SAKATA INX CORPORATION

Consolidated Financial Statements

As of December 31, 2024 and 2023

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, 2024 and 2023 , 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, 2024 and 2023 , 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.

Appropriateness of revenue cut-off	
The key audit matter	**How the matter was addressed in our audit**
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 ¥245,570 million, of which approximately 60% came from the Company and INX International Ink Co. (hereinafter referred to as "III"). 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	In order to assess whether the revenue cut-off related to the Company and III was appropriate, we primarily performed the procedures described below. These procedures involved the participation of the component auditors of III, and we directed, supervised, and reviewed their work to ensure that sufficient and appropriate audit evidence was obtained. **(1) Internal control testing** 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

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. 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. 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.	recognized based on supporting documents that proved the sale of goods for each transaction. **(2) Assessment of the appropriateness of revenue cut-off** 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: - assessed the appropriateness of the revenue cut-off by comparing the selected revenue before the fiscal year-end with the supporting documents; and - with respect to revenue recognition with negative amounts after the fiscal year-end, assessed the appropriateness of the timing of the revenue initially recognized by examining the details of the transactions and the reasons for returns and inspecting the supporting documents related to the revenue recognition.

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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose 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 238 million yen and 30 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.

R Koike
Ryosuke Koike
Designated Engagement Partner
Certified Public Accountant

T. Amemoto
Takuma Amemoto
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Osaka Office, Japan
July 31, 2025

SAKATA INX CORPORATION
CONSOLIDATED BALANCE SHEETS
Years ended December 31, 2024 and 2023

	Millions of yen	
	2024	2023
ASSETS		
Current assets:		
Cash and deposits (Note 12 and 33)	¥ 15,717	¥ 17,014
Notes and accounts receivable - trade (Notes 7, 11, 12, 15 and 20)	64,151	59,402
Merchandise and finished goods	19,303	16,086
Work-in-process	1,664	1,450
Raw materials and supplies	18,840	14,506
Other	3,751	2,763
Allowance for doubtful accounts	(665)	(664)
Total current assets	122,761	110,557
Property, plant and equipment (Notes 9, 10, and 16):		
Buildings and structures, net	21,181	19,892
Machinery, equipment and vehicles, net	11,830	10,685
Land	10,335	9,817
Leased assets, net	200	256
Construction in progress	4,991	2,224
Other, net	5,473	4,201
Total property, plant and equipment	54,010	47,075
Intangible assets:		
Goodwill (Note 35)	1,483	386
Other	5,639	3,519
Total intangible assets	7,122	3,905
Investments and other assets:		
Investment securities (Notes 8, 12, 13 and 15)	32,834	30,118
Long-term loans receivable	29	29
Retirement benefit asset (Note 18)	1,127	340
Deferred tax assets (Note 19)	1,854	1,208
Other	1,830	1,736
Allowance for doubtful accounts (Note 3)	(97)	(881)
Total investments and other assets	37,577	32,550
	¥ 221,470	¥ 194,087

The accompanying notes are an integral part of these statements.

	Millions of yen	
	2024	2023
LIABILITIES AND NET ASSETS		
Current liabilities:		
Notes and accounts payable - trade (Notes 11, 12 and 15)	25,644	25,579
Electronically recorded obligations - operating (Notes 11)	14,215	14,030
Short-term loans payable (Notes 14 and 15)	9,434	8,355
Current portion of long-term loans payable (Notes 12 and 14)	4,817	3,416
Lease obligations	834	697
Accrued expenses	6,986	5,624
Income taxes payable	467	840
Provision for bonuses	761	663
Other	3,081	2,607
Total current liabilities	66,239	61,811
Non-current liabilities:		
Bonds payable (Note 12)	1,000	1,000
Long-term loans payable (Notes 12, and 14)	17,749	11,285
Lease obligations	2,411	1,151
Deferred tax liabilities (Note 19)	5,723	4,353
Retirement benefit liability (Note 18)	4,728	5,041
Asset retirement obligations	75	77
Other	4,323	3,718
Total non-current liabilities	36,009	26,625
Total liabilities	¥ 102,248	¥ 88,436
Contingent liabilities (Note 21)		
Net Assets (Note 37):		
Shareholders' equity		
Capital stock:		
Authorized – 144,000,000 shares		
Issued – 54,172,361 shares in December 2024 and 2023	¥ 7,473	¥ 7,473
Capital surplus	5,814	5,673
Retained earnings	84,497	77,740
Treasury shares, at cost – 4,567,137 shares in December 2024 and 4,127,549 shares in December 2023	(4,930)	(4,000)
Total shareholders' equity	92,854	86,886
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,313	2,151
Deferred gains or losses on hedges	(0)	2
Foreign currency translation adjustment	16,839	10,169
Remeasurements of defined benefit plans	305	(411)
Total accumulated other comprehensive income	19,457	11,911
Non-controlling interests	6,911	6,854
Total net assets	119,222	105,651
	¥ 221,470	¥ 194,087

The accompanying notes are an integral part of these statements.

SAKATA INX CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2024 and 2023

	Millions of yen	
	2024	2023
Net sales	¥ 245,571	¥ 228,362
Cost of sales	186,938	177,986
Selling, general and administrative expenses (Note 23)	45,471	38,928
Operating income	13,162	11,448
Other income (expenses):		
Interest income	310	208
Dividend income	158	138
Real estate rent	181	180
Equity in earnings of affiliates	875	1,750
Interest expenses	(811)	(767)
Foreign exchange gains and losses	(1,024)	416
Gain on sales of investment securities (Notes 13 and 24)	32	38
Gain on sales of business (Notes 25)	-	415
Gain on sale of investments in capital of subsidiaries and associates (Notes 26)	606	-
Loss on sales of non-current assets (Notes 27)	0	(54)
Subsidy income	71	100
Loss on retirement of non-current assets (Note 28)	(209)	-
Loss on valuation of shares of affiliates (Note 13 and 29)	-	(280)
Loss on valuation of investment securities (Note 13 and 30)	(100)	-
Impairment loss (Notes 31)	-	(2,742)
Other, net	43	261
Income before income taxes	13,294	11,111
Income taxes:		
Current	3,255	3,739
Deferred (Note 19)	(204)	(141)
	3,051	3,598
Net income	10,243	7,513
Net income attributable to non-controlling interests	(1,237)	(46)
Net income attributable to owners of parent	¥ 9,006	¥ 7,467

	Yen	
Net income per share of capital stock (Note 39)	¥ 180.64	¥ 149.22
Cash dividends per share applicable to the year (Note 39)	¥ 70.00	¥ 35.00

The accompanying notes are an integral part of these statements.

SAKATA INX CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2024 and 2023

	Millions of yen			
	2024		2023	
Net income	¥	10,243	¥	7,513
Other comprehensive income (Note 32):				
Valuation difference on available-for-sale securities		226		1,087
Deferred gains or losses on hedges		(2)		3
Foreign currency translation adjustment		5,007		4,248
Remeasurements of defined benefit plans, net of tax		728		310
Share of other comprehensive income of affiliates accounted for using equity method		2,313		1,326
Total other comprehensive income		8,272		6,974
Comprehensive income	¥	18,515	¥	14,487
Comprehensive income attributable to:				
Owners of parent	¥	16,551	¥	13,966
Non-controlling interests	¥	1,964	¥	521

The accompanying notes are an integral part of these statements.

SAKATA INX CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Year ended December 31, 2024

	Number of shares of common stock	*Millions of yen* Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	54,172,361	¥ 7,473	¥ 5,673	¥ 77,740	¥ (4,000)	¥ 86,886
Dividends of surplus (Notes 37 and 39)	-	-	-	(2,249)	-	(2,249)
Net income attributable to owners of parent	-	-	-	9,006	-	9,006
Purchase of treasury shares	-	-	-	-	(1,000)	(1,000)
Disposal of treasury shares	-	-	73	-	138	211
Purchase of treasury shares for Employee Stock Ownership Plan	-	-	-	-	(204)	(204)
Disposal of treasury shares for Employee Stock Ownership Plan	-	--	68	-	136	204
Net changes of items other than shareholders' equity	-	-	-	-	-	-
Total changes of items during the period	-	-	141	6,757	(930)	5,968
Balance at the end of current period	54,172,361	¥ 7,473	¥ 5,814	¥ 84,497	¥ (4,930)	¥ 92,854

	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	¥ 2,151	¥ 2	¥ 10,169	¥ (411)	¥ 11,911	¥ 6,854	¥ 105,651
Dividends of surplus (Notes 37 and 39)	-	-	-	-	-	-	(2,249)
Net income attributable to owners of parent	-	-	-	-	-	-	9,006
Purchase of treasury shares	-	-	-	-	-	-	(1,000)
Disposal of treasury shares	-	-	-	-	-	-	211
Purchase of treasury shares for Employee Stock Ownership Plan	-	-	-	-	-	-	(204)
Disposal of treasury shares for Employee Stock Ownership Plan	-	-	-	-	-	-	204
Net changes of items other than shareholders' equity	162	(2)	6,670	716	7,546	57	7,603
Total changes of items during the period	162	(2)	6,670	716	7,546	57	13,571
Balance at the end of current period	¥ 2,313	¥ (0)	¥ 16,839	¥ 305	¥ 19,457	¥ 6,911	¥ 119,222

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

	Number of shares of common stock	Millions of yen				
		Capital stock	*Capital surplus*	*Retained earnings*	*Treasury shares*	*Total shareholders' equity*
Balance at the beginning of current period	54,172,361	¥ 7,473	¥ 5,672	¥ 71,730	¥ (4,015)	¥ 80,860
Dividends of surplus (Notes 37 and 39)	-	-	-	(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
Balance at the end of current period	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 37 and 39)	-	-	-	-	-	-	(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 CASH FLOWS
Years ended December 31, 2024 and 2023

	Millions of yen	
	2024	2023
Cash flows from operating activities:		
Income before income taxes	¥ 13,294	¥ 11,111
Depreciation and amortization	5,515	4,868
Amortization of goodwill	138	118
Increase (decrease) in allowance for doubtful accounts	(586)	(103)
Decrease (increase) in retirement benefit asset	(788)	(321)
Increase (decrease) in retirement benefit liability	(23)	182
Increase (decrease) in provision for bonuses	99	112
Loss (gain) on sales of fixed assets	-	54
Impairment loss	-	2,742
Gain on sale of investments in capital of subsidiaries and associates	(606)	-
Loss on valuation for shares of affiliates	-	280
Interest and dividend income	(468)	(345)
Interest expenses	811	767
Equity in (earnings) losses of affiliates	(875)	(1,750)
Loss (gain) on sales of investment securities	(32)	(38)
Loss on valuation of investment securities	100	-
Loss on retirement of non-current assets	209	-
Subsidy income	(71)	(100)
Loss (gain) on sales of business	-	(415)
Decrease (increase) in notes and accounts receivable - trade	(2,502)	(3,404)
Decrease (increase) in inventories	(2,623)	3,027
Increase (decrease) in notes and accounts payable - trade, including electronically recorded obligations - operating	(1,805)	1,085
Other, net	3,106	127
Subtotal	12,893	17,997
Interest and dividend income received	1,065	693
Interest expenses paid	(816)	(759)
Proceeds from subsidy income	71	100
Income taxes paid	(4,309)	(2,659)
Net cash provided by (used in) operating activities	8,904	15,372
Cash flows from investing activities:		
Purchase of property, plant and equipment	(6,924)	(4,270)
Proceeds from sales of property, plant and equipment	284	250
Purchase of intangible assets	(492)	(1,744)
Purchase of investment securities	(520)	(1,933)
Proceeds from sales of investment securities	856	47
Payments of loans receivable	(54)	(58)
Collection of loans receivable	58	65
Proceeds from sales of business	-	415
Payments of gain of business	(8,243)	-
Proceeds from sale of investments in capital of subsidiaries resulting in change in scope of consolidation	458	-
Other, net	(269)	(363)
Net cash provided by (used in) investing activities	(14,846)	(7,591)

The accompanying notes are an integral part of these statements.

	Millions of yen	
	2024	2023
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	1,049	(3,305)
Proceeds from long-term loans payable	11,311	3,647
Repayments of long-term loans payable	(3,700)	(2,542)
Cash dividends paid	(2,250)	(1,501)
Dividends paid to non-controlling interests	(891)	(348)
Purchase of treasury shares	(1,204)	(0)
Proceeds from sales of treasury shares	204	-
Other, net	(305)	(250)
Net cash provided by (used in) financing activities	4,214	(4,299)
Effect of exchange rate change on cash and cash equivalents	93	1,003
Net increase (decrease) in cash and cash equivalents	(1,635)	4,485
Cash and cash equivalents at beginning of period	16,219	11,722
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	12
Cash and cash equivalents at end of period（Note 33）	¥ 14,584	¥ 16,219

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-six in 2023). The principal subsidiaries of the Company were THE INX GROUP LIMITED, INX International Ink Co., SAKATA INX (INDIA) PRIVATE LIMITED and MAOMING SAKATA INX CO., LTD. was excluded from the scope of consolidation due to a transfer of all equity interest, and INX International Coatings and Adhesives Co. 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 subsidiaries.

The equity method was applied to three affiliates (four in 2023). The principal affiliate of the Company was SIIX Corporation and SHENZHEN SAKATA INX CO.,LTD. was excluded from the scope of application of equity method due to a transfer of all equity interest.

The Company has two non-consolidated companies, SAKATA INX ASIA HOLDINGS SDN. BHD. and SAKATA Brand Solutions Co.,Ltd, and five affiliates to which the equity method is not applied, due to their materiality.

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. With regards to customer related assets and technical assets, the straight-line method is used for amortization based on estimated period of mainly 10 years to realize profits from those assets.

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. Additionally, royalty income is recognized for the use of technique as a fruit of R&D. 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 substitute 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 translations 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.

Royalty income is recognized based on sales recorded by counterparty, taking into account the timing of its occurrence.

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 contact 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:

Hedging instruments	Hedged items
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, 2024 and 2023 were ¥5,023 million and ¥4,548 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, 2024 and 2023

MAOMING SAKATA INX CO., LTD.	*Millions of yen*			
	2024		2023	
Notes and accounts receivable – trade (Total of current and non-current asset) ··	¥	-	¥	3,544
Allowance for doubtful accounts (Non-current asset)		-		(220)

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

Year ended December 31, 2024

Not applicable.

Year ended December 31, 2023

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

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

4. Changes in Accounting Policy

(Changes in classification of royalty income)

The Company previously recorded royalties received from technology licensees in “Other, net” under Other income, but has changed to record them in net sales from the fiscal year ended December 31, 2024.

We have positioned “Growing the Printing inks / Digital and Specialty product businesses” as one of the strategic courses of action in our Medium-term Management Plan announced in February 2024, and expect that overseas production and sales will expand in the future. Consequently, royalties as compensation for technology licensing, which are the fruits of our product development activities, are becoming more significant quantitatively. As a result, we have made the above change to better present the results of our operating activities, following a reevaluation of what should be presented as net sales from our operating activities. This change in accounting policy has been applied retrospectively, and the consolidated financial statements for the previous fiscal year have been prepared on a retrospective basis.

As a result, the consolidated statement of income for the previous fiscal year shows an increase of 50 million yen in Net sales and Operating income, respectively, compared with those before the retrospective application.

In addition, Notes and accounts receivable - trade under Current assets in the consolidated balance sheet for the previous fiscal year increased by 4 million yen and Other decreased by 4 million yen.

5. Accounting Standards and Guidance not yet Adopted

(Accounting Standard for Current Income Taxes)

- "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 evaluating the effects of these new standards on the consolidated financial statements.

(Accounting Standard for Leases)

- "Accounting Standard for Leases (ASBJ Statement No.34, September 13, 2024)
- "Guidance on Accounting Standard for Leases (ASBJ Guidance No.33, September 13, 2024)

(1) Overview

At the Accounting Standards Board of Japan (ASBJ), as part of their initiative to align Japanese accounting standards internationally, discussions have taken place based on international accounting standards to develop an accounting standard for leases that recognizes assets and liabilities for all lessee leases. As a basic policy, the ASBJ aims to adopt a lease accounting standard that is based on the single accounting model of IFRS 16, but does not incorporate all its provisions. Instead, it aims to incorporate only the main provisions, thereby creating a standard that is simple, user-friendly, and essentially requires no modifications even when applied to separate financial statements under IFRS 16.

Regarding lessee accounting, for the allocation method of lease expense, a single accounting model will be applied to all leases, regardless of whether they are finance leases or operating leases, similar to IFRS 16. This model requires the recognition of depreciation expense for right-of-use assets and an amount equivalent to interest expense for lease liabilities.

(2) Effective date

Effective from the beginning of the fiscal year ending December 31, 2028.

(3) Effect of application of the standard

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

(Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules)

- "Practical Solution on Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules. (ASBJ Guidance No.46, March 22, 2024)

(1) Overview

In October 2021, the Organization for Economic Co-operation and Development (OECD)/G20's Inclusive Framework on Base Erosion and Profit Shifting (BEPS) reached an agreement on global minimum tax among its participating jurisdictions.

In response, Japan has also enacted provisions related to the Income Inclusion Rule (IIR), one of the globally agreed-upon minimum tax rules. These provisions were established in the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 3 of 2023), which was passed on March 28, 2023, and are set to apply to fiscal years beginning on or after April 1, 2024.

The global minimum tax aims to ensure that multinational enterprise groups meeting certain criteria pay a minimum corporate tax rate of 15% on their country-by-country profits. This new tax system introduces a distinction between the entity that generates the net income (profit) from which the tax originates and the entity that incurs the tax liability.

The "Practical Solution on the Accounting for and Disclosure of Current Taxes related to the Global Minimum Tax System" outlines the accounting treatment and disclosure requirements for corporate and local corporate taxes under this global minimum tax regime.

(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 evaluating the effects of these new standards on the consolidated financial statements.

6. Additional information

(Employee stock ownership plan)

(1) Outline of the plan

The Company's Board of Directors resolved at its meeting held on November 11, 2024 to introduce an employee stock ownership plan (the "Plan") for employees of the Company and its subsidiaries (the "Employees"), aiming to enhance the Company's corporate value over the medium to long term.

One of the initiatives in the Medium-term Management Plan is human capital policy, which is the foundation for achieving sustained development. As part of this policy, we intend to foster a sense of participation in management among the Employees, which will lead to the sustained enhancement of the Group's corporate value.

Since the Employees can receive economic benefits from an increase in the Company's share price, the plan is expected to encourage them to perform their duties with a keen awareness of the share price as well as to motivate them to strive harder.

The Plan delivers the Company's shares acquired as an incentive plan for the Employees by the Employee Stock Ownership Plan Trust to the Employees who fulfill certain requirements based on the terms set forth in the Plan.

(2) The Company's shares remaining in the trust

The Company's shares remaining in the trust are recorded as treasury shares in net assets based on their book value in the trust (excluding the amount of incidental expenses). The book value and number of such treasury shares as of December 31, 2024 were 204 million yen and 128,000 shares.

(3) Scope of recipients of beneficiary rights and other rights under the Plan

The Employees who satisfy the conditions for stock grant

7. Details of "Notes and accounts receivable – trade"

Receivables of contracts with customers included in the "Notes and accounts receivable – trade" as of December 31, 2024 and 2023 were as follows:

	Millions of yen	
	2024	2023
Notes receivable - trade	¥ 10,645	¥ 10,432
Accounts receivable - trade	53,506	48,970

8. Investment Securities to Unconsolidated Subsidiaries and Affiliated Companies

	Millions of yen	
	2024	2023
Investment securities - shares	¥ 24,229	¥ 21,457

9. Accumulated Depreciation

Millions of yen	
2024	2023
¥ 86,318	¥ 80,012

10. Deferred Capital Gains on Tangible Fixed Assets

Under certain conditions, such as the exchange of similar kinds of fixed assets, gains from insurance claims and sales and purchases resulting from expropriation, Japanese tax acts permit companies to defer gains arising from such transactions by reducing the cost of the assets acquired. Accordingly, deferred capital gains from insurance claims were deducted from the cost of replacement properties, which amounted to ¥41 million as of both December 31, 2024 and 2023.

11. Effect of Bank Holiday

As financial institutions in Japan were closed on both December 31, 2024 and 2023, amounts that would have been settled on December 31 were collected or paid on the first business day in January 2025 and 2024. The amounts included in the consolidated balance sheet as of December 31, 2024 and 2023 were as follows:

	Millions of yen	
	2024	2023
Notes and accounts receivable - trade	¥ 868	¥ 808
Notes and accounts payable - trade	19	40
Electronically recorded obligations - operating	2,442	2,178

12. Financial Instruments

1. Qualitative information on financial instruments

(1) Policies for using financial instruments

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

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

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

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

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

Short-term loans payable 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, 2024 and 2023 are set forth in the tables below.

Year ended December 31, 2024	*Millions of yen*		
	Consolidated balance sheet amount	Fair value	Difference
(1) Investments:			
Securities in affiliates	¥ 23,110	¥ 13,039	¥ (10,071)
Available-for-sale securities	6,054	6,054	-
Total assets	¥ 29,164	¥ 19,093	¥ (10,071)
(1) Bonds payable	¥ 1,000	¥ 991	¥ (9)
(2) Long-term loans payable	22,566	21,170	(1,396)
Total liabilities	¥ 23,566	¥ 22,161	¥ (1,405)

*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 ¥3,669 million.

Year ended December 31, 2023	*Millions of yen*		
	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.

Note 1: Aggregate annual maturities of money claims and securities with maturities as of December 31, 2024 and 2023 were as follows:

Year ended December 31, 2024	*Millions of yen*			
	2025	2026-2029	2030-2034	2035 and thereafter
Cash and deposits	¥ 15,717	¥ -	¥ -	¥ -
Notes and accounts receivable - trade	64,151	-	-	-
Total	¥ 79,868	¥ -	¥ -	¥ -

Year ended
December 31, 2023

	Millions of yen			
	2024	2025-2028	2029-2033	2034 and thereafter
Cash and deposits	¥ 17,014	¥ -	¥ -	¥ -
Notes and accounts receivable - trade	59,402	-	-	-
Total	¥ 76,416	¥ -	¥ -	¥ -

Note 2: Aggregate annual maturities of long-term loans payable as of December 31, 2024 and 2023 were as follows:

Year ended
December 31, 2024

	Millions of yen					
	2025	2026	2027	2028	2029	2030 and thereafter
Bonds payable	¥ -	¥ 1,000	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	¥ 4,817	¥ 2,658	¥ 7,549	¥ 2,346	¥ 976	¥ 4,220

Year ended
December 31, 2023

	Millions of yen					
	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	¥ -

3. Breakdown of fair value of financial instruments by level

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

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

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

Level 3: Fair values measured using unobservable valuation inputs

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

(1) Financial instruments measured at fair value

Year ended December 31, 2024	*Millions of yen*			
Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investments:				
Available-for-sale securities				
Shares	¥ 6,054	¥ -	¥ -	¥ 6,054
Total assets	¥ 6,054	¥ -	¥ -	¥ 6,054

Year ended December 31, 2023	*Millions of yen*			
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

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

Year ended December 31, 2024	*Millions of yen*			
Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investments:				
Securities in affiliates	¥ 13,039	¥ -	¥ -	¥ 13,039
Total assets	¥ 13,039	-	-	¥ 13,039
Bonds payable	¥ -	¥ 991	¥ -	¥ 991
Long-term loans payable	-	21,170	-	21,170
Total liabilities	¥ -	¥ 22,161	¥ -	¥ 22,161

Year ended December 31, 2023	*Millions of yen*			
Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investments:				
Securities in affiliates	¥ 15,818	¥ -	¥ -	¥ 15,818
Total assets	¥ 15,818	-	-	¥ 15,818
Bonds payable	¥ -	¥ 994	¥ -	¥ 994
Long-term loans payable	-	14,432	-	14,432
Total liabilities	¥ -	¥ 15,426	¥ -	¥ 15,426

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

(1) Investment securities

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

(2) Bonds Payable

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

(3) Long-term loans payable

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

13. Securities

The following tables summarize the consolidated balance sheet amount, acquisition cost and fair value of available-for sale securities as of December 31, 2024 and 2023. Available-for-sale securities (non-listed equity securities) in the consolidated balance sheet amounted to ¥2,551 million as of December 31, 2024 and ¥2,857 million as of December 31, 2023 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 ¥856 million for the year ended December 31, 2024 and ¥47 million for the year ended December 31, 2023, and the related gains amounted to ¥32 million for the year ended December 31, 2024 and ¥38 million for the year ended December 31, 2023.

Period ended December 31, 2024	*Millions of yen*		
	Consolidated balance sheet amount	Acquisition cost	Difference
(1) Equity securities with consolidated balance sheet amount exceeding acquisition cost	¥ 6,017	¥ 2,654	¥ 3,363
(2) Other	-	-	-
Subtotal	6,017	2,654	3,363
(1) Equity securities with consolidated balance sheet amount not exceeding acquisition cost	37	46	(9)
(2) Other	-	-	-
Subtotal	37	46	(9)
Total	¥ 6,054	¥ 2,700	¥ 3,354

Year ended December 31, 2023	*Millions of yen*		
	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	31	40	(9)
(2) Other	-	-	-
Subtotal	31	40	(9)
Total	¥ 5,803	¥ 2,726	¥ 3,077

(Impairment loss on securities)

Year ended December 31, 2024

Impairment loss of ¥100 million was recognized for one 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, 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.

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

Short-term loans payable at December 31, 2024 and 2023 consisted of short-term notes generally for one year bearing interest ranging from 0.65% to 13.25%.

Long-term loans payable at December 31, 2024 and 2023 consisted of the following:

	Millions of yen	
	2024	2023
Unsecured:		
Loans principally from banks at		
0.18% - 5.69% maturing through 2029	22,566	14,701
Less amounts due within one year	4,817	3,416
	¥ 17,749	¥ 11,285

The aggregate annual maturities of long-term loans payable at December 31, 2024 were as follows:

Year ending December 31,	*Millions of yen*
2025	¥ 4,817
2026	2,658
2027	7,549
2028	2,346
2029 and thereafter	5,196
	¥ 22,566

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, 2024	¥ -

15. Assets Pledged as Collateral

Assets pledged as collateral as of December 31, 2024 and 2023 were as follows:

	Millions of yen	
	2024	2023
Notes and accounts receivable - trade	¥ 10	¥ 9
Investments in other	27	54
	¥ 37	¥ 63

Liabilities secured by the above assets were as follows:

	Millions of yen	
	2024	2023
Notes and accounts payable - trade	¥ 126	¥ 192
Short-term loans payable	10	9
	¥ 136	¥ 201

16. Finance Leases

Capitalized finance leases of the Companies at December 31, 2024 and 2023 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, 2024 and 2023 were as follows:

(1) Description of lease assets

Tangible fixed assets:

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

(2) Depreciation method for lease assets

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

17. Derivative Transactions

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

Not applicable

2. Derivative transactions to which hedge accounting has been applied

A description is omitted because it is immaterial.

18. Retirement Benefits

1. Outline of adopted retirement benefit plans

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

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

(1) Movement in retirement benefit obligations

	Millions of yen	
	2024	2023
Balance at the beginning of current period	¥ 12,579	¥ 12,384
Service cost (*)	519	512
Interest cost	127	111
Actuarial loss (gain)	(911)	72
Benefits paid	(818)	(596)
Arising amounts of past service cost	2	-
Other	126	96
Balance at the end of current period	¥ 11,624	¥ 12,579

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

(2) Movement in plan assets

	Millions of yen	
	2024	2023
Balance at the beginning of current period	¥ 7,878	¥ 7,534
Expected return on plan assets	194	175
Actuarial loss (gain)	92	257
Contributions paid by the employer	260	241
Benefits paid	(467)	(375)
Other	67	46
Balance at the end of current period	¥ 8,024	¥ 7,878

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

	Millions of yen	
	2024	2023
Funded retirement benefit obligations	¥ 7,458	¥ 7,937
Plan assets	(8,024)	(7,878)
Total	(566)	59
Unfunded retirement benefit obligations	4,167	4,642
Total net liability (asset) for retirement benefits at the end of current period	¥ 3,601	¥ 4,701
Net defined benefit liability	4,728	5,041
Net defined benefit asset	(1,127)	(340)
Total net liability (asset) for retirement benefits at the end of current period	¥ 3,601	¥ 4,701

(4) Retirement benefit costs

	Millions of yen	
	2024	2023
Service cost (*)	¥ 519	¥ 512
Interest cost	127	111
Expected return on plan assets	(193)	(175)
Net actuarial loss amortization	70	235
Amortization of past service cost	2	-
Other	(20)	(12)
Total retirement benefit costs for defined benefit plans	¥ 505	¥ 671

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

(5) Remeasurements of defined benefit plans

	Millions of yen	
	2024	2023
Actuarial gains and losses	1,037	437
Total	¥ 1,037	¥ 437

(6) Accumulated remeasurements of defined benefit plans

	Millions of yen	
	2024	2023
Actuarial gains and losses that are yet to be recognized	(520)	517
Total	¥ (520)	¥ 517

(7) Plan assets

	2024	2023
(a) Plan assets comprise:		
Bonds	52.0 %	53.7 %
Equity securities	10.9	10.6
Alternative assets (*)	27.0	24.8
Other	10.1	10.9
Total	100.0 %	100.0 %

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

(b) Long-term expected rate of return

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

(8) Actuarial assumptions

	2024	2023
The principal actuarial assumptions were as follows:		
Discount rate	Mainly 1.33%	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

	Millions of yen	
	2024	2023
Accrued contribution by consolidated subsidiaries	¥ 1,710	¥ 1,523

19. Deferred Income Taxes

Significant components of the Companies' deferred tax assets and liabilities as of December 31, 2024 and 2023 were as follows:

	Millions of yen	
	2024	2023
Deferred tax assets:		
Allowance for doubtful accounts	¥ 128	¥ 180
Provision for bonuses	194	165
Net defined benefit liability	2,123	2,078
Write-down of inventories	148	124
Intangible assets	515	380
Tax loss carryforwards	1,098	1,041
R&D expenses	1,075	724
Other	1,673	1,709
Subtotal	6,954	6,401
Valuation allowance for tax loss carryforwards	(860)	(886)
Valuation allowance for total of deductible temporary differences	(311)	(661)
Subtotal	(1,171)	(1,547)
Total deferred tax assets	5,783	4,854
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(1,033)	(931)
Special reserves	(900)	(878)
Depreciation	(1,001)	(1,009)
Retained earnings of subsidiaries and affiliates	(4,726)	(4,348)
Customer related assets	(591)	-
Other	(1,401)	(833)
Total deferred tax liabilities	(9,652)	(7,999)
Net deferred tax assets (liabilities)	¥ (3,869)	¥ (3,145)

Note 1: Valuation allowance decreased by ¥376 million. The decrease was mainly due to excluding MAOMING SAKATA INX CO.,LTD. from our group because of the sales of all of the equity interest of the company.

Note 2: Expiration periods for tax loss carryforwards and deferred tax assets as of December 31, 2024 and 2023 were as follows:

Year ended December 31, 2024	*Millions of yen*						
	2025	2026	2027	2028	2029	2030 and thereafter	Total
Tax loss carryforwards	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 1,098	¥ 1,098
Valuation allowance	-	-	-	-	-	(860)	(860)
Deferred tax assets	-	-	-	-	-	238	238

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

Year ended December 31, 2023	*Millions of yen*						
	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.

The reconciliation between the effective tax rate reflected in the consolidated financial statements and the statutory tax rate for the years ended December 31, 2024 and 2023 is summarized as follows:

	2024	2023
Statutory tax rate of the Company	30.6%	30.6%
(Reconciliation)		
Expenses not qualifying for deduction	1.3	1.4
Revenues not in gross revenue	(8.1)	(4.7)
Tax credits	(3.0)	(2.3)
Equity in earnings of affiliates	(2.0)	(4.8)
Elimination of dividend income	7.6	4.0
Valuation allowance	0.3	5.9
Retained earnings of foreign subsidiaries	2.8	3.4
Difference in the effective tax rates of foreign subsidiaries	(6.7)	(2.1)
Other	0.1	1.0
Effective tax rate after adoption of tax effect accounting	22.9%	32.4%

20. Revenue Recognition

1. Disaggregated revenue from contracts with customers

Information on disaggregated revenue from contracts with customers is described in Note 35, “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	
	2024	2023
Receivables from contracts with customers at the beginning of the year	¥ 59,402	53,863
Receivables from contracts with customers at the end of the year	64,151	59,402
Contract liabilities at the beginning of the year	187	72
Contract liabilities at the end of the year	131	187

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, the amounts included in liabilities from contracts with customers at the beginning of the fiscal year were ¥72 million for the year ended December 31, 2023 and ¥183 million for the year ended December 31, 2024.

(2) Transaction price allocated to remaining performance obligations

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

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

21. Contingent Liabilities

At December 31, 2024 and 2023, the Companies were contingently liable as follows:

	Millions of yen	
	2024	2023
TAIWAN SAKATA INX CORP	¥ 198	¥ 189
Total	¥ 198	¥ 189

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

22. Revenue from contracts with customers

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

The amounts of revenue from contracts with customers are described in Note 35, "Segment Information, 3. Information about reportable segment sales, segment income or loss, segment assets and other items".

23. Selling, General and Administrative Expenses

The main items of selling, general and administrative expenses for the years ended December 31, 2024 and 2023 were as follows:

	Millions of yen	
	2024	2023
Freightage and packing expenses	¥ 7,377	¥ 6,513
Salaries and allowances	14,853	13,156
Depreciation	1,447	844
Provision of allowance for doubtful accounts	64	54
Provision for bonuses	447	339
Retirement benefit expenses	1,343	1,314
Research and development expenses	5,023	4,548
Commission expenses	5,045	3,355

24. Gain on Sales of Investment Securities

Year ended December 31, 2024

¥32 million of gain on sales of investment securities of 3 listed companies and 8 non-listed companies was calculated due to sales of investment securities.

Year ended December 31, 2023

¥38 million of gain on sales of investment securities of 2 listed companies was calculated due to sales of investment securities.

25. Gain on Sales of Business

Year ended December 31, 2024

Not applicable.

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.

26. Gain on Sale of Investments in Capital of Subsidiaries and Associates

Year ended December 31, 2024

Gain on sale of investments in capital of subsidiaries and associates was calculated due to sales of all equity interest of a subsidiary, MAOMING SAKATA INX CO.,LTD., and an affiliate, SHENZHEN SAKATA INX CO.,LTD..

Year ended December 31, 2023

Not applicable.

27. Loss on Sales of Non-Current Assets

The details of loss on sales of property, plant and equipment for the years ended December 31, 2024 and 2023 were as follows:

	Millions of yen	
	2024	2023
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.

28. Loss on Retirement of Non-Current Assets

The details of loss on retirement of property, plant and equipment for the years ended December 31, 2024 and 2023 were as follows:

	Millions of yen	
	2024	2023
Buildings and structures	¥ 10	¥ -
Machinery, equipment and vehicles	44	-
Other fixed assets	0	-
Demolition and removal expenses	155	-
Total	¥ 209	¥ -

29. Loss on Valuation of Shares of Affiliates

Year ended December 31, 2024

Not applicable.

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.

30. Loss on Valuation of Investment Securities

Year ended December 31, 2024

Impairment loss on the valuation of investment securities of a non-listed company was recognized because the valuation of shares declined significantly.

Year ended December 31, 2023

Not applicable.

31. Impairment Loss

Year ended December 31, 2024

Not applicable.

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.

32. Consolidated Statements of Comprehensive Income

The reclassification adjustment and the tax benefit concerning other comprehensive income for the years ended December 31, 2024 and 2023 were as follows:

	Millions of yen	
	2024	2023
Valuation difference on available-for-sale securities		
Amount arising during the period	¥ 390	¥ 1,609
Reclassification adjustment included in net income	(62)	(38)
Pre-tax amount	328	1,571
Tax benefit	(102)	(484)
Valuation difference on available-for-sale securities	226	1,087
Foreign currency translation adjustment		
Amount arising during the period	6,382	4,248
Reclassification adjustment included in net income	(1,375)	-
Deferred gains or losses on foreign currency translation adjustment	5,007	4,248
Deferred gains or losses on hedges		
Amount arising during the period	5	2
Reclassification adjustment included in net income	(8)	2
Pre-tax amount	(3)	4
Tax benefit	1	(1)
Deferred gains or losses on hedges	(2)	3
Remeasurements of defined benefit plans		
Amount arising during the period	936	179
Reclassification adjustment included in net income	101	258
Pre-tax amount	1,037	437
Tax benefit	(309)	(127)
Remeasurements of defined benefit plans	728	310
Share of other comprehensive income of affiliates accounted for using equity method		
Amount arising during the period	2,353	1,337
Reclassification adjustment included in net income	(40)	(11)
Share of other comprehensive income of affiliates accounted for using equity method	2,313	1,326
Total other comprehensive income	¥ 8,272	¥ 6,974

33. 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, 2024 and 2023 were as follows:

	Millions of yen	
	2024	2023
Cash and deposits	¥ 15,717	¥ 17,014
Time deposits with original maturity of more than three months	(1,133)	(795)
Cash and cash equivalents	¥ 14,584	¥ 16,219

1. Details of assets and liabilities related to the acquisition of business by cash as a consideration for acquisition

Year ended December 31, 2024

Details of increased assets and liabilities and net expenditure of transfer of business as a result of the acquisition of all and related assets of Coatings & Adhesives Corporation by INX International Coatings and Adhesives Co., the newly established company thorough a subsidiary in United States, were as follows.

Current assets	4,315 million yen
Non-current assets	4,145
Goodwill	1,196
Current liabilities	(901)
Non-current liabilities	(569)
Acquisition Cost for business transfer	8,186
Cash and Cash equivalents	-
Variance of foreign currency	57
Net : Payments of gain of business	8,243

Year ended December 31, 2023

Not applicable.

2. Details of assets and liabilities as of the transfer of all equity interest of MAOMING SAKATA INX CO.,LTD. and the value of sales of the equity interest and net proceeds from sales were as follows:

Year ended December 31, 2024

Current assets	4,143 million yen
Non-current assets	1,003
Current liabilities	(2,048)
Non-current liabilities	(338)
Accumulated other comprehensive income	(728)
Non-controlling interests	(1,014)
Gain on sales of equity interests	478
Sales value of equity interest	1,496
Accounts receivables	(861)
Cash and cash equivalents	(177)
Net : Proceeds from sales of equity interest of a subsidiary	458

Year ended December 31, 2023

Not applicable.

34. Business combinations

(Acquisition of business by a consolidated subsidiary)

The Company has established INX International Coatings and Adhesives Co. (INX C&A) through its U.S. subsidiary, and has acquired all businesses and related assets of Coatings & Adhesives Corporation(C&A), with INX C&A as the transferee company.

(1) Purpose of establishment of a subsidiary and acquisition of business

C&A has been a leading player in the coatings industry in North America, and has built a significant market position in the development, production and sales of coatings, adhesives and polymers for all facets of printing and packaging.

The Company operates printing inks business for packaging and metal cans markets through INX International Ink in the North American market.

With the newly established INX C&A, the Company seeks to expand further in the American segment by boosting sales in the North American market and enhancing the SAKATA INX brand. This goal will be achieved by providing coating solutions, which boast C&A's competitive advantages, to the printing ink and packing markets.

(2) Outline of the subsidiary established

(i) Name	INX International Coatings and Adhesives Co.
(ii) Located Delaware, USA	Delaware, USA
(iii) Business	Manufacture and sale of printing coatings, etc.
(iv) Capital	US$60
(v) Incorporated	August 8, 2024
(vi) Capital contribution ratio	Wholly-owned subsidiary of the Company
(vii) Fiscal year-end	December

(3) Outline of business acquisition

(i) Name of the acquired company and description of the acquired business

Name of the acquired company	Coatings & Adhesives Corporation
Description of the acquired business	Manufacture and sale of printing coatings, etc.

(ii) Main reason for acquisition

As described in (1) above.

(iii) Date of acquisition	November 11, 2024
(iv) Legal form of acquisition	Business acquisition in consideration for cash
(v) Name of the acquired company after the acquisition	Unchanged

(vi) Main grounds for determining the acquiring company

INX C&A, a consolidated subsidiary newly established by the Company's subsidiary, acquired the business for cash consideration.

(4) Period of the acquired company's results included in the consolidated financial statements
From November 1, 2024 to December 31, 2024

(5) Acquisition cost of the acquired business and breakdown by type of consideration

Consideration for acquisition: Cash	8,186 million yen
Acquisition cost	8,186 million yen

(6) Description and amount of major acquisition-related costs

Fees and commissions for advisory and legal services	480 million yen

(7) Amount, cause, and method and period of amortization of goodwill incurred

(i) Amount

Goodwill	1,196 million yen

(ii) Cause Manufacture and sale of printing coatings, etc.

Since the net asset value of the acquired business was less than the acquisition cost, the difference was recognized as goodwill.

(iii) Method and period of amortization

Equal amortization over 10 years

(8) Amount of assets received and liabilities assumed on the date of business acquisition and their breakdown

Current assets	4,315 million yen
Non-current assets	4,145
Total assets	8,460
Current liabilities	901
Non-current liabilities	569
Total liabilities	1,470

(9) Amount of acquisition cost allocated to intangible assets other than goodwill and period of amortization by type

Major breakdown by type	Customer-related assets
Amount	2,245 million yen
Period of amortization	Equal amortization over 10 years

(10) Effect on the consolidated statement of income for the current fiscal year if the business acquisition had been completed at the beginning of the fiscal year

Net sales	12,212 million yen
Operating income	65 million yen

Method of calculation of estimated amount

The net sales and profit (loss) information calculated as if the business combination had been completed at the beginning of the fiscal year is considered to be the estimated amount of the impact. In addition, the amortization of goodwill, etc. recognized at the time of the business combination was calculated as if it had occurred at the beginning of the current fiscal year and included in the estimated amount.

These notes have not been audited.

35. 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.

Reportable segment	*Main products and merchandise*
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.

As stated in the change in accounting policy, royalties received from consolidated subsidiaries and other licensees were previously recorded as "Other" under "Other income." However, from the current consolidated fiscal year, these royalties have been included in "Net sales." Consequently, the method for calculating the profit of business segments has been changed.

This change has been applied retrospectively. Compared to the previous method, revenue from contracts with customers and net sales to external customers in the Printing Inks and the graphic arts materials (Japan) segment increased by 7 million yen, and segment profit increased by 873 million yen in the previous consolidated fiscal year. In the Printing inks (Americas), revenue from contracts with customers and net sales to external customers increased by 42 million yen, and segment profit increased by 338 million yen in the previous consolidated fiscal year.

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

Year ended December 31, 2024 *Millions of yen*

	Reportable Segment									
	Printing inks and graphic arts materials (Japan)	Printing inks (Asia)	Printing inks (Americas)	Printing inks (Europe)	Digital & Specialty products	Total	Other businesses (*1)	Total	Adjustments (*2)	Consolidated (*3)
Revenue from contracts with customers	51,732	58,083	86,954	20,387	19,370	236,526	9,045	245,571	-	245,571
Other revenue	-	-	-	-	-	-	-	-	-	-
Net sales to outside customers	51,732	58,083	86,954	20,387	19,370	236,526	9,045	245,571	-	245,571
Intersegment sales and transfers	1,075	198	910	1,060	36	3,279	3,686	6,965	(6,965)	-
Total	52,807	58,281	87,864	21,447	19,406	239,805	12,731	252,536	(6,965)	245,571
Segment income	928	5,747	4,474	67	2,289	13,505	169	13,674	(512)	13,162
Segment assets	44,118	49,428	63,504	16,209	12,466	185,725	6,090	191,815	29,655	221,470
Depreciation	1,691	1,188	1,460	436	670	5,445	52	5,497	18	5,515
Amortization of goodwill	-	-	136	2	-	138	-	138	-	138
Increase in property, plant and equipment and intangible assets	1,600	893	5,673	631	924	9,721	19	9,740	4	9,744

(*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 ¥(512) million for segment income includes eliminations for intersegment transactions of ¥142 million and corporate expenses of ¥(653) million that have not been allocated to any segment. Corporate expenses are mainly service fees to unconsolidated subsidiaries and affiliates.
2. The adjustment of ¥29,655 million for segment assets includes eliminations for intersegment transactions of ¥(6,079) million and corporate assets of ¥35,734 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 ¥18 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, 2023	*Millions of yen*									
	Reportable Segment									
	Printing inks and graphic arts materials (Japan)	Printing inks (Asia)	Printing inks (Americas)	Printing inks (Europe)	Digital & Specialty products	Total	Other businesses (*1)	Total	Adjustments (*2)	Consolidated (*3)
Revenue from contracts with customers	52,102	52,274	77,946	18,858	16,795	217,975	10,387	228,362	-	228,362
Other revenue	-	-	-	-	-	-	-	-	-	-
Net sales to outside customers	52,102	52,274	77,946	18,858	16,795	217,975	10,387	228,362	-	228,362
Intersegment sales and transfers	875	161	903	697	42	2,678	4,916	7,594	(7,594)	-
Total	52,977	52,435	78,849	19,555	16,837	220,653	15,303	235,956	(7,594)	228,362
Segment income	1,407	4,347	4,675	(790)	1,882	11,521	465	11,986	(538)	11,448
Segment assets	42,455	48,608	42,632	14,654	11,188	159,537	6,665	166,202	27,885	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 ¥(538) million for segment income includes eliminations for intersegment transactions of ¥133 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 ¥27,885 million for segment assets includes eliminations for intersegment transactions of ¥(6,405) million and corporate assets of ¥34,290 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 ¥18 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.

(Related information)

Year ended December 31, 2024

1. Information about each product and service

Year ended December 31, 2024	*Millions of yen*				
	Printing inks	Graphic arts materials	Digital & Specialty products	Other	Total
Net sales to outside customers	¥ 206,762	¥ 10,383	¥ 19,370	¥ 9,056	¥ 245,571

2. Information about geographic areas

Year ended December 31, 2024	*Millions of yen*					
	Japan	Asia	America	Europe	Other	Total
Net sales	¥ 66,873	¥ 60,310	¥ 73,711	¥ 18,938	¥ 25,739	¥ 245,571
Property, plant and equipment	¥ 18,338	¥ 11,458	¥ 15,670	¥ 4,758	¥ 3,786	¥ 54,010

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, 2023

1. Information about each product and service

Year ended December 31, 2023	*Millions of yen*				
	Printing inks	Graphic arts materials	Digital & Specialty products	Other	Total
Net sales to outside customers	¥ 189,714	¥ 11,465	¥ 16,795	¥ 10,388	¥ 228,362

2. Information about geographic areas

Year ended December 31, 2023	*Millions of yen*					
	Japan	Asia	America	Europe	Other	Total
Net sales	¥ 66,508	¥ 55,341	¥ 66,704	¥ 17,145	¥ 22,664	¥ 228,362
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.

(Impairment loss by reportable segments)

Year ended December 31, 2024

Not applicable.

Year ended December 31, 2023

Year ended December 31, 2023	*Millions of yen*								
	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

(Amortization and unamortized balance of goodwill)

Year ended December 31, 2024

Year ended December 31, 2024	*Millions of yen*								
	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	¥ -	¥ -	¥ 136	¥ 2	¥ -	¥ 138	¥ -	¥ -	¥ 138
Balance as of December 31, 2024	¥ -	¥ -	¥ 1,469	¥ 14	¥ -	¥ 1,483	¥ -	¥ -	¥ 1,483

Year ended December 31, 2023

Year ended December 31, 2023	*Millions of yen*								
	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

(Negative goodwill in other income by reportable segments)

Year ended December 31, 2024

Not applicable.

Year ended December 31, 2023

Not applicable.

36. Related Party Transactions

Transactions with related parties for the years ended December 31, 2024 and 2023 were as follows:

Year ended December 31, 2024

Attribute	Name	Location	Capital stock (Thousands of RMB)	Operations or occupation	Holding equity (%)	Relationship	Transaction details	Transaction amount (Millions of yen)	Account	Balance at year end (Millions of yen)
A company where executives and their close relatives own the majority of voting rights in a significant subsidiary	MAOMING HUACAI INK CO.,LTD.	Maoming, China	35,800	Sales of Printing ink and by-products	-	A joint venture partner of a subsidiary in China	Transfer of equity interest of a subsidiary in China	¥ 1,496	Current assets: Other	¥ 173
									Investments and other assets: Other	¥ 693

Note 1: Amounts of transfer were rationally determined by considering profits, losses and risks in addition to corporate value evaluation by experts.

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.

37. Changes in Net Assets

1. Shares issued and treasury shares

Year ended December 31, 2024

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	4,127,549	709,795	270,207	4,567,137

Note 1: The treasury shares of 128,000 held by a trust account of ESOP are included in the “Number of shares as of the end of current period.”

Note 2: Details of increase and decrease of treasury shares are like below:

Purchase of fractional shares	Common Stock	145
Purchase of treasury shares following resolution of board meeting	Common Stock	580,600
Acquisition of restricted shares without compensation	Common Stock	1,050
Acquisition of own shares by an account of ESOP	Common Stock	128,000
Disposal of treasury shares as rewards of restricted shares	Common Stock	(18,157)
Disposal of treasury shares as a restricted share incentive for employee stock ownership	Common Stock	(124,050)
Disposal of treasury shares by an account of ESOP	Common Stock	(128,000)

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.

2. Dividends

Dividends paid in the year ended December 31, 2024

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 27, 2024	Common stock	¥ 1,000	¥ 20	December 31, 2023	March 28, 2024
Directors' meeting held on August 9, 2024	Common stock	¥ 1,248	¥ 25	June 30, 2024	September 6, 2024

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 with a record date attributable to the year ended December 31, 2024 but an effective date after December 31, 2024

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, 2025	Common stock	Retained earnings	¥ 2,237	¥ 45	December 31, 2024	March 28, 2025

Note: Dividends of ¥5 million against treasury shares owned by a trust account of ESOP is included in "Amounts of dividends," as of December 31,2024, record date of the dividends.

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

38. 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, 2024 and 2023

	Millions of yen	
	2024	2023
Current assets	¥ 156,211	¥ 157,621
Non-current assets	¥ 61,274	¥ 59,216
Current liabilities	¥ 78,470	¥ 88,654
Non-current liabilities	¥ 37,982	¥ 38,638
Net assets	¥ 101,033	¥ 89,545

Summarized statements of income for the years ended December 31, 2024 and 2023

	Millions of yen	
	2024	2023
Net sales	¥ 302,314	¥ 309,768
Income before income taxes	¥ 5,966	¥ 11,852
Net income attributable to owners of parent	¥ 3,755	¥ 8,185

39. Amounts Per Share

	Yen	
	2024	2023
Net assets per share	¥ 2,264.08	¥ 1,974.19
Dividends per share	¥ 70.00	¥ 35.00
Net income per share	¥ 180.64	¥ 149.22

Note 1: There were no dilutive securities.

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

	Yen	
	2024	2023
Net income attributable to owners of parent (millions of yen)	¥ 9,006	¥ 7,467
Net income attributable to owners of parent related to common stock (millions of yen)	¥ 9,006	¥ 7,467
Average number of shares of common stock during the fiscal year (thousands)	49,856	50,039

Note 3: The number of treasury shares, which is the basis for the determination of net assets per share and basic earnings per share, includes the Company's shares held by the ESOP Trust Account. The number of such treasury shares at the end of the period deducted from the number of shares issued to calculate net assets per share is 128,000 shares for the fiscal year ended December 31, 2024, and the average number of such treasury shares during the period deducted to calculate basic earnings per share is 9,846 shares for the same fiscal year.

40. Subsequent Events

(Acquisition of treasury shares)

The Company resolved at the Board meeting held on March 19, 2025 on matters related to the acquisition of own shares pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph (3) of the same Act. Details are as follows

1. Reason for the acquisition of own shares
   The purpose of this acquisition of own shares is to improve shareholder returns and capital efficiency.

2. Details of matters related to the acquisition

(1) Class of shares to be acquired	Common shares of the Company
(2) Total number of shares to be acquired	Up to 600,000 shares ((1.21 % of total number of issued shares (excluding treasury shares))
(3) Total amount of share acquisition costs	Up to ¥1,000,000,000
(4) Announcement of results of acquisition	From March 19, 2025 to September 30, 2025
(5) Method of acquisition	Acquisition through Tokyo Stock Exchange off-auction own share repurchase trading system (ToSTNeT-3) and market purchase based on discretionary account contracts related to the acquisition of treasury shares

3. Results of the purchase
   The Company repurchased shares through ToSTNeT-3 as part of the acquisition of own shares on March 21, 2025. Details are as follows. Furthermore, we will continue to carry out market purchases at the Tokyo Stock Exchange.

(1) Class of shares to be acquired	Common shares of the Company
(2) Total number of shares acquired	108,000 shares
(3) Total amount of share acquisition costs	¥211,140,000 (¥1,955 per share)