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On November 13, 2020, Toyo Ink SC Holdings Co., Ltd. announced earnings results for Q3 FY12/20

Cumulative (JPYmn)	FY12/18				FY12/19				FY12/20			FY12/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of Est.	FY Est.
Sales	68,261	140,950	213,474	290,208	69,082	139,376	209,456	279,892	63,424	123,290	187,418	72.1%	260,000
YoY	1.0%	4.1%	3.3%	3.6%	1.2%	-1.1%	-1.9%	-3.6%	-8.2%	-11.5%	-10.5%		-7.1%
Gross profit	15,237	31,116	46,093	62,293	14,874	30,313	44,641	60,333	14,303	27,388	41,176		
YoY	-	-	-	-	-2.4%	-2.6%	-3.2%	-3.1%	-3.8%	-9.6%	-7.8%		
GPM	22.3%	22.1%	21.6%	21.5%	21.5%	21.7%	21.3%	21.6%	22.6%	22.2%	22.0%		
SG&A expenses	11,389	23,415	35,178	47,017	12,088	24,202	35,146	47,159	11,299	21,838	32,740		
YoY	-	-	-	-	6.1%	3.4%	-0.1%	0.3%	-6.5%	-9.8%	-6.8%		
SG&A ratio	16.7%	16.6%	16.5%	16.2%	17.5%	17.4%	16.8%	16.8%	17.8%	17.7%	17.5%		
Operating profit	3,848	7,700	10,915	15,276	2,786	6,111	9,495	13,174	3,004	5,549	8,435	70.3%	12,000
YoY	-25.5%	-23.1%	-28.8%	-25.3%	-27.6%	-20.6%	-13.0%	-13.8%	7.8%	-9.2%	-11.2%		-8.9%
OPM	5.6%	5.5%	5.1%	5.3%	4.0%	4.4%	4.5%	4.7%	4.7%	4.5%	4.5%		4.6%
Recurring profit	3,415	7,466	10,807	15,429	3,044	6,347	9,609	13,847	1,989	4,933	7,466	64.9%	11,500
YoY	-34.2%	-27.7%	-31.7%	-27.3%	-10.9%	-15.0%	-11.1%	-10.3%	-34.7%	-22.3%	-22.3%		-16.9%
RPM	5.0%	5.3%	5.1%	5.3%	4.4%	4.6%	4.6%	4.9%	3.1%	4.0%	4.0%		4.4%
Net income	2,168	5,307	8,418	11,847	2,393	2,770	5,410	8,509	1,161	2,646	4,215	70.3%	6,000
YoY	-58.8%	-39.9%	-36.7%	-19.4%	10.4%	-47.8%	-35.7%	-28.2%	-51.5%	-4.5%	-22.1%		-29.5%
Net margin	3.2%	3.8%	3.9%	4.1%	3.5%	2.0%	2.6%	3.0%	1.8%	2.1%	2.2%		2.3%

  

Quarterly (JPYmn)	FY12/18				FY12/19				FY12/20		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales	68,261	72,689	72,524	76,734	69,082	70,294	70,080	70,436	63,424	59,866	64,128
YoY	-	-	-	-	1.2%	-3.3%	-3.4%	-8.2%	-8.2%	-14.8%	-8.5%
Gross profit	15,237	15,879	14,977	16,200	14,874	15,439	14,328	15,692	14,303	13,085	13,788
YoY	-	-	-	-	-2.4%	-2.8%	-4.3%	-3.1%	-3.8%	-15.2%	-3.8%
GPM	22.3%	21.8%	20.7%	21.1%	21.5%	22.0%	20.4%	22.3%	22.6%	21.9%	21.5%
SG&A expenses	11,389	12,026	11,763	11,839	12,088	12,114	10,944	12,013	11,299	10,539	10,902
YoY	-	-	-	-	6.1%	0.7%	-7.0%	1.5%	-6.5%	-13.0%	-0.4%
SG&A ratio	16.7%	16.5%	16.2%	15.4%	17.5%	17.2%	15.6%	17.1%	17.8%	17.6%	17.0%
Operating profit	3,848	3,852	3,215	4,361	2,786	3,325	3,384	3,679	3,004	2,545	2,886
YoY	-	-	-	-	-27.6%	-13.7%	5.3%	-15.6%	7.8%	-23.5%	-14.7%
OPM	5.6%	5.3%	4.4%	5.7%	4.0%	4.7%	4.8%	5.2%	4.7%	4.3%	4.5%
Recurring profit	3,415	4,051	3,341	4,622	3,044	3,303	3,262	4,238	1,989	2,944	2,533
YoY	-	-	-	-	-10.9%	-18.5%	-2.4%	-8.3%	-34.7%	-10.9%	-22.3%
RPM	5.0%	5.6%	4.6%	6.0%	4.4%	4.7%	4.7%	6.0%	3.1%	4.9%	3.9%
Net income	2,168	3,139	3,111	3,429	2,393	377	2,640	3,099	1,161	1,485	1,569
YoY	-	-	-	-	10.4%	-88.0%	-15.1%	-9.6%	-51.5%	293.9%	-40.6%
Net margin	3.2%	4.3%	4.3%	4.5%	3.5%	0.5%	3.8%	4.4%	1.8%	2.5%	2.4%

Source: Shared Research based on company data

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

## Q3 FY12/20 results

### Summary

For the nine-month period through Q3 FY12/20, the company reported consolidated sales of JPY187.4bn (-10.5% YoY), operating profit of JPY8.4bn (-11.2% YoY), recurring profit of JPY7.5bn (-22.3% YoY), and net income attributable to owners of the parent of JPY4.2bn (-22.1% YoY). The company attributed the drop in sales and earnings to the worldwide slump in the smartphone market and the elevated level of raw material prices amid the ongoing trade friction between the US and China.

With the first nine months of the fiscal year now behind it, the company has earned 72.1% of its full-year target for sales, 70.3% for operating profit, 64.9% for recurring profit, and 70.3% for net income attributable to owners of the parent.

### Results by segment

Regarding sales by segment, the Colorants & Functional Materials segment reported JPY44.3bn (-13.3% YoY); the Polymers & Coatings segment logged JPY45.6bn (-7.2% YoY); the Packaging Materials segment recorded JPY49.2bn (-2.6% YoY); the Printing & Information segment posted JPY47.2bn (-17.6% YoY); the Others segment had JPY4.7bn (-15.0% YoY).

On operating profit, the Colorants & Functional Materials segment reported JPY1.7bn (-37.0% YoY); the Polymers & Coatings segment logged JPY4.1bn (-6.1% YoY); the Packaging Materials segment recorded JPY2.7bn (+35.0% YoY); the Printing & Information segment posted an operating loss of JPY341mn (versus a profit of JPY135mn in Q3 FY12/19); the Others segment had an operating profit of JPY220mn (-16.5% YoY).

By segment (cumulative)		FY12/18				FY12/19				FY12/20		
(JPYmn)		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales		68,261	140,950	213,474	290,208	69,082	139,376	209,456	279,892	63,424	123,290	187,418
YoY		1.0%	4.1%	3.3%	3.6%	1.2%	-1.1%	-1.9%	-3.6%	-8.2%	-11.5%	-10.5%
Colorants and Functional Materials		17,650	36,554	55,510	74,660	16,807	34,620	51,114	67,400	15,070	28,757	44,315
YoY		3.1%	5.3%	4.5%	3.9%	-4.8%	-5.3%	-7.9%	-9.7%	-10.3%	-16.9%	-13.3%
Polymers and Coatings		15,207	31,874	48,705	66,099	15,761	32,701	49,146	65,887	14,847	29,931	45,598
YoY		-0.2%	3.8%	4.3%	4.1%	3.6%	2.6%	0.9%	-0.3%	-5.8%	-8.5%	-7.2%
Packaging		15,853	32,938	50,003	68,047	16,439	33,434	50,505	68,071	16,321	32,910	49,177
YoY		5.4%	8.0%	7.2%	7.2%	3.7%	1.5%	1.0%	0.0%	-0.7%	-1.6%	-2.6%
Printing and Information		19,158	38,756	57,902	79,378	19,562	37,633	57,290	76,680	16,874	30,813	47,188
YoY		-4.8%	-1.4%	-3.2%	-1.4%	2.1%	-2.9%	-1.1%	-3.4%	-13.7%	-18.1%	-17.6%
Operating profit		3,848	7,700	10,915	15,276	2,786	6,111	9,495	13,174	3,004	5,549	8,435
YoY		-25.5%	-23.1%	-28.8%	-25.3%	-27.6%	-20.6%	-13.0%	-13.8%	7.8%	-9.2%	-11.2%
Colorants and Functional Materials		1,254	2,659	3,833	5,329	928	1,949	2,725	3,386	828	1,291	1,716
YoY		-14.9%	-18.6%	-25.6%	-18.2%	-26.0%	-26.7%	-28.9%	-36.5%	-10.8%	-33.8%	-37.0%
Polymers and Coatings		1,222	2,893	4,397	6,035	1,174	2,789	4,371	6,013	1,169	2,449	4,106
YoY		-33.3%	-20.8%	-22.4%	-23.3%	-3.9%	-3.6%	-0.6%	-0.4%	-0.4%	-12.2%	-6.1%
Packaging		346	747	1,040	1,491	478	1,148	2,017	3,058	854	1,916	2,723
YoY		-39.3%	-36.0%	-45.7%	-38.1%	38.2%	53.7%	93.9%	105.1%	78.7%	66.9%	35.0%
Printing and Information		371	699	723	931	76	37	135	314	94	-246	-341
YoY		-46.0%	-38.0%	-57.4%	-63.8%	-79.5%	-94.7%	-81.3%	-66.3%	23.7%	-	-

  

Quarterly		FY12/18				FY12/19				FY12/20		
(JPYmn)		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales		68,261	72,689	72,524	76,734	69,082	70,294	70,080	70,436	63,424	59,866	64,128
YoY		-	-	-	-	1.2%	-3.3%	-3.4%	-8.2%	-8.2%	-14.8%	-8.5%
Colorants and Functional Materials		17,650	18,904	18,956	19,150	16,807	17,813	16,494	16,286	15,070	13,687	15,558
YoY		-	-	-	-	-4.8%	-5.8%	-13.0%	-15.0%	-10.3%	-23.2%	-5.7%
Polymers and Coatings		15,207	16,667	16,831	17,394	15,761	16,940	16,445	16,741	14,847	15,084	15,667
YoY		-	-	-	-	3.6%	1.6%	-2.3%	-3.8%	-5.8%	-11.0%	-4.7%
Packaging		15,853	17,085	17,065	18,044	16,439	16,995	17,071	17,566	16,321	16,589	16,267
YoY		-	-	-	-	3.7%	-0.5%	0.0%	-2.6%	-0.7%	-2.4%	-4.7%
Printing and Information		19,158	19,598	19,146	21,476	19,562	18,071	19,657	19,390	16,874	13,939	16,375
YoY		-	-	-	-	2.1%	-7.8%	2.7%	-9.7%	-13.7%	-22.9%	-16.7%
Operating profit		3,848	3,852	3,215	4,361	2,786	3,325	3,384	3,679	3,004	2,545	2,886
YoY		-	-	-	-	-27.6%	-13.7%	5.3%	-15.6%	7.8%	-23.5%	-14.7%
Colorants and Functional Materials		1,254	1,405	1,174	1,496	928	1,021	776	661	828	463	425
YoY		-	-	-	-	-26.0%	-27.3%	-33.9%	-55.8%	-10.8%	-54.7%	-45.2%
Polymers and Coatings		1,222	1,671	1,504	1,638	1,174	1,615	1,582	1,642	1,169	1,280	1,657
YoY		-	-	-	-	-3.9%	-3.4%	5.2%	0.2%	-0.4%	-20.7%	4.7%
Packaging		346	401	293	451	478	670	869	1,041	854	1,062	807
YoY		-	-	-	-	38.2%	67.1%	196.6%	130.8%	78.7%	58.5%	-7.1%
Printing and Information		371	328	24	208	76	-39	98	179	94	-340	-95
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 &amp; Information segment to the Polymers &amp; Coatings segment.

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

### Colorants & Functional Materials segment

Within the segment, sales of high performance pigments and materials for LCD color filters were down as the spread of COVID-19 hurt demand for large-screen televisions and smartphones during the April–June quarter, although sales staged a comeback in the latter half the period. On the plus side, demand grew for the display panels of personal computers and tablet computers. Still, earnings at the segment remained under heavy pressure as customers demanded still more cost cuts as the market moved increasingly to China.

Sales of commodity type pigments remained weak amid the ongoing slump in the printing ink market and was further depressed by the downturn in the automotive paint market, which fell along with the decline in auto sales. Domestic demand for plastic colorants was mixed, with demand for use in sanitary packaging applications rising while, on the down side, demand for use in applications such as beverage bottle caps and containers for cosmetics fell as end-use product sales declined as inbound tourism fell and more and more people stayed at home amid the pandemic. Sales of plastic colorants were also down on other markets, including construction materials, solar batteries, office equipment for Southeast Asia, and the North American car market.

### Polymers & Coatings segment

Sales of coating materials to the smartphone market were down during the first half of the year due to falling demand and supply chain disruptions, but have been staging a comeback since then. The company's efforts progressed to develop electromagnetic shielding films for use in high-speed telecommunications devices and expand their sales.

Adhesives saw solid domestic demand for packaging-related applications but sales to the domestic lithium battery market hit a snag. Overseas sales of adhesives remained sluggish, especially in China and Southeast Asia, depressed by the temporary shutdowns in business operations in the wake of the pandemic.

Adhesive compounds saw brisk domestic demand for labeling-related applications (their main use), but demand was weak in other areas, including display-related applications, and applications in home electronics and automobiles. Demand for adhesive compounds was also weak in overseas markets including South Korea and Southeast Asia.

Can coatings (finishes) saw growth in domestic sales for use on cans containing low-alcoholic beverages as people refrained from going out; on the flip side, domestic sales of coating for soft drink cans (the type sold through vending machines and convenience stores) were weak, as were sales of can coatings overseas, including sales to China and North America.

### Packaging Materials segment

Sales of gravure inks for use in packaging (its main application) took a hit from the downturn in demand stemming from the collapse of inbound tourism while at the same time enjoying solid demand for inks, especially biomass inks, used in packaging for household food products, such as frozen food and retort pouches, and sanitary goods, as more people stayed at home amid the pandemic. Sales of solvents and printing systems were down, hurt by the ongoing decline in demand from the publishing market and weak demand for use in construction materials.

Overseas sales of packaging materials finished on a weak note due to temporary shutdowns of factories (including its own) in China, Southeast Asia, and India. Still, the company noted that both it and its customers had been able to restart their plants relatively quickly owing to their status as manufacturers of essential goods, and that it had also been able to increase sales of eco-friendly products.

At its gravure cylinder plate-making business, demand from the packaging-use market weakened during the latter half of the period but the company was able to continue growing sales of precision plate for use in electronics-related applications.

### 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. On the product front, Toyo Ink is continuing its efforts to develop and grow sales of 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 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 and India.

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

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