

SAKATA INX CORPORATION

Consolidated Financial Statements

As of December 31, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021, 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
<p>As described in Note 3 "Significant Accounting Estimates" in the Notes to Consolidated Financial Statements, notes and accounts receivable – trade of ¥3,061 million and the corresponding allowance for doubtful accounts of ¥223 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").</p> <p>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</p>	<p>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:</p> <p>(1) Internal control testing</p> <p>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.</p> <p>(2) Assessment of the reasonableness of the estimated allowance for doubtful accounts</p> <p>In order to assess the reasonableness of the estimated uncollectible amount, which formed the</p>

<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"> - inquired of management regarding their views on the estimated uncollectible amount of notes and accounts receivable – trade; - 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 - compared the amounts of allowance for doubtful accounts in the past with the collection of the corresponding receivables.
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Appropriateness of revenue cut-off	
The key audit matter	How the matter was addressed in our audit
<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 ¥215,531 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</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>(1) Internal control testing</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>(2) Assessment of the appropriateness of revenue cut-off</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"> - assessed the appropriateness of the revenue cut-off by comparing the selected revenue before the fiscal year-end with the supporting documents; and - with respect to revenue recognition with

consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.	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.
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Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for 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
July 31, 2023

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, 2022 and 2021

		<i>Millions of yen</i>	
		2022	2021
ASSETS			
Current assets:			
Cash and deposits (Note 12)	¥	12,120	¥ 12,685
Notes and accounts receivable - trade (Notes 7, 11, 12 and 15)		53,863	49,363
Merchandise and finished goods		13,164	12,803
Work-in-process		1,515	1,228
Raw materials and supplies		18,670	14,562
Other		2,394	2,786
Allowance for doubtful accounts		(575)	(566)
Total current assets		101,151	92,861
 Property, plant and equipment (Notes 9, 10, 15 and 16):			
Buildings and structures, net		19,858	19,643
Machinery, equipment and vehicles, net		10,391	10,294
Land		9,817	9,397
Leased assets, net		232	343
Construction in progress		3,815	3,055
Other, net		4,273	2,588
Total property, plant and equipment		48,386	45,320
 Intangible assets:			
Goodwill (Note 30)		441	454
Other		1,901	374
Total intangible assets		2,342	828
 Investments and other assets:			
Investment securities (Notes 8, 12 and 13)		23,943	25,698
Long-term loans receivable		33	46
Retirement benefit asset (Note 18)		19	804
Deferred tax assets (Note 19)		843	259
Other		1,697	2,065
Allowance for doubtful accounts		(1,010)	(982)
Total investments and other assets		25,525	27,890
	¥	177,404	¥ 166,899

The accompanying notes are an integral part of these statements.

		<i>Millions of yen</i>	
		2022	2021
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable - trade (Notes 11, 12 and 15)		23,122	23,010
Electronically recorded obligations - operating (Notes 11)		14,316	13,235
Short-term loans payable (Notes 14 and 15)		11,047	5,133
Current portion of long-term loans payable (Notes 14 and 15)		1,979	5,335
Lease obligations		648	193
Accrued expenses		4,656	4,156
Income taxes payable		524	792
Provision for bonuses		547	613
Other		2,304	2,791
Total current liabilities		59,143	55,258
Non-current liabilities:			
Bonds payable (Note 12)		1,000	1,000
Long-term loans payable (Notes 12, 14, and 15)		11,244	5,558
Lease obligations		1,338	562
Deferred tax liabilities (Note 19)		3,555	4,065
Retirement benefit liability (Note 18)		4,869	4,982
Asset retirement obligations		75	73
Other		3,227	2,936
Total non-current liabilities		25,308	19,176
Total liabilities	¥	84,451	¥ 74,434
Contingent liabilities (Note 21)			
Net Assets (Note 32):			
Shareholders' equity			
Capital stock:			
Authorized – 144,000,000 shares			
Issued – 54,172,361 shares in December 2022 and			
62,601,161 shares in December 2021	¥	7,473	¥ 7,473
Capital surplus		5,672	5,675
Retained earnings		71,730	76,967
Treasury shares, at cost – 4,143,541 shares in December 2022 and			
4,164,408 shares in December 2021		(4,015)	(4,010)
Total shareholders' equity		80,860	86,105
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities		1,112	2,106
Deferred gains or losses on hedges		(0)	(3)
Foreign currency translation adjustment		5,010	(1,606)
Remeasurements of defined benefit plans		(710)	(222)
Total accumulated other comprehensive income		5,412	275
Non-controlling interests		6,681	6,085
Total net assets		92,953	92,465
	¥	177,404	¥ 166,899

The accompanying notes are an integral part of these statements.

SAKATA INX CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2022 and 2021

	<i>Millions of yen</i>	
	2022	2021
Net sales	¥ 215,531	¥ 181,488
Cost of sales	176,313	143,803
Selling, general and administrative expenses (Note 23)	35,093	30,270
Operating income	4,125	7,415
Other income (expenses):		
Interest income	65	70
Dividend income	236	331
Real estate rent	180	181
Equity in earnings of affiliates	997	993
Interest expenses	(531)	(238)
Commission expenses	(100)	(84)
Foreign exchange gains and losses	(250)	(295)
Gain on sales of investment securities (Notes 13 and 25)	1,442	76
Gain on sales of non-current assets (Notes 24)	-	115
Loss on sales of non-current assets	-	(22)
Subsidy income	100	100
Loss on retirement of non-current assets (Note 26)	(218)	(425)
Provision of allowance for doubtful accounts (Notes 27)	-	(566)
Other, net	239	134
Income before income taxes	6,285	7,785
Income taxes:		
Current	1,857	1,796
Deferred (Note 19)	(508)	358
	1,349	2,154
Net income	4,936	5,631
Net income attributable to non-controlling interests	(381)	(697)
Net income attributable to owners of parent	¥ 4,555	¥ 4,934
	<i>Yen</i>	
Net income per share of capital stock (Note 34)	¥ 85.52	¥ 84.43
Cash dividends per share applicable to the year (Note 34)	¥ 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, 2022 and 2021

	<i>Millions of yen</i>	
	2022	2021
Net income	¥ 4,936	¥ 5,631
Other comprehensive income (Note 28):		
Valuation difference on available-for-sale securities	(953)	354
Deferred gains or losses on hedges	3	(2)
Foreign currency translation adjustment	5,487	4,415
Remeasurements of defined benefit plans, net of tax	(473)	831
Share of other comprehensive income of affiliates accounted for using equity method	1,784	1,601
Total other comprehensive income	5,848	7,199
Comprehensive income	<u>¥ 10,784</u>	<u>¥ 12,830</u>
Comprehensive income attributable to:		
Owners of parent	¥ 9,692	¥ 11,654
Non-controlling interests	¥ 1,092	¥ 1,176

The accompanying notes are an integral part of these statements.

SAKATA INX CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Year ended December 31, 2022

	<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>
Balance at the beginning of current period	62,601,161	¥ 7,473	¥ 5,675	¥ 76,967	¥ (4,010)	¥ 86,105
Dividends of surplus (Notes 32 and 34)	-	-	-	(1,627)	-	(1,627)
Net income attributable to owners of parent	-	-	-	4,555	-	4,555
Purchase of treasury shares	-	-	-	-	(8,193)	(8,193)
Disposal of treasury shares	-	-	(0)	-	20	20
Cancellation of treasury shares	(8,428,800)	-	(8,168)	-	8,168	-
Transfer from retained earnings to capital surplus	-	-	8,165	(8,165)	-	-
Net changes of items other than shareholders' equity	-	-	-	-	-	-
Total changes of items during the period	-	-	(3)	(5,237)	(5)	(5,245)
Balance at the end of current period	54,172,361	¥ 7,473	¥ 5,672	¥ 71,730	¥ (4,015)	¥ 80,860

	<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>
Balance at the beginning of current period	¥ 2,106	¥ (3)	¥ (1,606)	¥ (222)	¥ 275	¥ 6,085	¥ 92,465
Dividends of surplus (Notes 32 and 34)	-	-	-	-	-	-	(1,627)
Net income attributable to owners of parent	-	-	-	-	-	-	4,555
Purchase of treasury shares	-	-	-	-	-	-	(8,193)
Disposal of treasury shares	-	-	-	-	-	-	20
Cancellation of treasury shares	-	-	-	-	-	-	-
Transfer from retained earnings to capital surplus	-	-	-	-	-	-	-
Net changes of items other than shareholders' equity	(994)	3	6,616	(488)	5,137	596	5,733
Total changes of items during the period	(994)	3	6,616	(488)	5,137	596	488
Balance at the end of current period	¥ 1,112	¥ (0)	¥ 5,010	¥ (710)	¥ 5,412	¥ 6,681	¥ 92,953

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>
Balance at the beginning of current period	62,601,161	¥ 7,473	¥ 5,673	¥ 73,918	¥ (4,028)	¥ 83,036
Dividends of surplus (Notes 32 and 34)	-	-	-	(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 of scope of consolidation in affiliates accounted for using equity method	-	-	-	(12)	-	(12)
Net changes of items other than shareholders' equity	-	-	-	-	-	-
Total changes in items during the period	-	-	2	3,049	18	3,069
Balance at the end of current period	62,601,161	¥ 7,473	¥ 5,675	¥ 76,967	¥ (4,010)	¥ 86,105

	<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>
Balance at the beginning of current period	¥ 1,652	¥ (0)	¥ (7,282)	¥ (1,045)	¥ (6,675)	¥ 5,061	¥ 81,422
Dividends of surplus (Notes 32 and 34)	-	-	-	-	-	-	(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 of scope of consolidation in affiliates accounted for using equity method	-	-	-	-	-	-	(12)
Net changes of items other than shareholders' equity	454	(3)	5,676	823	6,950	1,024	7,974
Total changes of items during the period	454	(3)	5,676	823	6,950	1,024	11,043
Balance at the end of current period	¥ 2,106	¥ (3)	¥ (1,606)	¥ (222)	¥ 275	¥ 6,085	¥ 92,465

The accompanying notes are an integral part of these statements.

SAKATA INX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2022 and 2021

	<i>Millions of yen</i>	
	2022	2021
Cash flows from operating activities:		
Income before income taxes	¥ 6,285	¥ 7,785
Depreciation and amortization	4,799	4,306
Amortization of goodwill	108	86
Increase (decrease) in allowance for doubtful accounts	(57)	452
Decrease (increase) in retirement benefit asset	785	(582)
Increase (decrease) in retirement benefit liability	(83)	97
Increase (decrease) in provision for bonuses	(67)	48
Interest and dividend income	(301)	(401)
Interest expenses	531	238
Equity in (earnings) losses of affiliates	(997)	(993)
Loss (gain) on sales of investment securities	(1,442)	(76)
Loss (gain) on sales and retirement of non-current assets	-	(93)
Loss on retirement of non-current assets	218	425
Subsidy income	(100)	(100)
Decrease (increase) in notes and accounts receivable - trade	(861)	(3,629)
Decrease (increase) in inventories	(1,241)	(4,809)
Increase (decrease) in notes and accounts payable - trade, including electronically recorded obligations - operating	(1,176)	7,184
Other, net	346	(753)
Subtotal	6,747	9,185
Interest and dividend income received	645	747
Interest expenses paid	(550)	(233)
Proceeds from subsidy income	100	100
Income taxes paid	(1,997)	(2,243)
Net cash provided by (used in) operating activities	4,945	7,556
Cash flows from investing activities:		
Purchase of property, plant and equipment	(4,818)	(5,276)
Proceeds from sales of property, plant and equipment	58	300
Purchase of intangible assets	(1,644)	(912)
Purchase of investment securities	(368)	(99)
Proceeds from sales of investment securities	4,628	160
Payments of loans receivable	(24)	(50)
Collection of loans receivable	77	50
Other, net	423	474
Net cash provided by (used in) investing activities	(1,666)	(5,353)

The accompanying notes are an integral part of these statements.

	<i>Millions of yen</i>	
	2022	2021
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	4,763	226
Proceeds from long-term loans payable	7,582	1,045
Repayments of long-term loans payable	(5,669)	(3,003)
Proceeds from issuance of bonds	-	1,000
Cash dividends paid	(1,627)	(1,753)
Dividends paid to non-controlling interests	(643)	(279)
Proceeds from share issuance to non-controlling shareholders	147	127
Purchase of treasury shares	(8,193)	(0)
Other, net	(257)	(238)
Net cash provided by (used in) financing activities	(3,897)	(2,875)
Effect of exchange rate change on cash and cash equivalents	225	680
Net increase (decrease) in cash and cash equivalents	(393)	8
Cash and cash equivalents at beginning of period	12,115	11,678
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	429
Cash and cash equivalents at end of period (Note 30)	¥ 11,722	¥ 12,115

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-four subsidiaries (twenty-six in 2021). 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. Sakata Inx Engineering Co.,Ltd. and another one company were excluded from the scope of consolidation due to their liquidation. 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 2021). 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.

Standards for recognition of significant revenue and expenses

The Company’s and its subsidiaries’ main businesses are the production and sale of Printing inks and Digital & Specialty products. For the sale of products and other goods, revenue is recognized when the products or other goods are delivered to customers because the Company believes that the customer acquires control over the products or other at the time of delivery and that the performance obligation is satisfied at that time. For domestic sales, however, revenue is recognized when the products or other goods are shipped, and the substitutional treatment prescribed in Article 98 of the Revenue Recognition Standards is applied because the period from the time of shipment to the completion of delivery to the customer is considered to be the normal period. For sales of export transactions, the revenue is recognized upon the completion of shipment. For sales of graphic arts materials, the revenue is recognized upon customer acceptance.

Some of the Company’s subsidiaries recognize revenue when the goods are shipped or delivered, or as the customer uses the goods, in accordance with the terms and conditions.

Revenue is measured at the amount of consideration promised in the contract with customers, deducting discounts, rebates and returns. For transactions in which the role of the Company and its subsidiaries in the sale of goods to customers is deemed that of an agent, revenue is recognized on the net amount received from the customer after deducting amounts paid to suppliers. For buy-sell transactions in which the Group sells and buys back goods, the Company and its subsidiaries do not recognize revenue from the transfer of supplies in the transaction if it is obliged to repurchase the supplies. For buy-sell transaction in which the Group buys and sells back goods, revenue is recognized at the net amount of consideration after deducting the purchase price of raw materials, etc.

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, 2022 and 2021 were ¥4,267 million and ¥3,823 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, 2022 and 2021

MAOMING SAKATA INX CO., LTD.		<i>Millions of yen</i>	
		2022	2021
Notes and accounts receivable – trade (Total of current and non-current asset)	¥	3,061	¥ 2,876
Allowance for doubtful accounts (Non-current asset)		(223)	(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. Changes in Accounting Policies

(Changes due to adoption of “Accounting Standard for Revenue Recognition”)

The Company and its subsidiaries have adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) (referred to as “the Revenue Recognition Standards”) from the beginning of the current consolidated fiscal year and, accordingly, adopted the accounting policy to recognize revenue at amounts expected to be received in exchange for the promised goods or services as control of the goods or services are transferred to the customer.

For transactions in which the role of the Company and its subsidiaries in the sale of goods to customers is deemed to be that of an agent, revenue is recognized on a net basis, whereas it was previously recognized by the gross amount of consideration received from the customers.

Sales discounts, which were previously recorded as other expenses, are now deducted from net sales.

For buy-sell translations in which the Group sells and buys back goods, the Company and its subsidiaries have changed to the method in which they do not recognize the transfer of supplies in the transactions if they are obliged to repurchase the supplies, the Companies previously recognized the transfer of the supplies.

For buy-sell transaction in which the Group buys and sells back goods, revenue was previously recognized at the gross amount of consideration, including the purchase price of raw materials, etc. However, that method was changed to one that recognizes only the amount equivalent to processing costs as revenue on a net basis.

The application of these changes in accounting policies follows the transitional treatment prescribed in Paragraph 84 of the Accounting Standard for Revenue Recognition such that the new accounting policy was applied from the beginning balance of retained earnings of the current consolidated fiscal year to add to or deduct from the beginning balance of retained earnings of the current consolidated fiscal year the cumulative effects of applying retrospectively the new accounting policy from the beginning of the current consolidated fiscal year. The method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition Standard was applied, however, with no retrospective application of the new accounting policy to contracts in which almost all amounts of revenue that have been recognized in accordance with prior treatments before the beginning of the current consolidated fiscal year. As a result, the impact on the consolidated financial statements has been immaterial and there was no impact on the beginning balance of retained earnings of the current consolidated fiscal year.

In accordance with the transitional treatment set out in Paragraph 89-3 of the Revenue Recognition Standard, notes related to revenue recognition for the prior fiscal year have been omitted.

(Changes due to adoption of “Accounting Standard for Fair Value Measurement”)

The Company and its subsidiaries have adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) (referred to as “the Fair Value Measurement Standards”) from the beginning of the current consolidated fiscal year and have applied the new accounting policies prescribed by the Fair Value Measurement Standard in the future in accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Standards and in Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No.10, July 4, 2019). The application of the standards has had no impact on the consolidated financial statements

In addition, notes regarding the breakdown of the fair value of financial instruments by level have been described. However, notes for the prior consolidated fiscal year have not been described in accordance with the transitional treatment set out in Paragraph 7-4 of the Implementation Guidance on the Disclosures of the Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019)

5. Changes in Presentation

(Consolidated Cash-flow Statement)

“Decrease (increase) in retirement benefit asset,” which was included in “Other, net” in “Net cash provided by (used in) operating activities” in previous consolidated fiscal year, was presented as an individual item in the current consolidated fiscal year due to an increase in its materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year were reclassified, as a result, ¥(1,355) million presented in “Other, net” in “Net cash provided by (used in) operating activities” in previous consolidated fiscal year was reclassified as “Decrease (increase) in retirement benefit asset” of ¥(582) million and as “Other, net” of ¥(753) million.

“Purchase of intangible assets,” which was included in “Other, net” in “Net cash provided by (used in) investing activities” in previous consolidated fiscal year, was presented as an individual item in the current consolidated fiscal year due to the increase of its materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year were reclassified,

As a result, ¥(438) million presented in “Other, net” in “Net cash provided by (used in) investing activities” in previous consolidated fiscal year was reclassified as “Purchase of intangible assets” of ¥(912) million and as “Other, net” of ¥474 million.

“Purchase of treasury shares,” which was included in “Other, net” in “Net cash provided by (used in) financing activities” in previous consolidated fiscal year, was presented as an individual item in the current consolidated fiscal year due to an increase in its materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year were reclassified,

As a result, ¥(238) million presented in “Other, net” in “Net cash provided by (used in) financing activities” in previous consolidated fiscal year was reclassified as “Purchase of treasury shares” of ¥(0) million and as “Other, net” of ¥(238) million.

6. 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.

7. Details of “Notes and accounts receivable – trade”

Receivables of contracts with customers included in the “Notes and accounts receivable – trade” as of December 31, 2022 was as follows:

	<i>Millions of yen</i>
	<u>2022</u>
Notes receivable - trade	¥ 10,878
Accounts receivable - trade	42,985

8. Investment Securities to Unconsolidated Subsidiaries and Affiliated Companies

	<i>Millions of yen</i>	
	<u>2022</u>	<u>2021</u>
Investment securities - shares	¥ 18,881	¥ 16,370
Other in investments and other assets - capital	34	65

9. Accumulated Depreciation

<i>Millions of yen</i>	
<u>2022</u>	<u>2021</u>
¥ 76,440	¥ 68,656

10. 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, 2022 and 2021.

11. Effect of Bank Holiday

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

	<i>Millions of yen</i>	
	2022	2021
Notes and accounts receivable - trade	¥ 780	¥ 927
Notes and accounts payable - trade	38	33
Electronically recorded obligations - operating	2,144	1,917

12. 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

For calculation for fair value of financial instrument, because fluctuation factors are considered, the fair value can be changed by the adoption of different premises.

2. Fair values of financial instruments

Consolidated balance sheet amounts and fair values of financial instruments and any differences as of December 31, 2022 and 2021 are set forth in the tables below.

Year ended December 31, 2022

	<i>Millions of yen</i>		
	Consolidated balance sheet amount	Fair value	Difference
(1) Investments:			
Securities in affiliates	¥ 17,645	¥ 13,807	¥ (3,838)
Available-for-sale securities	4,193	4,193	-
Total assets	¥ 21,838	¥ 18,000	¥ (3,838)
(1) Bonds payable	¥ 1,000	¥ 991	¥ (9)
(2) Long-term loans payable	13,223	12,981	(242)
Total liabilities	¥ 14,223	¥ 13,972	¥ (251)

*1: "Cash and deposit," "Notes and accounts receivable-trade," "Short-term loans payable," and "Notes and accounts payable-trade," are omitted because these are cash items and their fair values approximate their carrying values due to their short maturities.

*2: Amounts for Non-listed equity securities classified as available-for sale securities or equity securities issued by subsidiaries and affiliates are not included in "(1) Investments". The amounts on consolidated balance sheet was ¥2,105 million.

Year ended December 31, 2021

	<i>Millions of yen</i>		
	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)

*1: Amounts for Non-listed equity securities classified as available-for sale securities or equity securities issued by subsidiaries and affiliates are not included in "(3) Investments". The amounts on consolidated balance sheet was ¥1,764 million.

Note 1: Aggregate annual maturities of money claims and securities with maturities as of December 31, 2022 and 2021 were as follows:

Year ended

December 31, 2022

	<i>Millions of yen</i>			
	2023	2024-2027	2028-2032	2033 and thereafter
Cash and deposits	¥ 12,120	¥ -	¥ -	¥ -
Notes and accounts receivable - trade	53,863	-	-	-
Total	¥ 65,983	¥ -	¥ -	¥ -

Year ended**December 31, 2021**

	<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	¥ -	¥ -	¥ -

Note 2: Aggregate annual maturities of long-term loans payable as of December 31, 2022 and 2021 were as follows:

Year ended**December 31, 2022**

<i>December 31, 2022</i>	<i>Millions of yen</i>					
	2023	2024	2025	2026	2027	2028 and thereafter
Bonds payable.....	¥ -	¥ -	¥ -	¥ 1,000	¥ -	¥ -
Long-term loans payable.....	¥ 1,979	¥ 2,616	¥ 2,765	¥ 550	¥ 5,313	¥ -

Year ended**December 31, 2021**

<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	¥ -	¥ -

3. Breakdown of fair value of financial instruments by level

Fair values of financial instruments are categorized into three levels as described below on the basis of the observability and the materiality of the inputs used in the fair value measurement.

Level 1: Fair values measured using quoted prices of identical assets or liabilities in active markets among observable valuation inputs

Level 2: Fair values measured using inputs other than inputs included within Level 1 among observable valuation inputs

Level 3: Fair values measured using unobservable valuation inputs

When several inputs that have significant impact on fair value measurement are used, the fair value is categorized into the lowest hierarchy level for fair value measurement among those in which each of the inputs belongs.

(1) Financial instruments measured at fair value

Year ended December 31, 2022

Category	<i>Millions of yen</i>			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments:				
Available-for-sale securities				
Shares	¥ 4,193	¥ -	¥ -	¥ 4,193
Total assets	¥ 4,193	¥ -	¥ -	¥ 4,193

(2) Financial instruments other than those measured at fair value

Year ended December 31, 2022		<i>Millions of yen</i>			
Category		Fair value			
		Level 1	Level 2	Level 3	Total
Investments:					
Securities in affiliates		¥ 13,807	¥ -	¥ -	¥ 13,807
Total assets		¥ 13,807	-	-	¥ 13,807
Bonds payable		¥ -	¥ 991	¥ -	¥ 991
Long-term loans payable.....		-	12,981	-	12,981
Total liabilities.....		¥ -	¥ 13,972	¥ -	¥ 13,972

Note: Description of valuation techniques used to measure fair value and inputs related to fair value measurement

(1) Investment securities

Fair values of listed stocks are determined by using quoted prices. Fair values of listed stocks are categorized as Level 1 since they are traded in active markets.

(2) Bonds Payable

The fair values of bonds payable issued by the Company are calculated using the discounted present value method based on the total amount of principal and interest, remaining maturity, and interest rates taking into account credit risk, and are categorized as Level 2.

(3) Long-term loans payable

The fair values of long-term loans payable are calculated using the discounted present value method based on the total amount of principal and interest, remaining maturity, and interest rates taking into account credit risk, and are categorized as Level 2.

13. Securities

The following tables summarize the consolidated balance sheet amount, acquisition cost and fair value of available-for sale securities as of December 31, 2022 and 2021. Available-for-sale securities (non-listed equity securities) in the consolidated balance sheet amounted to ¥669 million as of December 31, 2022 and ¥603 million as of December 31, 2021 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 ¥4,628 million for the year ended December 31, 2022 and ¥160 million for the year ended December 31, 2021, and the related gains amounted to ¥1,442 million for the year ended December 31, 2022 and ¥76 million for the year ended December 31, 2021.

<i>Year ended December 31, 2022</i>		<i>Millions of yen</i>		
		Consolidated balance sheet amount	Acquisition cost	Difference
(1) Equity securities with consolidated balance sheet amount exceeding acquisition cost	¥	3,896	¥ 2,358	¥ 1,538
(2) Other		-	-	-
Subtotal		3,896	2,358	1,538
(1) Equity securities with consolidated balance sheet amount not exceeding acquisition cost		297	348	(51)
(2) Other		-	-	-
Subtotal		297	348	(51)
Total	¥	4,193	¥ 2,706	¥ 1,487

<i>Period ended December 31, 2021</i>		<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

14. Short-term Loans Payable and Long-term Loans Payable

Short-term loans payable at December 31, 2022 and 2021 consisted of short-term notes generally for one year bearing interest ranging from 0.38% to 9.20%.

Long-term loans payable at December 31, 2022 and 2021 consisted of the following:

	<i>Millions of yen</i>	
	2022	2021
Secured:		
Loans principally from banks at 3.65%	¥ -	¥ 79
Unsecured:		
Loans principally from banks at 0.18% - 4.00% maturing through 2027	13,223	10,814
	13,223	10,893
Less amounts due within one year	1,979	5,335
	¥ 11,244	¥ 5,558

The aggregate annual maturities of long-term loans payable at December 31, 2022 were as follows:

<u>Year ending December 31,</u>	<i>Millions of yen</i>
2023	¥ 1,979
2024	2,616
2025	2,765
2026	550
2027 and thereafter	5,313
	¥ 13,223

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, 2022	¥ -

15. Assets Pledged as Collateral

Assets pledged as collateral as of December 31, 2022 and 2021 were as follows:

	<i>Millions of yen</i>	
	2022	2021
Notes and accounts receivable - trade	¥ 8	¥ 8
Buildings and structures, net of accumulated depreciation	-	604
Land	-	136
Investments in other	47	47
	¥ 55	¥ 795

Liabilities secured by the above assets were as follows:

	<i>Millions of yen</i>	
	2022	2021
Notes and accounts payable - trade	¥ 203	¥ 187
Short-term loans payable	8	8
Current portion of long-term loans payable	-	77
Long-term loans payable	-	79
	¥ 211	¥ 351

16. Finance Leases

Capitalized finance leases of the Companies at December 31, 2022 and 2021 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, 2022 and 2021 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."

17. 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.

18. 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>	
	2022	2021
Balance at the beginning of current period	¥ 12,434	¥ 12,860
Service cost (*)	508	517
Interest cost	91	104
Actuarial loss (gain)	106	(709)
Benefits paid	(767)	(727)
Past service cost	-	(0)
Other	12	389
Balance at the end of current period	¥ 12,384	¥ 12,434

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

(2) Movement in plan assets

	<i>Millions of yen</i>	
	2022	2021
Balance at the beginning of current period	¥ 8,256	¥ 8,141
Expected return on plan assets	186	185
Actuarial loss (gain)	(719)	89
Contributions paid by the employer	266	248
Benefits paid	(479)	(453)
Other	24	46
Balance at the end of current period	¥ 7,534	¥ 8,256

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

<i>Millions of yen</i>		
	2022	2021
Funded retirement benefit obligations	¥ 7,806	¥ 7,790
Plan assets	(7,534)	(8,256)
Total	272	(466)
Unfunded retirement benefit obligations	4,578	4,644
Total net liability (asset) for retirement benefits at the end of current period	¥ 4,850	¥ 4,178
Net defined benefit liability	4,869	4,982
Net defined benefit asset	(19)	(804)
Total net liability (asset) for retirement benefits at the end of current period	¥ 4,850	¥ 4,178

(4) Retirement benefit costs

<i>Millions of yen</i>		
	2022	2021
Service cost (*)	¥ 508	¥ 517
Interest cost	91	104
Expected return on plan assets	(186)	(186)
Net actuarial loss amortization	152	349
Past service cost	-	(0)
Other	(72)	6
Total retirement benefit costs for defined benefit plans	¥ 493	¥ 790

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

(5) Remeasurements of defined benefit plans

<i>Millions of yen</i>		
	2022	2021
Actuarial gains and losses	(657)	1,155
Total	¥ (657)	¥ 1,155

(6) Accumulated remeasurements of defined benefit plans

<i>Millions of yen</i>		
	2022	2021
Actuarial gains and losses that are yet to be recognized	955	298
Total	¥ 955	¥ 298

(7) Plan assets

	2022	2021
(a) Plan assets comprise:		
Bonds	55.3 %	56.1 %
Equity securities	10.2	11.8
Alternative assets (*)	23.4	21.2
Other	11.1	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

	2022	2021
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 2.63%

3. Defined contribution plan

	<i>Millions of yen</i>	
	2022	2021
Accrued contribution by consolidated subsidiaries	¥ 532	¥ 539

19. Deferred Income Taxes

Significant components of the Companies' deferred tax assets and liabilities as of December 31, 2022 and 2021 were as follows:

	<i>Millions of yen</i>	
	2022	2021
Deferred tax assets:		
Allowance for doubtful accounts	¥ 200	¥ 208
Provision for bonuses	132	155
Net defined benefit liability	1,964	1,913
Write-down of inventories	122	91
Intangible assets	414	513
Tax loss carryforwards	1,579	1,377
R&D expenses	432	-
Other	1,163	911
Subtotal	6,006	5,168
Valuation allowance for tax loss carryforwards	(1,576)	(1,371)
Valuation allowance for total of deductible temporary differences	(176)	(521)
Subtotal	(1,752)	(1,892)
Total deferred tax assets	4,254	3,276
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(448)	(871)
Special reserves	(915)	(887)
Depreciation	(990)	(776)
Retained earnings of subsidiaries and affiliates	(3,970)	(3,715)
Other	(643)	(833)
Total deferred tax liabilities	(6,966)	(7,082)
Net deferred tax assets (liabilities)	¥ (2,712)	¥ (3,806)

(Change in presentation)

“Depreciation,” which was included in “Other” in previous consolidated fiscal year, is presented as an individual item in the current consolidated fiscal year due to the increase in its materiality. To reflect this change in presentation, the note for the previous fiscal year was reclassified,

Note 1: Valuation allowance decreased by ¥140 million. The decrease was mainly due to the change of company category in judging on collectability of differed tax assets in a part of subsidiaries.

Note 2: Expiration periods for tax loss carryforwards and deferred tax assets as of December 31, 2022 and 2021 were as follows:

Year ended

December 31, 2022

	<i>Millions of yen</i>						
	2023	2024	2025	2026	2027	2028 and thereafter	Total
Tax loss							
carryforwards	¥ 16	¥ 12	¥ 34	¥ -	¥ -	¥ 1,517	¥ 1,579
Valuation							
allowance	(16)	(12)	(34)	-	-	(1,514)	(1,576)
Deferred							
tax assets	-	-	-	-	-	3	3

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

Year ended

December 31, 2021

Millions of yen

	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.

The reconciliation between the effective tax rate reflected in the consolidated financial statements and the statutory tax rate for the years ended December 31, 2022 and 2021 is summarized as follows:

	2022	2021
Statutory tax rate of the Company	30.6%	30.6%
(Reconciliation)		
Expenses not qualifying for deduction	1.8	3.4
Revenues not in gross revenue	(8.4)	(4.9)
Tax credits	(4.1)	(4.1)
Equity in earnings of affiliates	(4.9)	(3.9)
Elimination of dividend income	7.2	5.5
Valuation allowance	(2.9)	0.7
Retained earnings of foreign subsidiaries	4.1	4.3
Difference in the effective tax rates of foreign subsidiaries	(1.8)	(4.3)
Other	(0.1)	0.4
Effective tax rate after adoption of tax effect accounting	21.5%	27.7%

20. Revenue Recognition

1. Disaggregated revenue from contracts with customers

Information on disaggregated revenue from contracts with customers is described in Note 30, “Segment Information”.

2. Basic information for understanding revenue from contracts with customers

Basic information on disaggregated revenue from contracts with customers is described in Note 2, “Significant Accounting Policies, Standards for recognition of significant revenue and expenses”.

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows generated from those contracts, and the amount and timing of revenue expected to be recognized in subsequent fiscal years from contracts with customers that existed at the end of the current fiscal year.

(1) Contract balances

	<i>Millions of yen</i>
	2022
Receivables from contracts with customers at the beginning of the year	¥ 49,363
Receivables from contracts with customers at the end of the year	53,863
Contract liabilities at the beginning of the year	106
Contract liabilities at the end of the year	72

The receivables from contracts with customers are notes receivable and accounts receivable – trade.

Contract liabilities are in “Other” current liabilities on the consolidated balance sheets. Contract liabilities are mainly related to advance payments from customers in sales contracts and are reduced along with recognition of revenue.

For revenues recognized for the year ended December 31, 2022, the amounts included in liabilities from contracts with customers at the beginning of the fiscal year were ¥106 million.

(2) Transaction price allocated to remaining performance obligations

A practical expedient is applied and a description of information on the remaining performance obligations is omitted because there were no important transactions for which the expected contract period was over one year.

And, in the consideration from contracts with customers, there are no significant amounts which are not included in transaction prices.

21. Contingent Liabilities

At December 31, 2022 and 2021, the Companies were contingently liable as follows:

	<i>Millions of yen</i>	
	2022	2021
TAIWAN SAKATA INX CORP	¥ 178	¥ 170
Total	¥ 178	¥ 170

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.

22. Revenue from contracts with customers

With regard to sales, revenue from contracts with customers and other revenue are not separately presented.

The amounts of revenue from contracts with customers are described in Note 30, “Segment Information, 3. Information about reportable segment sales, segment income or loss, segment assets and other items”.

23. Selling, General and Administrative Expenses

The main items of selling, general and administrative expenses for the years ended December 31, 2022 and 2021 were as follows:

	<i>Millions of yen</i>	
	2022	2021
Freightage and packing expenses	¥ 6,949	¥ 5,984
Salaries and allowances	11,802	10,266
Depreciation	752	701
Provision of allowance for doubtful accounts	36	(75)
Provision for bonuses	279	311
Retirement benefit expenses	488	727
Research and development expenses	4,267	3,823

24. Gain on Sales of Non-Current Assets

The details of gain on sales of property, plant and equipment for the years ended December 31, 2022 and 2021 were as follows:

	<i>Millions of yen</i>	
	2022	2021
Building	¥ -	¥ 6
Land	-	109
Total	¥ -	¥ 115

25. Gain on Sales of Investment Securities

Because of cancellation of capital alliance with Toyo Ink SC Holdings Co., Ltd., ¥1,442 million of gain on sales of investment securities was calculated for the year ended December 31, 2022.

26. Loss on Retirement of Non-Current Assets

The details of loss on retirement of property, plant and equipment for the years ended December 31, 2022 and 2021 were as follows:

	<i>Millions of yen</i>	
	2022	2021
Buildings and structures	¥ 1	¥ 3
Machinery, equipment and vehicles	26	1
Other fixed assets	0	0
Demolition and removal expenses	191	27
Software in progress	-	394
Total	¥ 218	¥ 425

27. 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 for the year ended December 31, 2021.

28. Consolidated Statements of Comprehensive Income

The reclassification adjustment and the tax benefit concerning other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	<i>Millions of yen</i>	
	2022	2021
Valuation difference on available-for-sale securities		
Amount arising during the period	¥ 65	¥ 580
Reclassification adjustment included in net income	(1,442)	(76)
Pre-tax amount	1,377	504
Tax benefit	(424)	(150)
Valuation difference on available-for-sale securities	(953)	354
Foreign currency translation adjustment		
Amount arising during the period	5,487	4,415
Deferred gains or losses on hedges		
Amount arising during the period	2	(4)
Reclassification adjustment included in net income	2	1
Pre-tax amount	4	(3)
Tax benefit	(1)	1
Deferred gains or losses on hedges	3	(2)
Remeasurements of defined benefit plans		
Amount arising during the period	(742)	753
Reclassification adjustment included in net income	85	402
Pre-tax amount	(657)	1,155
Tax benefit	184	(324)
Remeasurements of defined benefit plans	(473)	831
Share of other comprehensive income of affiliates accounted for using equity method		
Amount arising during the period	1,787	1,601
Reclassification adjustment included in net income	(3)	0
Share of other comprehensive income of affiliates accounted for using equity method	1,784	1,601
Total other comprehensive income	¥ 5,848	¥ 7,199

29. 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, 2022 and 2021 were as follows:

	<i>Millions of yen</i>	
	2022	2021
Cash and deposits	¥ 12,120	¥ 12,685
Time deposits with original maturity of more than three months	(398)	(570)
Cash and cash equivalents	¥ 11,722	¥ 12,115

30. 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 markets 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.

(Adoption of “Accounting Standard for Revenue Recognition”)

As described in “4. Changes of Accounting Policies”, “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) is applied from the beginning of the current fiscal year and changed the accounting method for revenue recognition, and therefore, the profit and loss calculation method for the reportable segments has been changed in the same manner.

The effect of the change on sales and revenues in each reportable segment is immaterial.

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

<i>Year ended</i> <i>December 31, 2021</i>	<i>Millions of yen</i>									
	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, 2022

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				
Revenue from contracts with customers	51,426	47,843	72,588	18,534	15,432	205,823	9,708	215,531	-	215,531
Other revenue	-	-	-	-	-	-	-	-	-	-
Net sales to outside customers	51,426	47,843	72,588	18,534	15,432	205,823	9,708	215,531	-	215,531
Intersegment sales and transfers	10	208	1,302	953	76	2,549	4,339	6,888	(6,888)	-
Total	51,436	48,051	73,890	19,487	15,508	208,372	14,047	222,419	(6,888)	215,531
Segment income	407	1,746	360	(572)	1,585	3,526	337	3,863	262	4,125
Segment assets	41,142	44,942	39,666	13,923	10,540	150,213	6,056	156,269	21,135	177,404
Depreciation	1,350	1,094	1,182	398	698	4,722	57	4,779	20	4,799
Amortization of goodwill	-	-	106	2	-	108	-	108	-	108
Increase in property, plant and equipment and intangible assets	1,756	2,215	1,697	163	295	6,126	7	6,133	(1)	6,132

(*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 ¥262 million for segment income includes eliminations for intersegment transactions of ¥1,030 million and corporate expenses of ¥(768) million that have not been allocated to any segment. Corporate expenses are mainly service fees to unconsolidated subsidiaries and affiliates.
2. The adjustment of ¥21,135 million for segment assets includes eliminations for intersegment transactions of ¥(7,529) million and corporate assets of ¥28,664 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 ¥20 million for depreciation are mainly related to Corporate assets that have not been allocated to any segment.
4. The adjustment of ¥(1) 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, 2022

1. Information about each product and service

<i>Year ended December 31, 2022</i>	<i>Millions of yen</i>				
	Printing inks	Graphic arts materials	Digital & Specialty products	Other	Total
Net sales to outside customers	¥ 179,443	¥ 10,970	¥ 15,432	¥ 9,686	¥ 215,531

2. Information about geographic areas

<i>Year ended</i> <i>December 31, 2022</i>	<i>Millions of yen</i>											
	Japan		Asia		America		Europe		Other		Total	
Net sales	¥	64,570	¥	51,181	¥	62,539	¥	17,297	¥	19,944	¥	215,531
Property, plant and equipment	¥	19,679	¥	13,115	¥	10,374	¥	4,094	¥	1,123	¥	48,385

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, 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.

(Impairment loss by reportable segments)

Year ended December 31, 2022

Not applicable.

Year ended December 31, 2021

Not applicable.

(Amortization and unamortized balance of goodwill)

Year ended December 31, 2022

<i>Year ended December 31, 2022</i>	<i>Millions of yen</i>								
	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	¥ -	¥ -	¥ 106	¥ 2	¥ -	¥ 108	¥ -	¥ -	¥ 108
Balance as of December 31, 2022	¥ -	¥ -	¥ 425	¥ 16	¥ -	¥ 441	¥ -	¥ -	¥ 441

Year ended December 31, 2021

<i>Year ended December 31, 2021</i>	<i>Millions of yen</i>								
	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

(Negative goodwill in other income by reportable segments)

Year ended December 31, 2022

Not applicable.

Year ended December 31, 2021

Not applicable.

31. Related Party Transactions

Transactions with related parties for the years ended December 31, 2022 and 2021 were as follows:

Year ended December 31, 2022

Attribute	Name	Location	Capital stock (Millions of Yen)	Operations or occupation	Holding equity (%)	Relationship	Transaction details	Transaction amount (Millions of yen)	Account	Balance at year end (Millions of yen)
Major shareholder	Toyo Ink SC Holdings Co., Ltd.	Chuo, Tokyo	31,733	Printing ink	-	Business and Capital Alliance	Purchase of treasury shares (1)	¥ 8,193	-	¥ -
							Sales on investment securities (2)	¥ 4,628	-	¥ -
							Gain on sales	¥ 1,442		

Note 1: The purpose of the transaction was to dissolve the capital alliance, and based on the resolution by a resolution of the Board meeting held on May 13, 2022, common stock of the Company was acquired through the off-auction own share repurchase trading system (ToSTNeT-3) of the Tokyo Stock Exchange.

Note 2: Regarding sales of investment securities, and based on a resolution of the Board meeting held on May 13, 2022, the Company applied for an off-auction own share repurchase set up by Toyo Ink SC Holdings Co., Ltd. through ToSTNeT-3, and the amounts were calculated based on the closing price on the day before the transaction, May 13, 2022.

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	¥ 3,567	Notes and accounts receivable - trade	¥ 2,676
									Investments and other assets: Other	¥ 223

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 ¥223 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, 2022 was ¥41 million.

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.

32. Changes in Net Assets

1. Shares issued and treasury shares

Year ended December 31, 2022

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	-	8,428,800	54,172,361
Treasury shares: Common stock	4,164,408	8,429,313	8,450,180	4,143,541

Note : The decrease of 8,428,800 shares in the number of shares issued was due to the cancellation of treasury shares.

The increase of 513 shares in the number of treasury shares was due to the purchase of fractional shares and 8,428,800 shares was due to purchase of treasury shares.

The decrease of 21,380 in the number of treasury shares was due to disposal of treasury shares as restricted stock based compensation and 8,428,800 was due to cancellation of 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.

2. Dividends

Dividends paid in the year ended December 31, 2022

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 29, 2022	Common stock	¥ 876	¥ 15	December 31, 2021	March 30, 2022
Directors' meeting held on August 10, 2022	Common stock	¥ 750	¥ 15	June 30, 2022	September 2, 2022

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 with a record date attributable to the year ended December 31, 2022 but an effective date after December 31, 2022

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, 2023	Common stock	Retained earnings	¥ 750	¥ 15	December 31, 2022	March 30, 2023

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

33. 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, 2022 and 2021

	<i>Millions of yen</i>	
	2022	2021
Current assets	¥ 150,276	¥ 122,797
Non-current assets	¥ 54,894	¥ 47,124
Current liabilities	¥ 96,598	¥ 79,833
Non-current liabilities	¥ 31,182	¥ 23,719
Net assets	¥ 77,390	¥ 66,369

Summarized statements of income for the years ended December 31, 2022 and 2021

	<i>Millions of yen</i>	
	2022	2021
Net sales	¥ 277,032	¥ 226,834
Income before income taxes	¥ 7,960	¥ 5,935
Net income attributable to owners of parent	¥ 4,734	¥ 4,562

34. Amounts Per Share

	<i>Yen</i>	
	2022	2021
Net assets per share	¥ 1,724.45	¥ 1,478.18
Dividends per share	¥ 30.00	¥ 30.00
Net income per share	¥ 85.52	¥ 84.43

Note 1: There were no dilutive securities.

Note 2: As described in “4. Changes of Accounting Policies”, “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) is applied from the beginning of the current fiscal year and the application of such changes in accounting policies follows the transitional treatment prescribed in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition. There are no impact on net assets per share and net income per share in current consolidated fiscal year.

Note 3: The calculation of net income per share was as follows:

	<i>Yen</i>	
	2022	2021
Net income attributable to owners of parent (millions of yen)	¥ 4,555	¥ 4,934
Net income attributable to owners of parent related to common stock (millions of yen)	¥ 4,555	¥ 4,934
Average number of shares of common stock during the fiscal year (thousands)	¥ 53,264	¥ 58,431