

TRANSLATION:

This is an English translation of Consolidated Quarterly Financial Results (Japanese Accounting Standards) for the First Half of the Fiscal Year Ending December 31, 2023. 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.



Consolidated Quarterly Financial Results (Japanese Accounting Standards) for the First Half of the Fiscal Year Ending December 31, 2023

August 7, 2023

Name of Listed Company: TOYO INK SC HOLDINGS CO., LTD. Listings: Tokyo Stock Exchange
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Representative: Satoru Takashima, President and Representative Director, Group CEO
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Scheduled date of submission of quarterly report: August 10, 2023
Scheduled date of commencement of dividend payments: September 1, 2023
Supplementary documents for quarterly results: Yes
Quarterly results briefing: Yes (for institutional investors and analysts)

(Amounts of less than million yen are omitted.)

1. Consolidated business results for the First half of fiscal 2023 ending December 31, 2023

(From January 1, 2023 to June 30, 2023)

(1) Business results (cumulative totals)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half, Fiscal 2023	153,676	-0.7	4,752	3.0	5,365	-20.2	3,842	-54.3
First half, Fiscal 2022	154,758	11.1	4,615	-36.2	6,728	-22.3	8,410	33.1

(Note) Comprehensive income: First half, fiscal 2023: 20,128 million yen (4.5%) First half, fiscal 2022: 19,266 million yen (49.8%)

	Profit per share (Basic)	Profit per share (Diluted)
	Yen	Yen
First half, Fiscal 2023	72.50	72.45
First half, Fiscal 2022	151.60	151.41

(2) Financial position

	Total assets	Net assets	Net worth/Total assets
	Million yen	Million yen	%
First half, Fiscal 2023	426,072	245,378	55.5
Fiscal 2022	411,177	227,877	53.3

(Note) Net worth: First half, fiscal 2023: 236,392 million yen Fiscal 2022: 219,047 million yen

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2022	—	45.00	—	45.00	90.00
Fiscal 2023	—	45.00	—	—	—
Fiscal 2023 (Forecast)	—	—	—	45.00	90.00

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

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	113.19

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

* Notes

- | | |
|--|-------------------|
| (1) Important changes of subsidiaries during the term | No |
| (2) Application of special accounting treatment to the preparation of quarterly consolidated financial statements: | No |
| (3) Changes in accounting policies and changes or restatement of accounting estimates | |
| (i) Changes in accounting policies due to the modification in accounting methods: | Yes |
| (ii) Changes in accounting policies other than (i): | No |
| (iii) Changes in accounting estimates: | No |
| (iv) Restatement: | No |
| (4) Numbers of shares issued (ordinary shares) | |
| (i) Numbers of shares issued at the end of the terms (including treasury shares): | |
| First half, fiscal 2023: | 58,286,544 shares |
| Fiscal 2022: | 58,286,544 shares |
| (ii) Numbers of treasury shares at the end of the terms: | |
| First half, fiscal 2023: | 5,267,814 shares |
| Fiscal 2022: | 5,298,507 shares |
| (iii) Average numbers of shares issued during the terms (consolidated accumulation periods): | |
| First half, fiscal 2023: | 53,000,712 shares |
| First half, fiscal 2022: | 55,474,737 shares |

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

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

1. The above forecasts are based on the information available on the date these materials are released and incorporate assumptions about uncertainties that may affect future earnings. The forecasts do not constitute an assurance that the Company promises to achieve the earnings. Actual earnings could differ materially from these forecasts due to various factors in the future. For notes about assumptions of earnings forecasts and the use of earnings forecasts, refer to “(3) Information on the consolidated earnings forecasts and other future forecasts” of “1. Qualitative Information on Financial Results, etc., for the First Half Ended June 30, 2023” on page 4 of the accompanying materials.

2. Supplementary documents for financial results will be posted on the Company’s website on August 7, 2023 (Monday).

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.

- August 22, 2023 (Tuesday): Briefing for institutional investors and security analysts.

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1. Qualitative Information on Financial Results, etc. for the First Half Ended June 30, 2023

(1) Details of operating results

In the first half of the consolidated year under review, the global economy recovered modestly, bolstered by various policies amid improvement in the employment and income situation; however, the outlook remains uncertain, with consumers pulling back on spending because of higher prices and energy prices remaining stubbornly high due to the protracted Ukraine conflict.

In this environment, the Toyo Ink Group worked to achieve its policies for the year of enhancing the profitability of its businesses, creating and expanding priority development areas, and enhancing the value of management resources for sustainable growth.

As a result, net sales for the first half of the fiscal year under review decreased to 153,676 million yen (down 0.7% year on year). Operating profit increased to 4,752 million yen (up 3.0% year on year). However, due to the decreases of foreign exchange losses and gain on sale of investment securities, ordinary profit fell to 5,365 million yen (down 20.2% year on year) and profit attributable to owners of parent dipped to 3,842 million yen (down 54.3% year on year).

Operating results by segment are as follows.

(i) Colorants and Functional Materials Related Business

In materials for LCD color filters, production at LCD panel manufacturers started to recover during the second quarter and shipments also trended upward, in addition to increased sales in China and expansion of market share in Taiwan.

Sales of plastic colorants for containers and construction material films were sluggish in Japan due to consumer pullbacks and a drop in housing construction starts; however, sales of plastic colorants for solar cells were strong overseas.

Sales of inkjet inks were impacted by inventory adjustments in overseas markets but started to recovery in the second quarter. Sales of lithium-ion battery materials for automotive applications grew through the ramp-up of supply in the U.S. and Europe, and the Group is expanding facilities to meet further expansion in demand in the U.S. and China.

As a result, net sales for this segment as a whole slightly decreased to 39,364 million yen (down 0.0% year on year), and operating profit decreased to 1,465 million yen (down 2.4% year on year).

(ii) Polymers and Coatings Related Business

Among functional films and tapes, sales of electromagnetic shielding films and heat-resistant film material with low adhesion were lackluster, amid continued adjustment in the smartphone and LCD panel markets.

Slow growth in domestic sales of pressure sensitive adhesives for labels and displays was offset by increased sales of pressure sensitive adhesives in the U.S. and India, driven by facility expansion. Domestic sales of adhesives for packaging held firm; however, growth in overseas sales of adhesives for food packaging was slow due to decline in consumption.

Domestic sales of can coatings were sluggish, reflecting slow growth in customer operations, and overseas sales of can coatings for food cans were also weak mainly due to decline in fish catches; however, the Group expanded its network aiming for business expansion through the acquisition of a Thai coating manufacturer in Thailand.

As a result, net sales for this segment as a whole decreased to 36,349 million yen (down 4.7% year on year), but operating profit increased to 1,917 million yen (up 28.1% year on year) partly due to the effect of selling price revisions.

(iii) Packaging Materials Related Business

In the liquid ink products market in Japan, consumer pullbacks due to rising prices spread to daily necessities, leading to slow growth in demand for packaging materials for food products; however, demand for packaging materials for seasonal products and souvenirs was solid, reflecting the lifting of COVID restrictions. Sales of products for cardboard boxes used in beverage and processed food applications were also lackluster as consumers became more thrifty.

Overseas, demand in India was solid and sales also held firm; however, in China sales of products for food packaging were weak due to sluggish consumption. Profitability also improved both in Japan and overseas thanks to progress with the revision of selling prices in response to rising raw material prices.

In the gravure cylinder platemaking business, while sales of products for packaging were firm partly due to demand for new plates, sales of precision platemaking related to electronics were weak.

As a result, net sales for this segment as a whole increased to 40,361 million yen (up 0.9% year on year), and operating profit increased to 1,418 million yen (up 201.2% year on year).

(iv) Printing and Information Related Business

While domestic sales of products for flyers, advertising, and publishing were sluggish due to the continued structural contraction of the information-related printing market, sales of products for paper containers and packaging were firm partly due to an upturn in consumption driven by travel-related demand. In face of persistently high energy and raw material costs, the Group continued to reduce costs through collaboration with competitors and business structure reforms while at the same time making revisions to selling prices to cover cost increases the Group could not absorb through its own efforts.

In overseas markets, sales were lackluster, partly due to economic downturn in China caused by property market woes and weak exports; however, progress was made in expanding sales of functional coatings for paper containers and packaging.

As a result, net sales for this segment as a whole increased to 36,344 million yen (up 0.0% year on year); however, the segment reported an operating loss of 41 million yen (compared with operating profit of 588 million yen in the same period of the previous year) due to stubbornly high energy costs and raw material prices.

(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 for the first half under review increased to 2,834 million yen (up 13.6% year on year), but operating profit decreased to 12 million yen (down 97.7% year on year) mainly due to a decrease in revenue from the rendering of services.

(2) Details of financial position

Total assets at the end of the first half under review stood at 426,072 million yen, up 14,894 million yen from the end of the previous consolidated fiscal year. Liabilities were 180,693 million yen, down 2,606 million yen from the end of the previous consolidated fiscal year. Net assets came to 245,378 million yen, up 17,501 million yen from the end of the previous consolidated fiscal year.

On the last day of the first half under review, the exchange value of the yen decreased from its level on the last day of the previous consolidated fiscal year. As a result, assets and liabilities held by overseas subsidiaries and foreign currency translation adjustments increased. Property, plant and equipment also increased as a result of the construction of a new plant overseas. Furthermore, investment securities, deferred tax liabilities, and valuation difference on available-for-sale securities each increased, reflecting rising stock prices in Japan. Meanwhile, the final day of the previous fiscal year fell on a financial institution holiday, resulting in a decrease in cash and deposits, accounts receivable - trade and accounts payable - trade. Additionally, some long-term loans payable were restated as short-term loans payable because they will mature within a year.

(Status of cash flow)

The balance of cash and cash equivalents (“funds”) at the end of the first half of the fiscal year under review was 47,642 million yen, a decrease of 5,743 million yen from the balance at the beginning of the fiscal year.

Net cash provided by operating activities was 5,631 million yen (net cash used of 262 million yen. This mainly reflects an increase in cash flows due to the posting of profit before income taxes and a decrease in notes and accounts receivable-trade and a decrease in cash flows due a decrease in notes and accounts receivable-trade and income taxes paid.

Net cash used in investing activities was 9,367 million yen (net cash provided of 1,512 million yen). This mainly reflects the purchase of property, plant and equipment.

Net cash used in financial activities was 3,506 million yen (up 2,648 million yen year on year). This mainly reflects an increase in cash flow due to proceeds from long-term loans payable and a decrease in cash flow due to a net increase in short-term loans payable and cash dividends paid.

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

No changes have been made to the full-year forecasts of consolidated financial results for the fiscal year ending December 31, 2023 that were announced on February 14, 2023.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated balance sheet

(Million yen)

	End of the previous consolidated fiscal year (As of December 31, 2022)	End of the consolidated second quarter accounting period (As of June 30, 2023)
(Assets)		
Current assets		
Cash and deposits	55,117	49,213
Notes and accounts receivable - trade	100,390	99,945
Securities	430	1
Merchandise and finished goods	38,494	39,271
Work in process	1,000	1,164
Raw materials and supplies	28,088	27,536
Other	6,881	6,056
Allowance for doubtful accounts	-1,154	-1,258
Total current assets	229,247	221,930
Non-current assets		
Property, plant and equipment		
Buildings and structures	113,121	116,921
Accumulated depreciation	-70,863	-73,318
Buildings and structures, net	42,258	43,603
Machinery, equipment and vehicles	165,907	173,937
Accumulated depreciation	-138,746	-143,623
Machinery, equipment and vehicles, net	27,160	30,313
Tools, furniture and fixtures	28,442	28,796
Accumulated depreciation	-23,092	-23,350
Tools, furniture and fixtures, net	5,349	5,446
Land	30,490	30,696
Leased assets	6,978	7,797
Accumulated depreciation	-1,944	-2,277
Leased assets, net	5,033	5,519
Construction in progress	12,075	14,501
Total property, plant and equipment	122,366	130,081
Intangible assets	2,619	4,730
Investments and other assets		
Investment securities	42,791	55,455
Retirement benefit asset	7,645	7,712
Deferred tax assets	2,826	2,990
Other	3,881	3,363
Allowance for doubtful accounts	-200	-190
Total investments and other assets	56,944	69,330
Total non-current assets	181,930	204,141
Total assets	411,177	426,072

(Million yen)

	End of the previous consolidated fiscal year (As of December 31, 2022)	End of the consolidated second quarter accounting period (As of June 30, 2023)
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	70,738	60,152
Short-term loans payable	24,022	38,976
Income taxes payable	726	1,890
Other	17,975	19,793
Total current liabilities	113,463	120,813
Non-current liabilities		
Bonds payable	5,000	5,000
Long-term loans payable	54,851	40,520
Deferred tax liabilities	6,276	9,939
Provision for environmental measures	251	251
Retirement benefit liability	1,676	1,881
Asset retirement obligations	33	33
Other	1,746	2,253
Total non-current liabilities	69,836	59,880
Total liabilities	183,300	180,693
(Net assets)		
Shareholders' equity		
Capital stock	31,733	31,733
Capital surplus	32,530	32,467
Retained earnings	151,414	152,873
Treasury shares	-10,687	-10,625
Total shareholders' equity	204,990	206,448
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,007	14,345
Foreign currency translation adjustment	7,986	14,713
Remeasurements of defined benefit plans	1,062	884
Total accumulated other comprehensive income	14,056	29,943
Subscription rights to shares	98	59
Non-controlling interests	8,731	8,926
Total net assets	227,877	245,378
Total liabilities and net assets	411,177	426,072

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

Consolidated statements of income

Consolidated first half

(Million yen)

	Previous first half period (From January 1, 2022 to June 30, 2022)	First half under review (From January 1, 2023 to June 30, 2023)
Net sales	154,758	153,676
Cost of sales	126,887	124,765
Gross profit	27,870	28,910
Selling, general and administrative expenses		
Packing and transportation costs	3,811	3,568
Salaries and allowances	6,025	6,288
Bonuses	1,367	1,240
Welfare expenses	1,538	1,507
Depreciation	907	911
Research and development expenses	1,716	1,779
Other	7,888	8,861
Total selling, general and administrative expenses	23,254	24,157
Operating profit	4,615	4,752
Non-operating income		
Interest income	105	143
Dividend income	954	717
Foreign exchange gains	2,102	942
Other	482	240
Total non-operating income	3,646	2,044
Non-operating expenses		
Interest expenses	440	869
Share of loss of entities accounted for using equity method	111	53
Loss on net monetary position	600	158
Other	381	349
Total non-operating expenses	1,533	1,431
Ordinary profit	6,728	5,365
Extraordinary profit		
Gain on sales of non-current assets	14	118
Gain on sales of investment securities	5,424	879
Total extraordinary profit	5,438	998
Extraordinary losses		
Loss on sales and retirement of non-current assets	167	107
Loss on sales of investment securities	-	297
Business restructuring expenses	-	399
Other	32	191
Total extraordinary loss	199	995
Profit before income taxes	11,967	5,368
Income taxes - current	4,278	2,127
Income taxes - deferred	-749	-569
Total income taxes	3,529	1,557
Profit	8,437	3,811
Profit (loss) attributable to non-controlling interests	27	-31
Profit attributable to owners of parent	8,410	3,842

Consolidated statements of comprehensive income

Consolidated first half

(Million yen)

	Previous first half period (From January 1, 2022 to June 30, 2022)	First half under review (From January 1, 2023 to June 30, 2023)
Profit	8,437	3,811
Other comprehensive income		
Valuation difference on available-for-sale securities	-3,665	9,338
Foreign currency translation adjustment	14,417	6,631
Remeasurements of defined benefit plans, net of tax	-227	-178
Share of other comprehensive income of entities accounted for using equity method	303	525
Total other comprehensive income	10,828	16,317
Comprehensive income	19,266	20,128
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,148	19,730
Comprehensive income attributable to non-controlling interests	1,117	398

(3) Consolidated statements of cash flows

(Million yen)

	Previous first half period (From January 1, 2022 to June 30, 2022)	First half under review (From January 1, 2023 to June 30, 2023)
Cash flows from operating activities		
Profit before income taxes	11,967	5,368
Depreciation	5,166	5,428
Loss on net monetary position	600	158
Business restructuring expenses	-	399
Interest and dividend income	-1,060	-861
Interest expenses	440	869
Share of (profit) loss of entities accounted for using equity method	111	53
Loss (gain) on sales of property, plant and equipment	-8	-111
Loss on retirement of property, plant and equipment	30	14
Loss (gain) on sales of investment securities	-5,424	-582
Decrease (increase) in notes and accounts receivable - trade	1,692	3,476
Decrease (increase) in inventories	-6,892	2,435
Increase (decrease) in notes and accounts payable - trade	-4,853	-11,614
Other	-496	1,337
Subtotal	1,273	6,373
Interest and dividend income received	1,180	884
Interest expenses paid	-417	-805
Income taxes paid	-2,298	-820
Net cash provided by (used in) operating activities	-262	5,631
Cash flows from investing activities		
Net decrease (increase) in time deposits	554	228
Purchase of property, plant and equipment	-7,890	-9,328
Proceeds from sales of property, plant and equipment	18	555
Purchase of intangible assets	-66	-512
Purchase of short-term and long-term investment securities	-15	-324
Proceeds from sales and redemption of short-term and long-term investment securities	9,026	2,564
Purchase from sale of shares of subsidiaries resulting in change in scope of consolidation	-	-2,533
Other	-115	-17
Net cash provided by (used in) investing activities	1,512	-9,367
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,142	-1,729
Proceeds from long-term loans payable	149	1,339
Repayments of long-term loans payable	-161	-355
Repayments of lease obligations	-150	-209
Purchase of treasury shares	-4,629	-1
Cash dividends paid	-2,512	-2,384
Other	7	-165
Net cash provided by (used in) financing activities	-6,155	-3,506
Effect of exchange rate change on cash and cash equivalents	2,758	1,499
Net increase (decrease) in cash and cash equivalents	-2,147	-5,743
Cash and cash equivalents at beginning of period	60,949	53,385
Cash and cash equivalents at end of period	58,802	47,642

(4) Notes on consolidated quarterly financial statements

(Notes on assumption of going business)

Not applicable

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

Not applicable

(Changes in accounting policies)

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

The Company started to apply the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Fair Value Measurement Accounting Standard Implementation Guidance") at the beginning of the first quarter. Moving forward, the Company will apply the new accounting policies prescribed in the Fair Value Measurement Accounting Standard Implementation Guidance in accordance with transitional measures stipulated in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance. The application of the accounting standard has no impact on the consolidated quarterly financial statements.

(Additional information)

(Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and its consolidated subsidiaries in Japan made a shift from the consolidated taxation system to the group tax sharing system in the first quarter of the fiscal year. Consequently, regarding accounting processing and disclosures for income taxes, local corporate income taxes and tax effect accounting, the Company started to apply the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force No. 42 issued August 12, 2021, hereinafter "PITF No. 42"). In addition, based on Paragraph 32-(1) of PITF No. 42, the Company considers that there will be no impact of changes in its accounting policy resulting from the application of PITF No. 42.

(Segment information, etc.)

I. From January 1, 2022 to June 30, 2022

1. Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments					Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	Colorants and Functional Materials Related Business	Polymers and Coatings Related Business	Packaging Materials Related Business	Printing and Information Related Business	Total				
Net sales									
Sales to customers	38,776	37,963	39,496	36,331	152,567	2,190	154,758	–	154,758
Intersegment sales	597	181	491	1	1,272	304	1,576	-1,576	–
Total	39,373	38,144	39,988	36,332	153,839	2,495	156,335	-1,576	154,758
Segment profits	1,501	1,497	470	588	4,057	561	4,619	-3	4,615

(Note) 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 -3 million yen in segment profits mainly represents the deduction of intersegment transactions.

3. Segment profits have been adjusted with operating profit recorded in the consolidated quarterly income statement.

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

Not applicable

II. From January 1, 2023 to June 30, 2023

1. Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments					Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	Colorants and Functional Materials Related Business	Polymers and Coatings Related Business	Packaging Materials Related Business	Printing and Information Related Business	Total				
Net sales									
Sales to customers	38,761	36,274	40,019	36,331	151,388	2,287	153,676	–	153,676
Intersegment sales	602	75	342	13	1,032	546	1,579	-1,579	–
Total	39,364	36,349	40,361	36,344	152,420	2,834	155,255	-1,579	153,676
Segment profits and losses(-)	1,465	1,917	1,418	-41	4,758	12	4,771	-18	4,752

(Note) 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 -18 million yen in segment profits and losses(-) mainly represents the deduction of intersegment transactions.

3. Segment profits and losses(-) have been adjusted with operating profit recorded in the consolidated quarterly income statement.

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

(Million yen)

	Reported segments					Other	Adjustment	Total
	Colorants and Functional Materials Related Business	Polymers and Coatings Related Business	Packaging Materials Related Business	Printing and Information Related Business	Total			
Impairment loss	305	-	-	-	305	-	-	305

(Note) An impairment loss of 305 million yen related to Colorants and Functional Materials Related Business is business restructuring expenses in the quarterly consolidated statement of income.