

TRANSLATION:

This is an English translation of Consolidated Quarterly Financial Results (Japanese Accounting Standards) for the First Quarter of the Fiscal Year Ending December 31, 2024. 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.

artience



Consolidated Quarterly Financial Results (Japanese Accounting Standards) for the First Quarter of the Fiscal Year Ending December 31, 2024

May 10, 2024

Name of Listed Company: artience Co., Ltd.

Code: 4634

Representative: Satoru Takashima, President and Representative Director, Group CEO

Contact: Takeshi Arimura, Operating Officer and General Manager of Finance & Accounting Department

Listings: Tokyo Stock Exchange

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Scheduled date of submission of quarterly report: May 14, 2024

Scheduled date of commencement of dividend payments: –

Supplementary documents for quarterly results: Yes

Quarterly results briefing: Yes (for institutional investors and securities analysts)

(Amounts of less than million yen are omitted.)

1. Consolidated business results for the first quarter of fiscal 2024 ending December 31, 2024

(From January 1, 2024 to March 31, 2024)

(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 Quarter, Fiscal 2024	81,727	9.2	4,354	128.0	4,981	212.5	4,095	739.7
First Quarter, Fiscal 2023	74,826	0.8	1,909	-32.2	1,594	-59.2	487	-84.6

(Note) Comprehensive income: First quarter, fiscal 2024: 10,281 million yen (18.3%) First quarter, fiscal 2023: 8,690 million yen (6.5%)

	Profit per share (Basic)	Profit per share (Diluted)
	Yen	Yen
First Quarter, Fiscal 2024	77.23	77.20
First Quarter, Fiscal 2023	9.20	9.19

(2) Financial position

	Total assets	Net assets	Net worth/Total assets
	Million yen	Million yen	%
First Quarter, Fiscal 2024	457,907	263,846	55.3
Fiscal 2023	447,798	255,653	54.9

(Note) Net worth: First quarter, fiscal 2024: 253,161 million yen

Fiscal 2023: 245,762 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 2023	—	45.00	—	45.00	90.00
Fiscal 2024	—				
Fiscal 2024 (Forecast)		45.00	—	45.00	90.00

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

3. Forecasts for the year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

(Figures in percentages denote the year-on-year change.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share (Basic)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	340,000	5.6	14,500	8.4	13,500	4.8	10,000	2.7	188.60

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

* 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: | No |
| (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 quarter, fiscal 2024: | 58,286,544 shares |
| Fiscal 2023: | 58,286,544 shares |
| (ii) Numbers of treasury shares at the end of the terms: | |
| First quarter, fiscal 2024: | 5,263,506 shares |
| Fiscal 2023: | 5,262,779 shares |
| (iii) Average numbers of shares issued during the terms (consolidated accumulation periods): | |
| First quarter, fiscal 2024: | 53,023,249 shares |
| First quarter, fiscal 2023: | 52,991,709 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. 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 Quarter Ended March 31, 2024” on page 4 of the accompanying materials.
2. Supplementary documents for financial results will be posted on the Company’s website on May 10, 2024 (Friday).
3. The Company will hold a financial results briefing for investors as follows. Reference materials for financial results and forecasts used in the briefing will be posted on the Company’s website before the opening of the briefing.
 - May 17, 2024 (Friday): Briefing for institutional investors and security analysts.

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1. Qualitative Information on Financial Results, etc., for the First Quarter Ended March 31, 2024

(1) Details of operating results

During the first quarter of the fiscal year under review, the global economy continued to show signs of recovery, although weakness was seen in some regions. Nonetheless, the outlook remains uncertain, chiefly reflecting the impacts of the global credit crunch, the stagnation of the real estate market in China, the conflict in the Middle East, and fluctuations in the financial and capital markets.

In this environment, the Group worked to execute its policies for the fiscal year: transformation of existing business groups into highly profitable ones, creation of strategic, priority business groups, and transformation of the management foundation.

As a result, net sales in the first quarter of the fiscal year under review increased to 81,727 million yen (up 9.2% year on year), operating profit increased to 4,354 million yen (up 128.0% year on year), and ordinary profit increased to 4,981 million yen (up 212.5% year on year). Profit attributable to owners of parent increased to 4,095 million yen (up 739.7% year on year).

Operating results by segment are as follows.

(i) Colorants and Functional Materials Related Business

In materials for LCD color filters, overall shipments increased, reflecting progress in sales expansion in China and Taiwan and an upward trend in the production of large LCD panels. However, sales of products for small and midsize panels, including those for PCs, remained stagnant.

Sales of plastic colorants for solar cells remained strong, although plastic colorants for office equipment were slow in overseas markets. In Japan, growth of plastic colorants for construction materials and those for industrial materials was sluggish.

Sales of inkjet inks expanded, mainly in overseas markets, reflecting rising demand. Sales of lithium-ion battery materials for automotive applications experienced sluggish growth linked to a slowdown in demand for EVs. However, progress was made in the expansion of facilities to meet future increases in demand.

As a result, net sales for this segment as a whole increased to 20,140 million yen (up 7.6% year on year), and operating profit increased to 786 million yen (up 45.1% year on year).

(ii) Polymers and Coatings Related Business

Among functional films and tapes, production of those for smartphones and mobile devices was launched, and sales of functional films, including conductive adhesive sheets, remained strong. In addition, some of the semiconductor-related materials developed by the Company produced results.

Sales of pressure sensitive adhesives for labels and displays were stagnant in Japan but remained strong overseas, reflecting progress in sales expansion driven by facility expansion. Sales of adhesives for packaging were stagnant in Japan and East Asia but increased in Southeast Asia and India. Among adhesives for industrial use, sales of those for lithium-ion batteries were strong, reflecting the expansion of customer operations.

Sales of can coatings for beverage cans remained strong in Japan. Sales of can coatings also saw positive growth overseas, partly reflecting an increase in demand for cans for processed seafood and the effect of the acquisition of a local coating manufacturer in Thailand that was carried out in the previous fiscal year.

As a result, net sales for this segment as a whole increased to 19,894 million yen (up 14.8% year on year), and operating profit increased to 1,326 million yen (up 64.9% year on year).

(iii) Packaging Materials Related Business

In Japan, sales of liquid ink products for packaging materials for convenience stores were strong, but shipments of liquid ink products for food-related materials and refill-packaging materials were sluggish due to consumer pullbacks reflecting rising prices. Sales of products for cardboard boxes were lackluster due to a decrease in the export of processed seafood and slow movement of fruits and vegetables, mainly reflecting the earthquake.

Overseas, sales growth was sluggish due to low consumer spending in China, but demand remained strong in Southeast Asia, India, the United States, and other markets. In addition, the expansion of sales of environmentally friendly water-based inks made progress in South Korea.

In the gravure cylinder platemaking business, demand for new printing plates for packaging were in a slump, partly reflecting a decrease in the number of products attributed to consumer pullbacks, and sales of precision platemaking related to electronics were also weak, although signs of a recovery were seen.

Consequently, this segment achieved growth in both sales and profit, partly attributable to the effect of price revision. Net sales as a whole came to 21,375 million yen (up 5.7% year on year), and operating profit were 1,179 million yen (up 69.2% 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, improvements on the profit front made progress due to cost cutting through business structure reforms and price revisions made in response to rising raw material prices. Sales of products for paper containers and packaging were affected by consumer pullbacks, but sales of energy-saving highly sensitive UV curable inks experienced positive growth.

In overseas markets, the Chinese market was slow but sales of products for educational materials increased. In Southeast Asia, sales of functional inks for paper containers and packaging were strong. In Europe and the United States, sales of UV curable inks compatible with LED and energy-saving UV curable inks remained strong.

As a result, net sales for this segment as a whole increased to 19,882 million yen (up 11.2% year on year), and operating profit was 1,069 million yen (operating loss of 141 million yen in the same period of the previous fiscal year).

(v) Other

This Other segment includes businesses not included in the above segments, services provided by artience as the holding company, and other businesses. In the first quarter of the fiscal year under review, both sales and profit declined year on year, with net sales standing at 1,368 million yen (down 6.9% year on year) and an operating profit of 2 million yen (down 77.3% year on year).

(2) Details of financial position

Total assets at the end of the first quarter under review stood at 457,907 million yen, up 10,109 million yen from the end of the previous consolidated fiscal year. Liabilities were 194,061 million yen, up 1,916 million yen from the end of the previous consolidated fiscal year. Net assets came to 263,846 million yen, up 8,192 million yen from the end of the previous consolidated fiscal year.

On the last day of the first quarter 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. Property, plant and equipment also increased as a result of facility expansion overseas. Furthermore, investment securities and valuation difference on available-for-sale securities each increased, reflecting rising stock prices in Japan. Meanwhile, cash and deposits decreased due to the payment of income taxes and dividends. Additionally, long-term loans payable and “Other” under non-current liabilities increased as a result of the repayment of some short-term loans payable and raising new funds.

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

No changes have been made to the full-year forecasts of consolidated financial results for the fiscal year ending December 31, 2024 that were announced on February 14, 2024.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated balance sheet

(Million yen)

	As of December 31, 2023	As of March 31, 2024
(Assets)		
Current assets		
Cash and deposits	57,917	55,689
Notes and accounts receivable - trade	102,930	104,816
Securities	65	85
Merchandise and finished goods	37,714	39,546
Work in process	722	1,584
Raw materials and supplies	26,282	26,464
Other	6,224	6,194
Allowance for doubtful accounts	-944	-1,012
Total current assets	230,911	233,369
Non-current assets		
Property, plant and equipment		
Buildings and structures	117,331	119,489
Accumulated depreciation	-74,044	-75,625
Buildings and structures, net	43,286	43,863
Machinery, equipment and vehicles	174,680	178,634
Accumulated depreciation	-144,890	-147,632
Machinery, equipment and vehicles, net	29,789	31,002
Tools, furniture and fixtures	28,542	28,994
Accumulated depreciation	-23,472	-23,859
Tools, furniture and fixtures, net	5,070	5,135
Land	30,802	31,195
Leased assets	8,190	8,631
Accumulated depreciation	-2,581	-2,791
Leased assets, net	5,608	5,839
Construction in progress	19,700	23,371
Total property, plant and equipment	134,258	140,408
Intangible assets	5,290	5,339
Investments and other assets		
Investment securities	63,874	65,095
Retirement benefit asset	8,410	8,546
Deferred tax assets	3,323	3,365
Other	2,027	2,163
Allowance for doubtful accounts	-298	-380
Total investments and other assets	77,337	78,790
Total non-current assets	216,886	224,537
Total assets	447,798	457,907

(Million yen)

	As of December 31, 2023	As of March 31, 2024
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	67,075	69,200
Short-term loans payable	36,542	26,836
Income taxes payable	1,579	1,386
Other	18,756	19,323
Total current liabilities	123,953	116,747
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	40,161	46,044
Deferred tax liabilities	13,563	13,464
Provision for environmental measures	118	108
Retirement benefit liability	1,878	2,012
Asset retirement obligations	34	34
Other	2,434	5,649
Total non-current liabilities	68,191	77,313
Total liabilities	192,144	194,061
(Net assets)		
Shareholders' equity		
Capital stock	31,733	31,733
Capital surplus	32,468	32,468
Retained earnings	156,381	158,090
Treasury shares	-10,615	-10,617
Total shareholders' equity	209,967	211,674
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,845	20,637
Foreign currency translation adjustment	14,809	19,815
Remeasurements of defined benefit plans	1,139	1,033
Total accumulated other comprehensive income	35,794	41,486
Subscription rights to shares	45	45
Non-controlling interests	9,845	10,639
Total net assets	255,653	263,846
Total liabilities and net assets	447,798	457,907

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

Consolidated first quarter

(Million yen)

	From January 1, 2023 to March 31, 2023	From January 1, 2024 to March 31, 2024
Net sales	74,826	81,727
Cost of sales	60,976	64,157
Gross profit	13,849	17,570
Selling, general and administrative expenses		
Packing and transportation costs	1,772	1,934
Salaries and allowances	3,122	3,405
Bonuses	642	652
Welfare expenses	772	814
Depreciation	448	478
Research and development expenses	908	913
Other	4,272	5,017
Total selling, general and administrative expenses	11,940	13,215
Operating profit	1,909	4,354
Non-operating income		
Interest income	67	108
Dividend income	32	26
Share of profit of entities accounted for using equity method	–	20
Foreign exchange gains	188	655
Gain on net monetary position	–	569
Other	186	122
Total non-operating income	474	1,503
Non-operating expenses		
Interest expenses	436	565
Share of loss of entities accounted for using equity method	12	–
Loss on net monetary position	104	–
Other	237	310
Total non-operating expenses	790	875
Ordinary profit	1,594	4,981
Extraordinary profit		
Gain on sales of non-current assets	96	7
Other	13	0
Total extraordinary profit	109	7
Extraordinary losses		
Loss on sales and retirement of non-current assets	34	85
Loss on sales of investment securities	297	–
Loss on sales of shares of subsidiaries	–	85
Business restructuring expenses	290	–
Other	103	55
Total extraordinary loss	726	226
Profit before income taxes	977	4,762
Income taxes - current	673	970
Income taxes - deferred	-118	-323
Total income taxes	554	647
Profit	423	4,115
Profit (loss) attributable to non-controlling interests	-64	20
Profit attributable to owners of parent	487	4,095

Consolidated statements of comprehensive income

Consolidated first quarter

(Million yen)

	From January 1, 2023 to March 31, 2023	From January 1, 2024 to March 31, 2024
Profit	423	4,115
Other comprehensive income		
Valuation difference on available-for-sale securities	5,613	791
Foreign currency translation adjustment	2,307	5,385
Remeasurements of defined benefit plans, net of tax	-89	-105
Share of other comprehensive income of entities accounted for using equity method	435	93
Total other comprehensive income	8,267	6,165
Comprehensive income	8,690	10,281
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,572	9,786
Comprehensive income attributable to non-controlling interests	117	494

(3) Notes to consolidated quarterly financial statements
(Notes on assumption of going business)

Not applicable

(Notes on significant changes in the amount of shareholders' equity)

Not applicable

(Segment information, etc.)

I. From January 1, 2023 to March 31, 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	18,439	17,291	20,054	17,870	73,656	1,169	74,826	-	74,826
Intersegment sales	270	33	161	6	471	299	770	-770	-
Total	18,709	17,325	20,215	17,876	74,127	1,469	75,597	-770	74,826
Segment profits and losses (-)	542	804	697	-141	1,901	12	1,913	-4	1,909

(Notes) 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 -4 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	290	-	-	-	290	-	-	290

(Note) An impairment loss of 290 million yen related to Colorants and Functional Materials Related Business is business restructuring expenses in the quarterly consolidated statement of income.

II. From January 1, 2024 to March 31, 2024

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	19,624	19,856	21,166	19,875	80,522	1,205	81,727	-	81,727
Intersegment sales	515	37	209	7	770	162	932	-932	-
Total	20,140	19,894	21,375	19,882	81,292	1,368	82,660	-932	81,727
Segment profits	786	1,326	1,179	1,069	4,362	2	4,364	-10	4,354

(Notes) 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 -10 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.

(Important subsequent events)

(Cancellation of treasury shares)

At the Board of Directors meeting held on May 10, 2024, the Company resolved to cancel its treasury shares pursuant to the provisions of Article 178 of the Companies Act. Details are as follows.

Details of the cancellation of treasury shares

1. Type of shares to be cancelled	The Company's ordinary shares
2. Total number of shares to be cancelled	5,000,000 shares (8.58% of the number of shares issued before the cancellation)
3. Scheduled date of cancellation	May 31, 2024
4. Number of shares issued after the cancellation	53,286,544 shares