

# 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)

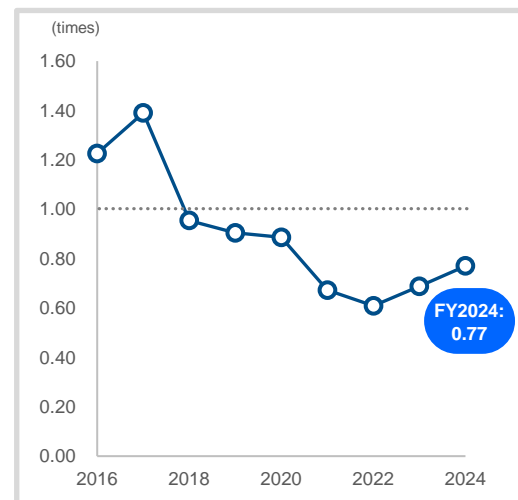
SAKATA INX CORPORATION

TSE Prime | Securities code: 4633

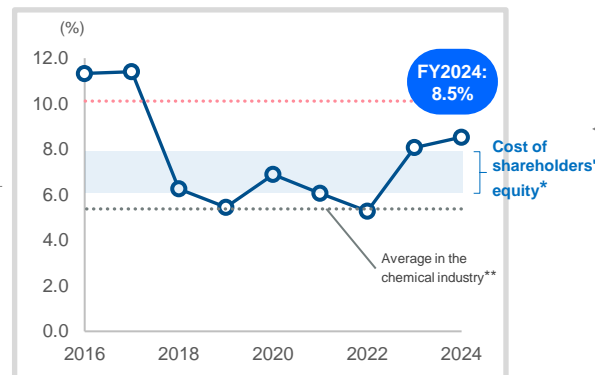
# Recognition of Current Status

## Analysis of PBR and ROE

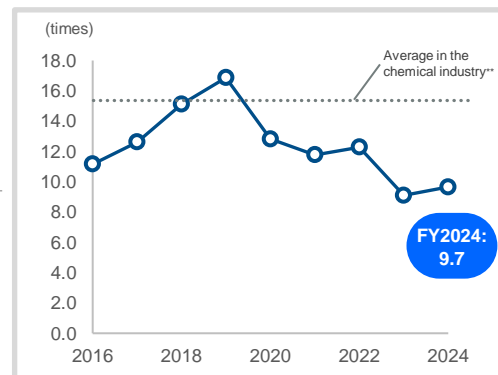
### PBR



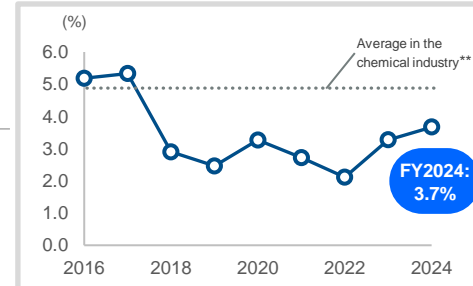
### ROE → Our target is 10% or more



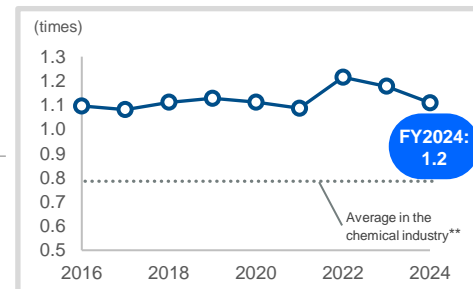
### PER



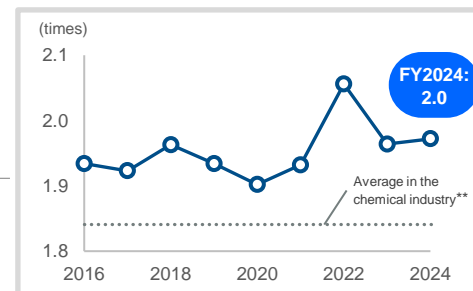
### Ratio of net income to net sales (profitability)



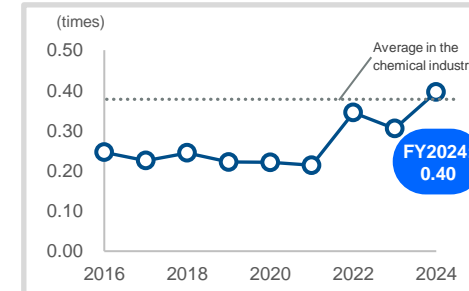
### Total asset turnover (efficiency)



### Financial leverage (degree of debt)



### D/E ratio



\*\*As of December 2023

## Analysis

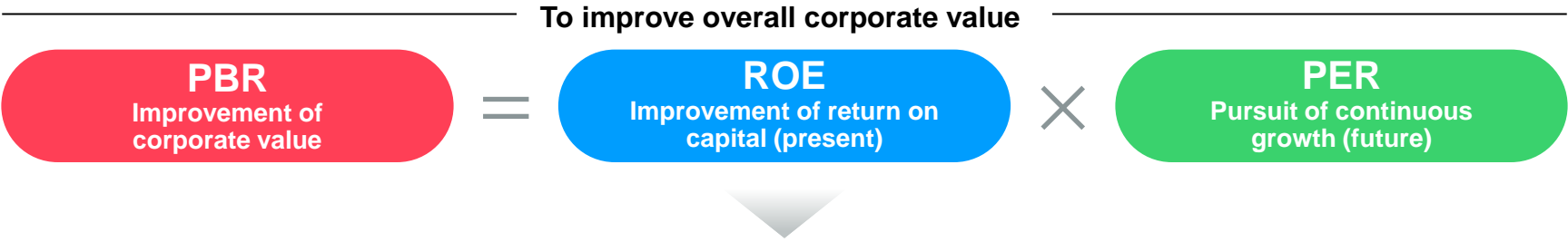
- While ROE is turning around, we still have not fully met shareholders' expectations.
- We will carry out measures with a focus on increasing profitability and optimizing financial leverage to achieve an ROE of 10% or more.
- We understand that it is very important to steadily implement and disseminate 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)\*

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

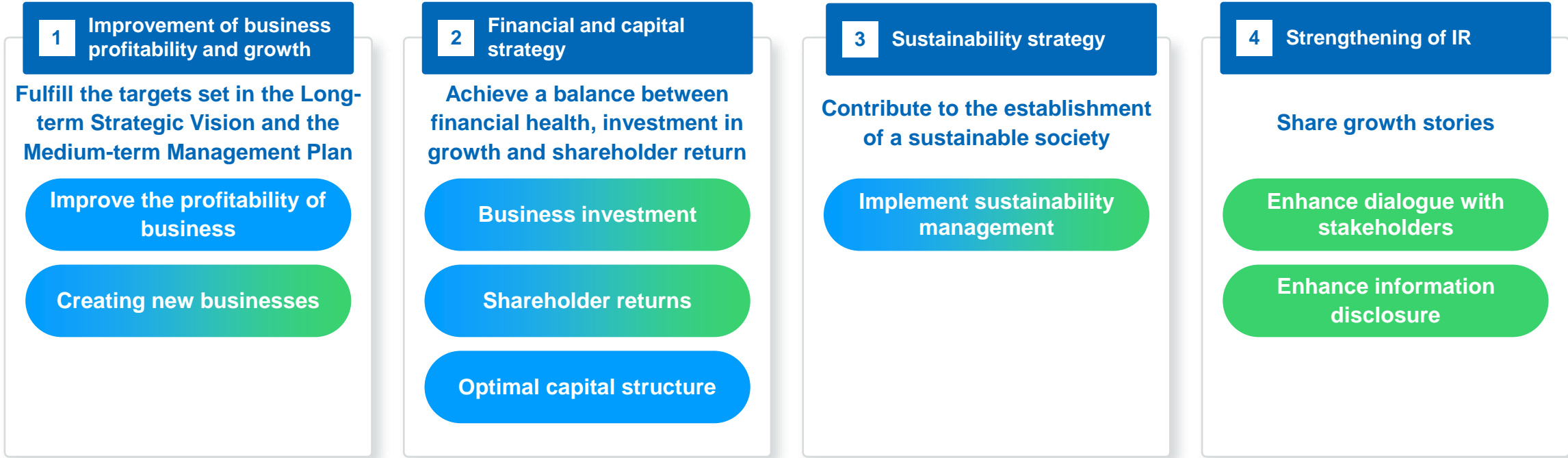
**6-8%**



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.

Three-year totals for 2024-2026

Cash in

Balance sheet improvements

Operating CF  
JPY  
**40 billion**

Utilization of  
interest-bearing  
debt  
JPY**15 billion**

D/E ratio  
Approx. 0.4 times

Cash out

Shareholder returns

Dividends  
+  
Purchase of  
treasury stock  
JPY**15 billion**  
plus extra

Business  
investments to  
strengthen the  
management  
foundation

JPY**40 billion**

Strategic  
investments in  
future growth  
JPY**15 billion**

### 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

CO<sub>2</sub> 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 CO<sub>2</sub> 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.

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