

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 **May 15, 2020**, Toyo Ink SC Holdings Co., Ltd. announced earnings results for Q1 FY12/20.

Cumulative (JPYmn)	FY12/18				FY12/19				FY12/20	FY12/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	% of FY	FY Est.
Sales	68,261	140,950	213,474	290,208	69,082	139,376	209,456	279,892	63,424	21.9%	290,000
YoY	1.0%	4.1%	3.3%	3.6%	1.2%	-1.1%	-1.9%	-3.6%	-8.2%		3.6%
Gross profit	15,237	31,116	46,093	62,293	14,874	30,313	44,641	60,333	14,303		
YoY	-	-	-	-	-2.4%	-2.6%	-3.2%	-3.1%	-3.8%		
GPM	22.3%	22.1%	21.6%	21.5%	21.5%	21.7%	21.3%	21.6%	22.6%		
SG&A expenses	11,389	23,415	35,178	47,017	12,088	24,202	35,146	47,159	11,299		
YoY	-	-	-	-	6.1%	3.4%	-0.1%	0.3%	-6.5%		
SG&A ratio	16.7%	16.6%	16.5%	16.2%	17.5%	17.4%	16.8%	16.8%	17.8%		
Operating profit	3,848	7,700	10,915	15,276	2,786	6,111	9,495	13,174	3,004	20.0%	15,000
YoY	-25.5%	-23.1%	-28.8%	-25.3%	-27.6%	-20.6%	-13.0%	-13.8%	7.8%		13.9%
OPM	5.6%	5.5%	5.1%	5.3%	4.0%	4.4%	4.5%	4.7%	4.7%		5.2%
Recurring profit	3,415	7,466	10,807	15,429	3,044	6,347	9,609	13,847	1,989	12.8%	15,500
YoY	-34.2%	-27.7%	-31.7%	-27.3%	-10.9%	-15.0%	-11.1%	-10.3%	-34.7%		11.9%
RPM	5.0%	5.3%	5.1%	5.3%	4.4%	4.6%	4.6%	4.9%	3.1%		5.3%
Net income	2,168	5,307	8,418	11,847	2,393	2,770	5,410	8,509	1,161	11.6%	10,000
YoY	-58.8%	-39.9%	-36.7%	-19.4%	10.4%	-47.8%	-35.7%	-28.2%	-51.5%		17.5%
Net margin	3.2%	3.8%	3.9%	4.1%	3.5%	2.0%	2.6%	3.0%	1.8%		3.4%

Quarterly (JPYmn)	FY12/18				FY12/19				FY12/20
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sales	68,261	72,689	72,524	76,734	69,082	70,294	70,080	70,436	63,424
YoY	-	-	-	-	1.2%	-3.3%	-3.4%	-8.2%	-8.2%
Gross profit	15,237	15,879	14,977	16,200	14,874	15,439	14,328	15,692	14,303
YoY	-	-	-	-	-2.4%	-2.8%	-4.3%	-3.1%	-3.8%
GPM	22.3%	21.8%	20.7%	21.1%	21.5%	22.0%	20.4%	22.3%	22.6%
SG&A expenses	11,389	12,026	11,763	11,839	12,088	12,114	10,944	12,013	11,299
YoY	-	-	-	-	6.1%	0.7%	-7.0%	1.5%	-6.5%
SG&A ratio	16.7%	16.5%	16.2%	15.4%	17.5%	17.2%	15.6%	17.1%	17.8%
Operating profit	3,848	3,852	3,215	4,361	2,786	3,325	3,384	3,679	3,004
YoY	-	-	-	-	-27.6%	-13.7%	5.3%	-15.6%	7.8%
OPM	5.6%	5.3%	4.4%	5.7%	4.0%	4.7%	4.8%	5.2%	4.7%
Recurring profit	3,415	4,051	3,341	4,622	3,044	3,303	3,262	4,238	1,989
YoY	-	-	-	-	-10.9%	-18.5%	-2.4%	-8.3%	-34.7%
RPM	5.0%	5.6%	4.6%	6.0%	4.4%	4.7%	4.7%	6.0%	3.1%
Net income	2,168	3,139	3,111	3,429	2,393	377	2,640	3,099	1,161
YoY	-	-	-	-	10.4%	-88.0%	-15.1%	-9.6%	-51.5%
Net margin	3.2%	4.3%	4.3%	4.5%	3.5%	0.5%	3.8%	4.4%	1.8%

Source: Shared Research based on company data

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

Q1 FY12/20 results

Summary

Owing to the impact from a slump in worldwide smartphone sales and elevated levels of raw materials prices accompanying the prolonged trade friction between the US and China, sales fell 8.2% YoY to JPY63.4bn in Q1 FY12/20. Operating profit was JPY3.0bn (+7.8% YoY), recurring profit JPY2.0bn (-34.7% YoY), and net income JPY1.2bn (-51.5% YoY).

Progress versus full-year FY12/20 forecasts (refer to the next section on company forecasts) was 21.9% for sales, 20.0% for operating profit, 12.8% for recurring profit, and 11.6% for net income attributable to owners of the parent.

Segment results

The Colorants & Functional Materials segment reported full-year sales of JPY15.1bn (-10.3% YoY), the Polymers & Coatings segment reported sales of JPY14.8bn (-5.8% YoY), the Packaging Materials segment reported sales of JPY16.3bn (-0.7% YoY), the Printing & Information segment reported sales of JPY16.9bn (-13.7% YoY), and the Others segment reported sales of JPY1.6bn (-13.8% YoY).

Operating profit by segment was JPY828mn (-10.8% YoY) in the Colorants & Functional Materials segment, JPY1.2bn (-0.4% YoY) in the Polymers & Coatings segment, JPY854mn (+78.7% YoY) in the Packaging Materials segment, JPY94mn (+23.7% YoY) in the Printing & Information segment, and JPY56mn (-59.3% YoY) in the Others segment.

By segment (cumulative) (JPYmn)	FY12/18				FY12/19				FY12/20
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sales	68,261	140,950	213,474	290,208	69,082	139,376	209,456	279,892	63,424
YoY	1.0%	4.1%	3.3%	3.6%	1.2%	-1.1%	-1.9%	-3.6%	-8.2%
Colorants and Functional Materials	17,650	36,554	55,510	74,660	16,807	34,620	51,114	67,400	15,070
YoY	3.1%	5.3%	4.5%	3.9%	-4.8%	-5.3%	-7.9%	-9.7%	-10.3%
Polymers and Coatings	15,207	31,874	48,705	66,099	15,761	32,701	49,146	65,887	14,847
YoY	-0.2%	3.8%	4.3%	4.1%	3.6%	2.6%	0.9%	-0.3%	-5.8%
Packaging	15,853	32,938	50,003	68,047	16,439	33,434	50,505	68,071	16,321
YoY	5.4%	8.0%	7.2%	7.2%	3.7%	1.5%	1.0%	0.0%	-0.7%
Printing and Information	19,158	38,756	57,902	79,378	19,562	37,633	57,290	76,680	16,874
YoY	-4.8%	-1.4%	-3.2%	-1.4%	2.1%	-2.9%	-1.1%	-3.4%	-13.7%
Operating profit	3,848	7,700	10,915	15,276	2,786	6,111	9,495	13,174	3,004
YoY	-25.5%	-23.1%	-28.8%	-25.3%	-27.6%	-20.6%	-13.0%	-13.8%	7.8%
Colorants and Functional Materials	1,254	2,659	3,833	5,329	928	1,949	2,725	3,386	828
YoY	-14.9%	-18.6%	-25.6%	-17.3%	-26.0%	-26.7%	-28.9%	-36.5%	-10.8%
Polymers and Coatings	1,222	2,893	4,397	6,035	1,174	2,789	4,371	6,013	1,169
YoY	-33.3%	-20.8%	-22.4%	-23.3%	-3.9%	-3.6%	-0.6%	-0.4%	-0.4%
Packaging	346	747	1,040	1,491	478	1,148	2,017	3,058	854
YoY	-39.3%	-36.0%	-45.7%	-38.1%	38.2%	53.7%	93.9%	105.1%	78.7%
Printing and Information	371	699	723	931	76	37	135	314	94
YoY	-46.0%	-38.0%	-57.4%	-63.8%	-79.5%	-94.7%	-81.3%	-66.3%	23.7%

Quarterly (JPYmn)	FY12/18				FY12/19				FY12/20
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sales	68,261	72,689	72,524	76,734	69,082	70,294	70,080	70,436	63,424
YoY	-	-	-	-	1.2%	-3.3%	-3.4%	-8.2%	-8.2%
Colorants and Functional Materials	17,650	18,904	18,956	19,150	16,807	17,813	16,494	16,286	15,070
YoY	-	-	-	-	-4.8%	-5.8%	-13.0%	-15.0%	-10.3%
Polymers and Coatings	15,207	16,667	16,831	17,394	15,761	16,940	16,445	16,741	14,847
YoY	-	-	-	-	3.6%	1.6%	-2.3%	-3.8%	-5.8%
Packaging	15,853	17,085	17,065	18,044	16,439	16,995	17,071	17,566	16,321
YoY	-	-	-	-	3.7%	-0.5%	0.0%	-2.6%	-0.7%
Printing and Information	19,158	19,598	19,146	21,476	19,562	18,071	19,657	19,390	16,874
YoY	-	-	-	-	2.1%	-7.8%	2.7%	-9.7%	-13.7%
Operating profit	3,848	3,852	3,215	4,361	2,786	3,325	3,384	3,679	3,004
YoY	-	-	-	-	-27.6%	-13.7%	5.3%	-15.6%	7.8%
Colorants and Functional Materials	1,254	1,405	1,174	1,496	928	1,021	776	661	828
YoY	-	-	-	-	-26.0%	-27.3%	-33.9%	-55.8%	-10.8%
Polymers and Coatings	1,222	1,671	1,504	1,638	1,174	1,615	1,582	1,642	1,169
YoY	-	-	-	-	-3.9%	-3.4%	5.2%	0.2%	-0.4%
Packaging	346	401	293	451	478	670	869	1,041	854
YoY	-	-	-	-	38.2%	67.1%	196.6%	130.8%	78.7%
Printing and Information	371	328	24	208	76	-39	98	179	94
YoY	-	-	-	-	-79.5%	-	308.3%	-13.9%	23.7%

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

Despite being impacted by the COVID-19 pandemic, sales of high performance pigments and materials for LCD color filters grew on strong demand in China and the trend among customers to bring forward production and secure materials in view of rising demand for personal computer displays. Sales of commodity-type pigments struggled amid ongoing weakness in the printing ink market and faltering demand from the automotive paint market due to a slowdown in car sales. Sales of plastic colorants for containers were sluggish in Japan owing to mild winter weather and reduced inbound tourist demand, and 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 for office equipment applications in Southeast Asia.

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 reduced production of smartphones caused by disruption to the supply chain led to an overall stagnation in sales and profit. In contrast, the company saw steady domestic demand for adhesives used in packaging-related applications, but sales of adhesives for use in lithium batteries were sluggish. Overseas, meanwhile, sales in China weakened due to the temporary suspension of business activities amid the COVID-19 pandemic. For adhesive compounds, demand was strong in Japan for labels, the main application, but weak in China and South Korea. In can coatings (finishes), sales increased in Japan for low-alcohol drinks as people avoided going out (due to the COVID-19 pandemic), but remained subdued in China and North America.

Packaging Materials

In Japan, demand for gravure inks was down in the main packaging application due to mild winter weather and the move to reduce food waste, but strong for household food, such as frozen food and retort pouches, and sanitary goods as a result of people choosing to stay home. On the other hand, demand for publishing continued to fall, demand for construction materials was subdued, and sales of solvents and printing systems declined. Overseas, the China business remained sluggish due to the suspension of operations at both customer facilities and the company's own facilities, but sales of eco-friendly products grew in Southeast Asia and India. In the gravure cylinder platemaking business, the company received spot demand for packaging associated with amendments to laws relating to food labeling, and sales of precision plates used for electronics grew.

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. 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 inkjet inks for on-demand printing. The company proceeded to raise selling prices in an effort to pass along costs from elevated levels of raw materials prices caused by environmental regulations. However, amid the prolonged COVID-19 pandemic, ink demand continued to fall in Japan due to a reduction in flyers, ads, and other printed materials accompanying restricted movement and event cancellations. The company was also forced to temporarily suspend business activities in some countries, including China.

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