TRANSLATION:
This is an English translation of Consolidated Quarterly Financial Results (Japanese Accounting Standards) for the Fiscal Year Ending December 31, 2022. This is an English translation of the Japanese original, prepared only for the convenience of shareholders residing outside Japan. The original Japanese version will prevail should there be any difference in the meaning between the English version and the Japanese version.

TOYO INK SC

Consolidated Financial Results (Japanese Accounting Standards) for the Fiscal Year Ended December 31, 2022

February 14, 2023

Name of Listed Company: TOYO INK SC HOLDINGS CO., LTD. Listings: Tokyo Stock Exchange
Code: 4634 URL: https://schd.toyoinkgroup.com
Representative: Satoru Takashima, President and Representative Director, Group CEO
Contact: Takeshi Arimura, Operating Officer and General Manager of Finance & Accounting Department
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Scheduled date of ordinary shareholders' meeting: March 23, 2023
Scheduled date of commencement of dividend payments: March 24, 2023
Scheduled date of submission of financial report: March 23, 2023
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, 2022 (from January 1, 2022 to December 31, 2022)

(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 2022	315,927	9.7	6,865	-47.2	7,906	-48.8	9,308	-1.9
December 2021	287,989	11.8	13,005	0.7	15,442	23.1	9,492	57.7

(Note) Comprehensive income: December 2022 11,705 million yen (–41.2%) December 2021 19,892 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 2022	171.49	171.30	4.3	1.9	2.2
December 2021	169.36	169.09	4.4	3.9	4.5

(Note) Equity in earnings of associated companies: December 2022 -173 million yen December 2021 -271 million yen
* The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards were adopted at the fiscal year under review and have been applied to the results of the fiscal year ended December 31, 2022, but they have not been taken into account when evaluating year-on-year change due to the negligible impact of these standards.

(2) Financial position

Year ended	Total assets	Net assets	Net worth/Total assets	Net assets per share
	Million yen	Million yen	%	Yen
December 2022	411,177	227,877	53.3	4,133.90
December 2021	406,896	226,947	53.7	3,911.64

(Note) Net worth: December 2022 219,047 million yen December 2021 218,449 million yen
* From the fiscal year ended December 31, 2022, the Company began adopting the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. The figures for the fiscal year ended December 31, 2022 are the figures after the application of the relevant accounting standards.

(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 2022	4,262	-5,645	-8,102	53,385
December 2021	15,760	-17,576	-11,988	60,949

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 2021	–	45.00	–	45.00	90.00	5,025	53.1	2.4
December 2022	–	45.00	–	45.00	90.00	4,794	52.5	2.2
December 2023 (Forecast)	–	45.00	–	45.00	90.00		79.5	

3. Forecasts for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

(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	330,000	4.5	11,000	60.2	9,500	20.1	6,000	-35.5	113.23

* 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: Yes
- (ii) Changes in accounting policies other than (i): No
- (iii) Changes in accounting estimates: No
- (iv) Restatement: No

(3) Numbers of shares issued (ordinary shares)
- (i) Numbers of shares issued at the end of the terms (including treasury shares):
  - December 2022: 58,286,544 shares
  - December 2021: 60,621,744 shares
- (ii) Numbers of treasury shares at the end of the terms:
  - December 2022: 5,298,507 shares
  - December 2021: 4,775,558 shares
- (iii) Average numbers of shares issued during the terms (consolidated accumulation periods):
  - December 2022: 54,277,815 shares
  - December 2021: 56,049,246 shares

Reference: Financial summary (non-consolidated) (Amounts of less than million yen are omitted.)

Non-consolidated business results for the year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(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 2022	17,751	7.9	8,019	22.2	9,536	21.2	12,945	142.7
December 2021	16,450	-3.9	6,560	0.9	7,865	1.3	5,333	-8.3

Year ended	Profit per share (Basic)	Profit per share (Diluted)
	Yen	Yen
December 2022	238.51	238.24
December 2021	95.17	95.01

(2) Financial position

Year ended	Total assets	Net assets	Net worth/Total assets	Net assets per share
	Million yen	Million yen	%	Yen
December 2022	256,097	168,332	65.7	3,174.94
December 2021	260,784	171,030	65.5	3,059.60

(Note) Net worth: December 2022 168,233million yen December 2021 170,867million 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 note

1. The above forecasts are based on the information available on the date these materials are released and incorporate assumptions about uncertainties that may affect future earnings. The forecasts do not constitute an assurance that the Company promises to achieve the earnings. 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.

2. Supplementary documents for financial results will be posted on the Company's website on February 14, 2023 (Tuesday).

3. The Company will hold a financial results briefing for investors as follows. Reference materials for financial results and forecasts used in the briefing will be posted on the Company's website before the opening of the briefing.
   - February 21, 2023 (Tuesday): Briefing for institutional investors and security analysts.

Accompanying Materials – Contents

1. Overview of Operating Results, etc.

(1) Overview of operating results for the fiscal year ended December 31, 2022

(Million yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
December 2022	315,927	6,865	7,906	9,308
Growth rate (%)	9.7	-47.2	-48.8	-1.9
December 2021	287,989	13,005	15,442	9,492

During the fiscal year under review, the global economy was affected by high raw materials and energy prices and supply constraints chiefly due to the prolonged state of affairs in Ukraine and restrictions on economic activities in China. In addition, there were economic slowdowns and violent exchange rate fluctuations due to worldwide monetary tightening. Meanwhile, the COVID-19 pandemic was entering a new phase in which people live with COVID-19, and there were signs of a recovery in the global economy. In the display industry, one of the main markets of the Toyo Ink Group, inventory adjustments progressed rapidly, which had significant adverse effects on the Group's corporate activities.

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

The first policy is to strengthen the profitability of businesses. The Group was affected by the slowdown of demand across the board, reflecting a downturn following special demand in the display industry due to COVID-19, a slowdown in the automobile market due to the shortage of semiconductors, and confusion caused by COVID-19 policy in China. In response, the Group strengthened its sales network in the Chinese market to acquire new customers for its materials of color filters for LCDs. In India and the United States, the Group expanded the pressure sensitive adhesives business by expanding facilities. In Europe, the Group started the local production of inkjet inks for digital printing, for which demand is expected to expand. In Japan, the Group strove to change its profit structure and moved forward with streamlining. The Group transferred functions of the Mobara Plant to the Fuji Factory to enhance production efficiency in the Colorants and Functional Materials Related Business. The sales system in the Printing and Information Related Business was integrated into TOYO INK Co., Ltd. The Group continually revised prices and reduced costs, although it was slow to respond to rising raw materials and energy prices and surging logistics costs.

Under its second policy, creating and expanding priority development domains, the Group continued to implement business activities in the three priority domains below. In Sustainability Science, the Group continued its business activities in the four largest automobile markets for automobile lithium-ion battery materials (Europe, the U.S., China and Japan). In Europe and the United States, production started in earnest. In China and Japan, new customers were acquired. Regarding environmentally friendly products, the Group focused on expanding sales of functional coatings that contribute to the manufacturing of paper packaging materials and developing plastic colorant products that contribute to recycling. In Communication Science, the Group established a Technical Center in Shenzhen, China to establish a system for expediting the development of new polymer materials for electronics and 5G applications. In Life Science, the Group reached a basic agreement with Nobelpharma Co., Ltd. on a business alliance related to manufacturing, development and overseas operations in consideration of future business expansion into the growing biopharmaceutical field and started to build a new factory to expand the patch-type pharmaceuticals business. Regarding advanced research related to these priority development domains, the Group established a Toyo Ink Group Collaborative Research Center within the Tokyo Institute of Technology.

The third policy is to enhance the value of management resources for sustainable growth. The Group implemented the digital transformation (DX) of its business foundation and took specific steps, including the use of material infomatics(MI) in the product development and data visualization for the creation of smart factories. On the ESG front, the Group implemented initiatives to achieve its sustainability vision, TSV2050/2030, and disclosed climate change information based on the TCFD recommendations. The Group developed an environment for increasing diversity and established guidelines for deepening the understanding of LGBT people and supporting them. On the governance front, the Groupchanged to a company with an audit and supervisory committee to enhance the supervisory functions of the Board of Directors. The Group actively reduced its cross-shareholdings to improve capital efficiency.

As a result, net sales for the fiscal year under review rose to 315,927 million yen (up 9.7％ year on year). However, profit fell partly due to surges in raw materials prices. Operating profit stood at 6,865 million yen (down 47.2％ year on year) and ordinary profit came to 7,906 million yen (down 48.8％ year on year). Profit attributable to owners of parent was 9,308 million yen (down 1.9％ year on year).

Due to the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc., net sales were 425 million yen less, and operating profit and ordinary profit were 41 million yen and 1 million yen less each, compared with values calculated by applying the previous method.

Operating results by segment are as follows.

(Million yen)

	Net sales			Operating profit		
	Previous term	Term under review	Change (%)	Previous term	Term under review	Change (%)
Colorants and Functional Materials Related Business	74,995	79,380	5.8	5,391	1,846	-65.7
Polymers and Coatings Related Business	70,736	76,240	7.8	3,570	2,504	-29.8
Packaging Materials Related Business	73,645	83,464	13.3	1,813	963	-46.9
Printing and Information Related Business	66,695	75,180	12.7	1,730	654	-62.2
Other	5,746	4,948	-13.9	531	890	67.6
Subtotal	291,820	319,214	9.4	13,036	6,860	-47.4
Adjustment	-3,831	-3,287	–	-30	5	–
Total consolidated	287,989	315,927	9.7	13,005	6,865	-47.2

(i) Colorants and Functional Materials Related Business

Shipments of LCD color filter materials were very sluggish in the latter half of the fiscal year under review as production of large and small and medium-sized liquid crystal panels was reduced sharply due to a decline in demand for liquid crystal panels for large television sets and smartphones.

Sales of plastic colorants, particularly those for foods containers, remained strong; however, growth in sales of plastic colorants for automobiles and office equipment slowed due to the impact of shortages of semiconductors and other components and lockdowns in China.

Sales of inkjet inks, particularly those for commercial printing and signage, were firm. The Group made progress in the improvement of production facilities for lithium-ion battery materials for automotive applications in the U.S. and Europe, and sales of lithium-ion battery materials expanded as demand increased.

As a result, net sales for this segment as a whole increased to 79,380 million yen (up 5.8% year on year) while operating profit decreased to 1,846 million yen (down 65.7% year on year) due to a steep rise in raw materials and energy costs.

With the application of the Accounting Standard for Revenue Recognition, etc., net sales decreased 389 million yen and operating profit decreased 2 million yen.

(ii) Polymers and Coatings Related Business

Among functional films and tapes, sales of conductive adhesive sheets and electromagnetic shielding films were affected by a market slump of smartphones in the latter half of the fiscal year under review. Sales of heat durable and low adhesive films for liquid crystal panels and automobiles were slow due to sharp production adjustments in the market.

Domestic sales of adhesives for the packaging of snack foods and pet foods remained strong. Meanwhile, domestic sales of pressure sensitive adhesives for labels and displays were affected by sluggish demand. Overseas sales of pressure sensitive adhesives grew thanks to facility extensions in the U.S. and India and the sales of adhesives for food products and pharmaceuticals were firm.

Domestic sales of new can coatings with added functionality increased, but overall sales of can coatings saw sluggish growth, reflecting weak overseas sales of food can coatings due to low catches of fish.

As a result, net sales for this segment as a whole increased to 76,240 million yen (up 7.8% year on year) while operating profit decreased to 2,504 million yen (down 29.8% year on year) due to steep rises in raw materials and energy costs, more than offsetting selling price revisions and cost reductions.

With the application of the Accounting Standard for Revenue Recognition, etc., net sales decreased 6 million yen and operating profit decreased 10 million yen.

(iii) Packaging Materials Related Business

In Japan, sales of liquid inks, particularly mainstay products for packaging materials, were steady thanks to firm demand for liquid inks for food products such as frozen foods, labels for beverages, and noodles, based on the movement of customers toward increasing inventory in preparation for the disruption of the supply of materials and price increases. Overseas, shipments in China declined due to lockdowns. However, sales were firm in other regions, reflecting a recovery in economic activity and progress in the expansion of sales.

In the gravure cylinder platemaking business, demand for new plates in the packaging segment was low. Sales of precision platemaking related to electronics saw sluggish growth.

As a result, net sales for this segment as a whole increased to 83,464 million yen (up 13.3% year on year) while operating profit decreased to 963 million yen (down 46.9% year on year) due to difficulty in the procurement of raw materials, a steep rise in their prices, and an increase in energy prices on a global scale.

With the application of the Accounting Standard for Revenue Recognition, etc., net sales decreased 23 million yen and operating profit decreased 20 million yen.

(iv) Printing and Information Related Business

While domestic sales of products for flyers, advertising, and publishing were sluggish due to the structural contraction of the information-related printing market, sales of products for paper containers and metal printing for beverage cans remained strong. The Group implemented structural reforms and collaborated with competitors to reduce costs, but profit was reduced significantly, chiefly due to the difficulty of procuring raw materials, the increase of prices and high energy costs.

In overseas markets, the market was weak in Europe and China due to the war in Ukraine and the impact of COVID-19. However, in other regions, sales were firm, reflecting a recovery in economic activities and progress in the expansion of sales.

As a result, net sales for this segment as a whole increased to 75,180 million yen (up 12.7% year on year), but operating profit decreased to 654 million yen (down 62.2% year on year).

With the application of the Accounting Standard for Revenue Recognition, etc., net sales decreased 6 million yen and operating profit decreased 8 million yen.

(v) Other

This Other segment includes businesses not included in the above segments, services provided by Toyo Ink SC Holdings Co. Ltd., etc., and other businesses. Net sales decreased to 4,948 million yen (down 13.9% year on year), but operating profit increased to 890 million yen (up 67.6% year on year) due to a decrease in retirement benefit expenses and other factors.

With the application of the Accounting Standard for Revenue Recognition, etc., net sales decreased 0 million yen and operating profit decreased 0 million yen.

(2) Overview of financial position during the fiscal year ended December 31, 2022

(Million yen)

	End of previous fiscal year	End of fiscal year under review	Change
Total assets	406,896	411,177	4,281
Liabilities	179,948	183,300	3,351
Net assets	226,947	227,877	929

Total assets at the end of the fiscal year under review stood at 411,177 million yen, up 4,281 million yen from the end of the previous consolidated fiscal year. Liabilities were 183,300 million yen, up 3,351 million yen from the end of the previous consolidated fiscal year. Net assets came to 227,877 million yen, up 929 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 respectively. Inventories increased primarily due to the procurement of raw materials and surges in the prices of raw materials. Property, plant and equipment increased, chiefly reflecting facility expansion overseas and active capital investment in priority development business areas. Capital and deposits decreased chiefly due to dividends paid and purchase of treasury shares. Investment securities, deferred tax liabilities, and valuation difference on available-for-sale securities decreased, reflecting the sale of part of shares held. The Company issued its first unsecured straight bonds to repay borrowings.

(3) Overview of cash flow during the fiscal year ended December 31, 2022

(Million yen)

	Previous term	Term under review	Change
Cash flows from operating activities	15,760	4,262	-11,498
Cash flows from investing activities	-17,576	-5,645	11,930
Cash flows from financing activities	-11,988	-8,102	3,885
Cash and cash equivalents at end of period	60,949	53,385	-7,564

Cash and cash equivalents (“cash”) at the end of the fiscal year under review stood at 53,385 million yen, down 7,564 million yen from the end of the previous fiscal year.

Cash provided by operating activities stood at4,262million yen, down 11,498million 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, an increase in notes and accounts receivable - trade, an increase in inventories and a decrease in cash flows due to income taxes paid.

Cash used in investment activities was 5,645 million yen, down 11,930 million yen from the end of the previous fiscal year. This mainly reflects purchase of property, plant and equipment and proceeds from sale and redemption of short-term and long-term investment securities.

Funds used for financing activities was 8,102 million yen, down 3,885 million yen from the end of the previous fiscal year. Contributing factors include repayments of long-term loans payable, purchase of treasury shares, cash dividends paid, a net increase in short-term loans payable and an increase in funds through bond issuance.

Trends in Group cash flows are as follows:

	Term ended December 2019	Term ended December 2020	Term ended December 2021	Term ended December 2022
Capital adequacy ratio (%)	58.3	55.2	53.7	53.3
Market value-based capital adequacy ratio (%)	41.4	30.3	26.5	23.2
Ratio of interest-bearing debt to cash flows (years)	3.0	4.9	5.1	20.3
Interest coverage ratio (times)	30.7	31.7	29.6	3.5

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 2023 (Forecast)	330,000	11,000	9,500	6,000
Term ended December 2022	315,927	6,865	7,906	9,308
Growth rate (%)	4.5	60.2	20.1	-35.5

In the next fiscal year, the economy is expected to recover as world learns to live in the endemic COVID-19 era. However, as monetary tightening continues worldwide, the economy is likely to be affected by a downturn in overseas economies and rising prices in Japan.
The Toyo Ink Group expects that it will continue to face a harsh business environment with challenges such as high raw materials and energy prices and economic stagnation. By implementing measures to address the issues on page 8, the Group forecasts it will post net sales of 330,000 million yen (growth rate of 4.5%), operating profit of 11,000 million yen (growth rate of 60.2%), ordinary profit of 9,500 million yen (growth rate of 20.1%), and profit attributable to owners of parent of 6,000 million yen (growth rate of minus 35.5%).

2. Group Overview

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

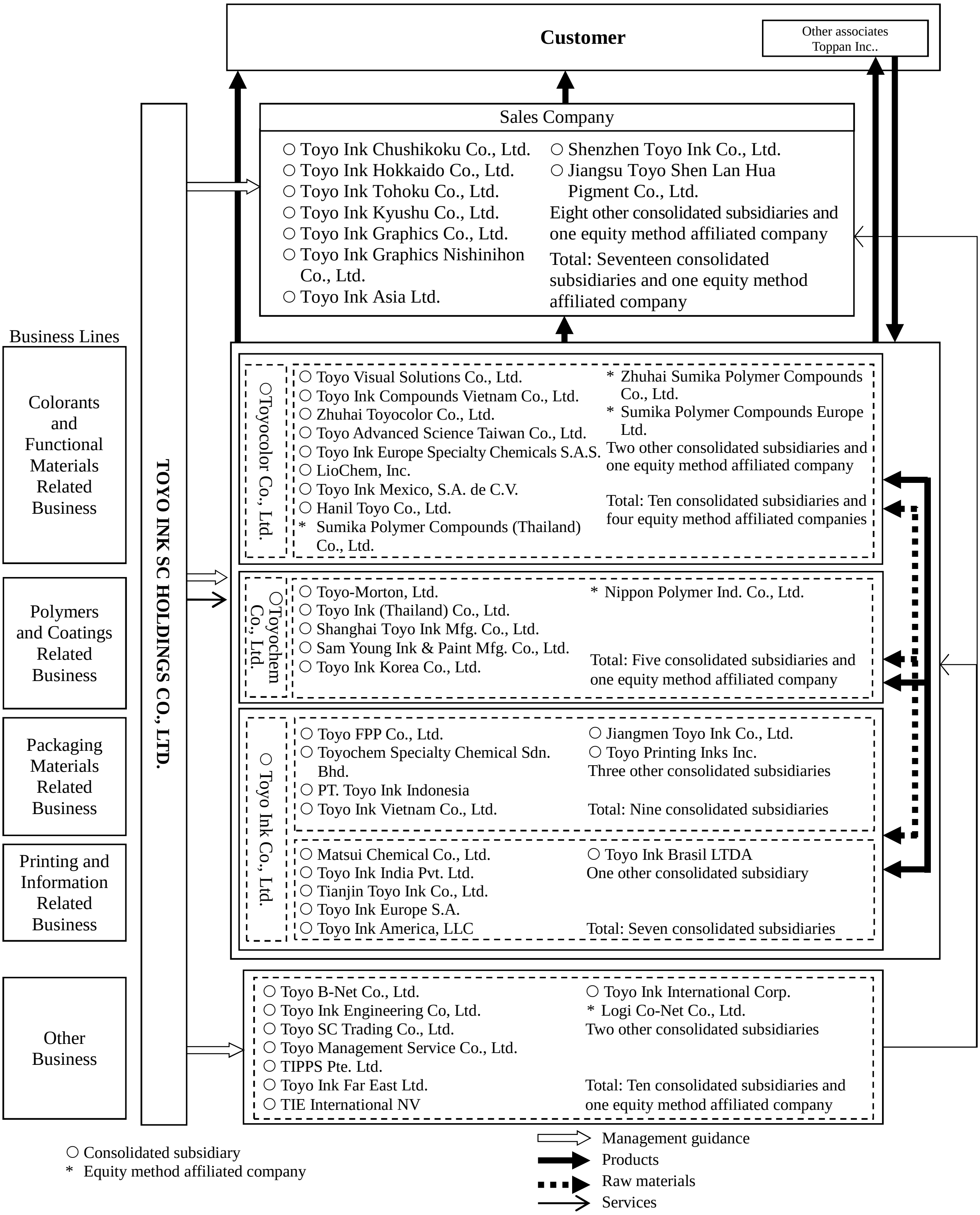
Business lines of the Group are as follows:

Business Line	Major Business	Major Company	
Colorants and Functional Materials Related Business	Organic pigments, processed pigments, plastic colorants, color filter materials, inkjet materials, lithium ion battery 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 tapes, natural materials, 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, Toyo Ink Brazil Ltda, 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.

Toyo Ink Co., Ltd., a wholly owned subsidiary, absorbed Toyo Ink Hokkaido Co., Ltd., Toyo Ink Tohoku Co., Ltd., Toyo Ink Chusikoku Co., Ltd, Toyo Ink Kyushu Co., Ltd., Toyo Ink Graphics Co., Ltd., and Toyo Ink Graphics Nishinihon Co., Ltd., which are all wholly owned subsidiaries, in January 2023.

The Toyo Ink Group deals with Toppan Inc., 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 “Endeavoring to be a company that contributes to enrichmentcreating 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 has undertaken the necessary adaptation in line with the times, aiming for sustainable growth toward the 200th anniversary of its foundation.

However, the social environment has changed drastically. To contribute in the new era and achieve further growth, the Group has changed its Corporate Philosophy System and has redefined the Company's value proposition as "value that resonates with the senses." The Company has decided to change its trade name to artience Co., Ltd. to reflect its strong desire to transform itself into a company that delivers pioneering value to people around the world through its cutting-edge technology, with every employee playing a lead role in building the Group by anticipating the needs and challenges of the changing times. The Company is making preparations to make a new start under the new business name in FY2024 with approval of the annual shareholders' meeting this fiscal year.

The new business name, "artience," is a portmanteau of the words "art" and "science." The "art" expresses the stimulation of the five senses and the mind, including the application of color as well as a liberal arts perspective; while the "science" represents the application of technology, materials and a rational approach to discovery." The Company will contribute to realizing a future in which everyone can live enriched lives, by providing society with "value that resonates with the senses" and that moves people’s hearts and minds. This value is born from the fusion and refinement of the Company’s strengths in art and science.

(2) Medium- to long-term management strategy

The Toyo Ink Group establishes a long-term vision 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 medium-term management plans. Since FY2021, the Group has been implementing SIC (Scientific Innovation Chain) -II (FY2021 - FY2023). To be a company which continues to provide value that is truly necessary to meet the changing new needs of a society, the Group has established a vision of being a lifestyle and culture creator which contributes to the new age, and has worked to realize this vision through the implementation of three basic policies: strengthen the profitability of businesses, create and expand priority development domains and enhance the value of management resources for sustainable growth.

In FY2023, the final year of SIC-II, the Group will wrap up its initiatives during the management plan and will prepare for a new start in FY2024 under the new philosophy system.

To strengthen the profitability of businesses, the Group will continue to revise prices appropriately in response to rising raw materials and energy prices and take steps to reduce its sensitivity to changes in prices. Meanwhile, the Group will add high value to products to increase profitability in each business. The Group will also strive to increase the returns on the investments that it has made in adhesives and pressure sensitive adhesives and liquid inks overseas in the past few years.

To create and expand priority development domains, the Group will enhance its marketing functions to create new businesses in three priority domains. In Sustainability Science, the Group will make intensive investments related to automobile lithium-ion battery materials in the United States and China to expand the foundation of its business. In Communication Science, the Group will develop materials in consideration of changes in performance requirements resulting from a rapid increase in the amount of data and provide them in the areas of 5G technology and semiconductors. In Life Science, the Group will strive to create businesses in the medical field through industry-academia collaboration and business alliances.

To enhance the value of management resources for sustainable growth, the Group will transform its management resources and improve efficiency through digital transformation and it will take steps to reinforce its corporate structure, focusing on ESG (environmental, social and governance) practices. In this way, the Group will strengthen its management base to achieve sustainable growth.

(3) Our challenges

In the next fiscal year, which is the third 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 reinforce its system for sales of materials of color filters for LCDs, using local partners in China to expand its share of the growing Chinese market. The Group will quickly strengthen its production system for automobile lithium-ion battery materials to meet needs in the four largest automobile markets (Europe, the U.S., China and Japan) to expand its business.

In the Polymers and Coatings Related Business, the Group will launch adhesives and pressure sensitive adhesives according to needs in each overseas market and promote sales. Meanwhile, the Group will review raw materials and introduce innovating production processes to improve the profit structure. The Group will introduce new materials and solutions in the 5G technology and semiconductor markets to create high value-added products.

In the Packaging Materials Related Business, the Group will strive to increase its share of the markets in Southeast Asia and India, where economic growth is continuing, and it will build a factory in Turkey to gain a foothold in markets in the Middle East and Africa. For sustainability, the Group will develop and propose biomass products, water-based inks, and products using non-plastic materials.

In the Printing and Information Related Business, the Group will continue to strengthen its financial position through domestic

structural reforms and SCM improvement. The Group will strive to enable its environmentally friendly UV curable inks to achieve penetration into the label and container markets, provide metal decorating inks in overseas markets, and promote sales of functional coating agents to reduce the use of plastic.
In addition to these business activities, in order to reform our cost structure, we will initiate organizational reforms in our indirect divisions, taking stock and reorganizing operations, and boldly shifting human resources to growth areas. Also, the Group will take specific steps for the realization of its sustainability vision, TSV2050/2030, thereby reducing the environmental impact of its manufacturing. The Group aims to achieve the sustainable enhancement of corporate value by pushing forward with diversity and inclusion (D&I) initiatives to encourage the active participation of diverse human resources and revitalize corporate activities and ESG management, including the strengthening of the Group's governance.

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, 2021		As of December 31, 2022	
(Assets)				
Current assets				
Cash and deposits		64,816		55,117
Notes and accounts receivable - trade	*6	94,297	*1, *6	100,390
Securities		24		430
Merchandise and finished goods		34,149		38,494
Work in process		726		1,000
Raw materials and supplies		24,695		28,088
Other		5,979		6,881
Allowance for doubtful accounts		-1,100		-1,154
Total current assets		223,589		229,247
Non-current assets				
Property, plant and equipment				
Buildings and structures	*3, *7	107,134	*3, *7	113,121
Accumulated depreciation		-68,102		-70,863
Buildings and structures, net		39,031		42,258
Machinery, equipment and vehicles		158,945		165,907
Accumulated depreciation		-134,125		-138,746
Machinery, equipment and vehicles, net		24,819		27,160
Tools, furniture and fixtures		26,277		28,442
Accumulated depreciation		-22,354		-23,092
Tools, furniture and fixtures, net		3,922		5,349
Land	*3, *7	30,060	*3, *7	30,490
Leased assets		5,426		6,978
Accumulated depreciation		-1,530		-1,944
Leased assets, net		3,895		5,033
Construction in progress		9,986		12,075
Total property, plant and equipment		111,716		122,366
Intangible assets		2,225		2,619
Investments and other assets				
Investment securities	*2	54,093	*2	42,791
Retirement benefit asset		10,255		7,645
Deferred tax assets		2,420		2,826
Other		2,777		3,881
Allowance for doubtful accounts		-182		-200
Total investments and other assets		69,364		56,944
Total non-current assets		183,306		181,930
Total assets		406,896		411,177

(Million yen)

		As of December 31, 2021		As of December 31, 2022
(Liabilities)				
Current liabilities				
Notes and accounts payable - trade	*3, *6	68,221	*3, *6	70,738
Short-term loans payable	*3	24,042	*3	24,022
Income taxes payable		1,652		726
Provision for environmental measures		537		–
Other		17,672	*8	17,975
Total current liabilities		112,125		113,463
Non-current liabilities				
Bonds payable		–		5,000
Long-term loans payable		55,415		54,851
Deferred tax liabilities		8,703		6,276
Provision for environmental measures		364		251
Retirement benefit liability		2,275		1,676
Asset retirement obligations		32		33
Other		1,030		1,746
Total non-current liabilities		67,823		69,836
Total liabilities		179,948		183,300
(Net assets)				
Shareholders’ equity				
Capital stock		31,733		31,733
Capital surplus		32,546		32,530
Retained earnings		151,740		151,414
Treasury shares		-9,784		-10,687
Total shareholders’ equity		206,236		204,990
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		9,941		5,007
Foreign currency translation adjustment		-1,212		7,986
Remeasurements of defined benefit plans		3,483		1,062
Total accumulated other comprehensive income		12,213		14,056
Subscription rights to shares		163		98
Non-controlling interests		8,334		8,731
Total net assets		226,947		227,877
Total liabilities and net assets		406,896		411,177

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

Consolidated statements of income

(Million yen)

	From January 1, 2021 to December 31, 2021	From January 1, 2022 to December 31, 2022
Net sales	287,989	*1 315,927
Cost of sales	*2 229,284	*2 261,725
Gross profit	58,704	54,202
Selling, general and administrative expenses		
Packing and transportation expenses	7,517	7,811
Salaries and allowances	11,743	12,370
Bonuses	2,499	2,512
Welfare expenses	3,033	3,110
Depreciation	1,961	1,816
Research and development expenses	*2 3,325	*2 3,452
Other	15,617	16,261
Total selling, general and administrative expenses	45,699	47,336
Operating profit	13,005	6,865
Non-operating income		
Interest income	189	226
Dividend income	1,263	1,567
Foreign exchange gains	1,537	1,833
Other	779	696
Total non-operating income	3,769	4,324
Non-operating expenses		
Interest expenses	544	1,365
Share of loss of entities accounted for using equity method	271	173
Loss on net monetary position	–	1,183
Other	516	560
Total non-operating expenses	1,332	3,283
Ordinary profit	15,442	7,906
Extraordinary income		
Gain on sales of non-current assets	*3 311	*3 276
Gain on sales of investment securities	367	5,648
Other	14	9
Total extraordinary income	694	5,934
Extraordinary losses		
Loss on sales and retirement of non-current assets	*4 262	*4 362
Impairment loss	*5 708	*5 456
Business restructuring expenses	*6 1,754	*6 125
Extra retirement payments	–	233
Shutdown costs	–	*7 226
Other	280	76
Total extraordinary loss	3,006	1,480
Profit before income taxes	13,130	12,360
Income taxes - current	3,482	2,839
Income taxes - deferred	-32	129
Total income taxes	3,450	2,968
Profit	9,680	9,392
Profit attributable to non-controlling interests	187	83
Profit attributable to owners of parent	9,492	9,308

Consolidated statements of comprehensive income

(Million yen)

	From January 1, 2021 to December 31, 2021	From January 1, 2022 to December 31, 2022
Profit	9,680	9,392
Other comprehensive income		
Valuation difference on available-for-sale securities	4,245	-4,934
Foreign currency translation adjustment	4,920	9,509
Remeasurements of defined benefit plans, net of tax	900	-2,421
Share of other comprehensive income of entities accounted for using equity method	146	159
Total other comprehensive income	*1 10,211	*1 2,313
Comprehensive income	19,892	11,705
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,707	11,151
Comprehensive income attributable to non-controlling interests	1,184	554

(3) Consolidated statements of changes in equity

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
Cumulative effects of changes in accounting policies					–
Restated balance	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
Cancellation of treasury shares					–
Transfer from retained earnings to capital surplus					–
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
Cumulative effects of changes in accounting policies							–
Restated balance	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
Cancellation of treasury shares							–
Transfer from retained earnings to capital surplus							–
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

From January 1, 2022 to December 31, 2022

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	31,733	32,546	151,740	-9,784	206,236
Cumulative effects of changes in accounting policies			-2		-2
Restated balance	31,733	32,546	151,738	-9,784	206,233
Changes of items during period					
Dividends of surplus			-4,922		-4,922
Profit attributable to owners of parent			9,308		9,308
Purchase of treasury shares				-5,734	-5,734
Disposal of treasury shares		7		98	106
Cancellation of treasury shares		-4,733		4,733	–
Transfer from retained earnings to capital surplus		4,708	-4,708		–
Change in ownership interest of parent due to transactions with non-controlling interests					–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	-16	-323	-902	-1,242
Balance at end of current period	31,733	32,530	151,414	-10,687	204,990

	Accumulated other comprehensive income				Subscription rights to shares	Non-controllin g interests	Total net assets
	Valuation difference on available-for-sa le securities	Foreign currency translation adjustment	Remeasure ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	9,941	-1,212	3,483	12,213	163	8,334	226,947
Cumulative effects of changes in accounting policies							-2
Restated balance	9,941	-1,212	3,483	12,213	163	8,334	226,945
Changes of items during period							
Dividends of surplus							-4,922
Profit attributable to owners of parent							9,308
Purchase of treasury shares							-5,734
Disposal of treasury shares							106
Cancellation of treasury shares							–
Transfer from retained earnings to capital surplus							–
Change in ownership interest of parent due to transactions with non-controlling interests							–
Net changes of items other than shareholders' equity	-4,934	9,198	-2,421	1,842	-64	397	2,175
Total changes of items during period	-4,934	9,198	-2,421	1,842	-64	397	932
Balance at end of current period	5,007	7,986	1,062	14,056	98	8,731	227,877

(4) Consolidated statements of cash flows

(Million yen)

	From January 1, 2021 to December 31, 2021	From January 1, 2022 to December 31, 2022
Cash flows from operating activities		
Profit before income taxes	13,130	12,360
Depreciation	9,731	10,747
Loss on net monetary position	–	1,183
Impairment loss	708	456
Business restructuring expenses	1,754	125
Extra retirement payments	–	233
Shutdown costs	–	226
Interest and dividend income	-1,452	-1,794
Interest expenses	544	1,365
Share of (profit) loss of entities accounted for using equity method	271	173
Loss (gain) on sales of property, plant and equipment	-301	-263
Loss on retirement of property, plant and equipment	88	129
Loss (gain) on sales of investment securities	-367	-5,648
Decrease (increase) in notes and accounts receivable - trade	-5,054	-3,481
Decrease (increase) in inventories	-11,811	-5,328
Increase (decrease) in notes and accounts payable - trade	12,728	39
Other	-2,171	-3,168
Subtotal	17,799	7,358
Interest and dividend income received	1,455	1,936
Interest expenses paid	-532	-1,230
Income taxes paid	-2,961	-3,802
Net cash provided by (used in) operating activities	15,760	4,262
Cash flows from investing activities		
Payments into time deposits	-4,593	-37,380
Proceeds from withdrawal of time deposits	4,204	39,743
Purchase of property, plant and equipment	-18,065	-17,660
Proceeds from sales of property, plant and equipment	552	535
Purchase of intangible assets	-45	-285
Purchase of short-term and long-term investment securities	-33	-76
Proceeds from sales and redemption of short-term and long-term investment securities	573	9,546
Other	-168	-67
Net cash provided by (used in) investing activities	-17,576	-5,645
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-2,036	4,451
Proceeds from long-term borrowings	1,272	152
Repayments of long-term borrowings	-511	-6,509
Proceeds from issuance of bonds	–	5,000
Purchase of treasury shares	-4,975	-5,734
Repayments of lease obligations	-417	-384
Cash dividends paid	-5,140	-4,922
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-102	–
Other	-76	-155
Net cash provided by (used in) financing activities	-11,988	-8,102
Effect of exchange rate change on cash and cash equivalents	1,636	1,921
Net increase (decrease) in cash and cash equivalents	-12,168	-7,564
Cash and cash equivalents at beginning of period	73,117	60,949
Cash and cash equivalents at end of period	*1 60,949	*1 53,385

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

During the consolidated fiscal year under review, the Company consolidated one subsidiary and deconsolidated one subsidiaries.

- In the fiscal year under review, TIP LH Corporation was established and became a consolidated subsidiary.
- Toyo Ink Middle East (FZE)., which was a consolidated subsidiary in the previous fiscal year, was liquidated in the fiscal year under review and was 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
Securities other than shares, etc. without market pricesMarket value method
.
(Unrealized valuation gains or losses are reported in the shareholders’ equity, and sales costs are determined by the moving average method.)
Shares, etc. without market pricesStated at cost as determined using 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.

(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) Important standards for reporting revenues and expenses

The Group handles organic pigments, processed pigments, plastic colorants, color filter materials, inkjet materials, lithium ion battery materials and other products or merchandise in the Colorants and Functional Materials Related Business, can coatings, resins, adhesives, pressure sensitive adhesives, functional films and tapes, natural materials, medical products and other products or merchandise in the Polymers and Coatings Related Business, gravure inks, flexographic inks, gravure cylinders and other products or merchandise in the Packaging Materials Related Business and offset inks, metal printing inks, printing presses, printing equipment, prepress systems, printing supplies and other products or merchandise in the Printing and Information Related Business.

The Group’s main business is the manufacturing and sale of products and the sale of merchandise in the four businesses above. In each business, the Group has an obligation to deliver products or merchandise under sales agreements with customers.

In the domestic sale of products or merchandise, the customer is deemed to gain control of products or merchandise when they are delivered to them and the performance obligation is deemed to be fulfilled. Revenue is recognized when the products or merchandise arrive at the customer location. In the export sale of products or merchandise, the performance obligation is deemed to be fulfilled and revenue is recognized when the risk borne is transferred to the customer under the terms of trade set out according to the Incoterms rules.

The transaction price is an amount based on the consideration promised under an agreement with the customer and reflects any discount, etc. In a transaction where raw materials are bought from the customer and a product made from them are sold to the customer, the revenue recognized is the price of the product less the cost of the raw materials purchased.

On average, the Group receives the consideration of a transaction about four months after the fulfillment of the performance obligation. No important financial elements are included in the agreement.

(5) 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.

(6) 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.

However, income and expenses of subsidiaries in a hyperinflationary economy are translated into yen at the spot exchange rate on the consolidated balance sheet date in order to apply hyperinflationary accounting.

(7) 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.

(8) Amortization of goodwill and amortization period

Goodwill is amortized individually and equally over a reasonable period of up to 20 years.

(9) 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.

(10) Other important matters for production of the consolidated financial statements

1) Application of a consolidated taxation system

The Group uses the consolidated taxation system.

2) Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system

The Company and domestic consolidated subsidiaries that use the consolidated taxation system will use the group tax sharing system from the next fiscal year. The Company and 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 the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No.28, February 16, 2018), regarding the transition to group tax sharing system established in the 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 line with the transition to the group tax sharing system.

From the beginning of the next fiscal year, the Company and domestic consolidated subsidiaries will apply the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ Practical Issues Task Force No. 42, August 12, 2021), which sets forth accounting for and disclosure of income taxes, local corporate taxes, and tax effect accounting under the group tax sharing system.

3) Financial reporting in hyperinflationary economies

In the first two quarters of the fiscal year under review, the cumulative inflation rate in Turkey over three years exceeded 100 percent. The Group has thus determined that the subsidiary in Turkey, whose functional currency is the Turkish lira, operated in a hyperinflationary economy and has made accounting adjustments to the financial statements of the subsidiary in Turkey, following the requirements set out in IAS 29: financial reporting in hyperinflationary economies.

IAS 29 requires that the financial statements of the subsidiary in a hyperinflationary economy be prepared and presented in terms of the measurement unit on the last day of the reporting period and be included in the consolidated financial statements.

The Group used a conversion factor calculated using the consumer price index (CPI) published by the Turkish Statistical Institute (TURKSTAT) to make adjustments to the financial statements of the subsidiary in Turkey.

Nonmonetary accounts, such as property, plant and equipment, stated at acquisition cost at the subsidiary in Turkey are adjusted using the conversion factor based on the acquisition date. Monetary accounts and nonmonetary accounts stated at cost are deemed to be presented in terms of the measurement unit on the last day of the reporting period and are thus not adjusted. The effect of inflation on the net monetary position is presented in non-operating expenses in the consolidated statement of income.

The financial statements of the subsidiary in Turkey are translated into Japanese yen at the spot exchange rate market rate prevailing at of consolidated fiscal year end under review and are reflected in the Group’s consolidated financial statements.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company started to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 dated March 31, 2020; hereinafter, “Revenue Recognition Accounting Standard”), etc. at the beginning of the fiscal year under review. Under this standard, revenue is recognized, when the Company transfers the control of a promised good or service to a customer, in an amount that the Company expects to receive in exchange for such good or service. The main changes from the previous revenue recognition method are as follows.

(1) Domestic sales of finished goods and merchandise

While in the past revenue had been recognized generally at the time of shipping, the Group has changed to the method of recognizing revenue when the product or merchandise arrives at the customer.

(2) Sales discounts

In the past, sales discounts were recognized as non-operating expenses, which has been changed to the method of deducting sales discounts from net sales.

(3) Buy-sell transactions in which the Group sells and buys back goods

The materials supplied for a fee were previously deemed to have ceased to exist. However, such supplied materials are no longer deemed as having ceased to exist if the Company is obliged to repurchase them.

(4) Buy-sell transactions in which the Group buys and sells back goods

Previously, the Company had recognized revenues from onerous receipt transactions using total compensation, including purchasing costs for raw materials. The Company replaced the practice with the method of recognizing such revenues using net compensation excluding purchasing costs for raw materials.

The Revenue Recognition Accounting Standard is applied according to the provisional measures stipulated in the proviso in Paragraph 84 of the standard. With respect to the application of a new accounting policy, it is applied to the balance of retained surplus at the beginning of the fiscal year under review. This balance of retained surplus is obtained through calculation using the cumulative amount of the impact from retrospective application of the new accounting policy to periods prior to the beginning of the fiscal year under review, either by adding it to or deducting it from the retained surplus.

As a result, net sales, cost of sales, and operating profit in the fiscal year under review decreased 425 million yen, 384 million yen and 41 million yen, respectively, and ordinary profit and profit before taxes declined 1 million yen each compared with the figures before the application of the Revenue Recognition Accounting Standard. Net assets at the beginning of the fiscal year under review reflects the cumulative impact of the retrospective application of the new accounting policy, which has resulted in a decrease of 2 million yen in retained earnings at the beginning of the period.

The effect of the application of the Revenue Recognition Accounting Standard on per share information is minor and insignificant.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company began applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 issued on July 4, 2019, hereinafter the “Fair Value Measurement Accounting Standard”) and related measures at the beginning of the fiscal year under review. Accordingly, the Company will apply the new accounting policies prescribed in the Fair Value Measurement Accounting Standard and related measures in the future in accordance with the transitional handling stipulated in Section 19 of the same standard and Section 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10 issued on July 4, 2019). The application of the accounting standard has no impact on the consolidated financial statements.

(Application of ASU No. 2016-02, Leases (Topic 842))

The consolidated subsidiaries overseas that apply US GAAP apply ASU No. 2016-02, Leases (Topic 842) from the fiscal year under review. Following ASU No. 2016-02, the borrower, in principle, records all leases in assets and liabilities in the consolidated balance sheet.

As a result, lease assets, “Other” of current liabilities, and “Other” of non-current liabilities increased 830 million yen, 231 million yen, and 607 million yen respectively at the end of the current fiscal year. The impact on profit and loss and per-share information in the fiscal year under review is minor.

(Changes in presentation methods)

(Notes to consolidated statements of income)

“Loss on liquidation of business,” which was presented separately under “Extraordinary losses” in the previous consolidated fiscal year is included in “Other” in the consolidated fiscal year under review because “Loss on liquidation of business” accounts for 10% or less of extraordinary losses. The consolidated financial statements for the previous consolidated fiscal year have been restated to reflect these changes in presentation.

As a result, 237 million yen presented in “Loss on liquidation of business” and 42 million yen presented in “Other” under “Extraordinary losses” in the consolidated statements of income in the previous fiscal year is presented as 280 million yen in “Other.”

(Notes to consolidated statements of cash flows)

“Loss on liquidation of business,” which was presented separately under “Cash flows from operating activities” in the previous consolidated fiscal year is included in “Other” in the consolidated fiscal year under review because “Loss on liquidation of

business” is immaterial to the quantitative materiality.. The consolidated financial statements for the previous consolidated fiscal year have been restated to reflect these changes in presentation.
As a result, 237 million yen presented in “Loss on liquidation of business” and -2,408 million yen presented in “Other” under “Cash flows from operating activities ” in the consolidated statements of income in the previous fiscal year is presented as -2,171 million yen in “Other.”

(Notes to consolidated balance sheet)

*1. Of notes and accounts receivable - trade, receivables generated from agreements with customers are as shown below.

(Million yen)

	As of December 31, 2022
Notes and accounts receivable - trade	100,380

*2. Shares of affiliates (Million yen)

	As of December 31, 2021	As of December 31, 2022
Investment securities (shares)	3,705	3,667

*3. Assets pledged as collateral and secured debt

Assets pledged as collateral (Million yen)

	As of December 31, 2021	As of December 31, 2022
Buildings and structures	252	247
Land	46	50
Total	299	297

Secured debt is as follows. (Million yen)

	As of December 31, 2021	As of December 31, 2022
Notes and accounts payable - trade	105	244
Short-term loans payable	145	158
Total	251	402

4. 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, 2021		As of December 31, 2022	
ZHUHAI SUMIKA POLYMER COMPOUNDS Co., Ltd. (US$5,270,000)	606	ZHUHAI SUMIKA POLYMER COMPOUNDS Co., Ltd. (US$5,400,000)	716
Sumika Polymer Compounds Thailand Ltd. (BT 117,000,000)	401	Sumika Polymer Compounds Thailand Ltd. (BT 144,000,000)	547
Sumika Polymer Compounds (UK) Ltd. (GBP 1,897,000, etc.)	344	Sumika Polymer Compounds (UK) Ltd. (GBP 2,083,000, etc.)	341
Other: three companies	552	Other: three companies	494
Employees (housing loans)	18	Employees (housing loans)	11
Total	1,922	Total	2,111

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

	As of December 31, 2021	As of December 31, 2022
Discounts on notes receivable	6	1

*6. 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, 2021	As of December 31, 2022
Notes receivable - trade	1,394	1,512
Notes payable - trade	126	141

*7. 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, 2021	As of December 31, 2022
Buildings and structures	1,924	1,924
Land	6,763	6,763
Total	8,687	8,687

*8. Of current liabilities, contract liabilities are as shown below. (Million yen)

	As of December 31, 2022
Contract liabilities	120

(Notes to consolidated statements of income)

*1. Revenue from contracts with customers is as shown below. (Million yen)

From January 1, 2022 to December 31, 2022
315,616

*2. Research and development expenses included in selling, general and administrative expenses and manufacturing cost (Million yen)

From January 1, 2021 to December 31, 2021	From January 1, 2022 to December 31, 2022
8,496	9,111

*3. Details of gain on sale of non-current assets (Million yen)

	From January 1, 2021 to December 31, 2021	From January 1, 2022 to December 31, 2022
Buildings and structures	122	94
Land	175	161
Other	13	21
Total	311	276

*4. Details of loss on sales and retirement of non-current assets (Million yen)

	From January 1, 2021 to December 31, 2021	From January 1, 2022 to December 31, 2022
Buildings and structures	126	194
Machinery, equipment and vehicles	118	142
Other	17	25
Total	262	362

*5. Impairment loss

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

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 continued operating losses attributable partly to the 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 (118 million yen) is recorded as an impairment loss 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.

From January 1, 2022 to December 31, 2022

Location	Use	Type
Kawagoe, Saitama, etc.	Factory assets, etc.	Tools, furniture and fixtures, machinery equipment and vehicles, buildings and structures, etc.
Fuji-shi, Shizuoka	Factory assets	Construction in progress, machinery equipment and vehicles

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

As for factory assets, etc. at Kawagoe, Saitama, since the domestic commercial printing market is shrinking rapidly, the Group continued to implement its structural reform and significantly reduced fixed costs for the factory to establish the profit-generating structure. Responding to surging raw materials prices, the Company improved production efficiency, reviewed raw materials to reduce costs, and revised prices. However, operating profit in the Printing and Information Business did not move into the black. The Company thus reduced the book value of the asset group to its recoverable amount, and the amount of the reduction (182 million yen) is recorded as an impairment loss in extraordinary losses. The breakdown of the impairment loss is tools, furniture and fixtures of 73 million yen, machinery equipment and vehicles of 63 million yen, buildings and structures of 18 million yen and other of 27 million yen.

The recoverable amount of the asset group is measured by the value in use and calculated by discounting future cash flow at 3.6%.

The Group's factory assets, etc. in Fuji, Shizuoka became idle assets due to changes in the business environment, and some of them were converted to be used for different purposes. The Group decided that it is very unlikely that it will use the remaining facilities. The book value of the asset group was thus reduced to its recoverable amount, and the amount of the reduction (274 million yen) is recorded as an impairment loss in extraordinary losses. The breakdown of the impairment loss is construction in progress of 271 million yen and machinery, equipment and vehicles of 2 million yen.

The recoverable amount of the asset group is measured by the value in use. The future cash flow is estimated to be zero, and the recoverable amount is zero.

*6. Business restructuring expenses
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.

From January 1, 2022 to December 31, 2022
Losses and expenses (125 million yen) incurred for the reorganization of offices were posted as extraordinary losses. Major components include an impairment loss of 101 million yen and other of 24 million yen.
The Impairment loss consists of the following:

Location	Use	Type
Mobara, Chiba	Factory assets	Machinery, equipment and vehicles, tools, furniture and fixtures, etc.

The Group classifies its assets based on the categories of management accounting and classifies idle assets and assets for lease by individual property.
Considering the changes in the business environment, the Group reexamined the transfer of the production functions of the factory in Mobara, Chiba. Certain factory assets were expected to become idle assets and the likelihood of operating them was extremely low, the book value of the assets was reduced to their recoverable amount and the amount of the reduction (101 million yen) is included in business restructuring expenses in extraordinary losses. The breakdown of the impairment loss is machinery equipment, and vehicles of 61 million yen, tools, furniture and fixtures of 24 million yen and other of 15 million yen.
The recoverable amount of the asset group is measured by the value in use. The future cash flow is estimated to be zero, and the recoverable amount is zero.

*7. Expenses for suspension of operations
From January 1, 2021 to December 31, 2021
Not applicable.

From January 1, 2022 to December 31, 2022
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.

(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, 2021 to December 31, 2021	From January 1, 2022 to December 31, 2022
Valuation difference on available-for-sale securities		
Amount arisen in the fiscal year under review	6,463	-1,378
Amount of recycling	-381	-5,661
Before tax adjustment	6,081	-7,039
Amount of the tax effect equivalent	-1,836	2,104
Valuation difference on available-for-sale securities	4,245	-4,934
Foreign currency translation adjustment		
Amount arisen in the fiscal year under review	4,920	9,485
Reclassification adjustment	–	24
Before tax adjustment	4,920	9,509
Foreign currency translation adjustment	4,920	9,509
Remeasurements of defined benefit plans, net of tax		
Amount arisen in the fiscal year under review	1,383	-2,583
Amount of recycling	-51	-906
Before tax adjustment	1,332	-3,490
Amount of the tax effect equivalent	-432	1,068
Remeasurements of defined benefit plans, net of tax	900	-2,421
Share of other comprehensive income of entities accounted for using equity method		
Amount arisen in the fiscal year under review	81	191
Amount of recycling	65	-32
Share of other comprehensive income of entities accounted for using equity method	146	159
Total other comprehensive income	10,211	2,313

(Notes to consolidated statements of changes in equity)

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

From January 1, 2022 to December 31, 2022

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(Notes 1)	60,621	–	2,335	58,286
Total	60,621	–	2,335	58,286
Treasury shares				
Ordinary shares (Notes 2,3)	4,775	2,906	2,383	5,298
Total	4,775	2,906	2,383	5,298

(Notes) 1.The decrease of 2,335 thousand shares in the number of common shares issued held as the cancellation of treasury shares by resolution of the Board of Directors.

2.The increase of 2,906 thousand shares in the number of common shares held as treasury shares consists of an increase due to the purchase of 2,905 thousand treasury shares and an increase of 1 thousand shares due to the purchase of odd-lot shares by resolution of the Board of Directors.

3. The decrease of 2,383 thousand shares in the number of shares of common shares held as treasury shares consists of a decrease of 2,335 thousand shares due to the retirement of treasury stock by resolution of the Board of Directors, a decrease of 26 thousand shares due to the exercise of stock options and a decrease of 21 thousand shares due to disposal of treasury shares as restricted stock compensation.

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	–	–	–	–	–	98
Total			–	–	–	–	98

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 23, 2022	Ordinary shares	2,513	45.00	December 31, 2021	March 24, 2022
Board of directors’ meeting on August 5, 2022	Ordinary shares	2,409	45.00	June 30, 2022	September 1, 2022

(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, 2023	Ordinary shares	2,384	Retained earnings	45.00	December 31, 2022	March 24, 2023

(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, 2021 to December 31, 2021	From January 1, 2022 to December 31, 2022
Cash and time deposits	64,816	55,117
Securities	24	430
Total	64,841	55,548
Time deposits with maturity of more than 3 months	-3,890	-1,765
Bonds, etc. with redemption period of more than 3 months	-1	-397
Cash and cash equivalents	60,949	53,385

(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, inkjet materials, and lithium ion battery materials etc. The Polymers and Coatings Related Business mainly manufactures and sells can coatings, resins, adhesives, pressure sensitive adhesives, functional films and tapes, natural materials 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.

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

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.

From January 1, 2022 to December 31, 2022

(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	78,086	75,832	82,587	75,175	311,682	4,244	–	315,927
Intersegment sales	1,293	408	876	5	2,584	703	-3,287	–
Total	79,380	76,240	83,464	75,180	314,266	4,948	-3,287	315,927
Segment profits	1,846	2,504	963	654	5,969	890	5	6,865

(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 5 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, 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.

From January 1, 2022 to December 31, 2022

(Million yen)

Japan	China	Other	Total
149,074	44,548	122,304	315,927

(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, 2021 to December 31, 2021

(Million yen)

	Reported segments					Other	Adjustment	Total
	Colorants and Functional Materials Related Business	Polymers and Coatings Related Business	Packaging Materials Related Business	Printing and Information Related Business	Total			
Impairment loss	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.

From January 1, 2022 to December 31, 2022

	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	375	–	–	182	558	–	–	558

(Note) 101 million yen out of the 375 million yen, impairment loss related to Colorants and Functional Materials Related Business, is included in business restructuring expenses in the consolidated statements of income.

(Per share information)

	From January 1, 2021 to December 31, 2021	From January 1, 2022 to December 31, 2022
Net assets per share	3,911.64 yen	4,133.90 yen
Profit per share	169.36 yen	171.49 yen
Fully diluted profit per share	169.09 yen	171.30 yen

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

	From January 1, 2021 to December 31, 2021	From January 1, 2022 to December 31, 2022
Profit per share		
Profit attributable to owners of parent (million yen)	9,492	9,308
Amount not belonging to common shareholders (million yen)	–	–
Profit attributable to owners of parent concerning ordinary shares (million yen)	9,492	9,308
Weighted average number of shares issued and outstanding during the period (thousand shares)	56,049	54,277
Fully diluted profit per share		
Profit attributable to owners of parent (million yen)	–	–
Increase in the number of ordinary shares (thousand shares)	89	60
(Subscription rights to shares included (thousand shares))	89	60
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, 2021	As of December 31, 2022
Net assets on the consolidated balance sheet (million yen)	226,947	227,877
Amount deducted from total net assets (million yen)	8,497	8,830
(Subscription rights to shares included (million yen))	(163)	(98)
(Non-controlling interests included (million yen))	(8,334)	(8,731)
Year-end net assets concerning ordinary shares (million yen)	218,449	219,047
Ordinary shares used for calculation of net assets per share (thousand shares)	55,846	52,988

(Important subsequent events)
(Reorganization in Printing and Information Related Business)
The Group resolved, at a meeting of the Board of Directors held on July 8, 2022, to merge the Company's wholly owned subsidiary Toyo Ink Co., Ltd. and six other wholly owned subsidiaries (Toyo Ink Hokkaido Co., Ltd., Toyo Ink Tohoku Co., Ltd., Toyo Ink Chushikoku Co., Ltd., Toyo Ink Kyushu Co., Ltd., Toyo Ink Graphics Co., Ltd., and Toyo Ink Graphics Nishinihon Co., Ltd.) to reorganize the Printing and Information business of the Toyo Ink Group. The seven merging companies entered into a merger agreement on August 16, and the merger agreement was approved at the individual companies' shareholders' meetings held to approve the merger. The merger of the seven companies was implemented on January 1, 2023.
The main details are as follows.

1. Purpose of the merger
Toyo Ink Co., Ltd. pursues business in the printing-related markets, offering various product groups, while Toyo Ink Hokkaido Co., Ltd., Toyo Ink Tohoku Co., Ltd., Toyo Ink Chushikoku Co., Ltd., Toyo Ink Kyushu Co., Ltd., Toyo Ink Graphics Co., Ltd., and Toyo Ink Graphics Nishinihon Co., Ltd. have been promoting activities to sell those product groups in each area. The business integration will create a flexible organizational structure that can quickly respond to the market environment and promote business efficiency through means such as digital transformation, boosting our efforts to provide sustained value to our customers mainly through the offering of environmentally friendly products groups, solutions and services. We will also work to make a foray into new markets with eco-friendly package products that quickly respond to social needs, together with sophisticated products, etc.

2. Summary of the merger
(1) Schedule of the merger

July 8, 2022	Board of Directors meeting to approve the merger	(the Company)
August 5, 2022	Board of Directors meeting to approve the merger	(TOYO INK Co., Ltd.)
August 16, 2022	Board of Directors meetings to approve the merger	(Toyo Ink Hokkaido Co., Ltd., Toyo Ink Tohoku Co., Ltd. Toyo Ink Chushikoku Co., Ltd., Toyo Ink Kyushu Co., Ltd., Toyo Ink Graphics Co., Ltd., and Toyo Ink Graphics Nishinihon Co., Ltd.)
August 16, 2022	Conclusion of merger agreement (seven companies subject to merger)	
August 16, 2022	Extraordinary meetings of shareholders to approve the merger agreement (seven companies subject to merger)	
January 1, 2023	Date of merger (effective date)	

(2) Method of the merger
This will be an absorption-type merger in which Toyo Ink Co., Ltd. will be the surviving company and the following six companies - Toyo Ink Hokkaido Co., Ltd., Toyo Ink Tohoku Co., Ltd., Toyo Ink Chushikoku Co., Ltd., Toyo Ink Kyushu Co., Ltd., Toyo Ink Graphics Co., Ltd., and Toyo Ink Graphics Nishinihon Co., Ltd. - will be absorbed.
(3) Details, etc. of allotments pertaining to the merger
As this is a merger between wholly owned subsidiaries, there is no agreement on a merger ratio.
There will be no issuance of new shares or changes in capital stock as a result of the merger.
(4) Rights and obligations succeeded to

Toyo Ink Hokkaido Co., Ltd.	Total assets	1,620 million yen	Total liabilities	1,201 million yen
Toyo Ink Tohoku Co., Ltd	Total assets	1,857 million yen	Total liabilities	1,298 million yen
Toyo Ink Chushikoku Co., Ltd.	Total assets	6,512 million yen	Total liabilities	5,127 million yen
Toyo Ink Kyushu Co., Ltd.	Total assets	4,309 million yen	Total liabilities	3,439 million yen
Toyo Ink Graphics Co., Ltd.	Total assets	7,007 million yen	Total liabilities	6,276 million yen
Toyo Ink Graphics Nishinihon Co., Ltd.	Total assets	920 million yen	Total liabilities	653 million yen

3. Outline of the surviving company

Corporate Name	Toyo Ink Co., Ltd.
Capital stock	500 million yen
Business	Manufacture and sale of printing inks for printing & information-related and packaging materials-related fields

6. Other

(1) Management turnover

With respect to the transfer of directors, please refer to the "Notice Regarding Change of Officers, etc.," announced separately today.