

Apr 16, 2024

SAKATA INX CORP.

SAKATA INX CORPORATION to implement management that accounts for capital costs and share price

In its meeting held February 14, 2024, the Board of Directors of SAKATA INX CORPORATION (“Company”) resolved to implement the following improvement policies and measures based on its understanding of the current state of Company capital costs, returns on capital, and share price.

1. Understanding of current state

The Company’s price-to-book-value ratio (PBR) has been below 1.0 since 2018.

We consider the two factors below to be the main causes of this PBR level:

- (i) Return on equity (ROE) has been trending at roughly the same level as the Company’s cost of equity (6 to 7%). As a result, returns on capital are not sufficiently above the cost of equity.
- (ii) The Group’s efforts to strengthen corporate value and its growth strategies are not sufficiently well understood among stakeholders.

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
PBR (times)	1.44	0.95	0.93	0.88	0.72	0.65	0.73
ROE (%)	11.4	6.3	5.5	6.9	6.1	5.3	8.1
PER (times)	12.60	15.10	16.90	12.80	11.80	12.30	9.10

2. Improvement policies and measures

In addition to striving to improve returns on capital and pursue sustained growth, the Company recognizes sharing a persuasive growth vision with stakeholders to be essential to boosting the Group’s corporate value. Accordingly, we will implement various measures based on the following policies:

(1) Profitability enhancements, growth strategy

Achieving our vision and targets by implementing the various strategies and measures described in the long-term strategic vision and medium-term management plan

(2) Financial and capital strategies

Implementing executive financial and capital strategies reflecting consideration for balancing financial soundness, investment in growth, and returns to shareholders

(3) Sustainability strategy

Aiming to contribute to a sustainable society through business activities

(4) Strengthening investor relations

Sharing the Group’s persuasive growth vision through dialogue with stakeholders and enhancement of disclosure

See the Annex for more details.

Additionally, refer to the new medium-term management plan and the briefing materials on the medium-term management plan 2026.

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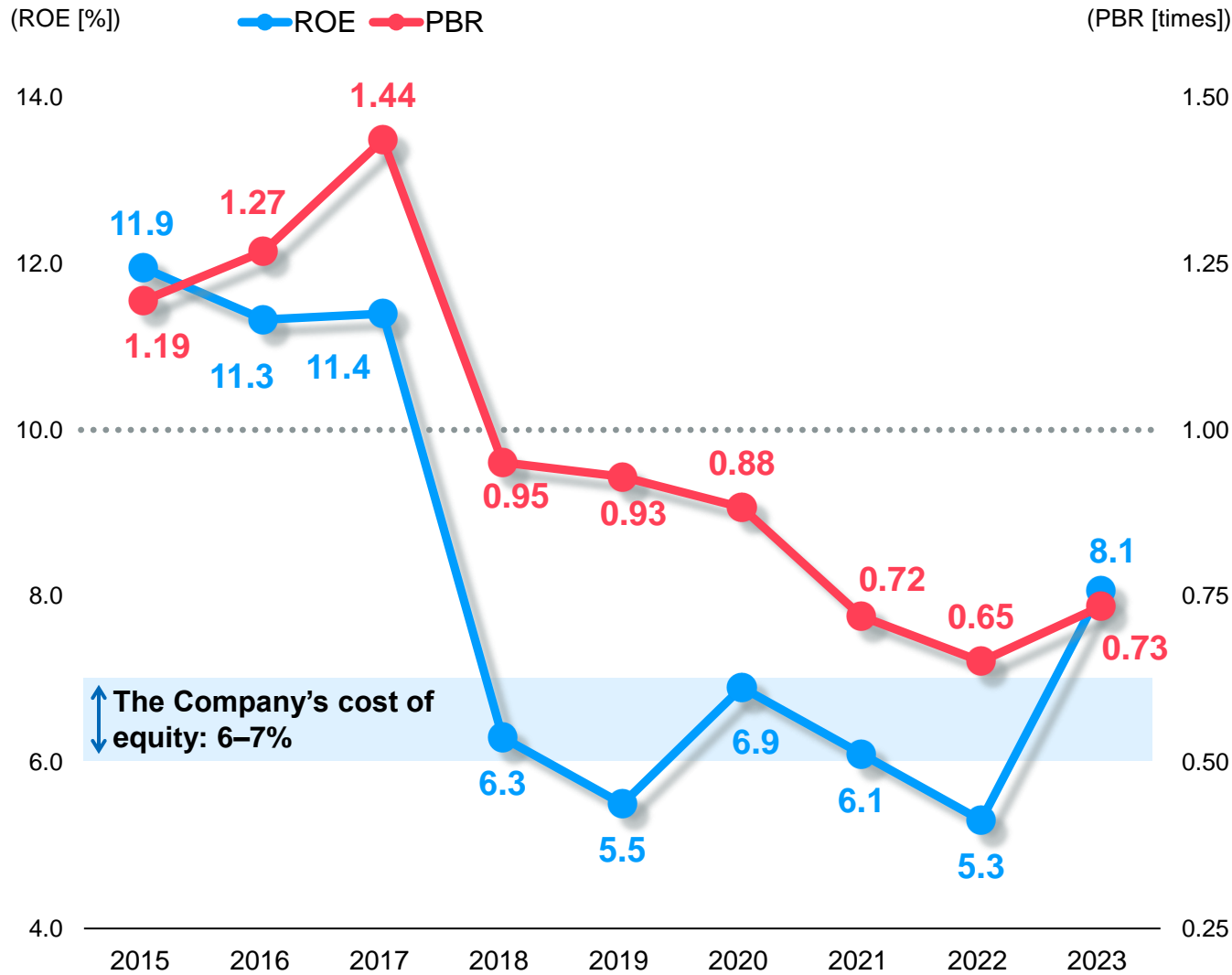
SAKATA INX...

Visual Communication Technology

Toward implementation of management that accounts for capital costs and share price

SAKATA INX CORPORATION

TSE Prime | Securities code: 4633



Analysis

- Although ROE had been trending steadily through 2017, it has remained low, at roughly the same levels as the Company's cost of equity since 2018.
- This is due mainly to lower profitability, which is attributable to higher-raw-materials prices for printing inks.
- Low PBR may be due to low returns on capital.
- Low PBR is also attributable to the low level of persuasiveness of the Group's growth vision.

We expect improvement of returns on capital and pursuit of sustained growth to contribute to improved PBR

— Increasing corporate value



Policies toward increasing corporate value 1 2 3 4

Increasing returns on capital
Pursuit of sustained growth

Measures

<div style="background-color: #2196f3; color: white; padding: 5px; text-align: center; font-weight: bold;">1 Profitability enhancements, growth strategy</div> <p style="text-align: center; font-weight: bold;">Achieving targets of long-term strategic vision and medium-term management plan</p> <div style="background-color: #2196f3; color: white; border-radius: 15px; padding: 10px; text-align: center; margin-bottom: 10px;">Business profitability enhancements</div> <div style="background-color: #4caf50; color: white; border-radius: 15px; padding: 10px; text-align: center;">New business creation</div>	<div style="background-color: #2196f3; color: white; padding: 5px; text-align: center; font-weight: bold;">2 Financial and capital strategies</div> <p style="text-align: center; font-weight: bold;">Balancing financial soundness, investment in growth, and returns to shareholders</p> <div style="background-color: #4caf50; color: white; border-radius: 15px; padding: 10px; text-align: center; margin-bottom: 10px;">Business investment</div> <div style="background-color: #4caf50; color: white; border-radius: 15px; padding: 10px; text-align: center; margin-bottom: 10px;">Returns to shareholders</div> <div style="background-color: #2196f3; color: white; border-radius: 15px; padding: 10px; text-align: center;">Optimal capital structure</div>	<div style="background-color: #2196f3; color: white; padding: 5px; text-align: center; font-weight: bold;">3 Sustainability strategy</div> <p style="text-align: center; font-weight: bold;">Contributing to a sustainable society</p> <div style="background-color: #4caf50; color: white; border-radius: 15px; padding: 10px; text-align: center; margin-bottom: 10px;">Implementing sustainability management</div>	<div style="background-color: #2196f3; color: white; padding: 5px; text-align: center; font-weight: bold;">4 Strengthening IR</div> <p style="text-align: center; font-weight: bold;">Sharing a persuasive growth vision</p> <div style="background-color: #4caf50; color: white; border-radius: 15px; padding: 10px; text-align: center; margin-bottom: 10px;">Strengthening dialogue with stakeholders</div> <div style="background-color: #4caf50; color: white; border-radius: 15px; padding: 10px; text-align: center;">Enhancement of disclosure</div>
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— Measures to strengthen corporate value ①

**1 Profitability enhancements,
growth strategy**

**Achieving targets of long-term strategic vision
and medium-term management plan**

Business profitability enhancements

We will analyze and evaluate growth potential and profitability in each business and optimize invested capital in low-growth and low-profit businesses, while increasing asset turnover ratio and maximizing capacity utilization through efficiency management.

Also, we will reallocate resources such as R&D, capital investment, and human resources to priority businesses that can promise high growth and profitability, aiming for further business expansions.

In addition to these efforts, we will advance M&A activities, new business creation, and other initiatives to optimize the business portfolio.



New business creation

In the four target areas of electronics, energy, healthcare, and bio-based and non-fossil materials, we aim to create new businesses to meet society's needs based on strategies and tactics formulated by researching market environments.

Also, by proactively using open innovation including joint R&D with other firms, industry-academia collaboration, and investment in startups to leverage external technologies and ideas with high affinity with our technologies and services, we will generate new value from joint efforts and accelerate the process for creating new businesses.



2 Financial and capital strategies

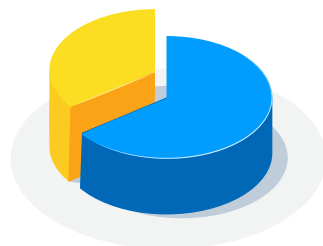
Balancing financial soundness, investment in growth, and returns to shareholders

Business investment

Implementing proactive investment in sustained growth

To increase returns on capital, we will enhance the management foundations by investing JPY40.0 B during the period of the current medium-term management plan 2026 (CCC-II).

We will allocate JPY15.0 B of this figure to strategic investment in future growth.



Returns to shareholders

Considering returns to shareholders to be an important management topic, we will comprehensively consider business results, investment plans, and the business environment and pay proactive and stable dividends while acquiring treasury stock with agility.

Based on this policy, we will target a total payout ratio of 50% or higher or DOE of 2.5% or higher during the period of the current medium-term management plan.



Optimal capital structure

We will pursue an optimal capital structure to maximize corporate value.

While giving comprehensive consideration to soundness to maintain a robust financial foundation, we will use interest-bearing debt with tax-reduction effects to increase financial leverage within an appropriate extent, to lower WACC. Furthermore, we will improve capital efficiency through reducing asset holdings and cross-shareholdings.



— Measures to strengthen corporate value ③

3 Sustainability strategy

Contributing to a sustainable society

Implementing sustainability management

We will implement sustainability initiatives as central parts of our business activities, in areas such as solutions to environmental issues including climate change, protecting human rights, developing rewarding and safe working environments, and governance, including compliance and appropriate controls.

We will create social and environmental value by being sensitive to the demands of diverse stakeholders and responding appropriately to changes in society.



4 Strengthening IR

Sharing a persuasive growth vision with stakeholders

Strengthening dialogue with stakeholders

Enhancement of disclosure

We will establish the Corporate Relations Division to enhance internal and external communication.

We will increase opportunities for dialogue with stakeholders, including meetings with investors and Company briefings, to permeate understanding of our growth vision.

We will proactively disclose financial information, management strategies, and sustainability information, and enhance the content of the Integrated Report, website, and financial reports to strengthen disclosure in response to stakeholder needs.



— Note concerning this document

The forward-looking statements in this document are based on information available at the time the document was prepared and on certain assumptions deemed reasonable, which entail uncertainties. Please note that the information in this document is subject to change.

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