in a slump. Sales of plastic colorants were also weak in Southeast Asia, where a major application is office equipment.

Polymers & Coatings

In the area of coating materials, the company continued working to develop and expand sales of electromagnetic shielding films for use in high-speed telecommunications devices, but the weakness in the smartphone markets in China and South Korea triggered more price competition, leaving overall sales and profit from coating materials down.

In contrast, the company saw steady domestic demand for adhesives used in labeling-related applications. Sales of adhesives used in lithium batteries (especially lithium batteries for cars) expanded. Overseas, sales grew in China, Southeast Asia, and Turkey. In adhesive compounds, demand for those used in labels was strong. Sales of compounds used in LCD polarization plates expanded.

In can coatings, sales of eco-friendly products were up in North America but sales remained depressed in Japan, due in part to the streak of unseasonable weather that stretched from summer into the fall in 2019.

Packaging Materials

In Japan, sales of gravure inks for printing applications continued to decline, and demand for construction materials was flat YoY. In packaging for food and beverages, sales of biomass gravure inks, primarily to private brands and convenience stores, saw significant growth. Overseas, the China business was sluggish, but sales of eco-friendly products grew in Southeast Asia and India.

Both in Japan and overseas, Toyo Ink was able to pass on some of the rise in raw material prices from the previous year to selling prices and also made every effort to cut costs.

In the gravure cylinder platemaking business, sales of precision plates used for electronics grew despite poor results for those used for packaging.

Printing & Information

With the domestic market for information printing still shrinking as more and more content goes digital, Toyo Ink has been stepping up its efforts to right-size its domestic business on a product-by-product basis, pursuing cooperative arrangements with other companies in the industry, and cutting costs. Overseas, the company continued working to increase sales by further expanding its global network, with these efforts bringing about gains in a number of regions including India and South America. Having established a sales subsidiary in Morocco, the company is also looking to expand its presence in the growing African market. On the product front, Toyo Ink is continuing its efforts to develop and grow sales of leading-edge products such as highly sensitive UV inks and inkjets inks for on-demand printing.

Still, during FY12/19 the company's Printing & Information business was forced to contend with a larger-than-expected decline in domestic demand for offset printing inks from the market for commercial printing (which includes handbills) and from newspapers and magazines. The decline in demand was partially attributable to shortages of printing paper. Supply tightness due to environmental regulations kept prices for raw materials high. In response, Toyo Ink worked to pass on some of the rise in raw materials prices to selling prices through price hikes.

Full-year company forecast for FY12/20 (out February 17, 2020)

(JPYmn)	FY12/18			FY12/19			FY12/20
	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	FY Est.
Sales	140,950	149,258	290,208	139,376	140,516	279,892	290,000
CoGS	109,834	118,081	227,915	109,062	110,497	219,559	
Gross profit	31,116	31,177	62,293	30,313	30,020	60,333	
GPM	22.1%	20.9%	21.5%	21.7%	21.4%	21.6%	
SG&A expenses	23,415	23,602	47,017	24,202	22,957	47,159	
SG&A ratio	16.6%	15.8%	16.2%	17.4%	16.3%	16.8%	
Operating profit	7,700	7,576	15,276	6,111	7,063	13,174	15,000
OPM	5.5%	5.1%	5.3%	4.4%	5.0%	4.7%	5.2%
Recurring profit	7,466	7,963	15,429	6,347	7,500	13,847	15,500
RPM	5.3%	5.3%	5.3%	4.6%	5.3%	4.9%	5.3%
Net income	5,307	6,540	11,847	2,770	5,739	8,509	10,000
Net margin	3.8%	4.4%	4.1%	2.0%	4.1%	3.0%	3.4%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Initial company forecast for FY12/20

The company sees sales and profits bouncing back in FY12/20, and for the full year forecasts consolidated sales of JPY290.0bn (+3.6% YoY), operating profit of JPY15.0bn (+13.9% YoY), recurring profit of JPY15.5bn (+11.9% YoY), and net income attributable to owners of the parent of JPY10.0bn (+17.5% YoY). The company plans to keep its annual dividend unchanged at JPY90.0 per share.

Historical results and company forecasts

Results vs. Initial Est. (JPYmn)	FY03/11 Cons.	FY03/12 Cons.	FY03/13 Cons.	FY03/14 Cons.	FY03/15 Cons.	FY03/16 Cons.	FY03/17 Cons.	FY12/17 Cons. (9mo)	FY12/18 Cons.	FY12/19 Cons.	FY12/20 Cons.
Sales (Initial Est.)	250,000	240,000	255,000	270,000	290,000	300,000	290,000	235,000	300,000	300,000	290,000
Sales (Results)	245,732	245,337	248,689	279,557	286,684	283,208	268,484	240,344	290,208	279,892	-
Results vs. Initial Est.	-1.7%	2.2%	-2.5%	3.5%	-1.1%	-5.6%	-7.4%	2.3%	-3.3%	-6.7%	-
Operating profit (Initial Est.)	14,000	17,000	16,000	20,000	21,500	20,000	19,500	16,300	21,500	21,501	15,000
Operating profit (Results)	19,152	13,648	17,547	19,728	18,210	18,236	19,231	16,774	15,276	13,174	-
Results vs. Initial Est.	36.8%	-19.7%	9.7%	-1.4%	-15.3%	-8.8%	-1.4%	2.9%	-28.9%	-38.7%	-
Recurring profit (Initial Est.)	14,000	17,000	16,000	20,000	22,000	20,500	20,000	16,600	22,000	22,001	15,500
Recurring profit (Results)	19,002	13,445	18,468	20,553	19,411	18,466	19,262	17,473	15,429	13,847	-
Results vs. Initial Est.	35.7%	-20.9%	15.4%	2.8%	-11.8%	-9.9%	-3.7%	5.3%	-29.9%	-37.1%	-
Net income (Initial Est.)	7,000	9,500	8,000	10,000	13,000	12,000	12,000	10,000	13,500	13,501	10,000
Net income (Results)	11,517	7,238	8,714	12,260	13,304	11,818	12,702	10,376	11,847	8,509	-
Results vs. Initial Est.	64.5%	-23.8%	8.9%	22.6%	2.3%	-1.5%	5.9%	3.8%	-12.2%	-37.0%	-

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Company forecasts are sometimes revised during the fiscal year depending on global demand trends, raw material price changes, and exchange rate fluctuations. Toyo Ink often revises forecasts at the segment level while maintaining overall consolidated forecasts for sales and operating profit. Risk factors include tightening Chinese environmental regulations that are difficult to forecast and fluctuations of emerging market currencies.

In the past 10 years, results have exceeded initial company forecasts three times for sales, four times for operating profit, five times for recurring profit, and eight times for net income. This indicates that Toyo Ink tries to achieve profit forecasts even if sales fall short. However, profit may not reach forecasts even if sales are above forecasts, such as in FY03/12, which witnessed a sudden yen appreciation. In FY12/18, profit fell well short of forecast, largely due to a rise in key raw material prices following a spike in naphtha input prices and tighter environmental regulations in China.

Regarding impacts of exchange rate fluctuations, every JPY1 increase in the JPY/USD rate means a decline in its operating profit of roughly JPY100mn.

In the past Toyo Ink estimated a negative impact on operating profit of JPY100mn for every JPY1,000/t increase in the naphtha price. However, currently, the share of inks and solvents has declined on a companywide basis so it appears that the sensitivity to fluctuations in raw material prices is lower than before.

This note is the most recent addition to the [full report](#).

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <https://sharedresearch.jp>.

Disclaimer

This document is provided for informational purposes only. No investment opinion or advice is provided, intended, or solicited. Shared Research Inc. offers no warranty, either expressed or implied, regarding the veracity of data or interpretations of data included in this report. We shall not be held responsible for any damage caused by the use of this report.

The copyright of this report and the rights regarding the creation and exploitation of the derivative work of this and other Shared Research Reports belong to Shared Research. This report may be reproduced or modified for personal use; distribution, transfer, or other uses of this report are strictly prohibited and a violation of the copyright of this report. Our officers and employees may currently, or in the future, have a position in securities of the companies mentioned in this report, which may affect this report's objectivity.

Japanese Financial Instruments and Exchange Law (FIEL) Disclaimer

The report has been prepared by Shared Research under a contract with the company described in this report ("the company"). Opinions and views presented are ours where so stated. Such opinions and views attributed to the company are interpretations made by Shared Research. We represent that if this report is deemed to include an opinion from us that could influence investment decisions in the company, such an opinion may be in exchange for consideration or promise of consideration from the company to Shared Research.

Contact Details

Shared Research Inc.

3-31-12 Sendagi Bunkyo-ku Tokyo, Japan

<https://sharedresearch.jp>

Phone: +81 (0)3 5834-8787

Email: info@sharedresearch.jp