

TRANSLATION:

This is an English translation of Consolidated Quarterly Financial Results (Japanese Accounting Standards) for the First Quarter 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 Quarter of the Fiscal Year Ending December 31, 2022

May 13, 2022

Name of Listed Company: TOYO INK SC HOLDINGS CO., LTD. Listings: Tokyo Stock Exchange
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Representative: Satoru Takashima, President and Representative Director, Group CEO
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Scheduled date of submission of quarterly report: May 13, 2022

Scheduled date of commencement of dividend payments: –

Supplementary documents for quarterly results: Yes

Quarterly results briefing: No

(Amounts of less than million yen are omitted.)

1. Consolidated business results for the first quarter of fiscal 2022 ending December 31, 2022

(From January 1, 2022 to March 31, 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 Quarter, Fiscal 2022 | 74,245 | 8.6 | 2,817 | -20.1 | 3,906 | -7.5 | 3,161 | 0.1 |
| First Quarter, Fiscal 2021 | 68,359 | 7.8 | 3,527 | 17.4 | 4,222 | 112.3 | 3,159 | 171.9 |

(Note) Comprehensive income: First quarter, fiscal 2022: 8,158 million yen (-21.6%) First quarter, fiscal 2021: 10,411 million yen (-%)

| | Profit per share (Basic) | | Profit per share (Diluted) | |
|----------------------------|--------------------------|--|----------------------------|--|
| | Yen | | Yen | |
| First Quarter, Fiscal 2022 | 56.62 | | 56.54 | |
| First Quarter, Fiscal 2021 | 55.75 | | 55.64 | |

* 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 first 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 Quarter, Fiscal 2022 | 409,014 | | 232,571 | | 54.7 | |
| Fiscal 2021 | 406,896 | | 226,947 | | 53.7 | |

(Note) Net worth: First quarter, fiscal 2022: 223,541 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 first 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 |
| | Yen | | | | |
| Fiscal 2021 | – | 45.00 | – | 45.00 | 90.00 |
| Fiscal 2022 | – | | | | |
| Fiscal 2022 (Forecast) | | 45.00 | – | 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 | 223.83 |

(Note) Revisions to the most recently announced earnings forecasts: Yes

* 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 quarter, fiscal 2022: 60,621,744 shares
 - Fiscal 2021: 60,621,744 shares
 - (ii) Numbers of treasury shares at the end of the terms:
 - First quarter, fiscal 2022: 4,775,748 shares
 - Fiscal 2021: 4,775,558 shares
 - (iii) Average numbers of shares issued during the terms (consolidated accumulation periods):
 - First quarter, fiscal 2022: 55,846,025 shares
 - First quarter, fiscal 2021: 56,674,387 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 Quarter Ended March 31, 2022” on page 4 of the accompanying materials.
2. Supplementary documents for financial results will be posted on the Company’s website on May 13, 2022 (Friday).

Accompanying Materials – Contents

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1. Qualitative Information on Financial Results, etc., for the First Quarter Ended March 31, 2022

(1) Details of operating results

During the first quarter of the fiscal year under review, the conditions surrounding the global economy remained harsh, including rising raw materials prices, the volatility of the financial and capital markets, and supply constraints due to uncertainties such as the situation in Ukraine despite a continuing trend toward a recovery 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 74,245 million yen (up 8.6% year on year), operating profit decreased to 2,817 million yen (down 20.1% year on year), and ordinary profit fell to 3,906 million yen (down 7.5% year on year) in the first quarter of the fiscal year under review. Profit attributable to owners of parent remained mostly unchanged from the same period of the previous year to 3,161 million yen (up 0.1% 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 412 million yen less, and operating profit and ordinary profit were 60 million yen and 52 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 materials for LCD color filters increased thanks to strong demand for filters used in the displays of tablets and other computers and growth in China and Taiwan despite reduced production in a part of 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 reduced production amid shortages of semiconductors and other components.

Sales of inkjet inks, which catered to demand for digital printing, remained strong. 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 19,105 million yen (up 3.2% year on year) while operating profit decreased to 996 million yen (down 15.3% 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 182 million yen and operating profit decreased 18 million yen.

(ii) Polymers and Coatings Related Business

Among coating materials, while the growth of sales of conductive adhesive sheets and electromagnetic shielding films slowed due in part to production adjustments caused by the semiconductor shortage, sales of heat durable and low adhesives films for electronic components and automobile applications remained strong.

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 18,334 million yen (up 12.6% year on year) while

operating profit decreased to 795 million yen (down 33.5% year on year) due to the lag of selling price revisions and cost reductions behind a steep rise in raw materials and energy costs.

With the application of the Accounting Standard for Revenue Recognition, etc., net sales decreased 189 million yen and operating profit decreased 34 million yen.

(iii) Packaging Materials Related Business

In Japan, sales of liquid inks remained strong thanks to demand for liquid inks for household food products such as frozen foods, mainstay products for packaging materials based on the movement of customers toward increasing inventory in preparation for the disruption of the supply of materials and price increases, and products for cardboard boxes used for online sales. Overseas sales were strong in countries seeing a reduction in COVID-19 infections such as India and the U.S. However, the growth of sales in China and Southeast Asia, which continue to be impacted by the pandemic, slowed largely due to restrictions impacting customers' factory operations.

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 18,878 million yen (up 10.7% year on year) while operating profit decreased to 287 million yen (down 59.9% year on year) due to difficulty in the procurement of raw materials, a steep rise in their prices, and an increase in energy prices on a global scale.

With the application of the Accounting Standard for Revenue Recognition, etc., net sales decreased 20 million yen and operating profit decreased 6 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 the overseas markets, sales in the U.S. and Europe remained strong as the impact of COVID-19 decreased and progress was made in the revision of selling prices. Sales in China and the rest of Asia were led by products for paper containers for food, medical supplies, etc. despite some sluggishness in the market due to the COVID-19 pandemic.

As a result, net sales of the overall Printing and Information Related Business increased to 17,488 million yen (up 8.2% year on year), and operating profit increased to 359 million yen (up 36.6% year on year).

With the application of the Accounting Standard for Revenue Recognition, etc., net sales decreased 19 million yen and operating profit decreased 1 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 1,223 million yen (down 20.7% year on year), but operating profit increased to 378 million yen (up 109.0% 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 quarter under review stood at 409,014 million yen, up 2,118 million yen from the end of the previous consolidated fiscal year. Liabilities were 176,442 million yen, down 3,506 million yen from the end of the previous consolidated fiscal year. Net assets came to 232,571 million yen, up 5,624 million yen from the end of the previous consolidated fiscal year.

On the last day of the first quarter 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 strengthening procurement of raw materials and surging prices. Meanwhile, 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.

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

During the first quarter of the fiscal year under review, uncertainty continued to surround the world economy, including uncertainties related to the situation in Ukraine, despite a continuing trend toward recovery amid the diminishing impact of the COVID-19 pandemic. In response, the Toyo Ink Group improved its procurement of raw materials to provide customers with a stable supply of products. Its business was affected by the depreciation of the yen and the relative appreciation of foreign currencies, and net sales remained above the Group's forecast. Meanwhile, the prices of raw materials, energy, and other items have risen to a level beyond what can be compensated for through cost reduction and the increases in selling prices. The impact of this is expected to continue in and after the first quarter of the fiscal year under review. As described in the Notice of Dissolution of Capital Alliance and Continuation of Business Alliance with SAKATA INX CORPORATION, and Recording of Extraordinary Profit release dated May 13, 2022, the Group plans to post extraordinary profit (gain on sales of investment securities) of approximately 4.5 billion yen in the second quarter of the fiscal year ending December 31, 2022, due to the sale of the shares of Sakata Inx Corporation's common stock held by Toyo Ink, responding to a tender offer of treasury shares all of the shares planned by Sakata Inx Corporation. Considering these factors impacting performance, the Group has decided to revise its full-year consolidated results announced on February 14, 2022 as follows.

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

| | Net sales | Operating profit | Ordinary profit | Profit attributable to owners of parent | Profit per share |
|---|-------------|------------------|-----------------|---|------------------|
| | Million yen | Million yen | Million yen | Million yen | Yen |
| Previous forecasts (A) | 295,000 | 14,500 | 15,000 | 10,000 | 179.06 |
| Revised forecast (B) | 310,000 | 13,000 | 14,000 | 12,500 | 223.83 |
| Change (B-A) | 15,000 | -1,500 | -1,000 | 2,500 | — |
| Increase/decrease (%) | 5.1 | -10.3 | -6.7 | 25.0 | — |
| (Reference) Results of previous fiscal year (Fiscal 2021) | 287,989 | 13,005 | 15,442 | 9,492 | 169.36 |

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated balance sheet

(Million yen)

| | End of the previous consolidated fiscal year (As of December 31, 2021) | End of the consolidated first quarter accounting period (As of March 31, 2022) |
|--|--|--|
| (Assets) | | |
| Current assets | | |
| Cash and deposits | 64,816 | 56,243 |
| Notes and accounts receivable - trade | 94,297 | 94,018 |
| Securities | 24 | 18 |
| Merchandise and finished goods | 34,149 | 37,478 |
| Work in process | 726 | 1,263 |
| Raw materials and supplies | 24,695 | 26,989 |
| Other | 5,979 | 6,396 |
| Allowance for doubtful accounts | -1,100 | -1,129 |
| Total current assets | 223,589 | 221,278 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 107,134 | 111,499 |
| Accumulated depreciation | -68,102 | -69,687 |
| Buildings and structures, net | 39,031 | 41,812 |
| Machinery, equipment and vehicles | 158,945 | 161,936 |
| Accumulated depreciation | -134,125 | -136,820 |
| Machinery, equipment and vehicles, net | 24,819 | 25,115 |
| Tools, furniture and fixtures | 26,277 | 27,290 |
| Accumulated depreciation | -22,354 | -22,741 |
| Tools, furniture and fixtures, net | 3,922 | 4,548 |
| Land | 30,060 | 30,334 |
| Leased assets | 5,426 | 5,711 |
| Accumulated depreciation | -1,530 | -1,590 |
| Leased assets, net | 3,895 | 4,120 |
| Construction in progress | 9,986 | 10,382 |
| Total property, plant and equipment | 111,716 | 116,314 |
| Intangible assets | 2,225 | 2,120 |
| Investments and other assets | | |
| Investment securities | 54,093 | 53,717 |
| Retirement benefit asset | 10,255 | 10,300 |
| Deferred tax assets | 2,420 | 2,506 |
| Other | 2,777 | 2,965 |
| Allowance for doubtful accounts | -182 | -190 |
| Total investments and other assets | 69,364 | 69,300 |
| Total non-current assets | 183,306 | 187,735 |
| Total assets | 406,896 | 409,014 |

(Million yen)

| | End of the previous consolidated fiscal year (As of December 31, 2021) | End of the consolidated first quarter accounting period (As of March 31, 2022) |
|---|--|--|
| (Liabilities) | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 68,221 | 63,533 |
| Short-term loans payable | 24,042 | 24,968 |
| Income taxes payable | 1,652 | 976 |
| Provision for environmental measures | 537 | 537 |
| Other | 17,672 | 19,044 |
| Total current liabilities | 112,125 | 109,060 |
| Non-current liabilities | | |
| Long-term borrowings | 55,415 | 55,388 |
| Deferred tax liabilities | 8,703 | 8,173 |
| Provision for environmental measures | 364 | 265 |
| Retirement benefit liability | 2,275 | 2,445 |
| Asset retirement obligations | 32 | 32 |
| Other | 1,030 | 1,077 |
| Total non-current liabilities | 67,823 | 67,382 |
| Total liabilities | 179,948 | 176,442 |
| (Net assets) | | |
| Shareholders' equity | | |
| Capital stock | 31,733 | 31,733 |
| Capital surplus | 32,546 | 32,546 |
| Retained earnings | 151,740 | 152,386 |
| Treasury shares | -9,784 | -9,785 |
| Total shareholders' equity | 206,236 | 206,882 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 9,941 | 9,581 |
| Foreign currency translation adjustment | -1,212 | 3,707 |
| Remeasurements of defined benefit plans | 3,483 | 3,370 |
| Total accumulated other comprehensive income | 12,213 | 16,659 |
| Subscription rights to shares | 163 | 163 |
| Non-controlling interests | 8,334 | 8,866 |
| Total net assets | 226,947 | 232,571 |
| Total liabilities and net assets | 406,896 | 409,014 |

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

Consolidated statements of income

Consolidated first quarter

(Million yen)

| | Previous first quarter period (From January 1, 2021 to March 31, 2021) | First quarter under review (From January 1, 2022 to March 31, 2022) |
|---|--|---|
| Net sales | 68,359 | 74,245 |
| Cost of sales | 53,444 | 60,091 |
| Gross profit | 14,915 | 14,154 |
| Selling, general and administrative expenses | | |
| Packing and transportation costs | 1,851 | 1,828 |
| Salaries and allowances | 2,884 | 2,943 |
| Bonuses | 697 | 691 |
| Welfare expenses | 791 | 786 |
| Depreciation | 532 | 448 |
| Research and development expenses | 819 | 817 |
| Other | 3,810 | 3,821 |
| Total selling, general and administrative expenses | 11,387 | 11,337 |
| Operating profit | 3,527 | 2,817 |
| Non-operating income | | |
| Interest income | 43 | 48 |
| Dividend income | 148 | 153 |
| Foreign exchange gains | 544 | 1,079 |
| Other | 248 | 174 |
| Total non-operating income | 984 | 1,456 |
| Non-operating expenses | | |
| Interest expenses | 125 | 165 |
| Share of loss of entities accounted for using equity method | 57 | 0 |
| Other | 107 | 200 |
| Total non-operating expenses | 289 | 367 |
| Ordinary profit | 4,222 | 3,906 |
| Extraordinary profit | | |
| Gain on sales of non-current assets | 0 | 4 |
| Gain on sales of investment securities | 92 | 204 |
| Total extraordinary profit | 92 | 208 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 29 | 107 |
| Other | 144 | 25 |
| Total extraordinary loss | 173 | 133 |
| Profit before income taxes | 4,142 | 3,981 |
| Income taxes - current | 1,289 | 1,160 |
| Income taxes - deferred | -367 | -336 |
| Total income taxes | 922 | 824 |
| Profit | 3,219 | 3,157 |
| Profit (loss) attributable to non-controlling interests | 60 | -4 |
| Profit attributable to owners of parent | 3,159 | 3,161 |

Consolidated statements of comprehensive income

Consolidated first quarter

(Million yen)

| | Previous first quarter period (From January 1, 2021 to March 31, 2021) | First quarter under review (From January 1, 2022 to March 31, 2022) |
|--|--|---|
| Profit | 3,219 | 3,157 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,414 | -360 |
| Foreign currency translation adjustment | 3,731 | 5,321 |
| Remeasurements of defined benefit plans, net of tax | -87 | -113 |
| Share of other comprehensive income of entities accounted for using equity method | 132 | 152 |
| Total other comprehensive income | 7,191 | 5,000 |
| Comprehensive income | 10,411 | 8,158 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 9,907 | 7,607 |
| Comprehensive income attributable to non-controlling interests | 503 | 550 |

(3) Notes to 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 quarter under review decreased 412 million yen, cost of sales decreased 351 million yen, operating profit decreased 60 million yen. Ordinary profit and profit before taxes decreased 52 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 quarter 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.

(Segment information, etc.)

I. From January 1, 2021 to March 31, 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 | 17,935 | 16,207 | 16,892 | 16,155 | 67,191 | 1,168 | 68,359 | – | 68,359 |
| Intersegment sales | 580 | 77 | 155 | 0 | 813 | 374 | 1,188 | -1,188 | – |
| Total | 18,516 | 16,285 | 17,047 | 16,156 | 68,004 | 1,543 | 69,547 | -1,188 | 68,359 |
| Segment profits | 1,176 | 1,196 | 717 | 263 | 3,353 | 181 | 3,535 | -7 | 3,527 |

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

2. An adjustment of -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 quarterly income statement.

II. From January 1, 2022 to March 31, 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 | 18,789 | 18,249 | 18,643 | 17,488 | 73,170 | 1,075 | 74,245 | – | 74,245 |
| Intersegment sales | 316 | 85 | 235 | 0 | 637 | 147 | 784 | -784 | – |
| Total | 19,105 | 18,334 | 18,878 | 17,488 | 73,807 | 1,223 | 75,030 | -784 | 74,245 |
| Segment profits | 996 | 795 | 287 | 359 | 2,439 | 378 | 2,818 | -0 | 2,817 |

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

2. An adjustment of -0 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 quarter of the fiscal year under review net sales and segment profit for the Colorants and Functional Materials Related Business decreased 182 million yen and 18 million yen, respectively, net sales and segment profit for the Polymers and Coatings Related Business fell 189 million yen and 34 million yen, respectively, net sales and segment profit for the Packaging Materials Related Business declined 20 million yen and 6 million yen, respectively, net sales and segment profit for the Printing and Information Related Business declined 19 million yen and 1 million yen, respectively, and net sales

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