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August 7, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 [JGAAP]

Company Name: DAINICHISEIKA COLOR & CHEMICALS MFG. CO., LTD.
 Stock Code: 4116
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 Stock Exchange Listing: Tokyo
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 Scheduled date to commence dividend payments: –
 Availability of supplementary briefing material on results: Yes
 Holding of Results Briefing Session: None

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (From April 1, 2024 to June 30, 2024)

(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	%
Three months ended June 30, 2024	31,349	3.3	1,698	81.1	2,093	66.0	1,525	(3.7)
Three months ended June 30, 2023	30,339	(4.6)	937	(19.2)	1,261	(21.4)	1,583	30.1

(Note) Comprehensive income: Three months ended June 30, 2024: ¥3,729 million [47.3%]
 Three months ended June 30, 2023: ¥2,531 million [(19.9)%]

	Profit per share	Fully diluted profit per share
	Yen	Yen
Three months ended June 30, 2024	88.94	–
Three months ended June 30, 2023	85.66	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	197,674	121,635	60.3
As of March 31, 2024	194,852	119,166	59.9

(Reference) Equity: As of June 30, 2024: ¥119,123 million
 As of March 31, 2024: ¥116,748 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, 2024	–	40.00	–	70.00	110.00
Year ending March 31, 2025	–				
Year ending March 31, 2025 (Forecast)		66.00	–	66.00	132.00

(Note) Revisions of dividend forecast from recently announced figures: Not applicable

(Note) Breakdown of Year-end dividend for Year ended March 31, 2024: Ordinary dividend: ¥40.00; Extraordinary dividend: ¥30.00

Breakdown of Interim dividend for Year ending March 31, 2025 (Forecast): Ordinary dividend: ¥51.00; Extraordinary dividend: ¥15.00

Breakdown of Year-end dividend for Year ending March 31, 2025 (Forecast): Ordinary dividend: ¥51.00; Extraordinary dividend: ¥15.00

3. Earnings Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2025 (From April 1, 2024 to March 31, 2025)

(% 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
First half	62,000	4.2	3,500	104.9	3,900	81.9	8,800	245.9	512.92
Full year	123,300	2.9	6,000	31.8	6,600	31.9	10,600	189.6	617.84

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

*** Notes**

(1) Significant changes in the scope of consolidation during the three months ended June 30, 2024:

Applicable

Included: – (-)

Excluded: One company DSF CO., LTD.

(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: Applicable

2) Changes in accounting policies other than 1): Not applicable

3) Changes in accounting estimates: Not applicable

4) Restatements: Not applicable

(Note) For details, please refer to the “2. Quarterly Consolidated Financial Statements and Principal Notes (3) Notes to Quarterly Consolidated Financial Statements” on page 8 of this report.

(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 June 30, 2024	18,613,110 shares	As of March 31, 2024	18,613,110 shares
As of June 30, 2024	1,456,494 shares	As of March 31, 2024	1,456,394 shares
Three months ended June 30, 2024	17,156,649 shares	Three months ended June 30, 2023	18,491,029 shares

2) Total number of treasury shares at the end of the period:

3) Average number of shares during the period (cumulative):

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants and audit corporations: Not applicable

* 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. Overview of Business Results, etc. (3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information” on page 3 of this report.

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1. Overview of Business Results, etc.

(1) Overview of Business Results for the Period Under Review

Trends among the main customers of the Group in the three months ended June 30, 2024 were as follows.

- Transport equipment industry
In compounds, colorants, and polyurethanes for automobiles, domestic sales were weak due to the impacts of declines in production among automobile manufacturers while overseas sales to China were also weak although sales to North America were strong.
- Information-electronics industry
Sales of pigments and coatings for LCDs were steady and sales of pigments and colorants for office equipment were strong.
- Packaging materials industry
Sales of gravure printing ink for flexible packaging applications for food products were steady given distribution inventory was liquidated and there were firm sales for PET bottle beverage labels due to seasonal demand.
- Building materials industry
Sales of coatings for new construction demand were sluggish but sales of colorants for use in renovations were steady.

As a result, net sales increased to ¥31,349 million, up by 3.3% compared with the same period of the previous fiscal year. Operating profit increased to ¥1,698 million and ordinary profit increased to ¥2,093 million, up by 81.1% and 66.0% respectively compared with the same period of the previous fiscal year, mainly due to strong sales of high value-added products and the favorable performance of overseas subsidiaries. Profit attributable to owners of parent decreased to ¥1,525 million, down by 3.7% compared with the same period of the previous fiscal year, mainly due to recording a gain on the sale of strategic shareholdings in the previous fiscal year.

Operating results by reportable segment are as follows:

(Color & Functional Products)

In the Color & Functional Products segment, focused on pigments and related secondary processed products, the Group manufactures and sells pigments, colorants for fabrics, colorants used in plastics, resin compounds, pigment dispersion and functional materials.

While net sales of pigments and dispersion for the information-electronics industry were sluggish for LCD applications, they were favorable for OA equipment applications. Domestic sales of compounds and colorants for the transport equipment industry were sluggish due to declines in production among automobile manufacturers.

Overseas, sales of compounds and colorants for home appliance and OA equipment applications remained sluggish at a local subsidiary in China, but sales of compounds for automobiles were strong at a local subsidiary in India.

As a result, net sales in the segment stood at ¥17,127 million, up by 2.8% compared with the same period of the previous fiscal year, while operating profit was ¥913 million, up by 104.9% compared with the same period of the previous fiscal year.

(Polymers & Coating Materials)

In the Polymers & Coating Materials segment, focused on synthetic resins and specialty coatings, the Group manufactures and sells polyurethanes and polymers derived from natural substances, UV and EB coating materials.

Net sales of polyurethanes for the transport equipment industry were strong in North America but weak in China, while sales of thermal-recording coating materials for industrial materials were firm due to the completion of inventory adjustments. Sales of coating materials for the information-electronics industry were favorable.

Overseas, sales of local subsidiaries in China for the clothing and accessories industry as well as sales of local subsidiaries in the U.S. for automobiles were favorable.

As a result, net sales in the segment stood at ¥6,174 million, up by 3.8% compared with the same period of the previous fiscal year, while operating profit was ¥718 million, up by 7.1% compared with the same period of the previous fiscal year.

(Graphic & Printing Materials)

In the Graphic & Printing Materials segment, focused on inks for packaging, advertising, and publishing, the Group develops, manufactures, and sells a wide range of gravure, flexographic, and offset printing inks for various applications.

In gravure inks for the packaging materials industry, sales of flexible packaging applications for food products were firm due to the completion of inventory adjustments in the supply chain, and also sales of beverage label applications, in seasonal demand, were firm.

Overseas, a local subsidiary in Indonesia recorded an increase in revenue due to progress in the revision of sales prices.

Sales of offset printing ink were weak due to a decrease in demand.

As a result, net sales in the segment increased to ¥8,031 million, up by 4.1% compared with the same period of the previous fiscal year, with an operating profit of ¥66 million (compared with the operating loss of ¥167 million for the same period of the previous fiscal year) due to improvement in profit and loss resulting mainly from cost reductions due to completing the relocation to the new plant and revisions to sales prices at overseas subsidiaries.

(2) Overview of Financial Position for the Period Under Review

(Assets)

Total assets as of June 30, 2024 increased by ¥2,822 million compared with the end of the previous fiscal year to ¥197,674 million. This is mainly due to increases in “notes and accounts receivable - trade,” “inventories” and “investment securities.”

(Liabilities)

Total liabilities as of June 30, 2024 increased by ¥353 million compared with the end of the previous fiscal year to ¥76,038 million. This is mainly due to an increase in “provision for bonuses.”

(Net assets)

Total net assets as of June 30, 2024 increased by ¥2,468 million compared with the end of the previous fiscal year to ¥121,635 million. This is mainly due to increases in “foreign currency translation adjustment” and “valuation difference on available-for-sale securities.”

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

The Group has revised the forecast of financial results for the fiscal year ending March 31, 2025 announced on May 15, 2024, in light of its performance in the three months ended June 30, 2024, as well as its future outlook. For details, please refer to the “Notice Concerning Revision of Forecast of Consolidated Financial Results” announced today (August 7, 2024, Japanese only).

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	23,579	22,380
Notes and accounts receivable - trade	53,223	54,813
Inventories	31,609	32,328
Other	1,300	1,600
Allowance for doubtful accounts	(88)	(93)
Total current assets	109,625	111,029
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,344	20,351
Land	13,745	13,750
Other, net	13,753	14,398
Total property, plant and equipment	47,843	48,500
Intangible assets		
Other	1,175	1,217
Total intangible assets	1,175	1,217
Investments and other assets		
Investment securities	18,778	19,396
Retirement benefit asset	14,100	14,216
Other	3,346	3,329
Allowance for doubtful accounts	(17)	(15)
Total investments and other assets	36,207	36,926
Total non-current assets	85,227	86,645
Total assets	194,852	197,674
Liabilities		
Current liabilities		
Notes and accounts payable - trade	28,963	29,430
Short-term borrowings	11,686	12,596
Current portion of long-term borrowings	3,936	4,204
Income taxes payable	954	817
Provision for bonuses	1,799	2,714
Other	8,757	7,740
Total current liabilities	56,097	57,504
Non-current liabilities		
Long-term borrowings	9,316	8,392
Retirement benefit liability	7,035	7,119
Other	3,235	3,022
Total non-current liabilities	19,587	18,534
Total liabilities	75,685	76,038

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Net assets		
Shareholders' equity		
Share capital	10,039	10,039
Capital surplus	9,768	9,768
Retained earnings	84,023	84,348
Treasury shares	(3,130)	(3,130)
Total shareholders' equity	100,701	101,026
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,044	7,506
Foreign currency translation adjustment	5,399	7,066
Remeasurements of defined benefit plans	3,601	3,524
Total accumulated other comprehensive income	16,046	18,097
Non-controlling interests	2,418	2,512
Total net assets	119,166	121,635
Total liabilities and net assets	194,852	197,674

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

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	30,339	31,349
Cost of sales	24,928	25,125
Gross profit	5,410	6,224
Selling, general and administrative expenses	4,473	4,525
Operating profit	937	1,698
Non-operating income		
Interest income	46	105
Dividend income	175	160
Share of profit of entities accounted for using equity method	–	27
Foreign exchange gains	138	99
Other	119	112
Total non-operating income	479	505
Non-operating expenses		
Interest expenses	70	61
Share of loss of entities accounted for using equity method	59	–
Rental expenses on non-current assets	14	15
Other	11	33
Total non-operating expenses	156	110
Ordinary profit	1,261	2,093
Extraordinary income		
Gain on sale of non-current assets	1	13
Gain on sale of investment securities	1,038	30
Total extraordinary income	1,040	43
Extraordinary losses		
Loss on retirement of non-current assets	15	41
Loss on sale of investment securities	0	29
Loss on closing of plant	–	43
Other	0	0
Total extraordinary losses	16	115
Profit before income taxes	2,284	2,021
Income taxes - current	963	801
Income taxes - deferred	(273)	(346)
Total income taxes	690	454
Profit	1,594	1,566
Profit attributable to non-controlling interests	10	40
Profit attributable to owners of parent	1,583	1,525

(Quarterly Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	1,594	1,566
Other comprehensive income		
Valuation difference on available-for-sale securities	217	461
Foreign currency translation adjustment	799	1,676
Remeasurements of defined benefit plans, net of tax	(58)	(77)
Share of other comprehensive income of entities accounted for using equity method	(22)	102
Total other comprehensive income	936	2,163
Comprehensive income	2,531	3,729
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,485	3,576
Comprehensive income attributable to non-controlling interests	46	152

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

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

Not applicable.

(Notes to Change in Accounting Policies)

(Application of the "Accounting Standard for Current Income Taxes" and other relevant ASBJ regulations)

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022") and other relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2025.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment in the proviso of paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022). This change in accounting policies has no impact on the quarterly consolidated financial statements.

In addition, regarding the revisions related to revised treatment in the consolidated financial statements of the deferral for tax purposes of gains or losses arising from the sale of shares of subsidiaries and other securities between consolidated companies, the Company has applied the application guidance for the 2022 revision from the beginning of the first quarter of the fiscal year ending March 31, 2025. This change in accounting policies has no impact on either the quarterly consolidated financial statements of the same period of the previous fiscal year or the consolidated financial statements of the previous fiscal year.

(Notes to Quarterly Consolidated Statements of Cash Flows)

Quarterly consolidated statements of cash flows are not prepared for the three months ended June 30, 2024.

Depreciation (including amortization of intangible assets) for the period under review is as follows:

	(Millions of yen)	
	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	1,284	1,178

(Notes to Segment Information, etc.)

I. For the three months ended June 30, 2023 (From April 1, 2023 to June 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	16,659	5,950	7,714	30,324	15	30,339
(2) Intersegment net sales and transfer	31	91	–	122	(122)	–
Total	16,690	6,042	7,714	30,447	(107)	30,339
Segment profit [Operating profit] (loss)	445	670	(167)	948	(11)	937

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	13,029	4,093	5,640	22,762	15	22,778
Asia (excluding Japan)	2,863	1,112	1,989	5,966	–	5,966
Other	766	745	83	1,595	–	1,595
Total	16,659	5,950	7,714	30,324	15	30,339
Revenue from contracts with customers	16,659	5,950	7,714	30,324	10	30,334
Other revenue	–	–	–	–	4	4
Net sales to external customers	16,659	5,950	7,714	30,324	15	30,339

<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	26,430	5,967	7,716	40,113	15	40,129
Amount of sales offset due to subcontract processing with charged receipt	(9,770)	(16)	(2)	(9,789)	–	(9,789)
Net sales to external customers	16,659	5,950	7,714	30,324	15	30,339

II. For the three months ended June 30, 2024 (From April 1, 2024 to June 30, 2024)

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	17,127	6,174	8,031	31,333	15	31,349
(2) Intersegment net sales and transfer	30	110	60	200	(200)	–
Total	17,157	6,285	8,092	31,534	(185)	31,349
Segment profit [Operating profit] (loss)	913	718	66	1,698	(0)	1,698

Note: The “Other” category comprises adjusted amounts and business that is not included in reportable segments, including real estate leasing, non-life insurance agency businesses, and other insurance intermediary agency businesses.

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	13,303	4,087	5,773	23,164	15	23,179
Asia (excluding Japan)	3,107	1,334	2,117	6,558	–	6,558
Other	716	753	140	1,610	–	1,610
Total	17,127	6,174	8,031	31,333	15	31,349
Revenue from contracts with customers	17,127	6,174	8,031	31,333	10	31,344
Other revenue	–	–	–	–	4	4
Net sales to external customers	17,127	6,174	8,031	31,333	15	31,349

<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	27,191	6,191	8,032	41,415	15	41,430
Amount of sales offset due to subcontract processing with charged receipt	(10,064)	(16)	(0)	(10,081)	–	(10,081)
Net sales to external customers	17,127	6,174	8,031	31,333	15	31,349

(Notes Related to Revenue Recognition)

Information on disaggregation of revenue from contracts with customers is presented in “(3) Notes to Quarterly Consolidated Financial Statements (Notes to Segment Information, etc.).”

(Significant Subsequent Events)

(Disposal of Treasury Shares as Restricted Shares Compensation)

At a meeting of the Board of Directors held on June 27, 2024, the Company resolved to dispose of treasury shares as restricted shares compensation (the “Disposal of Treasury Shares”), and implemented the Disposal of Treasury Shares on July 26, 2024.

1. Outline of the Disposal

(1) Date of disposal	July 26, 2024
(2) Class and number of shares to be disposed	4,907 shares of common stock of the Company
(3) Disposal price	¥3,385 per share
(4) Total value of disposal	¥16,610,195
(5) Disposal method	Allotment method of specified restricted shares
(6) Method of fulfilling capital contribution	In-kind contribution of monetary compensation claims
(7) Eligible allottees, number of persons to be allotted and number of shares to be allotted	Directors of the Company (excluding Outside Directors) 4 persons 3,744 shares Executive Officers with Title of Responsibility of the Company (excluding Executive Officers who concurrently serve as Directors) 3 persons 1,163 shares
(8) Other	With respect to the Disposal of Treasury Shares, the Company has not submitted a securities registration statement due to fulfilling special requirements stipulated in Article 2-12, paragraph (1) of the Order for Enforcement of the Financial Instruments and Exchange Act.

2. Purpose and Reason for the Disposal

At a meeting of the Board of Directors held on March 24, 2021, the Company resolved to introduce a restricted shares compensation plan (the “Plan”) for the purpose of providing incentives to the Company’s Directors (excluding Outside Directors, the “Eligible Directors”) and Executive Officers with Title of Responsibility of the Company (excluding Executive Officers who concurrently serve as Directors) to continuously improve the Company’s corporate value and to promote further value sharing with shareholders.

In addition, at the 118th Annual General Meeting of Shareholders held on June 29, 2021, the Company received approval for the payment of monetary compensation claims of up to ¥50 million per year (excluding salaries for employees) to the Eligible Directors as monetary compensation to be used as contributed assets for the acquisition of restricted shares based on the Plan, with transfer restrictions for a period of 30 years.