

Consolidated Financial Results (Japanese Accounting Standards) for the Fiscal Year Ended December 31, 2020

February 12, 2021

Name of Listed Company: TOYO INK SC HOLDINGS CO., LTD. Listings: Tokyo Stock Exchange
 Code: 4634 URL: <https://sched.toyoinkgroup.com>
 Representative: Satoru Takashima, President and Representative Director, Group COO
 Contact: Hiroya Aoyama, Senior Managing Director, CFO Tel: +81-3-3272-5731
 Scheduled date of ordinary shareholders' meeting: March 24, 2021
 Scheduled date of commencement of dividend payments: March 25, 2021
 Scheduled date of submission of financial report: March 24, 2021
 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, 2020 (from January 1, 2020 to December 31, 2020)

(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 2020	257,675	-7.9	12,909	-2.0	12,543	-9.4	6,019	-29.3
December 2019	279,892	-3.6	13,174	-13.8	13,847	-10.3	8,509	-28.2

(Note) Comprehensive income: December 2020 -3,993 million yen (-%) December 2019 10,675 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 2020	103.06	102.85	2.8	3.3	5.0
December 2019	145.72	145.44	3.9	3.7	4.7

(Note) Equity in earnings of associated companies: December 2020 -77 million yen December 2019 -37 million yen

(2) Financial position

Year ended	Total assets	Net assets	Net worth/Total assets	Net assets per share
	Million yen	Million yen	%	Yen
December 2020	380,227	217,325	55.2	3,589.24
December 2019	376,130	226,892	58.3	3,757.35

(Note) Net worth: December 2020 209,705 million yen December 2019 219,439 million yen

(3) Consolidated cash flow condition

Year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
December 2020	16,743	-13,294	16,221	73,117
December 2019	19,673	-10,404	-6,247	53,765

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 2019	-	45.00	-	45.00	90.00	5,255	61.8	2.4
December 2020	-	45.00	-	45.00	90.00	5,257	87.3	2.5
December 2021 (Forecast)	-	45.00	-	45.00	90.00		70.1	

3. Forecasts for the year ending December 31, 2021 (from January 1, 2021 to December 31, 2021)

(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	270,000	4.8	14,000	8.4	14,000	11.6	7,500	24.6	128.37

* Notes:

- (1) Important changes of subsidiaries during the term (changes in specific subsidiaries accompanied by a change in the scope of consolidation): No
- (2) Changes in accounting policies and changes or restatement of accounting estimates
- (i) Changes in accounting policies due to the modification in accounting methods: No
- (ii) Changes in accounting policies other than (i): Yes
- (iii) Changes in accounting estimates: No
- (iv) Restatement: No
- (3) Number of shares issued (ordinary shares)
- (i) Numbers of shares issued (including treasury shares):
- December 2020: 60,621,744 shares
- December 2019: 60,621,744 shares
- (ii) Numbers of treasury shares at the end of the terms:
- December 2020: 2,195,524 shares
- December 2019: 2,218,965 shares
- (iii) Average numbers of shares issued during the terms (consolidated accumulation periods):
- December 2020: 58,414,235 shares
- December 2019: 58,394,607 shares

Reference: Financial summary (non-consolidated)

(Amounts of less than million yen are omitted.)

Non-consolidated business results for the year ended December 31, 2020 (from January 1, 2020 to December 31, 2020)

(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 2020	17,125	-2.2	6,502	-5.5	7,766	-3.0	5,815	-33.3
December 2019	17,514	-14.5	6,881	-34.7	8,005	-31.9	8,722	6.5

Year ended	Profit per share (Basic)		Profit per share (Diluted)	
	Yen		Yen	
December 2020	99.56		99.36	
December 2019	149.37		149.09	

(2) Financial position

Year ended	Total assets		Net assets		Net worth/Total assets		Net assets per share	
	Million yen		Million yen		%		Yen	
December 2020	262,508		171,682		65.3		2,934.18	
December 2019	253,642		179,278		70.6		3,065.15	

(Note) Net worth:

December 2020 171,432 million yen

December 2019 179,013 million yen

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

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

- The above forecasts are based on the information available on the date these materials are released and incorporate assumptions about uncertainties that may affect future earnings. The forecasts do not constitute an assurance that the Company promises to achieve the earnings. Actual earnings could differ materially from these forecasts due to various factors in the future. For notes about assumptions of earnings forecasts and the use of earnings forecasts, refer to "(4) Future prospects" of "1. Overview of Operating Results, etc." on page 5 of the accompanying materials.
- Supplementary documents for financial results will be posted on the Company's website on February 12, 2021 (Friday).
- February 18, 2021 (Thursday): Briefing for institutional investors and security analysts.

Accompanying Materials – Contents

- 1. Overview of Operating Results, etc. 2
 - (1) Overview of operating results for the fiscal year ended December 31, 2020 2
 - (2) Overview of financial position during the fiscal year ended December 31, 2020 4
 - (3) Overview of cash flow during the fiscal year ended December 31, 2020 5
 - (4) Future prospects 5
- 2. Group Overview 6
- 3. Management Policy 8
 - (1) Basic management policy 8
 - (2) Medium- to long-term management strategy 8
 - (3) Our challenges 8
- 4. Basic Position on the Selection of Accounting Standards 9
- 5. Consolidated Financial Statements and Primary Notes 10
 - (1) Consolidated balance sheet 10
 - (2) Consolidated statements of income and consolidated statements of comprehensive income 12
 - (3) Consolidated statements of changes in equity 14
 - (4) Consolidated statements of cash flows 16
 - (5) Explanatory notes to consolidated financial statements 17
 - (Notes on assumption of going business) 17
 - (Basic and important matters in preparing the consolidated financial statements) 17
 - (Changes in accounting policies) 19
 - (Additional information) 19
 - (Notes to consolidated balance sheet) 20
 - (Notes to consolidated statements of income) 21
 - (Notes to consolidated statements of comprehensive income) 22
 - (Notes to consolidated statements of changes in equity) 23
 - (Notes to consolidated statements of cash flows) 24
 - (Segment information, etc.) 25
 - (Per share information) 27
 - (Important subsequent events) 28
- 6. Other 28
 - (1) Management turnover 28

1. Overview of Operating Results, etc.

(1) Overview of operating results for the fiscal year ended December 31, 2020

(Million yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
December 2020	257,675	12,909	12,543	6,019
Growth rate (%)	-7.9	-2.0	-9.4	-29.3
December 2019	279,892	13,174	13,847	8,509

During the fiscal year under review, the global economy experienced a dramatic downturn driven mainly by reduced consumer spending and corporate activity as a result of the protracted COVID-19 pandemic and there is still no telling when the pandemic will be brought under control.

Despite this harsh business environment, the Toyo Ink Group operated its business activities in line with the following three policies of the fiscal year under review.

Under the first policy of “steadily creating results by strengthening collaboration inside and outside the Group and prioritizing investment in businesses to be actively expanded,” the Group focused on providing new value in response to the world's increasing awareness of environmental issues as a crisis and societal changes resulting from the COVID-19 pandemic. With telework demand expanding, the Group increased sales of materials for LCD color filters in the Chinese market where demand for LCD panels is shifting and also made headway developing and expanding sales of coating materials for mobile terminals compatible with high-speed communication. Meanwhile, for the realization of a recycling-oriented society, the Group concentrated on the rollout of biomass inks and environmentally-friendly pressure sensitive adhesives, and, with electric vehicles becoming widespread and encouraged around the world, the Group also lay the foundations for business expansion in the four major auto markets, starting to establish supply frameworks for automotive lithium-ion battery materials in North America and Europe in addition to those in Japan and China. Furthermore, in response to growing interest in peace of mind, safety and hygiene, the Group developed printing ink which imparts antimicrobial properties to printed material and also started building a new plant to manufacture medical adhesives to strengthen production capacity in the Medical and Healthcare Business and comply with the latest regulatory requirements.

Under the second policy of “steadily implementing structural reforms in businesses and areas through concerted efforts to reduce costs and generate profits across all operations of production, sales and technology,” the Group implemented structural reforms in the domestic Printing and Information Business where the market is shrinking due to digitalization, optimizing production through alliances with other companies in the same industry and also downsizing organizations through the reassignment of personnel. On the other hand, in emerging markets such as China, Southeast Asia, India and Turkey, demand for daily necessities is expected to continue growing in the future, and the Group expanded production lines for ink and adhesives in the Packaging Materials Related Business. Meanwhile, in the Plastic Colorants Business, the Group reviewed its global business framework and pushed ahead with withdrawal from some sites in Europe and Southeast Asia where earnings were lackluster.

Under the third policy of “making bold changes by always rising gain and again to the challenge of business reforms,” the Group responded to the COVID-19 pandemic by trialing new home-based working styles in terms of personnel programs, information systems and facilities and it also improved business efficiency and reduced costs by remotely starting up production lines at overseas Group companies and remotely providing them with technical support. Also in its private show and everyday sales promotion activities, the Group conducted new marketing activities combining physical and digital marketing. Further, in response to the improper accounting procedures at a subsidiary in the Philippines uncovered in the previous fiscal year, the Group made improvements, re-establishing internal controls across the Group as a whole.

However, conditions remained extremely challenging, with slow growth in sales as a result of a global slump in consumption and disruptions to supplies of raw materials and productions activities. As a result, net sales for the fiscal year under review declined to 257,675 million yen (down 7.9% year on year), and profit also fell with operating profit of 12,909 million yen (down 2.0% year on year), ordinary profit of 12,543 million yen (down 9.4% year on year), and profit attributable to owners of parent of 6,019 million yen (down 29.3% year on year).

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	67,400	61,642	-8.5	3,386	2,610	-22.9
Polymers and Coatings Related Business	65,887	62,328	-5.4	6,013	5,937	-1.3
Packaging Materials Related Business	68,071	66,589	-2.2	3,058	3,885	27.1
Printing and Information Related Business	76,680	65,595	-14.5	314	247	-21.2
Other	7,291	6,229	-14.6	424	234	-44.6
Subtotal	285,332	262,384	-8.0	13,197	12,916	-2.1
Adjustment	-5,439	-4,708	-	-23	-7	-
Total consolidated	279,892	257,675	-7.9	13,174	12,909	-2.0

(i) Colorants and Functional Materials Related Business

In high-performance pigments and materials for LCD color filters, sales for use in big screen TVs and smartphones were weak due to U.S.-China trade friction and the COVID-19 pandemic in the first half but recovered in the second half, and sales for use in computers and tablets grew. Meanwhile, the market shift towards China led to increased pressure to reduce costs, putting a squeeze on profits.

Meanwhile, in commodity-type pigments, sales for printing ink applications remained weak throughout the year, and those for automobile coatings also grew at a sluggish pace owing to the slump in auto sales during the first half.

In plastic colorants business, sales for container applications related to hygiene grew in Japan, but sales for use in drink caps and cosmetics containers grew at a slow pace as people refrained from going out and the inbound market slumped, and sales for use in construction materials and solar cells also decreased. Meanwhile, sales of plastic colorants used in office equipment were sluggish in Southeast Asia and sales for automotive applications were lackluster in North America and Europe.

As a result, net sales in the overall Colorants and Functional Materials Related Business decreased to 61,642 million yen (down 8.5% year on year), and operating profit fell to 2,610 million yen (down 22.9% year on year).

(ii) Polymers and Coatings Related Business

In the functional films and tapes segment, sales for smartphones fell during the first half due to supply chain disruptions and decreased demand but recovered in the second half, and progress was also made in developing and expanding sales of electromagnetic shielding films for high-speed communication.

In the adhesives segment, domestic sales of those used in packaging remained firm, but sales of adhesives used in lithium-ion batteries struggled to grow. In the overseas business, sales in China and Southeast were weak due to the temporary suspension of business activities in response to COVID-19. In the adhesive compounds segment, sales for automotive applications in Japan grew at a slow pace, but sales for labels remained strong, and sales of those used to protect displays expanded.

In the can coatings (finishes) business in Japan, sales for canned alcoholic beverage applications grew but sales for canned coffee and soft beverages sold in vending machines and convenience stores languished as people refrained from going out. Sales of can coatings were also weak in China and North America.

As a result, net sales in the overall Polymers and Coatings Related Business slipped to 62,328 million yen (down 5.4% year on year), and operating profit fell to 5,937 million yen (down 1.3% year on year).

(iii) Packaging Materials Related Business

Domestic sales of mainstay gravure inks for packaging were firm for household food, such as frozen food and retort pouches, as people refrained from going out, as well as for hygiene products, offsetting a slump in inbound demand. Notably, sales of biomass inks grew. Meanwhile, demand for gravure inks for publication continued to fall, sales of gravure inks for construction materials were also lackluster, and solvent and equipment sales also decreased.

Overseas sales were affected by the suspension of operations by customers and the Group's own sites in China, Southeast Asia, India and elsewhere. However, sites managed to resume operations comparatively quickly on the basis that they manufacture daily necessities, and progress was also made expanding sales of eco-friendly type products.

In the gravure cylinder platemaking segment, sales were sluggish for packaging in the second half, but sales for precision plate-making related to electronics expanded.

As a result, net sales of the overall Packaging Materials Related Business fell to 66,589 million yen (down 2.20% year on year), but operating profit rose to 3,885 million yen (up 27.1% year on year).

(iv) Printing and Information Related Business

As the domestic information-related print market continued to shrink amid increasing digitization, the Group sought to generate profits in Japan by pushing ahead with the optimization of business scale, collaboration with other companies in the same industry, and cost reductions, whilst at the same time striving to expand its global network in overseas business. Group also focused on the development and sales expansion of highly sensitive UV ink and other products such as inkjet ink for on-demand printing and also made progress revising prices to pass some of the increase in raw materials prices associated with environmental regulations along to customers.

However, as a result of the protracted COVID-19 pandemic, demand for ink in Japan decreased further, reflecting a reduction in printed materials such as flyers and advertising as people refrained from going out and events were cancelled. The Group was also forced to temporarily suspend business activities in some regions such as China and India.

As a result, both net sales and operating profit in the overall Printing and Information Related Business decreased. Net sales amounted to 65,595 million yen (down 14.5% year on year) and operating profit was 247 million yen (down 21.2% year on year).

(v) Other

This segment covers businesses not included in the above segments and services provided mainly by TOYO INK SC HOLDINGS CO., LTD. Net sales decreased to 6,229 million yen (down 14.6% year on year), and operating profit fell to 234 million yen (down 44.6% year on year) mainly due to a review of consideration for services provided and an increase in retirement benefit expenses.

(2) Overview of financial position during the fiscal year ended December 31, 2020

(Million yen)

	End of previous fiscal year	End of fiscal year under review	Change
Total assets	376,130	380,227	4,096
Liabilities	149,237	162,902	13,664
Net assets	226,892	217,325	-9,567

Total assets at the end of the fiscal year under review stood at 380,227 million yen, up 4,096 million yen from the end of the previous consolidated fiscal year. Liabilities were 162,902 million yen, up 13,664 million yen from the end of the previous consolidated fiscal year. Net assets came to 217,325 million yen, down 9,567 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 rose above 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 fell. Notes and accounts receivable-trade and note and accounts payable-trade also decreased, as a result of the decline in net sales. Furthermore, investment securities, deferred tax liabilities, and valuation difference on available-for-sale securities each decreased, reflecting falling stock prices in Japan. In the meantime, cash and deposits and long-term loans payable increased while short-term loans payable decreased because the Group took out new long-term loans and refinanced short-term obligations on a long-term basis in case of protraction of the COVID19 pandemic.

(3) Overview of cash flow during the fiscal year ended December 31, 2020

(Million yen)

	Previous term	Term under review	Change
Cash flows from operating activities	19,673	16,743	-2,930
Cash flows from investing activities	-10,404	-13,294	-2,890
Cash flows from financing activities	-6,247	16,221	22,469
Cash and cash equivalents at end of period	53,765	73,117	19,352

Cash and cash equivalents (“cash”) at the end of the fiscal year under review stood at 73,117 million yen, up 19,352 million yen from the end of the previous fiscal year.

Cash provided by operating activities stood at 16,743 million yen, down 2,930 million yen from the end of the previous fiscal year. This mainly reflects an increase in cash flows due to the posting of profit before income taxes and a decrease in cash flows due to income taxes paid.

Cash used in investment activities was 13,294 million yen, up 2,890 million yen from the end of the previous fiscal year. This mainly reflects the purchase of property, plant, and equipment.

Cash provided by financing activities stood at 16,221 million yen, up 22,469 million yen from the end of the previous fiscal year. This mainly reflects an increase in cash flows due to new borrowing in case of protraction of the COVID-19 pandemic and a decrease in cash flows due to dividends paid.

Trends in Group cash flows are as follows:

	Term ended December 2017	Term ended December 2018	Term ended December 2019	Term ended December 2020
Capital adequacy ratio (%)	58.5	57.6	58.3	55.2
Market value-based capital adequacy ratio (%)	51.4	38.4	41.4	30.3
Ratio of interest-bearing debt to cash flows (years)	3.3	3.1	3.0	4.9
Interest coverage ratio (times)	23.6	25.8	30.7	31.7

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 2021 (forecast)	270,000	14,000	14,000	7,500
Term ended December 2020	257,675	12,909	12,543	6,019
Growth rate (%)	4.8	8.4	11.6	24.6

Next fiscal year, a modest recovery is expected as society adapts to the new normal on the assumption of protraction of the COVID-19 pandemic. However, there is also mounting concern over a potential slowdown as economic activity continues to be restricted to some extent.

The Toyo Ink Group also expects to continue facing a harsh business environment with challenges such as the high cost of raw materials, and forecasts net sales of 270.0 billion yen (growth rate of 4.8%), operating profit of 14.0 billion yen (growth rate of 8.4%), ordinary profit of 14.0 billion yen (growth rate of 11.6%), and profit attributable to owners of parent of 7.5 billion yen (growth rate of 24.6%) as a result of taking measures to address the issues described on page 8.

2. Group Overview

The Group is constituted of the Company, 63 consolidated subsidiaries and 7 equity method affiliate companies.

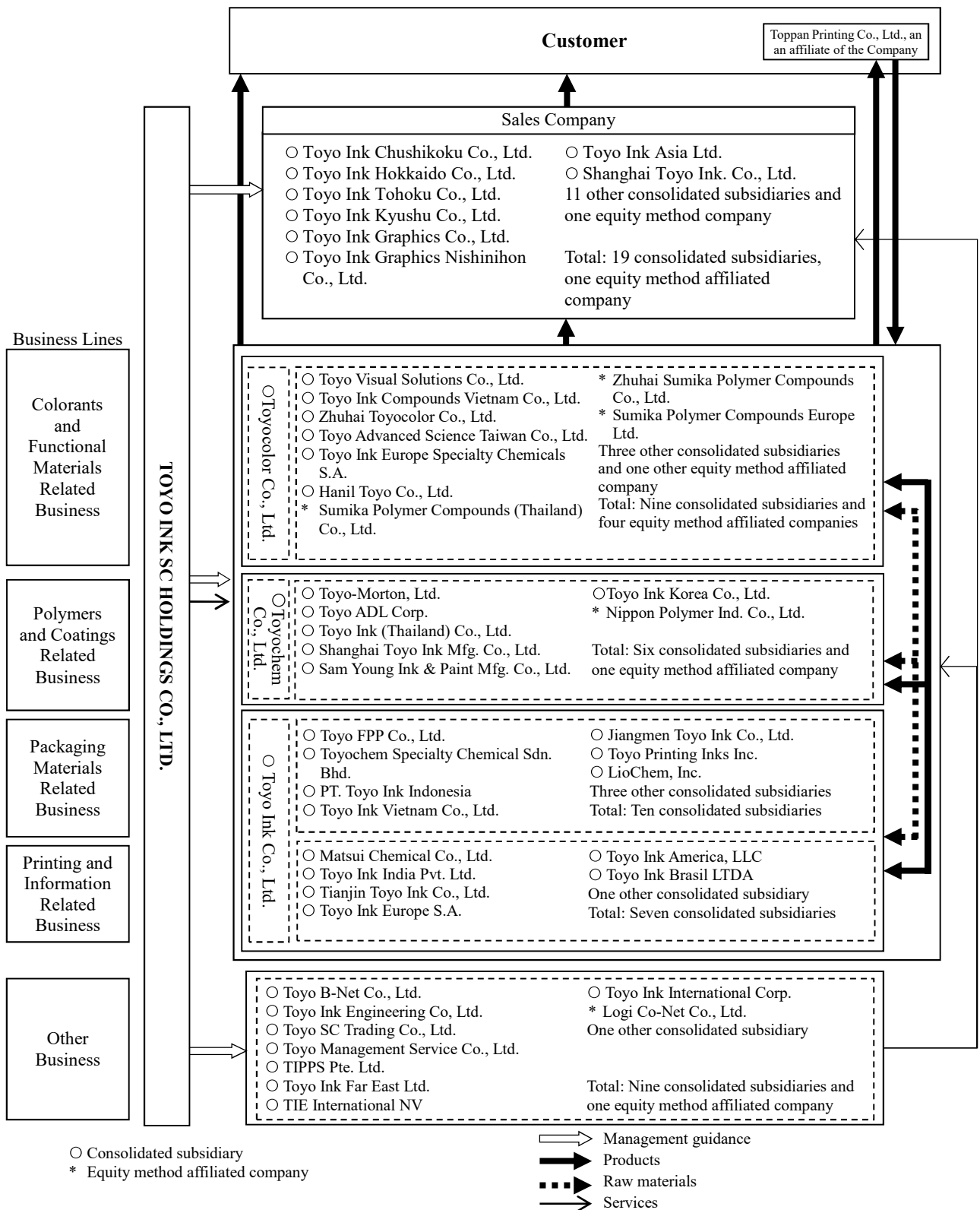
Business lines of the Group are as follows:

Business line	Major Business	Major Company	
		Domestic	Overseas
Colorants and Functional Materials Related Business	Organic pigments, processed pigments, plastic colorants, color filter 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., Hanil Toyo Co., Ltd., and others
Polymers and Coatings Related Business	Can coatings, resins, adhesives, adhesive compounds, coating materials, natural materials, medical products and others	Domestic	Toyochem Co., Ltd., Toyo-Morton, Ltd., Toyo ADL Corp., 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., LioChem, Inc., and others
Printing and Information Related Business	Offset inks, metal printing inks, printing machines, printing equipment, prepress systems, printing supplies ink-jet materials and others	Domestic	Toyo Ink Co., Ltd., Matsui Chemical Co., Ltd., and others
		Overseas	Toyo Ink India Pvt. Ltd., Tianjin Toyo Ink Co., Ltd., Toyo Ink Europe S.A., Toyo Ink America, LLC, and others
Other Business	Sale of raw materials, service provision, real estate rental business management, holding company for subsidiaries and others	Domestic	Toyo Ink SC Holdings Co., Ltd., Toyo B-Net Co., Ltd., Toyo SC Trading Co., Ltd., and others
		Overseas	TIPPS Pte. Ltd., Toyo Ink Far East Ltd., Toyo Ink International Corp., and others
Sales Business	Sales of products handled by the Group companies	Domestic	Toyo Ink Chushikoku Co., Ltd., Toyo Ink Hokkaido Co., Ltd., Toyo Ink Tohoku Co., Ltd., Toyo Ink Kyushu Co., Ltd., Toyo Ink Graphics Co., Ltd., and others
		Overseas	Toyo Ink Asia Ltd. and others

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

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

The organization chart is as follows:
(Organization Chart)



3. Management Policy

(1) Basic management policy

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

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

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

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

(2) Medium- to long-term management strategy

The Toyo Ink Group establishes its long-term vision every 10 years. The Group decided that the value it would provide in the next 10 years until 2027 would be “For a Vibrant World,” and is striving to reform itself to build a corporate structure capable of achieving century-long sustainable growth and become a corporate group that contributes to the development of a world where all consumers, lives, and the global environment coexist vibrantly. Under the medium-term management plan “SIC-I (FY2018 through FY2020),” which is the first step of this long-term vision, the Group has been conducting business activities under the slogan: “implement measures in quick succession based on the innovation chain concept through target setting and concrete action.” During the period covered by this medium-term management plan, the business environment deteriorated, with structural market contraction due to rapid digitization and rising raw materials prices due to tighter environmental regulations worldwide as well as the protracted COVID-19 pandemic. As a result, the Group failed to achieve the plan targets. Nonetheless, the Group implemented structural reforms in unprofitable businesses and regions, developed the Polymers and Coatings Business and Packaging Materials Related Business as profit drivers, and also invested resources into new businesses such as lithium-ion battery materials, sensor materials and medical-related materials.

Under the medium-term management plan “SIC-II (FY2021 through FY2023),” which is the second step of the long-term vision, the Group will strive to be a company which continues to provide value that is truly necessary to meet the new needs of a society that is changing due to the effects of COVID-19. The Group has set out a vision of being a “lifestyle and culture creator which contributes to the new age,” and is working to realize this vision through the implementation of three basic policies: strengthen the profitability of businesses; create and expand business areas for priority development; and enhance the value of management resources for sustainable growth.

Under the policy “strengthen the profitability of businesses,” the Group will seek to build a resilient business portfolio for the achievement of sustainable growth by strategically forming an array of profitable businesses and continuously reorganizing and reforming less profitable businesses. Besides further expanding profit-generating businesses through the rollout of eco-friendly inks and adhesives for the global packaging materials market and increased sales of parts and materials related to the 5G and IoT markets, the Group will seek to establish new profit drivers through measures such as promoting the development of medical adhesives and cultivating the lithium ion battery materials business. Meanwhile, in the ink and pigment business for the publications and commercial printing markets, which continue to undergo structural contraction, the Group will keep implementing structural reforms to increase business efficiency and further strengthen profitability. Under the policy to “create and expand business areas for priority development,” the Group will reconfigure its research and development capabilities and increase resource allocations to business areas for priority development, thereby applying and deploying its arsenal of technologies to meet new societal needs and accelerating business creation and expansion. In the sustainable science domain, the Group will roll out eco-friendly products and recycling systems and provide new materials and systems for the realization of a sustainable, green society. In the communication science domain, the Group aims to contribute to a 5G and IoT society through key materials and solutions which form the basis for devices such as sensor materials and conducting materials. In the life science domain, the Group will take on the challenge of creating products and solutions in the medical and next-generation printing fields which will help people live fuller, healthier lives. Further, under a policy “enhance the value of management resources for sustainable growth,” the Group will improve itself through the promotion of digital transformation (DX) and environmental, social and governance (ESG) initiatives and endeavor to enhance the value of its management resources which are its corporate infrastructure.

(3) Our challenges

In the next fiscal year, which is the first 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 expand its share of the market for materials for LCD color filters through differentiated products, focusing on the Chinese market, and it will also seek increased sales of sensor materials through own product development and refinement of the quality assurance framework. Besides smoothly starting up bases for automotive lithium ion battery materials in the United States and Europe, the Group will reorganize the inkjet printer ink business and strengthen its competitiveness through integrated development encompassing pigment synthesis.

In the Polymers and Coatings Business, the Group merged TOYOCEM Co., Ltd. and Toyo ADL Corp. in January 2021 and will seek to combine the technologies of eco-friendly pressure sensitive adhesives and non-solvent hot-melt adhesives to strengthen the

development of innovative products and services for the environment, electronics and health care markets. At the same time, the Group will further strengthen its production frameworks in Japan, India, the United States, China and other parts of the world, and will pursue sales expansion in 5G-related markets through differentiated products with emphasis on properties such as low dielectric ratio and conductivity.

In the Packaging Materials Related Business, the Group will develop the supply framework to meet firm demand through the early startup of a new factory in China and the smooth construction of a new factory in Turkey, while also seeking to further expand sales in the growing Southeast Asia and India markets by focusing resources on these markets. Moreover, in response to growing environmental awareness and safety and hygiene needs, the Group will accelerate the rollout of eco-friendly products, antimicrobial and antivirus products and the establishment of recycling and other environmental systems.

In the Printing and Information Business, the Group will continue to reduce the cost of raw materials for UV inks and strengthen the rollout of sticky labels and paper containers to the packaging market. At the same time, the Group will strengthen the business through further structural reforms in response to market contraction.

In addition, the Group will promote digital transformation (DX) and harness digital power to revolutionize various business processes. It will also enhance the value of management resources by strengthening governance and risk management and will continue conducting corporate activities with flexibility and resilience in a dramatically changing society.

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, 2019	As of December 31, 2020
(Assets)		
Current assets		
Cash and deposits	56,691	76,469
Notes and accounts receivable – trade	*5 90,173	*5 87,126
Securities	29	57
Merchandise and finished goods	30,535	28,328
Work in process	1,319	1,070
Raw materials and supplies	16,654	16,790
Other	5,350	5,178
Allowance for doubtful accounts	-786	-924
Total current assets	199,969	214,097
Non-current assets		
Property, plant and equipment		
Buildings and structures	*2, *6 99,260	*2, *6 100,156
Accumulated depreciation	-63,319	-65,629
Buildings and structures, net	35,940	34,526
Machinery, equipment and vehicles	151,688	152,140
Accumulated depreciation	-129,921	-131,816
Machinery, equipment and vehicles, net	21,767	20,324
Tools, furniture and fixtures	24,798	25,303
Accumulated depreciation	-21,925	-22,067
Tools, furniture and fixtures, net	2,873	3,236
Land	*2, *6 30,669	*2, *6 30,529
Leased assets	5,006	4,996
Accumulated depreciation	-962	-1,269
Leased assets, net	4,043	3,726
Construction in progress	4,282	10,273
Total property, plant and equipment	99,577	102,616
Intangible assets	4,202	3,113
Investments and other assets		
Investment securities	*1 61,071	*1 48,440
Net defined benefit asset	7,964	8,608
Deferred tax assets	2,333	2,398
Other	1,194	1,143
Allowance for doubtful accounts	-182	-191
Total investments and other assets	72,381	60,399
Total non-current assets	176,161	166,130
Total assets	376,130	380,227

(Million yen)

	As of December 31, 2019	As of December 31, 2020
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	*2, *5 59,543	*2, *5 54,608
Short-term loans payable	*2 30,315	*2 19,379
Income taxes payable	1,279	1,082
Other	15,608	16,340
Total current liabilities	106,747	91,411
Non-current liabilities		
Long-term loans payable	27,460	60,492
Deferred tax liabilities	9,584	6,561
Provision for environmental measures	2,348	1,485
Net defined benefit liability	1,885	1,914
Asset retirement obligations	31	31
Other	1,179	1,005
Total non-current liabilities	42,490	71,491
Total liabilities	149,237	162,902
(Net assets)		
Shareholders' equity		
Capital stock	31,733	31,733
Capital surplus	32,500	32,499
Retained earnings	146,627	147,390
Treasury shares	-4,969	-4,916
Total shareholders' equity	205,891	206,706
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,273	5,699
Foreign currency translation adjustment	-2,843	-5,284
Remeasurements of defined benefit plans	2,118	2,583
Total accumulated other comprehensive income	13,548	2,998
Subscription rights to shares	265	249
Non-controlling interests	7,187	7,370
Total net assets	226,892	217,325
Total liabilities and net assets	376,130	380,227

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

(Million yen)

	From January 1, 2019 to December 31, 2019	From January 1, 2020 to December 31, 2020
Net sales	279,892	257,675
Cost of sales	*1 219,559	*1 200,479
Gross profit	60,333	57,196
Selling, general and administrative expenses		
Packing and transportation expenses	7,181	6,657
Salaries and allowance	11,698	11,272
Bonuses	2,651	2,559
Welfare expenses	3,030	2,917
Depreciation	1,879	1,962
Research and development expenses	*1 3,438	*1 3,224
Other	17,279	15,692
Total selling, general and administrative expenses	47,159	44,286
Operating profit	13,174	12,909
Non-operating income		
Interest income	214	245
Dividend income	1,137	1,280
Other	611	485
Total non-operating income	1,964	2,012
Non-operating expenses		
Interest expenses	644	520
Foreign exchange losses	130	1,129
Share of loss of entities accounted for using equity method	37	77
Other	478	650
Total non-operating expenses	1,290	2,377
Ordinary profit	13,847	12,543
Extraordinary income		
Gain on sales of non-current assets	*2 30	*2 23
Gain on sales of investment securities	2,057	67
Other	–	0
Total extraordinary income	2,088	91
Extraordinary losses		
Loss on sales and retirement of non-current assets	*3 284	*3 411
Impairment loss	*4 364	*4 247
Loss on liquidation of business	–	1,040
Loss on remittance fraud at foreign subsidiary	–	519
Expenses on suspension of operations	–	*5 363
Provision for environmental measures	2,688	–
Special investigation expenses	*6 283	–
Other	8	54
Total extraordinary losses	3,629	2,636
Profit before income taxes	12,306	9,999
Income taxes - current	3,313	3,124
Income taxes - deferred	90	388
Total income taxes	3,404	3,512
Profit	8,901	6,486
Profit attributable to non-controlling interests	392	467
Profit attributable to owners of parent	8,509	6,019

Consolidated statements of comprehensive income

(Million yen)

	From January 1, 2019 to December 31, 2019	From January 1, 2020 to December 31, 2020
Profit	8,901	6,486
Other comprehensive income		
Valuation difference on available-for-sale securities	2,381	-8,579
Foreign currency translation adjustment	-1,493	-2,243
Remeasurements of defined benefit plans, net of tax	922	465
Share of other comprehensive income of entities accounted for using equity method	-36	-123
Total other comprehensive income	*1 1,773	*1 -10,480
Comprehensive income	10,675	-3,993
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,486	-4,529
Comprehensive income attributable to non-controlling interests	188	535

(3) Consolidated statements of changes in equity

From January 1, 2019 to December 31, 2019

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	31,733	32,500	143,379	-5,012	202,600
Changes of items during period					
Dividends of surplus			-5,254		-5,254
Profit attributable to owners of parent			8,509		8,509
Purchase of treasury shares				-4	-4
Disposal of treasury shares			-6	47	41
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	-	-	3,247	43	3,290
Balance at end of current period	31,733	32,500	146,627	-4,969	205,891

	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	11,888	-1,513	1,195	11,570	248	6,671	221,091
Changes of items during period							
Dividends of surplus							-5,254
Profit attributable to owners of parent							8,509
Purchase of treasury shares							-4
Disposal of treasury shares							41
Change in ownership interest of parent due to transactions with non-controlling interests							-
Net changes of items other than shareholders' equity	2,384	-1,329	922	1,977	16	516	2,510
Total changes of items during period	2,384	-1,329	922	1,977	16	516	5,801
Balance at end of current period	14,273	-2,843	2,118	13,548	265	7,187	226,892

From January 1, 2020 to December 31, 2020

(Million yen)

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

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

(4) Consolidated statements of cash flows

(Million yen)

	From January 1, 2019 to December 31, 2019	From January 1, 2020 to December 31, 2020
Cash flows from operating activities		
Profit before income taxes	12,306	9,999
Depreciation	9,087	9,187
Impairment loss	364	247
Loss on liquidation of business	–	1,040
Interest and dividend income	-1,352	-1,526
Interest expenses	644	520
Share of (profit) loss of entities accounted for using equity method	37	77
Loss (gain) on sales of property, plant and equipment	-17	87
Loss on retirement of property, plant and equipment	76	59
Loss (gain) on sales of investment securities	-2,057	-38
Special investigation expenses	283	-
Decrease (increase) in notes and accounts receivable - trade	4,773	1,747
Decrease (increase) in inventories	-273	1,213
Increase (decrease) in notes and accounts payable - trade	-4,972	-2,768
Other	3,453	-719
Subtotal	22,353	19,127
Interest and dividend income received	1,383	1,519
Interest expenses paid	-640	-527
Special investigation expenses paid	-191	-92
Income taxes paid	-3,231	-3,283
Net cash provided by (used in) operating activities	19,673	16,743
Cash flows from investing activities		
Payments into time deposits	-10,789	-2,677
Proceeds from withdrawal of time deposits	9,623	2,140
Purchase of property, plant and equipment	-10,326	-13,096
Proceeds from sales of property, plant and equipment	105	97
Purchase of intangible assets	-774	-64
Purchase of short-term and long-term investment securities	-231	-192
Proceeds from sales and redemption of short-term and long-term investment securities	2,748	391
Purchase of shares of subsidiaries	-775	–
Other	16	105
Net cash provided by (used in) investing activities	-10,404	-13,294
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-2,167	1,388
Proceeds from long-term loans payable	1,035	33,408
Repayments of long-term loans payable	-183	-12,585
Repayments of lease obligations	-364	-374
Cash dividends paid	-5,254	-5,256
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	-281
Proceeds from share issuance to non-controlling shareholders	780	–
Other	-92	-77
Net cash provided by (used in) financing activities	-6,247	16,221
Effect of exchange rate change on cash and cash equivalents	-214	-317
Net increase (decrease) in cash and cash equivalents	2,806	19,352
Cash and cash equivalents at beginning of period	50,958	53,765
Cash and cash equivalents at end of period	53,765	73,117

(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 63 consolidated subsidiaries; all of the subsidiaries were consolidated.

Names of major consolidated subsidiaries:

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

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

- In the fiscal year under review, TOYO INK Hungary Kft. was established and became a consolidated subsidiary.

2. Application of the equity method

The equity method is applied to investments in seven affiliates.

Names of major subsidiaries:

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

3. Fiscal year-end of consolidated subsidiaries

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

4. Accounting standards

(1) Important appraisal standards and appraisal method for assets

1) Securities

Available-for-sale securities

For those with market value

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

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

For those without market value

Stated at cost as determined by the moving average method.

2) Derivatives

Market value method

3) Inventories

Merchandise

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

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

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

Finished goods, work-in-process and raw material

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

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

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

Supplies

In principle, the last cost method is applied.

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

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

(2) Depreciation method of important depreciable fixed assets

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

Straight-line method

Major useful lives:

Buildings and structures Eight to 50 years

Machinery, equipment and vehicles Four to 15 years

Tools, furniture and fixtures Three to 15 years

2) Leased assets

Financing lease transactions that do not involve a transfer of ownership

Calculation method for the equivalent of depreciation cost

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

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

(3) Important standards for appropriation of allowances

1) Allowance for doubtful receivables

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

2) Provision for environmental measures

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

(4) Accounting treatment for retirement benefits

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

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

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

1) Attribution of estimated retirement benefits

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

2) Treatment of unrecognized actuarial differences and past service costs

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

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

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

(Changes in accounting policies)

(Change in valuation method for inventories)

Domestic consolidated subsidiaries previously applied the last cost method, in principle, as the valuation method for merchandise (with the value in the balance sheet calculated by the method of book value devaluation based on lowering of profitability) but, starting from the consolidated fiscal year under review, merchandise will be valued at cost using the weighted average method (with the value in the balance sheet calculated by the method of book value devaluation based on lowering of profitability).

The purpose of this change is to use the review of the inventory control system as an opportunity to calculate periodic profit and loss more appropriately.

This change will have an insignificant impact and will not be applied retrospectively.

(Additional information)

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

Regarding the impact of the COVID-19 pandemic, the Group made estimates and judgments on impairment losses in respect of non-current assets and the recoverability of deferred tax assets based on the assumption that even if the risk of infections does not disappear completely, the economy will gradually recover as economic activity resumes under the new normal.

However, these assumptions involve uncertainties, which many affect our estimates and judgments, depending on the situation in the future.

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

	As of December 31, 2019	As of December 31, 2020
Investment securities (shares)	4,136	3,923

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

	As of December 31, 2019	As of December 31, 2020
Buildings and structures	1,128	260
Land	522	45
Total	1,651	306

Secured debt is as follows.

(Million yen)

	As of December 31, 2019	As of December 31, 2020
Notes and accounts payable - trade	222	201
Short-term loans payable	141	142
Total	364	343

3. Liabilities on guarantee

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

	As of December 31, 2019		As of December 31, 2019
ZHUHAI SUMIKA POLYMER COMPOUNDS Co., Ltd. (US\$6,003,000)	657	ZHUHAI SUMIKA POLYMER COMPOUNDS Co., Ltd. (US\$4,968,000)	514
Sumika Polymer Compounds (UK) Ltd. (GBP 2,037,000, etc.)	309	Sumika Polymer Compounds (UK) Ltd. (GBP 1,958,000, etc.)	273
Sumika Polymer Compounds Thailand Ltd. (BT 63,000,000, etc.)	228	Sumika Polymer Compounds Thailand Ltd. (BT 63,000,000, etc.)	216
Other: three companies	363	Other: three companies	168
Employees (housing loans)	47	Employees (housing loans)	29
Total	1,607	Total	1,203

4. Discounts on notes and accounts receivable and endorsement of notes and accounts receivable

(Million yen)

	As of December 31, 2019	As of December 31, 2020
Discounts on notes and accounts receivable	13	1

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

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

	As of December 31, 2019	As of December 31, 2020
Notes receivable - trade	1,549	1,392
Notes payable - trade	581	78

*6. Reduction entry

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

	As of December 31, 2019	As of December 31, 2020
Buildings and structures	1,924	1,924
Land	6,763	6,763
Total	8,687	8,687

(Notes to consolidated statements of income)

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

(Million yen)

	From January 1, 2019 to December 31, 2019	From January 1, 2020 to December 31, 2020
	8,077	8,112

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

(Million yen)

	From January 1, 2019 to December 31, 2019	From January 1, 2020 to December 31, 2020
Machinery, equipment and vehicles	15	13
Other	15	10
Total	30	23

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

(Million yen)

	From January 1, 2019 to December 31, 2019	From January 1, 2020 to December 31, 2020
Buildings and structures	133	151
Machinery, equipment and vehicles	135	232
Other	15	26
Total	284	411

*4. Impairment loss

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

From January 1, 2019 to December 31, 2019

Location	Use	Type
Kawagoe, Saitama, etc.	Factory assets, etc.	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.

The book value of the above asset group has been reduced to its recoverable amount due to a delay in the improvement of earnings, partly caused by the rising prices of raw materials amid the structural recession associated with the digitization of the domestic printing market, despite our efforts to optimize the business size by product and reduce costs, and the amount of the reduction is recorded as an impairment loss (364 million yen) in extraordinary losses. The breakdown of the impairment loss is machinery, equipment, and vehicles of 216 million yen, tools, furniture and fixtures of 102 million yen and other of 45 million yen.

The recoverable amount of the asset group is measured by the value in use and calculated by discounting future cash flow at 5.6%.

From January 1, 2020 to December 31, 2020

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

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

Faced with a structural slump in the domestic printing market resulting from progressive digitization, the Group sought to generate profit by pushing ahead with optimization of business scale, collaboration with other companies in the same industry, and cost reductions, and also made progress revising selling prices to pass some of the increase in raw materials costs associated with environmental regulations along to customers. However, the book value of the above asset group has been reduced to its recoverable amount due to a delay in the improvement of earnings, reflecting falling ink demand in Japan due to fewer printed

materials such as flyers and advertisements, as people refrained from going out and events were cancelled amid the protracted COVID-19 pandemic, and the amount of the reduction is recorded as an impairment loss (247 million yen) in extraordinary losses. The breakdown of the impairment loss is machinery, equipment, and vehicles of 191 million yen and other of 56 million yen. The recoverable amount of the asset group is measured by the value in use and calculated by discounting future cash flow at 4.4%.

*5. Expenses for suspension of operations
From January 1, 2019 to December 31, 2019
Not applicable

From January 1, 2020 to December 31, 2020
Fixed expenses incurred by overseas consolidated subsidiaries during periods in which some of their business sites suspended operations in accordance with requests by national and local governments worldwide aimed at preventing the spread of COVID-19 were recorded under extraordinary losses.

*6. Special investigation expenses
From January 1, 2019 to December 31, 2019
Following the discovery of inappropriate accounting at a consolidated subsidiary in the Philippines, Toyo Ink Compounds Corp., a special investigation committee, including outside specialists, was established to conduct an investigation, and financial results for past periods have since been corrected. As a result, the Group has recorded investigation expenses and additional audit fees.

From January 1, 2020 to December 31, 2020
Not applicable

(Notes to consolidated statements of comprehensive income)

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

	From January 1, 2019 to December 31, 2019	From January 1, 2020 to December 31, 2020
Valuation difference on available-for-sale securities		
Amount arisen in the fiscal year under review	5,166	-12,196
Amount of recycling	-1,752	-68
Before tax adjustment	3,414	-12,264
Amount of the tax effect equivalent	-1,032	3,685
Valuation difference on available-for-sale securities	2,381	-8,579
Foreign currency translation adjustments		
Amount arisen in the fiscal year under review	-1,493	-2,243
Remeasurements of defined benefit plans, net of tax		
Amount arisen in the fiscal year under review	1,033	351
Amount of recycling	296	284
Before tax adjustment	1,329	635
Amount of the tax effect equivalent	-407	-170
Remeasurements of defined benefit plans, net of tax	922	465
Share of other comprehensive income of entities accounted for using equity method		
Amount arisen in the fiscal year under review	-23	-94
Amount of recycling	-12	-29
Share of other comprehensive income of entities accounted for using equity method	-36	-123
Total other comprehensive income	1,773	-10,480

(Notes to consolidated statements of changes in equity)

From January 1, 2019 to December 31, 2019

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)	2,238	1	21	2,218
Total	2,238	1	21	2,218

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

2. The decrease of 21 thousand shares in the number of shares of treasury ordinary stock is due to a result of the exercise of stock options.

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	–	–	–	–	–	265
Total			–	–	–	–	265

3. Matters concerning dividend

(1) Cash dividends paid

Resolution	Type of stock	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary meeting of shareholders on March 26, 2019	Ordinary shares	2,627	45.00	December 31, 2018	March 27, 2019
Board of directors' meeting on August 9, 2019	Ordinary shares	2,627	45.00	June 30, 2019	September 2, 2019

(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 26, 2020	Ordinary shares	2,628	Retained earnings	45.00	December 31, 2019	March 27, 2020

From January 1, 2020 to December 31, 2020

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

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

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

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

2. Matters concerning subscription rights to shares

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

3. Matters concerning dividend

(1) Cash dividends paid

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

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

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

(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, 2019 to December 31, 2019	From January 1, 2020 to December 31, 2020
Cash and time deposits	56,691	76,469
Securities	29	57
Total	56,721	76,526
Time deposits with maturity of more than 3 months	-2,954	-3,408
Investments in investment limited partnerships, etc.	-1	-0
Cash and cash equivalents	53,765	73,117

(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, and 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 and color filter materials. The Polymers and Coatings Related Business mainly manufactures and sells can coatings, resins, adhesives, adhesive compounds, coating materials 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, printing supplies, and ink-jet materials.

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, 2019 to December 31, 2019

(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	65,100	65,623	67,328	76,641	274,693	5,198	–	279,892
Intersegment sales	2,300	264	743	38	3,347	2,092	-5,439	–
Total	67,400	65,887	68,071	76,680	278,040	7,291	-5,439	279,892
Segment profits	3,386	6,013	3,058	314	12,773	424	-23	13,174

(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 -23 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, 2020 to December 31, 2020

(Million yen)

	Reported segments					Other (Note) 1	Adjustment (Note) 2	Amounts recorded in Consolidated Financial Statements (Note) 3
	Colorants and Functional Materials Related Business	Polymers and Coatings Related Business	Packaging Materials Related Business	Printing and Information Related Business	Total			
Net sales								
Sales to customers	59,365	62,050	65,977	65,577	252,971	4,704	–	257,675
Intersegment sales	2,276	277	611	18	3,184	1,524	-4,708	–
Total	61,642	62,328	66,589	65,595	256,155	6,229	-4,708	257,675
Segment profits	2,610	5,937	3,885	247	12,682	234	-7	12,909

(Notes) 1. The “Other” segment comprises business segments that are not included in the reportable segments, which include sales of raw materials, other profit-earning business activities carried out by the Company as a parent, and delivery of services.

2. An adjustment of -7 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, 2019 to December 31, 2019

(Million yen)

Japan	China	Other	Total
151,174	34,843	93,874	279,892

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

From January 1, 2020 to December 31, 2020

(Million yen)

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

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

(Per share information)

	From January 1, 2019 to December 31, 2019	From January 1, 2020 to December 31, 2020
Net assets per share	3,757.35 yen	3,589.24 yen
Profit per share	145.72 yen	103.6 yen
Fully diluted profit per share	145.44 yen	102.85 yen

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

	From January 1, 2019 to December 31, 2019	From January 1, 2020 to December 31, 2020
Profit per share		
Profit attributable to owners of parent (million yen)	8,509	6,019
Amount not belonging to common shareholders (million yen)	–	–
Profit attributable to owners of parent concerning ordinary shares (million yen)	8,509	6,019
Weighted average number of shares issued and outstanding during the period (thousand shares)	58,394	58,414
Fully diluted profit per share		
Profit attributable to owners of parent (million yen)	–	–
Increase in the number of ordinary shares (thousand shares)	110	115
(Subscription rights to shares included (thousand shares))	110	115
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, 2019	As of December 31, 2020
Net assets on the consolidated balance sheet (million yen)	226,892	217,325
Amount deducted from total net assets (million yen)	7,453	7,619
(Subscription rights to shares included (million yen))	(265)	(249)
(Non-controlling interests included (million yen))	(7,187)	(7,370)
Year-end net assets concerning ordinary shares (million yen)	219,439	209,705
Ordinary shares used for calculation of net assets per share (thousand shares)	58,402	58,426

(Important subsequent events)

(Reorganization of the Polymers and Coatings Business)

At a meeting held on September 11, 2020, the Company's Board of Directors resolved to reorganize the Polymers and Coatings Business. As a result, the Company merged its wholly owned subsidiaries TOYOCEM Co., Ltd. (hereinafter "TOYOCEM") and Toyo ADL Corp. (hereinafter "Toyo ADL"), effective January 1, 2021.

The main details are as follows.

1. Purpose of the merger

The purpose of this merger is to expand the business domains of the Group's adhesives and natural extracts by generating synergy through integrating Toyochem Co., Ltd., which develops a broad range of polymers and coatings products, including environmentally friendly adhesive products, for the packaging, industrial materials and electronics markets, and Toyo ADL Corporation, which provides value to environmental businesses with a specialized lineup of solvent free hotmelt products and natural extract products.

While maintaining the brands cultivated by Toyo ADL Corporation, the Toyo Ink Group will strengthen its ability to propose solutions for the problems of its customers. By developing innovative products and services in the packaging and industrial materials, electronics, and medical and healthcare markets, the Group aims to contribute to the resolution of social issues.

2. Summary of the merger

(1) Method of the merger

This will be an absorption-type merger with Toyochem Co., Ltd. as the surviving company.

(2) 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 were no changes in the issuance of new shares or capital stock as a result of the merger.

(3) Rights and obligations succeeded to

Total assets: 3,758 million yen

Total liabilities: 911 million yen

3. Outline of the surviving company

Company name: TOYOCEM Co., Ltd.

Capital stock: 500 million yen

Business description: Manufacture and sale of polymers and coatings

4. Outline of the accounting implemented

The merger will be accounted for as a common control transaction pursuant to the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan, Accounting Standard No. 21, March 31, 2020) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Accounting Standards Board of Japan, Guidance on Accounting Standards No. 10, January 16, 2019).

6. Other

(1) Management turnover

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