

The Financial Times Limited

Registered Number:

00227590

Annual Report and Financial Statements

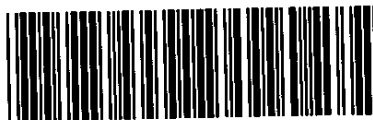
For the Year Ended:

31 December 2022

Registered address:

Bracken House, 1 Friday Street, London EC4M 9BT

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The Financial Times Limited

STRATEGIC REPORT

The directors present their Strategic Report of The Financial Times Limited (the "Company") for the year ended 31 December 2022.

Principal activities

The Company's activities consist of one primary class of business, namely the provision of international business and financial news and associated advertising revenue. The Company provides users with access to detailed industry news, data, comment and analysis through the publication of the international daily newspaper, Financial Times (FT), and on FT.com, in mobile and tablet format, on social media and through third party platforms.

In addition, the Company offers a wide range of print magazines, websites, a news app, conferences, events and consulting services all driven by the FT brand, targeting specific areas of the business world. Published titles include Investors Chronicle, FT Adviser, HTSI, and The Banker.

Business review

2022 saw the business continue to perform well, with growth across the key revenue streams including subscriptions, advertising and events. Revenue increased by £53,036,000 to £422,539,000, while the business grew profitability at an operating level despite inflationary cost pressures, generating an operating profit of £13,411,000. This is discussed in further detail in the key performance indicators and results sections below.

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 a management board (the "Management Board") for developing and implementing strategy, and for the day to day management of the business. Reporting to the Management Board, there are a number of decision-making committees across the Company. 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 Board recognises that to compete in an ever-changing world, the Company needs to be strong from the inside out. Developing a clear set of brand values and personality helps the Company to cohere and supports consistent decision-making.

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. 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.

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STRATEGIC REPORT (continued)

Section 172 Statement (continued)

The recommendations of an internal FT Governance Review Group, which have been published to all staff, continue to be implemented with the endorsement of the Board. These cover areas such as: 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.

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, new 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 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 (1) factors | Matter |
|--|--|
| <p>a) the likely consequences of any decision in the long term;</p> <p>and</p> <p>f) the need to act fairly as between members of the company.</p> | <p>The Board formally considers, approves and adopts strategic and operating plans and budgets annually, as appropriate. During the year the Consolidated Strategic Plan for 2023-2028 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.</p> |
| <p>a) the likely consequences of any decision in the long term;</p> | <p>In June 2023 the Board extended the uncommitted internal funding facilities with its parent company Financial Times Group Limited.</p> <p>In deciding to approve this, the Board carefully considered the funding requirements of the Company, the latest outturn performance for 2023, the preliminary strategic plans for 2024-2029 and all identified major planned expenditures.</p> |
| <p>b) the interests of the company's employees;</p> | <p>The Management Board continues to engage and consult with employees and their representatives on a regular basis, to enable the Board to have regard to their interests when making decisions. A detailed summary of this is covered in the Directors' Report under Engagement with employees.</p> |
| <p>c) the need to foster the Company's business relationships with suppliers, customers and others;</p> | <p>The Board recognises the importance of maintaining good working relationships with the Company's suppliers, customers and others and that effective engagement with these stakeholders is key in order to successfully deliver the Company's strategy. A detailed summary of this is covered in the Directors' Report under the section titled Engagement with suppliers, customers and others.</p> |

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STRATEGIC REPORT (continued)

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| <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 Company's impact on the community and the desire to maintain high standards of business conduct, the Company's New Agenda messaging continued throughout 2022.</p> <p>We left behind a global COVID-19 pandemic, but Russia's invasion of Ukraine and the following global financial repercussions meant the need for New Agenda journalism was as important as ever. We launched our 'Make sense of it all' campaign to promote the FT as the leading destination for global insights and analysis during a time of social and financial turmoil.</p> |
| <p>a) the likely consequences of any decision in the long term;</p> <p>and</p> <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>During the year, the Company's emissions reduction targets, as approved by the Management Board in 2021, were verified by the Science Based Targets initiative. A sub-committee of the Management Board continues to co-ordinate the necessary work to achieve these targets including in relation to business travel, our supply chain, leveraging our influence in the wider business community and embracing the New Agenda of responsible capitalism.</p> <p>In November 2022, a set of Sustainability Objectives and Key Results for 2023 were approved by the Management Board.</p> <p>With endorsement from the Management Board, the Company 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 Make My Money Matter, Ethical Consumer, As We Sow, Possible, Business Declares and World Land Trust.</p> <p>In May 2022, in partnership with Infosys the Company also delivered 'The Climate Game - can you reach net zero by 2050?' an interactive experience where players seek to save the world from the worst effects of climate change, underlining the Company's commitment to providing access to authoritative information about climate change and policy.</p> |
| <p>d) the impact of the Company's operations on the community and the environment.</p> | <p>The Board continued its support to the financial literacy charity bearing the FT's name: FT Financial Literacy and Inclusion Campaign ("FLIC"). Although it runs independently of the Company, during the year it was agreed to continue supporting FLIC with the provision of:</p> <ul style="list-style-type: none"> - A second donation of £25,000 (2021: £25,000); - Five of the ten trustees; - The continuation of a brand licence for the use of the FT brand; - Office space and limited support services as an in-kind contribution; - An FT Live hosted accessible webinar titled 'Four things every woman should know about money' on International Women's Day; - An FT Live panel event and publicity at the FT Weekend Festival; and - The support of FT staff who continue to volunteer to support FLIC during their two days of annual volunteering time and beyond. |

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STRATEGIC REPORT (continued)

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| <p>f) the need to act fairly as between members of the Company.</p> | <p>The Company remains a wholly owned subsidiary of Nikkei, Inc., a privately owned Japanese registered company. The Company's CEO reports to the Chairman of Nikkei on the overall performance of the Group and Company 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>During the year, the Management Board was regularly updated on the progress of the Company's subscriptions strategy, which they had approved during 2020. The purpose of this strategy is to help accelerate growth across our core audiences and diversify our offerings to build a more robust business.</p> <p>These updates enabled the Management Board to review progress against this strategy and our relationship with our customers, having regard also to the long term interests of the Company.</p> |

The Financial Times Limited**STRATEGIC REPORT (continued)****Key performance indicators**

| KPIs | 2022 | 2021 (Restated) | Change |
|--|---------------|--------------------|--------------|
| Paying readers (all formats) | 1,232,114 | 1,132,298 | 99,816 |
| Paying readers (digital subscriptions) | 1,097,340 | 971,178 | 126,162 |
| Revenue (£) | £ 422,539,000 | £ 369,503,000 | £ 53,036,000 |
| Operating profit (£) | £ 13,411,000 | £ 4,793,000 | £ 8,618,000 |

The Company reached a record paying readership in 2022, with 1,232,114 paying readers accessing the FT across print and digital formats, up nine per cent year on year (2021: 1,132,298). Digital paying reader volumes grew 13% on the previous year to 1,097,340 readers (2021: 971,178), driven primarily by corporate subscriptions which grew by 17%. Print paying reader volumes fell 16% to 134,774 readers (2021: 161,120).

The Company again reached a record number of digital only subscribers, hitting almost 1.1m, and digital content revenues rose by £26.1m, up 16% year on year, from £167.0m to £193.1m. Advertising continued to outperform expectations in 2022 reaching £149.7m (2021: £138.8m). Events revenue grew by 37% to £30.8m (2021: £22.5m) with continued uptake on digital events and a return to pre-pandemic conditions in the live space.

Operating profit increased by more than £8.6m to £13.4m in 2022 (2021: £4.8m) which was achieved through careful control of operating costs in the face of growing inflationary pressures. As is noted within the Directors' report below, the Company has sought to balance employee compensation with the longer term needs of operating a sustainable business which resulted in a one-off cost of living payment in order to support employees. Total staff costs grew £19.2m to £151.3m (2021: £132.1m) with more than 100 additional heads being added to the business in 2022.

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 £4,193,000 (2021: profit of £9,140,000). The main drivers in the decrease in profit after taxation were the £14.9m swing in the tax charge in 2022 compared to 2021; this year a tax charge of £2.6m was recognised primarily as a result of changes in assumptions over the future use of tax losses.

Approved and authorised for issue by the board.

DocuSigned by:

Alison Fortescue

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AM Fortescue

Company Secretary

11 September 2023

The Financial Times Limited

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2022.

Future developments

We anticipate the external environment to remain challenging in 2023 due to continued inflationary cost pressures, despite signs that these may be easing. The continuation of Russia's war in Ukraine has clearly had an adverse impact on global supply chains and we foresee this continuing until there is a resolution of that conflict. However, we expect our strong digital subscription model to drive further growth opportunities, continue to see buoyancy in the advertising sector and a strong return to more in-person events.

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 2022 the Company recorded a profit, and at the balance sheet date was in a net assets position. The performance in 2022 and management's review of future forecasts show that the Company is well placed to navigate the challenging economic conditions that are materialising. Paid-for-subscriber levels continue to ensure the FT.com platform is a robust business model, while advertising revenues remain strong and our events business has successfully navigated the move towards a more hybrid model that combines both digital and in-person events. 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. In addition, a letter of support has been received from a parent company which commits to support the Company for at least one year beyond the date these financial statements are signed. As such, we continue to adopt the going concern basis of preparation.

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 the significant inflationary cost pressures being experienced globally, and the adverse impact on global supply chains resulting from the continued 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.

Dividends

No interim dividends were paid in the year (2021: nil). The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2022 (2021: nil).

Political contributions

No political contributions were made during the year (2021: 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)
JJ Ridding
JDC Slade

Directors' insurance

During the year ended 31 December 2022, 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.

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.

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DIRECTORS' REPORT (continued)

Price risk

The Company does not have a material exposure to price risk.

Credit risk

Concentrations of credit risk with respect to trade receivables are limited due to the Company's diverse and unrelated customer base. Due to this, management believe there is no further credit risk provision required in excess of the normal provision for doubtful receivables. Credit risk arises from deposits with banks and financial institutions. Deposits of funds are made with banks and financial institutions approved by the Board.

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.

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.

Employees

The Company is committed to employment policies, which follow best practice based on equal opportunities for all employees irrespective of gender, marital status, race, ethnic or national origin, colour or nationality, religious or political beliefs, sexual orientation, disability or age. The Company is an equal opportunities employer.

Disabled persons

The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If employees become disabled, the Company will offer to continue employment either in the same role, or an alternative position with appropriate retraining, subject to agreement with the employee and with regard to their particular circumstances.

Engagement with employees

The Company systematically provides employees with information on matters of concern to them. During the year, this has included the provision of information via the Company's internal communications tool "Inside FT" and various announcement and update channels on the collaboration tool, Slack. Weekly emails from the Communications team inform staff of recent and upcoming developments, while a monthly email to all staff from the CEO gives key business performance updates and information about Management Board decisions and strategy. The CEO and Editor also hold employee town hall sessions at least twice a year to update employees, and other Management Board members hold departmental town halls to provide regular updates for larger teams. In addition to bi-monthly calls with the CEO, the global senior management group convenes on an annual basis to discuss strategic priorities, and to share knowledge and updates from the business.

Employees are encouraged to maintain an interest in the financial and economic factors affecting the Company's and the group's performance. Since March 2019, the Company has published an annual report on its performance and that of FT Group, providing employees with accessible information and context on the evolving nature of the media industry.

The Company's Annual Incentive Plan is variable, formulated on Company performance, profit, engagement, and a personal performance dimension. The financial targets included are consistent with the annual business plan agreed with Nikkei and consistent across scheme members.

The Company has engaged with and consulted employees and their representatives on a regular basis, so that the views of employees can be taken into account in making decisions which are likely to affect their interests. During the year some of the employee engagement initiatives that took place include:

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DIRECTORS' REPORT (continued)

| Engagement with Employees | Outcomes from engagement |
|--|---|
| <p>Establishing hybrid working at the FT</p> <p>As the risks associated with the COVID-19 pandemic lessened in 2022, our global offices reopened and hybrid working was adopted by teams globally. FT staff at all levels, and in all departments, have had opportunities to feed into our evolving relationship with our global offices and how we sustain our culture.</p> | <p>The working smarter taskforce, with nominated employee representatives from each department, continued to meet regularly in 2022. Their feedback on ideas and concerns from their areas were used to inform board-level decisions around the implementation of hybrid working at the FT group both in the UK and globally.</p> <p>A range of initiatives were rolled out to welcome staff back into our offices from March 2022, including coffee mornings and happy hour drinks with senior management, free food and hot beverages, and cross-department socials to support our culture.</p> <p>The Company has now established patterns of hybrid ways of working, with most staff expected in the office on two-three days per week.</p> <p>Feedback collected via our all-staff survey and the taskforce highlighted appreciation of the new ways of working.</p> <p>The Company received a 8.8/10 score in the survey for the statement: "I am able to perform my job well and my team is able to deliver effectively under the hybrid working model."</p> |
| <p>Keeping staff informed of our business strategy</p> <p>The CEO regularly shared business and strategy updates in a monthly all-staff email, lightning talks and via regular town halls with the Editor, which include live and online Q&A sessions at the end.</p> | <p>In 2022 talks shifted to a hybrid format to maximise accessibility including regular town halls with the CEO and Editor, and lightning talks hosted by members of the Management Board with updates on key projects and product launches throughout the year. Staff were able to submit questions either in advance or during the livestream which were directly addressed by the CEO, Editor and Management Board.</p> <p>A monthly business update, emailed from the CEO, included sections on business and strategy updates, with staff able to reply directly if they had any questions.</p> <p>Feedback from staff indicated a need to provide more clarity on an overarching goal for the FT group in the post-pandemic era, and led to the development of a new 'north star' goal which was subsequently launched in January 2023.</p> |
| <p>Giving employees more opportunities to participate in shaping culture and policy through the Next Generation Board</p> <p>Initially established in 2020, the Next Generation Board ("NGB") is a group of emerging leaders who represent different business areas and interests across the FT group. Each NGB member is paired with a member of the Management Board to provide reverse mentoring and to exchange feedback and ideas.</p> | <p>One of the principal aims of the NGB is to offer diverse groups within the organisation more opportunities to participate in shaping Company culture and policy. In January 2022 the second cohort of the NGB took up their roles and throughout the year they focused on driving actions across 3 core workstreams:</p> <ul style="list-style-type: none"> – The 'I' in D&I; – Employer brand strategy; and – Making hybrid working a success. <p>The Management Board also invited the NGB to attend two dedicated board meetings in 2022 to hold in-depth discussions on the NGB priorities and the evolution of the FT / Nikkei partnership. One of the many contributions they made to the business last year was to help develop D&I e-learning modules and the FT group employer brand.</p> <p>Recruitment for the next cohort of the NGB was completed in the last quarter of 2022, with the new group taking up their posts in January 2023.</p> |

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DIRECTORS' REPORT (continued)

| Engagement with employees (continued) | Outcomes from engagement (continued) |
|--|---|
| <p>Diversity and inclusion ("D&I")</p> <p>As both an employer and a publisher, the Company is committed to championing diversity and inclusion. We have made progress in 2022 towards increasing representation across our workforce and reducing our median UK gender pay gap.</p> | <p>Our Global D&I Taskforce, chaired by our CEO, continues to provide oversight on the progress and effectiveness of our D&I efforts, whilst integrating D&I principles into our mission, operations, strategies, and business objectives. Our second Diversity and Inclusion report was published in March 2022 for staff and on the Company's intranet site, providing transparency as we work towards these goals.</p> <p>Enhanced wellbeing support and paid leave types for reproductive health and 12 weeks of paid paternity leave were introduced in January with support from the NGB and the FT Women employee network.</p> <p>Our UK gender pay gap continued to decrease in 2022 and for the first time we began to capture data on social mobility for our UK staff to support socio-economic diversity goals.</p> <p>Our UK median ethnicity pay gap widened by 4.6 percentage points to 14.2 per cent, primarily due to more highly paid minority ethnic staff leaving the Company compared to previous years, while the mean improved slightly. Efforts to hire and retain more ethnically diverse talent and increase representation at senior levels continued through focused recruitment, talent development and sponsorship programmes. A new apprenticeship scheme to support junior employees in the newsroom and a number of early careers programmes are also in place.</p> <p>The Management Board recognises that we still have work to do in relation to race and other areas of under-representation. A refreshed diversity and inclusion strategy for 2022-2024 launched in 2022 and aims to make the FT best in class when it comes to the inclusivity of its culture and diversity of its readership.</p> |

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DIRECTORS' REPORT (continued)

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| <p>Engagement with recognised trade unions</p> <p>Editorial & HR management meet regularly with the National Union of Journalists (NUJ) to update, discuss and engage on matters relevant to the newsroom. Senior management also engages with and seeks feedback from Unite on relevant key changes in the business.</p> | <p>The Management Board ensures that senior management continues to meet regularly with NUJ representatives to take into account the views of the employees they represent and which are likely to affect their interests and/or terms and conditions of employment. This includes updates on business performance, annual pay negotiations, workforce planning and the impact of the COVID-19 pandemic.</p> |
| <p>Cost of living increases</p> <p>The FT has been monitoring and responding to cost of living increases caused by the COVID-19 pandemic, as well as other factors, and the impact these have on our employees, our customers and our business more widely.</p> | <p>Recognising the impact of inflationary and cost of living pressures on our staff, the Management Board discussed balancing sustainability of the business and appropriate compensation for employees at several board meetings throughout the year.</p> <p>In October 2022, the Management Board approved a one-off group-wide payment of £1,800 for all employees. This payment was made in recognition of escalating financial pressures in 2022.</p> <p>Feedback from our employee engagement survey highlights appreciation of the payment, hybrid working arrangements and other measures supporting staff.</p> |

Engagement with suppliers, customers and others

The Board recognises that effective engagement with stakeholders is key in order to successfully deliver its strategy. Significant engagement with stakeholders and consideration of their respective interests in the Company's decision-making process is a continuous process. Throughout 2022, this was illustrated by the following examples:

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DIRECTORS' REPORT (continued)

| Engagement | Outcomes from engagement |
|---|--|
| <p>Shareholders</p> <p>The CEO reports to the chairman of Nikkei, the ultimate shareholder, on the overall performance of the Company as set out in an agreed business plan, and on the performance of his own role.</p> <p>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 meetings of Nikkei as FT representative. The Company is subject to oversight by the audit and supervisory board of Nikkei.</p> <p>Nikkei is also represented on the Company's Board and Management Board.</p> <p>In 2022 the CEO and CFO continued to hold regular (at least fortnightly) meetings with Nikkei's senior management to update them on the impact on the business of the COVID-19 pandemic at the start of the year and subsequently the dramatic and unexpected change in economic conditions as a result of the conflict in Ukraine. These meetings again included scenario planning, rolling forecasting and discussions around other key issues for the business.</p> <p>During the year, we welcomed Nikkei's President and CEO, to our headquarters at Bracken House where he spoke at a town hall. The Company's CEO and Editor also attended Nikkei town halls in Tokyo.</p> | <p>Due to the success of the first tranche of the 3-year Nikkei FT Growth Fund (the "Fund") in strengthening collaboration between the Company and Nikkei, the latter agreed to extend the Fund for a further 3 years, until 2024. Throughout 2022 the Fund continued to finance activities to support innovation and ventures that help both Nikkei and the Company anticipate and prepare for opportunities and challenges in a fast-changing news media environment.</p> <p>During the year the Fund focused on supporting innovation in our Editorial offering by funding a team to experiment with new visual storytelling capabilities. This sat alongside ongoing support for the #TechAsia newsletter and a new editorial offering focused on Cryptofinance.</p> <p>In 2022 the US Strategy Initiative, also funded by Nikkei, included support for Audio and Editorial initiatives, funding marketing campaigns and hosting engagement events and improving contact with professors and students in targeted US business schools. Nikkei also agreed to renew the US Strategy Fund for a further 3 years after the successful first tranche.</p> <p>FT and Nikkei also collaborated on the creation of an annual index ranking the best cities in America for foreign companies to do business.</p> <p>In 2022 the Nikkei partnership talks programme continued, hosted by our Director of Strategic Partnerships, with Nikkei presenting lightning talks to FT staff on Nikkei projects and products. This was further developed with departments organising talks on their specialist areas to foster collaboration and share good practice. FT employees were offered an opportunity to learn Japanese at SOAS University of London, with the chance of a short placement at Nikkei headquarters in Tokyo after the course. In London, a Japanese Culture Club was formed, providing opportunities for FT and Nikkei staff to meet and network. 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.</p> <p>FT and Nikkei collaborated to commission and co-fund a new video artwork titled <i>Watt is money?</i> which gave fresh insights into the impact of the vast energy used to mine cryptocurrency.</p> <p>The FT and Nikkei partnership went from strength to strength in 2022 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.</p> |

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DIRECTORS' REPORT (continued)

| Engagement | Outcomes from engagement |
|---|---|
| <p>Customers</p> <p>In 2022, our senior management group, including the Board, again interviewed readers to understand their views on our products and services.</p> <p>Our Customer Research team continuously engages with subscribers to obtain Net Promoter Scores and satisfaction ratings along with open feedback. Feedback forms are also available on FT.com and the FT app for subscribers and anonymous users. Our Customer Care team, B2B Customer Success Managers and FT Live also collect feedback from readers. The results of this engagement and feedback are shared with the Management Board and senior management group. Additionally, there were a number of bespoke research projects conducted for our editorial and customer engagement teams.</p> <p>Throughout 2022 we conducted research across several of our platforms including FT.com, FT Professional, The Banker and FT Live, to understand the value that our users get from those products. This research guides internal work prioritisation by highlighting what users need from us and where there are gaps in fulfilment.</p> <p>Distinct Audience Feedback Programmes were set up for our Customer Revenue Group, FT Professional, Newsletters and FT Live. These programmes collected key metrics on a continuous basis to inform the strategy and direction of each team. We have set up regular reporting to the leadership teams for each department and also often conduct bespoke research to deliver further insight into areas of strategic interest.</p> | <p>This information is systematically shared with people who need to make decisions and presentations for Board members, as well as by the internal Product Council, Investment Board and Product Managers. It is used to inform decision-making about the opportunities for FT's digital development.</p> <p>The Management Board is regularly updated on and discusses how engaged our customers are with our products. Engaged readership is closely monitored as it is deemed to be a key metric that drives the success of our business.</p> <p>Our Audience Feedback Programmes also contributed to the following initiatives throughout the year:</p> <ul style="list-style-type: none"> – Increased investment into the online networking functionality of our FT Live events; – Optimised online event timings to enable more delegates to attend; – The creation of dashboards, which informed decisions regarding investment and development of FT Live events; enabled assessments of customer satisfaction and performance of our newsletters; and enabled us to track key metrics such as Net Promoter Scores in the FT Professional division; – The implementation of an onsite survey that captured the reasons for subscriber cancellations providing a better understanding of how best to retain different cohorts of FT.com subscriber; – The development of new tools for our corporate clients such as <i>Enterprise Sharing</i> to enable frictionless sharing of FT articles links; <i>Highlighting</i> to allow subscribers to select sections of a story and add these to a dedicated highlights area within their FT.com account; and <i>FT Workspace</i> delivering tailored content recommendations to individual subscribers. <p>During the year there were again a number of customers who were directly impacted by the COVID-19 pandemic and we arranged for the extension of credit terms and payment plans to support them through those challenging times. In 2022, this quantified to approximately 1% of our customers and total debt value.</p> |

The Financial Times Limited

DIRECTORS' REPORT (continued)

| | |
|---|---|
| <p>Suppliers FT continues to recognise the importance and benefits of building and managing relationships with its key suppliers. Supplier management at the FT is undertaken in a way which is appropriate based on a number of factors including risk, spend and categorization of the supplier. Strategic and critical suppliers are identified jointly between our procurement team and the respective business owner either as a result of a new sourcing activity or as part of an ongoing review exercise where factors such as criticality of service, spend, contract term and overall relationship are key in determining how we categorise our supply base.</p> <p>The Company's Code of Conduct sets out the standards we expect including how we ensure we conduct <i>business fairly</i> - our responsibilities around fair dealing and procurement, fair competition and anti bribery and corruption. The refreshed Code of Conduct was approved by the Board in June 2022 and all staff are requested by the CEO to certify they have read and understood it on an annual basis. A statement of our Code of Conduct is now published on FT.com.</p> <p>During the year, the Management Board also approved an updated Modern Slavery Statement, which is also published on FT.com.</p> | <p>During 2022 we successfully delivered the first phase of our new Procurement system; Coupa, so that by the end of the year the onboarding of suppliers and management of supplier contracts was being undertaken through the new platform. We will continue building on this throughout 2023 and 2024 with the end goal to have a full end-to-end purchase to pay system with all supplier activity being managed through this single platform.</p> <p>In 2022 we continued to build on our approach to supplier governance utilising our formalised supplier framework governance structure. We have seen improvements from the business teams in their engagements with their suppliers at an operational level via fortnightly/monthly service reviews.</p> <p>We continued to provide visibility and engagement of supplier service level agreements, quarterly supplier business updates and annual reviews, across the business and up to Management Board level.</p> <p>Additional steps were taken during the year to actively tackle modern slavery through our supply chains. The number of new suppliers required to complete due diligence, including regarding modern slavery, continues to increase. Suppliers continue to be informed of the standards we expect, including that we do not tolerate any type of forced labour or human rights violations in our supply chain. We continue to work with managers in our overseas offices to better understand and manage any slavery risk in their supply chains locally.</p> <p>During 2022 we continued to formally ask new suppliers about their sustainability credentials in our due diligence processes and in our request for proposal documentation.</p> |
|---|---|

The Financial Times Limited

DIRECTORS' REPORT (continued)

| Engagement | Outcomes from engagement |
|--|---|
| <p>Printers & distributors</p> <p>In a challenging marketplace, the Management Board ensures that our Circulation and Operations teams continue to engage regularly with our printers, distributors and paper suppliers to manage both cost and performance ensuring that any major issues are raised with the Management Board. There has been a considerable increase in pressure on paper supplies as a result of the conflict in Ukraine.</p> <p>The team has resumed annual visits to each of our existing print sites to review performance. During the visits any issues with performance are raised and there is a review of paper usage to ensure that the FT paper is being managed efficiently.</p> <p>We moved printing for the London area and Ireland in early 2022 and we have engaged with our new partners regularly throughout the year.</p> <p>Decisions around maintaining print copy in various geographies are considered, including scrutiny of location and our goal to maintain our global reputation.</p> <p>Print site contracts continue to be renewed on an annual basis and all are actively considered and approved at Management Board level.</p> | <p>The Board continues to actively consider strategic decisions regarding volatility in the print supply chain, taking into consideration any reduction in print circulation and the impact on advertising, our subscribers and other suppliers in the chain.</p> <p>Performed annually, a comprehensive review of print operations again took place in 2022. This involved stakeholders from both our internal Print Circulation and Operations teams, and the advertising sales team to form a new 5 year strategic plan. The volatility and fragility of the print ecosystem continues to be a major consideration and the importance of maintaining strong relationships with our suppliers was recognised as a key factor. The final results of the review were shared with and endorsed by the Management Board.</p> |
| <p>Technology</p> <p>Our Chief Product and Technology Officer, Chief Technology Officer and Senior Technology directors continue to meet with key strategic suppliers in order to monitor costs, develop strategies for lowering dependencies and to leverage these relationships more strategically. When key issues are identified they are escalated as appropriate, which includes consideration at Management Board level.</p> | <p>A key concern for the Management Board again in 2022 was controlling costs of our technology suppliers. Senior management identified two main drivers of cost increases in technology: a) growth in our customers and their engagement with our products resulting in higher fees; and b) inflationary pressures impacting our suppliers' fees.</p> <p>We chose not to extend our relationship with Xoomworks/ Accenture, protecting against cost increases and removing our single provider dependency in Bulgaria. Capacity is replaced with permanent staff and contractors through other lower cost providers.</p> <p>We continue to actively monitor spend with our largest suppliers and having lowered costs this year, we leveraged greater value within existing costs.</p> <p>We run quarterly business reviews with our largest suppliers to build relationships, monitor costs and leverage shared roadmaps.</p> |

The Financial Times Limited

DIRECTORS' REPORT (continued)

| Engagement | Outcomes from engagement |
|--|---|
| Payment Policy The Board understands the importance of the Company's procurement and prompt payment processes, particularly in 2022 when some suppliers were again adversely affected by the impacts of the continuing global COVID-19 pandemic. Our suppliers are kept regularly informed regarding their onboarding progress and any outstanding invoices. The Company publishes its payment performance practices every six months and we are keen to ensure suppliers are paid in accordance with their terms. | At the end of 2022, the Company had a payment performance of 86% <30 days overdue. |
| Banks 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. | This engagement enables our banking partners to obtain a greater understanding of Company performance, operations and requirements. |

Streamlined Energy and Carbon Reporting

The Company is committed to reducing our carbon emissions. In 2020, we commissioned an audit of our global carbon footprint over all three scopes - direct business activities (scope 1), indirect activities (scope 2) and all other indirect links (scope 3).

In March 2021 the Management Board confirmed its commitment to reducing our Group wide emissions to 'net zero' by 2050 or sooner across all areas of our operations, in line with the 'Business Ambition for 1.5 °C' campaign of the Science Based Targets initiative (SBTi). In July 2022 the Carbon footprint targets for 2030 and 2050 were verified by the SBTi.

Business travel was artificially reduced throughout 2020 and 2021 due to the COVID-19 pandemic. Our current carbon emissions from flights were well within targets during 2022, and we are working on an updated travel policy to ensure they remain so.

During the year, we continued to encourage suppliers to provide us with information about their approach to sustainability during the onboarding process and tenders, to help us to understand the sustainability risk in our supply chain. We also provided documentation to explain our emissions stance to potential suppliers.

This report 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.

| | Current Reporting Year 2022 | Prior Reporting Year 2021 |
|---|-----------------------------|---------------------------|
| Energy consumption used to calculate emissions:/kWh | 4,087,235 | 4,208,622 |
| Emissions from combustion of gas tCO ₂ e (Scope 1) | 224 | 256 |
| Fuel oil | 3 | 3 |
| Emissions from combustion of fuel for transport purposes (Scope 1) | 0 | 0 |
| Emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing the fuel (Scope 3) | 0 | 1 |
| Emissions from purchased electricity (Scope 2, market based)* | 18.0 | 6.0 |

The Financial Times Limited

DIRECTORS' REPORT (continued)

| | | |
|--|------|------|
| Total gross CO ₂ e based on above | 245 | 266 |
| Intensity ratio: tCO ₂ e per total £m sales revenue | 0.58 | 0.72 |

*Note: the prior year financial statements incorrectly stated these emissions figures were calculated using the location based method. However they were in fact calculated using the market based method as shown here. As a result, no restatement of the 2021 numbers is necessary.

Methodology

Energy consumption used to calculate emissions: kWh

Sum of all emissions in kWh using 2022 UK Government GHG Conversion Factors for Company Reporting factors.

Electricity

Quantified consumption readings from automatic metering, invoices and manual meter reads from each property supply. Where there are estimates our energy management team has projected (pro-rata extrapolation) the consumption using the previous year performance. From October 2019 the Company switched 98% of its electricity to renewables. The Company's target to achieve 100% by the end of 2022 did not happen due to contract restrictions, however we aim to achieve this by the end of 2023.

Gas

On-site meter readings are taken to measure units, cubic metres are then converted to kWh using regional supplier factors.

Fuel oil

Fuel oil is measured in litres and then converted to kWh (using factor 11.89 from the emissions factors for the reporting year in question).

Travel

Employees driving their own vehicle without a monetary allowance have not been required to disclose their vehicle type, fuel type or efficiency so this has been converted to kgCO₂e by using 'average unknown car fuel' and then to kWh using 'average car unknown'.

Base year reporting

2019 has been taken as the base year for reporting. During 2019, the Company moved head office and had to run two buildings simultaneously, which meant energy consumption was unusually high. 2020-2021 cannot be deemed as normal years in terms of energy consumption as the occupancy of FT offices was severely reduced due to the COVID-19 pandemic. This is estimated to have reduced energy consumption by 10-15%.

Energy Efficiency Action

The Company moved into a newly refurbished head office in 2019 and had influence over the selection and design of the plant and fittings; where possible energy efficient equipment was used. This included LED lighting controlled by Passive Infrared Sensors (PIR) and luminescence, Variable Speed Drives (VSD's) and an intelligent Building Management Systems (BMS).

During 2019 an Energy Savings Opportunity Scheme (ESOS) report was completed. The key recommendations listed below were implemented in 2020, and are still expected to yield a 1MW saving over 5 years:

- Optimise BMS control settings;
- Install kitchen hood extract controls; and
- Power management to workstations to support positive energy behaviours.

The Company has now installed a system to reduce its impact on the environment called demand logic, an intelligent power monitoring system which uses trend analysis to reduce electrical capacity.

The Financial Times Limited

DIRECTORS' REPORT (continued)

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.

Approved and authorised for issue by the board.

DocuSigned by:

Alison Fortescue

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AM Fortescue

Company Secretary

11 September 2023

Company registered number:

00227590

The Financial Times Limited

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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 20.

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.

The Financial Times Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE FINANCIAL TIMES 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, internal audit, and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

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.

As a result of performing the above, we identified the greatest potential for fraud in revenue from advertisement in relation to cut-off assertion and the procedures performed included tracing a sample of transactions recorded pre and post year end to supporting evidence, verifying that they are recorded in the appropriate period and performing analytical procedures using third party data.

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.

The Financial Times Limited

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

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 in-house 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.

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: 11 September 2023

The Financial Times Limited**STATEMENT OF COMPREHENSIVE INCOME****For the year ended:****31 December 2022**

| | | 2022 | Restated |
|---|-------------|----------------|-----------------|
| | Note | £'000 | 2021 |
| | | | £'000 |
| Continuing operations | | | |
| Revenue | 3 | 422,539 | 369,503 |
| Other income | | 1,064 | 980 |
| Cost of sales | | (211,796) | (184,288) |
| Gross profit | | 211,807 | 186,195 |
| Distribution costs | | (10,716) | (10,633) |
| Administrative expenses | | (187,680) | (170,769) |
| Operating profit | 4 | 13,411 | 4,793 |
| Impairment of amounts owed by group undertakings | 13 | (1,735) | (2,990) |
| Profit before interest and taxation | | 11,676 | 1,803 |
| Finance income | 7 | 1,287 | 992 |
| Finance costs | 7 | (6,189) | (6,012) |
| Profit/(loss) before taxation | | 6,774 | (3,217) |
| Tax (charge)/credit on profit/(loss) | 8 | (2,581) | 12,357 |
| Profit for the financial year | | 4,193 | 9,140 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Actuarial gain on defined benefit pension obligation | 15 | 680 | — |
| Other comprehensive income for the year | | 680 | — |
| Total comprehensive income for the year | | 4,873 | 9,140 |

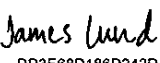
The notes on pages 24 to 55 form an integral part of these financial statements.

The Financial Times Limited**BALANCE SHEET****As at:****31 December 2022**

| | | 2022 | Restated 2021 |
|---|-------------|-----------------|--------------------------|
| | Note | £'000 | £'000 |
| Non current assets | | | |
| Intangible assets | 9 | 82,749 | 83,448 |
| Property, plant and equipment | 10 | 203,623 | 219,056 |
| Investments | 11 | 17,642 | 17,649 |
| Trade and other receivables: amounts falling due after more than one year | 13 | 53,244 | — |
| Deferred tax asset | 16 | 23,343 | 27,190 |
| Total non current assets | | 380,601 | 347,343 |
| Current assets | | | |
| Inventory | 12 | 1,608 | 929 |
| Trade and other receivables: amounts falling due within one year | 13 | 98,908 | 168,888 |
| Cash at bank and in hand | | 43,225 | 24,528 |
| Total current assets | | 143,741 | 194,345 |
| Trade and other payables: amounts falling due within one year | 14 | (239,203) | (247,822) |
| Net current liabilities | | (95,462) | (53,477) |
| Total assets less current liabilities | | 285,139 | 293,866 |
| Trade and other payables: amounts falling due after more than one year | 14 | (204,304) | (215,812) |
| Provisions for liabilities | 15 | (11,540) | (13,632) |
| Net assets | | 69,295 | 64,422 |
| Capital and reserves | | | |
| Called up share capital | 17 | 141,200 | 141,200 |
| Profit and loss account | | (71,905) | (76,778) |
| Total shareholders' funds | | 69,295 | 64,422 |

The notes on pages 24 to 55 form an integral part of these financial statements.

The financial statements on pages 21 to 55 were approved by the board of directors and authorised for issue on 11 September 2023. They were signed on its behalf by:

DocuSigned by:

 DD3E68D186D242D ...
 JD Lund
 Director

Company registered number:
 00227590

The Financial Times Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended:

31 December 2022

| | Note | Called up share capital | Profit and loss account | Total shareholders' funds |
|--|------|-------------------------------|-------------------------------|---------------------------------|
| | | £'000 | £'000 | £'000 |
| At 31 December 2020 | | 141,200 | (78,301) | 62,899 |
| Change in accounting policy | 1 | — | (7,617) | (7,617) |
| Restated balance at 31 December 2020 | | 141,200 | (85,918) | 55,282 |
| Profit for the financial year | | — | 9,140 | 9,140 |
| Total comprehensive income for the year | | — | 9,140 | 9,140 |
| Restated balance at 31 December 2021 | | 141,200 | (76,778) | 64,422 |
| Profit for the financial year | | — | 4,193 | 4,193 |
| Actuarial gain on defined benefit pension obligation | 15 | — | 680 | 680 |
| Total comprehensive income for the year | | — | 4,873 | 4,873 |
| At 31 December 2022 | | 141,200 | (71,905) | 69,295 |

The notes on pages 24 to 55 form an integral part of these financial statements.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:
31 December 2022

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

The Financial Times Limited is a private company limited by shares incorporated in England, in the United Kingdom under the Companies Act 2006. The address of its registered office is Bracken House, 1 Friday Street, London, United Kingdom EC4M 9BT. The principal activities of the Company are disclosed in the Directors' Report.

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 business combinations, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Change in accounting policy - Software as a Service (SaaS) arrangements

The Company has changed its accounting policy regarding the capitalisation of certain software costs. This change was due to the IFRS Interpretations Committee agenda decision published in April 2021 - which determined the costs of configuring or customising Software as a Service (SaaS) arrangements should be expensed rather than capitalised unless they meet the definition of a separate intangible asset. Due to the large volume of assets under review, the year ended 31 December 2022 was the earliest possible opportunity to undertake this assessment and determine the financial statement impact of applying this change.

Historically, it has been the Company's accounting policy to capitalise costs directly attributable to the configuration or customisation of SaaS arrangements as intangible assets in the Balance sheet, regardless of whether the work was performed by employees, in-house contractors, the SaaS provider or a third-party supplier. A thorough review of all assets was undertaken to determine the impact of adopting the above IFRS Interpretations Committee agenda decision. To the extent that the Company was unable to demonstrate it has control of the configuration or customisation, the intangible asset was derecognised.

This change in accounting policy led to the following adjustments:

- as at 31 December 2020, a reduction in the cost of Software intangible fixed assets of £18,115,000, a reduction in the accumulated amortisation of Software intangible fixed assets of £10,498,000, and a reduction in retained earnings of £7,617,000.
- as at 31 December 2021, a further reduction in the cost of Software intangible fixed assets of £6,666,000, a further reduction in the accumulated amortisation of Software intangible fixed assets of £4,184,000, and a reduction in profit before interest and tax of £2,482,000 for the year ended 31 December 2021.

Accordingly, the prior period Balance Sheet at 31 December 2021 has been restated in accordance with IAS 8, and, in accordance with IAS 1 (revised). The tables on the following page show the impact of the change in accounting policy on previously reported financial results.

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended:

31 December 2022**1 Accounting policies (continued)****Change in accounting policy - Software as a Service (SaaS) arrangements (continued):****Impact on the Balance Sheet**

| | 2021 As previously reported £'000 | 2021 Impact of restatement £'000 | 2021 Restated £'000 |
|----------------------------------|---|--|---------------------------|
| Intangible assets | 93,547 | (10,099) | 83,448 |
| Other Net assets/(liabilities) | (19,026) | — | (19,026) |
| Net assets | 74,521 | (10,099) | 64,422 |
| Profit and loss account | (66,679) | (10,099) | (76,778) |
| Other equity balances | 141,200 | — | 141,200 |
| Total shareholders' funds | 74,521 | (10,099) | 64,422 |

Impact on the Statement of Comprehensive Income

| | 2021 As previously reported £'000 | 2021 Impact of restatement £'000 | 2021 Restated £'000 |
|--|---|--|---------------------------|
| Administrative expenses | (168,287) | (2,482) | (170,769) |
| Profit before interest and taxation | 4,285 | (2,482) | 1,803 |

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 itself a subsidiary company and is exempt from the requirement to prepare consolidated financial statements by virtue of Section 400 of the Companies Act 2006. Therefore, these financial statements present information about the Company as an individual undertaking and not its group. The results of the Company are included in the consolidated financial statements of Nikkei Inc. which are publicly available (note 20).

Going concern

The directors have made a thorough assessment of the Company's ability to continue operating as a going concern. During 2022 the Company recorded a profit, and at the balance sheet date was in a net assets position. The performance in 2022 and management's review of future forecasts show that the Company is well placed to navigate the challenging economic conditions that are materialising. Paid-for-subscriber levels continue to ensure the FT.com platform is a robust business model, while advertising revenues remain strong and our events business has successfully navigated the move towards a more hybrid model that combines both digital and in-person events. 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. In addition, a letter of support has been received from a parent company which commits to support the Company for at least one year beyond the date these financial statements are signed. As such, we continue to adopt the going concern basis of preparation.

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS****For the year ended:****31 December 2022****1 Accounting policies (continued)****Going concern (continued)**

This assessment was based on a cash flow forecast using management's latest assumptions, taking into account the latest expectations around the impact of inflationary cost pressures and the adverse impact of the Ukraine-Russia conflict on global supply chains. 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, via an intercompany loan agreement, to a committed £100m loan facility that has been agreed by its immediate parent company with an external lender that runs until 07 July 2025. As such, we continue to adopt the going concern basis of preparation.

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.

Revenue recognition

Revenue represents net circulation, advertisement and other revenue receivable, net of discounts and excluding value added tax. Circulation and print advertising revenue is recognised when the newspaper or publication is published. Online advertising revenue is recognised either as page impressions are served or evenly over the period, depending on the terms of the contract. Subscription revenue is recognised over the life of the subscription. Event revenue is recognised at the time the event occurs. Revenue from barter transactions is recognised when the services exchanged are dissimilar and the amount can be measured reliably.

In line with IFRS 15, at contract inception, the Company assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a service (or bundle of services) that is distinct. To identify the performance obligations the Company considers all of the services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. Revenue is recognised at the fair value of the consideration received or receivable. Remaining performance obligations represent the transaction price of contracts for work that have not yet been performed, and is recorded as deferred income on the balance sheet.

Other income

Other income relates to intragroup management fees received from other entities in the Financial Times group of companies.

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.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2022

1 Accounting policies (continued)

Intangible assets

(a) Goodwill

Goodwill is initially measured at cost, being the excess of the fair value of the consideration transferred over the net assets acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The Company does not amortise goodwill but reviews it for impairment on an annual basis or whenever there are indicators of impairment.

(b) Customer lists and trade names

Acquired intangible assets include customer lists and trade names acquired as part of business combinations and are capitalised separately from goodwill if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits attributable to the asset will flow to the Company. These assets are capitalised on acquisition at fair value. Amortisation is provided at rates calculated to write off the cost of each asset on a straight line basis over its estimated useful life as follows:

Customer lists - 10 years

Trade names - 10 years

(c) Software

Expenditure on software is capitalised when the Company is able to demonstrate all of the following: the technical feasibility of the resulting asset; the ability and intention to complete the development and use or sell it; how the asset will generate probable future economic benefits; and the ability to measure reliably the expenditure attributable to the asset during its development. Development costs which do not meet these criteria are recognised in the statement of comprehensive income as incurred and are not subsequently capitalised. Amortisation is provided at rates calculated to write off the cost of each asset on a straight line basis over its estimated useful life (3 - 5 years).

Tangible fixed assets

Tangible fixed assets are stated at historical cost less depreciation and impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows:

Freehold buildings 10 - 40 years;

Plant and machinery 5 - 10 years;

Fixtures and fittings 3 - 10 years;

Leasehold buildings - over the period of the lease;

Right of use assets - over the period of the lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The carrying value of an asset is written down to its recoverable amount if the carrying value of the asset is greater than its estimated recoverable amount.

Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible 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).

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2022

1 Accounting policies (continued)

Impairment of non-financial assets

Goodwill is tested annually for impairment. An impairment loss is recognised to the extent that the carrying value of goodwill exceeds the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Investment in subsidiaries and associated undertakings

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

Other fixed investments

Other fixed investments are held at fair value.

Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined using the first in first out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Provisions are made for slow moving and obsolete inventory.

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.

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.

Provisions

Provisions are recognised if the Company has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation and that the amount can be reliably estimated. Provisions are discounted to present value where the effect is material.

Pensions

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Certain individuals are members of The Financial Times Overseas Pension Plan and The Financial Times Japan Overseas Pension Plan, both of which are defined benefit schemes. The schemes are unfunded and hence there are no assets to value each year. The liabilities are valued using the projected unit credit method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the Company's defined benefit pension schemes expected to arise from employee service in the period or arising from the passage of time is charged to the profit and loss account. Actuarial gains and losses are recognised in the statement of total comprehensive income. An independent actuarial valuation is performed every three years and this was last performed by Willis Towers Watson as at 30 November 2020. The key assumptions underpinning the triennial valuations are reassessed annually to determine whether any factors need to be considered in updating the valuation, and any necessary adjustments are recognised accordingly.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2022

1 Accounting policies (continued)

Leases

Contracts with third parties for specified assets, the use of which the Company controls over a period of greater than one year and for a value in excess of £5,000, are accounted for as right of use assets which are depreciated over the shorter of the useful life of the asset or the lease term. A corresponding lease liability is recognised, unwinding over the term of the lease payments, and taking into account interest accruing on the liability.

Lease liabilities are recognised as the present value of the expected lease payments over the life of the lease, discounted using either the interest rate implicit in the lease, or in its absence the incremental borrowing rate determined by reference to the nature of the asset, the term of the lease and economic environment within which the asset is used. Right of use assets are recognised at an amount equal to the lease liability, plus any initial direct costs associated with the asset and inclusive of any estimate for the costs associated with restoration or dismantling the asset. Any subsequent lease modifications following initial recognition are taken into account when measuring the lease liability and the right of use asset.

Contracts with third parties for specified assets that are for a duration of less than one year or less than £5,000 are accounted for as operating leases, with the expense charged to the profit and loss account on a systematic basis over the term of the lease.

Where the Company acts as a lessor or a sub-lessor, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Where the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. The present value of the lease payments receivable are disclosed within trade and other receivables. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Company recognises income from lease payments received under finance leases within 'other interest receivable'. The Company recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of 'other income'.

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.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

**For the year ended:
31 December 2022**

1 Accounting policies (continued)

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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2022

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 following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Capitalisation of employee costs

Amounts capitalised as software in intangible fixed assets include the total cost of any external products or services and employee costs directly attributable to the development of the software. Employment costs capitalised as software in 2022 amounted to £12,570,000 (2021 - restated: £14,097,000). Management judgement is involved in determining the appropriate internal costs to capitalise and the amounts involved. The change in accounting policy relating to Software as a Service as described in Note 1 has also been considered in relation to the capitalisation of employee costs and clearly required significant judgement in this context.

In ascertaining whether employee costs are directly attributable, the individual tasks performed must be examined to verify whether time spent relates to the fit, form, and function of the asset. Items which relate to the fit, form, and function of an asset will be those which are critical to the asset's development (i.e. asset cannot be created without that specific task being done) such as software coding or testing performed to ensure the product is built to certain specifications.

When classifying activities performed in a development project as either directly or indirectly attributable, a distinction should be made whether value is added to the project of creating an asset versus adding value to the asset itself. While an individual's role may give insight into the types of work an individual will be performing, the actual tasks performed need to be assessed as to whether an item will be capitalised (adding explicit value to customers) or expensed.

Internal employee costs must be able to be accurately measured in order to be eligible for capitalisation. Where an employee is dedicated full-time to a project and engaged in only directly attributable activities, no specific tracking needs to be performed and this time can be capitalised. Where a process/system is implemented to track internal labour time, management reviews and approves this methodology. If an employee is dedicated to the project but has time split between direct and indirect labour activities, or if an employee is working on the project on a part-time basis (e.g. not-fully dedicated to a single project), then their time must be specifically tracked (e.g. through the use of approved timecards) in order to accurately measure time spent on directly attributable activities compared with those of an indirect nature. A general allocation of costs is not permissible.

Deferred tax assets and liabilities

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, significant judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income. Amounts recognised in relation to deferred tax assets are disclosed in note 16.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2022

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

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.

Useful life of software

Management estimation is involved in determining the useful life of the software. Software is assessed separately (on a project by project basis) to determine useful life. The following factors are taken into consideration by management when assessing the useful life of software: technological obsolescence, future versions/ editions or substantive upgrades/ enhancements.

At least annually, consideration is given as to whether any impairment indicators have been met. Further detail is given in note 9 Intangible fixed assets.

Impairment of investments in subsidiaries

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries at the balance sheet date was £3,343,000. No impairment loss was recognised during the year in relation to any of the investments. Further detail is given in note 11a Investments - subsidiary undertakings.

Impairment of investments in associates/joint ventures

Determining whether the Company's investments in associates/joint ventures have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in associates/joint ventures at the balance sheet date was £9,907,000. During the year, no impairment charge on the Company's investments in associates or joint ventures was recognised. This was determined via a discounted cash flow analysis using the latest forecasts available to management as well as a discount rate and a growth rate that were deemed appropriate for the purpose of the assessment. A sensitivity analysis was also carried out which considered the underlying cash flow forecasts themselves, the discount rate and the growth rates assumed. Further detail is given in note 11b Investments - associates and joint ventures.

Carrying value of goodwill

Goodwill represents the single cash generating unit comprising the entire operations of the Company. The carrying value of goodwill has been subject to annual impairment testing. The directors have reviewed an impairment model which looks at the present value of the cash flows of the cash generating unit and are satisfied that the carrying value is supported by this assessment.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2022

3 Revenue

| | 2022 | 2021 |
|-----------------------|----------------|----------------|
| | £'000 | £'000 |
| Continuing operations | | |
| Sale of goods | 293,890 | 269,208 |
| Provision of services | 128,649 | 100,295 |
| Total revenue | 422,539 | 369,503 |

Sale of goods primarily includes print advertising, subscriptions and newsstand sales. Provision of services primarily includes digital advertising and events.

The Company's activities consist of one class of business namely the provision of international business and financial news, data, comment and analysis and associated advertising revenue.

The Company treats invoices to agents in the United Kingdom as United Kingdom turnover, regardless of the country of residence of the customer. The Company has recognised £11,783,000 of barter revenue (2021: £11,187,000) on a gross basis.

In line with IFRS 15 the Company disaggregates revenue by geographical market as shown below:

| | 2022 | 2021 |
|----------------------|----------------|----------------|
| | £'000 | £'000 |
| United Kingdom | 180,207 | 161,861 |
| Rest of Europe | 96,723 | 89,212 |
| North America | 92,093 | 74,290 |
| Asia and Middle East | 47,390 | 38,985 |
| Rest of World | 6,126 | 5,155 |
| Total revenue | 422,539 | 369,503 |

The following table shows how much revenue recognised in the current period relates to carried forward deferred income:

| | 2022 | 2021 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Revenue recognised that was included in the deferred income balance at the beginning of the period | 79,327 | 69,352 |

The following table shows an analysis of revenue split between revenues earned at a point in time and revenues earned over a period of time:

| | 2022 | 2021 |
|--------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Revenue earned at a point in time | 227,236 | 194,347 |
| Revenue earned over a period of time | 195,303 | 175,156 |
| Total revenue | 422,539 | 369,503 |

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS****For the year ended:****31 December 2022****4 Operating profit**

| Operating profit is stated after charging/(crediting) | | 2022 | Restated 2021 |
|---|------|---------|------------------|
| | Note | £'000 | £'000 |
| Staff costs | 5 | 151,310 | 132,110 |
| Depreciation of property, plant and equipment | 10 | | |
| - owned | | 2,389 | 2,586 |
| - right of use assets | | 11,474 | 11,558 |
| Inventory costs | | 7,197 | 5,187 |
| Rent expense for leased assets within short-term or low value exemption under IFRS 16 | | 441 | 276 |
| Amortisation of intangible assets included in operating expenses: | 9 | | |
| - software | | 14,028 | 16,243 |
| - other | | 15 | 15 |
| Impairment of intangible fixed assets | | | |
| - software | 9 | 1 | 2,342 |
| Impairment of amounts owed by group undertakings | 13 | 1,735 | 2,990 |
| Net foreign exchange loss/(gains) | | 7,935 | 1,124 |
| Fees payable to the Company's auditor: | | | |
| - auditing the financial statements of the Company | | 509 | 409 |
| - other assurance services | | 85 | 147 |

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2022

5 Staff costs

| | 2022 | 2021 |
|-----------------------|---------|---------|
| | £'000 | £'000 |
| Staff costs | | |
| Wages and salaries | 124,507 | 108,031 |
| Social security costs | 15,405 | 14,727 |
| Other pension costs | 11,398 | 9,352 |
| | 151,310 | 132,110 |

Pension costs include £580,000 (2021: £589,000) representing the Company's contributions to employees' personal pension schemes. The remaining amounts of £10,818,000 (2021: £8,763,000) represent the charge for funding of the Financial Times Retirement Plan.

| | 2022 | 2021 |
|---|--------|--------|
| Average monthly number of persons employed by the Company during the year | Number | Number |
| Production | 1,028 | 891 |
| Selling and distribution | 283 | 196 |
| Administration | 197 | 309 |
| | 1,508 | 1,396 |

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS****For the year ended:****31 December 2022****6 Directors' remuneration**

| | 2022 | 2021 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Directors' remuneration | | |
| Aggregate emoluments | 4,359 | 3,982 |
| Company contributions to money purchase pension schemes | 34 | 33 |
| | 4,393 | 4,015 |

| | 2022 | 2021 |
|--|------------------|------------------|
| | Number | Number |
| | Directors | Directors |
| Directors accruing benefits under money purchase schemes | 4 | 5 |

| | 2022 | 2021 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Highest paid director | | |
| Aggregate emoluments | 1,767 | 1,725 |
| Company contributions to money purchase pension schemes | 10 | 10 |
| | 1,777 | 1,735 |

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS****For the year ended:****31 December 2022****7 Finance income and finance costs**

| | 2022 | 2021 |
|---|--------------|-------|
| | £'000 | £'000 |
| Finance income | | |
| Bank interest receivable | 45 | 38 |
| Other interest receivable | 199 | 342 |
| Interest receivable from group companies | 1,043 | 612 |
| Interest receivable and similar income | 1,287 | 992 |

Other interest receivable relates to interest income on sub-leased assets that have been accounted for in accordance with IFRS 16. See note 13 for further details on subleases.

| | 2022 | 2021 |
|---|--------------|-------|
| | £'000 | £'000 |
| Finance cost | | |
| Lease liability interest (see note 14) | 4,755 | 5,081 |
| Interest payable to group companies | 1,229 | 581 |
| Other interest | 115 | 205 |
| Pension finance expense | 40 | 39 |
| Unwinding provision discount | 50 | 106 |
| Interest payable and similar charges | 6,189 | 6,012 |

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2022

8 Tax (charge)/credit on profit/(loss)

| | 2022 | Restated 2021 |
|--|------------------|------------------|
| | £'000 | £'000 |
| Current tax | | |
| UK corporation tax on profit/loss for the financial year | (1,388) | 477 |
| Adjustments in respect of prior years | 96 | 228 |
| Overseas taxation | 26 | 6 |
| Total current tax | (1,266) | 711 |
| Deferred tax | | |
| Origination and reversal of temporary differences | 3,847 | (13,068) |
| Total deferred tax | 3,847 | (13,068) |
| Total tax charge/(credit) for the year | 2,581 | (12,357) |
| 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:

| | 2022 | Restated 2021 |
|---|--------------|------------------|
| | £'000 | £'000 |
| Profit/(loss) before taxation | 6,774 | (3,217) |
| Tax at standard UK corporation tax rate of 19.00% (2021: 19.00%) | 1,287 | (611) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 665 | 1,157 |
| Deferred tax not previously recognised | 3,847 | (13,068) |
| Higher tax rates on overseas earnings | 26 | 6 |
| Adjustments in respect of prior periods | 96 | 228 |
| Losses claimed as group relief | (1,388) | — |
| Payment for group relief | 1,388 | — |
| Impairment of intangibles | 3 | 3 |
| Utilisation of unprovided deferred tax attributes brought forward | (3,343) | (543) |
| Change in accounting policy | — | 471 |
| Total tax charge/(credit) for the year | 2,581 | (12,357) |

The Company's profit for the year has been taxed at a statutory rate of 19.00% for the calendar year (2021: 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.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2022

9 Intangible fixed assets

| | Acquired customer lists £'000 | Acquired trade names £'000 | Software £'000 | Software under development £'000 | Goodwill £'000 | Total £'000 |
|--|--|-------------------------------------|-------------------|---|-------------------|----------------|
| Cost | | | | | | |
| At 1 January 2021 | 4,926 | 415 | 211,458 | 1,154 | 55,399 | 273,352 |
| Impact of restatement | — | — | (18,050) | (65) | — | (18,115) |
| At 1 January 2021 restated | 4,926 | 415 | 193,408 | 1,089 | 55,399 | 255,237 |
| Additions restated | — | — | 2,531 | 12,400 | — | 14,931 |
| Disposals | — | — | (8,029) | — | — | (8,029) |
| Impairment | — | — | (8,033) | — | — | (8,033) |
| Transfers restated | — | — | 12,121 | (12,121) | — | — |
| At 31 December 2021 restated | 4,926 | 415 | 191,998 | 1,368 | 55,399 | 254,106 |
| At 1 January 2022 | 4,926 | 415 | 191,998 | 1,368 | 55,399 | 254,106 |
| Additions | — | — | 213 | 13,909 | — | 14,122 |
| Disposals | — | — | (107,799) | (294) | — | (108,093) |
| Impairment | — | — | — | — | — | — |
| Transfers | — | — | 14,492 | (14,492) | — | — |
| At 31 December 2022 | 4,926 | 415 | 98,904 | 491 | 55,399 | 160,135 |
| Accumulated amortisation and impairment | | | | | | |
| At 1 January 2021 | 4,926 | 378 | 173,314 | — | — | 178,618 |
| Impact of restatement | — | — | (10,498) | — | — | (10,498) |
| At 1 January 2021 restated | 4,926 | 378 | 162,816 | — | — | 168,120 |
| Charge for the year restated | — | 15 | 16,243 | — | — | 16,258 |
| Disposals | — | — | (8,029) | — | — | (8,029) |
| Impairment | — | — | (5,691) | — | — | (5,691) |
| At 31 December 2021 restated | 4,926 | 393 | 165,339 | — | — | 170,658 |
| At 1 January 2022 | 4,926 | 393 | 165,339 | — | — | 170,658 |
| Charge for the year | — | 15 | 14,028 | — | — | 14,043 |
| Disposals | — | — | (107,316) | — | — | (107,316) |
| Impairment | — | — | 1 | — | — | 1 |
| Transfers | — | — | — | — | — | — |
| At 31 December 2022 | 4,926 | 408 | 72,052 | — | — | 77,386 |
| Net book value | | | | | | |
| At 31 December 2021 restated | — | 22 | 26,659 | 1,368 | 55,399 | 83,448 |
| At 31 December 2022 | — | 7 | 26,852 | 491 | 55,399 | 82,749 |

Goodwill relates to multiple cash generating units which comprise the business operations of the Company. The directors have performed an impairment review using solely the largest cash generating unit, FT.com, and confirmed that no impairment to goodwill is required.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2022

10 Property, plant and equipment

| | Right of use assets £'000 | Leasehold improvements £'000 | Land and buildings £'000 | Plant and machinery £'000 | Fixtures and fittings £'000 | Assets under construction £'000 | Total £'000 |
|---|------------------------------------|------------------------------------|-----------------------------------|---------------------------------|--------------------------------------|--|----------------|
| Cost | | | | | | | |
| At 1 January 2022 | 243,831 | 1,750 | 80 | 2,006 | 21,991 | 71 | 269,729 |
| Additions | 6 | — | — | — | 839 | 137 | 982 |
| Disposals | (86) | — | (30) | (210) | (5,993) | — | (6,319) |
| Impairment | — | — | — | — | — | — | — |
| Transfers | — | — | 17 | — | 147 | (164) | — |
| At 31 December 2022 | 243,751 | 1,750 | 67 | 1,796 | 16,984 | 44 | 264,392 |
| Accumulated depreciation | | | | | | | |
| At 1 January 2022 | 33,415 | 297 | 80 | 1,160 | 15,721 | — | 50,673 |
| Charge for the year | 11,474 | 109 | 1 | 152 | 2,127 | — | 13,863 |
| Disposals | (86) | — | (30) | (210) | (5,993) | — | (6,319) |
| Reassessment of Asset Retirement Obligation | 2,552 | — | — | — | — | — | 2,552 |
| Impairment | — | — | — | — | — | — | — |
| Transfers | — | — | — | — | — | — | — |
| At 31 December 2022 | 47,355 | 406 | 51 | 1,102 | 11,855 | — | 60,769 |
| Net book value | | | | | | | |
| At 31 December 2021 | 210,416 | 1,453 | — | 846 | 6,270 | 71 | 219,056 |
| At 31 December 2022 | 196,396 | 1,344 | 16 | 694 | 5,129 | 44 | 203,623 |

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS****For the year ended:****31 December 2022****11 Investments**

| | Note | 2022 £'000 | 2021 £'000 |
|--|-------------|-----------------------|-----------------------|
| Subsidiary undertakings | 11a | 3,343 | 3,343 |
| Associated undertakings and joint ventures | 11b | 9,907 | 9,914 |
| Other investments | 11c | 4,392 | 4,392 |
| Total | | 17,642 | 17,649 |

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS****For the year ended:****31 December 2022****11a Investments - subsidiary undertakings**

| | Total |
|----------------------------|---------------|
| | £'000 |
| Cost | |
| At 1 January 2022 | 10,624 |
| Additions | — |
| At 31 December 2022 | 10,624 |
| Provision | |
| At 1 January 2022 | 7,281 |
| Charge for the year | — |
| At 31 December 2022 | 7,281 |
| Net book value | |
| At 31 December 2021 | 3,343 |
| At 31 December 2022 | 3,343 |

Details of directly held subsidiary undertakings:

| | | | | 2022 | 2021 |
|--|---|-----------------------------|-------------------------------|---------------|---------------|
| Subsidiary | Registered office address | Class of shares held | Place of incorporation | % held | % held |
| The Financial Times (Overseas) Limited | Bracken House, 1 Friday Street, London EC4M 9BT | Ordinary | England | 100% | 100% |
| The Financial Times (France) Limited | Bracken House, 1 Friday Street, London EC4M 9BT | Ordinary | England | 100% | 100% |
| The Financial Times (Japan) Limited | Bracken House, 1 Friday Street, London EC4M 9BT | Ordinary | England | 100% | 100% |
| The Financial Times (Spain) Limited | Bracken House, 1 Friday Street, London EC4M 9BT | Ordinary | England | 100% | 100% |
| Financial Times (ASC) Limited | Bracken House, 1 Friday Street, London EC4M 9BT | Ordinary | England | 100% | 100% |
| St. Clements Press (1988) Limited | Bracken House, 1 Friday Street, London EC4M 9BT | Ordinary | England | 100% | 100% |
| The Financial Times (Bulgaria) Limited | Bracken House, 1 Friday Street, London EC4M 9BT | Ordinary | England | 100% | 100% |
| The Financial Times (M-M UK) Limited | Bracken House, 1 Friday Street, London EC4M 9BT | Ordinary | England | 100% | 100% |
| Mandatewire Limited | Bracken House, 1 Friday Street, London EC4M 9BT | Ordinary | England | 100% | 100% |

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS****For the year ended:****31 December 2022****11a Investments - subsidiary undertakings (continued)**

Details of directly held subsidiary undertakings (continued):

| | | | | | |
|--|---|----------|------------------|-------------|------|
| FT Labs Limited | Bracken House, 1 Friday Street, London EC4M 9BT | Ordinary | England | 100% | 100% |
| FDI Intelligence Limited | Centrepont 6th Floor, 24 Ormeau Avenue, Belfast, BT2 8HS | Ordinary | Northern Ireland | 100% | 100% |
| Exoc Appointments Limited | Bracken House, 1 Friday Street, London EC4M 9BT | Ordinary | England | 100% | 100% |
| The Financial News Limited | Bracken House, 1 Friday Street, London EC4M 9BT | Ordinary | England | 100% | 100% |
| The Financial Times (Switzerland) Limited | Bracken House, 1 Friday Street, London EC4M 9BT | Ordinary | England | 100% | 100% |
| Financial Times do Brasil Consultoria Ltda | Avenida Paulista, 2073, Ed. Horsa 1, sala 1206, Sao Paulo, CEP 01311- 940, Brazil | Ordinary | Brazil | 90% | 90% |

The Company owns 90% of the issued share capital of Financial Times do Brasil Consultoria Ltda, incorporated in Brazil. Financial Times Group Limited owns the remaining 10% of the issued share capital.

In the opinion of the directors, the value of the investments in subsidiary undertakings is not less than the amount at which they are stated in the balance sheet.

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS****For the year ended:****31 December 2022****11b Investments - associates and joint ventures**

| | Total £'000 |
|----------------------------|------------------------|
| Cost | |
| At 1 January 2022 | 9,914 |
| Disposals | (7) |
| At 31 December 2022 | 9,907 |
| Net book value | |
| At 31 December 2021 | 9,914 |
| At 31 December 2022 | 9,907 |

Details of associate undertakings:

| | | | 2022 | 2021 |
|---------------------|--|-----------------------------------|---------------|---------------|
| Associate | Registered office address | Place of incorporation | % held | % held |
| Sifted (EU) Limited | 20-22 Wenlock Road, London, England, N1 7GU | UK | 14.36% | 14.36% |

Details of joint venture undertakings:

| | | | 2022 | 2021 |
|-----------------------|--|-----------------------------------|---------------|---------------|
| Joint ventures | Registered office address | Place of incorporation | % held | % held |
| Headspring Limited | Bracken House, 1 Friday Street, London EC4M 9BT | UK | 50% | 50% |

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

Disposals during 2022 represent the receipt of a credit note in relation to the direct costs incurred relating to the Company's investment in Sifted (EU) Limited.

On 12 November 2021, the Company's shareholding of Sifted (EU) Limited was diluted from 28.03% to 14.36% as part of a right issue which the Company did not participate in.

Following the completion of the annual impairment review exercise, management concluded that the carrying value of its associates & joint ventures could be supported, and the decision was made to record an impairment charge of £nil (2021: £nil). This was determined by reference to the latest available five-year cash flow forecasts for its associates & joint ventures which were then discounted to a present value using an appropriate discount rate and growth rate. The results were then subject to a sensitivity analysis which looked to determine the impact of changes to the underlying cash flow assumptions, discount rate and growth rates. Following that analysis, management concluded that no impairment was appropriate in light of the data presented.

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS****For the year ended:****31 December 2022****11c Other investments**

| | 2022 | 2021 |
|-------------------|--------------|--------------|
| | £'000 | £'000 |
| Other investments | 4,392 | 4,392 |
| | 4,392 | 4,392 |

Details of other investments :

| | | 2022 | 2021 |
|---------------------------------|-----------------------------|----------------|----------------|
| | Class of shares held | % owned | % owned |
| NLA Media Access Limited | Ordinary | 12.5% | 12.5% |
| The Business of Fashion Limited | Ordinary | 7.44% | 7.44% |

In the opinion of the directors, the value of the investments is not less than the amount at which they are stated in the balance sheet. This is determined by reference to a fair value assessment based on a discounted cash flow model using the latest available forecasts of the investee.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2022

12 Inventory

| | 2022 | 2021 |
|-------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Raw materials and consumables | 1,608 | 929 |
| | 1,608 | 929 |

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2022

13 Trade and other receivables

| | 2022 | 2021 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Amounts falling due within one year | | |
| Trade receivables | 62,274 | 58,618 |
| Amounts owed by group undertakings | | |
| - Ultimate parent | 676 | — |
| - Immediate parent | 480 | 36,903 |
| - Fellow group entities | 2,622 | 43,250 |
| Other taxation receivable | 3,118 | 5,901 |
| Other receivables | 1,642 | 1,756 |
| Prepayments | 10,532 | 8,210 |
| Accrued income | 6,877 | 5,148 |
| Corporation tax | 2,001 | 221 |
| Lease receivables | 8,686 | 8,881 |
| | 98,908 | 168,888 |
| Amounts falling due after more than one year | | |
| Amounts owed by group undertakings | | |
| - Fellow group entities | 53,244 | — |
| Total trade and other receivables | 152,152 | 168,888 |

Amounts owed by group undertakings due within one year include loans of £2,463,000 attracting interest at rates between 1.19% and 2.68% (2021: £59,360,000 attracting interest at rates between 1.03% and 1.585%). These loans are unsecured and repayable on demand. The remaining amounts of £1,314,000 (2021: £20,793,000) owed by group undertakings due within one year are unsecured, interest free and repayable on demand.

Amounts owed by group undertakings due after one year includes loans of £33,504,000 attracting interest at rates between 1.19% and 4.35%. This includes £32,950,000 of loans that are unsecured and repayable on demand as well as £554,000 (2021: £nil) of loans that are secured and repayable as at 31st December 2024. The remaining amounts of £19,740,000 (2021: £nil) owed by group undertakings due after one year are unsecured, interest free and repayable on demand.

Amounts owed by group undertakings are classified as non-current if the ultimate parent, immediate parent, fellow group entity or subsidiary intends to repay the balance more than 12 months after the balance sheet date.

Trade receivables are stated after provisions for impairment of £5,827,000 (2021: £2,679,000).

It was determined that amounts receivable from St. Clements Press (1988) Limited, a wholly owned subsidiary, were not recoverable due to the commercial decision to cease print operations by that company. As a result £1,735,000 (2021: £2,990,000) has been recognised as an impairment loss in the statement of comprehensive income.

The lease receivable balance relates to the sub-lease of office floor space to two tenants. For the year ended 31 December 2022, the cash received in relation to the sub-lease of office floor space amounted to £393,000 (2021: £515,000). Based on the characteristics of each sub-lease the incremental borrowing rates have been estimated at between 2.30%.

Lease receivable maturity analysis - contractual undiscounted cash flows:

| | 2022 | 2021 |
|----------------------------|---------------|---------------|
| | £'000 | £'000 |
| Within one year | 515 | 515 |
| Between one and five years | 2,058 | 2,058 |
| In over five years | 8,144 | 8,661 |
| Total | 10,717 | 11,234 |

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2022

14 Trade and other payables

| | 2022 | 2021 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Amounts falling due within one year | | |
| Lease liability | 10,304 | 10,134 |
| Trade payables | 8,097 | 10,480 |
| Amounts owed to group undertakings: | | |
| - Ultimate parent | 1,244 | — |
| - Immediate parent | 24,089 | 63,978 |
| - fellow group entities | 59,405 | 39,070 |
| Other taxation and social security | 4,243 | 4,044 |
| Other payables | 786 | 600 |
| Accruals | 44,974 | 39,579 |
| Deferred income | 86,061 | 79,937 |
| | 239,203 | 247,822 |
| Amounts falling due after more than one year | | |
| Lease liability | 204,304 | 215,812 |
| | 204,304 | 215,812 |
| Total trade and other payables | 443,507 | 463,634 |

Amounts owed to group undertakings include loans of £58,779,000 attracting interest at rates between 3.04% and 4.05% (2021: £74,963,000 interest at rates between 0.76% and 1.15%). The loans are unsecured, repayable on demand and included within amounts owed to group undertakings within one year.

The remaining amounts of £25,959,000 (2021: £28,086,000) owed to group undertakings are unsecured, interest free and repayable on demand.

Lease liabilities represent the discounted amounts payable in respect of its contractual right to use commercial and editorial office space. The future lease payments have been discounted at the incremental borrowing rate applicable to each lease at the date of inception of the lease. Based on the characteristics of each lease the incremental borrowing rates have been estimated at between 0.29% to 11.35%. There are no variable lease payments, extension or termination options, residual value guarantees, restrictive covenants or sale and leaseback transactions that need to be accounted for.

As at 31 December 2022, the lease cash payments made during the year amounted to £15,018,000 (2021: £14,525,000).

Lease liability maturity analysis - contractual undiscounted cash flows:

| | 2022 | 2021 |
|----------------------------|----------------|----------------|
| | £'000 | £'000 |
| Within one year | 14,947 | 14,997 |
| Between one and five years | 59,764 | 59,838 |
| In over five years | 190,578 | 205,563 |
| Total | 265,289 | 280,398 |

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended:
31 December 2022

14 Trade and other payables (continued)

Lease liabilities included in the balance sheet as at 31 December 2022:

| | 2022 | 2021 |
|--------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Current liability | 10,304 | 10,134 |
| Non-current liability | 204,304 | 215,812 |
| Total lease liabilities | 214,608 | 225,946 |

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2022

15 Provisions

| | Pensions | Re- organisations | Other provisions | Total |
|---|--------------|----------------------|---------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2022 | 3,399 | 30 | 10,203 | 13,632 |
| Amounts charged to the profit and loss account | 220 | 84 | 866 | 1,170 |
| Amounts credited to property, plant and equipment | — | — | (2,552) | (2,552) |
| Amounts utilised | — | (30) | — | (30) |
| Actuarial gain | (680) | — | — | (680) |
| Transfer | 198 | — | (198) | — |
| At 31 December 2022 | 3,137 | 84 | 8,319 | 11,540 |

The pension provision relates to defined benefit schemes for non-journalistic staff. The defined benefit schemes are unfunded and subject to triennial valuation, with the last full valuation dated 30 November 2020. A review was undertaken to assess if any material changes had occurred up to 30 November 2022 and the discount rate impacting the fair value of the liabilities was updated at that date. This was reviewed again at 31 December 2022 but no further adjustment was deemed necessary.

The reorganisation provision relates to redundancy obligations.

Other provisions relate primarily to dilapidations, asset retirement obligations and amounts due in respect of US sales tax.

The dilapidation provision is the current best estimate of the cost of bringing certain properties, held under leases, back to their original condition as required by the lease agreement. The provision will be utilised as the lease comes to an end and / or properties require repair.

The US sales tax provision reflects estimated US sales tax liabilities that have arisen following the Wayfair ruling which results in sales taxes being levied on digital services.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2022

16 Deferred taxation asset

| | Total |
|-----------------------------|---------------|
| Asset | £'000 |
| At 1 January 2022 | 27,190 |
| Credited to profit and loss | 332 |
| Charged to profit and loss | (4,179) |
| At 31 December 2022 | 23,343 |

The deferred tax asset recognised at 31 December 2022 is £23,343,000 (2021: £27,190,000) and made up of the following temporary differences:

| | Other timing differences | Accelerated capital allowances | Intangible fixed assets | Unrelieved tax losses | Total |
|-----------------------------|-------------------------------------|---|------------------------------------|----------------------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2022 | 4,130 | 3,904 | 4,770 | 14,386 | 27,190 |
| Credited to profit and loss | — | — | 332 | — | 332 |
| Charged to profit and loss | (97) | (1,951) | — | (2,131) | (4,179) |
| At 31 December 2022 | 4,033 | 1,953 | 5,102 | 12,255 | 23,343 |

The company has UK losses carried forward of £37,566,000 (2021: £23,232,000) on which no deferred tax asset is recognised. These losses have no expiry date. These losses will be available to offset against future taxable profits which are forecast to arise based on management's latest assessment of the strategic plans.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2022

17 Called up share capital

| | 2022 | 2021 |
|---------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Total authorised share capital | 141,200 | 141,200 |

| | 2022 | 2021 | 2022 | 2021 |
|---|--------------------|--------------------|----------------|----------------|
| | Number | Number | £'000 | £'000 |
| Ordinary shares £1 each | | | | |
| Allotted, called up and fully paid | 141,200,000 | 141,200,000 | 141,200 | 141,200 |

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS****For the year ended:****31 December 2022****18 Retirement benefit schemes****Financial Times Retirement Plan**

The Financial Times Retirement Plan (a defined contribution scheme) was established on 1 December 2015, following the sale of the Financial Times Group from Pearson plc to Nikkei Inc. At this time, members joined the Financial Times Retirement Plan (having previously been active members of the Pearson Group Pension Plan) and began to accrue future service benefits. Past service benefits for these members remained in the Pearson Group Pension Plan.

| | 2022 | 2021 |
|---|---------------|-------|
| | £'000 | £'000 |
| Profit and loss charge for the Company in respect of its participation in the schemes representing regular contributions paid | 10,818 | 8,763 |

Accrued pension payments at 31 December 2022 totalled £548,000 (2021: £389,000).

Amounts relating to defined benefit schemes are detailed further in Note 15 Provisions. As the defined benefit arrangements are unfunded and not material no additional disclosure has been given here.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2022

19 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.

During the year, the Company provided services with a value of £150,000 (2021: £8,000) to Sifted (EU) Limited, an associated company. At the year end, the amounts receivable from Sifted (EU) Limited were £nil (2021: £nil).

During the year, the Company provided services with a value of £219,000 (2021: £190,000) to Headspring Limited, a joint venture of the Company. During the year, the Company received services from Headspring Limited with a value of £5,000 (2021: £nil). At the period end, the amounts receivable from and payable to Headspring Limited was £168,000 (2021: £nil) and £nil (2021: £1,000) respectively. In addition, the Company has advanced a loan to Headspring Limited, with amounts receivable at the period end totalling £571,000 (2021: £420,000).

During the year, the Company provided services with a value of £215,000 (2021: £261,000) to NLA Media Access Limited, an investment of the Company. During the year, the Company received services from NLA Media Access Limited with a value of £102,000 (2021: £104,000). At the period end, the amounts receivable from and payable to NLA Media Access Limited was £113,000 (2021: £132,000) and £nil (2021: £7,000) respectively.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2022

20 Ultimate parent undertaking

The immediate parent undertaking is Financial Times Group Limited.

The ultimate 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 FOR
THE FINANCIAL TIMES LTD,
COMPANY NO. 227590.

***Nikkei Inc. and
Consolidated Subsidiaries***

*Consolidated Financial Statements
for the Year Ended 31 December, 2022,
and Independent Auditor's Report*

CERTIFIED AS A TRUE COPY

SIGNATURE

森田 勝久

KATSUHISA MORITA
DIRECTOR, NIKKEI INC.

DATE

17/5/2023

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, 2022, 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, 2022, 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>As stated in Note 3. "SIGNIFICANT ACCOUNTING ESTIMATES," the Group recorded 72,183 million yen of goodwill and 17,996 million yen of other intangible assets—Brand name and Customer-related assets—related to its consolidated subsidiary, Financial Times Group Limited (hereafter referred to as "FT") on the consolidated balance sheet as of 31 December, 2022, which represented 14% of total assets.</p> <p>The Group assessed whether impairment of goodwill and other intangible assets related to FT should be recognized because FT had revised its business plan to reflect changes in the business environment, such as higher personnel and production costs. The Group determined that an impairment loss was not necessary to be recognized based on the comparison of the carrying amount of the asset group with the total estimated amount of undiscounted future cash flows to be generated over the remaining economic life of significant assets.</p> <p>The future cash flows are estimated based on FT's business plan approved by management, and using the growth rate estimated within the economic growth rate of each region after the period covered by the business plan.</p> <p>The estimated future cash flows in the business plan involve subjective judgments by management.</p> <p>The business plan of FT includes expectations 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. Such assumptions involve uncertainty in the feasibility of pricing strategies and subscriber increase measures in the digital business, development strategy of the event business and sales growth and cost reduction measures through synergies between these businesses.</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 the evaluation is affected by management's subjective judgment and significant assumptions used by management.</p> | <p>Our audit procedures related to evaluating the reasonableness of goodwill and other intangible assets for FT included the following, among others:</p> <ul style="list-style-type: none"> • We evaluated the design and operating effectiveness of internal controls over the determination of the need to recognize an impairment loss on goodwill and other intangible assets related to FT, including internal controls over the development of the business plan on which future cash flow estimates are based. • We inquired of management regarding the progress of the pricing strategies and subscriber increase measures in the digital business, the development strategy of the event business, and the sales growth and cost reduction measures through synergies between these main businesses included in the business plan. In addition, we performed a comparison of management's assumptions with market forecasts and available external data and a trend analysis comparing with historical performance to test the reasonableness of management's estimates. • 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. • As for the growth rate after the period covered by the business plan, we checked the consistency with the reports of external organizations, and examined the management's assessment of uncertainty, which reflected an adjustment for certain risks to the economic growth rate. |

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

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

10 April, 2023

Nikkei Inc. and Consolidated Subsidiaries
Consolidated Balance Sheet
31 December 2022

| ASSETS | Millions of Yen | | Thousands of British Pounds (Note 1) |
|---|-----------------|-----------------|--|
| | 2022 | 2021 | 2022 |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents (Notes 10 and 18) | ¥101,994 | ¥101,235 | £637,423 |
| Marketable securities (Notes 6 and 18) | 4,609 | 2,000 | 28,801 |
| Notes and accounts receivable (Note 18): | | | |
| Trade | | 36,888 | |
| Unconsolidated subsidiaries and associated companies | | 522 | |
| Other | | 3,247 | |
| Notes, accounts receivable and contract assets (Notes 17 and 18): | | | |
| Trade | 40,127 | | 250,777 |
| Other | 488 | | 3,047 |
| Unconsolidated subsidiaries and associated companies | 1,377 | | 8,608 |
| Other | 2,470 | 2,612 | 15,434 |
| Inventories (Note 7) | 18,210 | 15,432 | 113,804 |
| Short-term investments (Notes 8 and 18) | 9,665 | 7,522 | 60,409 |
| Other current assets | (3,564) | (2,716) | (22,148) |
| Allowance for doubtful receivables | | | |
| Total current assets | 175,396 | 166,742 | 1,096,155 |
| PROPERTY, PLANT AND EQUIPMENT (Note 10): | | | |
| Land | 101,273 | 101,460 | 632,918 |
| Buildings and structures | 154,455 | 153,458 | 965,286 |
| Machinery and equipment | 54,956 | 55,127 | 343,451 |
| Furniture and fixtures | 17,835 | 18,949 | 111,463 |
| Lease assets | 1,078 | 1,414 | 6,735 |
| Rights-of-use assets | 44,647 | 39,938 | 279,024 |
| Construction in progress | 4,971 | 2,854 | 31,070 |
| Total | 379,215 | 373,200 | 2,369,947 |
| Accumulated depreciation | (187,479) | (182,415) | (1,171,670) |
| Net property, plant and equipment (Notes 9 and 23) | 191,736 | 190,785 | 1,198,277 |
| INVESTMENTS AND OTHER ASSETS: | | | |
| Investment securities (Notes 3, 6, 10 and 18) | 39,755 | 43,880 | 248,452 |
| Investments in and advances to unconsolidated subsidiaries and associated companies (Note 18) | | | |
| Goodwill (Note 3) | 49,870 | 45,100 | 311,666 |
| Software | 27,647 | 26,666 | 172,783 |
| Assets for retirement benefits (Note 11) | 11,087 | 12,008 | 69,288 |
| Deferred tax assets (Notes 3 and 14) | 16,819 | 16,162 | 105,109 |
| Other assets (Note 3) | 28,554 | 29,169 | 178,461 |
| Total investments and other assets | 245,915 | 248,647 | 1,536,872 |
| TOTAL | ¥613,047 | ¥606,174 | £3,831,304 |
| See notes to consolidated financial statements. | | | |
| LIABILITIES AND EQUITY | Millions of Yen | | Thousands of British Pounds (Note 1) |
| | 2022 | 2021 | 2022 |
| CURRENT LIABILITIES: | | | |
| Short-term bank loans (Notes 10 and 18) | ¥7,160 | ¥7,270 | £44,747 |
| Current portion of long-term debt (Notes 10 and 18) | 11,881 | 11,568 | 74,252 |
| Notes and accounts payable (Notes 10 and 18): | | | |
| Trade | 10,647 | 12,048 | 67,792 |
| Unconsolidated subsidiaries and associated companies | 540 | 181 | 3,374 |
| Other | 15,060 | 13,620 | 94,121 |
| Income taxes payable | 3,143 | 4,206 | 19,645 |
| Accrued expenses | 17,766 | 15,515 | 111,032 |
| Contract liabilities (Note 17) | 28,918 | 837 | 180,723 |
| Provision for sales returns | 9,762 | 36,391 | 61,002 |
| Other current liabilities (Note 12) | 105,077 | 101,636 | 656,688 |
| Total current liabilities | 250,000 | 250,000 | 1,536,872 |
| LONG-TERM LIABILITIES: | | | |
| Long-term debt (Notes 10 and 18) | 53,472 | 62,976 | 334,179 |
| Long-term lease liabilities (Note 10) | 35,869 | 33,194 | 224,170 |
| Deferred tax liabilities for land revaluation | 18,284 | 18,548 | 114,267 |
| Liability for retirement benefits (Note 11) | 47,248 | 45,640 | 295,284 |
| Retirement allowance for Directors and Audit & Supervisory Board Members | 2,504 | 2,262 | 15,650 |
| Other liabilities (Notes 12 and 14) | 17,479 | 17,643 | 109,235 |
| Total long-term liabilities | 174,856 | 180,263 | 1,092,785 |
| COMMITMENTS AND CONTINGENT LIABILITIES (Notes 19 and 20) | | | |
| EQUITY (Note 13): | | | |
| Common stock—authorized, 120,000,000 shares; issued, 25,000,000 shares in 2022 and in 2021 | 2,500 | 2,500 | 15,624 |
| Capital surplus | 432 | 420 | 2,702 |
| Retained earnings | 311,726 | 300,052 | 1,948,163 |
| Accumulated other comprehensive income: | | | |
| Unrealized gain on available-for-sale securities | 16,480 | 17,634 | 102,993 |
| Deferred gain (loss) on derivatives under hedge accounting | (26) | 5 | (165) |
| Land revaluation surplus | 11,008 | 10,751 | 68,799 |
| Foreign currency translation adjustments | (35,008) | (37,627) | (218,789) |
| Defined retirement benefit plans | (1,299) | 3,281 | (8,116) |
| Total | 305,813 | 297,016 | 1,911,211 |
| Noncontrolling interests | 27,301 | 27,259 | 170,620 |
| Total equity | 333,114 | 324,275 | 2,081,831 |
| TOTAL | ¥613,047 | ¥606,174 | £3,831,304 |

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statement of Income Year Ended 31 December 2022

| | Millions of Yen | | Thousands of British Pounds (Note 1) |
|--|-----------------|----------|--|
| | 2022 | 2021 | 2022 |
| NET SALES (Notes 17 and 23) | ¥358,432 | ¥352,905 | £2,240,062 |
| COST OF SALES | 202,636 | 197,265 | 1,266,401 |
| Gross profit | 155,796 | 155,640 | 973,661 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 23) | 137,637 | 136,188 | 860,174 |
| Operating income | 18,159 | 19,452 | 113,487 |
| OTHER INCOME (EXPENSES): | | | |
| Interest and dividend income | 1,218 | 1,142 | 7,612 |
| Interest expense | (1,215) | (1,284) | (7,596) |
| Loss on sales and disposal of property, plant and Equipment | (124) | (502) | (776) |
| Gain on sales of investment securities | 389 | | 2,433 |
| Foreign exchange gain | 943 | 287 | 5,893 |
| Loss on valuation of investment securities | (1,504) | (1,004) | (9,401) |
| Loss on impairment of long-lived assets (Note 9) | (97) | | (605) |
| Business restructuring expenses (Note 15) | | (374) | |
| Equity in earnings of associated companies | 3,155 | 2,044 | 19,718 |
| Other—net | 198 | 36 | 1,239 |
| Other income (expenses)—net | 2,963 | 345 | 18,517 |
| INCOME BEFORE INCOME TAXES | 21,122 | 19,797 | 132,004 |
| INCOME TAXES (Note 14): | | | |
| Current | 6,140 | 6,125 | 38,372 |
| Deferred | 1,751 | (90) | 10,944 |
| Total income taxes | 7,891 | 6,035 | 49,316 |
| NET INCOME | 13,231 | 13,762 | 82,688 |
| NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS | 1,340 | 1,763 | 8,373 |
| NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT | ¥11,891 | ¥11,999 | £74,315 |
| | Yen | | British Pounds |
| PER SHARE OF COMMON STOCK (Note 2.v): | | | |
| Basic net income | ¥475.64 | ¥479.96 | £2.97 |
| Cash dividends applicable to the year | 15.00 | 15.00 | 0.09 |
| See notes to consolidated financial statements | | | |

Nikkei Inc. and Consolidated Subsidiaries
Consolidated Statement of Comprehensive Income
Year Ended 31 December 2022

| | Millions of Yen | | Thousands of British Pounds (Note 1) |
|--|-----------------|---------|--|
| | 2022 | 2021 | 2022 |
| NET INCOME | ¥13,231 | ¥13,762 | £82,688 |
| OTHER COMPREHENSIVE (LOSS) INCOME (Note 21): | | | |
| Unrealized (loss) gain on available-for-sale securities | (504) | 2,968 | (3,149) |
| Deferred (loss) gain on derivatives under hedge accounting | (50) | 9 | (311) |
| Land revaluation surplus | 245 | | 1,531 |
| Foreign currency translation adjustments | 2,618 | 10,226 | 16,362 |
| Defined retirement benefit plans | (5,052) | 4,818 | (31,574) |
| Share of other comprehensive (loss) income in associates | (716) | 640 | (4,473) |
| Total other comprehensive (loss) income | (3,459) | 18,661 | (21,614) |
| COMPREHENSIVE INCOME | ¥9,772 | ¥32,423 | £61,074 |
| TOTAL COMPREHENSIVE INCOME | | | |
| ATTRIBUTABLE TO: | | | |
| Owners of the parent | ¥8,989 | ¥30,156 | £ 56,176 |
| Noncontrolling interests | 783 | 2,267 | 4,898 |

See notes to consolidated financial statements.

Nikkei Inc. and Consolidated Subsidiaries
Consolidated Statement of Changes in Equity
Year Ended 31 December 2022

| | 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 Plans | Total | Noncontrolling Interests | Total Equity |
| BALANCE, 1 JANUARY 2021 | | | | | | | | | | | | |
| Cumulative effects of changes in accounting policies | | | | | | | | | | | | |
| BALANCE, 1 JANUARY 2021 (as restated) | 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 | | | | (1,043) | | | | (22) | | (1,063) | | |
| Cash dividends, ¥15.00 per share | | | | ¥288,552 | ¥14,229 | ¥(1) | ¥10,838 | ¥(47,853) | ¥(1,239) | ¥267,330 | ¥25,667 | ¥292,997 |
| Change in the parent's ownership interest due to transactions with noncontrolling interests | | | | 11,999 | | | | | | 11,999 | (375) | 11,999 |
| Capital transactions with noncontrolling shareholders | | | | (375) | | | | | | (375) | 116 | (375) |
| Reversal of land revaluation surplus | | | | (210) | | | | | | (210) | 86 | (210) |
| Net change in the year | | | | 86 | 3,405 | 6 | (87) | 10,226 | 4,520 | 18,070 | 1,592 | 19,662 |
| BALANCE, 31 DECEMBER 2021 | | | | | | | | | | | | |
| Cumulative effects of changes in accounting policies | | | | | | | | | | | | |
| BALANCE, 31 DECEMBER 2021 (as restated) | 25,000 | ¥2,500 | ¥420 | ¥300,052 | ¥17,634 | ¥5 | ¥10,751 | ¥(37,627) | ¥3,281 | ¥297,016 | ¥27,259 | ¥324,275 |
| Net income attributable to owners of the parent | | | | (264) | | | | | | (264) | | |
| Cash dividends, ¥15.00 per share | | | | ¥299,788 | ¥17,634 | ¥5 | ¥10,751 | ¥(37,627) | ¥3,281 | ¥296,752 | ¥27,259 | ¥324,011 |
| Change in the parent's ownership interest due to transactions with noncontrolling interests | | | | 11,891 | | | | | | 11,891 | (375) | 11,891 |
| Capital transactions with noncontrolling shareholders | | | | (375) | | | | | | (375) | 12 | (375) |
| Reversal of land revaluation surplus | | | | 434 | (1,154) | (31) | 257 | 2,619 | (4,580) | (2,889) | 42 | (2,847) |
| Net change in the year | | | | (12) | | | | | | (12) | | |
| BALANCE, 31 DECEMBER 2022 | | | | | | | | | | | | |
| | 25,000 | ¥2,500 | ¥432 | ¥311,726 | ¥16,480 | ¥(26) | ¥11,008 | ¥(35,008) | ¥(1,299) | ¥305,813 | ¥27,301 | ¥333,114 |

| 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 2021 | | | | | | | | | | | | |
| Cumulative effects of changes in accounting policies | | | | | | | | | | | | |
| BALANCE, 31 DECEMBER 2021 (as restated) | 25,000 | £15,624 | £2,627 | £1,875,205 | £110,207 | £30 | £67,191 | £(235,151) | £20,508 | £1,856,241 | £170,358 | £2,026,599 |
| Net income attributable to owners of the parent | | | | (1,650) | | | | | | (1,650) | | |
| Cash dividends, £0.09 per share | | | | £1,873,555 | £110,207 | £30 | £67,191 | £(235,151) | £20,508 | £1,854,591 | £170,358 | £2,024,949 |
| Change in the parent's ownership interest due to transactions with noncontrolling interests | | | | 74,315 | | | | | | 74,315 | (2,344) | 74,315 |
| Capital transactions with noncontrolling shareholders | | | | (2,344) | | | | | | (2,344) | 75 | (2,344) |
| Reversal of land revaluation surplus | | | | 2,714 | (7,214) | (195) | 1,608 | 16,362 | (28,624) | (18,063) | 262 | (17,801) |
| Net change in the year | | | | (77) | | | | | | (77) | | |
| BALANCE, 31 DECEMBER 2022 | | | | | | | | | | | | |
| | 25,000 | £15,624 | £2,627 | £1,873,555 | £110,207 | £30 | £67,191 | £(235,151) | £20,508 | £1,854,591 | £170,358 | £2,024,949 |

See notes to consolidated financial statements.

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows Year Ended 31 December 2022

| | Millions of Yen | | Thousands of British Pounds (Note 1) |
|---|-----------------|----------|--|
| | 2022 | 2021 | 2022 |
| OPERATING ACTIVITIES: | | | |
| Income before income taxes | ¥21,122 | ¥19,798 | £132,004 |
| Adjustments for: | | | |
| Income taxes—paid | (7,096) | (3,243) | (44,349) |
| Depreciation and amortization | 22,739 | 22,933 | 142,109 |
| Loss on sales and disposal of property, plant and equipment | 124 | 502 | 776 |
| Loss on impairment of long-lived assets | 97 | | 605 |
| Gain on sales of investment securities | (389) | | (2,433) |
| Loss on valuation of investment securities | 1,504 | 1,004 | 9,401 |
| Amortization of goodwill | 5,876 | 5,576 | 36,720 |
| Equity in earnings of associated companies | (3,155) | (2,044) | (19,718) |
| Changes in assets and liabilities, net of effects: | | | |
| Increase in notes and accounts receivable | (2,757) | (5,087) | (17,229) |
| (Decrease) increase in notes and accounts payable | (1,020) | 652 | (6,372) |
| Decrease in liability for employees' retirement benefits | (5,971) | (1,482) | (37,316) |
| Other—net | 10,054 | 4,434 | 62,839 |
| Total adjustments | 20,006 | 23,245 | 125,033 |
| Net cash provided by operating activities | 41,128 | 43,043 | 257,037 |
| INVESTING ACTIVITIES: | | | |
| Payments into time deposits | (33,155) | (35,193) | (207,208) |
| Proceeds from withdrawal of time deposits | 30,741 | 31,899 | 192,122 |
| Purchases of marketable securities | (3,807) | (3,000) | (23,792) |
| Proceeds from sales of marketable securities | 3,807 | 1,202 | 23,794 |
| Purchases of property, plant and equipment | (4,865) | (8,181) | (30,406) |
| Purchases of intangible assets | (15,061) | (13,424) | (94,127) |
| Purchases of investment securities | (3,400) | (5,931) | (21,251) |
| Proceeds from sales of investment securities | 443 | 62 | 2,770 |
| Other—net | (10) | (647) | (62) |
| Net cash used in investing activities | (25,307) | (33,213) | (158,160) |
| FORWARD | ¥15,821 | ¥9,830 | £98,877 |

(Continued)

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows Year Ended 31 December 2022

| | Millions of Yen | | Thousands of British Pounds (Note 1) |
|--|-----------------|-----------------|--|
| | 2022 | 2021 | 2022 |
| FORWARD | <u>¥15,821</u> | <u>¥9,830</u> | <u>£98,877</u> |
| FINANCING ACTIVITIES: | | | |
| Decrease in short-term bank loans—net | (134) | (3,023) | (839) |
| Repayments of long-term debt | (9,504) | (9,504) | (59,396) |
| Dividends paid | (375) | (375) | (2,344) |
| Other—net | <u>(5,286)</u> | <u>(3,611)</u> | <u>(33,035)</u> |
| Net cash used in financing activities | <u>(15,299)</u> | <u>(16,513)</u> | <u>(95,614)</u> |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 669 | 1,104 | 4,181 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,191 | (5,579) | 7,444 |
| INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER OF UNCONSOLIDATED SUBSIDIARIES | | 48 | |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>101,235</u> | <u>106,766</u> | <u>632,676</u> |
| DECREASE IN CASH AND CASH EQUIVALENTS DUE TO CHANGES IN SCOPE OF CONSOLIDATION | (431) | | (2,696) |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>¥101,995</u> | <u>¥101,235</u> | <u>£637,424</u> |

See notes to consolidated financial statements.

(Concluded)

Nikkei Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Year Ended 31 December 2022

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 2021 consolidated financial statements to conform to the classifications used in 2022.

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 ¥160.01 to £1, the approximate rate of exchange at 31 December 2022. 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 2022, include the accounts of the Company and its 35 (38 in 2021) 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 2021) 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. *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.

- q. *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.

- r. *Revenue Recognition***— The Group recognizes revenue when (or as) the transfer of promised goods or services to customers takes place in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services based on the following five-step approach.

Step 1: Identify the contract 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 performance obligations

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group recognizes revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for satisfying performance obligations to transfer the goods or services promised in contracts with customers. The nature of performance obligations for each of the Group's major industry and when such obligations are satisfied are as follows:

In the Media & Information Services, the Group mainly sells newspapers, books, and

magazines in paper and digital media as well as advertisements carried in those publications. It also provides information service through various electronic media. In Other Business, the Group rents and manages real estate it owns. In selling those goods and services, the Group mainly recognizes revenue over the specified contract periods during which the merchandise is transferred to the customer or the provision of service is completed.

It is to be noted that regarding revenue from newspapers in paper format, we recognize revenue in net amount after deduction of sales promotion and other expenses paid to newspaper distributors, which are our customers. The Group also recognizes in net amount its revenue received from those that the Group recognizes as its agents in selling goods or services after deducting the Group's payments to those agents.

- 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES

a. **Valuation of goodwill and other intangible assets (brand name, 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 (brand name, customer-related assets, etc.) are amortized based on straight-line method over the estimated useful life, and the carrying amount is subject to such amortization. When the Company believes that the carrying amount of goodwill and other intangible assets (brand name, customer-related assets, etc.) is not recoverable in full, the figure is written down to the recoverable amount.

If the recoverable amount of goodwill and other intangible assets (brand name, 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 (brand name, customer-related assets, etc.) related to Financial Times Group Limited (“FT”)

(1) Carrying amounts recorded in the consolidated financial statements for the year ended 31 December, 2022 and 2021, were as follows:

| | Millions of Yen | | Thousands of British Pounds |
|-------------------------|-----------------|---------|-----------------------------------|
| | 2022 | 2021 | 2022 |
| Goodwill | ¥72,183 | ¥75,662 | £451,113 |
| Other intangible assets | ¥17,996 | ¥19,711 | £112,473 |

(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 (brand name, 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. If the Group recognizes an indication of impairment, it compares the total estimated amount of undiscounted future cash

flows to be generated over the remaining economic life of significant assets with their carrying amounts. Because FT changed its business plans due to changes in business environment such as higher personnel and production costs, the Group determined that there was an indication of impairment regarding FT-related goodwill and other intangible assets, and compared the total estimated amount of undiscounted future cash flows to be generated over the remaining economic life of this asset group with its carrying amounts. As a result, the Group concluded that it was not necessary to recognize an impairment loss.

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

(1) Carrying amount recorded in the consolidated financial statements for the year ended 31 December, 2022 and 2021, were as follows:

| | Millions of Yen | | Thousands of British Pounds |
|---|-----------------|---------|-----------------------------------|
| | 2022 | 2021 | 2022 |
| Investment securities | ¥89,394 | ¥88,763 | £558,677 |
| Of the above non-marketable stocks and other securities | ¥9,264 | ¥7,927 | £57,898 |

(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 31 December, 2022 and 2021, was as follows:

| | Millions of Yen | | Thousands of British Pounds |
|---------------------|-----------------|---------|-----------------------------------|
| | 2022 | 2021 | 2022 |
| Deferred tax assets | ¥16,819 | ¥16,162 | £105,109 |

(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. ACCOUNTING CHANGES

a. Application of the Accounting Standard for Revenue Recognition

Effective at the beginning of this fiscal year, the Group has adopted ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," (hereinafter "The Accounting Standard for

Revenue Recognition") and recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to customers.

As a result, the Group has changed its method to recognizing revenue from sale of newspapers in paper format in net amount after deduction of sales promotion and other expenses paid to newspaper distributors, which are the Group's customers. Also, regarding sale of goods and services by entities that the Group recognizes as agents, the Group has changed its revenue recognition to net amount after deduction of payments to those entities from the amount that the Group receives from them.

The application of the Accounting Standard for Revenue Recognition is pursuant to the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of applying the new accounting policy retrospectively from before the beginning of the current fiscal year is added to or subtracted from the retained earnings at the beginning of the current fiscal year before applying the new accounting policy starting with the beginning-of-year balance.

"Notes and accounts receivable," which was included in "Current assets" in the consolidated balance sheets for the prior fiscal year, has been included in "Notes, accounts receivable and contract assets" beginning with the current fiscal year. Also, "Other current liabilities," which was listed under "Current liabilities," has been included in "Contract liabilities" and "Other current liabilities" beginning with the current fiscal year. Regarding "Provision for sales returns," which was previously included in Current liabilities, based on the amount regarded as the gross profit on sales, presentation has been changed to a method that does not recognize the amount of sales and costs of sales for merchandise and finished goods deemed likely to be returned, and with this change, refund liability has been included in "Other current liabilities" under Current liabilities and rights of return have been included in "Other current assets" under Current assets. However, in accordance with the transitional treatment set forth in No. 89, Paragraph 2 of the Accounting Standard for Revenue Recognition, no reclassifications have been made for comparison with the current fiscal year.

As a result, in comparison with the amounts prior to applying the new revenue recognition and other standards, revenue in the current fiscal year fell by ¥8,663 million (£54,138 thousand), cost of sales fell by ¥3,884 million (£24,274 thousand), selling, general and administrative expenses fell by ¥4,581 million (£28,629 thousand), and operating income, ordinary income, and net income before income taxes each shrank by ¥198 million (£1,236 thousand). With the reflection of cumulative effect of the new methods on the net asset at the beginning of the current fiscal year, the beginning-of-year balance of retained earnings in the Consolidated Statement of Changes in Net Assets fell by ¥264 million (£1,650 thousand) and net income per share shrank by ¥7.90 (£0.05).

In accordance with the transitional treatment set forth in No. 89, Paragraph 3 of the Accounting Standard for Revenue Recognition, no note is presented for Note 17, "Revenue" for the prior fiscal year.

b. *Application of Accounting Standard for Fair Value Measurement, etc.*

The Group has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and others effective beginning of the current fiscal year, and has decided to apply the new accounting policy set forth by the Accounting Standard for Fair Value Measurement, etc. into the future in accordance with the transitional procedures stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The impact of the application of this accounting standard on the consolidated financial statements is immaterial.

Also, in the notes to "Financial Instruments and Related Disclosures" (Note 18), the Group has decided to display notes on matters pertaining to breakdown of fair value of financial instruments by level. However, the notes do not include those for the prior fiscal year, in accordance with transitional measures, pursuant to Article 6, Paragraph 2 of the Supplementary Provisions of the "Cabinet Office Ordinance for Partial Revision of the Ordinance on the Terminology, Forms, and Preparation Methods of the financial statements" (Cabinet Office Ordinance No. 9 of March 6, 2020).

c. Application of “ASU 2016-02, Leases” by the U.S. Financial Accounting Standards Board

Effective with the current fiscal year, the Group’s U.S. consolidated subsidiaries have adopted “ASU 2016-02, Leases” by the U.S. Financial Accounting Standards Board. With the change, the Group in principle recognizes assets and liabilities in all lease transactions as lessee. In applying ASU 2016-02, the Group recognizes cumulative effect of applying the standard on the first day of initial adoption, as is permitted as a transitional measure.

With the application of this standard, the consolidated balance sheet has seen assets increase by ¥3,011 million and liabilities increase by ¥3,011 million in the current fiscal year. The increase in assets is mainly due to right-of-use assets and the increase in liabilities is due to an increase in lease liabilities. The impact of applying this standard on the consolidated income statement is immaterial.

d. Configuration or Customization Costs in a Cloud Computing Arrangement (IAS No. 38), an agenda decision by IFRIC.

At an overseas subsidiary where the International Financial Reporting Standards (IFRS) are applied, configuration or customization costs in a cloud computing arrangement were previously recognized as intangible assets by applying the IAS No. 38 Intangible Assets.

Effective with the current fiscal year, however, the method has been changed to one where the above costs are recognized as costs generated when the configuration or customization service is received, based on the “Configuration or Customization Costs in a Cloud Computing Arrangement (IAS No. 38)”, an agenda decision by the IFRS Interpretations Committee (IFRIC) that was announced in April 2021.

This change in accounting policy is applied retroactively, and the change is reflected in the consolidated financial statements for the prior fiscal year.

As a result, compared with values before the retroactive application, operating income, ordinary income, and net income before income taxes in the consolidated income statement for the prior fiscal year decreased by ¥372 million, while in the consolidated balance sheet for the prior fiscal year, intangible assets decreased by ¥1,564 million. The beginning balance of retained earnings decreased by ¥1,043 million and foreign currency translation adjustment decreased by ¥22 million for the prior fiscal year due to the application of the cumulative effect to net assets as of the beginning of the prior fiscal year.

From these results, net income per share for the previous fiscal year decreased ¥14.87, and net income per share has been changed to display the adjusted values for all fiscal years.

5. ADDITIONAL INFORMATION

• The Effect of COVID-19

It is difficult to make accurate forecast with regard to the impact of COVID-19, including when it may subside. However, the Group has decided on the basis of current conditions that there will be only limited impact on accounting estimates including impairment of long-lived assets, valuation of investment securities, recoverability of deferred tax assets. Changes in the pace of improvement in the virus situation and its impact on the economic environment may influence the Group’s financial position and operating results.

6. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as at 31 December 2022 and 2021, consisted of the following:

| | Millions of Yen | | Thousands of British Pounds |
|---------------------------|-----------------|---------|-----------------------------------|
| | 2022 | 2021 | 2022 |
| Current: | | | |
| Debt securities and other | ¥4,609 | ¥2,000 | £28,801 |
| Total | ¥4,609 | ¥2,000 | £28,801 |
| Non-current: | | | |
| Equity securities | ¥38,568 | ¥41,559 | £241,031 |
| Debt securities and other | 1,187 | 2,321 | 7,421 |
| Total | ¥39,755 | ¥43,880 | £248,452 |

The costs and aggregate fair values of marketable and investment securities at 31 December 2022 and 2021, were as follows:

| | Millions of Yen | | | |
|---------------------------|-----------------------------|---------------------|----------------------|---------------|
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| 31 December 2022 | | | | |
| Securities classified as: | | | | |
| Available-for-sale: | | | | |
| Equity securities | ¥11,666 | ¥23,669 | ¥(984) | ¥34,351 |
| Held-to-maturity | 4,515 | | (20) | 4,495 |
| 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 |
| | Thousands of British Pounds | | | |
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| 31 December 2022 | | | | |
| Securities classified as: | | | | |
| Available-for-sale: | | | | |
| Equity securities | £72,911 | £147,922 | £(6,154) | £214,679 |
| Held-to-maturity | 28,216 | | (122) | 28,094 |

The information for available-for-sale securities which were sold during the years ended 31 December 2022 and 2021, was as follows:

| | Millions of Yen | | |
|--|-----------------------------|----------------|-----------------|
| | Proceeds | Realized Gains | Realized Losses |
| <u>31 December 2022</u> | | | |
| Available-for-sale: Equity securities | <u>¥443</u> | <u>¥389</u> | |
| Total | <u>¥443</u> | <u>¥389</u> | |
| <u>31 December 2021</u> | | | |
| Available-for-sale: Equity securities | <u>¥48</u> | <u>¥3</u> | <u>¥1</u> |
| Total | <u>¥48</u> | <u>¥3</u> | <u>¥1</u> |
| | Thousands of British Pounds | | |
| | Proceeds | Realized Gains | Realized Losses |
| <u>31 December 2022</u> | | | |
| Available-for-sale: Equity securities | <u>£2,768</u> | <u>£2,433</u> | |
| Total | <u>£2,768</u> | <u>£2,433</u> | |

The impairment losses on available-for-sale equity securities for the years ended 31 December 2022 and 2021, were ¥1,504 million (£9,401 thousand) and ¥1,004 million, respectively.

7. INVENTORIES

Inventories at 31 December 2022 and 2021, consisted of the following:

| | Millions of Yen | | Thousands of British Pounds |
|----------------------------|-----------------|---------------|-----------------------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> |
| Merchandise | ¥ 47 | ¥ 57 | £ 291 |
| Finished products | 425 | 444 | 2,654 |
| Work in process | 1,150 | 1,395 | 7,187 |
| Raw materials and supplies | <u>848</u> | <u>716</u> | <u>5,302</u> |
| Total | <u>¥2,470</u> | <u>¥2,612</u> | <u>£15,434</u> |

8. SHORT-TERM INVESTMENTS

Short-term investments at 31 December 2022 and 2021, consisted of the following:

| | Millions of Yen | | Thousands of British Pounds |
|---------------|-----------------|---------|-----------------------------------|
| | 2022 | 2021 | 2022 |
| Time deposits | ¥18,210 | ¥15,432 | £113,804 |
| Total | ¥18,210 | ¥15,432 | £113,804 |

9. LOSS ON IMPAIRMENT OF LONG-LIVED ASSETS

Note related to impairment loss for the year ended 31 December 2022 was omitted as it was immaterial, and note for 2021 was not applicable.

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

Short-term bank loans at 31 December 2022 and 2021, consisted of notes to banks and bank overdrafts. The weighted average interest rates applicable to the short-term bank loans were 0.23% and 0.24% at 31 December 2022 and 2021, respectively. Various covenants (financial covenants etc.) are attached to long-term debt borrowing from banks accompanying the acquisition of Financial Times Group.

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

| | Millions of Yen | | Thousands of British Pounds |
|---|-----------------|----------|-----------------------------------|
| | 2022 | 2021 | 2022 |
| Unsecured loans from banks with average interest rates of 0.29% (2022) and 0.29% (2021) | ¥62,976 | ¥72,480 | £393,575 |
| Lease liabilities | 38,246 | 35,257 | 239,025 |
| Total | 101,222 | 107,737 | 632,600 |
| Less current portion | (11,881) | (11,568) | (74,251) |
| Long-term debt, less current portion | ¥89,341 | ¥96,169 | £558,349 |

Annual maturities of long-term debt, at 31 December 2022, were as follows:

| Year Ending 31 December | Millions of Yen | Thousands of British Pounds |
|----------------------------|-----------------|-----------------------------------|
| 2023 | ¥ 9,504 | £59,396 |
| 2024 | 9,504 | 59,396 |
| 2025 | 9,504 | 59,396 |
| 2026 | 34,464 | 215,387 |
| Total | ¥62,976 | £393,575 |

Annual maturities of lease liabilities, at 31 December 2022, were as follows:

| Year Ending 31 December | Millions of Yen | Thousands of British Pounds |
|----------------------------|-----------------|-----------------------------------|
| 2023 | ¥ 2,377 | £14,855 |
| 2024 | 2,381 | 14,879 |
| 2025 | 2,273 | 14,207 |
| 2026 | 2,261 | 14,128 |
| 2027 | 2,301 | 14,382 |
| 2028 and thereafter | 26,653 | 166,574 |
| Total | ¥38,246 | £239,025 |

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥20 million (£125 thousand), collateralized notes and accounts payable of ¥255 million (£1,596 thousand) at 31 December 2022, were as follows:

| | Millions of Yen | Thousands of British Pounds |
|--|-----------------|-----------------------------------|
| Cash and cash equivalents | ¥77 | £482 |
| Property, plant and equipment—net of accumulated depreciation | 14,048 | 87,792 |
| Investment securities | 50 | 315 |
| Total | ¥14,175 | £88,589 |

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 2022 and 2021, were as follows:

| | Millions of Yen | | Thousands of British Pounds |
|--|-----------------|----------|--------------------------------|
| | 2022 | 2021 | 2022 |
| Balance at beginning of year | ¥184,372 | ¥183,962 | £1,152,253 |
| Current service cost | 3,832 | 4,401 | 23,950 |
| Interest cost | 1,520 | 1,512 | 9,502 |
| Actuarial gains | (2,786) | 1,537 | (17,413) |
| Benefits paid | (8,871) | (8,271) | (55,442) |
| Past service cost | | 1,162 | |
| Foreign currency translation differences | 191 | 83 | 1,192 |
| Others | (11) | (14) | (70) |
| Balance at end of year | ¥178,247 | ¥184,372 | £1,113,972 |

b. The changes in plan assets for the years ended 31 December 2022 and 2021, were as follows:

| | Millions of Yen | | Thousands of British Pounds |
|--|-----------------|----------|-----------------------------|
| | 2022 | 2021 | 2022 |
| Balance at beginning of year | ¥153,046 | ¥142,655 | £956,478 |
| Expected return on plan assets | 4,527 | 4,192 | 28,291 |
| Actuarial gains | (11,579) | 6,694 | (72,363) |
| Contributions from the employer | 5,573 | 5,507 | 34,829 |
| Benefits paid | (6,561) | (6,005) | (41,005) |
| Foreign currency translation differences | 10 | 3 | 61 |
| Others | 0 | 0 | 0 |
| Balance at end of year | ¥145,016 | ¥153,046 | £906,291 |

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 2022 and 2021 was as follows:

| | Millions of Yen | | Thousands of British Pounds |
|---|-----------------|-----------|-----------------------------|
| | 2022 | 2021 | 2022 |
| Funded defined benefit obligation | ¥(159,356) | ¥162,722 | £(995,912) |
| Plan assets | 153,013 | (161,385) | 956,273 |
| Total | (6,343) | 1,337 | (39,639) |
| Unfunded defined benefit obligation | (29,819) | 32,295 | (186,357) |
| Net liability arising from defined benefit obligation | ¥(36,161) | ¥33,632 | £(225,996) |

| | Millions of Yen | | Millions of Yen |
|---|-----------------|----------|-----------------|
| | 2022 | 2021 | 2022 |
| Liability for retirement benefits | ¥(47,248) | ¥45,640 | £(295,284) |
| Asset for retirement benefits | 11,087 | (12,008) | 69,288 |
| Net liability arising from defined benefit obligation | ¥(36,161) | ¥33,632 | £(225,996) |

d. The components of net periodic benefit costs for the years ended 31 December 2022 and 2021, were as follows:

| | Millions of Yen | | Thousands of British Pounds |
|------------------------------------|-----------------|---------|-----------------------------|
| | 2022 | 2021 | 2022 |
| Service cost | ¥3,832 | ¥4,401 | £23,950 |
| Interest cost | 1,520 | 1,512 | 9,502 |
| Expected return on plan assets | (4,527) | (4,192) | (28,291) |
| Recognized actuarial losses | 1,147 | 3,472 | 7,169 |
| Amortization of prior service cost | 116 | 4 | 726 |
| Others | 1,380 | 356 | 8,617 |
| Net periodic benefit costs | ¥3,468 | ¥5,553 | £21,673 |

- e. *Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended 31 December 2022 and 2021, were as follows:*

| | Millions of Yen | | Thousands of British Pounds |
|--------------------|-----------------|----------|-----------------------------|
| | 2022 | 2021 | 2022 |
| Prior service cost | ¥(116) | ¥(1,158) | £(726) |
| Actuarial losses | 7,645 | 8,627 | 47,782 |
| Total | ¥7,529 | ¥7,469 | £47,056 |

- f. *Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as at 31 December 2022 and 2021, were as follows:*

| | Millions of Yen | | Thousands of British Pounds |
|---------------------------------------|-----------------|----------|-----------------------------|
| | 2022 | 2021 | 2022 |
| Unrecognized prior service cost | ¥(959) | ¥(1,075) | £(5,992) |
| Unrecognized actuarial losses (gains) | (177) | 7,469 | (1,105) |
| Total | ¥(1,136) | ¥6,394 | £(7,097) |

g. *Plan assets*

(1) Components of plan assets

Plan assets as at 31 December 2022 and 2021, consisted of the following:

| | 2022 | 2021 |
|---------------------------|------|------|
| Debt investments | 37% | 35% |
| Equity investments | 33 | 33 |
| General accounts | 11 | 10 |
| Cash and cash equivalents | 4 | 5 |
| Others | 15 | 17 |
| Total | 100% | 100% |

Note: Total plan assets at 31 December 2022 and 2021 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 2022 and 2021, were set forth as follows:*

| | 2022 | 2021 |
|--|------|------|
| 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 2022 and 2021:*

¥3,529 million (£22,057 thousand) and ¥2,650 million, respectively.

12. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended 31 December 2022 and 2021, were as follows:

| | Millions of Yen | | Thousands of British Pounds |
|--|-----------------|---------------|--------------------------------|
| | 2022 | 2021 | 2022 |
| Balance at beginning of year | ¥2,482 | ¥3,459 | £15,515 |
| Additional provisions associated with the acquisition of property, plant and equipment | 15 | 324 | 93 |
| Reconciliation associated with changes in accounting estimates | 35 | 66 | 218 |
| Reconciliation associated with passage of time | 29 | 33 | 179 |
| Reduction associated with meeting asset retirement obligations | (264) | (1,536) | (1,648) |
| Others | 55 | 136 | 342 |
| Balance at end of year | <u>¥2,352</u> | <u>¥2,482</u> | <u>£14,699</u> |

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 2022 by ¥35 million (£218 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 rate of approximately 30.6% for the years ended 31 December 2022 and 2021.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at 31 December 2022 and 2021, were as follows:

| | Millions of Yen | | Thousands of British Pounds |
|---|-----------------|---------|--------------------------------|
| | 2022 | 2021 | 2022 |
| Deferred tax assets: | | | |
| Liability for retirement benefits | ¥13,419 | ¥12,607 | £83,863 |
| Excess of depreciation of property, plant and equipment | 5,840 | 5,439 | 36,500 |
| Tax losses carryforwards | 3,745 | 3,714 | 23,404 |
| Investment securities | 2,241 | 2,183 | 14,008 |
| Accrued expenses | 1,232 | 1,256 | 7,698 |
| Allowance for doubtful receivables | 359 | 358 | 2,243 |
| Other | 6,632 | 7,133 | 41,444 |
| Total of tax loss carryforwards and temporary differences | 33,468 | 32,690 | 209,160 |
| Less valuation allowance for tax loss carryforwards | (1,464) | (1,301) | (9,147) |
| Less valuation allowance for temporary differences | (7,116) | (6,902) | (44,477) |
| Total valuation allowance | (8,580) | (8,203) | (53,624) |
| Deferred tax assets | ¥24,888 | ¥24,487 | £155,536 |
| Deferred tax liabilities: | | | |
| Retained earnings appropriated for tax allowance reserves | ¥ 847 | ¥ 859 | £ 5,293 |
| Unrealized gain on available-for-sale securities | 7,028 | 7,316 | 43,925 |
| Intangible assets | 4,508 | 5,926 | 28,175 |
| Other | 3,485 | 2,290 | 21,776 |
| Deferred tax liabilities | 15,868 | 16,391 | 99,169 |
| Net deferred tax assets | ¥9,020 | ¥8,096 | £56,367 |

Valuation allowance increased by ¥377 million (£2,353 thousand) compared to 31 December 2021. 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 2022 and 2021, 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, 2022 | | | | | | | |
| Deferred tax assets relating to tax loss carryforwards | | | | | ¥1 | ¥3,744 | ¥3,745 |
| Less valuation allowances for tax loss carryforwards | | | | | | (1,464) | (1,464) |
| Net deferred tax assets relating to tax loss carryforwards | | | | | ¥1 | ¥2,280 | ¥2,281 |

| | 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 |

| | 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, 2022 | | | | | | | |
| Deferred tax assets relating to tax loss carryforwards | | | | | £8 | £23,396 | £23,404 |
| Less valuation allowances for tax loss carryforwards | | | | | | (9,147) | (9,147) |
| Net deferred tax assets relating to tax loss carryforwards | | | | | £8 | £14,249 | £14,257 |

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 2022, is as follows:

| | <u>2022</u> |
|---|---------------|
| Normal effective statutory tax rate | 30.6 % |
| Expenses not deductible for income tax purposes | 1.4 |
| Local inhabitants tax on per capital basis | 0.4 |
| Valuation allowance | 1.1 |
| Equity in earnings of an associated company | (4.5) |
| Amortization of goodwill | 9.7 |
| Differences in tax rates applicable to the overseas consolidated subsidiaries | (2.7) |
| Other—net | <u>1.3</u> |
| Actual effective tax rate | <u>37.3 %</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 2021 amounting to ¥374 million are mainly due to reorganization of print facilities at a British subsidiary.

16. 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 2022 and 2021, were as follows:

| | <u>Millions of Yen</u> | | <u>Thousands of British Pounds</u> |
|---------------------|------------------------|------------|------------------------------------|
| | 2022 | 2021 | 2022 |
| Due within one year | ¥18 | ¥20 | £112 |
| Due after one year | <u>12</u> | <u>30</u> | <u>76</u> |
| Total | <u>¥30</u> | <u>¥50</u> | <u>£188</u> |

b. Lessor

The minimum rental commitments under non-cancellable operating leases at 31 December 2022 and 2021, were as follows:

| | <u>Millions of Yen</u> | | <u>Thousands of British Pounds</u> |
|---------------------|------------------------|---------------|------------------------------------|
| | 2022 | 2021 | 2022 |
| Due within one year | ¥720 | ¥709 | £4,497 |
| Due after one year | <u>2,069</u> | <u>2,764</u> | <u>12,935</u> |
| Total | <u>¥2,789</u> | <u>¥3,473</u> | <u>£17,432</u> |

17. REVENUE

(1) *Disaggregation of Revenue*

Revenues from contracts with customers on a disaggregated basis are as shown in Note 23, “Segment Information”.

(2) *Basic Information to Understand Revenues from Contracts with Customers*

Basic Information to Understand Revenues from Contracts with Customers is as shown in Note 2.r, “Revenue Recognition”.

(3) *Contract Balances*

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the year are as follows:

| | Millions of Yen | Thousands of British Pounds |
|--|--------------------|--------------------------------|
| | <u>2022</u> | <u>2022</u> |
| Receivables from contracts with customers: | | |
| Balance at beginning of year | ¥37,231 | £232,682 |
| Balance at end of year | 37,113 | 231,942 |
| Contract assets: | | |
| Balance at beginning of year | 2,326 | 14,538 |
| Balance at end of year | 3,501 | 21,882 |
| Contract liabilities: | | |
| Balance at beginning of year | 26,626 | 166,404 |
| Balance at end of year | 28,918 | 180,723 |

The Group’s contract assets are its right to unclaimed consideration for performance obligations that have been fulfilled as of the end of the current fiscal year. A contract asset is reclassified to a receivable when the right to consideration becomes unconditional.

The Group’s contract liabilities are consideration received from customers in part or in full before the fulfilment of performance obligations. A contract liability is reversed as revenue is recognized.

Of the revenues recognized for the current fiscal year, the amount included in contract liabilities at the beginning of the fiscal year is ¥23,989 million (£149,919 thousand). Of the fulfilment obligations that were met in full or in part in prior fiscal years, the amount recognized as revenue during the current fiscal year is ¥1,201 million (£7,503 thousand).

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 debt are related to facility investment and mergers and acquisitions. Although long-term debt is 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 as follows:

Investments in equity instruments that do not have a quoted market price in an active market are not included in the following table. The fair values of cash and cash equivalents and other financial instruments whose fair values approximate their carrying values due to their short settlement terms are not disclosed because their maturities are short and the carrying values approximate fair value. Also, please see Note 19 for details of the fair values of derivatives.

(1) Fair value of financial instruments

| | Millions of Yen | | |
|---|-----------------|-----------------|----------------------|
| | Carrying Amount | Fair Value | Unrealized Gain/Loss |
| 31 December 2022 | | | |
| Marketable securities and investment securities | ¥38,866 | ¥38,846 | ¥(20) |
| Investments in unconsolidated subsidiaries and associated companies | 29,604 | 16,843 | (12,761) |
| Total | ¥68,470 | ¥55,689 | ¥(12,781) |
| Long-term debt | ¥62,976 | ¥62,384 | ¥ (592) |
| Long-term lease liabilities | 35,869 | 29,212 | (6,657) |
| Total | ¥98,845 | ¥91,596 | ¥(7,249) |
| Derivatives | ¥(61) | ¥(61) | |
| 31 December 2021 | | | |
| Marketable securities and investment securities | ¥39,808 | ¥39,802 | ¥ (6) |
| Investments in unconsolidated subsidiaries and associated companies | 28,060 | 18,733 | (9,327) |
| Total | ¥67,868 | ¥58,535 | ¥(9,333) |
| Long-term debt | ¥72,480 | ¥72,672 | ¥ 192 |
| Long-term lease liabilities | 33,194 | 34,833 | 1,639 |
| Total | ¥105,674 | ¥107,505 | ¥1,831 |
| Derivatives | ¥ 11 | ¥ 11 | |

| 31 December 2022 | Thousands of British Pounds | | |
|---|-----------------------------|------------|----------------------|
| | Carrying Amount | Fair Value | Unrealized Gain/Loss |
| Marketable securities and investment securities | £242,895 | £242,773 | £(122) |
| Investments in unconsolidated subsidiaries and associated companies | 185,016 | 105,262 | (79,754) |
| Total | £427,911 | £348,035 | £ (79,876) |
| Long-term debt | £393,576 | £389,874 | £ (3,702) |
| Long-term lease liabilities | 224,170 | 182,566 | (41,604) |
| Total | £617,746 | £572,440 | £(45,306) |
| Derivatives | £(381) | £(381) | |

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

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

| | Millions of Yen | | Thousands of British Pounds |
|---|-----------------|--------|-----------------------------|
| | 2022 | 2021 | 2022 |
| Investment securities that do not have a quoted market price in an active market | ¥4,216 | ¥5,767 | £26,351 |
| Investment in unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market | 20,035 | 16,823 | 125,210 |
| Investments in capital of partnership | 281 | 304 | 1,759 |

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

| 31 December 2022 | 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 |
| Cash and cash equivalents | ¥ 101,994 | | | |
| Receivables | 38,490 | | | |
| Marketable securities and investment securities: | | | | |
| Held-to-maturity securities | 12,100 | ¥900 | | |
| Available-for-sale securities with contractual maturities | 58 | 141 | | |
| Total | ¥152,642 | ¥1,041 | | |

| | 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 |
| <u>31 December 2021</u> | | | | |
| Cash and cash equivalents | ¥ 101,235 | | | |
| Receivables | 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 | | |

| | Thousands of British Pounds | | | |
|--|-----------------------------|---|---|-----------------------|
| | Due in 1 Year or Less | Due after 1 Year through 5 Years | Due after 5 Years through 10 Years | Due after 10 Years |
| <u>31 December 2022</u> | | | | |
| Cash and cash equivalents | £637,423 | | | |
| Receivables | 240,550 | | | |
| Marketable securities and investment securities: | | | | |
| Held-to-maturity securities | 75,620 | £5,625 | | |
| Available-for-sale securities with contractual maturities | 361 | 881 | | |
| Total | £953,954 | £6,506 | | |

c. Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(1) *The financial assets and liabilities measured at the fair values in the consolidated balance sheet*

| 31 December, 2022 | Millions of Yen | | | |
|---------------------------------------|-----------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| Marketable and investment securities: | | | | |
| Available-for-sale securities: | | | | |
| Equity securities | ¥34,351 | | | ¥34,351 |
| Total assets | ¥34,351 | | | ¥34,351 |
| Derivative transactions: | | | | |
| Foreign currency forward contracts | | ¥(61) | | ¥(61) |

| 31 December, 2022 | Thousands of British Pounds | | | |
|---------------------------------------|-----------------------------|---------|---------|----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Marketable and investment securities: | | | | |
| Available-for-sale securities: | | | | |
| Equity securities | £214,679 | | | £214,679 |
| Total assets | £214,679 | | | £214,679 |
| Derivative transactions: | | | | |
| Foreign currency forward contracts | | £(381) | | £(381) |

(2) *The financial assets and liabilities not measured at the fair values in the consolidated balance sheet*

| 31 December, 2022 | Millions of Yen | | | |
|--|-----------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| Marketable and investment securities: | | | | |
| Available-for-sale securities: | | | | |
| Investment in unconsolidated subsidiaries and associated companies | ¥16,843 | | | ¥16,843 |
| Held-to-maturity securities: | | | | |
| Corporate bonds | | ¥4,495 | | ¥4,495 |
| Total assets | ¥16,843 | ¥4,495 | | ¥21,338 |
| Long-term debt | | ¥62,384 | | ¥62,384 |
| Long-term lease liabilities | | ¥29,212 | | ¥29,212 |
| Total liabilities | | ¥91,596 | | ¥91,596 |

| 31 December, 2022 | Thousands of British Pounds | | | |
|--|-----------------------------|----------|---------|----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Marketable and investment securities: | | | | |
| Available-for-sale securities: | | | | |
| Investment in unconsolidated subsidiaries and associated companies | £105,262 | | | £105,262 |
| Held-to-maturity securities: | | | | |
| Corporate bonds | | £28,094 | | £28,094 |
| Total assets | £105,262 | £28,094 | | £133,356 |
| Long-term debt | | £389,874 | | £389,874 |
| Long-term lease liabilities | | £182,566 | | £182,566 |
| Total liabilities | | £572,440 | | £572,440 |

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets, derivatives, and liabilities:

Marketable and Investment Securities

The fair values of listed shares are categorized as Level 1 because they are traded on active markets, while corporate bonds are categorized as Level 2 even though they are measured at quoted prices obtained from the exchange or the financial institution because their market is inactive and those prices are not recognizable as active market prices.

Derivatives

The fair values of foreign currency forward contracts are evaluated on the basis of prices offered by the financial institution and are categorized as Level 2.

Long-term debt and lease liabilities

The fair values of long-term debt 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, and are categorized as Level 2.

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 2022 and 2021:

| | | Millions of Yen | | |
|---|----------------|-----------------|---|---------------|
| | | | Contract Amount Due after One Year | Fair Value |
| <u>31 December 2022</u> | | | | |
| Foreign currency forward contracts: | | | | |
| Buying U.S.\$ | | | | |
| —Deferral hedge | Payables | ¥857 | | ¥(61) |
| —Forward contract applied for designated transactions | Payables | 77 | | (6) |
| Currency swaps (Japanese yen payment, U.S.\$ receipt) | Long-term debt | 37,786 | ¥32,083 | |
| Interest rate swaps: (fixed rate payment, floating rate receipt) | Long-term debt | 62,976 | 53,472 | |
| <u>31 December 2021</u> | | | | |
| Foreign currency forward contracts: | | | | |
| Buying U.S.\$ | | | | |
| —Deferral hedge | Payables | ¥ 230 | | ¥ 11 |
| —Forward contract applied for designated transactions | Payables | 22 | | 1 |
| Currency swaps (Japanese yen payment, U.S.\$ receipt) | Long-term debt | 43,488 | ¥37,786 | |
| Interest rate swaps: (fixed rate payment, floating rate receipt) | Long-term debt | 72,480 | 62,976 | |

| | | Thousands of British Pounds | | |
|--|----------------|-----------------------------|------------------------|---------------|
| | | | Contract Amount Due | |
| 31 December 2022 | Hedged Item | Contract Amount | after One Year | Fair Value |
| Foreign currency forward contracts: | | | | |
| Buying U.S.\$ | | | | |
| —Deferral hedge | Payables | £5,355 | | £(381) |
| —Forward contract applied for designated transactions | Payables | 478 | | (36) |
| Currency swaps | Long-term | 236,145 | £200,507 | |
| (Japanese yen payment, U.S.\$ receipt) | debt | | | |
| Interest rate swaps: | Long-term | 393,575 | 334,179 | |
| (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 2022, the Group had the following contingent liabilities:

| | Millions of Yen | Thousands of British Pounds |
|--|-----------------|-----------------------------|
| Guarantees and similar items related to bank loans | ¥863 | £5,393 |

21. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended 31 December 2022 and 2021, were as follows:

| | Millions of Yen | | Thousands of British Pounds |
|---|-----------------|---------|--------------------------------|
| | 2022 | 2021 | 2022 |
| Unrealized (loss) gain on available-for-sale securities: | | | |
| (Loss) gain arising during the year | ¥(1,928) | ¥4,449 | £(12,050) |
| Reclassification adjustments to profit or loss | 848 | 54 | 5,297 |
| Amount before income tax effect | (1,080) | 4,503 | (6,753) |
| Income tax effect | 576 | (1,535) | 3,604 |
| Total | ¥(504) | ¥2,968 | £(3,149) |
| Deferred (loss) gain on derivatives under hedge accounting: | | | |
| (Loss) gain arising during the year | ¥(50) | ¥9 | £(311) |
| Total | ¥(50) | ¥9 | £(311) |
| Land revaluation surplus: | | | |
| Income tax effect | ¥245 | | £1,531 |
| Total | ¥245 | | £1,531 |
| Foreign currency translation adjustments: | | | |
| Adjustments arising during the year | ¥2,618 | ¥10,226 | £16,362 |
| Total | ¥2,618 | ¥10,226 | £16,362 |
| Defined retirement benefit plans: | | | |
| Adjustments arising during the year | ¥(8,792) | ¥3,994 | £(54,951) |
| Reclassification adjustments to profit | 1,263 | 3,475 | 7,895 |
| Amount before income tax effect | (7,529) | 7,469 | (47,056) |
| Income tax effect | 2,477 | (2,651) | 15,482 |
| Total | ¥(5,052) | ¥4,818 | £(31,574) |
| Share of other comprehensive (loss) income in associates: | | | |
| (Loss) gain arising during the year | ¥(716) | ¥640 | £(4,473) |
| Reclassification adjustments to profit or loss | 0 | 0 | 0 |
| Total | ¥(716) | ¥640 | £(4,473) |
| Total other comprehensive (loss) income | ¥(3,459) | ¥18,661 | £(21,614) |

22. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at 31 December 2022, was approved at the Company's shareholders meeting held on 29 March 2023.

| | <u>Millions of Yen</u> | <u>Thousands of British Pounds</u> |
|---|------------------------|--|
| Year-end cash dividends, ¥15.00 (£0.09) per share | ¥375 | £2,344 |

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, Other Items for Each Reportable Segment and Disaggregation of Revenue

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

- Application of the Accounting Standard for Revenue Recognition

As stated in Note 4, "Accounting Change", the Group has applied "Accounting Standard for Revenue Recognition," from the beginning of the current fiscal year and changed its accounting methods for recognizing revenue. Accordingly, it has also changed accounting methods for evaluating segment income or loss.

As a result of the change, revenue of Media & Information Services decreased by ¥8,663 million (£54,138 thousand) and segment income decreased by ¥198 million (£1,236 thousand) in the current fiscal year compared with results under the prior methods.

- “Configuration or Customization Costs in a Cloud Computing Arrangement (IAS No. 38)”, an agenda decision by IFRIC

As stated in Note 4, “Accounting Change”, the Group has changed its accounting methods from the current fiscal year. The changes are applied retroactively and thus SEGMENT INFORMATION for the prior fiscal year is presented under the new methods.

With the change, segment income of Media & Information Services for the prior fiscal year decreased by ¥371 million compared with the figure under the prior methods.

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

| Millions of Yen | | | | | |
|--|------------------------------|----------------|----------|-----------------|--------------|
| 2022 | | | | | |
| | Reportable Segments | | | Reconciliations | Consolidated |
| | Media & Information Services | Other Business | Total | | |
| Sales: | | | | | |
| Revenues from contracts with customers | ¥354,777 | ¥3,655 | ¥358,432 | | ¥358,432 |
| Sales to external customers | 354,777 | 3,655 | 358,432 | | 358,432 |
| Intersegment sales or transfers | 422 | 3,997 | 4,419 | ¥(4,419) | |
| Total | ¥355,199 | ¥7,652 | ¥362,851 | ¥(4,419) | ¥358,432 |
| Segment profit | ¥15,342 | ¥2,811 | ¥18,153 | ¥6 | ¥18,159 |
| Other | | | | | |
| Depreciation | 21,052 | 1,687 | 22,739 | | 22,739 |
| Amortization of goodwill | 5,876 | | 5,876 | | 5,876 |

| Millions of Yen | | | | | |
|---------------------------------|------------------------------|----------------|----------|-----------------|--------------|
| 2021 | | | | | |
| | Reportable Segments | | | Reconciliations | Consolidated |
| | Media & Information Services | Other Business | Total | | |
| 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 | ¥16,921 | ¥2,524 | ¥19,445 | ¥7 | ¥19,452 |
| Other | | | | | |
| Depreciation | 21,316 | 1,617 | 22,933 | | 22,933 |
| Amortization of goodwill | 5,576 | | 5,576 | | 5,576 |

| Thousands of British Pounds | | | | | |
|---|------------------------------------|-------------------|------------|-----------------|--------------|
| 2022 | | | | | |
| Reportable Segments | | | | | |
| | Media & Information Services | Other Business | Total | Reconciliations | Consolidated |
| Sales: | | | | | |
| Revenues from contracts with customers | £2,217,220 | £22,842 | £2,240,062 | | £2,240,062 |
| Sales to external customers | 2,217,220 | 22,842 | 2,240,062 | | 2,240,062 |
| Intersegment sales or transfers | 2,637 | 24,977 | 27,614 | £(27,614) | |
| Total | £2,219,857 | £47,819 | £2,267,676 | £(27,614) | £2,240,062 |
| Segment profit | £95,880 | £17,570 | £113,450 | £37 | £113,487 |
| Other | | | | | |
| Depreciation | 131,564 | 10,545 | 142,109 | | 142,109 |
| Amortization of goodwill | 36,720 | | 36,720 | | 36,720 |

- Notes: 1. Reconciliations of segment profit for the years ended 31 December 2022 and 2021, of ¥6 million (£37 thousand) and ¥7 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 2022 and 2021, were as follows:

| Millions of Yen | | | | |
|-----------------------------|----------|----------|----------|------------|
| 2022 | | | | |
| Japan | U.K. | U.S.A. | Other | Total |
| ¥274,482 | ¥31,250 | ¥23,343 | ¥29,357 | ¥358,432 |
| Millions of Yen | | | | |
| 2021 | | | | |
| Japan | U.K. | U.S.A. | Other | Total |
| ¥281,716 | ¥28,411 | ¥18,308 | ¥24,470 | ¥352,905 |
| Thousands of British Pounds | | | | |
| 2022 | | | | |
| Japan | U.K. | U.S.A. | Other | Total |
| £1,715,408 | £195,303 | £145,883 | £183,468 | £2,240,062 |

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 2022 and 2021, were as follows:

| Millions of Yen | | | | |
|-----------------|---------|--------|--------|----------|
| 2022 | | | | |
| Japan | U.K. | U.S.A. | Other | Total |
| ¥149,778 | ¥33,977 | ¥5,779 | ¥2,202 | ¥191,736 |

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

| Thousands of British Pounds | | | | |
|-----------------------------|----------|---------|---------|------------|
| 2022 | | | | |
| Japan | U.K. | U.S.A. | Other | Total |
| £936,052 | £212,343 | £36,119 | £13,763 | £1,198,277 |

Loss on impairment of long-lived assets by Reportable Segment

Note related to impairment loss for the year ended 31 December 2022 was omitted as it was immaterial, and note for 2021 was not applicable.

g. Amortization and balance of goodwill by Reportable Segment

Amortization and balance of goodwill for the years ended 31 December 2022 and 2021, were as follows.

| Millions of Yen | | | |
|------------------------------|------------------------------|----------------|---------|
| | Media & Information Services | Other Business | Total |
| Amortization of goodwill | ¥5,876 | | ¥5,876 |
| Goodwill at 31 December 2022 | ¥72,183 | | ¥72,183 |

| 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 |

| Thousands of British Pounds | | | |
|------------------------------|------------------------------|----------------|----------|
| | Media & Information Services | Other Business | Total |
| Amortization of goodwill | £36,720 | | £36,720 |
| Goodwill at 31 December 2022 | £451,113 | | £451,113 |

24. RELATED PARTY DISCLOSURES

Summarized financial information as of and for the year ended 31 March 2022 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 |
|-------------------------------|-----------------|---------|--------------------------------|
| | 2022 | 2021 | 2022 |
| Total current assets | ¥78,355 | ¥71,092 | £489,688 |
| Total non-current assets | 52,112 | 56,983 | 325,680 |
| Total current liabilities | 35,659 | 33,667 | 222,855 |
| Total non-current liabilities | 4,397 | 5,334 | 27,480 |
| Total equity | ¥90,411 | ¥89,074 | £565,033 |

b. Consolidated Statement of income

| | Millions of Yen | | Thousands of British Pounds |
|----------------------------|-----------------|----------|--------------------------------|
| | 2022 | 2021 | 2022 |
| Operating revenue | ¥148,527 | ¥139,085 | £928,236 |
| Income before income taxes | 9,356 | 4,720 | 58,471 |
| Net income | ¥6,279 | ¥2,575 | £39,241 |