SAKATA INX CORPORATION

4633

Tokyo Stock Exchange First Section

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Summary

A new growth stage with environmentally friendly products, global initiatives, and new business areas

SAKATA INX CORPORATION <4633> (hereafter, "the Company") is the third-largest printing ink manufacturer in the world with a history of more than 120 years since it was founded in 1896. With the business theme of "Creation of Visual Communication Technology," it is also applying and developing basic technologies that it cultivated in the development and production of inks for its digital & specialty products business.

1. Environmentally friendly products, with mainstay packaging printing inks, are a strength

In the printing ink business, the SAKATA INX Group focuses on packaging printing inks (for printing on paper packaging, such as corrugated cardboard and containers; packaging film for food, cosmetics, toiletries, daily goods, and other products; and metal cans, such as beverage cans) for each market in Japan, Asia, the Americas, and Europe. Its strengths include its development capabilities, extensive lineup, and high market shares of environmentally friendly, high-function and high-value-added products, as well as the high reliability and quality of its products.

2. In global business deployment, Asia and the Americas are the pillars of earnings

The Company is globally deploying its businesses of packaging printing inks manufacturing and sales bases in 20 countries and regions in Japan and overseas. By accelerating its global development and expanding sales for environmentally friendly, high-function and high-value-added products, the Company's earnings pillars are Asia and the Americas, where markets are expanding and there is still ample room for development.

3. In FY2020/12, profit increases exceeded forecasts

In the FY2020/12 consolidated results, net sales decreased 3.4% year on year (YoY) to ¥161,507mn, operating income increased 15.9% to ¥7,212mn, ordinary income grew 6.4% to ¥7,789mn, and net income attributable to owners of parent climbed 28.2% to ¥5,275mn. Sales decreased mainly due to the impact of the novel coronavirus pandemic (hereafter, "COVID-19"), but each profit item exceeded the previous forecasts. The main factors increasing profits were the improvement to ink costs (including the effects of reducing raw material costs) and increases in unit prices (such as from the effects of improving the product mix in the Americas), which absorbed the factors decreasing profits such as the decline in ink sales volume and inventory valuation write-down in digital & specialty products. In the results after excluding foreign currency translation effects, net sales decreased 1.5% YoY, operating income increased 19.2%, ordinary income rose 6.2%, and net income attributable to owners of parent grew 27.6%.

4. FY2021/12 forecasts are for higher sales and profits

For the FY2021/12 consolidated results, the Company is forecasting that net sales will increase 5.3% YoY to ¥170,000mn, operating income will rise 10.9% to ¥8,000mn, ordinary income will grow 18.1% to ¥9,200mn, and net income attributable to owners of parent will climb 21.3% to ¥6,400mn. Uncertainty remains about economic conditions in the future due to COVID-19, but in FY2021/12, sales are expected to rise due to the increase in sales volume. In profits, personnel costs and various other costs will rise toward business expansion, but profits are still forecast to increase from the effects of the higher sales and cost reductions. In FY2021/12 1H, operating income was basically unchanged YoY, but a full-fledged recovery is expected in 2H. Demand is recovering, so it is possible that results will exceed the Company's FY2021/12 full-year forecasts.

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5. Has formulated and started the long-term strategic vision and Mid-term Business Plan 2023

The Company has formulated and started its long-term strategic vision SAKATA INX VISION 2030 and Mid-term Business Plan 2023 (CCC-I). For its strategic direction, it has set “Strengthening our ESG (Environment, Social and Governance) and sustainability efforts emphasizing the global environment and local community,” “Business expansion of printing ink and digital & specialty products,” and “Meet market challenges with solutions that create new business opportunities,” while it has also launched three reform projects (“Strengthening of global management cooperation and collaboration,” “Strengthen relations with stakeholders,” and “Strengthening recruitment and human resource development and reforming a cohesive corporate culture”). Moreover, as the goal of its long-term strategic vision, it is targeting net sales of around ¥300bn and an operating income margin of 8% in FY2030/12. The Company has positioned Mid-term Business Plan 2023 as the (first) stage to build the foundation toward achieving the long-term strategic vision, and the plan’s targets for FY2023/12 are net sales of ¥195bn, operating income of ¥11.5bn, ordinary income of ¥13bn, and ROE of at least 10%.

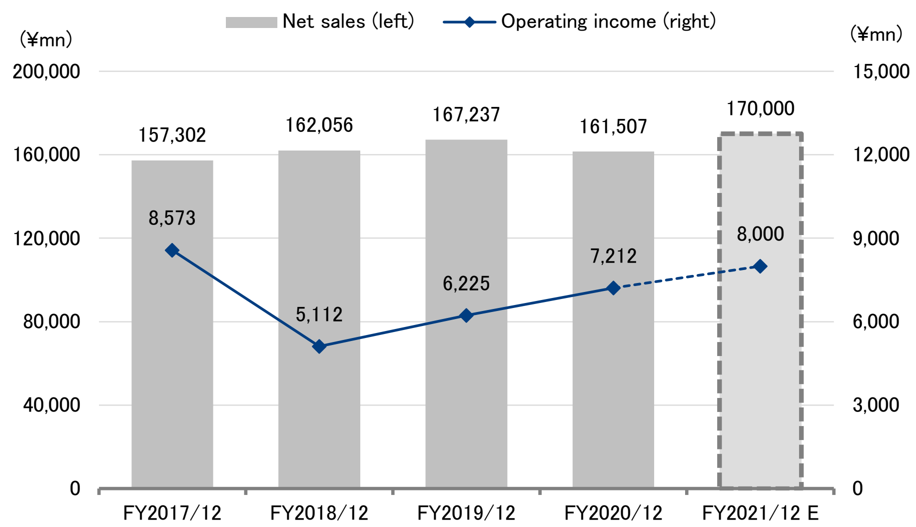
6. New growth stage

Against the backdrop of rising interest in global environmental problems and SDGs, global demand in the printing inks market is also shifting to environmentally friendly products. Therefore, plenty of room remains for the environmentally friendly products market to expand and develop. In its long-term strategic vision, the Company is aiming for a new growth stage by increasing sales of environmentally friendly products that are compliant with SDGs, conducting global business deployment, and developing new business areas. We can expect earnings to trend upward in the medium to long term.

Key Points

- Environmentally friendly products, with mainstay packaging printing inks, are a strength
- FY2021/12 forecasts are for higher sales and profits
- A new growth stage led by environmentally friendly products, global initiatives, and new business areas

Results trend



Source: From the Company’s financial results

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Company profile

Third-largest printing ink manufacturer in the world, boasting a history of over 120 years

The Company is the third-largest printing ink manufacturer in the world with a history of more than 120 years since it was founded in 1896. The core business is the printing ink business, in which its strengths include the development capabilities, extensive lineup, and high market shares of environmentally friendly, high-function and high-value-added products that it has cultivated over its long history, as well as the high reliability and quality of its products, and it has set the business theme of "Creation of Visual Communication Technology." The Company is also applying and developing the basic technologies that it has cultivated in the development and production of inks for its digital & specialty products business, and moreover, it is aiming to develop a new business pillar focusing on four chemical fields.

1. History

Founded in 1896 in Osaka as a small business under the name of SAKATA INK SEIZOUSHO, the Company started manufacturing and selling newspaper ink. In 1911, it successfully industrialized the production of varnish for printing ink using linseed oil for the first time in Japan.

In 1920, it was incorporated as a limited company. In 1961, the Company listed its shares on the Second Section of the Osaka Securities Exchange and was reassigned to the First Section in 1962. In 1987, it changed its corporate name to SAKATA INX CORPORATION. In 1988, it listed its shares on the First Section of the Tokyo Stock Exchange, and celebrated the 120th anniversary of its founding in November 2016.

In 1960, the Company established its first overseas office in the Philippines (Manila), followed by a succession of establishments of local subsidiaries in key overseas bases. In June 2020, the Company acquired 100% of the shares of German company A. M. Ramp & Co. GmbH (hereafter, "RUCO") and made it into a subsidiary.

Also, for the Company's TPM (total productive maintenance) activities, which it has been conducting continuously for more than 20 years, it received the TPM Advanced Special Award for its four main domestic plants (Tokyo, Osaka, Shiga, and Hanyu) in December 2017. TPM is advocated by the Japan Institute of Plant Maintenance, which has highly evaluated the Company for its construction of innovative production methods and its business deployment overseas. In addition, its thesis on "Improving the Equipment Guarantee Level" was awarded the second prize in the Production Category of the TPM Excellent Paper Awards.

On March 26, 2021, Kotaro Morita, the former Representative Director, President & CEO, was appointed Chairman, and Yoshiaki Ueno, the former Director, Managing Executive Officer, was appointed Representative Director, President & CEO.

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History

Year	Main Event
1896	Founded (under the name SAKATA INK SEIZOUSHO) as a private company in Osaka City, and started manufacture and sales of printing ink for newspapers
1906	Name changed to SAKATA SHOKAI
1911	Successfully industrialized the production of varnish for printing ink using linseed oil for the first time in Japan
1920	Changed to limited company
1947	Established SAKATA SANGYO, LIMITED by spinning off the industrial chemicals division into an independent company
1953	Upgraded Nagoya Office to Nagoya Branch
1959	Constructed and commenced operation of Itami Plant (now Osaka Plant) in Itami City, Hyogo Prefecture
1960	Opened an overseas office in the Philippines (Manila) (a succession of major overseas offices and subsidiaries were established thereafter)
1961	Listed on the Second Section of the Osaka Securities Exchange
1962	Reassigned to the First Section of the Osaka Securities Exchange
1969	Constructed and commenced operation of Noda Plant (now Tokyo Plant) in Noda City, Chiba Prefecture
1982	Established SAKATA GENZOUSHO CO., LTD. (now SAKATA LABOSTATION CO., LTD.)
1987	Established SAKATA INX ESPANA, S.A. in Spain Corporate name changed to SAKATA INX CORP.
1988	INX INTERNATIONAL INC. (now THE INX GROUP LTD.) established in the U.S.A. as a holding company Acquired ACME PRINTING INK CO. in the U.S.A. Listed on the First Section of the Tokyo Stock Exchange
1989	Established PT. SAKATA INX INDONESIA as a joint venture in Indonesia that manufactures and sells printing ink Acquired MIDLAND COLOR CO. in the U.S.A. Acquired CHEMICAL PROCESS SUPPLY in the U.S.A.
1992	Consolidated ACME PRINTING INK CO. and MIDLAND COLOR CO. in the U.S.A. under the name of INX INTERNATIONAL INK CO. Established SAKATA INX INTERNATIONAL CORP. (now SIIX CORPORATION), and transferred businesses related to international trading of electronic components and other products to the Company Established THE INX GROUP (UK) LTD. that manufactures and sells printing ink (now INX INTERNATIONAL UK LTD.) in the U.K.
1993	Established MEGA FIRST SAKATA INX (now SAKATA INX (MALAYSIA) SDN. BHD) in Malaysia
1994	Constructed and commenced operation of Hanyu Plant in Hanyu City, Saitama Prefecture Renamed Tokyo Branch to Tokyo Head Office, and instituted a dual Osaka and Tokyo Head Office system
1995	Established MONTARI SAKATA INX LTD. (now SAKATA INX (INDIA) PRIVATE LTD.) in India
1996	Acquired ISO9001 certification at Tokyo Plant (Osaka Plant and Hanyu Plant later acquired certification)
1997	Completed construction of the Technology Building at Osaka Plant
1999	Agreed to strategic alliance with TOYO INK MFG. CO., LTD. (now Toyo Ink SC Holdings Co., Ltd. <4634>)
2000	Established the 50-50 joint venture company LOGI CO-NET CORP. with TOYO INK MFG. CO., LTD. (now Toyo Ink SC Holdings Co., Ltd.) Agreed to a capital alliance with TOYO INK MFG. CO., LTD. (now Toyo Ink SC Holdings Co., Ltd.) Established the 50-50 joint venture company ga city Corp. with TOYO INK MFG. CO., LTD. (now Toyo Ink SC Holdings Co., Ltd.)
2001	Acquired ISO14001 certification at the three main plants (Tokyo, Osaka and Hanyu) Established SAKATA LABOSTATION CO., LTD. and transferred photography-related businesses to the company
2002	Established ETERNAL SAKATA INX CO., LTD. in Thailand Established SAKATA INX SHANGHAI CO., LTD. in China (Shanghai)
2003	Established SAKATA INX ENG. CO., LTD. and transferred color management businesses to the company Completed construction of the Technology and Laboratory Building at Osaka Plant Established SAKATA INX VIETNAM CO., LTD. in Vietnam
2004	Established a holding company INX EUROPE LTD. in the U.K. Established INX INTERNATIONAL FRANCE SAS in France Established MAOMING SAKATA INX CO., LTD. in China (Guangdong Province) The three main plants (Tokyo, Osaka and Hanyu) earned the Award for TPM Excellence, Category 1, in the 2004 TPM Excellence Awards
2005	Established TRIANGLE DIGITAL INX CO. in the U.S.A. (Name changed to INX DIGITAL INTERNATIONAL CO. in 2009)
2008	Acquired MEGAINK DIGITAL A.S. in Czech (now INX DIGITAL CZECH, A.S.) Acquired ANTEPRIMA S.R.L. in Italy (now INX DIGITAL ITALY S.R.L.) Acquired OSHMS certification at Tokyo Plant (including Hanyu Plant)
2009	Acquired OSHMS certification at Osaka Plant
2010	The three main plants (Tokyo, Osaka and Hanyu) earned the Award for Excellence in Consistent TPM Commitment in the 2010 TPM Excellence Awards
2012	The three main plants (Tokyo, Osaka and Hanyu) earned the Award for TPM Achievement in the 2012 TPM Excellence Awards
2013	INX DIGITAL INTERNATIONAL CO. merged into INX INTERNATIONAL INK CO.
2014	Commenced operation at Shiga Plant in Maibara City, Shiga Prefecture
2015	Changed fiscal year-end from March to December Acquired ISO9001 and ISO14001 certification at Shiga Plant

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Year	Main Event
2016	Celebrated the120th founding anniversary Acquired CREATIVE INDUSTRIA E COMERCIO. in Brazil as the first production base in South America Acquired OSHMS certification at Shiga Plant
2017	Received the certification as a leading company in Osaka City for empowering women Further promotion of business and capital alliance with Toyo Ink SC Holdings Earned the TPM Advanced Special Award for its four main domestic plants (in Tokyo, Osaka, Shiga, and Hanyu)
2019	The plant in China (Maoming City, Guangdong Province) was certified as a “clean production-certified company.” Completed the expansion of the R&D facility (West Chicago, Illinois) in the United States Completed the second plant in Ho Chi Minh City, Vietnam
2020	Acquired German company A.M. Ramp & Co. GmbH Collaboration with Shiga University in the data science field Invested in Wonder Future Corporation (non-equity-method affiliate) Capital participation in R Plus Japan, Ltd.
2021	Started the long-term strategic vision SAKATA INX VISION 2030

Source: Prepared by FISCO from the Company’s website, securities reports, news releases, and long-term strategic vision briefing materials

2. Global deployment

The SAKATA INX Group (at the end of FY2020/12) was composed of the Company, 25 consolidated subsidiaries and 4 equity-method affiliates, and it is operating printing ink manufacturing and sales bases in 20 countries and regions in Japan and overseas. It has also added Germany-based RUCO to its consolidated subsidiaries from FY2021/12 following completion of the acquisition in June 2020. SIIX Corporation <7613>, an independent spin-off of the Company’s electronic parts exports and imports and EMS businesses, is an equity-method affiliate.

Business overview

Environmentally friendly products, with mainstay packaging printing inks, are a strength

The Company’s core business is the printing ink business, in which it manufactures and sells packaging printing inks and ink for information media. It is also developing its digital & specialty products business and graphic arts materials business.

In the printing ink business, the SAKATA INX Group focuses primarily on packaging printing ink (for printing on paper packaging, such as corrugated cardboard and containers; packaging film for food, cosmetics, toiletries, daily goods, and other products; and metal cans, such as beverage cans) for each market in Japan, Asia, the Americas, and Europe. The percentage of total sales provided by printing ink for information media (ink used for printing newspapers and offset ink used for a variety of commercial printing applications, such as books, magazines, catalogues, posters, brochures, vouchers, etc.) is declining and its impact on results as a whole has lessened.

In the digital & specialty products business, the Company manufactures and sells digital printing materials (industrial inkjet ink used for large output items and textiles and color and monochrome toners used for laser and multifunction printers), image display materials (pigment dispersions for color filters), and functional coating materials for each market in Japan, Asia, the Americas and Europe.

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In the graphic arts materials business, the SAKATA INX Group procures and sells plate-making materials and related equipment, mainly in the Japanese market. Products include computer-to-plate (CTP) setters, CTP plates, inkjet proofers, inkjet proof paper, editing software, color management systems and ink dispensers.

In the other businesses, the SAKATA INX Group primarily conducts chemicals business (SAKATA SANGYO, LIMITED) and a display-related service business (SAKATA LABOSTATION Co., Ltd.) mainly in the Japanese market.

1. Strengths

The Company's strengths lie in the development capabilities, extensive lineup, and high market share of environmentally friendly, high-function and high-value-added products that it has amassed over a 120-year history since it was founded in 1896, as well as the high reliability and quality of its products.

The Company's abundant lineup of environmentally friendly, high-function and high-value-added products includes vegetable oil ink, which replaces mineral oil with various types of vegetables oils (including soybean oil); non-VOC ink, which contains less than 1% of high-boiling-point petroleum solvent among its constituents; Botanical Ink, which contains 10% or more of plant-derived components in its ink solid constituents; non-toluene, non-MEK ink, which does not use organic-solvent toluene or MEK (methyl ethyl ketone); and water-based flexo ink, which offers high performance while being water based.

In the field of packaging ink, it boasts the leading market share domestically for water-based flexo ink used to print on corrugated boards, which it developed early on as a pioneer in the industry. In addition, it provides a range of new technologies such as functional coating materials for the paper industry. For gravure ink used for printing on packaging film, such as food packaging, and flexo ink used for paper containers, the Company provides high-performance, high-quality inks that are environmentally friendly, and boasts a high market share in the industry.

In particular, the Company's original brand Botanical Ink, launched at the end of 2016, uses plant-derived ingredients and is being used in the packaging of major convenience stores and food manufacturers. Furthermore, the product lineup in the Botanical Ink series is expanding. EcoPlata, a water-based flexo ink for paper bags, and EcoPino, a water-based gravure ink for paper cartons, have been launched. Printed items that use Botanical Ink can have the Company's registered trademark printed on their packages.

Botanical Ink mark

Source: Reprinted from the Company's website

In ink for information media, the percentage of environmentally friendly products has reached more than 95%. In newspaper ink, the high-coloration ink called NEWS WEBMASTER Ecopure (Eco Mark certified) is respected. Moreover, the Company has earned trust from newspaper companies for its technical capabilities and track record in responding to the shift to high quality for color pages and in its color management system for controlling the color aspects of newspaper production systems. For offset ink as well, it aims to introduce environmentally friendly products to the market as an industry pioneer, and it is progressing the development of the Dream Cure series of UV curable inks that are compatible with the high-sensitivity UV printers that have become popular in recent years.

High share in environmentally friendly products

2. Environmentally friendly products field

Against the backdrop of the global trend toward strengthening measures to address environmental issues, there is still plenty of room for market expansion and development in the field of environmentally friendly products.

Both domestically and overseas, the Company's mainstay products are its environmentally friendly, high-function and high-value-added products positioned above midrange, and it has high shares in each market. Looking at its market share in the field of packaging ink, the Company's estimation is that it has the leading share in Japan for flexo ink for printing on packaging, such as corrugated boards and paper containers; the second leading share in Japan for gravure ink for printing on film packaging, such as for food, daily goods and other items; and the leading share worldwide for metal-deco ink for printing on metal cans such as beverage cans.

Asia and the Americas are pillars of earnings

3. Composition of net sales and operating income by segment

In its consolidated accounts, the SAKATA INX Group has adopted the following reportable segments: printing inks and graphic arts materials (Japan), printing inks (Asia), printing inks (Americas), printing inks (Europe), digital & specialty products and other businesses. The main pillars of earnings are Asia and the Americas, where plenty of room remains for the markets to grow and develop, including through accelerating global business deployment, newly consolidating companies (ETERNAL SAKATA INX CO., LTD. of Thailand and CREATIVE INDUSTRIA E COMERCIO LTDA. of Brazil newly consolidated in December 2019), and increasing sales of environmentally friendly, high-function and high-value-added products.

In the breakdown of operating income by segment in FY2020/12 (before consolidated adjustments), printing inks and graphic arts materials (Japan) contributed 14.9%, printing inks (Asia) 37.2%, printing inks (Americas) 44.8%, printing inks (Europe) -6.6%, digital & specialty products 7.3%, and other businesses 2.4%. Looking at the breakdown compared to FY2019/12, the contribution from Asia and digital & specialty products declined as a result of the impact of COVID-19, while that of the Americas rose significantly due to the increase in sales of packaging inks and the effects of price increases. In Europe, structural reforms lessened the extent of the loss.

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Trends in the composition of net sales and operating income by segment before consolidated adjustments

	FY2017/12	FY2018/12	FY2019/12	FY2020/12
Net sales				
Printing inks and graphic arts materials (Japan)	33.4%	32.3%	29.6%	28.4%
Printing inks (Asia)	18.4%	18.9%	20.2%	19.3%
Printing inks (Americas)	26.4%	26.5%	27.9%	29.3%
Printing inks (Europe)	5.3%	5.5%	5.6%	6.0%
Digital & specialty products	6.9%	7.2%	7.1%	7.0%
Other businesses	9.6%	9.6%	9.6%	10.0%
Totals before consolidated adjustments	100.0%	100.0%	100.0%	100.0%
Operating income				
Printing inks and graphic arts materials (Japan)	28.4%	25.2%	15.0%	14.9%
Printing inks (Asia)	29.5%	34.2%	44.0%	37.2%
Printing inks (Americas)	23.0%	22.2%	35.4%	44.8%
Printing inks (Europe)	0.3%	-17.7%	-17.9%	-6.6%
Digital & specialty products	14.3%	27.4%	16.8%	7.3%
Other businesses	4.4%	8.7%	6.7%	2.4%
Totals before consolidated adjustments	100.0%	100.0%	100.0%	100.0%

Note: Printing inks (North America) was changed to printing inks (Americas) from FY2019/12 onward
Source: Prepared by FISCO from the Company's financial results

Strengthening measures for Group synergies to respond to the increases in raw material prices

4. Risk factors and measures

Major risk factors that could affect earnings are fluctuations in the prices of raw materials and the impact of exchange rates alongside global developments.

In particular, there are delays and time lags between rapid increases in raw materials prices and revisions to sales prices, which may impact results. The main raw materials, white pigment (titanium oxide) and color pigments, are affected by the supply capacities of Chinese manufacturers, which account for the majority of global production, while resins and solvents are affected by the prices of crude oil and naphtha.

Looking at the trends in raw material prices, from 2017 onward rising crude oil prices drove up prices of materials derived from petroleum. Moreover, factors such as the impact of tougher environmental regulations and changes in energy policies in China sharply lowered the supply capacity of Chinese manufacturers, the supply-demand balance collapsed and prices of white and color pigments soared. Furthermore, there was also an additional impact in 2018 from punitive tariffs stemming from the US-China trade friction and prices of white and color pigments continued rising. Entering 2019, prices for white and color pigments continued to rise in Japan, but started to settle down in overseas markets. In 2020, crude oil prices plummeted due to the impact of COVID-19 which has caused prices of petroleum-derived materials to trend lower as well.

In response to fluctuations in raw materials prices, the Company is advancing optimization through revisions to sales prices and strengthening initiatives to mitigate the impact of rising raw materials prices by using Group synergies to reduce raw materials costs (such as through global procurement of raw materials) and raising productivity.

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Results trends

In FY2020/12, profit increases exceeded forecasts

1. FY2020/12 consolidated results

In the FY2020/12 consolidated results, net sales decreased 3.4% YoY to ¥161,507mn, operating income increased 15.9% to ¥7,212mn, ordinary income grew 6.4% to ¥7,789mn, and net income attributable to owners of parent climbed 28.2% to ¥5,275mn. Each profit item exceeded the FY2020/12 results forecasts (revised forecasts announced on August 7, 2020 were net sales of ¥161,800mn, operating income of ¥7,000mn, ordinary income of ¥6,700mn, and net income attributable to owners of parent of ¥4,200mn).

The average exchange rate was ¥106.82 to US$1 (¥109.05 to US$1 in FY2019/12), and after excluding foreign currency translation impacts, net sales decreased 1.5% YoY, operating income increased 19.2%, ordinary income grew 6.2%, and net income attributable to owners of parent rose 27.6%.

FY2020/12 consolidated results

(¥mn)

	FY2019/12 Results	FY2020/12					
		Results	YoY	Results forecast	vs. forecast	Foreign currency translation impact	Rate of change after excluding foreign currency translation impact
Net sales	167,237	161,507	-3.4%	161,800	-293	-3,234	-1.5%
Operating income	6,225	7,212	15.9%	7,000	212	-208	19.2%
Ordinary income	7,319	7,789	6.4%	6,700	1,089	18	6.2%
Net income attributable to owners of parent	4,114	5,275	28.2%	4,200	1,075	23	27.6%

Note 1: Average exchange rates during the period ¥109.05 (FY2019/12) and ¥106.82 (FY2020/12) to US$1
Note 2: Revised results forecasts announced on August 7, 2020 are shown
Source: Prepared by FISCO from the Company's results briefing materials and news releases

In sales, sales increased in the Americas and Europe, due to such reasons as the rise in packaging ink sales volume, but declined in Japan, Asia, and digital & specialty products in response to the impact of COVID-19 (decreases in sales of offset ink and industrial inkjet ink due to the cancellation of events and decline in advertising demand, flexo ink for corrugated cardboard and paper bags due to reduced production volumes of various industrial products and restrictions on movement, and toner for multifunction printers used in offices due to the shift to teleworking). Therefore, as a whole, net sales declined. In exchange rates also, sales were impacted by the strong yen.

In profits, every profit item increased and exceeded the previous forecasts. In operating income, improved ink costs (including the effects of reducing raw material costs and structural reforms in Europe) and increases in unit prices (such as from the effects of improving the product mix in the Americas and price revisions in Brazil) were the main factors increasing profits and offsetting declines, which included the decline in the ink sales volume, the inventory valuation write-down in digital & specialty products, and the impact of exchange rates. Gross profit declined only 0.8%, while the gross profit margin rose 0.6 of a percentage point (pp) to 22.0%. SG&A expenses decreased 4.3%, including due to the restrictions on sales activities, and the SG&A expenses ratio fell 0.1pp to 17.5%.

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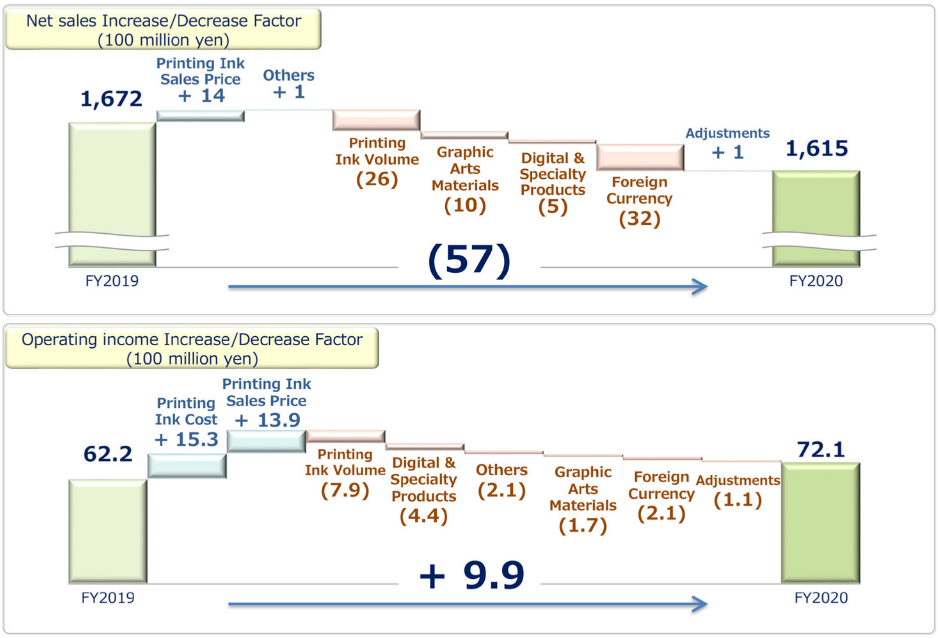
The increase in ordinary income was less than that of operating income because in non-operating income, equity-method investment income decreased (¥741mn in FY2019/12, ¥314mn in FY2020/12), and in non-operating expenses, forex loss increased slightly. Net income attributable to owners of parent grew significantly due to the reduction in income taxes.

YoY changes by factor (FY2020/12)



Source: Reprinted from the Company's results briefing materials

Looking on a quarterly basis, results fell in 2Q, in which there were lockdowns and restrictions on movement in many regions, but they have been recovering gradually since 3Q. Respectively, net sales and operating income were ¥41,269mn and ¥1,908mn in 1Q, ¥38,203mn and ¥1,273mn in 2Q, ¥39,945mn and ¥1,794mn in 3Q, and ¥42,090mn and ¥2,237mn in 4Q.

Profits increased significantly in the Americas and structural reforms are being progressed in Europe

2. Trends by segment

Trends by segment (before consolidated adjustments and the impact of foreign currency translations) are as follows.

In printing inks and graphic arts materials (Japan), net sales decreased 7.3% YoY to ¥48,071mn and operating income increased 19.6% to ¥983mn. Due to the impact of COVID-19, sales in FY2020/12 1H saw increases from special nesting (stay-at-home) demand, but on the other hand, demand for industrial-use products and inbound demand decreased, so sales of flexo inks for corrugated cardboard and paper bags declined. Also, due to the decline in advertising demand and the progress of digitalization, sales of newspaper and offset inks fell, as well as printing plate materials. In profits, the decline in sales was absorbed by the effects of the strong performance of gravure ink used for flexible packaging, price revisions (flexo ink and newspaper ink), and cost reductions (including of raw materials, logistics, and transportation).

In printing inks (Asia), net sales decreased 7.6% YoY to ¥32,597mn and operating income increased 1.3% to ¥2,451mn. In sales, gravure ink sales volume grew in Indonesia and Vietnam. In India and China also, in which business activities were greatly restricted in 1H, sales recovered in 2H. In information media-related products, which are being strongly affected by COVID-19, demand recovered in China in 2H, but the recovery in demand in India was sluggish, and sales of both newspaper ink and offset ink declined for the full fiscal year. In profits, the Group progressed cost reductions, mainly of raw materials, which absorbed the decline in sales, so an increase in profits was secured.

In printing inks (Americas) net sales increased 1.5% YoY to ¥49,510mn and operating income increased 51.8% to ¥2,953mn. After excluding the impact of foreign currency translations, net sales were strong, increasing 5.6%. Against the backdrop of strong personal consumption, sales volumes increased of packaging inks (flexo ink, gravure ink, metal can ink, and UV ink). In the Americas, the percentage of sales from metal can ink is high, and demand increased for metal beer cans and other cans from drinking-at-home demand due to the impact of COVID-19. In addition, in the context of the rise of the recycling movement, the progress made in shifting from PET bottles to aluminum cans also contributed. Profits increased significantly due to the effects of the higher sales volume, while the effects of the improvements to the product mix and price strategy also contributed.

In printing inks (Europe), net sales increased 3.8% YoY to ¥10,164mn and operating loss was ¥432mn (loss of ¥985mn in FY2019/12). In sales, sales volumes increased for packaging inks (gravure ink, flexo ink, and metal can ink) in response to progress with measures such as strengthening sales operations, and positive effects from COVID-19. In profits, the loss was reduced by the effects of the increase in sales volumes and structural reforms (closure of an unprofitable plant in France and a reduction in outsourcing costs made possible by progressing in-house production by strengthening facilities in the UK and Spain).

In digital & specialty products, net sales decreased 4.9% YoY to ¥11,844mn and operating income decreased 48.0% to ¥481mn. COVID-19 strongly affected this business. Sales of pigment dispersions for color filters were strong as conditions improved in the LCD panel market, but sales of inkjet ink declined due to the decline in advertising demand caused by COVID-19, while toner sales were also sluggish as office demand fell due to teleworking. In addition to the impact of the lower sales, profits were affected by an inventory valuation write-down.

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Net sales and operating income by segment in FY2020/12
(before consolidated adjustments and the impact of foreign currency translations)

(¥mn)

	FY2019/12	FY2020/12	YoY
Net sales			
Printing inks and graphic arts materials (Japan)	51,876	48,071	-7.3%
Printing inks (Asia)	35,277	32,597	-7.6%
Printing inks (Americas)	48,771	49,510	1.5%
Printing inks (Europe)	9,790	10,164	3.8%
Digital & specialty products	12,452	11,844	-4.9%
Reportable segment total	158,168	152,187	-3.8%
Other businesses	16,837	16,984	0.9%
Adjustments	-7,767	-7,664	-
Operating income			
Printing inks and graphic arts materials (Japan)	822	983	19.6%
Printing inks (Asia)	2,420	2,451	1.3%
Printing inks (Americas)	1,945	2,953	51.8%
Printing inks (Europe)	-985	-432	-
Digital & specialty products	926	481	-48.0%
Reportable segment total	5,129	6,437	25.5%
Other businesses	369	156	-57.7%
Adjustments	727	618	-

Source: Prepared by FISCO from the Company's financial results

3. Financial position

Total assets at the end of FY2020/12 were ¥145,272mn, a decrease of ¥3,020mn YoY. Total liabilities were ¥63,850mn, down ¥3,001mn and total net assets were ¥81,421mn, a decrease of ¥18mn.The Company did not report any major changes in individual items, though borrowings and cash and deposits increased in an attempt to prepare for the impact of COVID-19 by boosting cash on hand. The equity ratio rose 0.9pp versus the end of FY2019/12 to 52.6%, this does not present an issue for financial soundness.

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Key performance indicators

(¥mn)

	FY2016/12	FY2017/12	FY2018/12	FY2019/12	FY2020/12
Net sales	151,198	157,302	162,056	167,237	161,507
Cost of sales	113,773	120,371	128,824	131,507	126,049
Gross profit	37,425	36,931	33,232	35,730	35,458
Gross profit margin (%)	24.8	23.5	20.5	21.4	22.0
Selling, general and administrative expenses	27,305	28,358	28,120	29,504	28,245
Selling, general and administrative expenses ratio (%)	18.1	18.0	17.4	17.6	17.5
Operating income	10,119	8,573	5,112	6,225	7,212
Operating income margin (%)	6.7	5.5	3.2	3.7	4.5
Non-operating income	2,531	3,048	2,476	1,693	1,172
Non-operating expenses	782	371	678	600	596
Ordinary income	11,868	11,249	6,910	7,319	7,789
Ordinary income margin (%)	7.8	7.2	4.3	4.4	4.8
Extraordinary income	801	1,424	285	311	187
Extraordinary loss	386	317	71	448	221
Income before income taxes	12,283	12,356	7,125	7,181	7,755
Total income taxes	3,798	3,466	2,155	2,427	1,849
Net income attributable to owners of parent	7,837	8,383	4,692	4,114	5,275
Margin on net income attributable to owners of parent (%)	5.2	5.3	2.9	2.5	3.3
Comprehensive income	6,381	9,946	756	5,339	1,839
Total assets	138,012	145,489	145,857	148,292	145,272
(Current assets)	71,716	76,199	76,241	79,064	77,640
(Noncurrent assets)	66,295	69,290	69,615	69,227	67,632
Total liabilities	63,698	66,723	68,459	66,852	63,850
(Current liabilities)	45,304	47,968	49,233	46,317	42,315
(Noncurrent liabilities)	18,393	18,754	19,226	20,535	21,535
Total net assets	74,313	78,766	77,397	81,439	81,421
(Shareholders' equity)	71,555	74,737	77,528	79,494	83,035
(Capital)	7,472	7,472	7,472	7,472	7,472
Total number of issued shares at the end of period, excluding treasury shares	60,507,951	58,399,679	58,399,218	58,398,924	58,418,536
Cash flows from operating activities	11,697	9,201	5,239	9,819	10,599
Cash flows from investing activities	-6,727	-2,737	-7,279	-5,106	-7,010
Cash flows from financing activities	-3,552	-6,259	-122	-3,821	-980
Cash and cash equivalents at the end of period	9,297	9,351	6,788	9,361	11,678

Source: Prepared by FISCO from the Company's financial results and materials

Business outlook

FY2021/12 forecasts are for higher sales and profits, and results may exceed forecasts

1. FY2021/12 consolidated results outlook

For the FY2021/12 consolidated results, the Company is forecasting that net sales will increase 5.3% YoY to ¥170,000mn, operating income will grow 10.9% to ¥8,000mn, ordinary income will rise 18.1% to ¥9,200mn, and net income attributable to owners of parent will climb 21.3% to ¥6,400mn. RUCO of Germany was newly consolidated in FY2021/12. The expected average exchange rate during the period is ¥105.00 to US$1 (¥106.82 to US$1 in FY2020/12).

The forecasts for FY2021/12 1H consolidated results are for net sales to increase 3.7% compared to the same period in the previous fiscal year to ¥82,400mn, operating income to rise 0.6% to ¥3,200mn, ordinary income to grow 47.1% to ¥3,800mn, and net income attributable to owners of parent to increase 73.6% to ¥2,600mn.

Overview of FY2021/12 consolidated results forecasts

(¥mn)

	FY2020/12 1H	FY2021/12 1H E	YoY	FY2020/12	FY2021/12 E	YoY
Net sales	79,472	82,400	3.7%	161,507	170,000	5.3%
Operating income	3,181	3,200	0.6%	7,212	8,000	10.9%
Ordinary income	2,583	3,800	47.1%	7,789	9,200	18.1%
Net income attributable to owners of parent	1,497	2,600	73.6%	5,275	6,400	21.3%
EPS (¥)	25.65	44.50	-	90.32	109.53	-
Dividend (¥)	15.00	15.00	-	30.00	30.00	-
BPS (¥)	1,273.28	-	-	1,307.13	-	-

Note: Average exchange rates during the period ¥106.82 (FY2020/12) and ¥105.00 (FY2021/12 forecast) to US$1
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Uncertainty remains about economic conditions in the future due to COVID-19, but demand is recovering after bottoming out in FY2020/12 2Q, and in FY2021/12, sales are expected to increase due to the growth of sales volume. In profits, operating costs will return to the same level as before COVID-19 and personnel and other costs will increase toward business expansion. Therefore, as of FY2021/12 1H, operating income is expected to approximate the level seen in the same period in the previous fiscal year, but on a full-year basis, it is expected to increase due to the effects of the higher sales and cost reductions. Ordinary income is also forecast to increase because of the rise in equity-method investment income in non-operating income.

Looking at the trends in net sales and operating income on a half-year basis (1H and 2H), the impact of COVID-19 and other factors are anticipated to continue until FY2021/12 1H, but full-fledged recoveries of both sales and profits are expected from FY2021/12 2H, considering the effects of such factors as higher sales volume, improvement in the product mix, and cost reductions. Demand is recovering, and it is possible that results will exceed the Company's FY2021/12 full-year forecasts.

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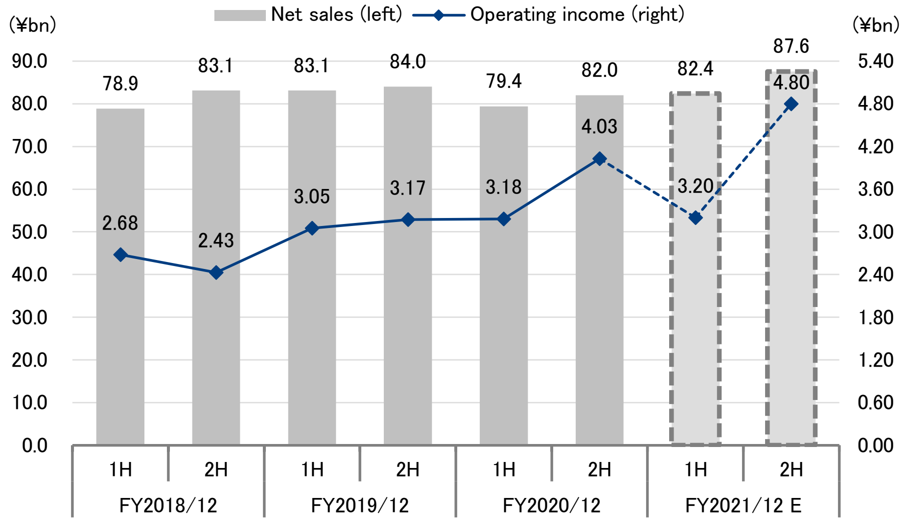
Half-year trends in net sales and operating income



Source: Prepared by FISCO from the Company's results briefing materials

2. Plans by segment

The FY2021/12 forecasts for net sales and operating income by segment (before consolidated adjustments) are shown below. Due to a review of the method for distributing costs, operating income for printing inks and graphic arts materials (Japan) and digital & specialty products is shown and compared according to the new standard.

In printing inks and graphic arts materials (Japan), net sales will increase 4.9% YoY to ¥50,450mn and operating income will grow 40.0% to ¥1,753mn. In sales, demand is expected to recover from 2H, while the Group will progress sales growth and price revisions of packaging inks and environmentally friendly products. In profits, cost reductions are anticipated, including declines in raw material prices due to lower crude oil prices.

In printing inks (Asia), net sales will increase 11.1% YoY to ¥36,207mn and operating income will rise 8.7% to ¥2,664mn. In FY2020/12, demand particularly declined in India due to the impact of COVID-19, but in FY2021/12, demand is expected to recover moderately and sales to grow, centered on packaging inks. In profits, although the prices of raw materials are forecast to rise, the plan is for this to be absorbed by the effects of the higher sales volume.

In printing inks (Americas), net sales will increase 0.6% YoY to ¥49,820mn and operating income will decrease 6.0% to ¥2,777mn. The Group will progress sales growth, particularly of packaging inks, but in FY2020/12, operating income grew significantly and more than anticipated. Therefore, the FY2021/12 forecasts are somewhat cautious and it is anticipated that investments and costs will increase alongside the rise in prices of raw materials and sales growth.

In printing inks (Europe), net sales will increase 41.9% YoY to ¥14,425mn and operating loss will be ¥220mn (loss of ¥432mn in FY2020/12). Sales are forecast to grow significantly and lessen the extent of the loss as the Group will progress sales growth, particularly of packaging inks, and thanks to the effects of the increase in sales volume, RUCO of Germany being newly consolidated, and structural reforms.

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In digital & specialty products, net sales will increase 6.3% YoY to ¥12,590mn and operating income will grow 60.9% to ¥884mn. In sales, the Group will progress sales growth of inkjet ink. In profits, raw material prices will decline on the back of falling crude oil prices, while the inventory valuation write-down recorded in FY2020/12 is expected to have been completed.

Net sales and operating income forecast by segment for FY2021/12 (before consolidated adjustments)

(¥mn)

	FY2020/12	FY2021/12 E	YoY
Net sales			
Printing inks and graphic arts materials (Japan)	48,071	50,450	4.9%
Printing inks (Asia)	32,597	36,207	11.1%
Printing inks (Americas)	49,510	49,820	0.6%
Printing inks (Europe)	10,164	14,425	41.9%
Digital & specialty products	11,844	12,590	6.3%
Reportable segment total	152,187	163,492	7.4%
Other businesses	16,984	14,423	-15.1%
Adjustments	-7,664	-7,915	-
Operating income			
Printing inks and graphic arts materials (Japan)	1,252	1,753	40.0%
Printing inks (Asia)	2,451	2,664	8.7%
Printing inks (Americas)	2,953	2,777	-6.0%
Printing inks (Europe)	-432	-220	-
Digital & specialty products	549	884	60.9%
Reportable segment total	6,774	7,858	16.0%
Other businesses	156	19	-87.8%
Adjustments	281	123	-

Note: Due to a review of the method for distributing costs, figures for printing inks and graphic arts materials (Japan), digital & specialty products, and adjustments are shown and compared according to the new standard
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Medium- and long-term growth strategy

Formulated a long-term strategic vision toward FY2030/12

As its corporate philosophy, based on the business theme of “Creation of Visual Communication Technology” and the Group's purpose of “Develop a communication culture that makes people's lives more enjoyable,” the Company formulated and started the long-term strategic vision SAKATA INX VISION 2030 and Mid-term Business Plan 2023 (CCC-I) in FY2021/12. With “Create and Innovate, Care for the Earth, Color for Life” as a catch phrase, it is aiming to be a group that “Creates innovations and new opportunities, with earth-friendly technology that adds color and happiness to life.”

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The Company's awareness of changes to its business environment are as follows: changes to markets and competitive environments (slump in demand for ink as people use less paper, intensifying competition in markets in emerging countries, and rising awareness of consideration for the environment, such as using less plastic), changes to the value chain due to digitalization (significant increase in digital media and diversification and customization of printing), and responding to environmental constraints and social issues (consideration of long-term sustainability, rising importance of measures for SDGs, tightened resource constraints and risk of rising raw material prices, and growing influence of ESG investment).

Under the long-term strategic vision, is strengthening measures for ESG and sustainability and taking on the challenge of entering new business areas

1. Long-term strategic vision SAKATA INX VISION 2030

As the strategic direction in its long-term strategic vision SAKATA INX VISION 2030, the Company has set "Strengthening our ESG (Environment, Social and Governance) and sustainability efforts emphasizing the global environment and local community," "Business expansion of printing ink and digital & specialty products," and "Meet market challenges with solutions that create new business opportunities," while it has launched three innovation projects ("Strengthening of global management cooperation and collaboration," "Strengthening relations with stakeholders," and "Strengthening recruitment and human resource development and reforming a cohesive corporate culture"). For these, its policy is to work on management with an awareness of capital costs and promoting DX. In terms of the image it is aiming for, the targets for FY2030/12 are net sales of around ¥300bn and an operating income margin of 8%.

In the printing ink business, centered on the mainstay packaging printing field, the Group will work to progress environmental management, fortify the value chain as a whole, strengthen relations with global partners, develop and deploy high-value-added products, bolster optimized management that crosses countries and businesses, and invest management resources in growth markets and new markets.

In the digital & specialty products business, the Group will work to globally deploy high-value-added products that are tailored to social trends, further strengthen collaborations globally, enhance sales and profitability, and improve brand power in each market.

In new businesses, the aim is to respond to social problems by utilizing core competencies based on the strategic keywords of "safety and security, convenient and comfortable, health maintenance, low-carbon society, and sustainability." With a focus on four chemical fields (environmental and biochemicals, energy chemicals, electronics chemicals, and optochemicals), it is promoting open innovation toward the commercialization of strategic products, including biomass-related digital & specialty products, CO_2 absorbing materials, semiconductors and sensitizing materials, conductive materials, insulating materials, conductive bonding materials, low dielectric materials, sensor materials, refraction index adjustment materials, and LED sealing materials.

One example of an initiative for open innovation is that in March 2020, the Company entered into an agreement for collaboration and coordination with Shiga University in the data science field.

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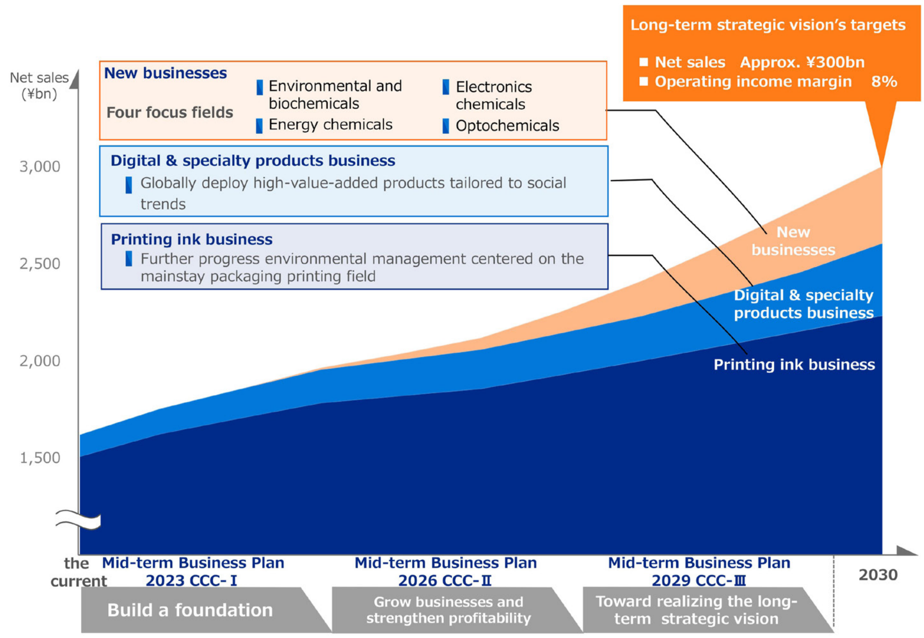
Also, in October 2020, the Company announced that it had invested in (made a non-equity-method affiliate of) Wonder Future Corporation, which conducts a business including the development and sales of IH (electromagnetic induction) reflow devices. The Company will collaborate with Group companies, the equity-method affiliate SIIX Corporation and Wonder Future Corporation, with the aim to utilize each company's technologies to practically realize innovative process technologies and new designs in the electronics chemicals field.

Image aiming to become by 2030



Source: Reprinted from the Company's long-term strategic vision briefing materials

Mid-term Business Plan 2023 is the stage of building a foundation toward achieving the long-term strategic vision

2. Mid-term Business Plan 2023 (CCC-I)

The Company has positioned Mid-term Business Plan 2023 (CCC-I) as the (first) stage to build the foundation toward achieving the long-term strategic vision SAKATA INX VISION 2030. The plan's targets for FY2023/12 are net sales of ¥195bn, operating income of ¥11.5bn, ordinary income of ¥13bn, and ROE of at least 10%.

The targets for printing inks and graphic arts materials (Japan) are net sales of ¥51.8bn and operating income of ¥1.8bn. Priority measures include responding to environmental and social issues, actively deploying environmentally friendly products (Botanical Ink), streamlining the information media business, developing inks for SDG-compliant recyclable packaging, and continuing and deepening TPM efforts and activities to improve occupational health and safety.

The targets for printing inks (Asia) are net sales of ¥45bn and operating income of ¥2.9bn. Priority measures include actively deploying environmentally friendly and sustainable products, entering new markets, progressing capital investment and sales growth, and promoting the stable supply of raw materials through global purchasing.

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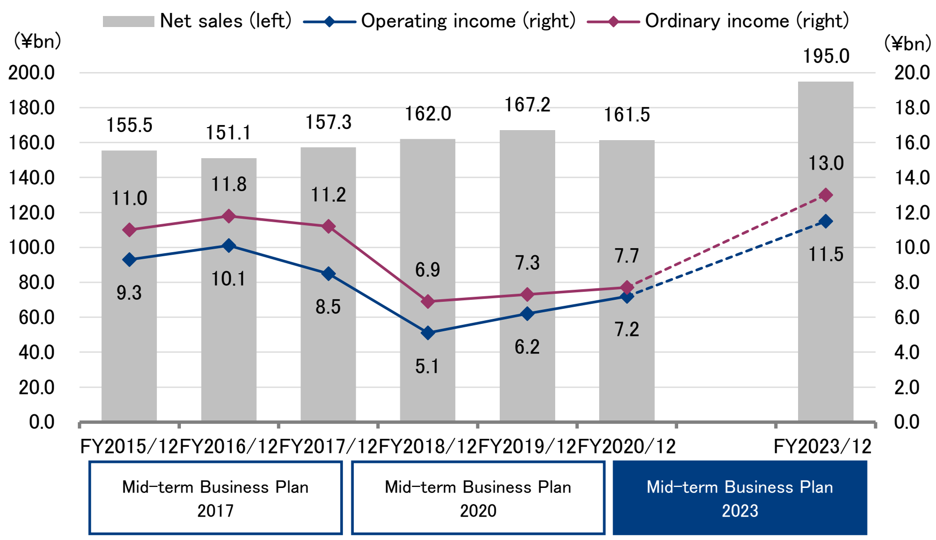
The targets for printing inks (Americas) are net sales of ¥53.5bn and operating income of ¥3bn. Priority measures include actively deploying environmentally friendly and sustainable products, strengthening sales to global customers, bolstering sales to and actively investing in the South American market, and progressing capital investment and sales growth.

The targets for printing inks (Europe) are net sales of ¥17.5bn and operating income of ¥200mn. Priority measures include actively deploying environmentally friendly and sustainable products, strengthening sales to global customers, improving profitability by rebuilding production bases, entering new markets, and progressing capital investment and sales growth.

The targets for the digital & specialty products business are net sales of ¥17.2bn and operating income of ¥2.3bn. Priority measures include globally deploying high-value-added products tailored to social trends (deployment to growth-industry fields centered on inkjets for clothing, food, and homes; deployment for high-value-added flat panel display materials; and business growth of functional products in peripheral fields, including the touch panel market) and progressing the local production of digital & specialty products in growth markets.

The targets for other businesses are net sales of ¥17.1bn and operating income of ¥600mn.

Consolidated net sales and profit targets



Note: Due to a change in the settlement date from FY2015/12, figures from FY2016/12 onward are calculated based on the past results of each company by adjusting the financial results for a fiscal year ended December 31 and the same period for consolidation.
Source: Prepared by FISCO from the Company's long-term strategic vision briefing materials

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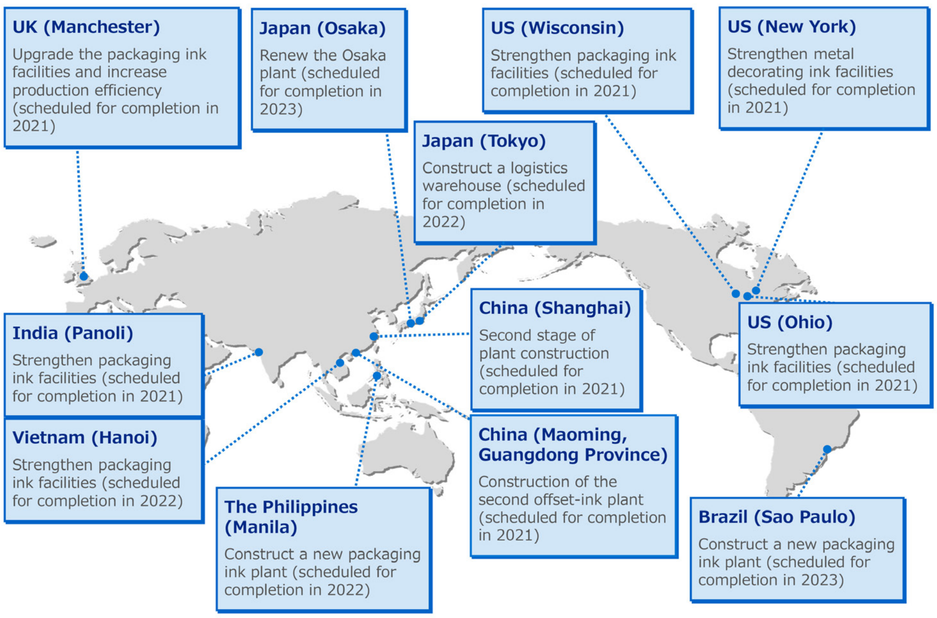
Plans to invest a cumulative total of ¥30bn over three fiscal periods

3. Investment plan

The investment plan calls for a cumulative total of ¥30bn to be invested during the three fiscal periods in which Mid-term Business Plan 2023 will be implemented (capital investment of ¥15bn and a strategic investment framework to accelerate growth of ¥15bn). The plan is to invest ¥4.9bn in Japan, ¥5.6bn in Asia, ¥3.8bn in the Americas, and ¥700mn in Europe. As the main capital investment plan, the Company intends to invest in strengthening facilities particularly in Asia and the Americas. This includes that in Asia, it will invest in the second stage of plant construction in Shanghai and construct the second plant in Maoming City, Guangdong Province in China, and strengthen packaging- and UV-related facilities in India. In addition, it plans to renew the Osaka plant, construct a logistics warehouse at the Tokyo plant and upgrade the core system in Japan. In the Americas, it intends to strengthen the packaging inks facilities at the plant in Wisconsin and the metal decorating ink facilities at the plant in New York in the US.

Main capital investment plan



Source: Reprinted from the Company's long-term strategic vision briefing materials

4. New growth stage

Against the backdrop of rising interest in global environmental problems and SDGs, global demand in the printing inks market is also shifting to environmentally friendly products. Therefore, plenty of room remains for the environmentally friendly products market to expand and develop.

The Company's strengths include its development capabilities, extensive product lineup, and high market shares of environmentally friendly, high-function and high-value-added products. Responding to the above-described market trends, its policy is to actively develop and launch environmentally friendly products in markets. It has a track record of global business deployment in advance of other companies and a wealth of expertise in launching products that are tailored to the regional characteristics of each country.

In its long-term strategic vision, the Company is aiming for a new growth stage by increasing sales of environmentally friendly products that are compliant with SDGs, conducting global business deployment and developing new business areas. We can expect earnings to trend upward in the medium to long term.

Measures for SDGs

In the long-term strategic vision, the Company recognizes the importance of responding to environmental constraints and social issues (consideration of long-term sustainability, rising importance of measures for SDGs, increasing risk of tightened resource constraints and rising raw material prices, and growing influence of ESG investment), and its policy is to strengthen measures for ESG and SDGs.

In environmentally friendly products, which are the Group's strength, paper packaging is being reconsidered as packaging that is considerate to the environment, and in this situation, the proprietary Botanical Ink series, which replaces some material with plant-derived alternatives and contains at least 10% of plant-derived components in its ink solid constituents, is already being widely used in various paper packaging. Furthermore, the Company's policy is to progress R&D toward improving the degree of the botanical component. Regarding the problem of food loss, it is working to develop products that will contribute to longer preservation periods for foods using gas-barrier agents that prevent oxidation.

In January 2019, the Company's stock was selected for the S&P/JPX Carbon Efficient Index, which is a stock index for ESG investment newly adopted by the Government Pension Investment Fund (GPIF). It is also participating in the Japan Clean Ocean Material Alliance, which was established by the Ministry of Economy, Trade and Industry in January 2019.

Measures for ESG and sustainability

Source: Reprinted from the Company's long-term strategic vision briefing materials

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In November 2020, the Company undertook a capital participation in R Plus Japan, Ltd. (started business in June 2020), which is a joint venture that is progressing the development and commercialization of recycling technologies for used plastics. To contribute to solving the problem of plastic waste, its policy is to work on the recycling of used plastics as a member of the value chain.

Shareholder return policy

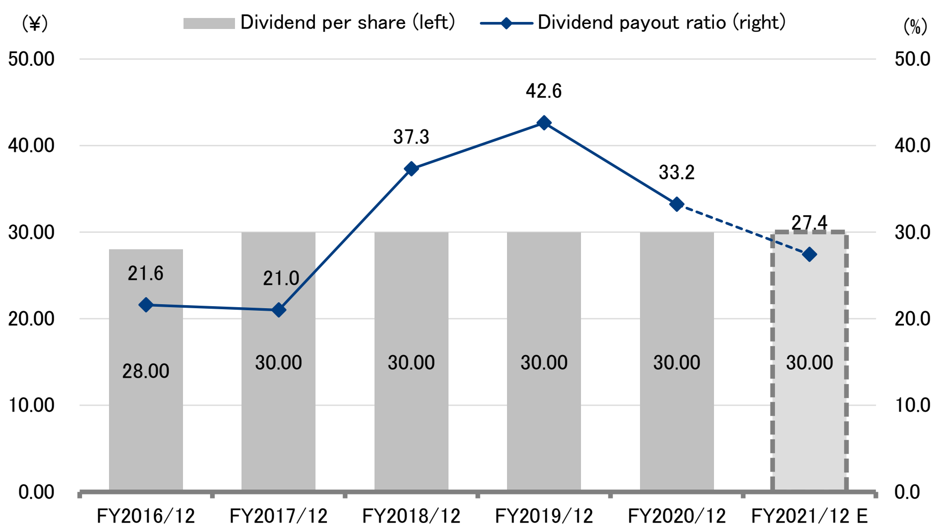
Targeting a consolidated dividend payout ratio in the range of about 20% to 30%, and implements a shareholder benefit program

With regards to distributing profits, the Company considers returning profits to shareholders, including dividends, to be an important management issue, in conjunction with working to strengthen its financial position and business infrastructure. The basic dividend policy is to steadily return profits to shareholders through dividend payments, while targeting a consolidated dividend payout ratio in the range of around 20% to 30%.

Based on this basic policy, the dividend for FY2020/12 is the same as for FY2019/12, with an annual dividend per share of ¥30 (¥15 interim and ¥15 year-end) for a dividend payout ratio of 33.2%. Also, the dividend forecast for FY2021/12 is an annual dividend per share of ¥30 (¥15 at the end of 1H and ¥15 at the end of the period), the same as in FY2020/12. The forecast dividend payout ratio is 27.4%.

The Company also offers a shareholder benefit program to shareholders who own one trading unit (100 shares) or more of shares as of June 30 or December 31 every year. Under this program, eligible shareholders receive a QUO card after the Annual General Meeting of Shareholders with a value corresponding to the period of time they have held their shares.

Divided per share and dividend payout ratio



Source: Prepared by FISCO from the Company's financial results

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