

Consolidated Financial Results (Japanese Accounting Standards) for the Fiscal Year Ended December 31, 2021

February 14, 2022

Name of Listed Company: TOYO INK SC HOLDINGS CO., LTD. Listings: Tokyo Stock Exchange
 Code: 4634 URL: <https://schr.toyoinkgroup.com>
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 Scheduled date of ordinary shareholders' meeting: March 23, 2022
 Scheduled date of commencement of dividend payments: March 24, 2022
 Scheduled date of submission of financial report: March 23, 2022
 Supplementary documents for financial results: Yes
 Financial results briefing: Yes (for institutional investors and securities analysts)

(Amounts of less than million yen are omitted.)

1. Consolidated business results for the year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(1) Business results (cumulative totals)

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

Year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 2021	287,989	11.8	13,005	0.7	15,442	23.1	9,492	57.7
December 2020	257,675	-7.9	12,909	-2.0	12,543	-9.4	6,019	-29.3

(Note) Comprehensive income: December 2021 19,892 million yen (-%) December 2020 -3,993 million yen (-%)

Year ended	Profit per share (Basic)	Profit per share (Diluted)	Return on equity	Ordinary profit/ Total assets	Operating profit/ Net sales
	Yen	Yen	%	%	%
December 2021	169.36	169.09	4.4	3.9	4.5
December 2020	103.06	102.85	2.8	3.3	5.0

(Note) Equity in earnings of associated companies: December 2021 -271 million yen December 2020 -77 million yen

(2) Financial position

Year ended	Total assets	Net assets	Net worth/Total assets	Net assets per share
	Million yen	Million yen	%	Yen
December 2021	406,896	226,947	53.7	3,911.64
December 2020	380,227	217,325	55.2	3,589.24

(Note) Net worth: December 2021 218,449 million yen December 2020 209,705 million yen

(3) Consolidated cash flow condition

Year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
December 2021	15,760	-17,576	-11,988	60,949
December 2020	16,743	-13,294	16,221	73,117

2. Dividends

	Dividends per share					Dividends total (annual)	Dividend payout ratio (consolidated)	Dividends/ Net assets (consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
December 2020	-	45.00	-	45.00	90.00	5,257	87.3	2.5
December 2021	-	45.00	-	45.00	90.00	5,025	53.1	2.4
December 2022 (Forecast)	-	45.00	-	45.00	90.00		50.3	

3. Forecasts for the year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	295,000	2.4	14,500	11.5	15,000	-2.9	10,000	5.3	179.06

(Note) The above consolidated financial forecasts reflect the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), which will start at the beginning of the fiscal year ending December 31, 2022. Meanwhile, the year-on-year percent changes do not consider the Accounting Standard for Revenue Recognition due to its negligible impact.

* Notes:

- (1) Important changes of subsidiaries during the term (changes in specific subsidiaries accompanied by a change in the scope of consolidation): No
- (2) 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
- (3) Number of shares issued (ordinary shares)
- (i) Numbers of shares issued (including treasury shares):
- December 2021: 60,621,744 shares
- December 2020: 60,621,744 shares
- (ii) Numbers of treasury shares at the end of the terms:
- December 2021: 4,775,558 shares
- December 2020: 2,195,524 shares
- (iii) Average numbers of shares issued during the terms (consolidated accumulation periods):
- December 2021: 56,049,246 shares
- December 2020: 58,414,235 shares

Reference: Financial summary (non-consolidated)

(Amounts of less than million yen are omitted.)

Non-consolidated business results for the year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(1) Results of operations

(Percentages show year-on-year rates.)

Year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 2021	16,450	-3.9	6,560	0.9	7,865	1.3	5,333	-8.3
December 2020	17,125	-2.2	6,502	-5.5	7,766	-3.0	5,815	-33.3

Year ended	Profit per share (Basic)		Profit per share (Diluted)	
	Yen		Yen	
December 2021	95.17		95.01	
December 2020	99.56		99.36	

(2) Financial position

Year ended	Total assets		Net assets		Net worth/Total assets		Net assets per share	
	Million yen		Million yen		%		Yen	
December 2021	260,784		171,030		65.5		3,059.60	
December 2020	262,508		171,682		65.3		2,934.18	

(Note) Net worth:

December 2021 170,867 million yen

December 2020 171,432 million yen

* These financial results are not subject to audits by certified public accountants or audit corporations.

* Explanations about the proper use of financial forecasts and other important notes

- 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. 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 "(4) Future prospects" of "1. Overview of Operating Results, etc." on page 5 of the accompanying materials.
- Supplementary documents for financial results will be posted on the Company's website on February 14, 2022 (Monday).
- 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.
 - February 22, 2022 (Tuesday): Briefing for institutional investors and security analysts.

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1. Overview of Operating Results, etc.

(1) Overview of operating results for the fiscal year ended December 31, 2021

(Million yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
December 2021	287,989	13,005	15,442	9,492
Growth rate (%)	11.8	0.7	23.1	57.7
December 2020	257,675	12,909	12,543	6,019

During the fiscal year under review, the outlook for the global economy remained uncertain due to variants of the COVID-19 coronavirus despite the trend of the gradual easing of the harsh conditions caused by the pandemic. In the business environment surrounding the Toyo Ink Group, constraints on the supply of raw materials and continuing high prices have seriously affected corporate activities.

Despite this business environment, the Toyo Ink Group operated its business activities in line with the following three management policies.

The first was the increase of business profitability. The Group worked to boost sales in the Chinese and Taiwan markets, in which demand for materials for LCD color filters was high. The Group also increased sales of liquid inks and adhesives for packaging materials particularly in the Asian market. To increase the production capacity of its overseas facilities, the Group started operations at a new factory constructed in China and established new production facilities for pressure sensitive adhesives in the U.S. and India. To restructure business to increase competitiveness, the Group combined the adhesives-related technologies within the Group by merging TOYOICHEM Co., Ltd. and Toyo ADL Corp. in the Polymers and Coatings Business. The Colorants and Functional Materials Related Business built a seamless development system from pigment synthesis to inks in the Inkjet Ink Business at TOYOCOLOR Co., Ltd. Meanwhile, the Group made efforts to improve its revenue base, including withdrawing from an unprofitable plastic colorant business in Europe and Southeast Asia and the structural reform of the domestic Printing and Information Business.

The second policy is to create and expand priority development domains in which the Group has established three areas of focus. In Sustainability Science, progress was made in the development of a supply system for materials for automotive lithium-ion batteries, targeting the four largest automobile markets in the world (Europe, the U.S., China and Japan), anticipating a global increase in the use of electric vehicles, and production started in the U.S. and Europe. Further, progress was made in the development of environmentally friendly products such as biomass inks that use renewable, plant-based raw materials and water-based inks. In Communication Science, the development and sale of functional films for 5G communication progressed well, and the development of new products to meet demand generated by next-generation technologies such as radio wave absorption compound for millimeter wave radar, a key technology for autonomous driving. In Life Science, the Group promoted high moisture-permeable adhesives and polymer products for low epispastic adhesives and started construction of a new pharmaceuticals factory to expand its patch-type pharmaceuticals business. A new laboratory system was built within the core business company to accelerate medium-term development in these priority domains.

The third policy is to enhance the value of management resources for sustainable growth. The Group continued to implement digital transformation (DX) and focused on measures, including digital marketing, materials informatics (MI), and a shift to smart factories in particular. To meet growing demand from society for ESG (the environment, society, and governance) measures, the Group established its sustainability vision, TSV2050/TSV2030, for the creation of a sustainable society, which includes a quantitative environmental load reduction KPI. Corporate governance was strengthened through the addition of Outside Directors and the strengthening of the relationship between remuneration for officers and performance. The Group started issuing integrated reports to ensure the appropriate disclosure of information about all corporate activities, including those related to ESG, to all stakeholders.

As a result, both revenue and profit increased. Net sales increased 11.8% year on year to 287,989 million yen and operating profit rose 0.7% year on year to 13,005 million yen in the fiscal year under review. Ordinary profit and profit attributable to owners of parent also grew by 23.1% year on year to 15,442 million yen and 57.7% year on year to 9,492 million yen, respectively.

Operating results by segment are as follows.

From this fiscal year under review, the Company changed its classification of reportable segments for certain businesses. Comparison and analysis with the previous fiscal year are based on the new classification.

(Million yen)

	Net sales			Operating profit		
	Previous term	Term under review	Change (%)	Previous term	Term under review	Change (%)
Colorants and Functional Materials Related Business	65,049	74,995	15.3	2,259	5,391	138.6
Polymers and Coatings Related Business	62,328	70,736	13.5	5,937	3,570	-39.9
Packaging Materials Related Business	66,589	73,645	10.6	3,885	1,813	-53.3
Printing and Information Related Business	62,188	66,695	7.2	597	1,730	189.4
Other	6,229	5,746	-7.7	234	531	126.2
Subtotal	262,384	291,820	11.2	12,916	13,036	0.9
Adjustment	-4,708	-3,831	-	-7	-30	-
Total consolidated	257,675	287,989	11.8	12,909	13,005	0.7

(i) Colorants and Functional Materials Related Business

There was strong demand for high-performance pigments and materials for liquid crystal display color filters for displays for TVs, tablets, and PCs due to people voluntarily refraining from leaving home. Sales also expanded in Taiwan and China.

In general-purpose pigments, sales for liquid inks were firm, but sales for information-based printing inks remained sluggish and were affected by soaring raw material prices. In inkjet inks, demand for digital printing remained firm, particularly in China, Europe and the United States.

In plastic colorants, sales for household goods and containers were strong, and profitability improved due to the withdrawal from unprofitable bases in Europe and Southeast Asia. In addition, the Group has been revising selling prices in response to increased raw material prices.

The Group launched a base in the U.S. and began local production of lithium-ion battery materials for automotive applications.

As a result, overall sales in this segment as a whole increased to 74,995 million yen (up 15.3% year on year), and operating profit increased to 5,391 million yen (up 138.6% year on year).

(ii) Polymers and Coatings Related Business

In functional films and tapes, sales of conductive adhesive sheets and electromagnetic shielding films for smartphones were expanded, and sales of heat durable and low adhesives for LCD panels and automobile applications were favorable.

Sales of adhesives for packaging materials used for snack food, pet food, etc. remained strong. Sales of pressure sensitive adhesives for labels and polarizing plates also grew in Japan and abroad. On the other hand, in response to the difficulty of procuring raw materials worldwide and the sharp rise in prices, the Group has been cutting costs and revising selling prices, but profits have been greatly squeezed.

In can coatings, domestic demand for cans was robust due to capturing the demand of consumption driven by people refraining from leaving home and expanding new products. Overseas, demand recovered in China and Thailand, but was affected by soaring raw material prices.

As a result, net sales for this segment as a whole increasing to 70,736 million yen (up 13.5% year on year), but operating profit decreased to 3,570 million yen (down 39.9% year on year).

(iii) Packaging Materials Related Business

In Japan, demand for liquid inks for paper bags for souvenirs and apparel was sluggish due to people voluntarily refraining from leaving home. However, sales of liquid inks for home-use foods such as frozen foods and noodles were firm, and sales expanded. Demand for use in interior decoration materials also recovered. In overseas markets, demand for food packaging materials was strong in Southeast Asia and remained steady also in China, India, and the Middle East. Meanwhile, the Group continued to revise selling prices due to ongoing worldwide difficulties in procuring raw materials and rising prices, but profits were significantly affected.

In the gravure cylinder platemaking business, sales of electronics-related precision plates were firm, and sales for flexible packaging and paper container-related packaging recovered.

As a result, net sales for this segment as a whole increased to 73,645 million yen (up 10.6% year on year), but operating profit decreased to 1,813 million yen (down 53.3% year on year).

(iv) Printing and Information Related Business

Structural contraction in the information-related printing market continued to advance due to the spread of the COVID-19 coronavirus, the prolongation of the pandemic and the resulting limitation of economic activity. Domestic sales for flyers, advertising, and publishing were sluggish, but the Group made progress in improving its business structure, including collaboration with other companies in the same industry, cost reduction, and the passing on of a portion of the increase in raw material prices to sale prices.

Overseas, demand recovered in China and India, and sales for paper containers such as food and medical products were firm. In line with demand, the Group worked to optimize its global supply system and rebuild the business structure of each base.

As a result, overall sales in this segment increased to 66,695 million yen (up 7.2% year on year), and operating profit increased to 1,730 million yen (up 189.4% year on year).

(v) Other

This report covers businesses not included in the above segments, as well as services provided by TOYO INK SC HOLDINGS CO., LTD. and other means. Net sales decreased to 5,746 million yen (down 7.7% year on year), but operating income increased to 531 million yen (up 126.2% year on year).

(2) Overview of financial position during the fiscal year ended December 31, 2021

(Million yen)

	End of previous fiscal year	End of fiscal year under review	Change
Total assets	380,227	406,896	26,668
Liabilities	162,902	179,948	17,046
Net assets	217,325	226,947	9,622

Total assets at the end of the fiscal year under review stood at 406,896 million yen, up 26,668 million yen from the end of the previous consolidated fiscal year. Liabilities were 179,948 million yen, up 17,046 million yen from the end of the previous consolidated fiscal year. Net assets came to 226,947 million yen, up 9,622 million yen from the end of the previous consolidated fiscal year.

On the last day of the fiscal year 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. Inventories and notes and accounts payable - trade increased due to a rise in raw material prices. Furthermore, investment securities, deferred tax liabilities, and valuation difference on available-for-sale securities each increased, reflecting rising stock prices in Japan. Meanwhile, cash and deposits decreased due to the purchase of property, plant, and equipment, the purchase of treasury shares and the payment of dividends. Short-term borrowings increased as maturity will be within one year and long-term borrowings decreased.

(3) Overview of cash flow during the fiscal year ended December 31, 2021

(Million yen)

	Previous term	Term under review	Change
Cash flows from operating activities	16,743	15,760	-982
Cash flows from investing activities	-13,294	-17,576	-4,281
Cash flows from financing activities	16,221	-11,988	-28,210
Cash and cash equivalents at end of period	73,117	60,949	-12,168

Cash and cash equivalents (“cash”) at the end of the fiscal year under review stood at 60,949 million yen, down 12,168 million yen from the end of the previous fiscal year.

Cash provided by operating activities stood at 15,760 million yen, down 982 million yen from the end of the previous fiscal year. This mainly reflects an increase in cash flows due to the posting of profit before income taxes and a decrease in cash flows due to income taxes paid.

Cash used in investment activities was 17,576 million yen, up 4,281 million yen from the end of the previous fiscal year. This mainly reflects the purchase of property, plant, and equipment.

Funds used for financing activities was 11,988 million yen (the previous fiscal year recorded an income of 16,221 million yen). Contributing factors include a decrease in short-term borrowings, the purchase of treasury shares, a reduction of funds due to the payment of dividends.

Trends in Group cash flows are as follows:

	Term ended December 2018	Term ended December 2019	Term ended December 2020	Term ended December 2021
Capital adequacy ratio (%)	57.6	58.3	55.2	53.7
Market value-based capital adequacy ratio (%)	38.4	41.4	30.3	26.5
Ratio of interest-bearing debt to cash flows (years)	3.1	3.0	4.9	5.1
Interest coverage ratio (times)	25.8	30.7	31.7	29.6

Capital adequacy ratio: Shareholders' equity / total assets

Market value-based capital adequacy ratio: Market capitalization / total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt / cash flows

Interest coverage ratio: Cash flows / Interest payments

- (Notes)
1. Each indicator is calculated using consolidated financial data.
 2. Market capitalization is computed based on the number of shares issued excluding treasury shares.
 3. Cash flows denote cash flows from operating activities.
 4. Interest-bearing debt denotes all debts recorded in consolidated balance sheets that pay interest.

(4) Future prospects

(Million yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Term ending December 2022 (Forecast)	295,000	14,500	15,000	10,000
Term ended December 2021	287,989	13,005	15,442	9,492
Growth rate (%)	2.4	11.5	-2.9	5.3

In the next fiscal year, while significant uncertainty about domestic and overseas conditions due to political confrontations will remain high, a strong and autonomous recovery of the economy is expected due to the progress of balancing measures for COVID-19 prevention and social/economic activities.

The Toyo Ink Group also expects that it will continue to face a harsh business environment with challenges such as constraints on raw material supplies, disrupted distribution channels, and continuing high prices. By implementing measures to address the issues on page 8, the Group forecasts net sales of 295,000 million yen (growth rate of 2.4%), operating profit of 14,500 million yen (growth rate of 11.5%), ordinary profit of 15,000 million yen (down of 2.9%), and profit attributable to owners of parent of 10,000 million yen (growth rate of 5.3%).

The above consolidated financial forecasts reflect the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), which will start at the beginning of the fiscal year ending December 31, 2022. The amounts in the fiscal year ended December 31, 2021, and the year-on-year percent changes do not consider the Accounting Standard for Revenue Recognition due to its negligible impact.

2. Group Overview

The Group is constituted of the Company, 61 consolidated subsidiaries and 7 equity method affiliate companies.

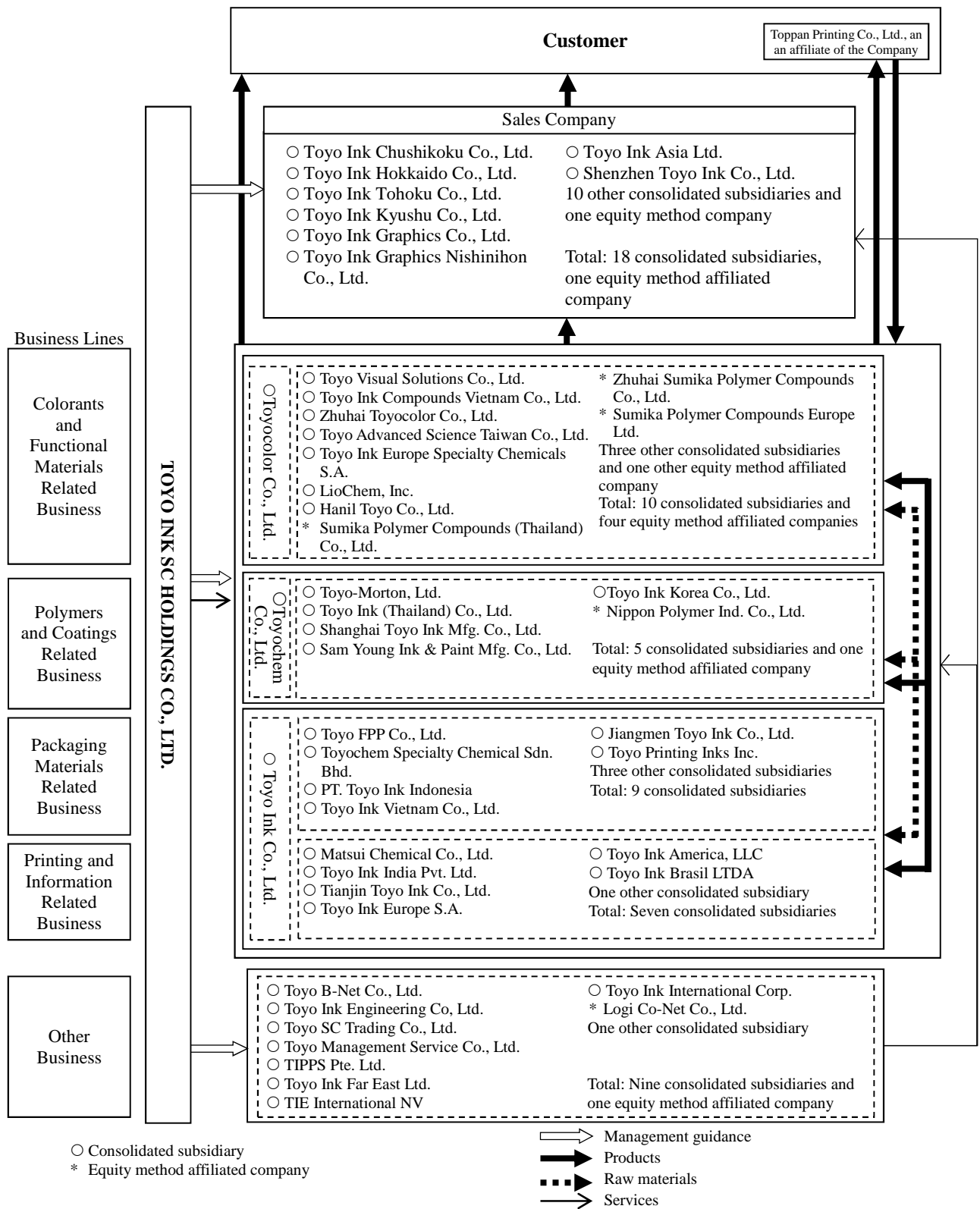
Business lines of the Group are as follows:

Business line	Major Business	Major Company	
Colorants and Functional Materials Related Business	Organic pigments, processed pigments, plastic colorants, color filter materials, ink-jet materials and others	Domestic	Toyocolor Co., Ltd., Toyo Visual Solutions Co., Ltd., and others
		Overseas	Toyo Ink Compounds Vietnam Co., Ltd., Zhuhai Toyocolor Co., Ltd., Toyo Advanced Science Taiwan Co., Ltd., Toyo Ink Europe Specialty Chemicals S.A., LioChem, Inc., Hanil Toyo Co., Ltd., and others
Polymers and Coatings Related Business	Can coatings, resins, adhesives, pressure sensitive adhesives, functional films and tape, natural extracts, medical products and others	Domestic	Toyochem Co., Ltd., Toyo-Morton, Ltd., and others
		Overseas	Toyo Ink (Thailand) Co., Ltd., Shanghai Toyo Ink Mfg. Co., Ltd., Sam Young Ink & Paint Mfg. Co., Ltd., and others
Packaging Materials Related Business	Gravure inks, flexographic inks, gravure cylinders and others	Domestic	Toyo Ink Co., Ltd., and others
		Overseas	Toyochem Specialty Chemical Sdn. Bhd., PT. Toyo Ink Indonesia, Jiangmen Toyo Ink Co., Ltd., Toyo Printing Inks Inc., and others
Printing and Information Related Business	Offset inks, metal printing inks, printing machines, printing equipment, prepress systems, printing supplies and others	Domestic	Toyo Ink Co., Ltd., Matsui Chemical Co., Ltd., and others
		Overseas	Toyo Ink India Pvt. Ltd., Tianjin Toyo Ink Co., Ltd., Toyo Ink Europe S.A., Toyo Ink America, LLC, and others
Other Business	Sale of raw materials, service provision, real estate rental business management, holding company for subsidiaries and others	Domestic	Toyo Ink SC Holdings Co., Ltd., Toyo B-Net Co., Ltd., Toyo SC Trading Co., Ltd., and others
		Overseas	TIPPS Pte. Ltd., Toyo Ink Far East Ltd., Toyo Ink International Corp., and others
Sales Business	Sales of products handled by the Group companies	Domestic	Toyo Ink Chushikoku Co., Ltd., Toyo Ink Hokkaido Co., Ltd., Toyo Ink Tohoku Co., Ltd., Toyo Ink Kyushu Co., Ltd., Toyo Ink Graphics Co., Ltd., and others
		Overseas	Toyo Ink Asia Ltd., Shenzhen Toyo Ink Co., Ltd. and others

Toyochem Co., Ltd., which is a wholly owned subsidiary of the Company, acquired Toyo ADL Corp., which is also a wholly owned subsidiary of the Company, in an absorption-type merger in January 2021.

The Toyo Ink Group deals with Toppan Printing Co., Ltd., an affiliate of the Group, in finished goods and merchandise.

The organization chart is as follows:
(Organization Chart)



3. Management Policy

(1) Basic management policy

All corporate activities of the Group are guided by a corporate philosophy of “People-oriented management,” a corporate policy of “Aiming to be a company creating new values for human culture throughout the world,” and guiding principles that call for customer satisfaction, employee satisfaction, society satisfaction, and shareholder satisfaction.

While maintaining the corporate philosophy, corporate policy and guiding principles described above as unchangeable throughout the ages, the Group will undertake the necessary adaptation in line with the times, aiming for sustainable growth toward the 200th anniversary of its foundation.

Specifically, the Group will expand the scope of our contribution as a company creating new value for human culture from consumers to life and the global environment and work on solving such issues, thereby contributing to the realization of a world where everyone and everything can live together in harmony.

In addition, the Group will endeavor to reform its corporate character to enable it to achieve sustainable growth and increase satisfaction from a long-term perspective to ensure the sustainability of all stakeholders, including the pursuit of value innovation and the enhancement of risk management.

(2) Medium- to long-term management strategy

The Toyo Ink Group establishes a long-term vision every 10 years. The Group decided that the value it would provide in the next 10 years until 2027 would be, “For a Vibrant World,” and is striving to reform to build a corporate structure capable of achieving century-long sustainable growth and to become a corporate group that contributes to the development of a world where all consumers, people, and the global environment can vibrantly coexist. Since FY2018, the Group has been implementing three medium-term management plans. Since FY2021, the Group has been implementing SIC (Scientific Innovation Chain) -II (FY2021 - FY2023), its second-stage medium-term management plan. The Group has established a vision of being a lifestyle and culture creator which contributes to the new age, and is working to realize this vision through the implementation of three basic policies: strengthen the profitability of businesses, create and expand priority development business areas and enhance the value of management resources for sustainable growth.

To increase its business profitability, the Group will increase strategic high-profit businesses through a shift to high value-added products and take drastic measures regarding the businesses with structural issues. The Group will develop new profit sources through the launch of environmentally friendly products in the global packaging material market which is expected to continue growing, work to ensure the growth of sales of electronics-related materials, develop patch-type pharmaceuticals, and establish a lithium-ion battery materials business. Meanwhile, the Group will continue its reforms in response to market structural changes in the ink business and the pigment business for industrial printing, reinforcing its revenue-generating structure.

In the creation and expansion of priority development domains, the Group will provide the products truly needed in a society during and after the COVID-19 pandemic and design a value provision model based on its strengths and competitive advantages. Regarding the three domains it is focused on, Sustainable Science provides biomass inks, environmentally-friendly adhesives and pressure sensitive adhesives, and materials for next-generation energy sources to contribute to the creation of sustainable and green society. Communication Science will provide key materials and solutions that will become the foundation for the digitization of society, such as materials related to sensors, displays, and IoT devices. Life Science takes on the challenge of creating a business that will facilitate people’s health and well-being through pharmaceuticals, healthcare materials, and products for the next-generation printing market.

Further, under a policy to enhance the value of management resources for sustainable growth, the Group will improve itself through the promotion of digital transformation (DX) and environmental, social and governance (ESG) initiatives and endeavor to enhance the value of its management resources which are its corporate infrastructure.

(3) Our challenges

In the next fiscal year, which is the second fiscal year under the “SIC-II” medium-term management plan, the Group will push ahead with each business as outlined below.

In the Colorants and Functional Materials Related Business, the Group will establish alliances with local companies and take cost reduction measures to grow its share of the Chinese market for materials for LCD color filters. As for materials for automotive lithium-ion batteries, the Group will work to get the North American and European factories steadily on a growth track and promote products in the world’s four largest automobile markets (Europe, the U.S., China, and Japan).

In the Polymers and Coatings Business, the Group will increase profit by shifting adhesive and pressure sensitive adhesives to high value-added products and steadily obtaining new manufacturing facilities in each country on a growth track and propose new products and solutions for the 5G and optical product markets. In response to the recent growth in demand for sustainability, the Group will continue to develop and market environmentally friendly products such as solventless, biomass and biodegradable products.

In the packaging material business, the Group will accelerate its marketing of products in response to environmental trends such as high biomass inks, water-based printing solutions and non-plastic materials. In the overseas markets, the Group will work to stabilize the operation of new factories in China and India to achieve their contribution to profits, quickly establish a new factory in Turkey, and promote sales of strategic products to increase market shares in Southeast Asia and India.

In the Printing and Information Business, the Group will continuously work to strengthen its financial position through domestic and overseas structural reforms and SCM improvement and launch environmentally friendly UV curable inks in the label and container markets to establish a competitive advantage.

In addition, the Group will contribute to the reduction of environmental load through manufacturing and product supply based on

the sustainability vision, TSV2050/TSV2030, and establish a joint research center with Tokyo Institute of Technology to create innovative technologies through joint research in the field of cutting-edge science and technology. The Group will enhance the supervisory functions of its Board of Directors by shifting to a company with an audit and supervisory committee after approval at the General Meeting of Shareholders and accelerate their decision-making and execution of their duties to improve its corporate governance and increase corporate value.

4. Basic Position on the Selection of Accounting Standards

The Group utilizes the Japanese accounting standards due to the possibility of comparing the terms of financial statements and performance between the companies.

We are moving ahead with the necessary preparations for the future adoption of International Financial Reporting Standards (IFRS). We intend to make a decision on suitable timing for its implementation, factoring in the situations in Japan and abroad.

5. Consolidated Financial Statements and Primary Notes

(1) Consolidated balance sheet

(Million yen)

	As of December 31, 2020	As of December 31, 2021
(Assets)		
Current assets		
Cash and deposits	76,469	64,816
Notes and accounts receivable - trade	*5 87,126	*5 94,297
Securities	57	24
Merchandise and finished goods	28,328	34,149
Work in process	1,070	726
Raw materials and supplies	16,790	24,695
Other	5,178	5,979
Allowance for doubtful accounts	-924	-1,100
Total current assets	214,097	223,589
Non-current assets		
Property, plant and equipment		
Buildings and structures	*2, *6 100,156	*2, *6 107,134
Accumulated depreciation	-65,629	-68,102
Buildings and structures, net	34,526	39,031
Machinery, equipment and vehicles	152,140	158,945
Accumulated depreciation	-131,816	-134,125
Machinery, equipment and vehicles, net	20,324	24,819
Tools, furniture and fixtures	25,303	26,277
Accumulated depreciation	-22,067	-22,354
Tools, furniture and fixtures, net	3,236	3,922
Land	*2, *6 30,529	*2, *6 30,060
Leased assets	4,996	5,426
Accumulated depreciation	-1,269	-1,530
Leased assets, net	3,726	3,895
Construction in progress	10,273	9,986
Total property, plant and equipment	102,616	111,716
Intangible assets	3,113	2,225
Investments and other assets		
Investment securities	*1 48,440	*1 54,093
Retirement benefit asset	8,608	10,255
Deferred tax assets	2,398	2,420
Other	1,143	2,777
Allowance for doubtful accounts	-191	-182
Total investments and other assets	60,399	69,364
Total non-current assets	166,130	183,306
Total assets	380,227	406,896

(Million yen)

	As of December 31, 2020	As of December 31, 2021
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	*2, *5 54,608	*2, *5 68,221
Short-term loans payable	*2 19,379	*2 24,042
Income taxes payable	1,082	1,652
Provision for environmental measures	–	537
Other	16,340	17,672
Total current liabilities	91,411	112,125
Non-current liabilities		
Long-term loans payable	60,492	55,415
Deferred tax liabilities	6,561	8,703
Provision for environmental measures	1,485	364
Retirement benefit liability	1,914	2,275
Asset retirement obligations	31	32
Other	1,005	1,030
Total non-current liabilities	71,491	67,823
Total liabilities	162,902	179,948
(Net assets)		
Shareholders' equity		
Capital stock	31,733	31,733
Capital surplus	32,499	32,546
Retained earnings	147,390	151,740
Treasury shares	-4,916	-9,784
Total shareholders' equity	206,706	206,236
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,699	9,941
Foreign currency translation adjustment	-5,284	-1,212
Remeasurements of defined benefit plans	2,583	3,483
Total accumulated other comprehensive income	2,998	12,213
Subscription rights to shares	249	163
Non-controlling interests	7,370	8,334
Total net assets	217,325	226,947
Total liabilities and net assets	380,227	406,896

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

(Million yen)

	From January 1, 2020 to December 31, 2020	From January 1, 2021 to December 31, 2021
Net sales	257,675	287,989
Cost of sales	*1 200,479	*1 229,284
Gross profit	57,196	58,704
Selling, general and administrative expenses		
Packing and transportation costs	6,657	7,517
Salaries and allowances	11,272	11,743
Bonuses	2,559	2,499
Welfare expenses	2,917	3,033
Depreciation	1,962	1,961
Research and development expenses	*1 3,224	*1 3,325
Other	15,692	15,617
Total selling, general and administrative expenses	44,286	45,699
Operating profit	12,909	13,005
Non-operating income		
Interest income	245	189
Dividend income	1,280	1,263
Foreign exchange gains	–	1,537
Other	485	779
Total non-operating income	2,012	3,769
Non-operating expenses		
Interest expenses	520	544
Foreign exchange losses	1,129	–
Share of loss of entities accounted for using equity method	77	271
Other	650	516
Total non-operating expenses	2,377	1,332
Ordinary profit	12,543	15,442
Extraordinary income		
Gain on sales of non-current assets	*2 23	*2 311
Gain on sales of investment securities	67	367
Other	0	14
Total extraordinary income	91	694
Extraordinary losses		
Loss on sales and retirement of non-current assets	*3 411	*3 262
Impairment loss	*4 247	*4 708
Business restructuring expenses	–	*5 1,754
Loss on liquidation of business	1,040	237
Loss on remittance fraud at foreign subsidiary	519	–
Expenses for suspension of operations	*6 363	–
Other	54	42
Total extraordinary losses	2,636	3,006
Profit before income taxes	9,999	13,130
Income taxes - current	3,124	3,482
Income taxes - deferred	388	-32
Total income taxes	3,512	3,450
Profit	6,486	9,680
Profit attributable to non-controlling interests	467	187
Profit attributable to owners of parent	6,019	9,492

Consolidated statements of comprehensive income

(Million yen)

	From January 1, 2020 to December 31, 2020	From January 1, 2021 to December 31, 2021
Profit	6,486	9,680
Other comprehensive income		
Valuation difference on available-for-sale securities	-8,579	4,245
Foreign currency translation adjustment	-2,243	4,920
Remeasurements of defined benefit plans, net of tax	465	900
Share of other comprehensive income of entities accounted for using equity method	-123	146
Total other comprehensive income	*1 -10,480	*1 10,211
Comprehensive income	-3,993	19,892
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-4,529	18,707
Comprehensive income attributable to non-controlling interests	535	1,184

(3) Consolidated statements of changes in equity

From January 1, 2020 to December 31, 2020

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	31,733	32,500	146,627	-4,969	205,891
Changes of items during period					
Dividends of surplus			-5,256		-5,256
Profit attributable to owners of parent			6,019		6,019
Purchase of treasury shares				-3	-3
Disposal of treasury shares		1		55	57
Change in ownership interest of parent due to transactions with non-controlling interests		-2			-2
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-0	763	52	815
Balance at end of current period	31,733	32,499	147,390	-4,916	206,706

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	14,273	-2,843	2,118	13,548	265	7,187	226,892
Changes of items during period							
Dividends of surplus							-5,256
Profit attributable to owners of parent							6,019
Purchase of treasury shares							-3
Disposal of treasury shares							57
Change in ownership interest of parent due to transactions with non-controlling interests							-2
Net changes of items other than shareholders' equity	-8,573	-2,440	465	-10,549	-15	182	-10,382
Total changes of items during period	-8,573	-2,440	465	-10,549	-15	182	-9,567
Balance at end of current period	5,699	-5,284	2,583	2,998	249	7,370	217,325

From January 1, 2021 to December 31, 2021

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	31,733	32,499	147,390	-4,916	206,706
Changes of items during period					
Dividends of surplus			-5,142		-5,142
Profit attributable to owners of parent			9,492		9,492
Purchase of treasury shares				-4,975	-4,975
Disposal of treasury shares		14		107	122
Change in ownership interest of parent due to transactions with non-controlling interests		32			32
Net changes of items other than shareholders' equity					
Total changes of items during period	-	46	4,350	-4,867	-470
Balance at end of current period	31,733	32,546	151,740	-9,784	206,236

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	5,699	-5,284	2,583	2,998	249	7,370	217,325
Changes of items during period							
Dividends of surplus							-5,142
Profit attributable to owners of parent							9,492
Purchase of treasury shares							-4,975
Disposal of treasury shares							122
Change in ownership interest of parent due to transactions with non-controlling interests							32
Net changes of items other than shareholders' equity	4,242	4,072	900	9,214	-86	964	10,092
Total changes of items during period	4,242	4,072	900	9,214	-86	964	9,622
Balance at end of current period	9,941	-1,212	3,483	12,213	163	8,334	226,947

(4) Consolidated statements of cash flows

(Million yen)

	From January 1, 2020 to December 31, 2020	From January 1, 2021 to December 31, 2021
Cash flows from operating activities		
Profit before income taxes	9,999	13,130
Depreciation	9,187	9,731
Impairment loss	247	708
Business restructuring expenses	–	1,754
Loss on liquidation of business	1,040	237
Interest and dividend income	-1,526	-1,452
Interest expenses	520	544
Share of (profit) loss of entities accounted for using equity method	77	271
Loss (gain) on sales of property, plant and equipment	87	-301
Loss on retirement of property, plant and equipment	59	88
Loss (gain) on sales of investment securities	-38	-367
Decrease (increase) in notes and accounts receivable - trade	1,747	-5,054
Decrease (increase) in inventories	1,213	-11,811
Increase (decrease) in notes and accounts payable - trade	-2,768	12,728
Other	-719	-2,408
Subtotal	19,127	17,799
Interest and dividend income received	1,519	1,455
Interest expenses paid	-527	-532
Special investigation expenses paid	-92	–
Income taxes paid	-3,283	-2,961
Net cash provided by (used in) operating activities	16,743	15,760
Cash flows from investing activities		
Payments into time deposits	-2,677	-4,593
Proceeds from withdrawal of time deposits	2,140	4,204
Purchase of property, plant and equipment	-13,096	-18,065
Proceeds from sales of property, plant and equipment	97	552
Purchase of intangible assets	-64	-45
Purchase of short-term and long-term investment securities	-192	-33
Proceeds from sales and redemption of short-term and long-term investment securities	391	573
Other	105	-168
Net cash provided by (used in) investing activities	-13,294	-17,576
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,388	-2,036
Proceeds from long-term loans payable	33,408	1,272
Repayments of long-term loans payable	-12,585	-511
Purchase of treasury shares	-3	-4,975
Repayments of lease obligations	-374	-417
Cash dividends paid	-5,256	-5,140
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-281	-102
Other	-73	-76
Net cash provided by (used in) financing activities	16,221	-11,988
Effect of exchange rate change on cash and cash equivalents	-317	1,636
Net increase (decrease) in cash and cash equivalents	19,352	-12,168
Cash and cash equivalents at beginning of period	53,765	73,117
Cash and cash equivalents at end of period	*1 73,117	*1 60,949

(5) Explanatory notes to consolidated financial statements

(Notes on assumption of going business)

Not applicable.

(Basic and important matters in preparing the consolidated financial statements)

1. Scope of consolidation

The Company had 61 consolidated subsidiaries; all of the subsidiaries were consolidated.

Names of major consolidated subsidiaries:

Toyocolor Co., Ltd.;
Toyochem Co., Ltd.;
Toyo Ink Co., Ltd.;
Toyo Visual Solutions Co., Ltd.;
Toyo-Morton, Ltd.;
Matsui Chemical Co., Ltd.;
Toyo Ink Graphics Co., Ltd.
Toyo Ink Chushikoku Co., Ltd.;
Tianjin Toyo Ink Co., Ltd.;
Toyo Ink (Thailand) Co., Ltd.;
Toyo Advanced Science Taiwan Co., Ltd.;
Jiangmen Toyo Ink Co., Ltd.;
Toyo Ink India Pvt. Ltd.;
Zhuhai Toyocolor Co., Ltd.;
TIPPS Pte. Ltd.;
Shanghai Toyo Ink Mfg. Co., Ltd.;
Toyochem Specialty Chemical Sdn. Bhd.;
Sam Young Ink & Paint Mfg. Co., Ltd.;
Toyo Ink Europe S.A.;
Toyo Ink America, LLC;
Toyo Printing Inks Inc.;
Toyo Ink Europe Specialty Chemicals S.A.

Two consolidated subsidiaries were excluded from the scope of consolidation in the fiscal year under review.

- Toyo ADL Corp., which was a consolidated subsidiary in the previous fiscal year, merged with TOYOICHEM Co., Ltd. in the fiscal year under review and was excluded from the scope of consolidation.
- Shanghai Toyo Ink Co., Ltd., which was a consolidated subsidiary in the previous fiscal year, was liquidated in the fiscal year under review and excluded from the scope of consolidation.

2. Application of the equity method

The equity method is applied to investments in seven affiliates.

Names of major subsidiaries:

NIPPON POLYMER IND. CO., LTD.;
Zhuhai Sumika Polymer Compounds Co., Ltd.

3. Fiscal year-end of consolidated subsidiaries

The fiscal year-end date of consolidated subsidiaries is the same as the consolidated closing date.

4. Accounting standards

(1) Important appraisal standards and appraisal method for assets

1) Securities

Available-for-sale securities

For those with market value

Stated at market value based on market prices, etc., as of the period-end

(Unrealized valuation gains or losses are reported in the shareholders' equity, and sales costs are determined by the moving average method.)

For those without market value

Stated at cost as determined by the moving average method.

2) Derivatives

Market value method

3) Inventories

Merchandise

In principle, the cost method based on the gross average method is applied.

(The value in the balance sheet is calculated by the method of book value devaluation based on lowering of profitability)

However, merchandise held by overseas consolidated subsidiaries is valued primarily at the lower-of-cost-or-market method using the moving average method.

Finished goods, work-in-process and raw material

In principle, the cost method based on the gross average method is applied.

(The value in the balance sheet is calculated by the method of book value devaluation based on lowering of profitability)

Overseas consolidated subsidiaries mainly use the gross average method or the lower-of-cost-or-market method according to the first-in, first-out method.

Supplies

In principle, the last cost method is applied.

(The value in the balance sheet is calculated by the method of book value devaluation based on lowering of profitability)

Overseas consolidated subsidiaries mainly use the gross average method or the lower-of-cost-or-market method according to the first-in, first-out method.

(2) Depreciation method of important depreciable fixed assets

1) Property, plant and equipment (excluding leased assets)

Straight-line method

Major useful lives:

Buildings and structures Eight to 50 years

Machinery, equipment and vehicles Four to 15 years

Tools, furniture and fixtures Three to 15 years

2) Leased assets

Financing lease transactions that do not involve a transfer of ownership

Calculation method for the equivalent of depreciation cost

The depreciation method for assets is to use the lease period as useful lives, calculating the residual value of such assets as zero.

Of financing lease transactions that do not involve a transfer of ownership, lease transactions that started on or before March 31, 2008 use the accounting method for normal lease transactions.

(3) Important standards for appropriation of allowances

1) Allowance for doubtful receivables

We record an allowance based on historical percentage for ordinary receivables and an estimated amount for specific uncollectible receivables.

2) Provision for environmental measures

To prepare for spending on environmental measures, we recorded the estimated amount of spending at the end of the consolidated fiscal year under review.

(4) Accounting treatment for retirement benefits

To provide for employees' retirement benefits, the amount remaining after deduction of pension plan assets from retirement benefit obligations based on estimated amounts as of the end of the consolidated fiscal year is recorded as a net defined benefit liability.

If the amount of pension plan assets exceeds the amount of retirement benefit obligations, the excess amount is accounted for as a net defined benefit asset.

Some consolidated subsidiaries use the simplified method for the calculation of retirement benefit obligations.

1) Attribution of estimated retirement benefits

To calculate benefit liabilities, the estimated amount of retirement benefits is attributed to the period until the end of the consolidated fiscal year under review based on the benefit formula.

2) Treatment of unrecognized actuarial differences and past service costs

Past service costs are posted in expenses based on the straight-line method for a fixed period of years (13 years) within the average remaining service years of employees when costs accrue from their service.

Actuarial differences are posted in expenses from the consolidated fiscal year following their accruals based on proportional division through the straight-line method for a fixed period of years (13 years) within the average remaining service years of employees.

- (5) Standards for translating significant foreign currency-denominated assets or liabilities into Japanese yen
Foreign currency-denominated monetary receivables and payables are translated into Japanese yen at the spot exchange rates on the consolidated settlement day. The effect of exchange rate changes is posted as a translation gain or loss. In connection with this, assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen at the spot exchange rates on their settlement day. Revenues and expenses are translated into Japanese yen at the average rate during the year. The effect of exchange rate changes is posted in foreign currency translation adjustments and non-controlling interests in the section of net assets.
- (6) Significant hedge accounting
- 1) Hedge accounting
Among interest swap transactions, those that satisfy special transaction requirements are processed.
 - 2) Hedging method and hedging target
Hedging method: Interest swap transactions
Hedging target: Long-term loans payable
 - 3) Hedging policy
The Company engages in interest swap transactions to prevent the risk of payable interest rate fluctuations and to fix payable interest cash flow.
 - 4) Assessing hedging effectiveness
Assessing hedging effectiveness is omitted because interest swap transactions have satisfied requirements for special transactions.
- (7) Amortization of goodwill and amortization period
Goodwill is amortized individually and equally over a reasonable period of up to 20 years.
- (8) Cash and cash equivalents in the consolidated cash flow statements
In preparing the consolidated cash flow statements, cash on hand, readily available deposits, and short-term liquid investments with maturities not exceeding three months at the time of purchase and little risk of changing value are considered to be cash and cash equivalents.
- (9) Other important matters for production of the consolidated financial statements
- 1) Accounting treatment of consumption tax, etc.
Amounts shown are exclusive of consumption tax and local consumption tax.
 - 2) Application of a consolidated taxation system
The Company uses the consolidated taxation system.
 - 3) Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system
The Company and some domestic consolidated subsidiaries have calculated the amounts of deferred tax assets and deferred tax liabilities according to the tax acts before amendment based on the treatment of Paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ Practical Issues Task Force No.39, March 31, 2020) instead of applying the provision in Paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No.28, February 16, 2018), regarding the transition to group tax sharing system established in “Act for Partial Amendment of the Income Tax Act, etc.”(Act No.8 of 2020), and items for which the non-consolidated taxation system has been reviewed in the line with the transition to the group tax sharing system.

(Changes in presentation methods)

(Notes to consolidated statements of cash flows)

“Purchase of treasury shares,” which were included in “Other” under “Cash flows from financing activities” in the previous consolidated fiscal year are presented separately from the consolidated fiscal year under review due to increased financial materiality. The consolidated financial statements for the previous consolidated fiscal year have been restated to reflect these changes in presentation.

As a result, -77 million presented in “Other” of “Cash flows from financing activities” in the consolidated statements of cash flows in the previous fiscal year has been reclassified into “Purchase of treasury shares” of -3 million and “Other” of -73 million.

(Additional information)

(Accounting estimates of the impact of the COVID-19 pandemic)

Estimation and assessment of the impairment of non-current assets and the recoverability of deferred tax assets were performed on the assumption that the impact of the COVID-19 pandemic would gradually subside, although not completely disappear, and the economy would recover in stages through resumption of economic activities as a result of the progress of vaccination and effects of the government’ drastic measures.

However, this assumption involves uncertainty, and the condition in coming months may affect the consolidated financial statements for the following fiscal year.

(Notes to consolidated balance sheet)***1. Shares of affiliates (Million yen)**

	As of December 31, 2020	As of December 31, 2021
Investment securities (shares)	3,923	3,705

2. Assets pledged as collateral and secured debt*Assets pledged as collateral (Million yen)**

	As of December 31, 2020	As of December 31, 2021
Buildings and structures	260	252
Land	45	46
Total	306	299

Secured debt is as follows.**(Million yen)**

	As of December 31, 2020	As of December 31, 2021
Notes and accounts payable - trade	201	105
Short-term loans payable	142	145
Total	343	251

3. Liabilities on guarantee

The Company extends a guarantee over borrowings from financial institutions, etc. The foreign currency-denominated conversion amount of the yen is based on the exchange rate on the consolidated settlement date. (Million yen)

As of December 31, 2020		As of December 31, 2021	
ZHUHAI SUMIKA POLYMER COMPOUNDS Co., Ltd. (US\$4,968,000)	514	ZHUHAI SUMIKA POLYMER COMPOUNDS Co., Ltd. (US\$5,270,000)	606
Sumika Polymer Compounds Thailand Ltd. (BT 63,000,000)	216	Sumika Polymer Compounds Thailand Ltd. (BT 117,000,000)	401
Sumika Polymer Compounds (UK) Ltd. (GBP 1,958,000, etc.)	273	Sumika Polymer Compounds (UK) Ltd. (GBP 1,897,000, etc.)	344
Other: three companies	168	Other: three companies	552
Employees (housing loans)	29	Employees (housing loans)	18
Total	1,203	Total	1,922

4. Discounts on notes and accounts receivable and endorsement of notes and accounts receivable**(Million yen)**

	As of December 31, 2020	As of December 31, 2021
Discounts on notes receivable	1	6

***5. Treatment of notes maturing on the last day of the fiscal year**

Although the last day of the fiscal year under review fell on a bank holiday, notes that matured on the last day of the fiscal year are treated in accounting as having settled on the maturity date. The values of notes that matured on the last day of the fiscal year under review are as follows: (Million yen)

	As of December 31, 2020	As of December 31, 2021
Notes receivable - trade	1,392	1,394
Notes payable - trade	78	126

***6. Reduction entry**

Reduction entry reflecting direct write-down of cost of property, plant and equipment in connection with exchange of rights accompanying execution of Type I Urban Redevelopment Project pursuant to Urban Renewal Act is as follows: (Million yen)

	As of December 31, 2020	As of December 31, 2021
Buildings and structures	1,924	1,924
Land	6,763	6,763
Total	8,687	8,687

(Notes to consolidated statements of income)

*1. Research and development expenses included in selling, general and administrative expenses and manufacturing cost

(Million yen)

	From January 1, 2020 to December 31, 2020	From January 1, 2021 to December 31, 2021
	8,112	8,496

*2. Details of gain on sale of non-current assets

(Million yen)

	From January 1, 2020 to December 31, 2020	From January 1, 2021 to December 31, 2021
Buildings and structures	0	122
Land	–	175
Other	23	13
Total	23	311

*3. Details of loss on sales and retirement of non-current assets

(Million yen)

	From January 1, 2020 to December 31, 2020	From January 1, 2021 to December 31, 2021
Buildings and structures	151	126
Machinery, equipment and vehicles	232	118
Other	26	17
Total	411	262

*4. Impairment loss

The Group recorded an impairment loss for the following asset group.

From January 1, 2020 to December 31, 2020

Location	Use	Type
Kawagoe, Saitama, etc.	Factory assets, etc.	Machinery, equipment, and vehicles, etc.

The Group classifies its assets based on the categories of management accounting and classifies idle assets and assets for lease by individual property.

Faced with a structural slump in the domestic printing market resulting from progressive digitization, the Group sought to generate profit by pushing ahead with optimization of business scale, collaboration with other companies in the same industry, and cost reductions, and also made progress revising selling prices to pass some of the increase in raw materials costs associated with environmental regulations along to customers. However, the book value of the above asset group has been reduced to its recoverable amount due to a delay in the improvement of earnings, reflecting falling ink demand in Japan linked to a decline in printed materials such as flyers and advertisements, as people refrained from going out and events were cancelled amid the protracted COVID-19 pandemic. The amount of the reduction is recorded as an impairment loss (247 million yen) in extraordinary losses. The breakdown of the impairment loss is machinery, equipment, and vehicles of 191 million yen and other of 56 million yen. The recoverable amount of the asset group is measured by the value in use and calculated by discounting future cash flow at 4.4%.

From January 1, 2021 to December 31, 2021

Location	Use	Type
Kawagoe, Saitama, etc.	Factory assets, etc.	Machinery, equipment and vehicles, buildings and structures, tools, furniture and fixtures, etc.
Yangon, Myanmar	Factory assets, etc.	Buildings and structures, Leased assets, machinery, equipment and vehicles, etc.

The Group classifies its assets based on the categories of management accounting and classifies idle assets and assets for lease by individual property.

The Group has been working to improve the financial performance of the factory assets, etc. in Kawagoe, Saitama, including the optimization of business size, cooperation with other companies in the same industry, cost reduction, and partial transfer of an increase in raw material prices due to environmental regulations to selling prices. However, the book value of the above asset group has been reduced to its recoverable amount due to accelerated structural downsizing of the domestic printing market, reflecting falling ink demand in Japan because of fewer printed materials such as flyers and advertisements, as people refrained from going out and events were cancelled amid the protracted COVID-19 pandemic. The amount of the reduction is recorded as an impairment loss (118 million yen) in extraordinary losses. The breakdown of the impairment loss is machinery, equipment,

and vehicles of 50 million yen, buildings and structures of 32 million, tools, furniture and fixtures of 26 million yen, and other of 9 million yen.

The recoverable amount of the asset group is measured by the value in use and calculated by discounting future cash flow at 4.0%.

The book value of factory assets, etc. held in Yangon, Myanmar, was reduced to the recoverable amount due to the serious situation of COVID-19 in Myanmar and the turmoil caused by the coup d'état by the national military on February 1, 2021, which resulted in a period of local business uncertainty. The amount of the reduction is recorded as an impairment loss (590 million yen) in extraordinary losses. The breakdown of the impairment loss is buildings and structures of 356 million yen, leased assets of 140 million yen, machinery, equipment, and vehicles of 88 million, and other of 6 million yen.

The recoverable value of the asset group is measured at fair value and calculated as zero.

***5. Business restructuring expenses**

From January 1, 2020 to December 31, 2020

Not applicable

From January 1, 2021 to December 31, 2021

Losses and expenses (1,754 million yen) incurred for the reorganization of offices were posted as extraordinary losses. Major components include an impairment loss of 1,554 million yen and other of 200 million yen.

The Impairment loss consists of the following:

Location	Use	Type
Mobara, Chiba	Factory assets	Buildings and structures, machinery, equipment and vehicles. land, etc.
Tsukuba, Ibaraki	Idle assets	Land, buildings and structures

The Group classifies its assets based on the categories of management accounting and classifies idle assets and assets for lease by individual property.

The book value of the factory assets held in Mobara, Chiba, was reduced to the recoverable amount to gradually transfer the production function of the Mobara Plant to other factories after reexamining the production efficiency of Colorants and Functional Materials Business. The amount of the reduction (1,027 million yen) was included in business restructuring expenses and recorded as an extraordinary loss. The breakdown of the impairment loss is buildings and structures of 500 million yen, machinery, equipment, and vehicles of 293 million, land of 116 million yen, and other of 117 million yen.

The recoverable amount of the asset group is measured by the value in use and calculated by discounting future cash flow at 4.2%.

Research functions, including the research laboratory in Tsukuba, Ibaraki, were collected in Sakado, Saitama, after establishing a new laboratory in the core business company to accelerate the creation of new products and businesses in domestic research and development activities. As a result, the research assets held in Tsukuba, Ibaraki, became idle and their book value was reduced to recoverable amounts, and the total amount of the reduction (526 million yen) was included in business restructuring expenses and posted as an extraordinary loss. The breakdown of the impairment loss is land of 367 million yen, buildings and structures of 158 million yen, and other of 1 million yen.

The recoverable amount of this asset group is calculated at its net realizable value.

***6. Expenses for suspension of operations**

From January 1, 2020 to December 31, 2020

Fixed expenses incurred by overseas consolidated subsidiaries during periods in which some of their business sites suspended operations in accordance with requests by national and local governments worldwide aimed at preventing the spread of COVID-19 were recorded under extraordinary losses.

From January 1, 2021 to December 31, 2021

Not applicable

(Notes to consolidated statements of comprehensive income)

*1 The amount of recycling and the amount of tax effect associated with other comprehensive income (Million yen)

	From January 1, 2020 to December 31, 2020	From January 1, 2021 to December 31, 2021
Valuation difference on available-for-sale securities		
Amount arisen in the fiscal year under review	-12,196	6,463
Amount of recycling	-68	-381
Before tax adjustment	-12,264	6,081
Amount of the tax effect equivalent	3,685	-1,836
Valuation difference on available-for-sale securities	-8,579	4,245
Foreign currency translation adjustment		
Amount arisen in the fiscal year under review	-2,243	4,920
Remeasurements of defined benefit plans, net of tax		
Amount arisen in the fiscal year under review	351	1,383
Amount of recycling	284	-51
Before tax adjustment	635	1,332
Amount of the tax effect equivalent	-170	-432
Remeasurements of defined benefit plans, net of tax	465	900
Share of other comprehensive income of entities accounted for using equity method		
Amount arisen in the fiscal year under review	-94	81
Amount of recycling	-29	65
Share of other comprehensive income of entities accounted for using equity method	-123	146
Total other comprehensive income	-10,480	10,211

(Notes to consolidated statements of changes in equity)

From January 1, 2020 to December 31, 2020

1. Matters concerning the type and the number of shares issued and treasury shares (Thousand shares)

	At the beginning of this period	Increase	Decrease	At the end of this period
Shares issued				
Ordinary shares	60,621	-	-	60,621
Total	60,621	-	-	60,621
Treasury shares				
Ordinary shares (Notes 1, 2)	2,218	1	24	2,195
Total	2,218	1	24	2,195

(Notes) 1. The increase of one thousand share in the number of shares of treasury ordinary stock is due to the purchase of odd-lot shares.

2. The decrease of 24 thousand shares in the number of shares of treasury ordinary stock consists of a decrease of 24 thousand shares due to the exercise of stock options and a decrease of 0 shares due to requests for purchase of odd-lot shares.

2. Matters concerning subscription rights to shares

Company	Breakdown	Type of stock purchased	Number of applicable shares (in thousands)				Balance at the end of this period (million yen)
			At the beginning of this period	Increase	Decrease	At the end of this period	
Reporting company	Subscription rights to shares as stock option	-	-	-	-	-	249
	Total		-	-	-	-	249

3. Matters concerning dividend

(1) Cash dividends paid

Resolution	Type of stock	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary meeting of shareholders on March 26, 2020	Ordinary shares	2,628	45.00	December 31, 2019	March 27, 2020
Board of directors' meeting on August 7, 2020	Ordinary shares	2,628	45.00	June 30, 2020	September 1, 2020

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year.

Resolution	Type of stock	Total amount of dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Ordinary meeting of shareholders on March 24, 2021	Ordinary shares	2,629	Retained earnings	45.00	December 31, 2020	March 25, 2021

From January 1, 2021 to December 31, 2021

1. Matters concerning the type and the number of shares issued and treasury shares (Thousand shares)

	At the beginning of this period	Increase	Decrease	At the end of this period
Shares issued				
Ordinary shares	60,621	–	–	60,621
Total	60,621	–	–	60,621
Treasury shares				
Ordinary shares (Notes 1, 2)	2,195	2,632	52	4,775
Total	2,195	2,632	52	4,775

(Notes) 1. The increase of 2,632 thousand shares in the number of common shares held as treasury shares consists of an increase due to the purchase of 2,630 thousand treasury shares and an increase of 2 thousand shares due to the purchase of odd-lot shares by resolution of the Board of Directors.

2. The decrease of 52 thousand shares in the number of shares of common shares held as treasury shares consists of a decrease of 35 thousand shares due to the exercise of stock options and a decrease of 17 thousand shares due to disposal of treasury shares as restricted stock compensation and a decrease of 0 thousand shares due to requests for purchase of odd-lot shares.

2. Matters concerning subscription rights to shares

Company	Breakdown	Type of stock purchased	Number of applicable shares (in thousands)				Balance at the end of this period (million yen)
			At the beginning of this period	Increase	Decrease	At the end of this period	
Reporting company	Subscription rights to shares as stock option	–	–	–	–	–	163
	Total		–	–	–	–	163

3. Matters concerning dividend

(1) Cash dividends paid

Resolution	Type of stock	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary meeting of shareholders on March 24, 2021	Ordinary shares	2,629	45.00	December 31, 2020	March 25, 2021
Board of directors' meeting on August 6, 2021	Ordinary shares	2,512	45.00	June 30, 2021	September 1, 2021

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year.

Resolution	Type of stock	Total amount of dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Ordinary meeting of shareholders on March 23, 2022	Ordinary shares	2,513	Retained earnings	45.00	December 31, 2021	March 24, 2022

(Notes to consolidated statements of cash flows)

*1. Reconciliation of the consolidated balance sheet items to cash and cash equivalents in the consolidated cash flows statements
(Million yen)

	From January 1, 2020 to December 31, 2020	From January 1, 2021 to December 31, 2021
Cash and time deposits	76,469	64,816
Securities	57	24
Total	76,526	64,841
Time deposits with maturity of more than 3 months	-3,408	-3,890
Investments in investment limited partnerships, etc.	-0	-1
Cash and cash equivalents	73,117	60,949

(Segment information, etc.)

a. Segment information

1. Overview of reportable segments

The reportable segments of the Company are those units for which separate financial statements can be obtained among the constituent units of the Company and which are regularly examined by the Board of Directors for decisions on the allocation of management resources and for assessing business performance.

Based on factors such as the type and similarity of operations, the Company has categorized its operations into four groups, which are the reportable segments. They are the Colorants and Functional Materials Related Business, the Polymers and Coatings Related Business, the Packaging Materials Related Business, the Printing and Information Related Business. Each business unit operates by establishing comprehensive domestic and overseas strategies for each product and service.

The Colorants and Functional Materials Related Business mainly manufactures and sells organic pigments, processed pigments, plastic colorants, color filter materials, and inkjet materials, etc. The Polymers and Coatings Related Business mainly manufactures and sells can coatings, resins, adhesives, pressure sensitive adhesives, functional films and tape, natural extracts and medical products. The Packaging Materials Related Business mainly manufactures and sells gravure inks, flexographic inks and gravure cylinders. The Printing and Information Related Business mainly manufactures and sells offset inks, metal printing inks, printing presses, printing equipment, prepress systems and printing supplies.

2. Method of calculation for net sales, profits or losses by reportable segment

Accounting procedures for reported business segments are generally the same as those stated in “Basic and important matters in preparing the consolidated financial statements.”

Intersegment earnings and transfer are based on current market prices.

(Changes to Reporting Segments)

Beginning in the fiscal year under review, the part of the business previously included in Printing and Information Related Business was changed to Colorants and Functional Materials Related Business as a reported segment after reexamining the business management classification to further accelerate development. The segment information for the previous fiscal year presented in this report was prepared based on the reclassified reportable segments.

3. Information on net sales, profits or losses by reportable segment

From January 1, 2020 to December 31, 2020

(Million yen)

	Reported segments					Other (Note) 1	Adjustment (Note) 2	Amounts recorded in Consolidated Financial Statements (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	62,772	62,050	65,977	62,169	252,971	4,704	–	257,675
Intersegment sales	2,276	277	611	18	3,184	1,524	-4,709	–
Total	65,049	62,328	66,589	62,188	256,155	6,229	-4,709	257,675
Segment profits	2,259	5,937	3,885	597	12,680	234	-6	12,909

(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 -6 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 financial statements.

From January 1, 2021 to December 31, 2021

(Million yen)

	Reported segments					Other (Note) 1	Adjustment (Note) 2	Amounts recorded in Consolidated Financial Statements (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	73,217	70,477	72,827	66,689	283,211	4,777	–	287,989
Intersegment sales	1,777	259	818	6	2,861	969	-3,831	–
Total	74,995	70,736	73,645	66,695	286,073	5,746	-3,831	287,989
Segment profits	5,391	3,570	1,813	1,730	12,505	531	-30	13,005

(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 -30 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 financial statements.

b. Relevant information

Information by region

Net sales

From January 1, 2020 to December 31, 2020

(Million yen)

Japan	China	Other	Total
138,062	33,271	86,341	257,675

(Note) Net sales are based on the geographical area of the customers and categorized by country or region.

From January 1, 2021 to December 31, 2021

(Million yen)

Japan	China	Other	Total
144,292	40,892	102,804	287,989

(Note) Net sales are based on the geographical area of the customers and categorized by country or region.

c. Information concerning impairment loss on non-current assets by reportable segment

From January 1, 2020 to December 31, 2020

	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	-	-	-	247	247	-	-	247

From January 1, 2021 to December 31, 2021

	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	1,027	64	391	253	1,736	526	-	2,263

(Note) An impairment loss of 1,027 million yen related to Colorants and Functional Materials Related Business and that of 526 million yen related to Other are included in business restructuring expenses in the consolidated statements of income.

(Per share information)

	From January 1, 2020 to December 31, 2020	From January 1, 2021 to December 31, 2021
Net assets per share	3,589.24 yen	3,911.64 yen
Profit per share	103.6 yen	169.36 yen
Fully diluted profit per share	102.85 yen	169.09 yen

(Notes) 1. The basis of calculating profit per share and fully diluted profit per share is as follows:

	From January 1, 2020 to December 31, 2020	From January 1, 2021 to December 31, 2021
Profit per share		
Profit attributable to owners of parent (million yen)	6,019	9,492
Amount not belonging to common shareholders (million yen)	–	–
Profit attributable to owners of parent concerning ordinary shares (million yen)	6,019	9,492
Weighted average number of shares issued and outstanding during the period (thousand shares)	58,414	56,049
Fully diluted profit per share		
Profit attributable to owners of parent (million yen)	–	–
Increase in the number of ordinary shares (thousand shares)	115	89
(Subscription rights to shares included (thousand shares))	115	89
Overview of dilutive shares not included in the calculation of the amount of fully diluted profit per share due to absence of dilutive effect	–	–

2. The grounds for the calculation of net assets per share

	As of December 31, 2020	As of December 31, 2021
Net assets on the consolidated balance sheet (million yen)	217,325	226,947
Amount deducted from total net assets (million yen)	7,619	8,497
(Subscription rights to shares included (million yen))	(249)	(163)
(Non-controlling interests included (million yen))	(7,370)	(8,334)
Year-end net assets concerning ordinary shares (million yen)	209,705	218,449
Ordinary shares used for calculation of net assets per share (thousand shares)	58,426	55,846

(Important subsequent events)

Not applicable

6. Other**(1) Management turnover**

With respect to the transfer of directors, please refer to the “Announcement of Changes to Officer Personnel,” announced separately today.