

SAKATA INX...

Visual Communication Technology

Towards the Implementation of Management That Is Conscious of the Cost of Capital and the Stock Price

(Updated February 2025)

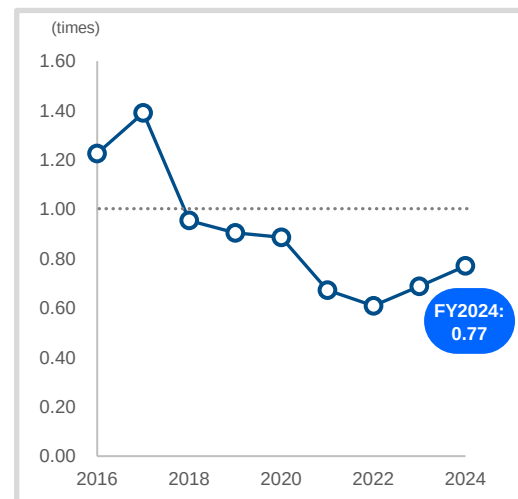
SAKATA INX CORPORATION

TSE Prime | Securities code: 4633

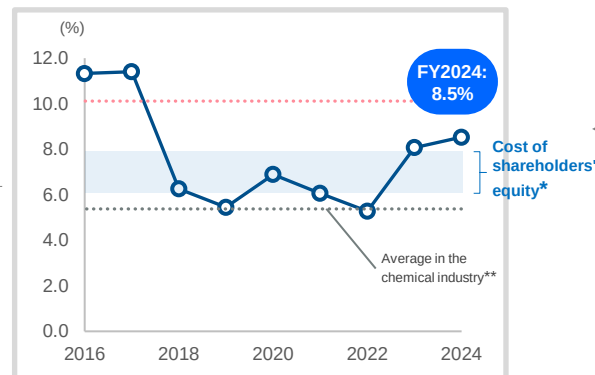
Recognition of Current Status

Analysis of PBR and ROE

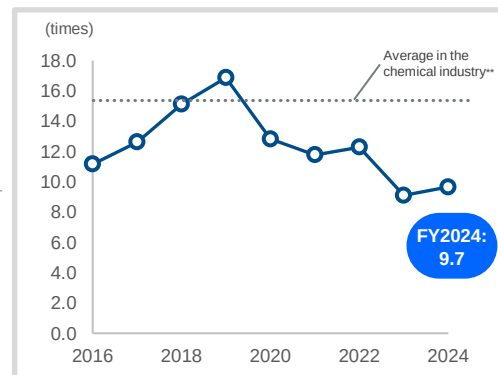
PBR



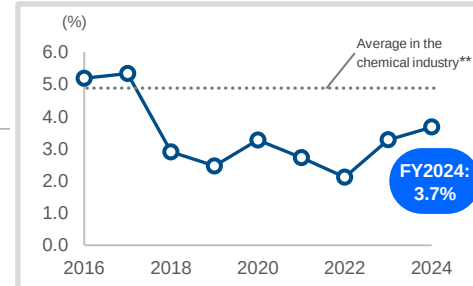
ROE → Our target is 10% or more



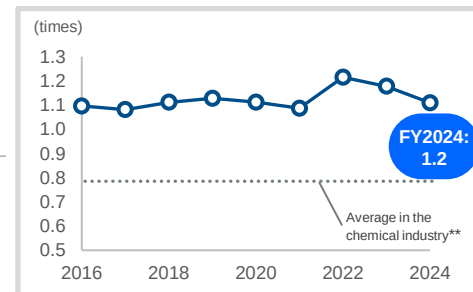
PER



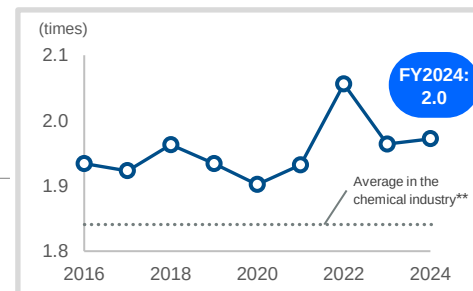
Ratio of net income to net sales (profitability)



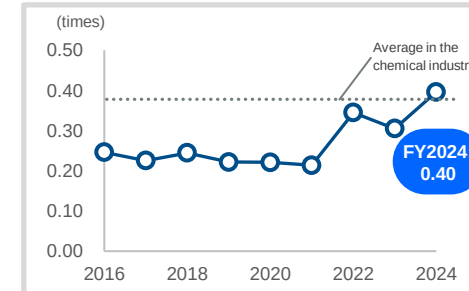
Total asset turnover (efficiency)



Financial leverage (degree of debt)



D/E ratio



**As of December 2023

Analysis

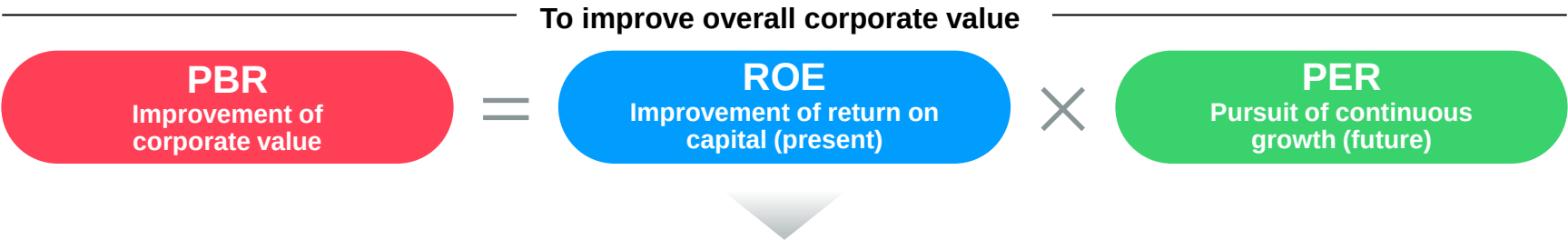
- While ROE is turning around, we still have not fully met shareholders' expectations.
- We will carry out measures with a focus on increasing profitability and optimizing financial leverage to achieve an ROE of 10% or more.
- We understand that it is very important to steadily implement and disseminate our medium- and long-term growth strategy.
- Our profitability improved with an increase in the sales volume, the reduction of the cost of inks and other factors. We will optimize our business portfolio to continually increase profitability.
- It is necessary to improve capital efficiency by reducing non-business assets.
- Given that the debt-equity (D/E) ratio is low in relation to our financial leverage, it is necessary to revise the capital composition.

Cost of shareholders' equity

Calculated using the capital asset pricing model (CAPM)*

$$\text{Risk-free rate} + \beta \times \text{Market risk premium} = \text{Cost of shareholders' equity}$$

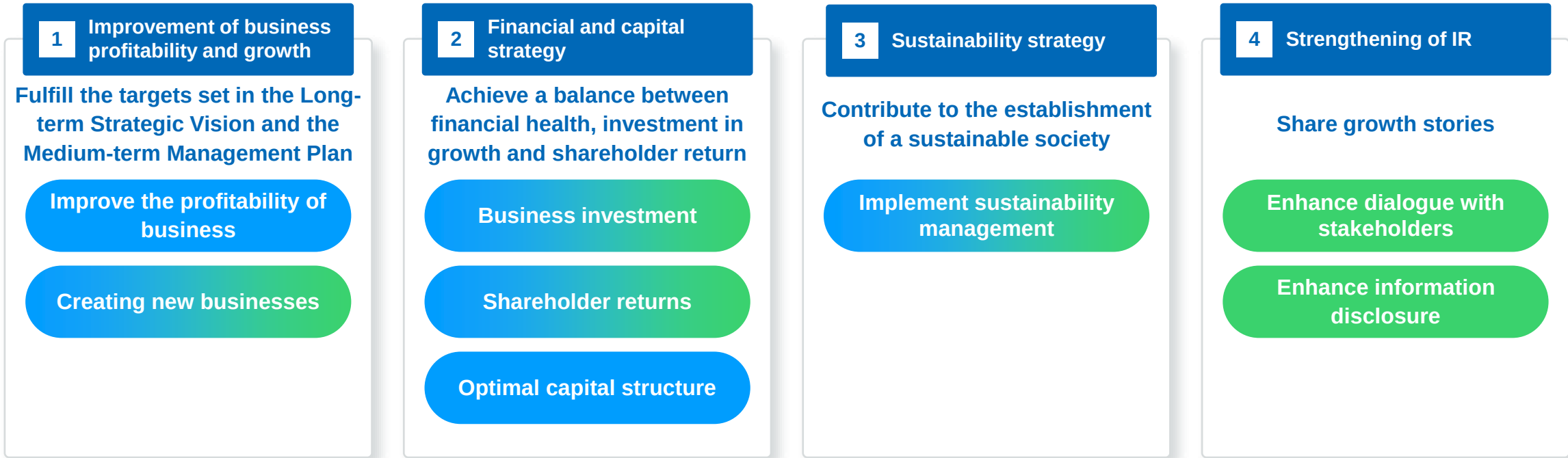
6-8%



Policy for improving corporate value **1** **2** **3** **4**

Improvement of return on capital **Pursuit of continuous growth**

Initiatives



— Initiatives for Improving Corporate Value (1)

Fulfill the targets set in the Long-term Strategic Vision and the Medium-term Management Plan
Achieve a balance between financial health, investment in growth and shareholder return

1 Improvement of business profitability and growth

2 Financial and capital strategy

Strategy for the improvement of business profitability and growth

We stepped up global consolidated management in the package area centering on food, an area where demand is continuously increasing, in growing regions where the middle class is expanding amid the growth of the population and economic development.

- Increase and expand sales of strategic products for global accounts
- Broadening of the product line to enhance sustainability and functionality
- Regional collaboration to increase the efficiency of purchasing, production and logistics

Creating new businesses

- Targeting three areas: electronics and energy, bio-based petrochemical-free materials and healthcare

Appropriate pricing strategy

- Flexible response to the fluctuation of the cost of raw materials and other expenses.

Maximum use of human capital

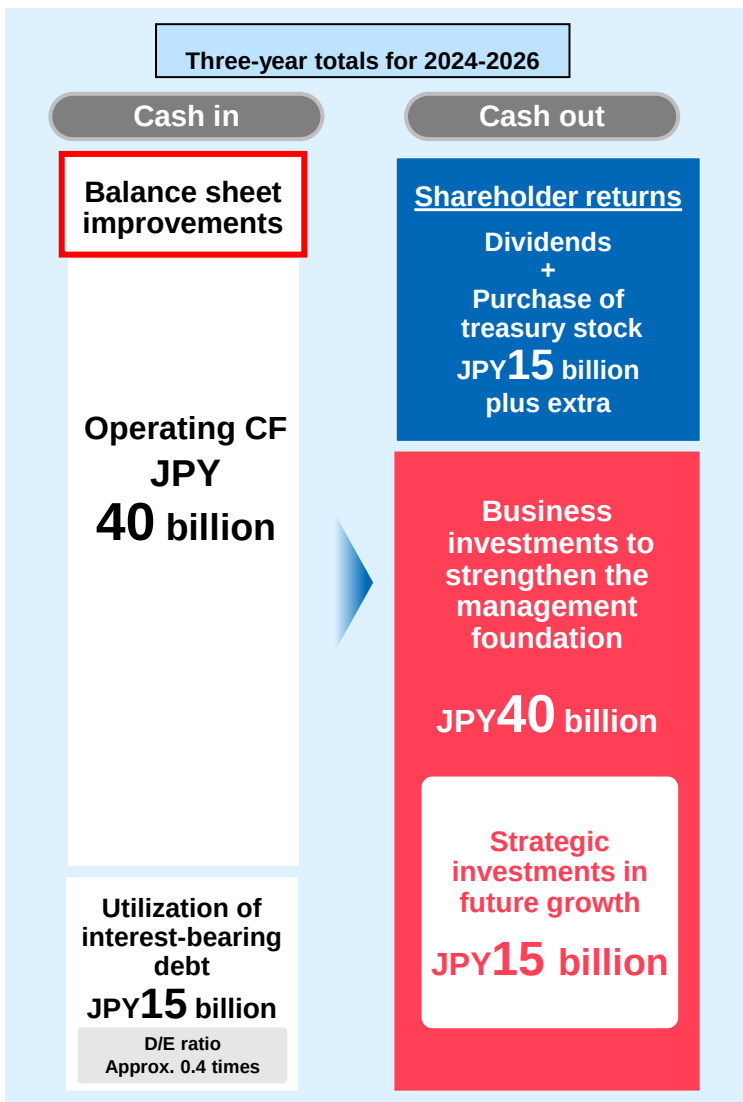
- Develop human resources that achieve continuous growth and create medium- and long-term value and actively reassign them to businesses where fast growth and high revenue are expected

Optimal capital structure

Continuous reduction of cross-shareholdings

Contraction of owned assets

- Concentration of production in limited bases and the integration and closure of sales and logistics bases in the information media business
- ➡ Concentration of production in the Shiga Plant, disposal of equipment at the Hanyu Plant, etc.



Shareholder returns

Shareholder return policy

Proactive and stable return of dividends and agile purchase of treasury stock

Target

Either a total payout ratio of 50% or more or a DOE of 2.5%, whichever is higher, by FY2026

- Increase of dividends in three consecutive years (JPY35 in 2023 ➡ JPY70 in 2024 ➡ JPY90 forecast in 2025)

Business investment

Capital investment

Positive investment in existing areas where business is growing

- Packaging inks and functional coating agents
- Industrial inkjet printer inks and next-generation display materials

Strategic investment

Investment in mergers and acquisitions, new businesses and research and development activities that will produce synergy with our businesses and technologies

- New business: Establishment of SAKATA BRAND SOLUTIONS CO., LTD. (in May 2024)
- M&A activity: Acquisition of C&A, a U.S.-based coating agent manufacturer (in November 2024)

3 Sustainability strategy

Contribute to the establishment of a sustainable society

Implement sustainability management

Environment

CO₂ emissions in FY2023
28.7% reduction

(from the FY2013 level on a non-consolidated basis)

On a consolidated basis, we set the target of reducing CO₂ emissions in FY2034 58.8% from level in FY2022. Accordingly, we are installing new and additional solar panels at our plants in Japan and abroad.

Governance

Establish a board of independent outside officers

It will be a voluntary advisory body that will exchange information and freely discuss corporate governance from an independent standpoint to submit proposals to the Board of Directors for increasing the effectiveness of the Board of Directors.

Human capital

Human resources are the source of continuous growth and the creation of medium- and long-term value.

Shift to an employee management system without job performance-based criteria and seniority elements

Introduce a program to enable employees to independently develop their careers

Introduce a stock delivery trust program for employees

Introduce a restricted stock incentive program for the employee shareholders' association

Introduce a program aimed at raising awareness of participation in corporate management, stimulating the organization as a whole and increasing employee engagement.

External recognition

Selected as a constituent stock of the FTSE Blossom Japan Index **for the first time**



FTSE Blossom Japan Index

We received a **B-rating** in climate change and in water security in the CDP Score Report.



4 Strengthening of IR

Share growth stories with stakeholders

Enhance dialogue with stakeholders

Check on the progress of business

- Results and forecasts for individual segments (change of volume and change by factor)
- Cost trends, including raw material prices, and the effect of price revisions
- Effect of exchange rates
- Details of capital investment and depreciation and other matters

Understanding future potential

- Strategies under the Long-term Strategic Vision and the Medium-term Management Plan and state of progress
- States of progress of new businesses and consideration of mergers and acquisitions
- Competitive superiority to other companies and local manufacturers
- State of the expansion of environmentally-friendly products and sustainable products and other matters

Capital policies

- Strategies for meeting the ROE target of 10%
- Stance on balance sheets
- Elimination of cross-shareholdings
- Increase of the profitability of business and the future of unprofitable businesses and other matters

Shareholder returns

- Stance on the shareholder return policy
- Regarding the amount of dividends and the purchase of treasury stock and other matters

Enhance information disclosure

Reporting

- The officers in charge report the details of conversations regularly at Board of Directors' meetings.
- The IR department reports matters of concern to the representative director and to officers in charge as needed.
- The IR department gives outlines to relevant departments in project meetings for the purpose of discussion.

Matters incorporated into management after reporting

- Construct a company-wide cross-departmental IR-related project structure
- Clarify messages to shareholders and investors
- Introduce a restricted stock remuneration program for directors
- Introduce a stock delivery trust program for general employees

Enhance dialogue with shareholders and investors

- Integrated report and various IR materials
 - Proactive disclosure of financial information, management strategies and sustainability information and simultaneous disclosure of information in English
- Meetings with institutional investors
 - Hold meetings that the Representative Director, President and CEO and the Senior Managing Executive Officer participate in after financial results briefings
 - Increase the number of meetings with institutional investors (46 meetings held in 2022, 82 in 2023, and 162 in 2024)
- For individual investors
 - Plan and organize company briefings, facility tours and other events

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.

Contact

Corporate Communications Department, SAKATA INX CORPORATION

Email: inx-prir@inx.co.jp

An exclusive distributor of OpSec Security's solutions and services in Japan

SAKATA BRAND SOLUTIONS CO., LTD.



Established:

Representative:

Capital:

Location:

Business:

May 2024

Teruo Koike

50 million yen
(wholly owned by SAKATA INX CORPORATION)

Nikkyohan Building, 1-4-25, Koraku, Bunkyo-ku, Tokyo

Sales of OpSec Security's brand protection projects and provision of services

To provide safety to consumers and high security and reliability to customers based on comprehensive omnidirectional brand protection activities

Corporate issues	Measures to address counterfeit products	Measures to address parallel imports	Measures to address copyright and trademark rights infringement	Measures to prevent brand impairment and lost sales	Measures to prevent content infringement
Products & Solutions	<u>Items for product certification</u>		<u>Digital solutions</u>		<u>Online brand protection</u>
	 Certification of authentic brand products		 Supply chain management and traceability		 Online brand protection
	 Security films and labels		 Customer engagement		 Anti-phishing measures
	 Solutions for governments		 License management platform		 Anti-piracy measures

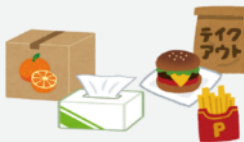
Printing Ink Business

Packaging Inks

Inks for film packaging



Inks for paper packaging



Inks for metal (aluminum) can surfaces



Inks for information media

Newspaper printing inks



Commercial offset printing inks



Digital and Specialty Products Business

Digital Recording and Display Materials

Industrial inkjet printer inks



Pigment dispersant for color filters

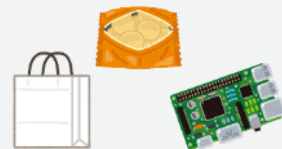


Color toners



Functional Coating Agents

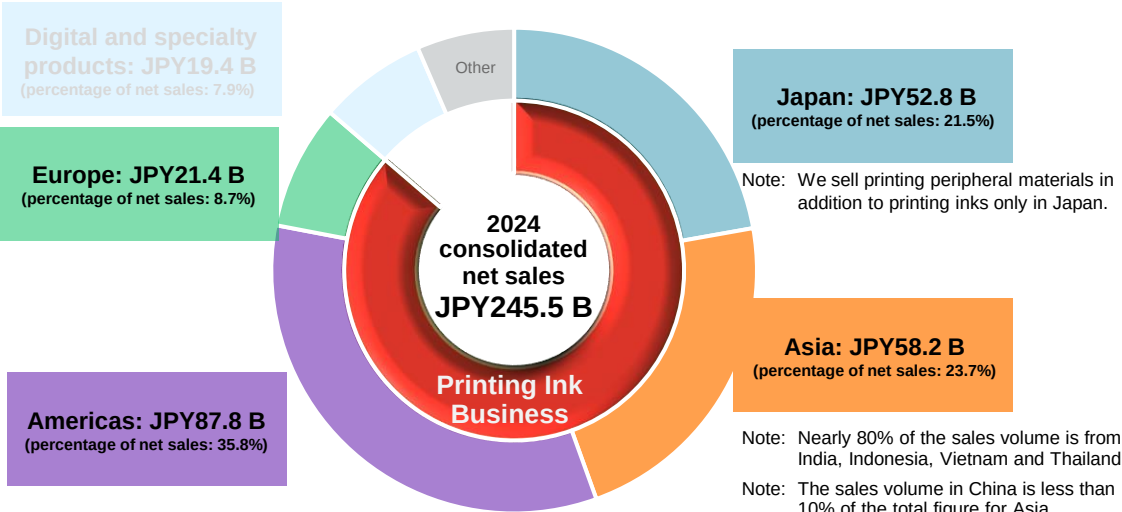
Coating agents with different functions



— Reference: Our Business at a Glance (segment details)

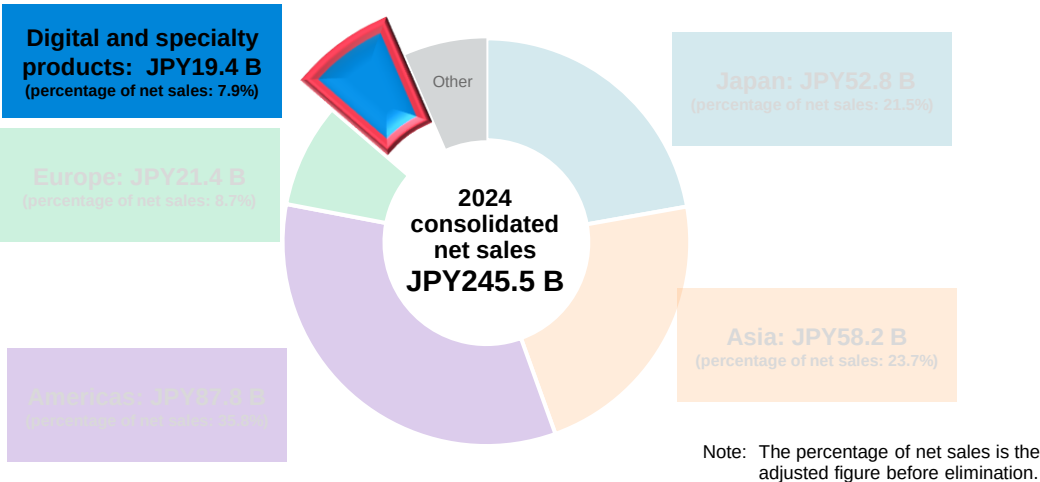
Printing Ink Business

Percentage of consolidated net sales that is from the printing inks segment: More than 80%



Products and applications		Sales area
Packaging Inks Percentage of the sales volume that is from the printing inks segment Approx. 80%	For film and paper packaging	Japan Asia Americas Europe
	For inks for metal (aluminum) can surfaces	Asia Americas Europe
Inks for information media Percentage of sales volume: Approx. 10%	For newspapers and commercial purposes	Developed countries Asia
Other inks	—	—

Digital and Specialty Products

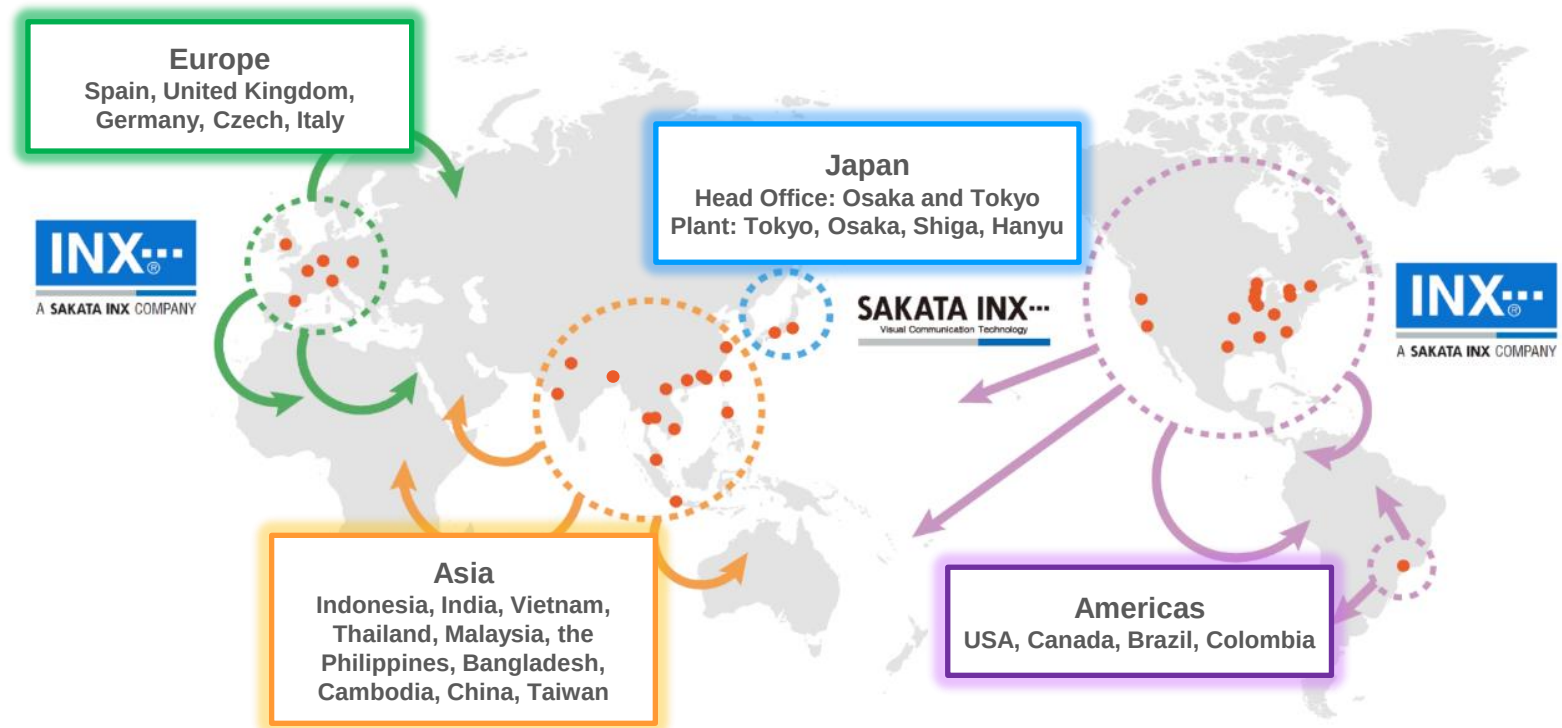


Products and applications		Sales area
Industrial Inkjet printer inks	• Sign graphics • Packages • Metal cans • Labels • Textile • Construction materials • Transaction, etc.	Worldwide
Pigment dispersions for color filters	• Image display materials • Sensors, etc.	
Color toners	• Multifunction printers • Laser printers	

Years that major overseas subsidiaries were established

- 1960** The Company opens its first overseas office in the Philippines.
- 1979** The Company establishes its first overseas ink production base in Taiwan.
- 1987** Spain
- 1988** North America
- 1989** Indonesia
- 1992** The United Kingdom and the Philippines
- 1995** India and China
- 2003** Vietnam
- 2016** Brazil
- 2020** Germany
- 2021** Bangladesh

The SAKATA INX Group has bases in more than 20 countries and regions around the world and exports to the Middle East, Africa, Central and South America and other regions where it does not operate. Its products reach more than 60 countries around the world.



Spain



United Kingdom



India



Indonesia



Vietnam



Shiga Plant

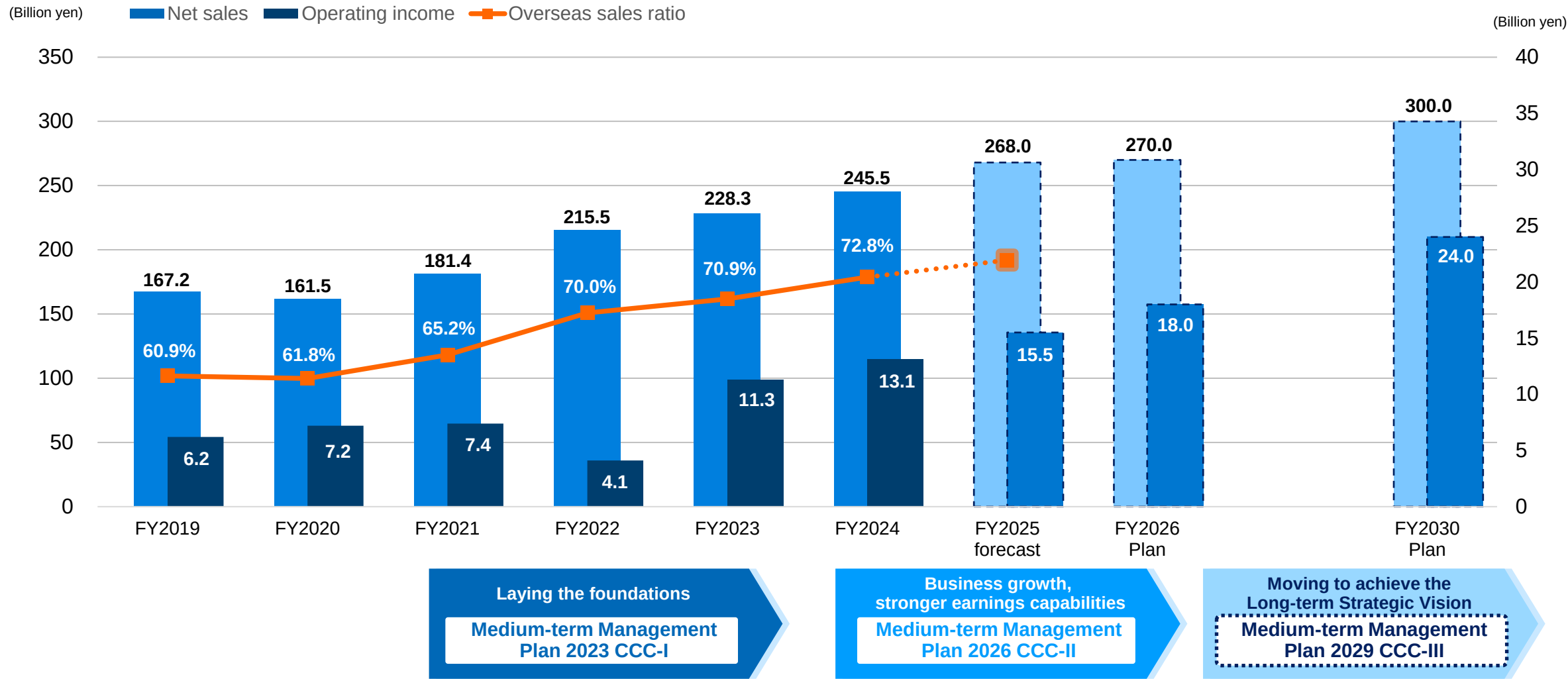


Chicago, USA



Ohio, USA

Reference: Trends in Results



SAKATA INX...

Visual Communication Technology



Contact

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