

Financial Times Group Limited

Registered Number:

00879531

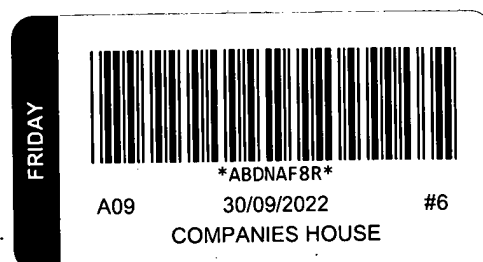
Annual Report and Financial Statements

For the Year Ended:

31 December 2021

Registered address:

Bracken House, 1 Friday Street, London EC4M 9BT



Financial Times Group Limited

STRATEGIC REPORT

The directors present their Strategic Report of Financial Times Group Limited (the "Company") for the year ended 31 December 2021.

Principal activities

The Company acts as an investment holding company. The directors do not anticipate any significant changes in the Company's activities in the foreseeable future.

The main subsidiary of the Company is The Financial Times Limited, which publishes the Financial Times (FT), FT.com and financial magazines and websites and is one of the world's premier sources of business and financial news, data, comment and analysis in print and online. Titles include Investors Chronicle; FT Adviser; HTSI; and The Banker.

Section 172 Statement

Section 172 requires that "a director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) The likely consequences of any decision in the long term;
- b) The interests of the company's employees;
- c) The need to foster the company's business relationships with suppliers, customers and others;
- d) The impact of the company's operations on the community and the environment;
- e) The desirability of the company maintaining a reputation for high standards of business conduct; and
- f) The need to act fairly between members of the company."

The statutory board (the "Board") delegates responsibility to the FT group management board (the "Management Board") for developing and implementing strategy, and for the day to day management of the FT group business. Reporting to the Management Board, there are a number of decision-making committees across the group. These committees help the Management Board to drive strategy, allocate resources and govern the approach to issues such as data usage and technology, and compliance with the FT's Editorial Code.

In performing their duties under s.172, the directors of the Company have had regard to the matters set out in s.172(1) as described below.

The directors continue to ensure that the brand values, which are reflective of the Company's desire to maintain a reputation for high standards of business conduct, are applied throughout the Company and its wholly owned UK subsidiaries ("FT Group"). They are:

- *Integrity* : we are truthful, accurate, ethical and decent;
- *Trust* : we deliver our commitments;
- *Curiosity* : we are open minded and eager to learn, always exploring new ideas;
- *Subscriber focus* : we have an unmatched understanding of our subscribers and channel our resources to meet their needs;
- *Ambition* : we are leaders not followers, aiming to be the best and make a difference;
- *Inclusion* : we value different perspectives and experiences, making us truly global in outlook.

The Board recognises that to compete in an ever-changing world, the FT Group needs to be strong from the inside out. Developing a clear set of brand values and personality helps the FT Group to cohere and supports consistent decision-making.

Financial Times Group Limited**STRATEGIC REPORT (continued)**

During 2018 - 2019, an internal FT Governance Review Group held regular in-depth discussions about three broad, overlapping areas: oversight of the FT Group and its performance by its owner and sole shareholder, Nikkei; internal decision-making processes and transparency; and engagement, including employee engagement. An update to the recommendations of the Governance Review Group was published to all FT Group staff in February 2021, and these continue to be implemented with the endorsement of the Board.

The Company is not required to adopt a UK Corporate Governance code, however we continue to strive for best practice and believe that our approach is broadly aligned with the Wates Corporate Governance Principles.

On appointment to the Board, Management Board or boards of companies within FT Group, directors are provided with training and guidance on their duties, and formal appointment letters are issued to directors joining the Board and Management Board, which reflect their statutory duties. The same processes are applied to new directors appointed to any FT Group subsidiary company.

The Board's decision making is appropriately informed by s.172 factors, which are actively considered and referenced in board minutes and aided by the inclusion of these factors in board papers to the extent relevant. A proforma document has been developed in order to provide guidance to senior managers on the preparation of board papers to aid the Board in identifying the relevant stakeholder considerations in its decision making.

The following table provides further examples of the effect that having regard to the s.172 factors has had on the Company's decisions and strategies during the financial year:

Section 172 factors	Matter
a) the likely consequences of any decision in the long term; and f) the need to act fairly as between members of the company.	The Board formally considers, approves and adopts strategic and operating plans and budgets annually as appropriate. During the year the group's Consolidated Strategic Plan for 2022-2027 was reviewed and discussed with Nikkei management prior to its formal approval and adoption by the Board. The Management Board is regularly updated on, and actively monitors and proactively responds to the Company's progress against those plans.
a) the likely consequences of any decision in the long term; and c) the need to foster the Company's business relationships with suppliers, customers and others; and e) the desirability of the Company maintaining a reputation for high standards of business conduct;	In September 2021 the Board approved the acquisition of an additional 39% stake in The Next Web B.V. ("TNW") bringing the Company's ownership stake in TNW to 90%. TNW is a Dutch registered events and media company with a focus on new technology and startups in Europe. In doing so, the Board considered the rationale for the transaction in terms of our corporate development strategy and the aim is to deepen the FT's reach into the European technology community. Further synergies with FT Live, our existing events business, will also be developed.
b) the interests of the company's employees;	The Board has engaged with and consulted FT Group employees and their representatives on a regular basis, to enable the Board to have regard to their interests when making decisions. As the main employing entity of FT Group, a detailed summary of this is covered in the financial statements of The Financial Times Limited.
c) the need to foster the Company's business relationships with suppliers, customers and others;	The Board recognises the importance of maintaining good working relationships with the FT Group's suppliers, customers and others and that effective engagement with these stakeholders is key in order to successfully deliver the FT Group's strategy. A detailed summary of this is covered in the financial statements of The Financial Times Limited.

Financial Times Group Limited

<p>d) the impact of the Company's operations on the community and the environment;</p> <p>and</p> <p>e) the desirability of the Company maintaining a reputation for high standards of business conduct;</p>	<p>Reflective of the Board's consideration of the FT Group's impact on the community and the desire to maintain high standards of business conduct, the FT Group's New Agenda messaging continued throughout 2021.</p> <p>As we emerged from the height of the pandemic in the second half of the year, the FT launched its latest brand campaign, titled 'Letters to this New World'. The campaign featured hard-hitting open letters from FT Journalists, staff and influencers encouraging reflection on life before and after the pandemic and gives voice to the lessons learned. It is the latest evolution of the New Agenda brand platform, which promotes the FT as the leading destination for analysis and leadership on important global trends and themes.</p>
<p>d) the impact of the Company's operations on the community and the environment;</p>	<p>In March 2021, the Management Board approved the Company's commitment to reducing the FT group's emissions to 'net zero' by 2050 or sooner.</p> <p>To meet this commitment the Management Board approved use of science-based targets to reduce total emissions through to 2030, in line with the goals of the Paris Agreement to limit global warming to 1.5C. Key elements of the necessary work relate to travel, our supply chain, and leveraging our influence in the wider business community and embracing the New Agenda of responsible capitalism.</p> <p>FT Group has again donated advertising space in the Financial Times newspaper to organisations working in areas that benefit the environment and the wider community. During the year, we donated space to Ethical Consumer, Business Declares and World Land Trust.</p> <p>In February 2021, FT launched the Climate Capital hub. The FT's New Agenda calls on business leaders to promote stronger corporate purpose and challenges our readers to consider the implications of major societal shifts. By producing informative, actionable content related to climate change, FT is offering a guide to a theme that is fundamental to the future of the global economy. The FT's Climate Change hub puts climate change at the heart of the FT newsroom.</p> <p>In November, to coincide with the 2021 UN Climate Change Conference (COP26), with support from the Management Board, FT.com content was free to read for a day, highlighting the importance of access to authoritative information about climate change and policy.</p>

Financial Times Group Limited

STRATEGIC REPORT (continued)

Section 172 factors	Matter
d) the impact of the Company's operations on the community and the environment.	<p>In April 2021 the Management Board agreed to support and formally approved the establishment of a financial literacy charity bearing the FT's name: FT Financial Literacy and Inclusion Campaign ("FLIC"). FLIC replaces our annual charity appeal and runs an all year round reader appeal. Although it runs independently of FT Group it was agreed to support its establishment with the provision of:</p> <ul style="list-style-type: none"> • an initial £25,000 donation, a pledge that has since been refreshed for the charity's second year of operation; • The nomination of five of the ten trustees; • A brand licence for the use of the FT brand; • Office space and limited support services as an in-kind contribution; and • The support of FT Group staff who volunteer to support FLIC during their two days of annual volunteering time and beyond.
f) the need to act fairly as between members of the Company.	<p>The Company remains wholly owned by Nikkei, Inc., a privately owned Japanese registered company. The Company's CEO reports to the Chairman of Nikkei on the overall performance of the FT Group as set out in regular detailed business reports. Nikkei is represented on the Company's statutory and management boards and the Company is subject to oversight by the audit and supervisory boards of Nikkei.</p>
<p>a) the likely consequences of any decision in the long term;</p> <p>and</p> <p>c) the need to foster the Company's business relationships with suppliers, customers and others;</p>	<p>In 2020 the Management Board approved the establishment of a new subscriptions strategy, to help us to accelerate growth across our core audiences and diversify our offerings to build a more robust business. This strategy focuses around four complementary pillars:</p> <p><i>FT.com and Apps</i> - keeping our readers informed and up to date with our gold-standard journalism;</p> <p><i>Community</i> - leveraging the collective intelligence of our audiences, helping them connect, exchange ideas and learn together;</p> <p><i>Enterprise</i> - seamlessly integrating news into customers' work life and processes helping them make better, quicker decisions; and</p> <p><i>Specialist</i> - providing deep analysis and insights, offering tangible competitive advantage.</p> <p>In approving this strategy, the Management Board had particular regard to the long term interests of the FT Group and our relationship with our customers.</p> <p>Subsequently launched in 2021, the strategy takes account of long term transformational trends with the goal of extending FT's reach and supporting new formats. The subscriptions strategy will adapt to follow audience needs. Throughout 2021 the Management Board received regular updates, actively monitored and proactively responded to the FT Group's progress against the evolving subscriptions strategy.</p>
e) the desirability of the Company maintaining a reputation for high standards of business conduct;	<p>The Board approved the Company's annual statement on Modern Slavery, and Tax Policy Statement. It has further ensured that robust policies are in place on Anti-Bribery and Corruption, Conflicts of Interests and Whistleblowing, as well as a stringent Editorial Code of Practice. The Board ensures that all policies are effectively communicated to FT Group employees and that periodic reviews are undertaken to renew and refresh policies as appropriate.</p>

Financial Times Group Limited

STRATEGIC REPORT (continued)

Key performance indicators

Key performance indicators for the Company's main trading entity, The Financial Times Limited, are set out in the financial statements of that company.

Principal risks and uncertainties

The principal risk and uncertainties for the Company are reported in the Director's Report on page 6.

Results

The profit for the financial year after taxation was £56,268,000 (2020: loss of £14,404,000), driven primarily by the receipt of dividend income from a wholly owned subsidiary totalling £66,276,000. The Company also recorded an impairment loss of £7,152,000 in relation to the carrying value of investments. There were also unrealised exchange losses of £1,188,000 arising on the retranslation of foreign denominated balances. During the year the Company repaid its external loan balance of £20,000,000. As a result, the net assets of the Company have increased by £62,325,000.

Approved and authorised for issue by the board.

DocuSigned by:

Alison Fortescue

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AM Fortescue

Company Secretary

28 September 2022

Financial Times Group Limited

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2021.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

On 13 September 2021, the Company acquired an additional 39% of the share capital of The Next Web B.V for consideration of £nil, taking the Company's total shareholding to 90%.

Going concern

As detailed below and within Note 1 to the accounts, the directors have made a thorough assessment of the Company's ability to continue operating as a going concern. During 2021 the Company recorded a profit, and at the balance sheet date was in a net assets position. In addition the Company repaid its external loan balance of £20,000,000, although the Company also has access to a £100m committed external loan facility through to July 2024. Management has a clear expectation that we will have adequate resources to meet our commitments as they fall due for a period of at least 12 months from the date of approval of the financial statements.

Principal risks and uncertainties

The Company operates in a challenging sector, with both structural and cyclical changes at work, with the resultant revenue implications for both print and digital business models, and as such the Company has procedures in place to make the directors aware of the various risks to the Company's business. To mitigate these risks the Company adheres to comprehensive legal guidelines and processes and has a strong communications team operating throughout the business. Risks, including economic uncertainty arising from the COVID-19 pandemic, the realignment of trading relationships with EU member states following the UK's exit from the European Union and the adverse impact on global supply chains resulting from the Ukraine-Russia conflict are also monitored across the Financial Times group (which includes the Company) and reported to the Management Board on a regular basis. Procedures are in place to ensure that any risks specific to the Company are reported to its Board.

Although the Company saw a return to more benign economic conditions through 2021, 2022 has seen a more turbulent economic outlook return with rising inflation and soaring energy prices globally, coupled with a cost of living crisis emerging in the UK specifically. The extent and impact of this economic downturn is clearly hard to predict, but while clearly it is something that the Management Board keeps under constant review, there is confidence that the Company is well placed to face the oncoming economic challenges.

Dividends

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2021 (2020: £nil). No interim dividends were paid in the year ended 31 December 2021 (2020: £nil).

Political contributions

No political contributions were made during the year (2020: £nil).

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below::

D Arakawa (appointed 29 March 2022)

R Khalaf Razzouk

JD Lund

M Matsumoto (resigned 29 March 2022)

KM O'Riordan (resigned 29 October 2021)

JJ Ridding

JDC Slade (appointed 10 November 2021)

Directors' insurance

During the year ended 31 December 2021, the Company maintained insurance covering the directors of the Company against liabilities arising in relation to the Company in accordance with Section 233 of the Companies Act 2006.

Financial risk management objectives and policies

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern. Debt is managed in line with the Financial Times managed group treasury policy. Its principal objectives are to minimise financial risk whilst maximising returns on cash deposits.

Financial Times Group Limited

DIRECTORS' REPORT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will always have sufficient funds available to meet its liabilities when due, under both normal and difficult trading conditions, and without incurring unacceptable losses or risking damage to the Company's reputation. This is achieved through careful cash management including the production and review of regular cash flow forecasts.

Foreign exchange risk

The Company is exposed to foreign exchange risk primarily on US Dollar and Euro denominated intercompany balances. The Company monitors the foreign exchange exposure, and while a natural hedge exists at a consolidated level, the exposure is not hedged at the Company level.

Interest risk

The Company is exposed to cash flow interest rate risk in respect of its variable rate intra-company loans. The Company monitors the interest rate exposure and currently the exposure is not hedged.

Post balance sheet events

On 30 June 2022 the Company agreed an extension to its £100m committed loan facility provided by SMBC, which now runs until 07 July 2024.

On 31 January 2022, the Company purchased the remaining 49% share of Longitude Research Limited (Longitude) for consideration of £13,422,000. Longitude is a company specialising in the development and production of research and branded content for distribution across a range of channels, including social media, digital and events platforms.

Employees

The Company had no employees during the year. Details of how the Company's main trading entity, The Financial Times Ltd, engages with its employees is set out in the financial statements of that entity.

Engagement with suppliers, customers and others

The Board recognises that effective engagement with stakeholders is key in order to successfully deliver FT Group's strategy. Engagement with stakeholders and consideration of their respective interests in the Company's and FT Group's decision-making process, took place throughout the year.

Shareholder engagement is seen as key by the Board. Our CEO reports to the chairman of Nikkei, the Company's sole shareholder, on the overall performance of the FT group as set out in an agreed business plan, and on the performance of his own role. Regular (at least quarterly) detailed business reports and other interim updates are provided to the Nikkei chairman for his scrutiny. The FT CEO attends the board of Nikkei as FT representative. The Company is subject to oversight by the audit and supervisory board of Nikkei. Nikkei is also represented on the Company's Board and Management Board.

In 2021 the CEO and CFO continued to hold regular (at least fortnightly) meetings with Nikkei's senior management to update them on the impact of Covid19 on the business which included scenario planning, rolling forecasting and discussions around other key issues for the business.

The Chairman & Group CEO and President & CEO of Nikkei also held an online meeting with the FT senior management group in April 2021. This recognised that the strong co-operation between Nikkei and the FT has been an important factor in our success in the first five years of our global alliance and emphasised the aim of building and deepening the partnership.

FT group and Nikkei continued to strengthen collaboration in 2021 via the Nikkei FT Growth Fund (the "Fund"). The Fund, granted by Nikkei, continued to finance activities to support innovation and ventures that help both Nikkei and FT group anticipate and prepare for opportunities and challenges in a fast-changing news media environment. During the year the Fund focused on continuing support for editorial projects such as FT Scoreboard; Trade Secrets; and #techAsia, as well as a Money-Media initiative that aims to develop subscription revenue-generating products in new industries and sectors using a low-cost and highly agile approach.

Initially launched in 2019, the success of the first 3 years of the Fund led Nikkei to approve its extension for a further year, into 2022.

In 2021 we launched a quarterly series of Nikkei partnership talks, hosted by our Director of Strategic Partnerships, with Nikkei presenting lightning talks to FT group staff on Nikkei projects and products to foster collaboration and share good practice. An equivalent series is run for Nikkei staff with FT speakers presenting. Deeper exchanges of expertise are supported by the FT-Nikkei secondment scheme involving Editorial and Commercial staff from both businesses. The scheme supports the growth of close personal and professional ties with Nikkei, and establishes a regime of mutual support and learning.

Financial Times Group Limited

DIRECTORS' REPORT (continued)

The FT and Nikkei partnership went from strength to strength in 2021 thanks to a shared commitment to long term quality growth and to effective investment. At the core of this cooperation is a set of shared values - the principles of integrity and editorial independence and a passion for digital transformation and innovation.

Our CFO ensures that we are engaged with our banking partners and ensures that our finance function meets regularly with financial institutions who provide key banking services including the provision of funding. This enables our banking partners to obtain a greater understanding of FT Group performance, operations and requirements.

During 2021 the Board approved an increase in the size and term of the Company's committed funding facility and an extension to its uncommitted credit facility.

More detail about how The Financial Times Limited, the Company's main trading entity, engaged with its customers and suppliers is set out in the financial statements of that company.

Streamlined Energy and Carbon Reporting

The Company is committed to reducing our carbon emissions. Subsequent to 31 December 2021, we confirmed our commitment to reducing our group emissions to 'net zero' by 2050 or sooner. Please refer to the financial statements of the Company's main trading subsidiary, The Financial Times Limited, which sets out information we are required to report in accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS 101 "Reduced Disclosure Framework"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor

Deloitte LLP, having indicated its willingness to continue in office, will be deemed to be reappointed as auditor under section 487(2) of the Companies Act 2006.

Disclosure of information to auditor

In the case of each of the persons who are directors at the time when the report is approved, the following applies:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Financial Times Group Limited

DIRECTORS' REPORT (continued)

Approved and authorised for issue by the board.

DocuSigned by:

Alison Fortescue

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AM Fortescue

Company Secretary

28 September 2022

Company registered number:

00879531

Financial Times Group Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FINANCIAL TIMES GROUP LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Financial Times Group Limited ('the company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 2 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Financial Times Group Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE FINANCIAL TIMES GROUP LIMITED (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs (UK) 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act 2006 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

Financial Times Group Limited

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE FINANCIAL TIMES GROUP LIMITED
(continued)**

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

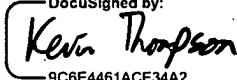
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:


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Kevin Thompson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP,
Statutory Auditor
London, United Kingdom
Date: 28 September 2022

Financial Times Group Limited**STATEMENT OF COMPREHENSIVE INCOME****For the year ended:****31 December 2021**

		2021	2020
	Note	£'000	£'000
Continuing operations.			
Administrative expenses		(1,277)	(165)
Operating loss	3	(1,277)	(165)
Finance income	6	80	52
Finance costs	6	(862)	(483)
Investment income	7	66,276	—
Impairment of investment	9	(7,152)	(13,888)
Profit/(loss) before taxation		57,065	(14,484)
Tax on (profit)/loss	8	(797)	80
Profit/(loss) for the financial year		56,268	(14,404)
Other comprehensive income/(expense) for the year		—	—
Total comprehensive income/(expense) for the year		56,268	(14,404)

The notes on pages 16 to 39 form an integral part of these financial statements.

Financial Times Group Limited**BALANCE SHEET****As at:****31 December 2021**

		2021	2020
	Note	£'000	£'000
Non current assets			
Investments	9	385,555	392,707
		385,555	392,707
Current assets			
Trade and other receivables	10	69,017	2,588
Cash at bank and in hand		277	218
		69,294	2,806
Trade and other payables: amounts falling due within one year	11	(36,945)	(13,920)
Borrowings	12	194	(19,763)
Net current assets/(liabilities)		32,543	(30,877)
Total assets less current liabilities		418,098	361,830
Net assets		418,098	361,830
Capital and reserves			
Called up share capital	13	184,000	184,000
Share premium account		184,796	184,796
Profit and loss account		49,302	(6,966)
Total shareholders' funds		418,098	361,830

The notes on pages 16 to 39 form an integral part of these financial statements.

The financial statements on pages 13 to 39 were approved by the board of directors and authorised for issue on 28 September 2022. They were signed on its behalf by:

DocuSigned by:

James Lund

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JD Lund

Director

Company registered number:

00879531

Financial Times Group Limited**STATEMENT OF CHANGES IN EQUITY****For the year ended:****31 December 2021**

	Called up share capital	Share premium account	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
At 1 January 2020	184,000	184,796	7,438	376,234
Loss for the financial year	—	—	(14,404)	(14,404)
Total comprehensive expense for the year	—	—	(14,404)	(14,404)
At 31 December 2020	184,000	184,796	(6,966)	361,830
Profit for the financial year	—	—	56,268	56,268
Total comprehensive income for the year	—	—	56,268	56,268
At 31 December 2021	184,000	184,796	49,302	418,098

The notes on pages [16](#) to [39](#) form an integral part of these financial statements.

Financial Times Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2021

1 Accounting policies

The principal accounting policies are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation

Financial Times Group Limited is a private company limited by shares incorporated in England, in the United Kingdom under the Companies Act 2006. The address of the registered office is Bracken House, 1 Friday Street, London, United Kingdom EC4M 9BT.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the Company has adopted FRS 101 (Financial Reporting Standard 101 Reduced Disclosure Framework) as issued by the Financial Reporting Council.

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective and related party transactions.

No other updates or amendments to accounting standards effective this year have had a material impact on these financial statements.

Consolidation

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements because it is included in the group accounts of Nikkei Inc. which are publicly available (note 17).

Going concern

The directors have made a thorough assessment of the Company's ability to continue operating as a going concern. During 2021 the Company recorded a profit, and at the balance sheet date was in a net assets position. The Company also has access to a £100m committed external loan facility through to July 2024. Management has a clear expectation that we will have adequate resources to meet our commitments as they fall due for a period of at least 12 months from the date of approval of the financial statements.

This assessment was based on a cash flow forecast using management's latest assumptions, taking into account the latest expectations of financial performance across the group. The cash flow forecast has been stress tested in order to model management's most pessimistic view, including deteriorating cash collection assumptions, and the results show sufficient headroom to give the directors comfort that the Company has the ability to meet its financial obligations as they fall due. The assessment takes account of the fact that the Company has access to a committed 2-year £100m loan facility from an external lender. As such, we continue to adopt the going concern basis of preparation.

Financial Times Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2021

1 Accounting policies (continued)

Foreign currency translation

The financial statements are presented in pound sterling (£) which is also the Company's functional currency.

Transactions in currencies other than the functional currency are recorded using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction and are not re-translated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Dividend Income

Dividend income is recognised when the right to receive payment is established.

Current and deferred tax

Current tax is recognised on the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided on temporary differences arising between the tax bases of tax assets and liabilities and their carrying amounts. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Investment in subsidiaries and associated undertakings

Investments in subsidiaries and associated undertakings are held at cost less accumulated impairment losses.

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provisions for bad and doubtful debts and anticipated future sales returns. In line with IFRS 9, provisions for bad and doubtful debts are based on the expected credit loss model. The 'simplified approach' is used with the expected loss allowance measured at an amount equal to the lifetime expected credit losses.

Financial Times Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2021

1 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks and other short-term investments with maturities of three months or less. Overdrafts are included in borrowings in current liabilities in the balance sheet.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

Financial instruments

(a) Financial assets at amortised cost

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met (and are not designated as FVTPL):

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

Subsequent to initial recognition these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (expenses)/income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss under 'net impairment losses on financial and contract assets'.

(b) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

Borrowings are recognised initially at fair value, being proceeds received net of transaction costs incurred. Borrowings are subsequently carried at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value being recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Financial Times Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2021

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The directors do not believe there are any critical judgments in applying the company's accounting policies beyond their consideration of impairment of investments in subsidiaries, associates & joint ventures as noted below.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of investments in subsidiaries, associates & joint ventures

Determining whether the Company's investments in subsidiaries, associates & joint ventures have been impaired requires consideration of the existence of indicators of impairment at the balance sheet date. The directors have considered a number of potential indicators of impairment, in line with the requirements of IAS 36 Impairment of assets. Consideration of both internal and external factors has been made, including:

- investment performance compared to forecast;
- technological, market, economic or legal changes;
- market rates of return on investments;
- evidence of obsolescence or damage to assets;
- known plans for restructuring or discontinuing operations; and
- any other factors that the directors may consider relevant to their assessment of impairment.

Having considered these factors the directors identified impairments against a number of directly held subsidiaries that operate overseas in support of the Group's global operations. As shown in note 9, an impairment of £7,152,000 (2020: £13,888,000) was recorded in respect of these subsidiaries, associates & joint ventures.

Financial Times Group Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2021****3 Operating loss**

Operating loss is stated after charging

	Note	2021 £'000	2020 £'000
Net foreign exchange loss		1,188	21
Intragroup management fee		15	19
Audit fees payable to the Company's auditor		20	15

No fees were paid to the Company's auditor, Deloitte LLP, and its associates for services other than the statutory audit of the Company (2020: nil).

Financial Times Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2021

4 Staff costs

The average number of persons employed by the company during the year was nil (2020: nil)

Financial Times Group Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended:
31 December 2021

5 Directors' remuneration

The emoluments of the directors are paid by The Financial Times Limited, a subsidiary of the Company, which makes no recharge to the Company. The directors in the Company are also directors of The Financial Times Limited and a number of fellow subsidiaries, and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, these financial statements include no emoluments in respect of the directors. Their total emoluments are disclosed below and are included in the financial statements of The Financial Times Limited.

	2021	2020
	£'000	£'000
Staff costs		
Aggregate emoluments	3,982	3,533
Company contributions to money purchase pension schemes	33	30
	4,015	3,563

	2021	2020
	Number Directors	Number Directors
Directors accruing benefits under money purchase schemes	5	3

The highest paid director is remunerated primarily for services to The Financial Times Limited, hence the remuneration has been disclosed in the financial statements of The Financial Times Limited.

Financial Times Group Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2021****6 Finance income and finance costs**

	2021	2020
	£'000	£'000
Finance income		
Interest receivable from group companies	80	52
Interest receivable and similar income	80	52

	2021	2020
	£'000	£'000
Finance costs		
Interest payable to group companies	311	—
Other interest	552	483
Interest payable and similar expenses	863	483

Financial Times Group Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended:
31 December 2021**

7 Investment income

	2021	2020
	£'000	£'000
Investment income	66,276	—
Total investment income	66,276	—

Investment income of £66,276,000 in 2021 relates to a dividend received from FT Publications Inc., a wholly owned subsidiary.

Financial Times Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2021

8 Tax on (profit)/loss

	2021	2020
	£'000	£'000
Current tax		
UK corporation tax on profit/loss for the financial year	(381)	(98)
Adjustments in respect of prior years	6	18
Overseas taxation	1,172	—
Total current tax	797	(80)
Total tax charge/(credit) for the year	797	(80)
 UK standard effective rate of corporation tax (%)	 19.00	 19.00

The charge for the year can be reconciled to the profit in the statement of comprehensive income as follows:

	2021	2020
	£'000	£'000
Profit/(loss) before taxation	57,065	(14,484)
Tax at standard UK corporation tax rate of 19.00% (2020: 19.00%)	10,842	(2,752)
Effects of:		
Expenses not deductible for tax purposes	10	15
Overseas withholding tax on dividend income	1,172	—
Tax exempt dividend income	(12,592)	—
Adjustments in respect of prior periods	6	18
Losses surrendered as group relief	(381)	(98)
Payment for group relief	381	98
Impairment of investment	1,359	2,639
Tax exempt dividend income	—	—
Total tax charge/(credit) for the year	797	(80)

The Company's profit for the year has been taxed at a statutory rate of 19.00% for the calendar year (2020: 19.00%). It was announced in the 2021 Budget that the corporation tax rate will increase to 25% from 1 April 2023. This change received Royal Assent on 10 June 2021.

Financial Times Group Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2021.****9 Investments**

		2021	2020
	Note	£'000	£'000
Subsidiary undertakings	9a	384,470	385,166
Associated undertakings and joint ventures	9b	1,085	7,541
Total		385,555	392,707

Financial Times Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2021

9a Investments - subsidiary undertakings

	Total
	£'000
Cost	
At 1 January 2021	485,334
Additions	—
At 31 December 2021	485,334
Provision	
At 1 January 2021	100,168
Charge for the year	696
At 31 December 2021	100,864
Net book value	
At 31 December 2020	385,166
At 31 December 2021	384,470

On 10 March 2020, the Company purchased the remaining 49% share of Alpha Grid Media Limited (Alpha Grid) for consideration of £6.66m. Alpha Grid is a media company specialising in the development and production of branded content for distribution across a range of channels, including television, social media, digital and events platforms.

On 14 September 2020, following the finalisation of the completion accounts process in respect of the initial 51% acquisition of The Next Web B.V., the final consideration payment was made at an amount less than had been provided for as at 31 December 2019. The final consideration payable was €177,000, being €756,000 less than the original provision.

On 13 September 2021, the Company acquired an additional 39% of the issued share capital of its subsidiary, The Next Web B.V., for no consideration. This led to an increase in the Company's percentage holding from 51% to 90%. This led to a corresponding increase in the Company's holding of The Next Web B.V.'s subsidiaries from 51% to 90%.

Following the completion of the annual impairment review exercise, management concluded that the carrying value of a number of the directly held subsidiaries could be supported with the exception of The Financial Times (H.K.) Ltd. As a result, the decision was made to record an impairment charge of £696,000 (2020: £13,888,000) in respect of this. The impairment review exercise is based on management's best assessment of the recoverable amount from continuing to operate these subsidiaries in their current structure. As no budget cash flows are created on an entity basis for these subsidiaries management has considered the expected returns based on balance sheets and available liquidity of each subsidiaries at the balance sheet date.

Details of directly and indirectly held subsidiary undertakings:

Subsidiary	Registered office address	Class of shares held	Place of incorporation	2021	2020
				% held	% held
Directly Owned					
The Financial Times Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
FT Personal Finance Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
Financial Times Holdings Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
FT Business Information Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%

Financial Times Group Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2021****9a Investments - subsidiary undertakings (continued)**

				2021	2020
Subsidiary	Registered office address	Class of shares held	Place of incorporation	% held	% held
Directly Owned (continued)					
The Financial Times (HK) Limited	6/F Nan Fung Tower, 88 Connaught Road Central, Hong Kong	Ordinary	Hong Kong	100%	100%
FT Publications Inc.	330 Hudson Street, New York, NY 10013, USA	Ordinary	USA	100%	100%
The Financial Times (Singapore) Pte Limited	60 Anson Road, #06-02 Mapletree Anson, Singapore 079914	Ordinary	Singapore	100%	100%
The Financial Times (Europe) GmbH	Grüneburgweg 16-18, 60322 Frankfurt, Germany	Ordinary	Germany	100%	100%
Financial Times Electronic Publishing (HK) Limited	6/F Nan Fung Tower, 88 Connaught Road Central, Hong Kong	Ordinary	Hong Kong	100%	100%
Financial Times Electronic Publishing Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
The Financial Times (Zhongwen) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
Financial Times Investor Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
Financial Times Electronic Publishing (Philippines) Inc.	16th Floor Net Park, 5th Avenue, E-Square, Crescent Park West, Bonifacio Global City, 1634 Taguig, Philippines	Ordinary	Philippines	100%	100%
Alpha Grid Media Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
Longitude Research Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	51%	51%
The Next Web B.V.	Burgerweeshuispad 101 Tripolis 100, 1076 ER, Amsterdam, The Netherlands	Ordinary	Netherlands	90%	51%

Financial Times Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2021

9a Investments - subsidiary undertakings (continued)

Subsidiary	Registered office address	Class of shares held	Place of incorporation	2021	2020
				% held	% held
Indirectly Owned*					
The Financial Times (Overseas) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
The Financial Times (France) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
The Financial Times (Spain) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
The Financial Times (Japan) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
Financial Times (ASC) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
St. Clements Press (1988) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
FT Labs Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
The Financial Times (M-M UK) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
Financial Times Business Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
Throgmorton Publications Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
FT (Dormant) Limited (formerly Medley Global Advisors Limited)	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
Mandatewire Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
FDI Intelligence Limited	Centrepont 6th Floor, 24 Ormeau Avenue, Belfast, BT2 8HS	Ordinary	UK	100%	100%
Exec-Appointments Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
The Financial News Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
The Financial Times (Switzerland) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	UK	100%	100%
Beijing Rongjin Advertising Company Limited	Room 701, Tower A, Jia Ming Center, No. 27 Dong San Huan Bei Lu, Chaoyang District, Beijing, China	Ordinary	China	100%	100%

Financial Times Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2021

9a Investments - subsidiary undertakings (continued)

Subsidiary Indirectly Owned (continued)*	Registered office address	Class of shares held	Place of incorporation	2021	2020
				% held	% held
Money Media Inc	330 Hudson Street, New York, NY 10013, USA	Ordinary	USA	100%	100%
Longitude US Inc	330 Hudson Street, New York, NY 10013, USA	Ordinary	USA	51%	51%
GIS Planning Inc	One Hallidie Plaza, Suite 760 San Francisco, CA 94102	Ordinary	USA	100%	100%
GIS Planning Canada Inc	5601 av. Castlewood Côte-Saint-Luc (Québec) H4W1V1 Canada	Ordinary	Canada	100%	100%
Group X B.V.	Singel 542, 1017 AZ, Amsterdam, The Netherlands	Ordinary	Netherlands	90%	51%
TQ Amsterdam B.V.	Singel 542, 1017 AZ, Amsterdam, The Netherlands	Ordinary	Netherlands	90%	51%
TNW Events B.V.	Burgerweeshuispad 101 Tripolis 100, 1076 ER, Amsterdam, The Netherlands	Ordinary	Netherlands	90%	51%
Datalicious B.V.	Burgerweeshuispad 101 Tripolis 100, 1076 ER, Amsterdam, The Netherlands	Ordinary	Netherlands	90%	51%
TNW UK, Inc. Ltd	20-22 Wenlock Road, London, England, N1 7GU	Ordinary	UK	90%	51%
TNW US, Inc.	228 Park Ave S, #56369, New York, NY 10003, USA	Ordinary	USA	90%	51%
The Financial Times (Bulgaria) Limited	Bracken House, 1 Friday Street, London, England, EC4M 9BT	Ordinary	UK	100%	100%
Business People Publications Limited	Vogue House, Hanover Square, London, W1S 1JU	Ordinary	UK	50%	50%

* Held by a subsidiary undertaking of the Company.

Investments in subsidiaries are stated at cost less provision for impairment.

Financial Times Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2021

9b Investments - associates and joint ventures

	Total
	£'000
Cost	
At 1 January 2021	7,541
Impairment	(6,456)
At 31 December 2021	1,085
Net book value	
At 31 December 2020	7,541
At 31 December 2021	1,085

Details of joint venture and associate undertakings:

			2021	2020
Joint ventures	Registered office address	Place of incorporation	% held	% held
Nikkei FT Scout Asia Limited	6/F Nan Fung Tower, 88 Connaught Road Central, Hong Kong	Hong Kong	49%	49%
			2021	2020
Associates	Registered office address	Place of incorporation	% held	% held
Nikkei FT Learning Limited	Bracken House, 1 Friday Street, London EC4M 9BT	UK	25%	25%
Financial Times do Brasil Consultoria Ltda	Avenida Paulista, 2073, Ed. Horsa 1, sala 1206, Sao Paulo, CEP 01311- 940, Brazil	Brazil	10%	10%

Investments in associates and joint ventures are stated at cost less provision for impairment.

On 31 December 2021, Nikkei FT Scout Asia Limited ("scoutAsia") disposed of its trade and assets to Nikkei Inc. The intention is for scoutAsia to be liquidated with the distribution of the net proceeds to be made to the joint venture parties in line with their respective shareholdings (Financial Times Group Limited - 49%, Nikkei Inc. - 51%). As part of management's impairment review, management has assessed the expected distribution to be received from scoutAsia on liquidation and concluded that an impairment charge of £1,096,000 is required in order to reduce the carrying value of the Company's investment to its recoverable value of £1,085,000 at the balance sheet date.

The carrying value of the Company's investment in Nikkei FT Learning Limited was assessed for impairment at the balance sheet date as part of management's impairment review, and it was concluded that the projected cash flow forecasts could not support the carrying value of the investment. As a result, the investment was fully impaired with an impairment charge booked of £5,360,000 and the carrying value at the balance sheet date is now £nil.

On 18 February 2020, the Company subscribed for an additional 1,750,000 ordinary shares of Nikkei FT Learning Limited with par value £1.00 for an aggregate amount of £1,750,000.

Financial Times Group Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2021****10 Trade and other receivables**

	2021	2020
	£'000	£'000
Amounts falling due within one year		
Amounts owed by group undertakings		
- subsidiary entities	68,615	2,480
Other taxation receivable	21	10
Corporation tax	381	98
Total trade and other receivables	69,017	2,588

Amounts owed by group undertakings include loans of £68,193,000 attracting interest at rates between 1.15% and 1.50% (2020: £2,480,000 attracting interest at 1.50%). These loans are unsecured and repayable on demand.

Financial Times Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2021

11 Trade and other payables

	2021 £'000	2020 £'000
Amounts falling due within one year		
Amounts owed to group undertakings		
- Subsidiary entities	36,924	13,833
Other payables	—	10
Accruals	21	77
	36,945	13,920

Amounts due to group undertakings include loans of £36,109,000 attracting interest at rates between 1.06% and 1.50% (2020: £13,441,000 attracting interest at rate between 1.12% and 1.50%). These loans are unsecured and repayable on demand. The remaining amounts of £815,000 owed to group undertakings are unsecured and repayable on demand (2020: £392,000).

Financial Times Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2021

12 Borrowings

	2021	2020
	£'000	£'000
Bank loans	(194)	19,763
	(194)	19,763
Maturity of financial liabilities:		
On demand or within a year	—	19,763
Between one and two years	—	—
	—	19,763

The bank loans bear interest at rates between 1.12% and 1.15% during the year (2020: 0.46% and 1.16%).

An arrangement fee in relation to the loan facility was paid and capitalised in 2020 & 2021. The amount is amortised over the life of the loan facility and recognised as a finance cost. As at 31 December 2021, the capitalised arrangement fee is £194,000.

Financial Times Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2021

13 Called up share capital

	2021		2020	
	£'000		£'000	
Total authorised share capital	184,000		184,000	
	2021	2020	2021	2020
	Number	Number	£'000	£'000
Ordinary shares £0.80 each				
Allotted, called up and fully paid	230,000,006	230,000,006	184,000	184,000

Financial Times Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2021

14 Contingent liabilities

Other guarantees and indemnities

Where necessary, the Company has agreed to provide, or arrange the provision of, funds to directly or indirectly held subsidiary undertakings of the Company, sufficient to meet their obligations as they fall due for at least twelve months from the date of signature of their financial statements.

Financial Times Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2021

15 Post balance sheet events

On 23rd September 2022 the Chancellor of the Exchequer announced that the corporation tax will remain at 19% from 1 April 2023, reversing a previously enacted measure to increase the rate to 25%. This reversal in the tax rate from 1st April 2023 has not been enacted or substantively enacted and accordingly has no impact on the tax balance at 31st December 2021.

On 30 June 2022 the Company agreed an extension to its £100m committed loan facility provided by SMBC, which now runs until 07 July 2024.

On 31 January 2022, the Company purchased the remaining 49% share of Longitude Research Limited (Longitude) for consideration of £13,422,000. Longitude is a company specialising in the development and production of research and branded content for distribution across a range of channels, including social media, digital and events platforms.

Financial Times Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2021

16 Related party transactions

The Company has taken advantage of the exemption under paragraph 8(j) and 8(k) of FRS101 not to disclose transactions with key management personnel or fellow wholly owned subsidiaries.

Financial Times Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2021

17 Ultimate parent undertaking

The immediate parent undertaking and controlling party is Nikkei Inc., which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Nikkei Inc. is incorporated in Japan and copies of Nikkei Inc.'s consolidated financial statements can be obtained from its registered office at Nikkei Inc., 1-3-7 Otemachi, Chiyoda-ku, Tokyo 100-8066, Japan.

THESE ACCOUNTS FORM PART OF THE
GROUP ACCOUNTS OF FINANCIAL
TIMES GROUP LIMITED
COMPANY NO. 00879531.

**Nikkei Inc. and
Consolidated Subsidiaries**

*Consolidated Financial Statements
for the Year Ended 31 December, 2021,
and Independent Auditor's Report*

CERTIFIED AS A TRUE COPY

SIGNATURE

森田 勝久

KATSUHISA MORITA
DIRECTOR, NIKKEI INC.

DATE

19/5/2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nikkei Inc.:

Opinion

We have audited the consolidated financial statements of Nikkei Inc. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of 31 December, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

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

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into British pound amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such British pound amounts are presented solely for the convenience of readers outside 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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 the matter.

Evaluation of goodwill and other intangible assets relevant to Financial Times Group Limited		
	Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
1	<p>The Group recorded 75,662 million yen of goodwill and 19,711 million yen of other intangible assets—Brandname and Customer-related assets—relevant to its consolidated subsidiary, Financial Times Group Limited (hereafter referred to as "FT") on the consolidated balance sheet as of 31 December, 2021, which represented 16% of total assets.</p> <p>The Group assessed whether there was any indication that goodwill and other intangible assets relevant to FT included in the consolidated financial statements may be impaired by considering FT's business environment as well as the progress and achievability of their business plan. As a result, the Group determined that there was no indication of impairment.</p> <p>The business plan of FT includes forecasts of continuous sales and profit growths, especially in digital and event business areas, based on FT's high brand power, human assets, and digital technology, amid large changes in the business environment surrounding the media industry due to the advancement of digital technology and changes in customers' lifestyles. Business plans thus mainly includes management's subjective judgment on sales growth and cost reduction measures through pricing strategies and subscriber increase measures in the digital business, development strategy of the event business and synergy effects in each business. There is uncertainty in achieving these business plans.</p> <p>We identified the evaluation of goodwill and other intangible assets related to FT as a key audit matter because these amounts are quantitatively material, and their evaluation is affected by management's subjective judgment.</p>	<p>Our audit procedures related to evaluating the reasonableness of goodwill and other intangible assets for FT included the following, among others:</p> <p>Evaluation of internal control</p> <ul style="list-style-type: none"> • We tested the design and operating effectiveness of internal controls over determination of the impairment indications of goodwill and other intangible assets relevant to FT by inquiring of management on the testing process, results of testing and approval procedures by the Group as well as by inspecting relevant materials. <p>Evaluating the indication of impairment</p> <ul style="list-style-type: none"> • We evaluated the reasonableness of management's assessment concluding that there was no indication of impairment by evaluating FT's business result analysis conducted by management based on FT's business environment and changes in the environment as well as by comparing the business plan with actual results. • We inquired of management regarding the progress of sales growth and cost reduction measures through pricing strategies and subscriber increase measures in the digital business, the main business included in the business plan estimates; development strategy of the event business; and synergy effects in each business. In addition, we performed a comparative analysis of the business plan and actual results. • Furthermore, we involved component auditors to assist us in testing whether there had been any material changes in the business environment on which the business plan was based and whether information obtained by us and component auditors was consistent.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board 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.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over 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 an 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. The procedures selected depend on the auditor's judgment. In addition, we 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, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing 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 overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners 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.

Deloitte Touche Tohmatsu LLC

28 March, 2022

Nikkei Inc. and Consolidated Subsidiaries
Consolidated Balance Sheet
31 December 2021

ASSETS	Millions of Yen		Thousands of British Pounds (Note 1)
	2021	2020	2021
CURRENT ASSETS:			
Cash and cash equivalents (Notes 10 and 18)	¥101,235	¥106,766	£652,116
Marketable securities (Notes 6 and 18)	2,000	200	12,883
Notes and accounts receivable (Note 18):			
Trade	36,888	30,754	237,616
Unconsolidated subsidiaries and associated companies	522	484	3,364
Other	3,247	3,141	20,917
Inventories (Note 7)	2,612	2,473	16,828
Short-term investments (Notes 8 and 18)	15,432	11,827	99,406
Other current assets	7,522	8,805	48,454
Allowance for doubtful receivables	(2,716)	(2,860)	(17,495)
Total current assets	166,742	161,590	1,074,089
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 10)	101,460	101,626	653,571
Buildings and structures (Note 10)	153,458	164,636	988,522
Machinery and equipment (Note 10)	55,127	65,427	355,110
Furniture and fixtures	18,949	20,569	122,066
Lease assets	1,414	986	9,110
Rights-of-use assets	39,938	36,608	257,264
Construction in progress	2,854	618	18,374
Total	373,200	390,470	2,404,017
Accumulated depreciation	(182,415)	(201,208)	(1,175,050)
Net property, plant and equipment (Note 23)	190,785	189,262	1,228,967
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6, 10 and 18)	43,880	34,066	282,659
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 18)	45,100	43,295	290,520
Goodwill	75,662	73,245	487,388
Software	28,230	26,515	181,850
Assets for retirement benefits (Note 11)	12,008	10,469	77,351
Deferred tax assets (Note 14)	16,162	17,868	104,112
Other assets	29,169	29,620	187,895
Total investments and other assets	250,211	235,078	1,611,775
TOTAL	¥607,738	¥585,930	£3,914,831
See notes to consolidated financial statements.			
LIABILITIES AND EQUITY	Millions of Yen		Thousands of British Pounds (Note 1)
	2021	2020	2021
CURRENT LIABILITIES:			
Short-term bank loans (Notes 10 and 18)	¥7,270	¥10,067	£46,831
Current portion of long-term debt (Notes 10 and 18)	11,568	11,553	74,514
Notes and accounts payable (Note 10 and 18):			
Trade	12,048	11,189	77,610
Unconsolidated subsidiaries and associated companies	181	792	1,163
Other	13,620	15,085	87,735
Income taxes payable	4,206	2,085	27,095
Accrued expenses	15,515	11,942	99,944
Provision for sales returns	837	938	5,392
Other current liabilities (Note 12)	36,391	32,443	234,418
Total current liabilities	101,636	96,094	654,702
LONG-TERM LIABILITIES:			
Long-term debt (Notes 10 and 18)	62,976	72,480	405,669
Long-term lease liabilities (Note 10)	33,194	31,859	213,822
Deferred tax liabilities for land revaluation	18,548	18,586	119,478
Liability for retirement benefits (Note 11)	45,640	54,422	293,997
Retirement allowance for Directors and Audit & Supervisory Board Members	2,262	2,646	14,569
Other liabilities (Notes 12, 14 and 16)	17,642	15,781	113,649
Total long-term liabilities	180,262	195,774	1,161,184
COMMITMENTS AND CONTINGENT LIABILITIES (Note 19 and 20)			
EQUITY (Note 13):			
Common stock—authorized, 120,000,000 shares; issued, 25,000,000 shares in 2021 and in 2020	2,500	2,500	16,104
Capital surplus	420	304	2,707
Retained earnings	301,467	289,595	1,941,942
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	17,634	14,229	113,593
Deferred gain (loss) on derivatives under hedge accounting	5	(1)	30
Land revaluation surplus	10,751	10,838	69,256
Foreign currency translation adjustments	(37,477)	(47,831)	(241,418)
Defined retirement benefit plans	3,281	(1,239)	21,138
Total	298,581	268,395	1,923,352
Noncontrolling interests	27,259	25,667	175,593
Total equity	325,840	294,062	2,098,945
TOTAL	¥607,738	¥585,930	£3,914,831

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statement of Income Year Ended 31 December 2021

	Millions of Yen		Thousands of British Pounds (Note 1)
	2021	2020	2021
NET SALES (Note 23)	¥352,905	¥330,800	£2,273,289
COST OF SALES	196,925	192,753	1,268,525
Gross profit	155,980	138,047	1,004,764
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 23)	136,156	129,566	877,068
Operating income	19,824	8,481	127,696
OTHER INCOME (EXPENSES):			
Interest and dividend income	1,142	1,094	7,360
Interest expense	(1,284)	(1,277)	(8,272)
(Loss) gain on sales and disposal of property, plant and equipment	(502)	228	(3,234)
Loss on sales of investment securities		(445)	
Foreign exchange gain (loss)	287	(435)	1,850
Loss on valuation of investment securities	(1,004)	(2,783)	(6,466)
Loss on impairment of long-lived assets (Note 9)		(1,157)	
Business restructuring expenses (Note 15)	(374)	(1,017)	(2,410)
Equity in earnings of unconsolidated subsidiaries and associated companies	2,044	361	13,165
Other—net (Note 16)	36	4,397	234
Other income (expenses)—net	345	(1,034)	2,227
INCOME BEFORE INCOME TAXES	20,169	7,447	129,923
INCOME TAXES (Note 14):			
Current	6,125	3,765	39,458
Deferred	(90)	1,082	(580)
Total income taxes	6,035	4,847	38,878
NET INCOME	14,134	2,600	91,045
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,763	1,213	11,356
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥12,371	¥1,387	£79,689
	Yen		British Pounds
PER SHARE OF COMMON STOCK (Note 2.v):			
Basic net income	¥494.83	¥55.47	£3.19
Cash dividends applicable to the year	15.00	15.00	0.10
See notes to consolidated financial statements			

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year Ended 31 December 2021

	Millions of Yen		Thousands of British Pounds (Note 1)
	2021	2020	2021
NET INCOME	¥14,134	¥2,600	£91,045
OTHER COMPREHENSIVE INCOME (LOSS) (Note 21):			
Unrealized gain (loss) on available-for-sale securities	2,968	(1,221)	19,121
Deferred gain (loss) on derivatives under hedge accounting	9	(4)	59
Foreign currency translation adjustments	10,353	(3,741)	66,689
Defined retirement benefit plans	4,818	2,686	31,034
Share of other comprehensive income (loss) in associates	640	(110)	4,123
Total other comprehensive income (loss)	18,788	(2,390)	121,026
COMPREHENSIVE INCOME	¥32,922	¥210	212,071
TOTAL COMPREHENSIVE INCOME			
ATTRIBUTABLE TO:			
Owners of the parent	¥30,655	¥ (1,157)	£ 197,469
Noncontrolling interests	2,267	1,367	14,602

See notes to consolidated financial statements.

Nikkei Inc. and Consolidated Subsidiaries
Consolidated Statement of Changes in Equity
Year Ended 31 December 2021

	Thousands		Millions of Yen									
			Accumulated Other Comprehensive Income									
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, 1 JANUARY 2020	25,000	¥ 2,500	¥304	¥288,512	¥15,770	¥1	¥10,688	¥(44,089)	¥(3,980)	¥269,706	¥24,740	¥ 294,446
Net income attributable to owners of the parent				1,387						1,387		1,387
Cash dividends, ¥15.00 per share				(375)						(375)		(375)
Capital transactions with noncontrolling shareholders				221						221		221
Reversal of land revaluation surplus				(150)						(150)		(150)
Net change in the year					(1,541)	(2)	150	(3,742)	2,741	(2,394)	927	(1,467)
BALANCE, 31 DECEMBER 2020	25,000	¥ 2,500	¥304	¥289,595	¥14,229	¥(1)	¥10,838	¥(47,831)	¥(1,239)	¥268,395	¥25,667	¥ 294,062
Net income attributable to owners of the parent				12,371						12,371		12,371
Cash dividends, ¥15.00 per share				(375)						(375)		(375)
Change in the parent's ownership interest due to transactions with noncontrolling interests			116							116		116
Capital transactions with noncontrolling shareholders				(210)						(210)		(210)
Reversal of land revaluation surplus				86						86		86
Net change in the year					3,405	6	(87)	10,354	4,520	18,198	1,592	19,790
BALANCE, 31 DECEMBER 2021	25,000	¥ 2,500	¥420	¥301,467	¥17,634	¥5	¥10,751	¥(37,477)	¥3,281	¥298,581	¥27,259	¥ 325,840

	Thousands of British Pounds (Note 1)										
	Accumulated Other Comprehensive Income										
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, 31 DECEMBER 2020	£16,104	£1,961	£1,865,465	£91,656	£(6)	£69,811	£(308,108)	£(7,979)	£1,728,904	£165,337	£1,894,241
Net income attributable to owners of the parent			79,689						79,689		79,689
Cash dividends, £0.10 per share			(2,416)						(2,416)		(2,416)
Change in the parent's ownership interest due to transactions with noncontrolling interests		746							746		746
Capital transactions with noncontrolling shareholders			(1,351)						(1,351)		(1,351)
Reversal of land revaluation surplus			555						555		555
Net change in the year				21,937	36	(555)	66,690	29,117	117,225	10,256	127,481
BALANCE, 31 DECEMBER 2021	£16,104	£2,707	£1,941,942	£113,593	£30	£69,256	£(241,418)	£21,138	£1,923,352	£175,593	£2,098,945

See notes to consolidated financial statements.

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows Year Ended 31 December 2021

	Thousands of British Pounds (Note 1)	
	Millions of Yen	
	2021	2020
		2021
OPERATING ACTIVITIES:		
Income before income taxes	¥20,169	£129,923
Adjustments for:		
Income taxes—paid	(3,243)	(20,889)
Depreciation and amortization	23,548	151,686
Loss (gain) on sales and disposal of property, plant and equipment	502	3,234
Loss on impairment of long-lived assets		1,157
Loss on sales of investment securities		445
Loss on valuation of investment securities	1,004	6,466
Amortization of goodwill	5,576	35,917
Equity in earnings of unconsolidated subsidiaries and associated companies	(2,044)	(13,165)
Changes in assets and liabilities, net of effects:		
(Increase) decrease in notes and accounts receivable	(5,087)	(32,770)
Increase (decrease) in notes and accounts payable	652	4,199
(Decrease) increase in liability for employees' retirement benefits	(1,482)	(9,546)
Other—net	4,434	28,563
Total adjustments	23,860	153,695
Net cash provided by operating activities	44,029	283,618
INVESTING ACTIVITIES:		
Payments into time deposits	(35,193)	(226,701)
Proceeds from withdrawal of time deposits	31,899	205,484
Purchases of marketable securities	(3,000)	(19,325)
Proceeds from sales of marketable securities	1,202	7,742
Purchases of property, plant and equipment	(8,181)	(52,702)
Purchases of intangible assets	(14,410)	(92,825)
Purchases of investment securities	(5,931)	(38,208)
Proceeds from sales of investment securities	62	401
Proceeds from sales of investments in subsidiaries resulting in change in the scope of consolidation		366
Other—net	(647)	(4,162)
Net cash used in investing activities	(34,199)	(220,296)
FORWARD	¥9,830	£63,322

(Continued)

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows Year Ended 31 December 2021

	Millions of Yen		Thousands of British Pounds (Note 1)
	2021	2020	2021
FORWARD	¥9,830	¥25,064	£ 63,322
FINANCING ACTIVITIES:			
Decrease in short-term bank loans — net (Note 4)	(3,023)	(1,753)	(19,470)
Repayments of long-term bank loans	(9,504)	(9,504)	(61,221)
Dividends paid	(375)	(375)	(2,416)
Other—net	(3,611)	(3,937)	(23,265)
Net cash used in financing activities	(16,513)	(15,569)	(106,372)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,104	(336)	7,111
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,579)	9,159	(35,939)
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER OF UNCONSOLIDATED SUBSIDIARIES	48		304
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	106,766	97,607	687,751
CASH AND CASH EQUIVALENTS, END OF YEAR	¥101,235	¥106,766	£652,116

See notes to consolidated financial statements.

(Concluded)

Nikkei Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Year Ended 31 December 2021

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements 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 accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2020 consolidated financial statements to conform to the classifications used in 2021.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nikkei Inc. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into British pound amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥155.24 to £1, the approximate rate of exchange at 31 December 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into British pounds at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. **Consolidation**—The consolidated financial statements as of 31 December 2021, include the accounts of the Company and its 38 (38 in 2020) significant subsidiaries (together, the "Group"). Financial Times Group Limited, which consolidates all of its subsidiaries, is counted as one company.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 11 (11 in 2020) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is recorded as goodwill and amortized within 20 years by using the straight-line method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

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- b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements***—Under Accounting Standards Board of Japan (“ASBJ”) Practical Issues Task Force (“PITF”) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements,” the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—“FASB ASC”) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalised development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.
- c. ***Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method***—ASBJ Statement No. 16, “Accounting Standard for Equity Method of Accounting for Investments,” requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalised development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.
- d. ***Cash Equivalents***—Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value.
- Cash equivalents include time deposits and certificates of deposit, all of which mature or become due within three months of the date of acquisition.
- e. ***Allowance for doubtful receivables***—The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Company's past credit loss experience and evaluation of potential losses in the receivables outstanding.
- f. ***Inventories***—The Company determines the cost of raw materials by the average cost method and the cost of supplies by the first-in, first-out method.

The consolidated subsidiaries determine the cost of raw materials mainly by the first-in, first-out method, the cost of merchandise and finished products mainly by the moving-average method, and the cost of work in process mainly by the specific identification method.

Inventories are stated at the lower of cost, or net selling value.

- g. **Marketable and Investment Securities**—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and (2) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

- h. **Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment, excluding lease assets, is principally computed by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is principally applied to buildings and structures. The range of useful lives is mainly from 2 to 50 years for buildings and structures, and from 2 to 15 years for machinery and equipment.

Depreciation of lease assets related to the finance leases for which ownerships is not transferred is computed by the straight-line method over the lease period with no residual value carried. Amortization of right-of-use assets is computed by the straight-line method.

- i. **Long-Lived Assets**—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- j. **Land Revaluation**—Under the “Law of Land Revaluation,” the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as at 31 December 2000. The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the declines in value should be removed from the land revaluation excess account and related deferred tax liabilities.
- k. **Software**—Software is amortized by the straight-line method based on the length of the period it can be used internally (mainly 5 years).
- l. **Goodwill**—Goodwill is amortized by the straight-line method over its estimated useful life determined for each business combination, not exceeding 20 years. In the case it is fairly immaterial, it is expensed immediately in the fiscal year of its occurrence.
- m. **Retirement and Pension Plans**—The Company and certain consolidated subsidiaries have defined benefit pension plans and lump-sum payment plans.

In calculating the retirement benefit obligation, a benefit formula basis is principally used to determine the amount of the expected retirement benefit obligations attributed to services

performed up to the end of the current fiscal year.

Past service costs are amortized on a straight-line basis within the average remaining service period of the eligible employees in and after the fiscal year in which they arise.

Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period of the eligible employees in and after the fiscal year in which they arise.

- n. Asset Retirement Obligations**—An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalised by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalised amount of the related asset retirement cost.

- o. Leases**—For a lessee, finance lease transactions are capitalised by recognizing lease assets and lease obligations in the balance sheet.
- p. Provision for sales returns**—Certain consolidated subsidiaries accrue provision for sales returns of books and magazines based on their historical sales returns rate experience.
- q. Retirement allowance for Directors and Audit & Supervisory Board Members**—Retirement allowance for Directors and Audit & Supervisory Board Members is provided to allocate retirement compensation for directors at an amount that would be required to be paid in accordance with the Company's internal rules as if all eligible officers resign from their positions at the balance sheet date.
- r. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.
- s. Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.
- t. Foreign Currency Financial Statements**—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and

expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

- u. ***Derivatives and Hedging Activities***—The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange and interest rates and currency swaps. Foreign exchange forward contracts, interest rate swaps and currency swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading purposes or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivatives transactions are recognized in the consolidated statement of income, and b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Notes and accounts payable denominated in foreign currencies, for which foreign currency forward contracts are used to hedge the foreign currency fluctuations, are translated at the contracted rate if the forward contracts qualify for exceptional hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income. The currency swaps which qualify for hedged debt is translated at the contracted rates of the foreign currency swaps.

Hedging relationships to which “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” is applied

On 29 September 2020, the ASBJ issued the PITF No.40 for Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR.

The Group applied exceptional accounting to all hedging relationships which were included in the scope of application of this practical solution. The hedging relationships to which this practical solution was applied are the following:

Hedge accounting applied – exceptional hedge accounting treatment for interest rate swaps, allocation treatment for currency swaps

Hedging instruments – interest rate swaps, currency swaps

Hedged items – interest expense, long-term debt

Categories of hedges – hedge of the exposure to variability in cash flows

- v. ***Per Share Information***—Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not presented because the Company has no dilutive financial instruments.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

- w. ***New Accounting Pronouncements***

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, 31 March 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ

Guidance No. 30, 31 March 2020)

- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, 31 March 2020)

(1) Outline

The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Effective date

Effective from annual periods beginning on or after 1 January 2022.

(3) Effects of the application of the standards

The Company is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

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

(1) Outline

Under the circumstances that IASB and FASB have similar detailed guidance regarding fair value measurements, IFRS 13-Fair Value Measurement under IFRS and Topic 820 in the Accounting Standards Codification-Fair Value Measurement under generally accepted accounting principles in the United States America ("U.S. GAAP"), ASBJ has made efforts to make the Japanese standards consistent with international accounting standards mainly regarding the guidance and disclosure of the fair value of financial instruments and has published.

From the viewpoint of improving the comparability of financial statements between domestic and overseas companies by using a uniform calculation method as a basic policy for the development of accounting standards for fair value measurement, ASBJ has basically adopted all the provisions of IFRS 13 and has stipulated other treatments for individual items to the extent that comparability between financial statements is not significantly impaired considering the practices that have been conducted in Japan up to now.

(2) Effective date

Effective from annual periods beginning on or after 1 January 2022.

(3) Effects of the application of the standards

The Company is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

3. SIGNIFICANT ACCOUNTING ESTIMATES

a. *Valuation of goodwill and other intangible assets (brandname, customer-related assets, etc.)*

Acquisition costs of companies or business operations acquired through business combination are allocated to assets and liabilities. When the acquisition cost is in excess of the net value allocated to assets and liabilities, the excess amount is recorded in assets as goodwill. Goodwill and other intangible assets (brandname, customer-related assets, etc.) are regularly amortized during their estimated useful life, and the carrying amount is subject to such amortization. When we believe that the carrying amount of goodwill and other intangible assets (brandname, customer-related assets, etc.) is not recoverable in full, we write down the figure to the recoverable amount.

If the recoverable amount of goodwill and other intangible assets (brandname, customer-related assets, etc.) falls below their carrying amount due to changes in the management environment or other reasons, impairment may become necessary.

Valuation of goodwill and other intangible assets (brandname, customer-related assets, etc.) related to Financial Times Group Limited ("FT")

(1) Carrying amounts recorded in the consolidated financial statements for the year ended December 31, 2021

Goodwill ¥75,662 million (£487,388 thousand)

Other intangible assets (Brandname, Customer-related assets, etc.) ¥19,711 million (£ 126,972 thousand)

(2) Information on the significant accounting estimate

The Group acquired 100% of FT's equity on 30 November 2015, and has been amortizing the value of goodwill and other intangible assets (brandname, customer-related assets, etc.) recognized at the time of the acquisition, and records on the Consolidated Balance Sheets the residual amount after accumulated amortization recorded for the years that have passed of the total estimated useful life.

The Group reviewed whether the excess earning power estimated at the time of the acquisition will continue into the future, evaluated and analysed FT's business plans, business results and projections, and observed for any indications of impairment. After analysing FT's digital business growth strategy, event business strategy, progress of cost reduction and other measures, and future growth outlook, the Group believes that there is no indication of impairment concerning FT-related goodwill and other intangible assets (brandname, customer-related assets, etc.).

b. *Non-marketable stocks and other securities among investment securities*

(1) Carrying amount recorded in the consolidated financial statements for the year ended December 31, 2021

Investment securities ¥88,763 million (£571,780 thousand), including non-marketable stocks and other securities ¥7,927 million (£51,062 thousand)

(2) Information on the significant accounting estimate

The Group's non-marketable stocks and other securities are stated at cost in the Consolidated Balance Sheets, but when their net asset value becomes significantly lower than the cost, an impairment loss needs to be recognized. Of the non-marketable stocks and other securities, the Group believes that the stocks acquired at prices reflecting excess earning power do not require recognition of such an impairment loss, after evaluation of the state of net asset value loss and likelihood of recovery, based on how the investment target carries out its business plans. If its net asset value including excess earning power declines significantly due to vastly underperforming its forecasted business plans, then the Group may carry out amortization in the next fiscal year.

c. *Valuation of deferred tax assets*

(1) The carrying amount recorded in the consolidated financial statements for the year ended December 31, 2021

Deferred tax assets ¥16,162 million (£104,112 thousand)

(2) Information on the significant accounting estimate

In recording deferred tax assets, the Group makes judgement on the possibility of recovery of deferred tax assets, based on the scheduling of temporary differences and future taxable income. Estimates of future taxable income are made on the basis of business plans made by the management, and the Group believes that recovery of deferred tax assets related to the schedulable temporary differences is possible. It should be noted that taxable income can be influenced by uncertain changes in future economic conditions, and that if the actual amount differs from our estimate, it may have a significant impact on the amount of deferred tax assets in the consolidated financial statements in the next fiscal year.

4. CHANGES IN PRESENTATION METHODS

- The Adoption of the “Accounting Standard for Disclosure of Accounting Estimates”

The Group adopted ASBJ Statement No. 31 “Accounting Standard for Disclosure of Accounting Estimates” (March 31, 2020) for the consolidated financial statements for the year ended December 31, 2021 and therefore significant accounting estimates are disclosed in the note to the Consolidated Financial Statements.

The note does not include information for the prior fiscal year in accordance with the transitional treatment set out in Paragraph 11 of the Accounting Standard.

- Reclassifications of the consolidated statements of cash flows

In the prior fiscal year, “Proceeds from short-term bank loans” and “Repayments of short-term bank loans” under “Financing Activities” within the consolidated statement of cash flows each recorded gross amounts, but starting with the fiscal year ended December 31, 2021, the consolidated statement of cash flows presents the cash flows as net amounts, under “Increase (decrease) in short-term bank loans—net” because the cash flows are short-term in nature. To reflect this change in presentation, we have reclassified items in the statements for the prior fiscal year. As a result, ¥32,053 million of “Proceeds from short-term bank loans” and ¥33,806 million of “Repayments of short-term bank loans” under Financing Activities in the prior fiscal year’s consolidated statement of cash flows have been reclassified as (¥1,753 million) of “Decrease in short-term bank loans—net”.

5. ADDITIONAL INFORMATION

- The Effect of COVID-19

The effect of COVID-19 to the economy and corporate activities is extensive. Under the circumstances, the Company made accounting estimates used in its assessment of impairment of long-lived assets and recoverability of deferred tax assets, based on the assumption that overall business environment may show gradual recovery in and after the fiscal year ending 31 December 2022.

Due to the difficulties of accurately forecasting when the virus will end and the impact of the spread of COVID-19, delays in the recovery longer than estimated above may influence the Group’s financial position and operating results in the next fiscal year.

6. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as at 31 December 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	2021	2020	2021
Current:			
Debt securities and other	¥2,000	¥200	£12,883
Total	¥2,000	¥200	£12,883
Non-current:			
Equity securities	¥41,559	¥33,797	£267,708
Debt securities and other	2,321	269	14,951
Total	¥43,880	¥34,066	£282,659

The costs and aggregate fair values of marketable and investment securities at 31 December 2021 and 2020, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
31 December 2021				
Securities classified as:				
Available-for-sale:				
Equity securities	¥12,367	¥25,110	¥(1,685)	¥35,792
Held-to-maturity	4,017		(6)	4,011
31 December 2020				
Securities classified as:				
Available-for-sale:				
Equity securities	¥9,041	¥19,980	¥(930)	¥28,091
Held-to-maturity	200		(0)	200
	Thousands of British Pounds			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
31 December 2021				
Securities classified as:				
Available-for-sale:				
Equity securities	£79,665	£161,749	£(10,854)	£230,560
Held-to-maturity	25,875		(35)	25,840

The information for available-for-sale securities which were sold during the years ended 31 December 2021 and 2020, was as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
<u>31 December 2021</u>			
Available-for-sale: Equity securities	¥ 48	¥ 3	¥ 1
Total	¥ 48	¥ 3	¥ 1
<u>31 December 2020</u>			
Available-for-sale: Equity securities	¥ 126	¥ 4	¥ 0
Total	¥ 126	¥ 4	¥ 0
	Thousands of British Pounds		
	Proceeds	Realized Gains	Realized Losses
<u>31 December 2021</u>			
Available-for-sale: Equity securities	£ 306	£ 22	£ 7
Total	£ 306	£ 22	£ 7

The impairment losses on available-for-sale equity securities for the years ended 31 December 2021 and 2020, were ¥1,004 million (£6,466 thousand) and ¥2,783 million, respectively.

7. INVENTORIES

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

	Millions of Yen		Thousands of British Pounds
	2021	2020	2021
Merchandise	¥ 57	¥ 41	£ 366
Finished products	444	449	2,857
Work in process	1,395	1,187	8,984
Raw materials and supplies	716	796	4,621
Total	¥2,612	¥2,473	£16,828

8. SHORT-TERM INVESTMENTS

Short-term investments at 31 December 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	2021	2020	2021
Time deposits	¥15,432	¥11,827	£99,406
Total	¥15,432	¥11,827	£99,406

9. LOSS ON IMPAIRMENT OF LONG-LIVED ASSETS

Impairment loss for the year ended 31 December 2020, consisted of the following:

Location	Classification by Use	Type of Assets	Millions of Yen
			2020
Tachikawa (Tokyo)	Business assets	Buildings and Structures	¥388
		Machine	115
		Land	651
		Furniture and Fixtures	3

Business assets are grouped based on the business. Idle assets and assets held for rent are grouped on an individual asset base. Corporate headquarters facilities are grouped as the corporate assets. The Group reviewed for impairment, assets expected to be idle due to the reorganization of printing plants for impairment as of 31 December 2020. As a result, the Group recognized an impairment loss of ¥1,157 million.

The carrying amounts were written down to net realizable value, real estate appraisal value and the differences were recognized as impairment loss.

10. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at 31 December 2021 and 2020, consisted of notes to banks and bank overdrafts. The weighted average interest rates applicable to the short-term bank loans were 0.24% and 0.47% at 31 December 2021 and 2020, respectively. Various covenants (financial covenants etc.) are attached to long-term loans borrowing from banks accompanying the acquisition of Financial Times Group.

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

	Millions of Yen		Thousands of British Pounds
	2021	2020	2021
Unsecured loans from banks with average interest rates of 0.29% (2021) and 0.29% (2020)	¥72,480	¥81,984	£466,890
Lease liabilities	35,257	33,907	227,114
Total	107,737	115,891	694,004
Less current portion	(11,568)	(11,553)	(74,513)
Long-term debt, less current portion	¥96,169	¥104,338	£619,491

Annual maturities of long-term bank loans, at 31 December 2021, were as follows:

Year Ending 31 December	Millions of Yen	Thousands of British Pounds
2022	¥ 9,504	£61,221
2023	9,504	61,221
2024	9,504	61,221
2025	9,504	61,221
2026	34,464	222,006
Total	¥72,480	£466,890

Annual maturities of lease liabilities, at 31 December 2021, were as follows:

Year Ending 31 December	Millions of Yen	Thousands of British Pounds
2022	¥ 2,064	£13,292
2023	2,042	13,153
2024	1,901	12,242
2025	1,829	11,784
2026	1,757	11,317
2027 and thereafter	25,664	165,326
Total	¥35,257	£227,114

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥20 million (£129 thousand), collateralized notes and accounts payable of ¥398 million (£2,566 thousand) at 31 December 2021, were as follows:

	Millions of Yen	Thousands of British Pounds
Cash and cash equivalents	¥77	£497
Property, plant and equipment—net of accumulated depreciation	14,730	94,885
Investment securities	52	335
Total	<u>¥14,859</u>	<u>£95,717</u>

11. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have two types of defined benefit plans, namely: funded defined benefit plans and lump-sum severance payment plans (principally unfunded), while some consolidated subsidiaries have defined contribution plans and other similar plans. Extra payments may be added upon retirement of employees. Certain consolidated subsidiaries calculated their retirement benefit obligation and retirement benefit expenses by using the simplified method.

a. The changes in defined benefit obligation for the years ended 31 December 2021 and 2020, were as follows:

	Millions of Yen		Thousands of British Pounds
	2021	2020	2021
Balance at beginning of year	¥183,962	¥184,622	£1,185,017
Current service cost	4,401	5,019	28,348
Interest cost	1,512	1,519	9,738
Actuarial gains	1,537	1,585	9,898
Benefits paid	(8,271)	(8,834)	(53,279)
Past service cost	1,162		7,486
Foreign currency translation differences	83	37	541
Others	(14)	14	(91)
Balance at end of year	<u>¥184,372</u>	<u>¥183,962</u>	<u>£1,187,658</u>

b. The changes in plan assets for the years ended 31 December 2021 and 2020, were as follows:

	Millions of Yen		Thousands of British Pounds
	2021	2020	2021
Balance at beginning of year	¥142,655	¥138,407	£918,929
Expected return on plan assets	4,192	4,060	27,003
Actuarial gains	6,694	887	43,121
Contributions from the employer	5,507	5,686	35,475
Benefits paid	(6,005)	(6,385)	(38,679)
Foreign currency translation differences	3	0	18
Others		0	
Balance at end of year	<u>¥153,046</u>	<u>¥142,655</u>	<u>£985,867</u>

- c. *Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of 31 December 2021 and 2020 was as follows:*

	Millions of Yen		Thousands of British Pounds
	2021	2020	2021
Funded defined benefit obligation	¥162,722	¥163,496	£1,048,199
Plan assets	(161,385)	(150,420)	(1,039,584)
Total	1,337	13,076	8,615
Unfunded defined benefit obligation	32,295	30,877	208,031
Net liability arising from defined benefit obligation	¥33,632	¥43,953	£216,646
	Millions of Yen		Thousands of British Pounds
	2021	2020	2021
Liability for retirement benefits	¥45,640	¥54,422	£293,997
Asset for retirement benefits	(12,008)	(10,469)	(77,351)
Net liability arising from defined benefit obligation	¥33,632	¥43,953	£216,646

- d. *The components of net periodic benefit costs for the years ended 31 December 2021 and 2020, were as follows:*

	Millions of Yen		Thousands of British Pounds
	2021	2020	2021
Service cost	¥4,401	¥5,019	£28,348
Interest cost	1,512	1,519	9,738
Expected return on plan assets	(4,192)	(4,060)	(27,003)
Recognized actuarial losses	3,472	4,919	22,362
Amortization of prior service cost	4	(333)	25
Others	356	679	2,302
Net periodic benefit costs	¥ 5,553	¥ 7,743	£35,772

- e. *Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended 31 December 2021 and 2020, were as follows:*

	Millions of Yen		Thousands of British Pounds
	2021	2020	2021
Prior service cost	¥(1,158)	¥(333)	£(7,461)
Actuarial losses	8,627	4,245	55,574
Total	¥7,469	¥3,912	£48,113

- f. Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as at 31 December 2021 and 2020, were as follows:*

	Millions of Yen		Thousands of British Pounds
	2021	2020	2021
Unrecognized prior service cost	¥(1,075)	¥83	£(6,925)
Unrecognized actuarial losses (gains)	7,469	(1,158)	48,111
Total	¥6,394	¥ (1,075)	£41,186

g. Plan assets

(1) Components of plan assets

Plan assets as at 31 December 2021 and 2020, consisted of the following:

	2021	2020
Debt investments	35%	38%
Equity investments	33	31
General accounts	10	10
Cash and cash equivalents	5	5
Others	17	16
Total	100%	100%

Note: Total plan assets at 31 December 2021 and 2020 include a retirement benefit trust set up for lump-sum severance payment plans that represented 3% of the total plan assets.

(2) Method of determining the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined considering the current and expected allocation of plan assets and the current and expected long-term rates of return on the various components of the plan assets.

- h. Principal assumptions used for the years ended 31 December 2021 and 2020, were set forth as follows:*

	2021	2020
Discount rate	0.9%	0.9%
Expected rate of return on plan assets	3.3%	3.3%

- i. The amounts contributed to the defined contribution retirement plans of the Group for the years ended 31 December 2021 and 2020:*

¥2,650 million (£17,071 thousand) and ¥2,354 million, respectively.

12. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended 31 December 2021 and 2020, were as follows:

	Millions of Yen		Thousands of British Pounds
	2021	2020	2021
Balance at beginning of year	¥3,459	¥3,411	£22,282
Additional provisions associated with the acquisition of property, plant and equipment	324	154	2,090
Reconciliation associated with changes in accounting estimates	66	34	422
Reconciliation associated with passage of time	33	57	213
Reduction associated with meeting asset retirement obligations	(1,536)	(156)	(9,893)
Others	136	(41)	877
Balance at end of year	¥2,482	¥3,459	£15,991

Changes in accounting estimates were recorded as it became evident that the estimate of the discounted cash flows required for future asset retirement would change at the beginning of the year. A reconciliation has been prepared for the change, which resulted in an increase or a decrease of the asset retirement obligation for the years ended 31 December 2021 by ¥66 million (£422 thousand).

13. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a

component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that ordinary shares, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.6% for the years ended 31 December 2021 and 2020, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at 31 December 2021 and 2020, were as follows:

	Millions of Yen		Thousands of British Pounds
	2021	2020	2021
Deferred tax assets:			
Liability for retirement benefits	¥12,607	¥15,831	£81,211
Excess of depreciation of property, plant and equipment	5,439	6,008	35,034
Tax losses carryforwards	3,714	2,824	23,922
Investment securities	2,183	2,190	14,060
Accrued expenses	1,256	1,103	8,092
Allowance for doubtful receivables	358	392	2,308
Other	7,133	6,932	45,953
Total of tax loss carryforwards and temporary differences	32,690	35,280	210,580
Less valuation allowance for tax loss carryforwards	(1,301)	(2,295)	(8,382)
Less valuation allowance for temporary differences	(6,902)	(7,522)	(44,464)
Total valuation allowance	(8,203)	(9,817)	(52,846)
Deferred tax assets	¥24,487	¥25,463	£157,734
Deferred tax liabilities:			
Retained earnings appropriated for tax allowance reserves	¥ 859	¥ 869	£ 5,534
Unrealized gain on available-for-sale securities	7,316	5,816	47,126
Intangible assets	5,926	3,583	38,173
Other	2,290	2,752	14,749
Deferred tax liabilities	16,391	13,020	105,582
Net deferred tax assets	¥8,096	¥12,443	£52,152

Valuation allowance decreased by ¥1,614 million (£10,393 thousand) compared to 31 December 2020. The increase was mainly due to reassessment of recoverability of deferred tax assets in consolidated subsidiaries.

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets at 31 December 2021 and 2020, were as follows:

	Millions of Yen						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
31 December, 2021							
Deferred tax assets relating to tax loss carryforwards					¥5	¥3,709	¥3,714
Less valuation allowances for tax loss carryforwards						(1,301)	(1,301)
Net deferred tax assets relating to tax loss carryforwards					¥5	¥2,408	¥2,413

	Millions of Yen						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
31 December, 2020							
Deferred tax assets relating to tax loss carryforwards	¥4	¥7	¥79	¥10		¥2,724	¥2,824
Less valuation allowances for tax loss carryforwards		(6)	(79)	(10)		(2,200)	(2,295)
Net deferred tax assets relating to tax loss carryforwards	¥4	¥1				¥524	¥529

	Thousands of British Pounds						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
31 December, 2021							
Deferred tax assets relating to tax loss carryforwards					£30	£23,892	£23,922
Less valuation allowances for tax loss carryforwards						(8,382)	(8,382)
Net deferred tax assets relating to tax loss carryforwards					£30	£15,510	£15,540

The tax loss carryforward for which this deferred tax asset has been recorded is determined to be recoverable based on the expected future taxable income, and no valuation allowance has been recognized.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended 31 December 2020, is as follows:

	<u>2020</u>
Normal effective statutory tax rate	30.6 %
Expenses not deductible for income tax purposes	3.4
Local inhabitants tax on per capital basis	1.4
Valuation allowance	(6.3)
Equity in earnings of an associated company	(1.5)
Expired tax losses carryforwards	2.4
Amortization of goodwill	24.0
Differences in tax rates applicable to the overseas consolidated subsidiaries	6.4
Effect of reduction of income tax rates on deferred tax assets	5.4
Other—net	<u>0.1</u>
Actual effective tax rate	<u>65.9 %</u>

For the fiscal year ended December 31, 2021, the total difference to be reconciled is less than 5 percent of the statutory rate, and no reconciliation needs to be provided.

15. BUSINESS RESTRUCTURING EXPENSES

The business restructuring expenses for the fiscal year ended 31 December 2020 amounting to ¥1,017 million are mainly due to special retirement payment related to business reorganization at a British subsidiary.

The business restructuring expenses for the fiscal year ended 31 December 2021 amounting to ¥374 million (£2,410 thousand) are mainly due to reorganization of print facilities at a British subsidiary.

16. OTHER INCOME (EXPENSES)—NET

The Group grants noncontrolling shareholders of a British subsidiary selling put options which allow them to buy stocks of some consolidated subsidiaries. The Group recognizes the provision for future payment discounted to present value as other long-term liability because the British subsidiary applies IFRS. Other income (expenses)-net for the year ended 31 December 2020 includes a reversal of the provision of ¥3,177 million.

17. LEASES

a. Lessee

The Group leases certain machinery, computer equipment, office space and other assets. The minimum rental commitments under non-cancellable operating leases at 31 December 2021 and 2020, were as follows:

	Millions of Yen		Thousands of British Pounds
	2021	2020	2021
Due within one year	¥20	¥259	£127
Due after one year	30	40	194
Total	¥50	¥299	£321

b. Lessor

The minimum rental commitments under non-cancellable operating leases at 31 December 2021 and 2020, were as follows:

	Millions of Yen		Thousands of British Pounds
	2021	2020	2021
Due within one year	¥709	¥683	£4,565
Due after one year	2,764	3,083	17,804
Total	¥3,473	¥3,766	£22,369

18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Group Policy and Risk Management for Financial Instruments

The Group invests cash surpluses only in low risk deposits, and finances its operations principally through debt from financial institutions. Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables by monitoring payment terms and balances to identify the default risk of customers at an early stage. With respect to investment securities which consist mainly of shares of business partners, the Group checks their financial condition semi-annually. Short-term bank loans are used for financing related to operating activities and long-term loans are related to facility investment and mergers and acquisitions. Although long-term bank loans are exposed to market risks from changes in variable interest rates and foreign currency exchange rates, those risks are mitigated by using derivatives of interest-rate swaps and currency swaps. In addition, such interest rate swaps and currency swaps are contracted in accordance with internal rules, which prescribe that all derivative transactions be entered into to hedge risks incorporated in the Group's business.

b. Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

(1) Fair value of financial instruments

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
<u>31 December 2021</u>			
Cash and cash equivalents	¥101,235	¥101,235	
Notes and accounts receivable	40,657	40,657	
Short-term investments	15,432	15,432	
Marketable securities and investment securities	39,808	39,802	¥ (6)
Investments in unconsolidated subsidiaries and associated companies	28,060	18,733	(9,327)
Total	¥225,192	¥215,859	¥(9,333)
Short-term bank loans	¥ 7,270	¥ 7,270	
Notes and accounts payable	25,849	25,849	
Long-term bank loans	72,480	72,672	¥ 192
Long-term lease liabilities	33,194	34,833	1,639
Total	¥138,793	¥140,624	¥1,831
Derivatives	¥ 11	¥ 11	
<u>31 December 2020</u>			
Cash and cash equivalents	¥106,766	¥106,766	
Notes and accounts receivable	34,380	34,380	
Short-term investments	11,827	11,827	
Marketable securities and investment securities	28,291	28,291	¥ (0)
Investments in unconsolidated subsidiaries and associated companies	26,181	21,118	(5,063)
Total	¥207,445	¥202,382	¥(5,063)

Short-term bank loans	¥10,067	¥10,067	
Notes and accounts payable	27,066	27,066	
Long-term bank loans	81,984	82,427	¥443
Long-term lease liabilities	31,859	35,037	3,178
Total	¥150,976	¥154,597	¥3,621
Derivatives	¥ (2)	¥ (2)	

31 December 2021	Thousands of British Pounds		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	£ 652,116	£ 652,116	
Notes and accounts receivable	261,897	261,897	
Short-term investments	99,406	99,406	
Marketable securities and investment securities	256,435	256,401	£ (34)
Investments in unconsolidated subsidiaries and associated companies	180,750	120,669	(60,081)
Total	£ 1,450,604	£ 1,390,489	£ (60,115)
Short-term bank loans	£ 46,831	£ 46,831	
Notes and accounts payable	166,507	166,507	
Long-term bank loans	466,890	468,125	£ 1,235
Long-term lease liabilities	213,822	224,385	10,563
Total	£ 894,050	£ 905,848	£ 11,798
Derivatives	£ 70	£ 70	

Note: Amounts of derivative financial instruments are net of assets and liabilities.

Cash and Cash Equivalents, Notes and Accounts Receivable and Short-term Investments

The carrying amounts of cash and cash equivalents, notes and accounts receivable and short-term investments approximate fair value because of their short maturities.

Marketable and Investment Securities

The fair values of marketable and investment securities are measured at the quoted market price of the shares exchanged for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 6.

Notes and Accounts Payable and Short-term Bank Loans

The fair values of notes and accounts payable and short-term bank loans approximate fair value because of their short maturities.

Long-term bank loans and Long-term lease liabilities

The fair values of long-term bank loans and long-term lease liabilities are measured at the present value by discounting expected payments of principal and interest in the remaining period by using an assumed interest rate on an equivalent new loan or leasing transactions.

Derivatives

Fair value information for derivatives is included in Note 19.

(2) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of British Pounds
	2021	2020	2021
Investment securities that do not have a quoted market price in an active market	¥ 5,767	¥ 5,706	£ 37,148
Investment in unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market	16,823	16,932	108,370
Investments in capital of partnership	304	268	1,960

(3) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
31 December 2021				
Cash and cash equivalents	¥ 101,235			
Notes and accounts receivable	40,657			
Marketable securities and investment securities:				
Held-to-maturity securities	10,500	¥2,000		
Available-for-sale securities with contractual maturities	43	139		
Total	¥152,435	¥2,139		

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
31 December 2020				
Cash and cash equivalents	¥ 106,766			
Notes and accounts receivable	34,380			
Marketable securities and investment securities:				
Held-to-maturity securities	13,700			
Available-for-sale securities with contractual maturities		¥50	¥133	
Total	¥154,846	¥50	¥133	

Thousands of British Pounds				
31 December 2021	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	£652,116			
Notes and accounts receivable	261,897			
Marketable securities and investment securities:				
Held-to-maturity securities	67,637	£12,883		
Available-for-sale securities with contractual maturities	278	897		
Total	£981,928	£13,780		

19. DERIVATIVES

Derivative Transactions to Which Hedge Accounting Is Applied

The Group had the following derivative contracts outstanding to which hedge accounting was applied at 31 December 2021 and 2020:

31 December 2021	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Buying U.S.\$				
—Deferral hedge	Payables	¥ 230		¥ 11
—Forward contract applied for designated transactions	Payables	22		1
Currency swaps	Long-term	43,488	¥37,786	
(Japanese yen payment, U.S.\$ receipt)	debt			
Interest rate swaps:	Long-term	72,480	62,976	
(fixed rate payment, floating rate receipt)	debt			
31 December 2020				
Foreign currency forward contracts:				
Buying U.S.\$				
—Deferral hedge	Payables	¥ 169		¥ (3)
—Forward contract applied for designated transactions	Payables	25		(0)
Currency swaps	Long-term	49,190	¥43,488	
(Japanese yen payment, U.S.\$ receipt)	debt			
Interest rate swaps:	Long-term	81,984	72,480	
(fixed rate payment, floating rate receipt)	debt			

		Thousands of British Pounds		
			Contract Amount Due after One Year	Fair Value
31 December 2021		Hedged Item	Contract Amount	
Foreign currency forward contracts:				
Buying U.S.\$				
—Deferral hedge	Payables	£ 1,482		£70
—Forward contract applied for designated transactions	Payables	145		7
Currency swaps	Long-term	280,134	£243,401	
(Japanese yen payment, U.S.\$ receipt)	debt			
Interest rate swaps:	Long-term	466,890	405,669	
(fixed rate payment, floating rate receipt)	debt			

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The above interest rate swaps and currency swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps and currency swaps in Note 18 is included in that of hedged items.

20. CONTINGENT LIABILITIES

At 31 December 2021, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of British Pounds
Guarantees and similar items related to bank loans	¥1,069	£6,888

21. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended 31 December 2021 and 2020, were as follows:

	Thousands of		
	Millions of Yen	British Pounds	
	2021	2020	2021
Unrealized gain (loss) on available-for-sale securities:			
Gain (loss) arising during the year	¥4,449	¥(1,958)	£28,656
Reclassification adjustments to profit or loss	54	186	349
Amount before income tax effect	4,503	(1,772)	29,005
Income tax effect	(1,535)	551	(9,884)
Total	¥2,968	¥(1,221)	£19,121
Deferred gain (loss) on derivatives under hedge accounting:			
Gain (loss) arising during the year	¥9	¥(4)	£59
Total	¥9	¥(4)	£59
Foreign currency translation adjustments:			
Adjustments arising during the year	¥10,353	¥(3,741)	£66,689
Total	¥10,353	¥(3,741)	£66,689
Defined retirement benefit plans:			
Adjustments arising during the year	¥3,994	¥(697)	£ 25,725
Reclassification adjustments to profit	3,475	4,609	22,387
Amount before income tax effect	7,469	3,912	48,112
Income tax effect	(2,651)	(1,226)	(17,078)
Total	¥4,818	¥2,686	£31,034
Share of other comprehensive income (loss) in associates:			
Gain (loss) arising during the year	¥640	¥(111)	£4,123
Reclassification adjustments to profit or loss	0	1	0
Total	¥640	¥(110)	£4,123
Total other comprehensive income (loss)	¥18,788	¥(2,390)	£121,026

22. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at 31 December 2021, was approved at the Company's shareholders meeting held on 29 March 2022.

	<u>Millions of Yen</u>	<u>Thousands of British Pounds</u>
Year-end cash dividends, ¥15.00 (£0.10) per share	¥375	£2,416

23. SEGMENT INFORMATION

The Company is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

a. Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of Media & Information Services and Other Business.

The Media & Information Services segment provides various information to customers, combining media such as newspapers (including electric media), publications and digital content.

The Other business segment provides real estate lease services to customers.

Descriptions of reportable segments are stated below.

Media & Information Service:	Newspaper business (The Nikkei, The Nikkei Online Edition, Nikkei Business Daily, Nikkei MJ, Nikkei VERITAS, Nikkei Asian Review, Financial Times, etc.) Magazine and book business (Nikkei Business, etc.) Market information services using the Group's electrical media (Nikkei Telecom, QUICK FactSet Workstation, etc.) TV program producing and broadcasting Index business (The Nikkei Stock Average, etc.)
Other Business:	Real estate leasing, etc.

b. Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, Liabilities and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

c. Information about Sales, Profit (Loss), Assets, Liabilities and Other Items

Millions of Yen					
2021					
Reportable Segments					
	Media & Information Services	Other Business	Total	Reconciliations	Consolidated
Sales:					
Sales to external customers	¥349,053	¥3,852	¥352,905		¥352,905
Intersegment sales or transfers	415	3,908	4,323	¥(4,323)	
Total	¥349,468	¥7,760	¥357,228	¥(4,323)	¥352,905
Segment profit	¥17,293	¥2,524	¥19,817	¥7	¥19,824
Other					
Depreciation	21,931	1,617	23,548		23,548
Amortization of goodwill	5,576		5,576		5,576

Millions of Yen					
2020					
Reportable Segments					
	Media & Information Services	Other Business	Total	Reconciliations	Consolidated
Sales:					
Sales to external customers	¥326,357	¥4,443	¥330,800		¥330,800
Intersegment sales or transfers	634	3,970	4,604	¥(4,604)	
Total	¥326,991	¥8,413	¥335,404	¥(4,604)	¥330,800
Segment profit	¥5,566	¥2,912	¥8,478	¥3	¥8,481
Other					
Depreciation	20,565	1,586	22,151		22,151
Amortization of goodwill	5,009		5,009		5,009

Thousands of British Pounds					
2021					
Reportable Segments					
	Media & Information Services	Other Business	Total	Reconciliations	Consolidated
Sales:					
Sales to external customers	£2,248,476	£24,813	£2,273,289		£2,273,289
Intersegment sales or transfers	2,672	25,179	27,851	£(27,851)	
Total	£2,251,148	£49,992	£2,301,140	£(27,851)	£2,273,289
Segment profit	£111,395	£16,260	£127,655	£41	£127,696
Other					
Depreciation	141,271	10,415	151,686		151,686
Amortization of goodwill	35,917		35,917		35,917

- Notes: 1. Reconciliations of segment profit for the years ended 31 December 2021 and 2020, of ¥7 million (£41 thousand) and ¥3 million, respectively, are intersegment eliminations.
2. Segment profit is reconciled with operating income in the consolidated statement of income.
3. Segment assets and segment liabilities are not disclosed because they are not offered periodically to the Board of Directors and they are not subject to management resource and performance evaluations.

d. Sales by Geographical Areas

Sales by Geographical Areas for the year ended 31 December 2021 and 2020, were as follows:

Millions of Yen				
2021				
Japan	U.K.	U.S.A.	Other	Total
¥281,716	¥28,411	¥18,308	¥24,470	¥352,905

Millions of Yen				
2020				
Japan	U.K.	U.S.A.	Other	Total
¥275,053	¥20,090	¥15,632	¥20,025	¥330,800

Thousands of British Pounds				
2021				
Japan	U.K.	U.S.A.	Other	Total
£1,814,712	£183,015	£117,932	£157,630	£2,273,289

Note: Sales are classified by country or region based on the location of customers.

e. Property, plant and equipment by Geographical Area

Property, plant and equipment by Geographical Areas for the year ended 31 December 2021 and 2020, were as follows:

Millions of Yen				
2021				
Japan	U.K.	U.S.A.	Other	Total
¥150,570	¥35,038	¥2,517	¥2,660	¥190,785

Millions of Yen				
2020				
Japan	U.K.	U.S.A.	Other	Total
¥149,588	¥33,791	¥2,460	¥3,423	¥189,262

Thousands of British Pounds				
2021				
Japan	U.K.	U.S.A.	Other	Total
£969,916	£225,701	£16,211	£17,139	£1,228,967

f. Loss on impairment of long-lived assets by Reportable Segment

Loss on impairment of long-lived assets for the year ended 31 December 2020 was as follows. Note that 2021 was not applicable.

	Millions of Yen		
	2020		
	Media & Information Services	Other Business	Total
Loss on impairment of long-lived assets	¥1,157		¥1,157

g. Amortization and balance of goodwill by Reportable Segment

Amortization and balance of goodwill for the years ended 31 December 2021 and 2020, were as follows.

	Millions of Yen		
	Media & Information Services	Other Business	Total
Amortization of goodwill	¥5,576		¥5,576
Goodwill at 31 December 2021	¥75,662		¥75,662

	Millions of Yen		
	Media & Information Services	Other Business	Total
Amortization of goodwill	¥5,009		¥5,009
Goodwill at 31 December 2020	¥73,245		¥73,245

	Thousands of British Pounds		
	Media & Information Services	Other Business	Total
Amortization of goodwill	£35,917		£35,917
Goodwill at 31 December 2021	£487,388		£487,388

24. RELATED PARTY DISCLOSURES

Summarized financial information as of and for the year ended 31 March 2021 of TV TOKYO Holdings Corporation which was classified as a significant affiliated company, is as follows:

a. Consolidated Balance sheet

	Millions of Yen		Thousands of British Pounds
	2021	2020	2021
Total current assets	¥71,092	¥72,637	£457,951
Total non-current assets	56,983	52,194	367,064
Total current liabilities	33,667	34,378	216,873
Total non-current liabilities	5,334	5,255	34,358
Total equity	¥89,074	¥85,198	£573,784

b. Consolidated Statement of income

	Millions of Yen		Thousands of British Pounds
	2021	2020	2021
Operating revenue	¥139,085	¥145,173	£895,934
Income before income taxes	4,720	5,136	30,406
Net income	¥2,575	¥2,591	£16,590