

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, 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.



Consolidated Quarterly Financial Results (Japanese Accounting Standards) for the First Half of the Fiscal Year Ending December 31, 2022

August 5, 2022

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
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Scheduled date of submission of quarterly report: August 10, 2022
Scheduled date of commencement of dividend payments: September 1, 2022
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 2022 ending December 31, 2022

(From January 1, 2022 to June 30, 2022)

(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 2022	154,758	11.1	4,615	-36.2	6,728	-22.3	8,410	33.1
First half, fiscal 2021	139,356	13.0	7,230	30.3	8,662	75.6	6,319	138.8

(Note) Comprehensive income: First half, fiscal 2022: 19,266 million yen (49.8%) First half, fiscal 2021: 12,861 million yen (-%)

	Profit per share (Basic)	Profit per share (Diluted)
	Yen	Yen
First half, fiscal 2022	151.60	151.41
First half, fiscal 2021	112.33	112.21

* The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards were adopted at the beginning of the first quarter of the fiscal year under review and have been applied to the results of the second quarter of the fiscal year ending 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

	Total assets	Net assets	Net worth/Total assets
	Million yen	Million yen	%
First half, fiscal 2022	424,658	239,096	54.1
Fiscal 2021	406,896	226,947	53.7

(Note) Net worth: First half, fiscal 2022: 229,546 million yen Fiscal 2021: 218,449 million yen

* From the beginning of the first quarter of the fiscal year ending 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 second quarter of the fiscal year ending December 31, 2022 are the figures after the application of the relevant accounting standards.

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
Fiscal 2021	—	45.00	—	45.00	90.00
Fiscal 2022	—	45.00	—	45.00	90.00
Fiscal 2022 (Forecast)	—	—	—	45.00	90.00

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

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

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	Profit per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	310,000	7.6	13,000	-0.0	14,000	-9.3	12,500	31.7	229.30

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

* The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards were adopted at the beginning of the first quarter of the fiscal year under review and have been applied to the forecasts for consolidated results for the fiscal year ending

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.

* Notes

- | | |
|--|-----|
| (1) Important changes of subsidiaries during the term
(changes in specific subsidiaries accompanied by a change in the scope of consolidation): | 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 2022: 58,286,544 shares | |
| Fiscal 2021: 60,621,744 shares | |
| (ii) Numbers of treasury shares at the end of the terms: | |
| First half, fiscal 2022: 4,732,864 shares | |
| Fiscal 2021: 4,775,558 shares | |
| (iii) Average numbers of shares issued during the terms (consolidated accumulation periods): | |
| First half, fiscal 2022: 55,474,737 shares | |
| First half, fiscal 2021: 56,254,022 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, 2022” on page 4 of the accompanying materials.
2. Supplementary documents for financial results will be posted on the Company’s website on August 5, 2022 (Friday).
3. The Company will hold a financial results briefing for investors as follows. Reference materials for financial results and forecasts used in the briefing will be posted on the Company’s website before the opening of the briefing.
- August 19, 2022 (Friday): 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, 2022

(1) Details of operating results

In the first half of the consolidated year under review, the environment surrounding the global economy remained severe, chiefly reflecting sharp rises in the prices of raw materials and energy due to the prolonged state of affairs in Ukraine and restrictions on economic activities in China, supply constraints, and the volatility of the financial and capital markets, although there were signs of recovery in the global economy amid the diminishing impact of the COVID-19 pandemic.

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 increased to 154,758 million yen (up 11.1% year on year), operating profit decreased to 4,615 million yen (down 36.2% year on year), and ordinary profit fell to 6,728 million yen (down 22.3% year on year) in the first half of the fiscal year under review. Profit attributable to owners of parent increased to 8,410 million yen (up 33.1% 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 491 million yen less, and operating profit and ordinary profit were 64 million yen and 42 million yen less each, compared with values calculated by applying the previous method.

Operating results by segment are as follows.

(i) Colorants and Functional Materials Related Business

Sales of LCD color filter materials saw sluggish growth overall. Although sales grew in China and Taiwan, demand for materials for large television sets declined due to reduced production in the liquid crystal panel market.

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 began supplying lithium-ion battery materials for automotive applications in the U.S. and Europe and made progress in the improvement of production facilities to expand this business.

As a result, net sales for this segment as a whole increased to 39,373 million yen (up 7.0% year on year) while operating profit decreased to 1,501 million yen (down 44.9% year on year) due to difficulty in the procurement of raw materials, a steep rise in their prices, and an increase in energy costs.

With the application of the Accounting Standard for Revenue Recognition, etc., net sales decreased 284 million yen and operating profit decreased 10 million yen.

(ii) Polymers and Coatings Related Business

Among functional films and tapes, sales of conductive adhesive sheets and electromagnetic shielding films were firm, reflecting demand for new model smartphones, but sales of heat durable and low adhesive films for electronic components and automobile applications saw sluggish growth partly due to inventory adjustments at customers.

While adhesives for the packaging of snack foods and pet foods remained strong, sales of pressure sensitive adhesives for labels and displays slowed. Overseas sales of pressure sensitive adhesives grew thanks to facility extensions in the US and India and sales of adhesives for food products and pharmaceuticals also increased.

Sales of can coatings for beverage cans supported by domestic household demand remained strong, and sales of new products with added functionality increased. Overseas sales of can coatings for alcohol and other beverage

cans grew.

As a result, net sales for this segment as a whole increased to 38,144 million yen (up 13.5% year on year) while operating profit decreased to 1,497 million yen (down 24.7% year on year) due to the lag of selling price revisions and cost reductions behind continuing steep rises in raw materials and energy costs.

With the application of the Accounting Standard for Revenue Recognition, etc., net sales decreased 150 million yen and operating profit decreased 30 million yen.

(iii) Packaging Materials Related Business

In Japan, sales of liquid inks, particularly mainstay products for packaging materials, remained strong thanks to firm demand for liquid inks for food products such as frozen foods, labels for beverages, and noodles, based on the continued movement of customers toward increasing inventory in preparation for the disruption of the supply of materials and price increases. Overseas, sales were weak in China due to lockdowns. However, sales were firm in other regions, reflecting a recovery in economic activity due to the reduced impact of COVID-19 and progress in expansion of sales.

In the gravure cylinder platemaking business, while sales of precision platemaking related to electronics were strong, growth of the packaging segment was sluggish due to low demand for new plates.

As a result, net sales for this segment as a whole increased to 39,988 million yen (up 12.9% year on year) while operating profit decreased to 470 million yen (down 63.0% 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 11 million yen.

(iv) Printing and Information Related Business

While domestic sales of products for flyers, advertising, and publishing were sluggish due to the COVID-19 pandemic in Japan in addition to the structural contraction of the information-related printing market, sales of products for metal printing for beverage cans remained strong. In response to the difficulty in procuring raw materials, the increase of prices and surging energy and other costs, the Group collaborated with competitors and implemented the structural reform of its business to reduce costs.

In overseas markets, the market was weak in Europe and China due to the state of affairs 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 36,332 million yen (up 11.3% year on year), but operating profit decreased to 588 million yen (down 31.5% year on year).

With the application of the Accounting Standard for Revenue Recognition, etc., net sales decreased 32 million yen and operating profit decreased 11 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 2,495 million yen (down 22.6% year on year), but operating profit increased to 561 million yen (up 38.2% 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) Details of financial position

Total assets at the end of the first half under review stood at 424,658 million yen, up 17,761 million yen from the end of the previous consolidated fiscal year. Liabilities were 185,561 million yen, up 5,612 million yen from the end of the previous consolidated fiscal year. Net assets came to 239,096 million yen, up 12,148 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. Inventories increased primarily due to the procurement of raw materials and surges in the prices of raw materials. Meanwhile, investment securities, deferred tax liabilities, and valuation difference on available-for-sale securities decreased, reflecting the sale of shares held. Also, the final day of the previous fiscal year fell on a financial institution holiday, resulting in a decrease in cash and deposits and accounts payable - trade.

(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 58,802 million yen, a decrease of 2,147 million yen from the balance at the beginning of the fiscal year.

Net cash used in operating activities was 262 million yen (net cash provided of 7,311 million yen). This mainly reflects a decrease in cash flows due to an increase in inventories and a decrease in trade payables, which was partially offset by an increase in cash flows due to the posting of profit before income taxes.

Net cash provided by investing activities was 1,512 million yen (net cash used of 10,053 million yen). This was due mainly to proceeds from sale and redemption of securities and investment securities and purchase of property, plant and equipment.

Net cash used in financial activities was 6,155 million yen (down 2,317 million yen year on year). Contributing factors include the purchase of treasury shares, a reduction of funds due to the payment of dividends, and a net increase in short-term loans payable.

(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, 2022 that were announced on May 13, 2022.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated balance sheet

	(Assets)	(Million yen)
	End of the previous consolidated fiscal year (As of December 31, 2021)	End of the consolidated second quarter accounting period (As of June 30, 2022)
Current assets		
Cash and deposits	64,816	62,453
Notes and accounts receivable - trade	94,297	97,791
Securities	24	421
Merchandise and finished goods	34,149	39,597
Work in process	726	1,348
Raw materials and supplies	24,695	30,277
Other	5,979	7,124
Allowance for doubtful accounts	-1,100	-1,188
Total current assets	223,589	237,827
Non-current assets		
Property, plant and equipment		
Buildings and structures	107,134	113,965
Accumulated depreciation	-68,102	-71,292
Buildings and structures, net	39,031	42,672
Machinery, equipment and vehicles	158,945	166,581
Accumulated depreciation	-134,125	-139,396
Machinery, equipment and vehicles, net	24,819	27,184
Tools, furniture and fixtures	26,277	27,836
Accumulated depreciation	-22,354	-22,988
Tools, furniture and fixtures, net	3,922	4,848
Land	30,060	30,999
Leased assets	5,426	6,093
Accumulated depreciation	-1,530	-1,704
Leased assets, net	3,895	4,388
Construction in progress	9,986	12,793
Total property, plant and equipment	111,716	122,887
Intangible assets	2,225	2,882
Investments and other assets		
Investment securities	54,093	45,043
Retirement benefit asset	10,255	10,346
Deferred tax assets	2,420	2,741
Other	2,777	3,121
Allowance for doubtful accounts	-182	-192
Total investments and other assets	69,364	61,060
Total non-current assets	183,306	186,831
Total assets	406,896	424,658

	(Million yen)	
	End of the previous consolidated fiscal year (As of December 31, 2021)	End of the consolidated second quarter accounting period (As of June 30, 2022)
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	68,221	66,996
Short-term loans payable	24,042	27,437
Income taxes payable	1,652	3,650
Provision for environmental measures	537	437
Other	17,672	20,944
Total current liabilities	<u>112,125</u>	<u>119,466</u>
Non-current liabilities		
Long-term borrowings	55,415	55,289
Deferred tax liabilities	8,703	6,743
Provision for environmental measures	364	264
Retirement benefit liability	2,275	2,594
Asset retirement obligations	32	33
Other	1,030	1,170
Total non-current liabilities	<u>67,823</u>	<u>66,094</u>
Total liabilities	<u>179,948</u>	<u>185,561</u>
(Net assets)		
Shareholders' equity		
Capital stock	31,733	31,733
Capital surplus	32,546	32,530
Retained earnings	151,740	152,923
Treasury shares	-9,784	-9,592
Total shareholders' equity	<u>206,236</u>	<u>207,594</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,941	6,276
Foreign currency translation adjustment	-1,212	12,418
Remeasurements of defined benefit plans	3,483	3,256
Total accumulated other comprehensive income	<u>12,213</u>	<u>21,952</u>
Subscription rights to shares	163	112
Non-controlling interests	8,334	9,437
Total net assets	<u>226,947</u>	<u>239,096</u>
Total liabilities and net assets	<u>406,896</u>	<u>424,658</u>

(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, 2021 to June 30, 2021)	First half under review (From January 1, 2022 to June 30, 2022)
Net sales	139,356	154,758
Cost of sales	109,437	126,887
Gross profit	29,918	27,870
Selling, general and administrative expenses		
Packing and transportation costs	3,698	3,811
Salaries and allowances	5,862	6,025
Bonuses	1,300	1,367
Welfare expenses	1,535	1,538
Depreciation	1,023	907
Research and development expenses	1,646	1,716
Other	7,621	7,888
Total selling, general and administrative expenses	22,688	23,254
Operating profit	7,230	4,615
Non-operating income		
Interest income	82	105
Dividend income	652	954
Foreign exchange gains	837	2,102
Other	440	482
Total non-operating income	2,014	3,646
Non-operating expenses		
Interest expenses	263	440
Share of loss of entities accounted for using equity method	106	111
Loss on net monetary position	–	600
Other	212	381
Total non-operating expenses	582	1,533
Ordinary profit	8,662	6,728
Extraordinary profit		
Gain on sales of non-current assets	6	14
Gain on sales of investment securities	218	5,424
Total extraordinary profit	224	5,438
Extraordinary losses		
Loss on sales and retirement of non-current assets	122	167
Other	279	32
Total extraordinary loss	402	199
Profit before income taxes	8,484	11,967
Income taxes - current	2,881	4,278
Income taxes - deferred	-848	-749
Total income taxes	2,032	3,529
Profit	6,452	8,437
Profit (loss) attributable to non-controlling interests	133	27
Profit attributable to owners of parent	6,319	8,410

Consolidated statements of comprehensive income

Consolidated first half

(Million yen)

	Previous first half period (From January 1, 2021 to June 30, 2021)	First half under review (From January 1, 2022 to June 30, 2022)
Profit	6,452	8,437
Other comprehensive income		
Valuation difference on available-for-sale securities	2,478	-3,665
Foreign currency translation adjustment	3,889	14,417
Remeasurements of defined benefit plans, net of tax	-96	-227
Share of other comprehensive income of entities accounted for using equity method	137	303
Total other comprehensive income	6,409	10,828
Comprehensive income	12,861	19,266
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,164	18,148
Comprehensive income attributable to non-controlling interests	697	1,117

(3) Consolidated statements of cash flows

(Million yen)

	Previous first half period (From January 1, 2021 to June 30, 2021)	First half under review (From January 1, 2022 to June 30, 2022)
Cash flows from operating activities		
Profit before income taxes	8,484	11,967
Depreciation	4,743	5,166
Loss on net monetary position	–	600
Interest and dividend income	-735	-1,060
Interest expenses	263	440
Share of (profit) loss of entities accounted for using equity method	106	111
Loss (gain) on sales of property, plant and equipment	-5	-8
Loss on retirement of property, plant and equipment	26	30
Loss (gain) on sales of investment securities	-218	-5,424
Decrease (increase) in notes and accounts receivable - trade	-212	1,692
Decrease (increase) in inventories	-6,778	-6,892
Increase (decrease) in notes and accounts payable - trade	2,250	-4,853
Other	576	-496
Subtotal	8,501	1,273
Interest and dividend income received	743	1,180
Interest expenses paid	-255	-417
Income taxes paid	-1,678	-2,298
Net cash provided by (used in) operating activities	7,311	-262
Cash flows from investing activities		
Payments into time deposits	-2,676	-697
Proceeds from withdrawal of time deposits	2,510	1,252
Purchase of property, plant and equipment	-10,360	-7,890
Proceeds from sales of property, plant and equipment	136	18
Purchase of short-term and long-term investment securities	-14	-15
Proceeds from sales and redemption of short-term and long-term investment securities	399	9,026
Other	-48	-181
Net cash provided by (used in) investing activities	-10,053	1,512
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-1,237	1,142
Proceeds from long-term borrowings	969	149
Repayments of long-term borrowings	-336	-161
Repayments of lease obligations	-216	-150
Purchase of treasury shares	-4,973	-4,629
Cash dividends paid	-2,623	-2,512
Other	-55	7
Net cash provided by (used in) financing activities	-8,472	-6,155
Effect of exchange rate change on cash and cash equivalents	1,173	2,758
Net increase (decrease) in cash and cash equivalents	-10,041	-2,147
Cash and cash equivalents at beginning of period	73,117	60,949
Cash and cash equivalents at end of period	63,075	58,802

(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 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 first quarter 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 first quarter 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 first quarter, either by adding it to or deducting it from the retained surplus.

As a result, net sales in the first half under review decreased 491 million yen, cost of sales decreased 426 million yen, operating profit decreased 64 million yen. Ordinary profit and profit before taxes decreased 42 million yen respectively. The balance of retained earnings at the beginning of the period under review decreased 2 million yen. In accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue from contracts with customers for the first half of the previous fiscal year is not stated.

(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 first quarter 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 quarterly financial statements.

(Additional information)

(Adoption of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system)

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 “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No.28, February 16, 2018), regarding the transition to group tax sharing system established in “Act for Partial Amendment of the Income Tax Act, etc.”(Act No.8 of 2020), and items for which the non-consolidated taxation system has been reviewed in the line with the transition to the group tax sharing system.

(Financial Reporting in Hyperinflationary Economies)

In the first half 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 Group’s 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 quarterly consolidated statement of income.

The financial statements of the subsidiary in Turkey are translated using the exchange rate on the last day of the second quarter under review and are reflected in the Group’s consolidated financial statements.

(Segment information, etc.)

I. From January 1, 2021 to June 30, 2021

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	35,678	33,459	35,036	32,632	136,806	2,549	139,356	–	139,356
Intersegment sales	1,118	155	369	1	1,644	673	2,318	-2,318	–
Total	36,796	33,614	35,406	32,633	138,451	3,222	141,674	-2,318	139,356
Segment profits	2,723	1,989	1,271	858	6,842	406	7,249	-18	7,230

(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 -18 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.

II. 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

(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 -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. Changes in reportable segments

As described in “Changes in accounting policies,” the Company adopted the Accounting Standard for Revenue Recognition, etc. and changed its accounting methods for revenue recognition at the beginning of the first quarter under review. Reflecting this change, it modified its method for measuring the profits and losses of its business segments.

As a result, compared with results calculated using the previous method, in the first half of the fiscal year under review net sales and segment profit for the Colorants and Functional Materials Related Business decreased 284 million yen and 10 million yen, respectively, net sales and segment profit for the Polymers and Coatings Related Business fell 150 million yen and 30 million yen, respectively, net sales and segment profit for the Packaging Materials Related Business declined 23 million yen and 11 million yen, respectively, net sales and segment profit for the Printing and Information Related Business declined 32 million yen and 11 million yen, respectively, and net

sales and segment profit for Other businesses decreased 0 million yen and 0 million yen, respectively.