

# **SAKATA INX CORPORATION**

Consolidated Financial Statements

As of December 31, 2021 and 2020

## **Independent Auditor's Report**

To the Board of Directors of  
SAKATA INX CORPORATION:

### **Opinion**

We have audited the accompanying consolidated financial statements of SAKATA INX CORPORATION. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the estimate of allowance for doubtful accounts for notes and accounts receivable – trade of MAOMING SAKATA INX Co., LTD.	
The key audit matter	How the matter was addressed in our audit
As described in Note 3 "Significant Accounting Estimates" in the Notes to Consolidated Financial Statements, notes and accounts receivable – trade of ¥2,876 million and the corresponding allowance for doubtful accounts of ¥174 million related to MAOMING SAKATA INX CO., LTD. (hereinafter referred to as "MMS"), a consolidated subsidiary operating in Printing inks (Asia) segment, were recognized in the consolidated balance sheets of SAKATA INX CORPORATION (hereinafter referred to as the "Company").  To provide for possible losses from uncollectible receivables, an allowance for doubtful accounts is recognized as estimated uncollectible amounts based on historical default rates for general receivables and	The primary procedures we performed to assess whether the estimate of allowance for doubtful accounts for notes and accounts receivable – trade of MMS was reasonable included the following: <b>(1) Internal control testing</b> We tested the design and operating effectiveness of the Company's internal controls relevant to estimating the uncollectible amount of highly doubtful receivables. In this assessment, we focused our testing on controls relevant to the assessment of collectibility of receivables for each overdue period. <b>(2) Assessment of the reasonableness of the estimated allowance for doubtful accounts</b> In order to assess the reasonableness of the estimated uncollectible amount, which formed the



<p>an assessment of individual collectibility for specific receivables such as highly doubtful receivables.</p> <p>MMS engages in the sale of printing inks mainly to customers in China and recognizes an allowance for doubtful accounts for highly doubtful receivables by estimating the collectible amount for each group of receivables classified by the overdue period. Setting the allowance ratio according to the overdue period involves management's judgment and such ratios may differ from the actual default rates. Accordingly, management's judgment in estimating the allowance for doubtful accounts for highly doubtful receivables may have a significant effect on the consolidated financial statements.</p> <p>We, therefore, determined that our assessment of the reasonableness of the estimate of allowance for doubtful accounts for notes and accounts receivable – trade of MMS was one of the most significant in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.</p>	<p>basis for estimating the allowance for doubtful accounts, we performed the following procedures among others:</p> <ul style="list-style-type: none"> <li>- inquired of management regarding their views on the estimated uncollectible amount of notes and accounts receivable – trade;</li> <li>- examined whether the allowance ratio was reasonably estimated according to the overdue period after assessing the accuracy and completeness of the aging schedule for notes and accounts receivable – trade; and</li> <li>- compared the amounts of allowance for doubtful accounts in the past with the collection of the corresponding receivables.</li> </ul>
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<b>Investigation into the facts of the doubtful transactions carried out by SAKATA SANGYO, LIMITED</b>	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>As described in Note 7, "Additional Information" to of the Notes to Consolidated Financial Statements, in November 2021, overdue uncollectible receivables from a customer arose in SAKATA SANGYO, LIMITED (hereinafter referred to as "SAKATA SANGYO"), a consolidated subsidiary of the Company operating in Other segment. The existence of the transactions became doubtful as it turned out that SAKATA SANGYO conducted the transactions procuring from parties related to the customer.</p> <p>Accordingly, the Company set up an investigation committee that included external experts on December 28, 2021 to make investigation from a professional and objective perspective. It concluded that most of SAKATA SANGYO's past businesses with the customer and its related parties were fictitious circular transactions with no substance. In relation to these transactions, a provision for allowance for doubtful accounts of ¥566 million (equivalent to the total amount of receivables) for the relevant uncollected receivables was recognized. Such inappropriate transactions require us to accurately understand the facts and comprehensively assess whether there are other similar inappropriate transactions. Particularly, vouchers, such as delivery slips, and invoices, which generally prove transactions, as well as the money transfer existed in the transactions. Consequently, a high level of</p>	<p>In order to investigate the facts of the doubtful transactions carried out by SAKATA SANGYO, we performed the following procedures, among others, by engaging fraud investigation specialists within our network firms:</p> <ul style="list-style-type: none"> <li>- We assessed the adequacy, ability and objectivity of the investigation committee set up for the purpose of investigating inappropriate transactions;</li> <li>- We attended the investigation committee's meeting to discuss the investigation procedures and inquire about the investigation results and inspected the investigation report. We also assessed the appropriateness of the scope, results and conclusion of the investigation with respect to the following procedures performed by the investigation committee: <ul style="list-style-type: none"> <li>- interviews with relevant personnel;</li> <li>- inspection of the emails of relevant personnel;</li> <li>- surveys of customers;</li> <li>- surveys of the officers and employees of SAKATA SANGYO;</li> <li>- investigation of design and operational effectiveness of SAKATA SANGYO's internal controls; and</li> <li>- assessment of the impact on past consolidated financial statements.</li> </ul> </li> <li>- In addition to the procedures performed by the</li> </ul>



<p>expertise with fraud investigation specialists in conducting interviews with relevant personnel and data analysis was required to prove that the transactions were fictitious.</p> <p>We, therefore, determined that our assessment of the investigation into the facts of the circular and fictitious transactions carried out by SAKATA SANGYO was one of the most significant in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.</p>	<p>investigation committee, we</p> <ul style="list-style-type: none"> <li>- inquired of management of the Company as to whether there were similar form of transactions carried out by related entities other than the Company and SAKATA SANGYO, and, if there were such transactions, inspected the receipts obtained from customers in order to examine their existence; and</li> <li>- inspected accounts receivable collection schedules to make sure there was no other delinquent debtor.</li> </ul>
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<b>Appropriateness of revenue cut-off</b>	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Company and its consolidated subsidiaries engage mainly in the sale of printing inks and digital and specialty products to domestic and overseas customers. In the consolidated statement of income for the current fiscal year, revenue amounted to ¥181,487 million, of which approximately 60% came from the Company and INX International Ink Co. (hereinafter referred to as “III”).</p> <p>Revenue from the sale of goods is recognized when the goods are transferred to the customer, at which point the customer obtains control of the goods. Since the period from shipping to the point when control of the goods is transferred to the customer is a standard period, the Company recognizes domestic revenue, which represents a large proportion of total revenue, mainly when the goods are shipped. III recognizes revenue when the goods are shipped or delivered or as the customer uses the goods, in accordance with the terms and conditions.</p> <p>Since revenue is one of the important management indicators and it is generally understood that pressure to achieve targets in the revenue plan consistently exists, there is a potential risk of front-loaded revenue recognition.</p> <p>We, therefore, determined that our assessment of the revenue cut-off related to the Company and III was one of the most significant in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.</p>	<p>In order to assess whether the revenue cut-off related to the Company and III was appropriate, we primarily performed the procedures described below, which included the procedures performed by the component auditors of III. We requested the component auditors to perform audit procedures and evaluated their report as to whether sufficient and appropriate audit evidence was obtained.</p> <p><b>(1) Internal control testing</b></p> <p>We tested the design and operating effectiveness of the Company’s and III’s internal controls relevant to the process of recognizing revenue. In this assessment, we focused our testing on controls designed to verify that revenue was recognized based on supporting documents that proved the sale of goods for each transaction.</p> <p><b>(2) Assessment of the appropriateness of revenue cut-off</b></p> <p>In order to assess the appropriateness of the revenue cut-off, we performed the following procedures, among others, for the transactions selected as those that might fall under exceptional transactions based on the revenue trend analysis and other methods during the accounting period:</p> <ul style="list-style-type: none"> <li>- assessed the appropriateness of the revenue cut-off by comparing the selected revenue before the fiscal year-end with the supporting documents; and</li> <li>- with respect to revenue recognition with negative amounts after the fiscal year-end, assessed the appropriateness of the timing of the revenue initially recognized by examining the details of the transactions and the reasons for returns and inspecting the supporting documents related to the revenue recognition.</li> </ul>



## **the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely

responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



Takaharu Higashiura  
Designated Engagement Partner  
Certified Public Accountant



Ryosuke Koike  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Osaka Office, Japan  
August 4, 2022

#### **Notes to the Reader of Independent Auditor's Report:**

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

**SAKATA INX CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
**Years ended December 31, 2021 and 2020**

	<i>Millions of yen</i>	
	2021	2020
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits (Note 10).....	¥ 12,685	¥ 12,427
Notes and accounts receivable - trade (Notes 9, 10 and 14):		
Unconsolidated subsidiaries and affiliates .....	2,661	1,969
Other .....	46,702	41,114
	49,363	43,083
Inventories (Note 12) .....	28,593	21,184
Other .....	2,786	1,543
Allowance for doubtful accounts .....	(566)	(597)
Total current assets .....	92,861	77,640
 <b>Property, plant and equipment (Notes 8, 14 and 15):</b>		
Buildings and structures .....	41,043	33,685
Machinery, equipment and vehicles .....	53,569	46,937
Land .....	9,690	9,087
Lease assets .....	941	1,092
Construction in progress .....	3,055	3,514
Other .....	5,678	4,995
	113,976	99,310
Accumulated depreciation .....	(68,656)	(58,972)
Net property, plant and equipment .....	45,320	40,338
 <b>Investments and other assets:</b>		
Investments (Notes 10, 11 and 14):		
Unconsolidated subsidiaries and affiliates .....	16,370	16,357
Other .....	9,328	8,819
	25,698	25,176
Long-term loans receivable .....	46	47
Deferred tax assets (Note 18) .....	259	348
Net defined benefit asset (Note 17) .....	804	221
Other .....	2,065	1,209
Allowance for doubtful accounts .....	(982)	(415)
Total investments and other assets .....	27,890	26,586
 <b>Intangible assets:</b>		
Goodwill (Note 27) .....	454	501
Other .....	374	207
Total intangible assets .....	828	708
	¥ 166,899	¥ 145,272

*The accompanying notes are an integral part of these statements.*

		<i>Millions of yen</i>	
		2021	2020
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Notes and accounts payable - trade (Notes 9, 10 and 14):			
Unconsolidated subsidiaries and affiliates	¥	1	¥ 4
Electronically recorded obligations - operating		13,235	11,309
Other		23,009	16,372
		<u>36,245</u>	<u>27,685</u>
Short-term loans payable (Notes 10, 13 and 14)		5,133	4,534
Current portion of long-term loans payable (Notes 10, 13 and 14)		5,335	2,772
Lease obligations		193	216
Accrued expenses		4,156	3,563
Income taxes payable		792	614
Provision for bonuses		613	556
Other		2,791	2,375
Total current liabilities		<u>55,258</u>	<u>42,315</u>
<b>Non-current liabilities:</b>			
Bonds payable (Note 10)		1,000	-
Long-term loans payable (Notes 10, 13, and 14)		5,558	9,755
Lease obligations		562	456
Deferred tax liabilities (Note 18)		4,065	3,316
Net defined benefit liability (Note 17)		4,982	4,940
Asset retirement obligations		73	72
Other		2,936	2,996
Total non-current liabilities		<u>19,176</u>	<u>21,535</u>
Total liabilities	¥	<u>74,434</u>	¥ <u>63,850</u>
<b>Contingent liabilities (Note 19)</b>			
<b>Net Assets (Note 29):</b>			
<b>Shareholders' equity</b>			
Capital stock:			
Authorized – 144,000,000 shares			
Issued – 62,601,161 shares	¥	7,473	¥ 7,473
Capital surplus		5,675	5,673
Retained earnings		76,967	73,918
Treasury shares, at cost – 4,164,408 shares in December 2021 and 4,182,625 shares in December 2020		<u>(4,010)</u>	<u>(4,028)</u>
Total shareholders' equity		<u>86,105</u>	<u>83,036</u>
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities		2,106	1,652
Deferred gains or losses on hedges		(3)	(0)
Foreign currency translation adjustment		(1,606)	(7,282)
Remeasurements of defined benefit plans		<u>(222)</u>	<u>(1,045)</u>
Total accumulated other comprehensive income		275	(6,675)
Non-controlling interests		6,085	5,061
Total net assets		<u>92,465</u>	<u>81,422</u>
	¥	<u>166,899</u>	¥ <u>145,272</u>

*The accompanying notes are an integral part of these statements.*



**SAKATA INX CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**Years ended December 31, 2021 and 2020**

	<i>Millions of yen</i>	
	2021	2020
<b>Net sales</b> .....	¥ 181,488	¥ 161,507
<b>Cost of sales</b> .....	143,803	126,049
<b>Selling, general and administrative expenses (Note 20)</b> .....	30,270	28,245
Operating income .....	7,415	7,213
<b>Other income (expenses):</b>		
Interest and dividend income .....	401	427
Real estate rent .....	181	189
Equity in earnings of affiliates .....	993	314
Interest expenses .....	(238)	(267)
Commission expenses .....	(84)	(87)
Foreign exchange gains and losses .....	(295)	(158)
Gain on sales of investment securities (Notes 11) .....	76	3
Gain on sales of non-current assets (Notes 21) .....	115	84
Loss on sales of non-current assets .....	(22)	-
Subsidy income .....	100	100
Loss on retirement of non-current assets (Note 22) .....	(425)	-
Loss on valuation of investment securities (Notes 11) .....	-	(3)
Restructuring loss (Notes 24) .....	-	(218)
Provision of allowance for doubtful accounts (Notes 23) .....	(566)	-
Other, net .....	134	158
Income before income taxes .....	7,785	7,755
<b>Income taxes:</b>		
Current .....	1,796	2,245
Deferred (Note 18) .....	358	(396)
	2,154	1,849
<b>Net income</b> .....	5,631	5,906
<b>Net income attributable to non-controlling interests</b> .....	(697)	(630)
Net income attributable to owners of parent .....	¥ 4,934	¥ 5,276
	<i>Yen</i>	
	2021	2020
Net income per share of capital stock (Note 31) .....	¥ 84.43	¥ 90.32
Cash dividends per share applicable to the year (Note 31) .....	¥ 30.00	¥ 30.00

*The accompanying notes are an integral part of these statements.*

**SAKATA INX CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**Years ended December 31, 2021 and 2020**

	<i>Millions of yen</i>	
	2021	2020
<b>Net income</b> .....	¥ 5,631	¥ 5,906
<b>Other comprehensive income (Note 25):</b>		
Valuation difference on available-for-sale securities .....	354	(1,713)
Foreign currency translation adjustment .....	4,415	(1,894)
Deferred gains or losses on hedges .....	(2)	-
Remeasurements of defined benefit plans .....	831	33
Share of other comprehensive income of affiliates accounted for using equity method .....	1,601	(492)
Total other comprehensive income .....	7,199	(4,066)
<b>Comprehensive income</b> .....	¥ 12,830	¥ 1,840
<b>Comprehensive income attributable to:</b>		
Owners of parent .....	¥ 11,654	¥ 1,400
Non-controlling interests .....	¥ 1,176	¥ 440

*The accompanying notes are an integral part of these statements.*

**SAKATA INX CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
**Year ended December 31, 2021**

	<i>Number of shares of common stock</i>	<i>Millions of yen</i>				
		<i>Capital stock</i>	<i>Capital surplus</i>	<i>Retained earnings</i>	<i>Treasury shares</i>	<i>Total shareholders' equity</i>
<b>Balance at the beginning of current period</b> .....	62,601,161	¥ 7,473	¥ 5,673	¥ 73,918	¥ (4,028)	¥ 83,036
Dividends of surplus (Notes 29 and 31) .....	-	-	-	(1,753)	-	(1,753)
Net income attributable to owners of parent .....	-	-	-	4,934	-	4,934
Purchase of treasury shares .....	-	-	-	-	(0)	(0)
Disposal of treasury shares .....	-	-	2	-	18	20
Change in scope of consolidation .....	-	-	-	(120)	-	(120)
Change in scope of consolidation in affiliates accounted for using equity method .....	-	-	-	(12)	-	(12)
Net changes in items other than shareholders' equity .....	-	-	-	-	-	-
Total changes in items during the period .....	-	-	2	3,049	18	3,069
<b>Balance at the end of current period</b> .....	<u>62,601,161</u>	<u>¥ 7,473</u>	<u>¥ 5,675</u>	<u>¥ 76,967</u>	<u>¥ (4,010)</u>	<u>¥ 86,105</u>

	<i>Millions of yen</i>						
	<i>Valuation difference on available-for- sale securities</i>	<i>Deferred gains or losses on hedges</i>	<i>Foreign currency translation adjustment</i>	<i>Remeasurements of defined benefit plans</i>	<i>Total accumulated other comprehensive income</i>	<i>Non-controlling interests</i>	<i>Total net assets</i>
<b>Balance at the beginning of current period</b> .....	¥ 1,652	¥ (0)	¥ (7,282)	¥ (1,045)	¥ (6,675)	¥ 5,061	¥ 81,422
Dividends of surplus (Notes 29 and 31) .....	-	-	-	-	-	-	(1,753)
Net income attributable to owners of parent .....	-	-	-	-	-	-	4,934
Purchase of treasury shares .....	-	-	-	-	-	-	(0)
Disposal of treasury shares .....	-	-	-	-	-	-	20
Change in scope of consolidation .....	-	-	-	-	-	-	(120)
Change in scope of consolidation in affiliates accounted for using equity method .....	-	-	-	-	-	-	(12)
Net changes in items other than shareholders' equity .....	454	(3)	5,676	823	6,950	1,024	7,974
Total changes in items during the period .....	<u>454</u>	<u>(3)</u>	<u>5,676</u>	<u>823</u>	<u>6,950</u>	<u>1,024</u>	<u>11,043</u>
<b>Balance at the end of current period</b> .....	<u>¥ 2,106</u>	<u>¥ (3)</u>	<u>¥ (1,606)</u>	<u>¥ (222)</u>	<u>¥ 275</u>	<u>¥ 6,085</u>	<u>¥ 92,465</u>

*The accompanying notes are an integral part of these statements.*



**SAKATA INX CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
**Year ended December 31, 2020**

	<i>Number of shares of common stock</i>	<i>Millions of yen</i>				
		<i>Capital stock</i>	<i>Capital surplus</i>	<i>Retained earnings</i>	<i>Treasury shares</i>	<i>Total shareholders' equity</i>
<b>Balance at the beginning of current period</b> .....	62,601,161	¥ 7,473	¥ 5,673	¥ 70,397	¥ (4,047)	¥ 79,496
Dividends of surplus (Notes 29 and 31) .....	-	-	-	(1,753)	-	(1,753)
Net income attributable to owners of parent .....	-	-	-	5,276	-	5,276
Transfer from retained earnings to capital surplus .....	-	-	2	(2)	-	-
Purchase of treasury shares .....	-	-	-	-	(0)	(0)
Disposal of treasury shares .....	-	-	(2)	-	19	17
Net changes in items other than shareholders' equity .....	-	-	-	-	-	-
Total changes in items during the period .....	-	-	-	3,521	19	3,540
<b>Balance at the end of current period</b> .....	62,601,161	¥ 7,473	¥ 5,673	¥ 73,918	¥ (4,028)	¥ 83,036

	Millions of yen						
	Valuation difference on available-for- sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period .....	¥ 3,329	¥ 0	¥ (5,050)	¥ (1,079)	¥ (2,800)	¥ 4,744	¥ 81,440
Dividends of surplus (Notes 29 and 31) .....	-	-	-	-	-	-	(1,753)
Net income attributable to owners of parent .....	-	-	-	-	-	-	5,276
Transfer from retained earnings to capital surplus .....	-	-	-	-	-	-	-
Purchase of treasury shares .....	-	-	-	-	-	-	(0)
Disposal of treasury shares .....	-	-	-	-	-	-	17
Net changes in items other than shareholders' equity .....	(1,677)	(0)	(2,232)	34	(3,875)	317	(3,558)
Total changes in items during the period .....	(1,677)	(0)	(2,232)	34	(3,875)	317	(18)
Balance at the end of current period .....	¥ 1,652	¥ (0)	¥ (7,282)	¥ (1,045)	¥ (6,675)	¥ 5,061	¥ 81,422

*The accompanying notes are an integral part of these statements.*

**SAKATA INX CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years ended December 31, 2021 and 2020**

	<i>Millions of yen</i>	
	2021	2020
<b>Cash flows from operating activities:</b>		
Income before income taxes .....	¥ 7,785	¥ 7,755
Depreciation and amortization .....	4,306	4,350
Amortization of goodwill .....	86	83
Increase (decrease) in allowance for doubtful accounts .....	452	(19)
Increase (decrease) in net defined benefit liability .....	97	180
Increase (decrease) in provision for bonuses .....	48	29
Interest and dividend income .....	(401)	(427)
Interest expenses .....	238	267
Equity in (earnings) losses of affiliates .....	(993)	(314)
Gain on sales of non-current assets .....	(93)	(84)
Loss on retirement of non-current assets .....	425	-
Loss (gain) on sales of investment securities .....	(76)	(3)
Loss (gain) on valuation of investment securities .....	-	3
Subsidy income .....	(100)	(100)
Restructuring loss .....	-	218
Decrease (increase) in notes and accounts receivable - trade .....	(3,629)	1,792
Decrease (increase) in inventories .....	(4,809)	(343)
Increase (decrease) in notes and accounts payable - trade, including electronically recorded obligations - operating .....	7,184	(2,396)
Other, net .....	(1,335)	1,224
Subtotal .....	9,185	12,215
Interest and dividend income received .....	747	739
Interest expenses paid .....	(233)	(264)
Proceeds from subsidy income .....	100	100
Income taxes paid .....	(2,243)	(2,190)
Net cash provided by (used in) operating activities .....	7,556	10,600
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment .....	(5,276)	(4,318)
Proceeds from sales of property, plant and equipment .....	300	293
Purchase of investment securities .....	(99)	(2,888)
Proceeds from sales of investment securities .....	160	15
Payments of loans receivable .....	(50)	(39)
Collection of loans receivable .....	50	48
Other, net .....	(438)	(122)
Net cash provided by (used in) investing activities .....	(5,353)	(7,011)

*The accompanying notes are an integral part of these statements.*

	<i>Millions of yen</i>	
	2021	2020
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in short-term loans payable .....	226	(1,282)
Proceeds from long-term loans payable .....	1,045	4,907
Repayments of long-term loans payable .....	(3,003)	(2,474)
Proceeds from bonds payable .....	1,000	-
Cash dividends paid .....	(1,753)	(1,752)
Dividends paid to non-controlling interests .....	(279)	(240)
Proceeds from share issuance to non-controlling shareholders .....	127	117
Other, net .....	(238)	(256)
Net cash provided by (used in) financing activities .....	(2,875)	(980)
<b>Effect of exchange rate change on cash and cash equivalents .....</b>	<b>680</b>	<b>(292)</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>8</b>	<b>2,317</b>
<b>Cash and cash equivalents at beginning of period .....</b>	<b>11,678</b>	<b>9,361</b>
<b>Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation .....</b>	<b>429</b>	<b>-</b>
<b>Cash and cash equivalents at end of period (Note 26) .....</b>	<b>¥ 12,115</b>	<b>¥ 11,678</b>

*The accompanying notes are an integral part of these statements.*



# SAKATA INX CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of SAKATA INX CORPORATION (the “Company”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with generally accepted accounting principles in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements from International Financial Reporting Standards (IFRS).

The accounts of the Company’s consolidated foreign subsidiaries are based on IFRS or generally accepted accounting principles in the United States of America (U.S. GAAP). The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions and the inclusion of the consolidated statements of shareholders’ equity with the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

### 2. Significant Accounting Policies

#### *Consolidation*

The consolidated financial statements include the accounts of the Company and its twenty-six subsidiaries (twenty-five in 2020). The principal subsidiaries of the Company were THE INX GROUP LIMITED, INX International Ink Co., SAKATA INX (INDIA) PRIVATE LIMITED and P.T. SAKATA INX INDONESIA. A.M.Ramp & Co.GmbH was consolidated due to its increase in materiality. All significant intercompany transactions and accounts have been eliminated.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

The equity method was applied to four affiliates (four in 2020). The principal affiliate of the Company was SIIX Corporation.

#### *Securities*

The Company and its consolidated subsidiaries (the “Companies”) classify securities as (a) securities held for trading purposes (“trading securities”), (b) debt securities intended to be held to maturity (“held-to-maturity debt securities”), (c) equity securities issued by subsidiaries and affiliates and (d) all other securities that are not classified in any of the above categories (“available-for-sale securities”).

The Companies do not hold trading securities or held-to-maturity debt securities. Equity securities issued by subsidiaries and affiliates accounted for by the equity method are stated at moving average cost. Available-for-sale securities with available fair values are stated at fair value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders’ equity. Realized gains and losses on the sale of such securities are computed using moving average cost. Other securities with no available fair value are stated at moving average cost. Investments in investment limited partnerships and similar partnerships (deemed to be securities in Article 2-2 of the Japanese Financial Instruments and Exchange Act) are recorded at the net amounts of the Company’s share of the partnerships’ value based on available financial statements following the reporting date described in the partnership agreement.

#### *Inventories*

Inventories of the Company and its consolidated domestic subsidiaries are stated at cost based on the moving average method, in which the amount of inventories shown on the balance sheet are written down based on any decrease in profitability.

Inventories of the consolidated foreign subsidiaries are stated principally at the lower of cost or market, cost being determined by the first-in, first-out method.

#### *Property, plant and equipment*

Property, plant and equipment are carried at cost. The Company and its consolidated domestic subsidiaries depreciate property, plant and equipment principally by the straight-line method over the estimated useful life of the asset.

The range of useful lives is summarized as follows:

Buildings and structures	3 to 60 years
Machinery, equipment and vehicles	2 to 17 years
Other	2 to 20 years

#### *Intangible assets*

Intangible assets consist of in-house software and other. The straight-line method is used to amortize intangible assets. The amortization of in-house software is computed using the straight-line method based on the estimated useful life of mainly 5 years.

#### *Finance leases*

Lease assets under finance lease transactions that do not transfer title of the lease assets are capitalized and depreciated on a straight-line basis with the lease period used as the useful life and no residual value.

#### *Allowance for doubtful accounts*

The Companies have adopted the policy of providing an allowance for doubtful accounts in an amount sufficient to cover possible losses on collection mainly by estimating the uncollectible amounts of certain receivables and applying a percentage based on collection experience to the remaining receivables.

#### *Bonuses*

The Company and certain consolidated subsidiaries provide for employees' bonuses at the balance sheet date based on the estimated amounts of projected bonus payments.

#### *Retirement benefits*

##### 1. Method used to attribute estimated amounts of retirement benefits to periods

In calculating retirement benefit obligations, the method used to attribute the estimated amount of retirement benefits to a period until the end of the consolidated fiscal year is mainly based on the benefit formula basis.

##### 2. Accounting methods for actuarial difference and prior service cost

Prior service cost is recognized mainly as current costs, and actuarial gains and losses are recognized in expenses using the straight-line method over mainly 14 years, a period which reflects the average of the estimated remaining service years of employees, commencing with the current period.

#### *Translation of foreign currencies*

Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end rates. All revenues and expenses in foreign currencies are translated at the exchange rates prevailing when such transactions are made. The resulting gains and losses are recognized in the statements of income.

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at year-end rates, except for equity, which is translated at historical rates. Differences arising from the translations are presented as “Foreign currency translation adjustment” and “Non-controlling interests” in net assets. Income statement accounts of the consolidated foreign subsidiaries are translated at average annual rates.

#### *Derivatives and hedge accounting*

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gain or loss unless the derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from changes in the fair value of the derivative financial instruments until the corresponding loss or gain on the hedged items is recognized. However, if forward foreign exchange contracts are used as hedges and meet certain hedging criteria, the forward foreign exchange contracts and hedged items are accounted for at the forward foreign exchange contract rate. If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the hedged assets or liabilities for which the interest rate swap contracts were executed.

The following summarizes hedging derivative financial instruments used by the Companies and the items hedged:

<u>Hedging instruments</u>	<u>Hedged items</u>
Forward foreign exchange contracts	Receivables and payables in foreign currency and others
Currency swap contracts	Loans payable in foreign currency
Interest rate swap contracts	Interest on loans payable in foreign currency and loans payable
Commodity swap contracts	Raw materials

The Companies use derivative financial instruments for hedging purposes to mitigate the risk of fluctuation in foreign currency exchange rates, interest rates, and purchase price of raw materials.

The Companies evaluate hedging effectiveness by confirming a correlation between the hedging instruments and the hedged items. However, interest rate swap contracts that meet the requirements for special treatment are omitted from an assessment of effectiveness.

#### *Cash and cash equivalents*

Cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

#### *Goodwill*

Goodwill is amortized by the straight-line method over certain period within 20 years.

#### *Research and development expenses*

Research and development expenses are charged to income as incurred. Research and development expenses for the year ended December 31, 2021 and 2020 were ¥3,823 million and ¥3,478 million, respectively.



#### *Income taxes*

Income taxes comprise corporation tax, prefectural and municipal inhabitants taxes and enterprise tax.

The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and operating loss and tax credit carryforwards.

#### *Consumption taxes*

Consumption taxes are excluded from revenue and expense accounts.

#### *Amounts per share*

##### *(a) Net income per share of common stock*

The Companies have adopted Accounting Standard Board of Japan (“ASBJ”) Statement No. 2, “Accounting Standard for Earnings Per Share,” and Financial Accounting Standards Implementation Guidance No. 4, “Implementation Guidance for Accounting Standard for Earnings Per Share.”

##### *(b) Cash dividends per share*

Cash dividends per share presented in the statements of income represent the cash dividends declared applicable to the year, including dividends declared and paid after the end of the year.

#### *Net assets*

Under the Japanese Companies Act (the “Act”) and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

The Act requires that an amount equal to 10% of dividends must be appropriated as additional paid-in capital or legal earnings reserve until the total aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with the Act.

### 3. Significant Accounting Estimates

Allowance for doubtful accounts

(1) Carrying amounts on the consolidated financial statements in December, 2021

MAOMING SAKATA INX CO., LTD.	Millions of yen
Notes and accounts receivable – trade (Total of current and non-current asset)	2,876
Allowance for doubtful accounts (Non-current asset)	(174)

(2) Information on the nature of significant accounting estimates for identified items

To provide for possible losses from uncollectible receivables, the allowance for doubtful accounts is recognized as estimated uncollectible amounts based on historical default rates for general receivables and the assessment of individual collectability for specific receivables such as highly doubtful receivables.

MAOMING SAKATA INX CO., LTD. engages in the sale of printing inks mainly to customers in China and recognizes an allowance for doubtful accounts for highly doubtful receivables by estimating the collectible amount for each group of receivables classified based on the overdue period. In calculating this allowance for doubtful accounts, we estimate the amount of uncollectible receivables based on the length of time the receivables have been in arrears, past bad debt experience, and other factors that involve uncertainty, so this may have a significant effect on the consolidated financial statements.

### 4. Accounting Standards and Guidance not yet Adopted

The following standards and guidance were issued but not yet adopted.

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30, March 26, 2021)
- “Implementation Guidance on Disclosure of Fair Value on Financial Instruments” (ASBJ Guidance No.19, March 31, 2020)

(1) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying the following 5 steps:

- Step1: Identify contract(s) with customers.
- Step2: Identify the performance obligations in the contract.
- Step3: Determine the transaction price.
- Step4: Allocate the transaction price to the performance obligation in the contract.
- Step5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Effective date

Effective from the beginning of the fiscal year ending December 31, 2022.

(3) Effect of application of the standard and guidance

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards and guidance on the consolidated financial statements.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9, July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31, June 17, 2021)
- “Implementation Guidance on Disclosure of Fair Value on Financial Instruments” (ASBJ Guidance No.19, March 31, 2020)

### (1) Overview

Under the situation that almost the same detailed guidance for fair value measurement established by the International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) (IFRS 13 “Fair Value Measurement” and Topic 820 “Fair Value Measurement”), the ASBJ promoted an initiative on alignment of Japanese GAAP with the international accounting standards, mainly in the area of the guidance on fair value of financial instruments and its disclosures, and developed and issued the “Accounting Standard for Measurement of Fair Value” and other standards and guidances.

The ASBJ’s basic policies in developing the accounting standard for fair value measurement were to establish accounting standards which adopt all principles of IFRS 13 from the view of comparability of financial statements between the domestic and foreign companies, by prescribing a unified measurement method and also to prescribe exceptional treatments for individual matters by taking into account the accounting practices that have conventionally been adopted in Japan to the extent that do not impair the comparability of financial statements.

### (2) Effective date

Effective from the beginning of the fiscal year ending December 31, 2022.

### (3) Effect of application of the standard and guidance

The Company and its consolidated subsidiaries are currently in the process of determining the effects of these new standards and guidance on the consolidated financial statements.

## 5. Changes in Presentation

*(Changes due to adoption of “Accounting Standard for Disclosure on Accounting Estimates”)*

Upon application of “Accounting Standard for Disclosure on Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) to the consolidated financial statements of the current fiscal year, significant accounting estimates are disclosed in the notes to the consolidated financial statements.

The notes do not include information for the prior consolidated fiscal year in accordance with the transitional provision set out in paragraph 11 of the Accounting Standard.

## 6. Changes in Accounting Estimate

*(Changes of the period used for amortization of actuarial gain or loss in retirement benefits)*

The Company and some of the domestic subsidiaries used the straight-line method over mainly 15 years, a period which reflects the average of the estimated remaining service years of employees, commencing with the current period. However, we changed the period to 14 years from the year ended December 2021 because our estimated remaining service years of employees was less than the period.

As a result, operating income and income before income taxes decreased by ¥127 million compared to when actuarial gain or loss in retirement benefits was amortized over 15 years.

## 7. Additional Information

*(Accounting estimates along with the spread of COVID-19)*

The spread of COVID-19 has had comprehensive impacts on the economy and business activities and it also affects the Companies.

Although it was difficult to reasonably estimate the timing of the infection convergence and the extent of its impact, the Company made accounting estimates such as the impairment of fixed assets and the recoverability of deferred tax assets on the assumption that the impact on our financial statements would be limited.

*(Loss on improper transactions by a subsidiary company)*

In November 2021, overdue uncollectible receivables from a customer arose in SAKATA SANGYO, LIMITED (hereinafter referred to as “SAKATA SANGYO”), a consolidated subsidiary of the Company operating in the Other segment, as a result of suspending transactions with the customer in August 2021 after negotiations failed to improve terms and conditions. At the same time, the existence of the transactions were deemed doubtful as it turned out that SAKATA SANGYO conducted the transactions procuring from parties related to the customer.

Accordingly, the Company set up an investigation committee including external experts on December 28, 2021 to investigate the relevant facts, internal controls and action plans from a professional and objective perspective. The investigation concluded that most of SAKATA SANGYO’s past businesses with the customer and its related parties were fictitious round transactions with no substance. In relation to these transactions, a provision for allowance for doubtful accounts of ¥566 million (equivalent to the total amount of receivables) for the relevant uncollected receivables was recognized.

## **8. Deferred Capital Gains on Tangible Fixed Assets**

Under certain conditions, such as the exchange of similar kinds of fixed assets, gains from insurance claims and sales and purchases resulting from expropriation, Japanese tax acts permit companies to defer gains arising from such transactions by reducing the cost of the assets acquired. Accordingly, deferred capital gains from insurance claims were deducted from the cost of replacement properties, which amounted to ¥41 million as of both December 31, 2021 and 2020.

## **9. Effect of Bank Holiday**

As financial institutions in Japan were closed on both December 31, 2021 and 2020, amounts that would have been settled on December 31 were collected or paid on the first business day in January 2022 and 2021. The amounts included in the consolidated balance sheet as of December 31, 2021 and 2020 were as follows:

	<i>Millions of yen</i>	
	2021	2020
Notes and accounts receivable - trade.....	¥ 927	¥ 799
Notes and accounts payable - trade.....	33	25
Electronically recorded obligations - operating .....	1,917	1,692

## **10. Financial Instruments**

### **1. Qualitative information on financial instruments**

#### **(1) Policies for using financial instruments**

The Companies have policies to limit fund management to the use of highly secure financial assets such as short-term deposits and financing and the use of bank loans. Derivative transactions are used to manage the risk of fluctuation in the interest rates of bank loans with variable interest rates. The Companies do not use derivative transactions for speculation.

#### **(2) Details of risk and risk management for financial instruments**

Operating receivables such as “Notes and accounts receivable - trade” are exposed to customer credit risk. To manage such risk, due dates and the balances of operating receivables by customer are monitored by reviewing overdue receivable reports. In addition, credit research is performed regularly on customers whose accounts need attention.

Securities such as available-for-sale securities consist mainly of securities of parties with whom the Companies have business relationships and are exposed to market fluctuation risk. To manage such risk, the Companies monitor the fair value of the securities and the financial condition of the investees regularly to evaluate investment policy, taking the business relationships with the investees into consideration.

Operating payables such as “Notes and accounts payable - trade” and “Electronically recorded obligations - operating” are mostly due within one year.

Short-term loans payable are used as financing mainly for operating transactions, and long-term loans payable and lease obligations on finance leases are used as financing mainly for capital expenditure.

Loans payable at variable interest rates are exposed to the risk of interest rate fluctuation. However, for some long-term loans payable, derivative transactions, namely interest rate swap contracts, are used as hedging instruments to avoid interest rate risk and stabilize interest expense. Hedge effectiveness testing is not conducted as the interest rate swap contracts meet certain hedging criteria.

For currency, the Company enters into forward foreign exchange contracts and currency swap contracts to mitigate market fluctuation risk and currency swap contracts to mitigate interest rate risk. With regard to commodities, commodity swap contracts are entered into to mitigate the risk of fluctuations in the purchase price of raw materials.

The execution and management of derivative transactions are conducted under the Company’s derivative transaction management rules and regulations, and the counterparties to derivative financial instruments are limited to high credit rating financial institutions to mitigate credit risk.

Operating payables and bank loans are exposed to liquidity risk, but the Companies manage the risk by preparing and reviewing respective monthly cash management plans.

#### **(3) Supplementary explanation on fair value of financial instruments**

Contract amounts in Note 16, “Derivative Transactions do not mean the market risk related to derivative transactions.

### **2. Fair values of financial instruments**

Consolidated balance sheet amounts and fair values of financial instruments and any differences as of December 31, 2021 and 2020 are set forth in the tables below.

Note that the following tables do not include fair values for financial instruments for which the fair value was extremely difficult to measure.



**Year ended December 31, 2021***Millions of yen*

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	¥ 12,685	¥ 12,685	¥ -
(2) Notes and accounts receivable - trade	49,363	49,363	-
(3) Investments:			
Securities in affiliates	15,208	15,310	102
Available-for-sale securities	8,726	8,726	-
Total assets	¥ 85,982	¥ 86,084	¥ 102
(1) Notes and accounts payable - trade	¥ 23,010	¥ 23,010	¥ -
(2) Electronically recorded obligations - operating	13,235	13,235	-
(3) Short-term loans payable	5,133	5,133	-
(4) Bonds payable	1,000	999	(1)
(5) Long-term loans payable	10,893	10,865	(28)
Total liabilities	¥ 53,271	¥ 53,242	¥ (29)
Derivative transactions (*)	-	-	-

(\*) Derivative assets and (liabilities) are on a net basis.

**Year ended December 31, 2020***Millions of yen*

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	¥ 12,427	¥ 12,427	¥ -
(2) Notes and accounts receivable - trade	43,083	43,083	-
(3) Investments:			
Securities in affiliates	13,072	16,683	3,611
Available-for-sale securities	8,283	8,283	-
Total assets	¥ 76,865	¥ 80,476	¥ 3,611
(1) Notes and accounts payable - trade	¥ 16,376	¥ 16,376	¥ -
(2) Electronically recorded obligations - operating	11,309	11,309	-
(3) Short-term loans payable	4,534	4,534	-
(4) Long-term loans payable	12,527	12,552	25
Total liabilities	¥ 44,746	¥ 44,771	¥ 25
Derivative transactions (*)	-	-	-

(\*) Derivative assets and (liabilities) are on a net basis.

Note 1: Determination of fair value of financial instruments, securities and derivative transactions

## Assets

### (1) Cash and deposits and (2) Notes and accounts receivable - trade

The fair value approximates the carrying amount because of the short maturity of these instruments.

### (3) Investments

The fair value of securities is stated at the quoted market price. The fair value of investment trusts approximates the carrying amount because of the short maturity.

Securities are classified as securities in a filiates or a available-for-sale securities.

The consolidated balance sheet amounts, acquisition costs and any differences for securities as of December 31, 2021 and 2020 were as follows:

#### ***Year ended December 31, 2021***

	<i>Millions of yen</i>		
	Consolidated balance sheet amount	Acquisition cost (*)	Difference
(1) Equity securities with consolidated balance sheet amount exceeding acquisition cost .....	¥ 23,707	¥ 6,016	¥ 17,691
(2) Other .....	-	-	-
Subtotal .....	23,707	6,016	17,691
(1) Equity securities with consolidated balance sheet amount not exceeding acquisition cost .....	227	270	(43)
(2) Other .....	-	-	-
Subtotal .....	227	270	(43)
Total .....	¥ 23,934	¥ 6,286	¥ 17,648

(\*) Acquisition cost is the consolidated balance sheet amount after write-down.

#### ***Year ended December 31, 2020***

	<i>Millions of yen</i>		
	Consolidated balance sheet amount	Acquisition cost (*)	Difference
(1) Equity securities with consolidated balance sheet amount exceeding acquisition cost .....	¥ 20,374	¥ 5,144	¥ 15,230
(2) Other .....	-	-	-
Subtotal .....	20,374	5,144	15,230
(1) Equity securities with consolidated balance sheet amount not exceeding acquisition cost .....	981	1,203	(222)
(2) Other .....	-	-	-
Subtotal .....	981	1,203	(222)
Total .....	¥ 21,355	¥ 6,347	¥ 15,008

(\*) Acquisition cost is the consolidated balance sheet amount after write-down.

The amount of write-down was ¥0 million.

## Liabilities

### (1) Notes and accounts payable - trade, (2) Electronically recorded obligations – operating and (3) Short-term loans payable

The fair value approximates the carrying amount because of the short maturity of these instruments.

### (4) Bonds payable

The fair value of bonds payable is estimated by discounting the total amount of principal and interest at the interest rate that would be applied to similar newly issued bonds

(5) Long-term loans payable

The fair value of long-term loans payable is estimated by the present value of the total amount of principal and interest discounted at the interest rate that would apply to similar new borrowings.

Derivative transactions

Refer to the Note 16, "Derivative Transactions."

Note 2: Financial instruments for which the fair value is extremely difficult to measure

Non-listed equity securities classified as available-for sale securities or equity securities issued by subsidiaries and affiliates in the consolidated balance sheet amounted to ¥1,764 million as of December 31, 2021 and ¥3,821 million as of December 31, 2020 were not included in "Assets (3) Investments" because they had no quoted market price, future cash flows could not be estimated and the fair values were unavailable.

Note 3: Aggregate annual maturities of money claims and securities with maturities as of December 31, 2021 and 2020 were as follows:

<i>Year ended</i> <i>December 31, 2021</i>		<i>Millions of yen</i>			
		2022	2023-2026	2027-2031	2032 and thereafter
Cash and deposits .....	¥	12,685	¥ -	¥ -	¥ -
Notes and accounts receivable - trade .....		49,363	-	-	-
Total .....	¥	62,048	¥ -	¥ -	¥ -

<i>Year ended</i> <i>December 31, 2020</i>		<i>Millions of yen</i>			
		2021	2022-2025	2026-2030	2031 and thereafter
Cash and deposits .....	¥	12,427	¥ -	¥ -	¥ -
Notes and accounts receivable - trade .....		43,083	-	-	-
Total .....	¥	55,510	¥ -	¥ -	¥ -

Note 4: Aggregate annual maturities of long-term loans payable as of December 31, 2021 and 2020 were as follows:

<i>Year ended</i> <i>December 31, 2021</i>		<i>Millions of yen</i>					
		2022	2023	2024	2025	2026	2027 and thereafter
Bonds payable .....	¥	-	¥ -	¥ -	¥ -	¥ 1,000	¥ -
Long-term loans payable .....	¥	5,335	¥ 1,452	¥ 2,014	¥ 2,092	¥ -	¥ -

  

<i>Year ended</i> <i>December 31, 2020</i>		<i>Millions of yen</i>					
		2021	2022	2023	2024	2025	2026 and thereafter
Long-term loans payable .....	¥	2,772	¥ 5,013	¥ 1,135	¥ 1,704	¥ 1,903	¥ -

## 11. Securities

The following tables summarize the consolidated balance sheet amount, acquisition cost and fair value of available-for-sale securities as of December 31, 2021 and 2020. Available-for-sale securities (non-listed equity securities) in the consolidated balance sheet amounted to ¥603 million as of December 31, 2021 and ¥536 million as of December 31, 2020 were not included because they had no quoted market price, the future cash flows could not be estimated and the fair values were unavailable. Proceeds from the sale of available-for-sale securities amounted to ¥160 million for the year ended December 31, 2021 and ¥15 million for the year ended December 31, 2020, and the related gains amounted to ¥76 million for the year ended December 31, 2021 and ¥3 million for the year ended December 31, 2020.

When the fair value of securities at the fiscal year end is lower than the acquisition cost by 50% or more, the whole amount of such difference is recorded as impairment loss, in principle. When the fair value at the fiscal year end is lower than the acquisition cost by between 30% and 50%, an impairment loss in an amount deemed necessary is recorded after determining recoverability by considering quoted market price transactions during a certain past period, business performance and other factors.

There was no amount of impairment for available-for-sale securities for the year ended December 31, 2021 and ¥3 million for the year ended December 31, 2020.

### *Year ended December 31, 2021*

	<i>Millions of yen</i>		
	Consolidated balance sheet amount	Acquisition cost	Difference
(1) Equity securities with consolidated balance sheet amount exceeding acquisition cost .....	¥ 8,499	¥ 5,592	¥ 2,907
(2) Other .....	-	-	-
Subtotal .....	8,499	5,592	2,907
(1) Equity securities with consolidated balance sheet amount not exceeding acquisition cost .....	227	270	(43)
(2) Other .....	-	-	-
Subtotal .....	227	270	(43)
Total .....	¥ 8,726	¥ 5,862	¥ 2,864

### *Period ended December 31, 2020*

	<i>Millions of yen</i>		
	Consolidated balance sheet amount	Acquisition cost	Difference
(1) Equity securities with consolidated balance sheet amount exceeding acquisition cost .....	¥ 7,302	¥ 4,720	¥ 2,582
(2) Other .....	-	-	-
Subtotal .....	7,302	4,720	2,582
(1) Equity securities with consolidated balance sheet amount not exceeding acquisition cost .....	981	1,203	(222)
(2) Other .....	-	-	-
Subtotal .....	981	1,203	(222)
Total .....	¥ 8,283	¥ 5,923	¥ 2,360

## 12. Inventories

Inventories at December 31, 2021 and 2020 consisted of the following:

<i>Millions of yen</i>		
	2021	2020
Merchandise and finished goods	¥ 12,803	¥ 10,462
Work-in-process	1,228	1,119
Raw materials and supplies	14,562	9,603
	<u>¥ 28,593</u>	<u>¥ 21,184</u>

## 13. Short-term Loans Payable and Long-term Loans Payable

Short-term loans payable at December 31, 2021 and 2020 consisted of short-term notes generally for one year bearing interest ranging from 0.38% to 8.57%.

Long-term loans payable at December 31, 2021 and 2020 consisted of the following:

<i>Millions of yen</i>		
	2021	2020
Secured:		
Loans principally from banks at 3.65% maturing through 2024	¥ 79	¥ 209
Unsecured:		
Loans principally from banks at 0.19% - 4.60% maturing through 2026	10,814	12,318
	<u>10,893</u>	<u>12,527</u>
Less amounts due within one year	<u>5,335</u>	<u>2,772</u>
	<u>¥ 5,558</u>	<u>¥ 9,755</u>

The aggregate annual maturities of long-term loans payable at December 31, 2021 were as follows:

<u><i>Year ending December 31,</i></u>	<i>Millions of yen</i>
2022	¥ 5,335
2023	1,452
2024	2,014
2025	2,092
2026 and thereafter	-
	<u>¥ 10,893</u>

The Company has specific commitment lines with two banks to finance working capital as follows:

Specific commitment lines	¥ 3,000 million
Used portion as of December 31, 2021	¥ -

## 14. Assets Pledged as Collateral

Assets pledged as collateral as of December 31, 2021 and 2020 were as follows:

<i>Millions of yen</i>		
	2021	2020
Notes and accounts receivable - trade	¥ 8	¥ 8
Buildings and structures, net of accumulated depreciation	604	573
Machinery, equipment and vehicles, net of accumulated depreciation	-	0
Land	136	122
Investments in other	47	43
	<u>¥ 795</u>	<u>¥ 746</u>



Liabilities secured by the above assets were as follows:

	<i>Millions of yen</i>	
	2021	2020
Notes and accounts payable - trade .....	¥ 187	¥ 195
Short-term loans payable .....	8	8
Current portion of long-term loans payable .....	77	69
Other current liabilities .....	-	0
Long-term loans payable .....	79	140
	<u>¥ 351</u>	<u>¥ 412</u>

## 15. Finance Leases

Capitalized finance leases of the Companies at December 31, 2021 and 2020 were as follows:

(As lessee)

Finance leases for which the ownership of the lease assets was not considered to be transferred to the lessee as of and for the year ended December 31, 2021 and 2020 were as follows:

### (1) Description of lease assets

Tangible fixed assets:

Mainly, the production facilities in the printing ink business (machinery and equipment) for common purposes or each business.

### (2) Depreciation method for lease assets

As described in Note 2, "Significant Accounting Policies - *Finance leases*."

## 16. Derivative Transactions

### 1. Derivative transactions to which hedge accounting has not been applied

Not applicable

### 2. Derivative transactions to which hedge accounting has been applied

A description is omitted because it is immaterial.

## 17. Retirement Benefits

### 1. Outline of adopted retirement benefit plans

The Company and certain domestic consolidated subsidiaries provide funded non-contributory pension plans, which include defined benefit pension plans and unfunded lump-sum payment plans. Certain foreign consolidated subsidiaries provide defined contribution plans as well as defined benefit pension plans.

### 2. Defined benefit plans, including plans applying the simplified method

#### (1) Movement in retirement benefit obligations

	<i>Millions of yen</i>	
	2021	2020
Balance at the beginning of current period	¥ 12,860	¥ 12,706
Service cost (*)	517	511
Interest cost	104	86
Actuarial loss (gain)	(709)	179
Benefits paid	(727)	(558)
Past service cost	(0)	-
Other	389	(64)
Balance at the end of current period	¥ 12,434	¥ 12,860

(\*1) Service cost includes retirement benefit costs of consolidated subsidiaries applying the simplified method.

(\*2) In addition to the costs above, there was ¥113 million for early retirement costs for the year ended December 31, 2020.

#### (2) Movement in plan assets

	<i>Millions of yen</i>	
	2021	2020
Balance at the beginning of current period	¥ 8,141	¥ 8,103
Expected return on plan assets	185	161
Actuarial loss (gain)	89	(21)
Contributions paid by the employer	248	321
Benefits paid	(453)	(395)
Other	46	(28)
Balance at the end of current period	¥ 8,256	¥ 8,141

#### (3) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability (asset)

	<i>Millions of yen</i>	
	2021	2020
Funded retirement benefit obligations	¥ 7,790	¥ 8,063
Plan assets	(8,256)	(8,141)
Total	(466)	(78)
Unfunded retirement benefit obligations	4,644	4,797
Total net liability (asset) for retirement benefits at the end of current period	¥ 4,178	¥ 4,719
Net defined benefit liability	4,982	4,940
Net defined benefit asset	(804)	(221)
Total net liability (asset) for retirement benefits at the end of current period	¥ 4,178	¥ 4,719

(4) Retirement benefit costs

	<i>Millions of yen</i>	
	2021	2020
Service cost (*)	¥ 517	¥ 511
Interest cost	104	86
Expected return on plan assets	(186)	(161)
Net actuarial loss amortization	349	241
Past service cost	(0)	-
Other	6	(13)
Total retirement benefit costs for defined benefit plans	¥ 790	¥ 664

(\*) Service cost includes retirement benefit costs of consolidated subsidiaries applying the simplified method.

(5) Remeasurements of defined benefit plans

	<i>Millions of yen</i>	
	2021	2020
Actuarial gains and losses	1,155	50
Total	¥ 1,155	¥ 50

(6) Accumulated remeasurements of defined benefit plans

	<i>Millions of yen</i>	
	2021	2020
Actuarial gains and losses that are yet to be recognized	298	1,453
Total	¥ 298	¥ 1,453

(7) Plan assets

	2021	2020
(a) Plan assets comprise:		
Bonds	56.1 %	59.7 %
Equity securities	11.8	11.5
Alternative assets (*)	21.2	17.9
Other	10.9	10.9
Total	100.0 %	100.0 %

(\*) Alternative is investments mainly for multi-asset investment funds.

(b) Long-term expected rate of return

Current and expected plan assets portfolio and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

	2021	2020
The principal actuarial assumptions were as follows:		
Discount rate	Mainly 0.30%	Mainly 0.30%
Long-term expected rate of return	Mainly 2.00%	Mainly 2.00%
Expected rate of pay raises	Mainly 2.63%	Mainly 2.86%

3. Defined contribution plan

	<i>Millions of yen</i>	
	2021	2020
Accrued contribution by consolidated subsidiaries	¥ 539	¥ 893

## 18. Deferred Income Taxes

Significant components of the Companies' deferred tax assets and liabilities as of December 31, 2021 and 2020 were as follows:

	<i>Millions of yen</i>	
	2021	2020
Deferred tax assets:		
Allowance for doubtful accounts	¥ 208	¥ 199
Provision for bonuses	155	144
Net defined benefit liability	1,913	1,935
Write-down of inventories	91	108
Intangible assets	513	360
Tax loss carryforwards	1,377	1,207
Other	911	637
Subtotal	5,168	4,590
Valuation allowance for tax loss carryforwards	(1,371)	(1,153)
Valuation allowance for total of deductible temporary differences	(521)	(520)
Subtotal	(1,892)	(1,673)
Total deferred tax assets	3,276	2,917
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(871)	(722)
Special reserves	(887)	(860)
Retained earnings of subsidiaries and affiliates	(3,715)	(3,378)
Other	(1,609)	(925)
Total deferred tax liabilities	(7,082)	(5,885)
Net deferred tax assets (liabilities)	¥ (3,806)	¥ (2,968)

Note 1: Expiration periods for tax loss carryforwards and deferred tax assets as of December 31, 2021 and 2020 were as follows:

### Year ended

December 31, 2021

	<i>Millions of yen</i>						
	2022	2023	2024	2025	2026	2027 and thereafter	Total
Tax loss							
carryforwards	¥ -	¥ 26	¥ 53	¥ -	¥ 15	¥ 1,284	¥ 1,378
Valuation							
allowance	-	(26)	(53)	-	(15)	(1,277)	(1,371)
Deferred							
tax assets	-	-	-	-	-	7	7

(\*) The amount of tax loss carryforwards in the above table is after multiplying the statutory tax rate.

### Year ended

December 31, 2020

	<i>Millions of yen</i>					
	2021	2022	2023	2024	2025	2026 and thereafter
Tax loss						
carryforwards	¥ 10	¥ -	¥ 20	¥ 16	¥ 49	¥ 1,112
Valuation						
allowance	(10)	-	(20)	(16)	(49)	(1,058)
Deferred						
tax assets	-	-	-	-	-	54

(\*) The amount of tax loss carryforwards in the above table is after multiplying the statutory tax rate.

The reconciliation between the effective tax rate reflected in the consolidated financial statements and the statutory tax rate for the years ended December 31, 2021 and 2020 is summarized as follows:

	2021	2020
Statutory tax rate of the Company .....	30.6%	30.6%
(Reconciliation)		
Expenses not qualifying for deduction .....	3.4	1.2
Revenues not in gross revenue .....	(4.9)	(4.7)
Tax credits .....	(4.1)	(2.6)
Equity in earnings of affiliates .....	(3.9)	(1.2)
Elimination of dividend income .....	5.5	3.8
Valuation allowance .....	0.7	3.6
Retained earnings of foreign subsidiaries .....	4.3	(2.4)
Difference in the effective tax rates of foreign subsidiaries .....	(4.3)	(5.3)
Other .....	0.4	0.8
Effective tax rate after adoption of tax effect accounting .....	27.7%	23.8%

## 19. Contingent Liabilities

At December 31, 2021 and 2020, the Companies were contingently liable as follows:

	<i>Millions of yen</i>	
	2021	2020
TAIWAN SAKATA INX CORP .....	¥ 170	¥ 151
Total .....	¥ 170	¥ 151

The Company provides letters of awareness to banks for bank loans of unconsolidated subsidiaries and affiliates, and the Company also provides guarantees of indebtedness for leases of unconsolidated subsidiaries and affiliates. The guarantee obligations include amounts guaranteed by other parties, and those amounts are excluded from the amounts stated above.

## 20. Selling, General and Administrative Expenses

The main items of selling, general and administrative expenses for the years ended December 31, 2021 and 2020 were as follows:

	<i>Millions of yen</i>	
	2021	2020
Freightage and packing expenses .....	¥ 5,984	¥ 4,929
Salaries and allowances .....	10,266	9,594
Depreciation .....	701	758
Provision of allowance for doubtful accounts .....	(75)	180
Provision for bonuses .....	311	288
Retirement benefit expenses .....	727	909
Research and development expenses .....	3,823	3,478



## 21. Gain on Sales of Non-Current Assets

The details of gain on sales of property, plant and equipment for the years ended December 31, 2021 and 2020 were as follows:

	<i>Millions of yen</i>	
	2021	2020
Buildings and structures, and Land (*).....	¥ -	¥ 80
Building .....	6	-
Land .....	109	4
Total.....	¥ 115	¥ 84

(\*) Total gains on sale was described because the contract was to sell buildings and structures, and land together and it was difficult to measure gains on each asset separately.

## 22. Loss on Retirement of Non-Current Assets

The details of loss on retirement of property, plant and equipment for the years ended December 31, 2021 and 2020 were as follows:

	<i>Millions of yen</i>	
	2021	2020
Buildings and structures .....	¥ 3	¥ -
Machinery, equipment and vehicles .....	1	-
Other fixed assets .....	0	-
Demolition and removal expenses .....	27	-
Software in progress .....	394	-
Total.....	¥ 425	¥ -

## 23. Provision of allowance for doubtful accounts

SAKATA SANGYO calculated a provision of allowance for doubtful accounts of ¥566 million for uncollected receivables relevant to insubstantial transactions.

## 24. Restructuring loss

### *Year ended December 31, 2021*

Not applicable.

### *Year ended December 31, 2020*

¥113 million as early retirement costs and ¥105 million as other restructuring costs were recognized. They were related to close of a factory of INX International FRANCE SAS and dissolution of Sakata Inx Engineering Co.,Ltd.

## 25. Consolidated Statements of Comprehensive Income

The reclassification adjustment and the tax benefit concerning other comprehensive income for the years ended December 31, 2021 and 2020 were as follows:

	<i>Millions of yen</i>	
	2021	2020
Valuation difference on available-for-sale securities		
Amount arising during the period	¥ 580	¥ (2,459)
Reclassification adjustment included in net income	(76)	(3)
Pre-tax amount	504	(2,462)
Tax benefit	(150)	749
Valuation difference on available-for-sale securities	354	(1,713)
Foreign currency translation adjustment		
Amount arising during the period	4,415	(1,894)
Deferred gains or losses on hedges		
Amount arising during the period	(4)	-
Reclassification adjustment included in net income	1	-
Pre-tax amount	(3)	-
Tax benefit	1	-
Deferred gains or losses on hedges	(2)	-
Remeasurements of defined benefit plans		
Amount arising during the period	753	(184)
Reclassification adjustment included in net income	402	234
Pre-tax amount	1,155	50
Tax benefit	(324)	(17)
Remeasurements of defined benefit plans	831	33
Share of other comprehensive income of affiliates accounted for using equity method		
Amount arising during the period	1,601	(501)
Reclassification adjustment included in net income	0	9
Share of other comprehensive income of affiliates accounted for using equity method	1,601	(492)
Total other comprehensive income	¥ 7,199	¥ (4,066)

## 26. Supplementary Cash Flow Information

The reconciliation of cash and cash equivalents in the consolidated statements of cash flows and cash and deposits in the consolidated balance sheets as of December 31, 2021 and 2020 were as follows:

	<i>Millions of yen</i>	
	2021	2020
Cash and deposits	¥ 12,685	¥ 12,427
Time deposits with original maturity of more than three months	(570)	(749)
Cash and cash equivalents	¥ 12,115	¥ 11,678

## 27. Segment Information

### 1. Overview of reportable segments

The Companies' reportable segments are components of the Companies for which separate financial information is obtainable and which the Board of Directors and Management Committee regularly consider in order to determine the allocation of business resources and evaluate business performance. The Companies are engaged mainly in the manufacturing and sale of printing inks. Multiple divisions of the Company are engaged in the domestic market, and the foreign subsidiaries are engaged in their own respective overseas markets, such as the markets of Asia, Americas and Europe.

Foreign subsidiaries that have independent management units establish their own comprehensive strategies and develop business activities in their respective regions and surrounding areas. Besides the sale of printing inks, the Company purchases and sells graphic arts materials in the domestic market. In addition, the Company purchases and sells printing equipment in the domestic market.

The digital & specialty products business such as inkjet ink, toner, pigment dispersion and others developed through the basic technology of printing inks like pigment dispersion make up various independent operational segments. The Companies are focused on expanding the revenue base of the digital & specialty products business led by the Company.

Therefore, the Companies' printing inks business, our core business, comprises the geographic segments based on the production and sales structure. The Companies' printing inks business consists of the four reportable segments of "Printing inks and graphic arts materials (Japan)," "Printing inks (Asia)," "Printing inks (Americas)" and "Printing inks (Europe)." Furthermore, the "Digital & Specialty products" business, in which the Companies promote business expansion, constitutes another reportable segment for a total of five reportable segments.

<i>Reportable segment</i>	<i>Main products and merchandise</i>
Printing inks and graphic arts materials (Japan)	Packaging ink, Flexible packaging gravure ink, Newspaper printing ink, Commercial printing ink, Print and plate making equipment and materials, Packaging equipment and supplies
Printing inks (Asia)	Packaging ink, Flexible packaging gravure ink, Metal decorating ink, Newspaper printing ink, Commercial printing ink
Printing inks (Americas)	Packaging ink, Flexible packaging gravure ink, Metal decorating ink, Commercial ink
Printing inks (Europe)	Packaging ink, Flexible packaging gravure ink, Metal decorating ink, Commercial ink
Digital & Specialty products	Inkjet ink, Toner, Pigment dispersion for color filter, Functional coating

### 2. Basis of measurement for reported segment sales, income or loss, assets and other items

The accounting policies of the reportable segments are essentially the same as those described in Note 2, "Significant Accounting Policies."

Segment income or loss is stated on an operating income basis. Intersegment income and transfers are based on the prevailing market prices.

The Company has reviewed the criteria for allocating corporate expenses and assets in order to reflect the performance of each reportable segment more appropriately from the current consolidated fiscal year.

The segment information for the previous consolidated fiscal year is stated based on the allocation method of expenses and assets after the change.

### 3. Information about reportable segment sales, segment income or loss, segment assets and other items

Year ended  
December 31, 2021

Millions of yen

	Reportable Segment						Other businesses (*1)	Total	Adjustments (*2)	Consolidated (*3)
	Printing inks and graphic arts materials (Japan)	Printing inks (Asia)	Printing inks (Americas)	Printing inks (Europe)	Digital & Specialty products	Total				
Net sales to outside customers	50,434	38,312	54,114	15,127	14,272	172,259	9,229	181,488	-	181,488
Intersegment sales and transfers	10	263	816	803	57	1,949	8,001	9,950	(9,950)	-
Total	50,444	38,575	54,930	15,930	14,329	174,208	17,230	191,438	(9,950)	181,488
Segment income	1,366	2,244	1,465	(188)	1,901	6,788	351	7,139	276	7,415
Segment assets	40,251	41,541	31,623	12,628	10,243	136,286	6,447	142,733	24,166	166,899
Depreciation	1,343	800	954	392	738	4,227	57	4,284	22	4,306
Amortization of goodwill	-	-	84	2	-	86	-	86	-	86
Increase in property, plant and equipment and intangible assets	1,888	2,510	1,434	220	694	6,746	28	6,774	7	6,781

(\*1) The "Other businesses" category includes the chemical products business, color film developing and printing services and equipment for color matching systems not shown in reportable segments.

(\*2) Adjustments are as follows:

1. The adjustment of ¥276 million for segment income includes eliminations for intersegment transactions of ¥977 million and corporate expenses of ¥(701) million that have not been allocated to any segment. Corporate expenses are mainly service fees to unconsolidated subsidiaries and affiliates.
2. The adjustment of ¥24,166 million for segment assets includes eliminations for intersegment transactions of ¥(6,619) million and corporate assets of ¥30,785 million that have not been allocated to any segment. Corporate assets are mainly investment securities held for a common corporate purpose.
3. The adjustment of ¥22 million for depreciation are mainly related to Corporate assets that have not been allocated to any segment.
4. The adjustment of ¥7 million for increase in property, plants and equipment, and intangible assets are mainly related to Corporate assets that have not been allocated to any segment.

(\*3) Segment income is adjusted to be consistent with operating income shown on the consolidated statements of income.

Year ended  
December 31, 2020

Millions of yen

	Reportable Segment						Other businesses (*1)	Total	Adjustments (*2)	Consolidated (*3)
	Printing inks and graphic arts materials (Japan)	Printing inks (Asia)	Printing inks (Americas)	Printing inks (Europe)	Digital & Specialty products	Total				
Net sales to outside customers	48,056	32,490	48,770	9,672	11,785	150,773	10,734	161,507	-	161,507
Intersegment sales and transfers	15	107	740	492	60	1,414	6,250	7,664	(7,664)	-
Total	48,071	32,597	49,510	10,164	11,845	152,187	16,984	169,171	(7,664)	161,507
Segment income	1,252	2,451	2,953	(432)	550	6,774	157	6,931	282	7,213
Segment assets	37,143	34,696	25,773	10,704	9,863	118,179	6,452	124,631	20,641	145,272
Depreciation	1,428	747	905	267	925	4,272	38	4,310	40	4,350
Amortization of goodwill	-	-	83	-	-	83	-	83	-	83
Increase in property, plant and equipment and intangible assets	875	1,364	1,600	476	171	4,486	-	4,486	23	4,509

(\*1) The "Other businesses" category includes the chemical products business, color film developing and printing services and equipment for color matching systems not shown in reportable segments.

(\*2) Adjustments are as follows:

1. The adjustment of ¥282 million for segment income includes eliminations for intersegment transactions of ¥817 million and corporate expenses of ¥(535) million that have not been allocated to any segment. Corporate expenses are mainly service fees to unconsolidated subsidiaries and affiliates.
2. The adjustment of ¥20,641 million for segment assets includes eliminations for intersegment transactions of ¥(6,343) million and corporate assets of ¥26,984 million that have not been allocated to any segment. Corporate assets are mainly investment securities held for a common corporate purpose.
3. The adjustment of ¥40 million for depreciation are mainly related to Corporate assets that have not been allocated to any segment.
4. The adjustment of ¥23 million for increase in property, plants and equipment, and intangible assets are mainly related to Corporate assets that have not been allocated to any segment.

(\*3) Segment income is adjusted to be consistent with operating income shown on the consolidated statements of income.



(Related information)

**Year ended December 31, 2021**

1. Information about each product and service

<i>Year ended December 31, 2021</i>	<i>Millions of yen</i>				
	Printing inks	Graphic arts materials	Digital & Specialty products	Other	Total
Net sales to outside customers	¥ 144,821	¥ 13,198	¥ 14,272	¥ 9,197	¥ 181,488

2. Information about geographic areas

<i>Year ended December 31, 2021</i>	<i>Millions of yen</i>										
	Japan		Asia		America		Europe		Other		Total
Net sales	¥	63,237	¥	41,138	¥	47,354	¥	15,765	¥	13,994	¥ 181,488
Property, plant and equipment	¥	21,247	¥	11,300	¥	8,513	¥	3,783	¥	477	¥ 45,320

Note: Net sales are classified by country and region based on customer location.

3. Major customers

No information is available as there were no outside customers accounting for 10% or more of the Companies' total net sales.

**Year ended December 31, 2020**

1. Information about each product and service

<i>Year ended December 31, 2020</i>	<i>Millions of yen</i>				
	Printing inks	Graphic arts materials	Digital & Specialty products	Other	Total
Net sales to outside customers	¥ 126,818	¥ 12,227	¥ 11,785	¥ 10,677	¥ 161,507

2. Information about geographic areas

<i>Year ended</i> <i>December 31, 2020</i>	<i>Millions of yen</i>											
	Japan		Asia		America		Europe		Other		Total	
Net sales	¥	61,666	¥	35,109	¥	42,239	¥	10,877	¥	11,616	¥	161,507
Property, plant and equipment	¥	21,714	¥	8,314	¥	7,309	¥	2,618	¥	383	¥	40,338

Note: Net sales are classified by country and region based on customer location.

3. Major customers

No information is available as there were no outside customers accounting for 10% or more of the Companies' total net sales.

(Impairment loss by reportable segments)

**Year ended December 31, 2021**

Not applicable.

**Year ended December 31, 2020**

Not applicable.

(Amortization and unamortized balance of goodwill)

**Year ended December 31, 2021**

<b>Year ended December 31, 2021</b>	<b>Millions of yen</b>								
	Reportable Segment								
	Printing inks and graphic arts materials (Japan)	Printing inks (Asia)	Printing inks (Americas)	Printing inks (Europe)	Digital & Specialty products	Total	Other businesses	Adjustments	Consolidated
Amortization of goodwill	¥ -	¥ -	¥ 84	¥ 2	¥ -	¥ 86	¥ -	¥ -	¥ 86
Balance as of December 31, 2021	¥ -	¥ -	¥ 437	¥ 17	¥ -	¥ 454	¥ -	¥ -	¥ 454

**Year ended December 31, 2020**

<b>Year ended December 31, 2020</b>	<b>Millions of yen</b>								
	Reportable Segment								
	Printing inks and graphic arts materials (Japan)	Printing inks (Asia)	Printing inks (Americas)	Printing inks (Europe)	Digital & Specialty products	Total	Other businesses	Adjustments	Consolidated
Amortization of goodwill	¥ -	¥ -	¥ 83	¥ -	¥ -	¥ 83	¥ -	¥ -	¥ 83
Balance as of December 31, 2020	¥ -	¥ -	¥ 501	¥ -	¥ -	¥ 501	¥ -	¥ -	¥ 501

(Negative goodwill in other income by reportable segments)

**Year ended December 31, 2021**

Not applicable.

**Year ended December 31, 2020**

Not applicable.

## 28. Related Party Transactions

Transactions with related parties for the years ended December 31, 2021 and 2020 were as follows:

### *Year ended December 31, 2021*

Attribute	Name	Location	Capital stock (Millions of RMB)	Operations or occupation	Holding equity (%)	Relationship	Transaction details	Transaction amount (Millions of yen)	Account	Balance at year end (Millions of yen)
Affiliate	SHENZHEN SAKATA INX CO., LTD.	Shenzhen, China	2	Printing ink	Direct 25.0	Sales of finished goods	Sales of finished goods	¥ 3,395	Notes and accounts receivable - trade	¥ 2,576
									Investments and other assets: Other	¥ 174

Note 1: The trade terms of the above transactions were determined using the same methods as those for third-party transactions.

Note 2: The amount of ¥174 million was accounted for as allowance for doubtful accounts to cover possible losses on collection from SHENZHEN SAKATA INX CO., LTD., and the amount of the reversal of allowance for doubtful accounts for the year ended December 31, 2021 was ¥21 million.

### *Year ended December 31, 2020*

Attribute	Name	Location	Capital stock (Millions of RMB)	Operations or occupation	Holding equity (%)	Relationship	Transaction details	Transaction amount (Millions of yen)	Account	Balance at year end (Millions of yen)
Affiliate	SHENZHEN SAKATA INX CO., LTD.	Shenzhen, China	2	Printing ink	Direct 25.0	Sales of finished goods	Sales of finished goods	¥ 2,541	Notes and accounts receivable - trade	¥ 1,925
									Investments and other assets: Other	¥ 171

Note 1: The trade terms of the above transactions were determined using the same methods as those for third-party transactions.

Note 2: The amount of ¥171 million was accounted for as allowance for doubtful accounts to cover possible losses on collection from SHENZHEN SAKATA INX CO., LTD., and the amount of the reversal of allowance for doubtful accounts for the year ended December 31, 2020 was ¥7 million.

## 29. Changes in Net Assets

### 1. Shares issued and treasury shares

#### *Year ended December 31, 2021*

Type	Number of shares as of the beginning of current period	Increase in number of shares during the period	Decrease in number of shares during the period	Number of shares as of the end of current period
Shares issued: Common stock	62,601,161	-	-	62,601,161
Treasury shares: Common stock	4,182,625	200	18,417	4,164,408

Note : The increase of 200 shares in the number of treasury shares was due to the purchase of fractional shares.

The decrease of 18,417 in the number of treasury shares was due to disposal of treasury shares as restricted stock based compensation.

#### *Year ended December 31, 2020*

Type	Number of shares as of the beginning of current period	Increase in number of shares during the period	Decrease in number of shares during the period	Number of shares as of the end of current period
Shares issued: Common stock	62,601,161	-	-	62,601,161
Treasury shares: Common stock	4,202,237	719	20,331	4,182,625

Note: The increase of 210 shares in the number of treasury shares was due to the purchase of fractional shares, and the increase of 509 shares was due to the acquisition of restricted stock without compensation.

The decrease of 20,331 in the number of treasury shares was due to disposal of treasury shares as restricted stock based compensation.

### 2. Dividends

#### *Dividends paid in the year ended December 31, 2021*

Date of resolution	Type of shares	Amount of dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
Annual meeting of stockholders held on March 26, 2021	Common stock	¥ 876	¥ 15	December 31, 2020	March 29, 2021
Directors' meeting held on August 11, 2021	Common stock	¥ 876	¥ 15	June 30, 2021	September 3, 2021

#### *Dividends paid in the year ended December 31, 2020*

Date of resolution	Type of shares	Amount of dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
Annual meeting of stockholders held on March 26, 2020	Common stock	¥ 876	¥ 15	December 31, 2019	March 27, 2020
Directors' meeting held on August 7, 2020	Common stock	¥ 876	¥ 15	June 30, 2020	September 4, 2020

Dividends with a record date attributable to the year ended December 31, 2021 but an effective date after December 31, 2021

Date of resolution	Type of shares	Source of dividends	Amount of dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
Annual meeting of stockholders held on March 29, 2022	Common stock	Retained earnings	¥ 877	¥ 15	December 31, 2021	March 30, 2022

Dividends with a record date attributable to the year ended December 31, 2020 but an effective date after December 31, 2020

Date of resolution	Type of shares	Source of dividends	Amount of dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
Annual meeting of stockholders held on March 26, 2021	Common stock	Retained earnings	¥ 876	¥ 15	December 31, 2020	March 29, 2021

### 30. Information on Significant Affiliates

A summary of the financial statements of SIIX Corporation, a significant affiliate, is as follows:

#### Summarized balance sheets as of December 31, 2021 and 2020

	<i>Millions of yen</i>	
	2021	2020
Current assets .....	¥ 122,797	¥ 104,255
Non-current assets .....	¥ 47,124	¥ 40,182
Current liabilities .....	¥ 79,833	¥ 59,855
Non-current liabilities .....	¥ 23,719	¥ 28,083
Net assets .....	¥ 66,369	¥ 56,499

#### Summarized statements of income for the years ended December 31, 2021 and 2020

	<i>Millions of yen</i>	
	2021	2020
Net sales .....	¥ 226,834	¥ 181,599
Income before income taxes .....	¥ 5,935	¥ 2,764
Net income attributable to owners of parent .....	¥ 4,562	¥ 1,724

### 31. Amounts Per Share

	<i>Yen</i>	
	2021	2020
Net assets per share .....	¥ 1,478.18	¥ 1,307.13
Dividends per share .....	¥ 30.00	¥ 30.00
Net income per share .....	¥ 84.43	¥ 90.32

Note 1: There were no dilutive securities.

Note 2: The calculation of net income per share was as follows:

	2021	2020
Net income attributable to owners of parent (millions of yen) .....	¥ 4,934	¥ 5,276
Net income attributable to owners of parent related to common stock (millions of yen) .....	¥ 4,934	¥ 5,276
Average number of shares of common stock during the fiscal year (thousands) .....	58,431	58,413