

SAKATA INX CORPORATION

4633

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<http://www.fisco.co.jp>

Index

Summary	01
1. Global business deployment with packaging printing ink business as the core business	01
2. Posted higher operating income in FY2020/12 1H despite the impact of COVID-19	01
3. Operating profit expected despite lowered FY2020/12 guidance	01
4. Expecting a new growth stage led by environmentally friendly products, global initiatives, and new areas	02
Company profile	03
1. Company profile	03
2. History	03
3. Global deployment	05
Business overview	05
1. Business introduction	05
2. Percentages of net sales and operating income by segment	06
3. Strengths	07
4. High share in environmentally friendly, high-functionality products with large room for market expansion and development	08
5. Risk factors and measures	08
Results trends	09
1. FY2020/12 1H Consolidated Results	09
2. Trends by segment	11
3. Financial position	13
Business Outlook	15
1. FY2020/12 consolidated results outlook	15
2. Results trend by half-year periods in recent years	16
3. Trends by segment	16
4. Capital investments	18
5. Aiming for quick turn to profitability in the European business	19
Medium- and long-term growth strategy	19
1. "Creation of Visual Communication Technology" is the business theme	19
2. Environmentally friendly product market is expanding	19
3. Actively promoting development and rollout of new environmentally responsible products in the market	20
4. Cultivating new business pillars	21
5. Measures for ESG and the SDGs	22
6. Anticipating a new growth stage	23
Shareholder return policy	24

Summary

Expecting a new growth stage with environmentally friendly products, global initiatives, and new areas

SAKATA INX CORPORATION <4633> (hereinafter “the Company”) is the third largest printing ink manufacturer in the world. With the printing ink business as its core business, its strengths lie in development capabilities, extensive lineup and high market share for environmentally friendly and high-function, high-value-added products that it has cultivated over its 120-year history since its founding in 1896 as well as the high reliability and quality of its products. Furthermore, toward realizing its business theme of “Creation of Visual Communication Technology,” the Company is applying and developing basic technologies that have been cultivated in the development and production of inks for its digital & specialty products business. The Company aims to enter new areas and cultivate new business pillars beyond the field of ink as well.

1. Global business deployment with packaging printing ink business as the core business

The Company is globally deploying its businesses from manufacturing and sales bases in 18 countries and regions in Japan and overseas, with a focus on packaging printing ink (for printing on paper packaging, such as corrugated boards and containers; for printing on packaging film for food, cosmetics and toiletries, daily goods, and other products; and for printing on metal cans, such as beverage cans). As it accelerates global development and expands sales for environmentally friendly high-function, high value-added products, the Company is growing its business with its primary sources of revenue focused in Asia and the Americas, which have considerable room for market expansion and development.

2. Posted higher operating income in FY2020/12 1H despite the impact of COVID-19

In the FY2020/12 1H (January to June) consolidated results, net sales decreased 4.4% year-on-year (YoY) to ¥79,472mn, operating income rose 4.3% to ¥3,181mn, ordinary income decreased 30.5% to ¥2,583mn, and net income attributable to owners of parent decreased 37.2% to ¥1,497mn. While the Company expanded sales of packaging inks in the Americas and Europe, the spread of the novel coronavirus (hereinafter, COVID-19) affected results in Japan and Asia, resulting in an overall sales decline. Operating income, meanwhile, rose modestly as increase in packaging-related sales volume and cost savings more than offset the impact of weaker sales. Recurring income and net income attributable to owners of parent fell sharply due to booking forex losses and downturn in equity-method investment income.

3. Operating profit expected despite lowered FY2020/12 guidance

The Company lowered FY2020/12 consolidated guidance to ¥161,800mn in net sales (down 3.3% YoY), ¥7,000mn in operating income (up 12.4%), ¥6,700mn in ordinary income (down 8.5%), and ¥4,200mn in net income attributable to owners of parent (up 2.1%). It scaled back targets after net sales missed guidance in 1H due to the impact of COVID-19 and ordinary income and net income attributable to owners of parent fell sharply on downturn in non-operating income. Nevertheless, the Company expects to increase operating income through higher sales of packaging inks in the Americas and Europe and improved product mix in this business as well as reduction of raw material prices from global joint procurement of raw materials and lower crude oil prices.

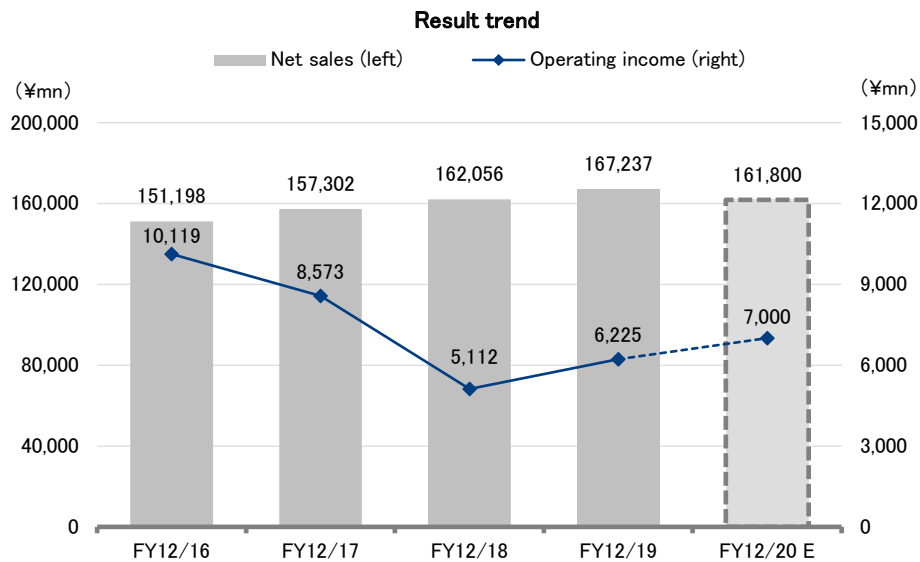
Summary

4. Expecting a new growth stage led by environmentally friendly products, global initiatives, and new areas

The worldwide shift towards environmentally friendly, high-function products is gaining momentum, and there remains plenty of room for the markets to expand and develop. The Company's strengths include the development, lineup, and high market shares of environmentally friendly, high-function, and high-value-added products, and it has a track record of global development ahead of its industry peers as well as expertise in introducing products tailored to regional characteristics in each country. FISCO does not expect major changes in the medium-term business strategy of steadily increasing sales of environmentally friendly, high-functionality products and accelerating global initiatives. We also anticipate contributions from activity in new areas and movement toward a new growth stage.

Key Points

- Is focusing on packaging printing ink, as the third largest printing ink manufacturer in the world
- Still expects an operating profit despite lowered FY2020/12 guidance
- Expecting a new growth stage led by environmentally-friendly products, global initiatives, and new areas



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

■ Company profile

The third largest printing ink manufacturer in the world, boasting a history of over 120 years

1. Company profile

The Company has a history of more than 120 years since it was founded in 1896. It is the third largest printing ink manufacturer in the world. With the printing ink business as its core business, its strengths lie in development capabilities, extensive lineup and high market share for environmentally friendly and high-function, high-value-added products that it has cultivated over its 120-year history as well as high reliability and quality of its products. Furthermore, toward realizing its business theme of “Creation of Visual Communication Technology,” the Company is applying and developing basic technologies that have been cultivated in the development and production of inks for its digital & specialty products business, which the Company is aiming to bring up as a new business pillar. The Company aims to enter new areas and cultivate new business pillars, beyond the field of ink, with emphasis on chemicals and leveraging broad collaboration with research institutions, companies, and others as well.

2. 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 Exchange 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 shares of German company A.M. Ramp & Co. GmbH (hereinafter, “RUCO”) and made it into a subsidiary.

In January 2017, the Company also received recognition as “a leading company in Osaka for empowering women.” The Company also received the TPM Advanced Special Award for its four main domestic plants (in Tokyo, Osaka, Shiga, and Hanyu) in December 2017. TPM (Total Productive Maintenance) 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 TPM Excellent Paper Awards, Production Category.

SAKATA INX CORPORATION | 4-Nov.-2020
 4633 Tokyo Stock Exchange First Section | <http://www.inx.co.jp/english/>

Company profile

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
1975	Established SAKATA KIKI SEIBI KOGYO CO., LTD. (now SAKATA INX ENG. CO., LTD.)
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 SIX 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

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SAKATA INX CORPORATION | 4-Nov.-2020
 4633 Tokyo Stock Exchange First Section | <http://www.inx.co.jp/english/>

Company profile

Year	Main Event
2015	Changed fiscal year-end from March to December Acquired ISO9001 and ISO14001 certification at Shiga Plant
2016	Celebrated the 120th 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

Source: Prepared by FISCO from Company materials

3. Global deployment

The Company's Group (as of end-FY2019/12) consists of the Company, 27 consolidated subsidiaries, and four equity-method affiliates and operates sites to manufacture and sell printing inks in 18 countries and regions, including Japan. In FY2019/12, it newly added Thailand-based ETERNAL SAKATA INX CO, LTD. (hereinafter "EXTERNAL") and Brazil-based CREATIVE INDUSTRIA E COMERCIO (hereinafter "CREATIVE") to its consolidated subsidiaries. It also plans to add Germany-based RUCO to its consolidated subsidiaries in 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

In the core printing ink business, its strength is environmentally friendly and high-function, high-value-added products

1. Business introduction

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

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; for printing on packaging film for food, cosmetics, and toiletries, daily goods, and other products; and for printing on 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 paper media (newspaper 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 become smaller.

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.

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SAKATA INX CORPORATION | 4-Nov.-2020
 4633 Tokyo Stock Exchange First Section | <http://www.inx.co.jp/english/>

Business overview

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 toner and monochrome toner used for laser printers and multifunction printers), image display materials (pigment dispersions for color filters), and functional coating materials for the Japanese, Asian, North and South American and European markets.

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

In the printing ink business and the digital & specialty products business, the Company is aiming to increase sales by accelerating global business deployment, pursuing a strategy of providing products tailored to the local characteristics in each region, and realizing higher sales volume through expansion in sales of environmentally friendly and high-function, high-value-added products.

Asia and the Americas are pillars of earnings

2. Percentages 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.

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

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

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

Business overview

The percentages of operating income by segment (before consolidated adjustments) in FY2019/12 were as follows; printing inks and graphic arts materials (Japan) contributed 15.0%, printing inks (Asia) 44.0%, printing inks (Americas) 35.4%, printing inks (Europe) -17.9%, digital & specialty products 16.9%, and other businesses 6.7%. The Company is achieving growth by accelerating its global business deployment and increasing sales of environmentally friendly and high-function, high-value-added products, with Asia and the Americas, where there remains considerable room for market expansion and development, serving as the primary sources of revenue. The percentages from Asia and the Americas have further increased in FY2019/12, aided by the newly consolidated companies (ETERNAL(Thailand) and (Brazil)). Europe is currently undergoing structural reforms, including a restructuring of the production system.

In FY2020/12, as explained below, the Company expects decline in sales shares of Asian and digital & specialty products businesses due to COVID-19 impact and an increase in the Americas business where it is expanding sales of packaging inks.

Acquired high market shares with its environmentally friendly and high-function, high-value-added products

3. Strengths

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

The Company's abundant lineup of environmentally friendly and high-function, 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 corrugated boards, which it developed early as a pioneer in the industry. In addition, it is providing a range of new technologies such as functional coating materials for the paper industry. For gravure ink used for printing on packaging, 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 becoming popular among major convenience stores and food products. 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.

Business overview

Botanical Ink mark



Source: Reprinted from Company materials

In ink for information media, the percentage of environmentally friendly products has reached practically 100%. In newspaper ink, the high-coloration ink called NEWS WEBMASTER Ecopure (Eco Mark certified) has acquired an excellent reputation. Moreover, the Company has earned considerable 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 onto the market as an industry pioneer, and in addition to providing inks and related products that can meet a diverse range of customer needs, such as high-speed web-offset ink and sheet ink, 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.

4. High share in environmentally friendly, high-functionality products with large room for market expansion and development

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 and high-function, high-value added products.

Both domestically and overseas, the Company's mainstay products are its environmentally friendly and high-function, high-value-added products positioned above middle range, and it has high shares in each market. Looking at its market share in the field of packaging ink, the Company boasts 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 globally leading share for metal-deco ink for printing on metal cans such as beverage cans.

Strengthening measures for Group synergies to respond to the rises in raw materials prices

5. 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.

Business overview

In particular, there is a time lag between the rapid rises in the prices of raw materials and the 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 world production, while resins and solvents are affected by the prices of crude oil and naphtha.

Looking at the trends for raw materials prices, since 2017 the supply-demand balance has collapsed and prices of white and color pigments have soared as a result of the increase in prices of materials derived from petroleum due to soaring crude oil prices, as well as due to the fact that supply capacities of Chinese manufacturers have dropped sharply due to such factors as the strengthening of environmental regulations and the change in energy policy in China. There was also an additional impact in 2018 from punitive tariffs stemming from the US-China trade friction. In 2019, prices were continuing to rise in Japan, but the prices of some materials started to settle down in overseas markets. At the start of 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 these risk factors, the Company is advancing optimization through revisions to sales prices. It is also strengthening initiatives to mitigate the impact of the high prices of raw materials by reducing the costs of raw materials (such as global procurement of raw materials, etc.) by leveraging group synergies and improving productivity.

■ Results trends

Increase in operating income and declines in ordinary and net incomes in FY2020 1H

1. FY2020/12 1H Consolidated Results

In the FY2020/12 1H (January to June) consolidated results, net sales decreased 4.4% year-on-year (YoY) to ¥79,472mn, operating income rose 4.3% to ¥3,181mn, ordinary income fell 30.5% to ¥2,583mn, and net income attributable to owners of parent decreased 37.2% to ¥1,497mn. The average exchange rate during the period was ¥108.27 to US\$1 (¥110.05 in the same period of the previous fiscal year), and after excluding foreign currency translation effects, net sales decreased 2.4%, operating income rose 6.7%, ordinary income fell 34.5%, and net income attributable to owners of parent decreased 41.5%.

SAKATA INX CORPORATION | 4-Nov.-2020
 4633 Tokyo Stock Exchange First Section | <http://www.inx.co.jp/english/>

Results trends

FY2020/12 Consolidated Results

(¥mn)

	FY2020/12 1H						
	FY2019/12 1H Results	Results	Increase/decrease rate	Foreign currency translation impact	Rate of increase/decrease after excluding foreign currency translation impact	Initial plan (announced on February 14, 2020)	vs. initial plan
Net sales	83,167	79,472	-4.4%	-1,679	-2.4%	83,600	-4,127
Operating income	3,051	3,181	4.3%	-75	6.7%	3,100	81
Ordinary income	3,718	2,583	-30.5%	149	-34.5%	3,600	-1,016
Net income attributable to owners of parent	2,386	1,497	-37.2%	101	-41.5%	2,300	-802

Note: Exchange rates during the period ¥110.05 (FY2019/12 1H) and ¥108.27 (FY2020/12 1H) to US\$1
 Source: Prepared by FISCO from the Company's results briefing materials and press releases

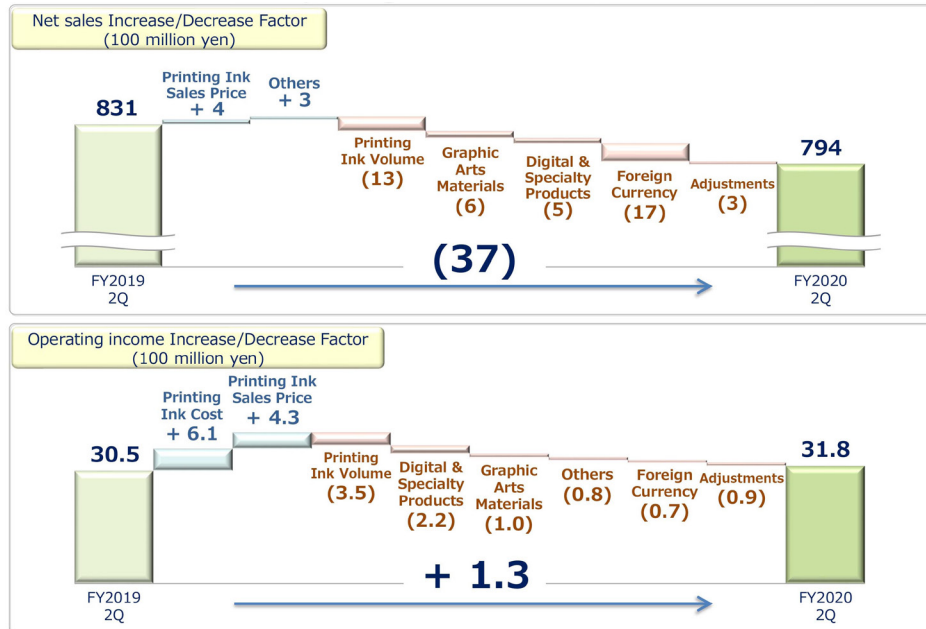
In net sales, while the Company successfully expanded sales of mainstay packaging inks in the Americas and Europe, COVID-19 conditions weighed on Japan, Asian, and digital & specialty products businesses and overall sales slipped. Forex effect also had an impact due to the stronger yen.

Positive sales effects of the COVID-19 situation were upticks in food and beverage package demand due to "stay home" consumption and hygiene-related product and medical-related packages driven by infection prevention measures. Negative effects, meanwhile, were weaker sales of flyer, catalog, newspaper ad, and sign display newspaper ink, offset ink, and inkjet ink because of suspended events and decline in advertising demand. Additionally, corrugated container demand eased on decline in production volume of various industrial products due to sluggish economic activity. The lackluster tourism industry amid movement constraints and lower inbound demand resulted in weaker demand for gifts, paper bags, and other items. Toner demand dropped as well because of a decline in opportunities for printing documents at offices due to shifts to telework. In regard to the impact on the supply chain, while China's lockdown raised concerns about procurement of ink materials, resumption of economic activities in China resolved this situation. Plants temporarily halted operations in China, India, the Philippines, and other countries because of lockdowns. In India, movement constraints heavily affected employee work attendance, raw material transport, and deliveries to customers. Resumption of economic activity in various countries has largely restored normal conditions at this point.

In earnings, the Company achieved a modest rise in operating income as cost savings (such as decline in oil-derived raw material prices with downturn in the crude oil price and improvement in productivity) and updated sales prices offset the impact of weaker sales. Even though gross income fell 1.1% YoY, the gross profit margin rose 0.7ppt to 21.9%. Although SG&A expenses were down 2.2%, the ratio to sales climbed 0.4ppt to 17.9%. Ordinary income and net income attributable to owners of parent, meanwhile, fell sharply because of forex losses (¥616mn) booked for depreciation of the Brazilian real and other local currencies and setback in equity-method investment income accompanying weaker profits at affiliate SIIX (down ¥698mn with a ¥249mn investment loss in 1H versus a ¥449mn investment profit a year earlier).

Results trends

YoY change by factor for FY2020/12 1H



Source: Reprinted from the Company's results briefing materials

Compared to the initial plan (¥83,600mn in net sales, ¥3,100mn in operating income, ¥3,600mn in ordinary income, and ¥2,300mn in net income attributable to owners of parent), net sales fell short due to the impact of COVID-19. Business conditions were weaker than anticipated for Asia and digital & specialty products, and forex rates had an impact as well. Operating income was slightly higher than anticipated as cost savings and other positives fully absorbed pressure from lower sales. Ordinary income and net income attributable to owners of parent missed guidance because of setbacks in non-operating income.

Posted higher sales and profits in the Americas business on stronger sales. Europe also benefited from sales expansion measures

2. Trends by segment

Trends by segment (before consolidated adjustments and the exclusion of foreign currency, YoY) are as follows.

Printing inks and graphic arts materials (Japan) reported ¥23,802mn in net sales (down 7.2% YoY) and ¥393mn in operating income (up 47.8%). In sales, the Company had an increase in gravure ink used for flexible packaging related to “stay home” consumption that received a boost from COVID-19 conditions. However, sales dropped for newspaper and offset inks and printing plate materials on lower advertising demand and digitalization progress, corrugated container flexo ink on decline in industrial product-related demand, and paper bag flexo ink on decline in inbound demand. Overall sales decreased as a result. Operating income, meanwhile, experienced gains as positive effect from updated pricing and cost savings, including lower raw material prices, more than absorbed the impact of sales decline.

Results trends

Printing inks (Asia) booked ¥15,365mn in net sales (down 11.6% YoY) and ¥861mn in operating income (down 24.4%). In sales, gravure ink volume increased in India and Vietnam. Information printing offset inks, meanwhile, declined in China and India because of the impact of COVID-19. Indian sales volume, in particular, fell more than expected. Other setbacks were temporary suspension of production activities, movement restrictions, and sustained shortfalls in supply of some raw materials due to stricter environmental rules in China. These trends resulted in a decline in overall sales. Operating income also weakened, despite efforts to reduce costs, because of a heavy impact from decline in volume.

Printing inks (Americas) recorded ¥24,868mn in net sales (up 2.5% YoY) and ¥1,481mn in operating income (up 58.9%). In sales, despite decline in information printing offset ink on lower advertising demand and digitalization, on higher sales volume in packaging inks (flexo ink, gravure ink, metal can ink, and UV ink) aided success of integrated technology service tailored to customer against a backdrop of robust personal consumption. The percentage of sales of metal can ink Americas region was high, as demand for drinking at home increased because of COVID-19. Another favorable trend was progress in the shift from PET bottles to aluminum cans on increased momentum for recycling. Operating income rose significantly thanks to increased sales as well as curtailment of raw material costs, including oil-derived materials and UV ink materials.

Printing inks (Europe) reported ¥5,146mn in net sales (up 3.0%) and a ¥254mn operating loss (vs. a ¥371mn loss in the previous year). In sales, this business had higher sales volume for packaging inks (gravure ink, flexo ink, and metal can ink) on progress with measures to expand sales, such as strengthening sales operations, and positive effect from COVID-19. Operating income narrowed the loss, even with increase in some raw material prices (alcohols), due to restructuring of manufacturing operations and facility reinforcement (closure of the unprofitable French plant and cutbacks in outsourcing costs from advances in bringing production in-house by reinforcing facilities in the UK and Spain).

Digital & specialty products business posted ¥5,744mn in net sales (down 9.1% YoY) and ¥302mn in operating income (down 42.1%). COVID-19 strongly affected this business. Both sales and profits contracted in 1H, even with healthy sales of color filter pigment dispersing agents on easing of the LCD supply glut, due to weaker sales of inkjet ink due to reduced advertising demand with COVID-19 and toner because of a decline in opportunities for printing documents in offices.

Results trends

Net sales and operating income by segment in FY2020/12 1H

(¥mn)

	FY2019/12 1H Amount	FY2020/12 1H	
		Results	Amount of Increase/ decrease
Net sales			
Printing inks and graphic arts materials (Japan)	25,655	23,802	-1,853
Printing inks (Asia)	17,384	15,365	-2,019
Printing inks (Americas)	24,271	24,868	597
Printing inks (Europe)	4,994	5,146	151
Digital & Specialty Products	6,321	5,744	-577
Reportable segment total	78,628	74,927	-3,701
Other businesses	8,353	8,628	274
Adjustments	-3,815	-4,083	-268
Total	83,167	79,472	-3,695
Operating income			
Printing inks and graphic arts materials (Japan)	266	393	127
Printing inks (Asia)	1,138	861	-277
Printing inks (Americas)	932	1,481	548
Printing inks (Europe)	-371	-254	116
Digital & Specialty Products	522	302	-219
Reportable segment total	2,488	2,784	295
Other businesses	206	126	-79
Adjustments	356	270	-85
Total	3,051	3,181	130

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

3. Financial position

Total net asset value at end-1H fell ¥2,396mn YoY to ¥79,042mn based on a ¥1,581mn decline in total asset value to ¥146,710mn and an ¥815mn rise in total liabilities value to ¥67,668mn. The Company did not report any major changes in individual items, though loan value and cash & deposits moved upward due to boosting surplus funds as preparation for COVID-19 impact. While the capital ratio declined 1.0ppt versus end-FY2019/12 to 50.7%, this does not present an issue for financial soundness.

SAKATA INX CORPORATION | 4-Nov.-2020
 4633 Tokyo Stock Exchange First Section | <http://www.inx.co.jp/english/>

Results trends

Key performance indicators

Item	FY2016/12	FY2017/12	FY2018/12	FY2019/12	FY2020/12 1H
	(¥mn)				
Net sales	151,198	157,302	162,056	167,237	79,472
Cost of sales	113,773	120,371	128,824	131,507	62,037
Gross profit	37,425	36,931	33,232	35,730	17,434
Gross profit margin (%)	24.8	23.5	20.5	21.4	21.9
Selling, general and administrative expenses	27,305	28,358	28,120	29,504	14,252
Selling, general and administrative expenses ratio (%)	18.1	18.0	17.4	17.6	17.9
Operating income	10,119	8,573	5,112	6,225	3,181
Operating income margin (%)	6.7	5.5	3.2	3.7	4.0
Non-operating income	2,531	3,048	2,476	1,693	431
Non-operating expenses	782	371	678	600	1,029
Ordinary income	11,868	11,249	6,910	7,319	2,583
Ordinary income margin (%)	7.8	7.2	4.3	4.4	3.3
Extraordinary income	801	1,424	285	311	-
Extraordinary loss	386	317	71	448	61
Income before income taxes (quarter)	12,283	12,356	7,125	7,181	2,522
Total income taxes	3,798	3,466	2,155	2,427	827
Net income attributable to owners of parent	7,837	8,383	4,692	4,114	1,497
Margin on net income attributable to owners of parent (%) (quarter)	5.2	5.3	2.9	2.5	1.9
Comprehensive income	6,381	9,946	756	5,339	-1,370
Total assets	138,012	145,489	145,495	148,292	146,710
Current assets	71,716	76,199	75,785	79,064	79,250
Noncurrent assets	66,295	69,290	69,709	69,227	67,460
Total liabilities	63,698	66,723	68,097	66,852	67,668
Current liabilities	45,304	47,968	49,233	46,317	45,981
Noncurrent liabilities	18,393	18,754	18,864	20,535	21,686
Total net assets	74,313	78,766	77,397	81,439	79,042
Shareholders' equity	71,555	74,737	77,528	79,494	80,134
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	58,419,192
Cash flows from operating activities	11,697	9,201	5,239	9,819	2,623
Cash flows from investing activities	-6,727	-2,737	-7,279	-5,106	-4,286
Cash flows from financing activities	-3,552	-6,259	-122	-3,821	5,064
Cash and cash equivalents at the end of period	9,297	9,351	6,788	9,361	12,263

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

Business Outlook

Lowered FY2020/12 guidance though still expects an operating profit

1. FY2020/12 consolidated results outlook

For the FY2020/12 full year consolidated results forecasts, the Company made a downward revision and announced it on August 7, 2020. The revised forecasts are for net sales to decrease 3.3% YoY to ¥161,800mn, operating income to grow 12.4% to ¥7,000mn, ordinary income to decrease 8.5% to ¥6,700mn, and net income attributable to owners of parent to climb 2.1% to ¥4,200mn. The anticipated exchange rate is ¥108 per US\$1 (compared to ¥109.05 per US\$1 in the previous fiscal year).

The Company lowered FY2020/12 guidance after net sales missed targets in 1H due to the impact of COVID-19 and ordinary income and net income attributable to owners of parent fell sharply due to downturn in non-operating income. Nevertheless, the Company expects to increase operating income through higher sales of packaging inks in the Americas and Europe and improved product mix in this business as well as reduction of raw material prices from global joint procurement of these materials and lower crude oil prices.

Overview of FY2020/12 consolidated results forecast

	FY2019/12 Results	FY2020/12		
		Initial forecast (announced on February 14, 2020)	Revised forecast (announced on August 7, 2020)	Revised forecast (YoY change)
Net sales	167,237	171,000	161,800	-3.3%
Operating income	6,225	7,500	7,000	12.4%
Ordinary income	7,319	8,800	6,700	-8.5%
Net income attributable to owners of parent	4,114	5,800	4,200	2.1%
EPS (¥)	70.46	99.32	71.91	-
Dividend (¥)	30.00	30.00	30.00	-
BPS (¥)	1,313.31	-	-	-

Note: Average exchange rates during the period ¥109.05 (FY2019/12), ¥109.00 (FY2020/12 initial forecast), ¥108.00 (FY2020/12 revised forecast) to US\$1

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

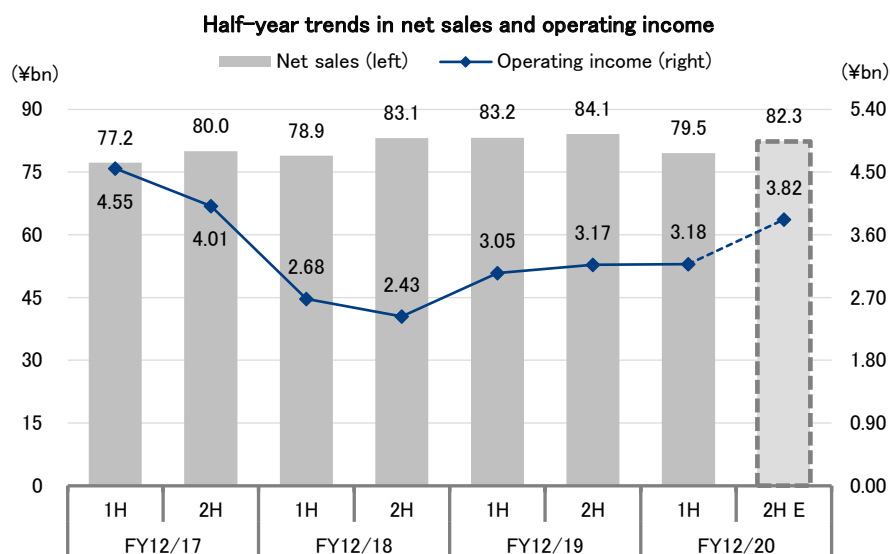
Compared to initial guidance (¥171,000mn in net sales, ¥7,500mn in operating income, ¥8,800mn in ordinary income, and ¥5,800mn in net income attributable to owners of parent), the Company scaled back targets by ¥9,200mn in net sales, ¥500mn in operating income, ¥2,100mn in ordinary income, and ¥1,600mn in net income attributable to owners of parent.

In updated operating income, despite sluggishness in information media inks and digital printing inks because of COVID-19 impact and digitalization progress, the Company forecasts a ¥770mn YoY gain thanks to firm demand for packaging inks and promotion of group-wide cost reductions, including raw material costs and SG&A expenses. Crude oil prices are holding steady at a low level versus last year recently, and the Company expects to benefit from cheaper raw materials throughout FY2020/12.

Recovery trend in operating income

2. Results trend by half-year periods in recent years

Looking at net sales and operating income trends by half-year periods (1H and 2H), even though net sales weakened in 1H FY2020/12 due to COVID-19, operating income sustained recovery momentum from a bottom in FY2018/12 2H. For FY2020/12 2H, the Company expects moderate recovery in net sales and improvement in operating income to a level close to FY2017/12 2H on healthier product mix, savings from decline in raw material prices, and cost cutbacks achieved through group synergies.



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

Reduced overall targets but raised the Americas profit outlook on sales expansion progress

3. Trends by segment

The following is a review of net sales and operating income targets by individual segments (prior to consolidated adjustments and removal of forex effect) for FY2020/12.

In printing inks and graphic arts materials (Japan), the Company projects ¥49,757mn in net sales (down 4.1% YoY) and ¥1,210mn in operating income (up 47.2%). Despite the prospect of moderate demand recovery during 2H, mainly in packaging business, the recovery trend for printing inks related to information printing has slowed. The Company hence lowered the sales target against its initial projection and projected a decline in sales for the full year. It also reduced the operating income target from the period-start level but expects a gain, just as in 1H, thanks to revised pricing and cost savings, due in part to a decline in raw material prices.

SAKATA INX CORPORATION | 4-Nov.-2020
 4633 Tokyo Stock Exchange First Section | <http://www.inx.co.jp/english/>

Business Outlook

In printing inks (Asia), the Company projects ¥33,175mn in net sales (down 6.0% YoY) and ¥2,378mn in operating income (down 1.7%). It lowered the outlook from higher sales and profits at the start of the year to sales and profit declines. However, despite the prospect of moderate demand recovery, mainly in packaging-related business in 2H and promotion of raw material price reduction through global joint procurement, the Company expects sluggish recovery in newspaper ink in India and doubts that 2H recovery by packaging ink will be enough to offset the impact of suspended operations in China and India in 1H.

In printing inks (Americas), the Company targets ¥49,554mn in net sales (up 1.6% YoY) and ¥2,686mn in operating income (up 38.1%). Compared to period-start levels, it retained net sales and raised operating income, reflecting upbeat 1H results. It plans to bolster sales expansion efforts for packaging ink again in 2H and also factors in contributions from decline in raw material prices.

In printing inks (Europe), the Company targets ¥9,764mn in net sales (down 0.3%) and a ¥431mn operating loss (vs. a ¥985mn loss a year earlier). It slightly lowered the outlook from period-start levels. Meanwhile, it expects shrinkage of the loss versus the previous year thanks to promoting sales expansion, mainly in packaging inks, and savings from rebuilding manufacturing operations and reinforcing facilities.

In digital & specialty materials, the Company targets ¥11,300mn in net sales (down 9.3% YoY) and ¥354mn in operating income (down 61.8%). It lowered sales and profit levels from period-start guidance due to factoring in heavy impact from COVID-19 in 1H and likely sluggish recovery in inkjet ink and toner businesses in 2H as well.

Net sales and operating income forecast by segment for FY2020/12

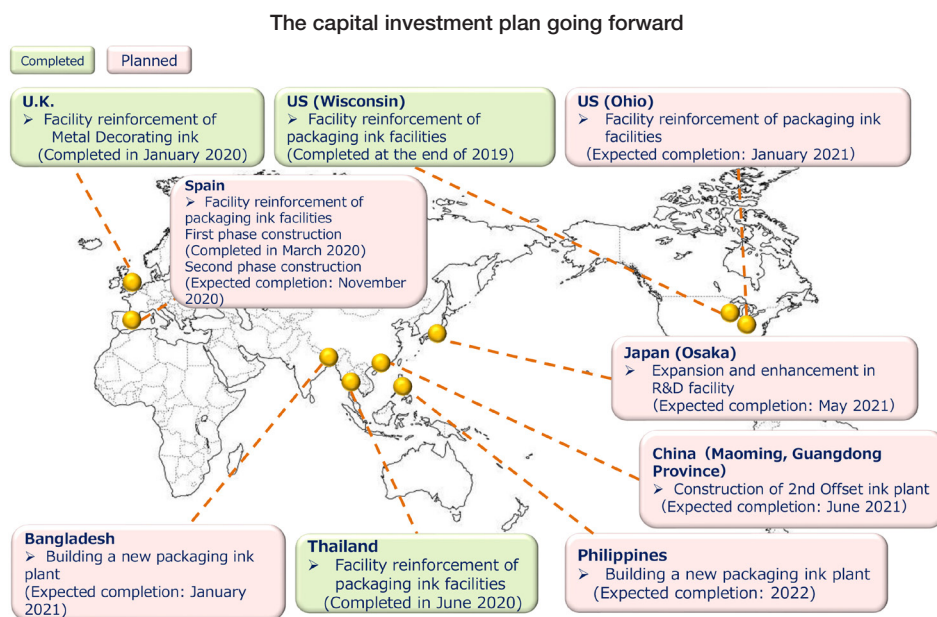
	(¥mn)		
	FY2019/12	FY2020/12 Forecast	Increase/ decrease rate
Net sales			
Printing inks and graphic arts materials (Japan)	51,876	49,757	-4.1%
Printing inks (Asia)	35,277	33,175	-6.0%
Printing inks (Americas)	48,771	49,544	1.6%
Printing inks (Europe)	9,790	9,764	-0.3%
Digital & Specialty Products	12,452	11,300	-9.3%
Reportable segment total	158,168	153,540	-2.9%
Other businesses	16,837	16,421	-2.5%
Adjustments	-7,767	-8,162	-
Total	167,237	161,800	-3.3%
Operating income			
Printing inks and graphic arts materials (Japan)	822	1,210	47.2%
Printing inks (Asia)	2,420	2,378	-1.7%
Printing inks (Americas)	1,945	2,686	38.1%
Printing inks (Europe)	-985	-431	-
Digital & Specialty Products	926	354	-61.8%
Reportable segment total	5,129	6,197	20.8%
Other businesses	369	37	-90.0%
Adjustments	727	765	-
Total	6,225	7,000	12.4%

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

Promoting higher production capacity and cost cutbacks with active capital investments

4. Capital investments

The Company is promoting higher production capacity and cost cutbacks with active capital investments in accordance with sales expansion progress in various regions. It budgets ¥6bn in capital investment (vs. the ¥5.1bn previous-year result) and ¥4.6bn in depreciation costs (vs. ¥4.5bn) in FY2020/12. The following shows the capital investment plan at end-1H FY2020/12.



Source: Reprinted from the Company's results briefing materials

Recent developments include completing expanded packaging ink facilities in Wisconsin (US) in the Americas at end-2019, completing expanded packaging ink facilities in Asia in June 2020, completing expanded metal can ink facilities in the United Kingdom in January 2020 and first-phase work on expanded packaging ink facilities in Spain in March 2020 for Europe.

Looking ahead, the Company plans to complete expansion and enhancement of a research building in Osaka in May 2021 in Japan, expansion of packaging ink facilities in Ohio (US) in January 2021 in the Americas, a new packaging ink plant in Bangladesh in January 2021, a No. 2 offset ink plant in Maoming (Guangdong, China) in June 2021, and a new packaging ink plant in the Philippines during 2022 in Asia. It also plans to complete second-phase work on expansion of packaging ink facilities in Spain in November 2020 in Europe.

5. Aiming for quick turn to profitability in the European business

In European business, production was unable to catch up with sales growth and increase in production costs resulted in ongoing losses. The Company closed the unprofitable French plant and consolidated production sites. It also reinforced facilities in the UK and Spain to reduce personnel costs and outsourcing expenses. Earnings improvement from restructuring production operations has started showing up in FY2020/12. Additionally, the Company acquired Germany-based RUCO, which is located in a region not covered up to now, in June 2020 and hopes to bolster business activities in Central Europe, Eastern Europe, and Russia. It intends to optimize production in Europe in pursuit of early achievement of profitability.

■ Medium- and long-term growth strategy

“Innovation for the Future” set as the core policy

1. “Creation of Visual Communication Technology” is the business theme

The Medium-Term Management Plan advocates “Innovation for the Future” as the core policy.

The Company aims to strengthen operations and its management base by flexibly responding to changes in the printing market, enhancing corporate social responsibility (CSR) efforts and promoting environmental management against a backdrop of diversifying information media, rising interest in food reliability and safety, and stricter environmental regulation. It strives to achieve sustainable growth as a global company through expansion of core printing inks business and digital & specialty materials business and creation of new businesses that by applying technologies cultivated in core business areas.

Global demand shifting to environmentally friendly products, actively promoting development and rollout of new products in the market

2. Environmentally friendly product market is expanding

Looking at the trends in the printing ink market, the market is expanding for packaging printing ink (for printing on paper packaging, such as corrugated boards and containers; for printing on packaging film for food, cosmetics and toiletries, daily goods, and other products; and for printing on metal cans, such as beverage cans) which the Company is focusing on and which accounts for roughly 40% of the Japanese printing ink market.

Against the backdrop of environmental issues, global demand is shifting to environmentally friendly products. Therefore, not only in Japan, but also in Asia, the Americas, and Europe, there is significant room for expansion and development of the environmentally friendly, high-function, high-value-added ink market, centered on the packaging printing ink market.

Medium- and long-term growth strategy

Looking at characteristics of major markets, US and European markets require printing inks that are friendly to the environment and provide high functionality in film packaging for food items, cosmetics, toiletry goods, daily goods, and other areas, similar to the Japanese market. Additionally, these markets have started to reassess metal cans that are easily recycled amid rising awareness of environmental issues. In Asia, the printing ink market is expanding as a whole with population gains and economic growth as drivers. In China, stricter environmental regulations are fueling expansion of demand for environmentally friendly products.

3. Actively promoting development and rollout of new environmentally responsible products in the market

The Company is actively developing and rolling out environmentally responsible products in response to market trends that are conscious of sustainable development goals (SDGs).





Amid renewed interest in paper container packaging as environmentally friendly packaging, the Company's proprietary Botanical Ink series, which replaces some material with plant-derived alternatives and contains at least 10% in plant-derived materials in ink solid constituents, has already achieved inroads in a variety of packaging. Other product examples are high-sensitivity UV inks and EB-curable inks that contribute to curtailing CO₂ emissions by lowering energy consumption in printing. Furthermore, the Company is promoting increased sales of products that lengthen food expiration dates and reduce food losses, including gas barrier agents, ray barrier agents, moisture-proof coating agents, and low-carbon emission printing systems.

In new product releases for 2020, the Company acquired compliance certification from the US-based Association of Plastic Recyclers (APR) for the Genesis GS series of washable ink that simultaneously supports PET bottle and label recycling in April. It developed BSR-Bio Ink, a UV-curable inkjet ink with environmentally friendly features, in July that obtained a Botanical Ink mark with blended use of a plant-derived biomass material. With the addition of an inkjet product, it strengthened the line-up of environmentally friendly products supplied under the Botanical Ink series that already offers gravure, flexo, and offsetting printing inks.

As a response to rising awareness of anti-bacterial needs in packaging as well with increased emphasis on hygiene and safety driven by the impact of COVID-19, the Company reinforced its line-up in the Rab Coat series of anti-virus and anti-bacterial varnishes. These products supply excellent anti-virus effects and anti-bacterial effects with surface coatings and have acquired certification from the Society of International Sustaining Growth for Antimicrobial Articles (SIAA).

Medium- and long-term growth strategy

New product rollouts in 2020

<p><i>Improvements in reliability/safety and hygiene</i></p> <p>Anti-virus varnish</p> <p>◆ Rab Coat VV series</p> <ul style="list-style-type: none"> · Realizes an excellent anti-virus effect by coating on a paper surface · Acquired certification from the SIAA <p>(News release on August 26) http://www.inx.co.jp/news/2020-08-26-2591.html</p> 	<p><i>Improvements in reliability/safety and hygiene</i></p> <p>Anti-bacterial varnish</p> <p>◆ Rab Coat series</p> <ul style="list-style-type: none"> · Expands the line-up of varnishes that realize an anti-bacterial effect · Acquired certification from the SIAA <p>(News release on August 24) http://www.inx.co.jp/wp-content/uploads/20200824.pdf</p> 
<p><i>Environmentally responsible, sustainability</i></p> <p>Inkjet ink</p> <p>◆ BSR-Bio Ink</p> <ul style="list-style-type: none"> · UV-curable inkjet ink blended with a plant-derived biomass material · Supports the Botanical Ink mark <p>(News release on July 27) http://www.inx.co.jp/news/2020-07-27-2559.html</p> 	<p><i>Environmentally responsible, sustainability</i></p> <p>Washable ink</p> <p>◆ Genesis GS series</p> <ul style="list-style-type: none"> · Washable ink that supports simultaneous recycling of PET bottles and labels · Acquired compliance certification from the US-based Association of Plastic Recyclers (APR) <p>(News release on April 24) (US site) https://www.inxinternational.com/news/04-24-2020</p> 

Source: Reprinted from the Company's results briefing materials

Interested in new fields, particularly chemicals, with the aim of cultivating new pillars

4. Cultivating new business pillars

The Company aims to enter new areas targeting optical, mobility, energy, and other applications for the purpose of cultivating new business pillars beyond the field of ink as well.



Source: Reprinted from the Company's results briefing materials

We encourage readers to review our complete legal statement on "Disclaimer" page.

Medium- and long-term growth strategy

The Company focuses on four chemical areas (electronics chemicals, optochemicals, energy chemicals, and biochemical). Based on collaboration with a wide range of research entities, companies, and others, it has a policy of open innovation that targets commercializing strategic products, such as environmentally-friendly products, conductive inks, electronic circuit materials, refractive index adjustment agents, LED sealing agents, perovskite PV inks, functional coating agents, anti-bacterial and anti-virus coating agents, organic healthcare products.

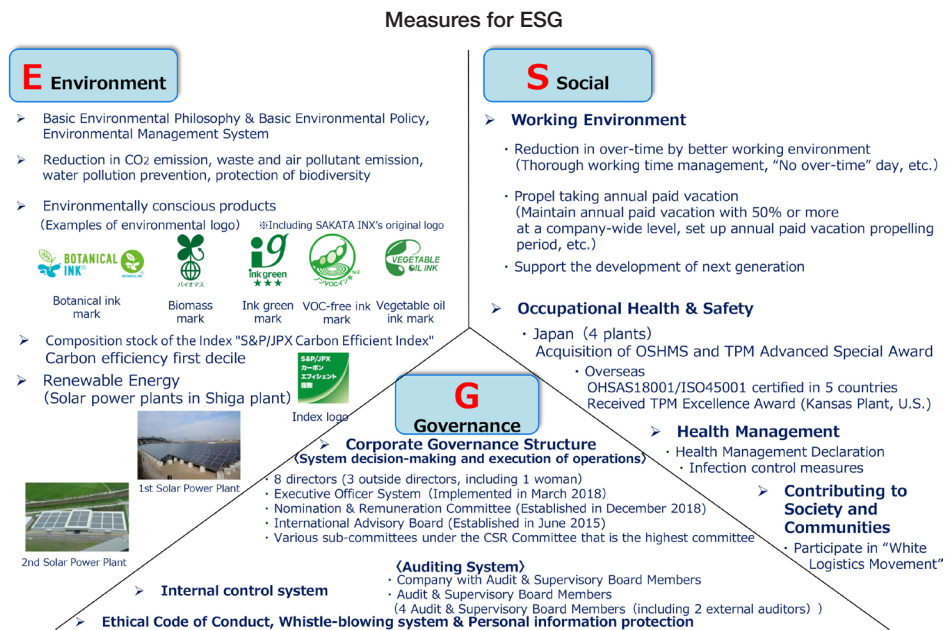
One example of an open innovation initiative is the Company's conclusion of an agreement on collaboration and cooperation in the data science area with Shiga University in March 2020. The Company hopes to accelerate product development through the industry-academia effort with Shiga University to facilitate application of data science technology to product development. It also formed a business alliance in the industrial inkjet printer area with UK-based Global Inkjet Systems (below, GIS) in July 2020. This effort collaboratively supplies industrial inkjet solutions with GIS to broaden business scope, such as development of digital ink that supports digital printing.

Furthermore, the Company is reinforcing collaboration with equity-method affiliate SIIX, which has part manufacturing and EMS businesses, for opportunities in electronics products. It seeks to build a value chain that extends from its own material development and selection capabilities to SIIX's mounting production and promote unique total solutions for refractive index adjustment agent and LED sealing agent materials based on optochemicals and electronic circuit materials sensor materials that use electronics chemicals.

Bolstering ESG and SDG efforts and broadly tackling domestic and global issues

5. Measures for ESG and the SDGs

The Company is strengthening measures for ESG (Environment, Society, Governance) and SDGs (Sustainable Development Target).



Source: Reprinted from the Company's results briefing materials

Medium- and long-term growth strategy

For E (Environment), the Company is strengthening its environmental management system, growing sales of its environmentally friendly products, which are one of its strengths; and progressing the introduction of renewable energy (such as installing a solar powered generator at the Shiga Plant). For S (Society), its measures include not only improving working environments by reducing overtime and enhancing occupational health and safety to ensure the safety of employees but also health management and promotion of contributions to society and local communities. For G (Governance), it has established a corporate governance structure (decision making and business execution systems, an audit system and an international advisory board), and is working to strengthen its functions.

In January 2017, the Company also received recognition as “a leading company in Osaka for empowering women.” Furthermore, in January 2019, its stock was selected as a constituent issue of the S&P/JPX Carbon Efficient Index, which is a stock index for ESG investment newly adopted by the GPIF.

Moreover, the Company is participating in the Clean Ocean Material Alliance, which was established by the Ministry of Economy, Trade and Industry in January 2019. In order to solve the problem of marine plastic waste, which is a new global issue, it will promote the sustainable use of plastic products and the development and introduction of alternative materials and accelerate innovation through partnerships between the public and private sectors. As of August 27, 2020, the Alliance had 261 participating companies and organizations.

The Company is working to develop new products with an awareness of being considerate to the environment. For example, on the point of reducing waste, one development it is advancing as a solution to a societal problem is an inkjet technology that allows for the production of small lots without having to use a plate. With respect to reducing CO₂ emissions, the Company is working to expand sales of the Botanical Ink series, which replaces certain materials with plant-derived ingredients. For the problem of food loss, the Company is developing products that will contribute to increasing the length of time that food can be stored through the use of gas barrier agents that prevent oxidation. In addition to the above, the Company is working to develop inks that are cured in ways that save energy, such as UV and EB, instead of traditional inks that are cured by heat-drying.

Anticipating a new growth stage led by environmentally-friendly products, global initiatives, and new fields

6. Anticipating a new growth stage

The worldwide shift towards environmentally-friendly products is gaining momentum, and there remains plenty of room for the markets to expand and develop. The Company's strengths include the development, lineup, and high market shares of environmentally friendly, high-function, and high-value-added products, and it has a track record of global development ahead of its industry peers as well as expertise in introducing products tailored to regional characteristics in each country.

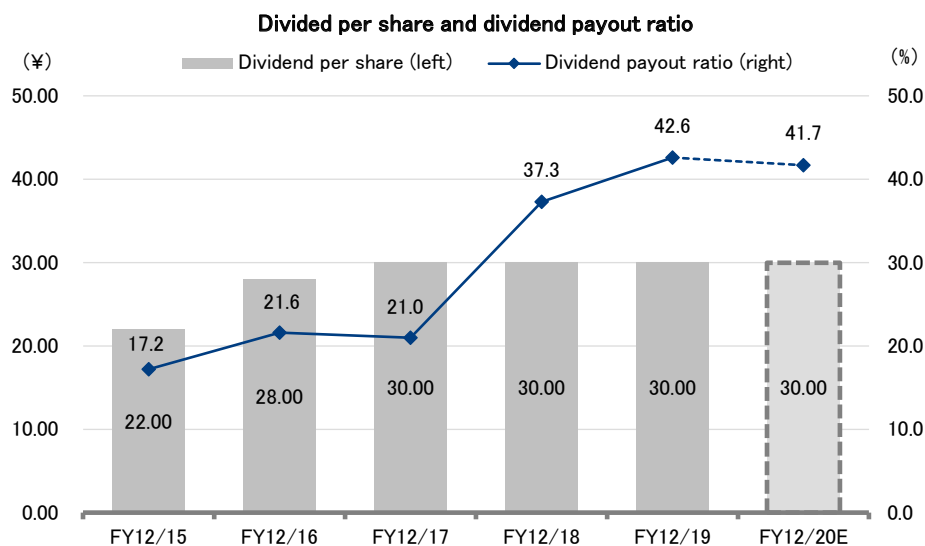
FISCO does not expect major changes in the business strategy of steadily increasing sales of environmentally friendly, high-functionality products and accelerating global initiatives. In addition, it anticipates contributions from activity in new areas and movement toward a new growth stage.

Shareholder return policy

Targeting a consolidated dividend payout ratio in the range of about 20% to 30%, and also 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 20% to 30%.

Based on this basic policy, the forecast for FY2020/12 is the same as for FY2019/12, with an annual dividend per share of ¥30 (¥15 at the end of first half, ¥15 at the end of the period). The Company lowered guidance but retained the dividend outlook. The forecast dividend payout ratio is 41.7%.



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

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



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