

# **SAKATA INX CORPORATION**

Consolidated Financial Statements

As of December 31, 2023 and 2022

## Independent Auditor's Report

To the Board of Directors of  
SAKATA INX CORPORATION :

### Report on the Audit of the Consolidated Financial Statements

#### 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, 2023 and 2022, 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, 2023 and 2022, 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 ¥3,544 million and the corresponding allowance for doubtful accounts of ¥220 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 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><b>(1) Internal control testing</b></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><b>(2) Assessment of the reasonableness of the estimated allowance for doubtful accounts</b></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>In order to assess the reasonableness of the estimated uncollectible amount, which formed the basis for estimating the allowance for doubtful accounts, we performed the following procedures among others:</p> <ul style="list-style-type: none"> <li>- inquired of management regarding their views on the estimated uncollectible amount of notes and accounts receivable – trade;</li> <li>- examined whether the allowance ratio was reasonably estimated according to the overdue period after assessing the accuracy and completeness of the aging schedule for notes and accounts receivable – trade; and</li> <li>- compared the amounts of allowance for doubtful accounts in the past with the collection of the corresponding receivables.</li> </ul>
--	--

<b>Appropriateness of revenue cut-off</b>	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Company and its consolidated subsidiaries engage mainly in the sale of Printing inks and Digital and Specialty products to domestic and overseas customers. In the consolidated statement of income for the current fiscal year, revenue amounted to ¥228,311 million, of which approximately 60% came from the Company and INX International Ink Co. (hereinafter referred to as "III").</p> <p>Revenue from the sale of goods is recognized when the goods are transferred to the customer, at which point the customer obtains control of the goods. Since the period from shipping to the point when control of the goods is transferred to the customer is a standard period, the Company recognizes domestic revenue, which represents a large proportion of total revenue, mainly when the goods are shipped. III recognizes revenue when the goods are shipped or delivered or as the customer uses the goods, in accordance with the terms and conditions.</p> <p>Since revenue is one of the important management indicators and it is generally understood that pressure to achieve targets in the revenue plan consistently exists, there is a potential risk of front-loaded revenue recognition.</p> <p>We, therefore, determined that our assessment of the revenue cut-off related to the Company and III was one of the most significant in our audit of the consolidated financial statements for the current fiscal year and, accordingly, a key audit matter.</p>	<p>In order to assess whether the revenue cut-off related to the Company and III was appropriate, we primarily performed the procedures described below, which included the procedures performed by the component auditors of III. We requested the component auditors to perform audit procedures and evaluated their report as to whether sufficient and appropriate audit evidence was obtained.</p> <p><b>(1) Internal control testing</b></p> <p>We tested the design and operating effectiveness of the Company's and III's internal controls relevant to the process of recognizing revenue. In this assessment, we focused our testing on controls designed to verify that revenue was recognized based on supporting documents that proved the sale of goods for each transaction.</p> <p><b>(2) Assessment of the appropriateness of revenue cut-off</b></p> <p>In order to assess the appropriateness of the revenue cut-off, we performed the following procedures, among others, for the transactions selected as those that might fall under exceptional transactions based on the revenue trend analysis and other methods during the accounting period:</p> <ul style="list-style-type: none"> <li>- assessed the appropriateness of the revenue cut-off by comparing the selected revenue before the fiscal year-end with the supporting documents; and</li> <li>- with respect to revenue recognition with negative amounts after the fiscal year-end,</li> </ul>



	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.
--	---

## Other Information

The other information comprises the information included in the “Consolidated Financial Statements”, but does not include the consolidated financial statements and our auditor’s report thereon.

We do not perform any work on the other information as we determine such information does not exist.

## 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, actions taken to eliminate threats or safeguards applied.

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.

### **Fee-related Information**

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 195 million yen and 2 million yen, respectively.

### **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, 2024

**SAKATA INX CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
**Years ended December 31, 2023 and 2022**

		<i>Millions of yen</i>	
		2023	2022
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and deposits (Note 11 and 30) .....	¥	17,014	¥ 12,120
Notes and accounts receivable - trade (Notes 6, 10, 11, 14 and 19) .....		59,398	53,863
Merchandise and finished goods .....		16,086	13,164
Work-in-process .....		1,450	1,515
Raw materials and supplies .....		14,506	18,670
Other .....		2,767	2,394
Allowance for doubtful accounts .....		(664)	(575)
Total current assets .....		110,557	101,151
 <b>Property, plant and equipment (Notes 8, 9, and 15):</b>			
Buildings and structures, net .....		19,892	19,858
Machinery, equipment and vehicles, net .....		10,685	10,391
Land .....		9,817	9,817
Leased assets, net .....		256	232
Construction in progress .....		2,224	3,815
Other, net .....		4,201	4,273
Total property, plant and equipment .....		47,075	48,386
 <b>Intangible assets:</b>			
Goodwill (Note 31) .....		386	441
Other .....		3,519	1,901
Total intangible assets .....		3,905	2,342
 <b>Investments and other assets:</b>			
Investment securities (Notes 7, 11, 12 and 14) .....		30,118	23,943
Long-term loans receivable .....		29	33
Retirement benefit asset (Note 17) .....		340	19
Deferred tax assets (Note 18) .....		1,208	843
Other .....		1,736	1,697
Allowance for doubtful accounts (Note 3) .....		(881)	(1,010)
Total investments and other assets .....		32,550	25,525
	¥	194,087	¥ 177,404

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



		<i>Millions of yen</i>	
		2023	2022
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Notes and accounts payable - trade (Notes 10, 11 and 14) .....		25,579	23,122
Electronically recorded obligations - operating (Notes 10) .....		14,030	14,316
Short-term loans payable (Notes 13 and 14) .....		8,355	11,047
Current portion of long-term loans payable (Notes 13) .....		3,416	1,979
Lease obligations .....		697	648
Accrued expenses .....		5,624	4,656
Income taxes payable .....		840	524
Provision for bonuses .....		663	547
Other .....		2,607	2,304
Total current liabilities .....		61,811	59,143
<b>Non-current liabilities:</b>			
Bonds payable (Note 11) .....		1,000	1,000
Long-term loans payable (Notes 11, and 13) .....		11,285	11,244
Lease obligations .....		1,151	1,338
Deferred tax liabilities (Note 18) .....		4,353	3,555
Retirement benefit liability (Note 17) .....		5,041	4,869
Asset retirement obligations .....		77	75
Other .....		3,718	3,227
Total non-current liabilities .....		26,625	25,308
Total liabilities .....	¥	88,436	¥ 84,451
<b>Contingent liabilities (Note 20)</b>			
<b>Net Assets (Note 33):</b>			
<b>Shareholders' equity</b>			
Capital stock:			
Authorized – 144,000,000 shares			
Issued – 54,172,361 shares in December 2023 and 2022 .....	¥	7,473	¥ 7,473
Capital surplus .....		5,673	5,672
Retained earnings .....		77,740	71,730
Treasury shares, at cost – 4,127,549 shares in December 2023 and 4,143,541 shares in December 2022 .....		(4,000)	(4,015)
Total shareholders' equity .....		86,886	80,860
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities .....		2,151	1,112
Deferred gains or losses on hedges .....		2	(0)
Foreign currency translation adjustment .....		10,169	5,010
Remeasurements of defined benefit plans .....		(411)	(710)
Total accumulated other comprehensive income .....		11,911	5,412
Non-controlling interests .....		6,854	6,681
Total net assets .....		105,651	92,953
	¥	194,087	¥ 177,404

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



**SAKATA INX CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**Years ended December 31, 2023 and 2022**

	<i>Millions of yen</i>	
	2023	2022
<b>Net sales</b> .....	¥ 228,312	¥ 215,531
<b>Cost of sales</b> .....	177,986	176,313
<b>Selling, general and administrative expenses (Note 22)</b> .....	38,928	35,093
Operating income .....	11,398	4,125
<b>Other income (expenses):</b>		
Interest income .....	208	65
Dividend income .....	138	236
Real estate rent .....	180	180
Equity in earnings of affiliates .....	1,750	997
Interest expenses .....	(767)	(531)
Commission expenses .....	-	(100)
Foreign exchange gains and losses .....	416	(250)
Gain on sales of investment securities (Notes 12 and 23) .....	38	1,442
Gain on sales of business (Notes 24) .....	415	-
Loss on sales of non-current assets (Notes 25) .....	(54)	-
Subsidy income .....	100	100
Loss on retirement of non-current assets (Note 26) .....	-	(218)
Loss on valuation of shares of affiliates (Note 27) .....	(280)	-
Impairment loss (Notes 28) .....	(2,742)	-
Other, net .....	311	239
Income before income taxes .....	11,111	6,285
<b>Income taxes:</b>		
Current .....	3,739	1,857
Deferred (Note 18) .....	(141)	(508)
	3,598	1,349
<b>Net income</b> .....	7,513	4,936
<b>Net income attributable to non-controlling interests</b> .....	(46)	(381)
Net income attributable to owners of parent .....	¥ 7,467	¥ 4,555
	<i>Yen</i>	
Net income per share of capital stock (Note 35) .....	¥ 149.22	¥ 85.52
Cash dividends per share applicable to the year (Note 35) .....	¥ 35.00	¥ 30.00

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

**SAKATA INX CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**Years ended December 31, 2023 and 2022**

	<i>Millions of yen</i>	
	2023	2022
<b>Net income</b> .....	¥ 7,513	¥ 4,936
<b>Other comprehensive income (Note 29):</b>		
Valuation difference on available-for-sale securities.....	1,087	(953)
Deferred gains or losses on hedges .....	3	3
Foreign currency translation adjustment .....	4,248	5,487
Remeasurements of defined benefit plans, net of tax .....	310	(473)
Share of other comprehensive income of affiliates accounted for using equity method .....	1,326	1,784
Total other comprehensive income .....	6,974	5,848
<b>Comprehensive income</b> .....	<u>¥ 14,487</u>	<u>¥ 10,784</u>
<b>Comprehensive income attributable to:</b>		
Owners of parent .....	¥ 13,966	¥ 9,692
Non-controlling interests .....	¥ 521	¥ 1,092

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

**SAKATA INX CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
**Year ended December 31, 2023**

	<i>Number of shares of common stock</i>	<i>Millions of yen</i>				
		<i>Capital stock</i>	<i>Capital surplus</i>	<i>Retained earnings</i>	<i>Treasury shares</i>	<i>Total shareholders' equity</i>
<b>Balance at the beginning of current period</b> .....	54,172,361	¥ 7,473	¥ 5,672	¥ 71,730	¥ (4,015)	¥ 80,860
Dividends of surplus (Notes 33 and 35) .....	-	-	-	(1,501)	-	(1,501)
Net income attributable to owners of parent .....	-	-	-	7,467	-	7,467
Purchase of treasury shares .....	-	-	-	-	(0)	(0)
Disposal of treasury shares .....	-	-	1	-	15	16
Change in scope of consolidation .....	-	-	-	(3)	-	(3)
Change in scope of consolidation in affiliates accounted for using equity method .....	-	-	-	47	-	47
Net changes of items other than shareholders' equity .....	-	-	-	-	-	-
Total changes of items during the period .....	-	-	1	6,010	15	6,026
<b>Balance at the end of current period</b> .....	54,172,361	¥ 7,473	¥ 5,673	¥ 77,740	¥ (4,000)	¥ 86,886

	Millions of yen						
	Valuation difference on available-for- sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥ 1,112	¥ (0)	¥ 5,010	¥ (710)	¥ 5,412	¥ 6,681	¥ 92,953
Dividends of surplus (Notes 33 and 35)	-	-	-	-	-	-	(1,501)
Net income attributable to owners of parent	-	-	-	-	-	-	7,467
Purchase of treasury shares	-	-	-	-	-	-	(0)
Disposal of treasury shares	-	-	-	-	-	-	16
Change in scope of consolidation	-	-	-	-	-	-	(3)
Change in scope of consolidation in affiliates accounted for using equity method							47
Net changes of items other than shareholders' equity	1,039	2	5,159	299	6,499	173	6,672
Total changes of items during the period	1,039	2	5,159	299	6,499	173	12,698
Balance at the end of current period	¥ 2,151	¥ 2	¥ 10,169	¥ (411)	¥ 11,911	¥ 6,854	¥ 105,651

*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>
<b>Balance at the beginning of current period</b> .....	62,601,161	¥ 7,473	¥ 5,675	¥ 76,967	¥ (4,010)	¥ 86,105
Dividends of surplus (Notes 33 and 35) .....	-	-	-	(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)
<b>Balance at the end of current period</b> .....	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>
<b>Balance at the beginning of current period</b> .....	¥ 2,106	¥ (3)	¥ (1,606)	¥ (222)	¥ 275	¥ 6,085	¥ 92,465
Dividends of surplus (Notes 33 and 35) .....	-	-	-	-	-	-	(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
<b>Balance at the end of current period</b> .....	¥ 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 CASH FLOWS**  
**Years ended December 31, 2023 and 2022**

	<i>Millions of yen</i>	
	2023	2022
<b>Cash flows from operating activities:</b>		
Income before income taxes	¥ 11,111	¥ 6,285
Depreciation and amortization	4,868	4,799
Amortization of goodwill	118	108
Increase (decrease) in allowance for doubtful accounts	(103)	(57)
Decrease (increase) in retirement benefit asset	(321)	785
Increase (decrease) in retirement benefit liability	182	(83)
Increase (decrease) in provision for bonuses	112	(67)
Loss (gain) on sales of fixed assets	54	-
Impairment loss	2,742	-
Loss on valuation for shares of affiliates	280	-
Interest and dividend income	(345)	(301)
Interest expenses	767	531
Equity in (earnings) losses of affiliates	(1,750)	(997)
Loss (gain) on sales of investment securities	(38)	(1,442)
Loss on retirement of non-current assets	-	218
Subsidy income	(100)	(100)
Loss (gain) on sales of business	(415)	-
Decrease (increase) in notes and accounts receivable - trade	(3,404)	(861)
Decrease (increase) in inventories	3,027	(1,241)
Increase (decrease) in notes and accounts payable - trade, including electronically recorded obligations - operating	1,085	(1,176)
Other, net	127	346
Subtotal	17,997	6,747
Interest and dividend income received	693	645
Interest expenses paid	(759)	(550)
Proceeds from subsidy income	100	100
Income taxes paid	(2,659)	(1,997)
Net cash provided by (used in) operating activities	15,372	4,945
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(4,270)	(4,818)
Proceeds from sales of property, plant and equipment	250	58
Purchase of intangible assets	(1,744)	(1,644)
Purchase of investment securities	(1,933)	(368)
Proceeds from sales of investment securities	47	4,628
Payments of loans receivable	(58)	(24)
Collection of loans receivable	65	77
Proceeds from sales of business	415	-
Other, net	(363)	423
Net cash provided by (used in) investing activities	(7,591)	(1,666)

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

	<i>Millions of yen</i>	
	2023	2022
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in short-term loans payable .....	(3,305)	4,763
Proceeds from long-term loans payable .....	3,647	7,582
Repayments of long-term loans payable .....	(2,542)	(5,669)
Cash dividends paid .....	(1,501)	(1,627)
Dividends paid to non-controlling interests .....	(348)	(643)
Proceeds from share issuance to non-controlling shareholders .....	-	147
Purchase of treasury shares .....	(0)	(8,193)
Other, net .....	(250)	(257)
Net cash provided by (used in) financing activities .....	(4,299)	(3,897)
<b>Effect of exchange rate change on cash and cash equivalents .....</b>	<b>1,003</b>	<b>225</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>4,485</b>	<b>(393)</b>
<b>Cash and cash equivalents at beginning of period .....</b>	<b>11,722</b>	<b>12,115</b>
<b>Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation .....</b>	<b>12</b>	<b>-</b>
<b>Cash and cash equivalents at end of period (Note 30) .....</b>	<b>¥ 16,219</b>	<b>¥ 11,722</b>

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



# SAKATA INX CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of Presenting Consolidated Financial Statements

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

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

### 2. Significant Accounting Policies

#### *Consolidation*

The consolidated financial statements include the accounts of the Company and its twenty-six subsidiaries (twenty-four in 2022). 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 (CAMBODIA) CO., LTD., an unconsolidated subsidiary in 2022, has been included in the scope of consolidation due to an increase in materiality, and INX International Resources de México, S. de R.L. de C.V. has been newly founded and included in the scope of consolidation. All significant intercompany transactions and balances 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 2022). 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 13 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, 2023 and 2022 were ¥4,548 million and ¥4,267 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, 2023 and 2022

MAOMING SAKATA INX CO., LTD.		<i>Millions of yen</i>	
		2023	2022
Notes and accounts receivable – trade (Total of current and non-current asset) .....	¥	3,544	¥ 3,061
Allowance for doubtful accounts (Non-current asset)		(220)	(223)

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

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

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

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

Following accounting standards and guidance are those issued but not yet adopted.

- “Accounting Standard for Current Income Taxes (ASBJ Statement No.27, October 28, 2022)
- “Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No.25, October 28, 2022)
- “Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No.28, October 28, 2022)

(1) Overview

Transfer of JICPA’s practical guidelines on tax effect accounting to ASBJ was completed with the issuance of standards and guidance including ASBJ Statement No.28, Partial Amendments to Accounting Standard for Tax Effect Accounting (hereinafter collectively referred to as “ASBJ Statement No.28, etc.”) in February 2018. During their deliberations, it had been determined that the following two issues would be further discussed subsequent to the issuance of ASBJ Statement No. 28, etc. The above standards and guidance were issued as a result of the discussions on the two issues below:

- Categories in which income tax expense should be recorded (taxes on other comprehensive income)
- Tax effects associated with sales of shares of subsidiaries, etc. (i.e., shares of subsidiaries or affiliates) when the group taxation regime is applied.

(2) Effective date

Effective from the beginning of the fiscal year ending December 31, 2025.

(3) Effect of application of the standard

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

## 5. Changes in Accounting Estimates

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

The Company and some of the domestic subsidiaries used the straight-line method for amortization of actuarial gain or loss in retirement benefits over primarily 14 years, a period which reflects the average of the estimated remaining service years of employees. However, we changed the period to 13 years from the year ended December 31, 2023 because the estimated remaining service years of employees were shorter than the previous year.

As a result, operating income and income before income taxes decreased by ¥90 million compared to those before the change in the estimated remaining service years of employees.

## 6. Details of “Notes and accounts receivable – trade”

Receivables of contracts with customers included in the “Notes and accounts receivable – trade” as of December 31, 2023 and 2022 were as follows:

		<i>Millions of yen</i>	
		2023	2022
Notes receivable - trade .....	¥	10,432	¥ 10,878
Accounts receivable - trade .....		48,966	42,985

## 7. Investment Securities to Unconsolidated Subsidiaries and Affiliated Companies

		<i>Millions of yen</i>	
		2023	2022
Investment securities - shares .....	¥	21,457	¥ 18,881
Other in investments and other assets - capital .....		-	34

## 8. Accumulated Depreciation

<i>Millions of yen</i>	
2023	2022
¥ 80,012	¥ 76,440

## 9. 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, 2023 and 2022.

## 10. Effect of Bank Holiday

As financial institutions in Japan were closed on both December 31, 2023 and 2022, amounts that would have been settled on December 31 were collected or paid on the first business day in January 2023 and 2023. The amounts included in the consolidated balance sheet as of December 31, 2023 and 2022 were as follows:

	<i>Millions of yen</i>	
	2023	2022
Notes and accounts receivable - trade .....	¥ 808	¥ 780
Notes and accounts payable - trade .....	40	38
Electronically recorded obligations - operating .....	2,178	2,144

## 11. 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 is 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, 2023 and 2022 are set forth in the tables below.

### *Year ended December 31, 2023*

	<i>Millions of yen</i>		
	Consolidated balance sheet amount	Fair value	Difference
(1) Investments:			
Securities in affiliates .....	¥ 20,497	¥ 15,818	¥ (4,679)
Available-for-sale securities .....	5,803	5,803	-
Total assets .....	¥ 26,300	¥ 21,621	¥ (4,679)
(1) Bonds payable .....	¥ 1,000	¥ 994	¥ (6)
(2) Long-term loans payable .....	14,701	14,432	(269)
Total liabilities .....	¥ 15,701	¥ 15,426	¥ (275)

\*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 were ¥3,817 million.

### *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 were ¥2,105 million.

Note 1: Aggregate annual maturities of money claims and securities with maturities as of December 31, 2023 and 2022 were as follows:

### *Year ended*

### *December 31, 2023*

	<i>Millions of yen</i>			
	2024	2025-2028	2029-2033	2034 and thereafter
Cash and deposits .....	¥ 17,014	¥ -	¥ -	¥ -
Notes and accounts receivable - trade .....	59,398	-	-	-
Total .....	¥ 76,412	¥ -	¥ -	¥ -

**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	¥ -	¥ -	¥ -

Note 2: Aggregate annual maturities of long-term loans payable as of December 31, 2023 and 2022 were as follows:

**Year ended****December 31, 2023**

	<i>Millions of yen</i>					
	2024	2025	2026	2027	2028	2029 and thereafter
Bonds payable .....	¥ -	¥ -	¥ 1,000	¥ -	¥ -	¥ -
Long-term loans payable .....	¥ 3,416	¥ 3,600	¥ 1,317	¥ 6,126	¥ 242	¥ -

**Year ended****December 31, 2022**

	<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	¥ -

### 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

<b>Year ended December 31, 2023</b>		<i>Millions of yen</i>				
Category		Fair value				
		Level 1	Level 2	Level 3	Total	
Investments:						
Available-for-sale securities						
Shares	.....	¥ 5,803	¥ -	¥ -	¥	5,803
Total assets	.....	¥ 5,803	¥ -	¥ -	¥	5,803

  

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

<b>Year ended December 31, 2023</b>		<i>Millions of yen</i>						
Category		Fair value						
		Level 1	Level 2	Level 3	Total			
Investments:								
Securities in affiliates	¥	15,817	¥	-	¥	-	¥	15,817
Total assets	¥	15,817		-	-	¥	15,817	
Bonds payable	¥	-	¥	994	¥	-	¥	994
Long-term loans payable		-		14,432		-		14,432
Total liabilities	¥	-	¥	15,426	¥	-	¥	15,426

<b>Year ended December 31, 2022</b>		<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.

## 12. Securities

The following tables summarize the consolidated balance sheet amount, acquisition cost and fair value of available-for sale securities as of December 31, 2023 and 2022. Available-for-sale securities (non-listed equity securities) in the consolidated balance sheet amounted to ¥2,857million as of December 31, 2023 and ¥669 million as of December 31, 2022 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 ¥46 million for the year ended December 31, 2023 and ¥4,628 million for the year ended December 31, 2022, and the related gains amounted to ¥38 million for the year ended December 31, 2023 and ¥1,442 million for the year ended December 31, 2022.

<i>Period ended December 31, 2023</i>		<i>Millions of yen</i>	
	Consolidated balance sheet amount	Acquisition cost	Difference
(1) Equity securities with consolidated balance sheet amount exceeding acquisition cost.....	¥ 5,772	¥ 2,686	¥ 3,086
(2) Other .....	-	-	-
Subtotal .....	5,772	2,686	3,086
(1) Equity securities with consolidated balance sheet amount not exceeding acquisition cost .....	30	39	(9)
(2) Other .....	-	-	-
Subtotal .....	30	39	(9)
Total .....	¥ 5,802	¥ 2,725	¥ 3,077

<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

*(Impairment loss on securities)*

### *Year ended December 31, 2023*

Impairment loss of ¥280 million was recognized for non-listed securities.

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

### *Year ended December 31, 2022*

Not applicable.

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

Short-term loans payable at December 31, 2023 and 2022 consisted of short-term notes generally for one year bearing interest ranging from 0.23% to 9.70%.

Long-term loans payable at December 31, 2023 and 2022 consisted of the following:

	<i>Millions of yen</i>	
	2023	2022
Unsecured:		
Loans principally from banks at		
0.18% - 5.10% maturing through 2028 .....	14,701	13,223
Less amounts due within one year .....	3,416	1,979
	<u>¥ 11,285</u>	<u>¥ 11,244</u>

The aggregate annual maturities of long-term loans payable at December 31, 2023 were as follows:

<u>Year ending December 31.</u>	<i>Millions of yen</i>	
2024.....	¥	3,416
2025.....		3,600
2026.....		1,317
2027.....		6,126
2028 and thereafter .....		242
	<u>¥</u>	<u>14,701</u>

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

Specific commitment lines .....	¥ 3,000 million
Used portion as of December 31, 2023 .....	¥ -

### 14. Assets Pledged as Collateral

Assets pledged as collateral as of December 31, 2023 and 2022 were as follows:

	<i>Millions of yen</i>	
	2023	2022
Notes and accounts receivable - trade .....	¥ 9	¥ 8
Investments in other .....	54	47
	<u>¥ 63</u>	<u>¥ 55</u>

Liabilities secured by the above assets were as follows:

	<i>Millions of yen</i>	
	2023	2022
Notes and accounts payable - trade .....	¥ 192	¥ 203
Short-term loans payable.....	9	8
	<u>¥ 201</u>	<u>¥ 211</u>

## 15. Finance Leases

Capitalized finance leases of the Companies at December 31, 2023 and 2022 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, 2023 and 2022 were as follows:

### (1) Description of lease assets

Tangible fixed assets:

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

### (2) Depreciation method for lease assets

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

## 16. Derivative Transactions

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

Not applicable

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

A description is omitted because it is immaterial.

## 17. Retirement Benefits

### 1. Outline of adopted retirement benefit plans

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

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

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

	<i>Millions of yen</i>	
	2023	2022
Balance at the beginning of current period	¥ 12,384	¥ 12,434
Service cost (*)	512	508
Interest cost	111	91
Actuarial loss (gain)	72	106
Benefits paid	(596)	(767)
Other	96	12
Balance at the end of current period	¥ 12,579	¥ 12,384

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

#### (2) Movement in plan assets

	<i>Millions of yen</i>	
	2023	2022
Balance at the beginning of current period	¥ 7,534	¥ 8,256
Expected return on plan assets	175	186
Actuarial loss (gain)	257	(719)
Contributions paid by the employer	241	266
Benefits paid	(375)	(479)
Other	46	24
Balance at the end of current period	¥ 7,878	¥ 7,534

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

	<i>Millions of yen</i>	
	2023	2022
Funded retirement benefit obligations .....	¥ 7,937	¥ 7,806
Plan assets .....	(7,878)	(7,534)
Total .....	59	272
Unfunded retirement benefit obligations .....	4,642	4,578
Total net liability (asset) for retirement benefits at the end of current period .....	¥ 4,701	¥ 4,850
Net defined benefit liability .....	5,041	4,869
Net defined benefit asset .....	(340)	(19)
Total net liability (asset) for retirement benefits at the end of current period .....	¥ 4,701	¥ 4,850

(4) Retirement benefit costs

	<i>Millions of yen</i>	
	2023	2022
Service cost (*) .....	¥ 512	¥ 508
Interest cost .....	111	91
Expected return on plan assets .....	(175)	(186)
Net actuarial loss amortization .....	235	152
Other .....	-	-
Total retirement benefit costs for defined benefit plans .....	(12)	(72)
	¥ 671	¥ 493

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

(5) Remeasurements of defined benefit plans

	<i>Millions of yen</i>	
	2023	2022
Actuarial gains and losses .....	437	(657)
Total .....	¥ 437	¥ (657)

(6) Accumulated remeasurements of defined benefit plans

	<i>Millions of yen</i>	
	2023	2022
Actuarial gains and losses that are yet to be recognized .....	517	955
Total .....	¥ 517	¥ 955

(7) Plan assets

	2023	2022
(a) Plan assets comprise:		
Bonds .....	53.7 %	55.3 %
Equity securities .....	10.6	10.2
Alternative assets (*) .....	24.8	23.4
Other .....	10.9	11.1
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

	2023	2022
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>	
	2023	2022
Accrued contribution by consolidated subsidiaries .....	¥ 1,523	¥ 532



## 18. Deferred Income Taxes

Significant components of the Companies' deferred tax assets and liabilities as of December 31, 2023 and 2022 were as follows:

	<i>Millions of yen</i>	
	2023	2022
Deferred tax assets:		
Allowance for doubtful accounts	¥ 180	¥ 200
Provision for bonuses	165	132
Net defined benefit liability	2,078	1,964
Write-down of inventories	124	122
Intangible assets	380	414
Tax loss carryforwards	1,041	1,579
R&D expenses	724	432
Other	1,709	1,163
Subtotal	6,401	6,006
Valuation allowance for tax loss carryforwards	(886)	(1,576)
Valuation allowance for total of deductible temporary differences	(661)	(176)
Subtotal	(1,547)	(1,752)
Total deferred tax assets	4,854	4,254
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(931)	(448)
Special reserves	(878)	(915)
Depreciation	(1,009)	(990)
Retained earnings of subsidiaries and affiliates	(4,348)	(3,970)
Other	(833)	(643)
Total deferred tax liabilities	(7,999)	(6,966)
Net deferred tax assets (liabilities)	¥ (3,145)	¥ (2,712)

Note 1: Valuation allowance decreased by ¥205 million. The decrease was mainly due to the decrease of valuation allowance related to tax loss carry forwards in a part of subsidiaries.

Note 2: Expiration periods for tax loss carryforwards and deferred tax assets as of December 31, 2023 and 2022 were as follows:

<i>Year ended</i>	<i>Millions of yen</i>						
<i>December 31, 2023</i>	2024	2025	2026	2027	2028	2029 and thereafter	Total
Tax loss							
carryforwards	¥ 12	¥ -	¥ -	¥ -	¥ 13	¥ 1,016	¥ 1,041
Valuation							
allowance	(12)	-	-	-	(13)	(861)	(886)
Deferred							
tax assets	-	-	-	-	-	155	155

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

Year ended

December 31, 2022

Millions of yen

	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.

The reconciliation between the effective tax rate reflected in the consolidated financial statements and the statutory tax rate for the years ended December 31, 2023 and 2022 is summarized as follows:

	2023	2022
Statutory tax rate of the Company .....	30.6%	30.6%
(Reconciliation)		
Expenses not qualifying for deduction .....	1.4	1.8
Revenues not in gross revenue .....	(4.7)	(8.4)
Tax credits .....	(2.3)	(4.1)
Equity in earnings of affiliates .....	(4.8)	(4.9)
Elimination of dividend income .....	4.0	7.2
Valuation allowance .....	5.9	(2.9)
Retained earnings of foreign subsidiaries .....	3.4	4.1
Difference in the effective tax rates of foreign subsidiaries .....	(2.1)	(1.8)
Other .....	1.0	(0.1)
Effective tax rate after adoption of tax effect accounting .....	32.4%	21.5%

## 19. Revenue Recognition

### 1. Disaggregated revenue from contracts with customers

Information on disaggregated revenue from contracts with customers is described in Note 31, “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

	Millions of yen	
	2023	2022
Receivables from contracts with customers at the beginning of the year .....	¥ 53,863	49,363
Receivables from contracts with customers at the end of the year .....	59,398	53,863
Contract liabilities at the beginning of the year .....	72	106
Contract liabilities at the end of the year .....	187	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, 2023, the amounts included in liabilities from contracts with customers at the beginning of the fiscal year were ¥72 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.

## 20. Contingent Liabilities

At December 31, 2023 and 2022, the Companies were contingently liable as follows:

	<i>Millions of yen</i>	
	2023	2022
TAIWAN SAKATA INX CORP .....	¥ 189	¥ 178
Total .....	¥ 189	¥ 178

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.

## 21. 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”.

## 22. Selling, General and Administrative Expenses

The main items of selling, general and administrative expenses for the years ended December 31, 2023 and 2022 were as follows:

	<i>Millions of yen</i>	
	2023	2022
Freightage and packing expenses .....	¥ 6,513	¥ 6,949
Salaries and allowances .....	13,156	11,802
Depreciation .....	844	752
Provision of allowance for doubtful accounts .....	54	36
Provision for bonuses .....	339	279
Retirement benefit expenses .....	1,314	488
Research and development expenses .....	4,548	4,267

## 23. Gain on Sales of Investment Securities

### *Year ended December 31, 2023*

¥38 million of gain on sales of investment securities was calculated due to sales of investment securities.

### *Year ended December 31, 2022*

Because of cancellation of capital alliance with Toyo Ink SC Holdings Co., Ltd., (currently artience Co., Ltd.) ¥1,442 million was calculated for the year ended December 31, 2022.

## 24. Gain on Sales of Business

### *Year ended December 31, 2023*

SAKATA SANGYO, LIMITED recognized the gain on sales of business of ¥415 million arising from the transfer of the insurance service business.

### *Year ended December 31, 2022*

Not applicable.

## 25. Loss on Sales of Non-Current Assets

The details of loss on sales of property, plant and equipment for the years ended December 31, 2023 and 2022 were as follows:

	<i>Millions of yen</i>	
	2023	2022
Building .....	¥ -17	¥ -
Land .....	68	-
Demolition and removal expenses .....	3	-
Total .....	¥ 54	¥ -

(\*) Gain on sales of building, loss on sales of land, and demolition and removal expenses were offset, when recognizing the sales of the same property, and they were described as Loss on sales of fixed assets in the Income statement.

## 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, 2023 and 2022 were as follows:

	<i>Millions of yen</i>	
	2023	2022
Buildings and structures .....	¥ -	¥ 1
Machinery, equipment and vehicles .....	-	26
Other fixed assets .....	-	0
Demolition and removal expenses .....	-	191
Total .....	¥ -	¥ 218

## 27. Loss on Valuation of Shares of Affiliates

### *Year ended December 31, 2023*

Impairment loss on the valuation of shares of the affiliate, Wonder Future Corporation, was recognized because the valuation of shares declined significantly.

### *Year ended December 31, 2022*

Not applicable.

## 28. Impairment Loss

### *Year ended December 31, 2023*

Impairment loss recognized for the year ended December 31, 2023 was as follows:

Location	Purpose of use	Type	Amount (Millions of yen)
MAOMING SAKATA INX CO.,LTD., (China)	Assets for business (Maoming second factory)	Construction in Progress	¥ 2,742

The business assets of the Companies are generally grouped based on business segment, while the assets of certain consolidated subsidiaries are grouped based on the individual company.

The assets in the table above were for demand expansion of offset inks in the market of China and the construction started in September 2018. However, there had been significant delays in the construction due to the COVID-19 pandemic and other factors, and significant increase in total construction cost due to soaring costs of construction materials and labor. As the demand for offset inks was expected to remain sluggish for the foreseeable future due to the stagnation of Chinese economy, and the completion of the plant construction was not foreseeable, the impairment loss was recognized for these assets.

As no future cash flow was expected from the above assets, the recoverable amounts were estimated to be zero and the entire book value was recognized as impairment loss. The ratio of the investment in MAOMING SAKATA INX CO., LTD. was 63.26%, so the impact on net income attributable to owners of parent was ¥1,735 million.

### *Year ended December 31, 2022*

Not applicable.

## 29. Consolidated Statements of Comprehensive Income

The reclassification adjustment and the tax benefit concerning other comprehensive income for the years ended December 31, 2023 and 2022 were as follows:

	<i>Millions of yen</i>	
	2023	2022
Valuation difference on available-for-sale securities		
Amount arising during the period	¥ 1,609	¥ 65
Reclassification adjustment included in net income	(38)	(1,442)
Pre-tax amount	1,571	1,377
Tax benefit	(484)	(424)
Valuation difference on available-for-sale securities	1,087	(953)
Foreign currency translation adjustment		
Amount arising during the period	4,248	5,487
Deferred gains or losses on hedges		
Amount arising during the period	2	2
Reclassification adjustment included in net income	2	2
Pre-tax amount	4	4
Tax benefit	(1)	(1)
Deferred gains or losses on hedges	3	3
Remeasurements of defined benefit plans		
Amount arising during the period	179	(742)
Reclassification adjustment included in net income	258	85
Pre-tax amount	437	(657)
Tax benefit	(127)	184
Remeasurements of defined benefit plans	310	(473)
Share of other comprehensive income of affiliates accounted for using equity method		
Amount arising during the period	1,337	1,787
Reclassification adjustment included in net income	(11)	(3)
Share of other comprehensive income of affiliates accounted for using equity method	1,326	1,784
Total other comprehensive income	¥ 6,974	¥ 5,848

## 30. 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, 2023 and 2022 were as follows:

	<i>Millions of yen</i>	
	2023	2022
Cash and deposits	¥ 17,014	¥ 12,120
Time deposits with original maturity of more than three months	(795)	(398)
Cash and cash equivalents	¥ 16,219	¥ 11,722



### 31. 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.

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

Year ended  
December 31, 2023

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	52,095	52,274	77,903	18,858	16,795	217,925	10,387	228,312	-	228,312
Other revenue	-	-	-	-	-	-	-	-	-	-
Net sales to outside customers	52,095	52,274	77,903	18,858	16,795	217,925	10,387	228,312	-	228,312
Intersegment sales and transfers	9	161	607	697	42	1,516	4,916	6,432	(6,432)	-
Total	52,104	52,435	78,510	19,555	16,837	219,441	15,303	234,744	(6,432)	228,312
Segment income	533	4,347	4,337	(790)	1,882	10,309	465	10,774	624	11,398
Segment assets	41,764	48,608	42,632	14,654	11,188	158,847	6,665	165,513	28,574	194,087
Depreciation	1,323	1,129	1,311	397	640	4,800	50	4,850	18	4,868
Amortization of goodwill	-	-	116	2	-	118	-	118	-	118
Increase in property, plant and equipment and intangible assets	2,154	1,656	1,964	191	530	6,495	11	6,506	4	6,510

(\*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 ¥624 million for segment income includes eliminations for intersegment transactions of ¥1,295 million and corporate expenses of ¥(671) million that have not been allocated to any segment. Corporate expenses are mainly service fees to unconsolidated subsidiaries and affiliates.
2. The adjustment of ¥28,573 million for segment assets includes eliminations for intersegment transactions of ¥(5,720) million and corporate assets of ¥34,294 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 ¥17 million for depreciation are mainly related to Corporate assets that have not been allocated to any segment.
4. The adjustment of ¥4 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, 2023**

1. Information about each product and service

<i>Year ended December 31, 2023</i>	<i>Millions of yen</i>				
	Printing inks	Graphic arts materials	Digital & Specialty products	Other	Total
Net sales to outside customers	¥ 189,714	¥ 11,465	¥ 16,795	¥ 10,338	¥ 228,312

2. Information about geographic areas

<i>Year ended December 31, 2023</i>	<i>Millions of yen</i>										
	Japan		Asia		America		Europe		Other		Total
Net sales	¥	66,530	¥	55,341	¥	66,632	¥	17,145	¥	22,664	¥ 228,312
Property, plant and equipment	¥	18,506	¥	11,701	¥	10,524	¥	4,242	¥	2,102	¥ 47,075

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, 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 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.

(Impairment loss by reportable segments)  
**Year ended December 31, 2023**

<i>Year ended December 31, 2023</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
Impairment loss	¥ -	¥ 2,742	¥ -	¥ -	¥ -	¥ 2,742	¥ -	¥ -	¥ 2,742

**Year ended December 31, 2022**

Not applicable.

(Amortization and unamortized balance of goodwill)  
**Year ended December 31, 2023**

<i>Year ended December 31, 2023</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	¥ -	¥ -	¥ 116	¥ 2	¥ -	¥ 118	¥ -	¥ -	¥ 118
Balance as of December 31, 2023	¥ -	¥ -	¥ 371	¥ 15	¥ -	¥ 386	¥ -	¥ -	¥ 386

**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

(Negative goodwill in other income by reportable segments)  
**Year ended December 31, 2023**

Not applicable.

**Year ended December 31, 2022**

Not applicable.

## 32. Related Party Transactions

Transactions with related parties for the years ended December 31, 2023 and 2022 were as follows:

### *Year ended December 31, 2023*

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	¥ 3,769	Notes and accounts receivable - trade	¥ 3,146
									Investments and other assets: Other	¥ 220

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 ¥220 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, 2023 was ¥11 million.

### *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)	Sales amounts ¥ 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.

Note 3: Toyo Ink SC Holdings Co., Ltd changed their company name into artience Co., Ltd. as of January 1<sup>st</sup>, 2024.

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.



### 33. Changes in Net Assets

#### 1. Shares issued and treasury shares

##### *Year ended December 31, 2023*

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	54,172,361	-	-	54,172,361
Treasury shares:				
Common stock	4,143,541	194	16,186	4,127,549

Note : The increase of 194 shares in the number of treasury shares was due to the purchase of fractional shares.

The decrease of 16,186 in the number of treasury shares was due to disposal of treasury shares as restricted stock based compensation.

##### *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.

#### 2. Dividends

##### *Dividends paid in the year ended December 31, 2023*

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, 2023	Common stock	¥ 750	¥ 15	December 31, 2022	March 30, 2023
Directors' meeting held on August 10, 2023	Common stock	¥ 750	¥ 15	June 30, 2023	September 1, 2023

##### *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 with a record date attributable to the year ended December 31, 2023 but an effective date after December 31, 2023

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 27, 2024	Common stock	Retained earnings	¥ 1,000	¥ 20	December 31, 2023	March 28, 2024

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

### 34. 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, 2023 and 2022

	<i>Millions of yen</i>	
	2023	2022
Current assets .....	¥ 157,621	¥ 150,276
Non-current assets .....	¥ 59,216	¥ 54,894
Current liabilities .....	¥ 88,654	¥ 96,598
Non-current liabilities .....	¥ 38,638	¥ 31,182
Net assets .....	¥ 89,545	¥ 77,390

#### Summarized statements of income for the years ended December 31, 2023 and 2022

	<i>Millions of yen</i>	
	2023	2022
Net sales .....	¥ 309,768	¥ 277,032
Income before income taxes .....	¥ 11,852	¥ 7,960
Net income attributable to owners of parent .....	¥ 8,185	¥ 4,734

### 35. Amounts Per Share

	<i>Yen</i>	
	2023	2022
Net assets per share .....	¥ 1,974.19	¥ 1,724.45
Dividends per share .....	¥ 35.00	¥ 30.00
Net income per share .....	¥ 149.22	¥ 85.52

Note 1: There were no dilutive securities.

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

	<i>Yen</i>	
	2023	2022
Net income attributable to owners of parent (millions of yen) .....	¥ 7,467	¥ 4,555
Net income attributable to owners of parent related to common stock (millions of yen) .....	¥ 7,467	¥ 4,555
Average number of shares of common stock during the fiscal year (thousands) .....	¥ 50,039	¥ 53,264

### 36. Subsequent Events

(Change in Subsidiary by the Transfer of Equity Interests)

The Company resolved at the Board meeting held on February 28<sup>th</sup>, 2024, that all equity interests in MAOMING SKATA INX CO.,LTD. Held by the Company were to be transferred to MAOMING HUACAI INK CO.,LTD., and concluded the contract on the transfer of equity interests on March 12<sup>th</sup>, 2024.

#### (1) The reason for the transfer

The Company had been expanding the business by the foundation of subsidiaries or extending sales channels in China to expand its market share in the global ink market.

However, in consideration of the future of offset inks in China, it is challenging to set up a business plan to add more value and assist further growth. The Company determined to transfer of all equity interests in MAOMING SKATA INX CO.,LTD. under the recognition that the best course of action for the company was to continue the business as a subsidiary of the co-investing partner in China, with conditions below.

The other subsidiaries in China will continue their operations.

#### (2) Overview of the subsidiary to be transferred

Name	MAOMING SAKATA INX CO.,LTD.
Business lines	Production and sale of printing inks for Asian market

#### (3) The name of the transferee

MAOMING HUACAI INK CO.,LTD.

(4) Equity interests transferred, amounts for the transfer, and status of equity interests before and after the transfer

Equity ratio before the transfer	63.26%
Equity interests transferred	63.26%
Amounts for the transfer*	69,500,000 RMB
Income or loss for the transfer	Currently being evaluated
Equity interests after the transfer	—%

(5) Transfer schedule

Resolution at the meeting of the Board of Directors	February 28, 2024
Execution date of transfer agreement	March 12, 2024
Implementation date of the transfer	April, 2024 (Scheduled)

(6) Future outlook

The impact of the above change on the consolidated financial statements for the fiscal year ending December 31, 2024 is immaterial.