

## **Inabata & Co., Ltd. Financial Results for the Fiscal Year Ended March 2024**

### **Online Financial Results Briefing - Summary of Q&A Session**

Date and Time: Monday, June 3, 2024, 13:00-14:00

Presenter: President Inabata

#### **[Information & Electronics Segment]**

Q: Could you share your outlook for the business environment of flat panel display (FPD)-related products going forward?

A (Inabata): Concerning FPD-related products, we believe that while we have moved out of the inventory adjustment phase, a full-fledged recovery may still take some time. Also, in terms of smartphone replacements, the length of the replacement cycle for small and medium-sized flat models has grown substantially, and this is one reason why overall demand is sluggish. Accordingly, we expect the market to remain stagnant for the time being, and even if it does recover, it will probably be from the summer of 2024 onward.

#### **[Plastics Segment]**

Q: Could you share your outlook for naphtha prices and the market environment for plastics going forward?

A (Inabata): Domestic naphtha prices have been slightly higher, reflecting risks such as the recent situation in the Gaza Strip in the Middle East. In addition, given factors such as the weak yen, we expect prices to exceed 75,000 yen per kl in Japan. Moreover, labor and other various costs are also rising, but some of these costs still need to be factored into price revisions, and we expect prices to rise further once they have been factored in. As I explained earlier, the office automation market environment was particularly sluggish in the fiscal year ended March 2024 (FY03/24). Still, I believe that this was due to an over-recovery in office demand, which fell sharply after the COVID-19 pandemic, and that the current situation is a backlash against that recovery. Although we have already seen a gradual recovery, the office-less and paperless trend will likely continue to a certain extent even after the pandemic. Therefore, I believe that in the long term, the market will probably decline a bit more. In the short term, we see a recovery compared to last year. In addition, the office automation industry is very proactive about recycling materials, and we expect

that demand for recycled materials will pick up rapidly.

**[Resin compound investment]**

Q: What is the location and completion date of your plan to expand production bases in the compound business during the three years of the new NC2026 medium-term management plan? In the plastics business, you mentioned that you plan to expand in India and Mexico, high-growth regions in the automotive field. Do you also plan to establish a compounding production base in India?

A (Inabata): Regarding the expansion plan for resin compound production bases, we have yet to decide on the specific timing, etc. Still, the expansion will probably take place during NC2026, as orders in Mexico, where capacity utilization has been increasing, are currently strong. In Southeast Asia, the office automation-related business was sluggish last year and is recovering, but there is still no need to expand production capacity at this stage. As for India, we have yet to make any definite plans.

In addition, we are preparing to establish a resin compound joint venture with Daicel Corporation, with plans to set up the company in July 2024. We expect to roll out new technologies and production items from the joint venture to each of our compound production bases in the future.

In the compound business, sales volume was 128,000 tons and sales amounted to about 37 billion yen in FY03/24. We anticipate a slight increase in sales volume to about 135,000 tons and a recovery of sales to about 41 billion yen in FY03/25.

**[Business performance]**

Q: With regard to the NC2023 medium-term management plan that came to a close, what factors enabled you to achieve record-high sales and operating profit for the three consecutive fiscal years?

A (Inabata): Sales benefited from a tailwind of the continued weakening of the yen during the period. There was also a positive impact from newly consolidating subsidiaries in the final year of the plan. Other factors included higher-than-expected sales to the automotive sector in the plastics business, for example. On the other hand, we also had negative factors such as the weaker-than-expected office automation-related market environment

in the plastics business in the last year of the current fiscal year. In addition, while the FPD market was recovering, utilization at panel manufacturers remained sluggish for considerably longer than expected when we prepared the initial plan. Overall, although there were some unexpected factors in each area, we were able to grow what we needed to grow steadily.

**[New NC2026 medium-term management plan]**

Q: What were your intentions in newly presenting a capital allocation plan in NC2026?

A (Inabata): This is because we have received many questions about capital allocation in the past. For example, in IR interviews, we have often been asked whether the new medium-term plan will place more emphasis on growth investment or shareholder return, and what the scale of growth investment will be. Accordingly, we presented the plan in an easy-to-understand format beforehand. The operating cash flow of about 65.0 billion yen shown in the plan represents the cumulative net income forecast for three fiscal years (roughly 53.5 billion yen) plus the estimated depreciation and amortization for three fiscal years (about 11.5 billion yen).

Q: What are some of the key points of the company-wide growth strategy under NC2026?

A (Inabata): Previously, some have commented that our company's characteristics and advantages lie in our tendency to grow in a rather organic manner, growing steadily but not rapidly. However, based on our understanding that organic growth alone is not enough to ultimately achieve our long-term vision, we included aggressive investment in particular, among the pillars of our growth strategy in this medium-term plan. This means that, in addition to organic growth, we want to aggressively make investments, including acquiring majority stakes in companies, and we have made these types of investments to some extent, even during the NC2023 plan period. We will continue to target investment opportunities and steadily incorporate these into our operations to accelerate growth.

**[Sustainability Mid-term Plan]**

Q: You newly unveiled a Sustainability Mid-term Plan. What are some of the critical points of the plan?

A (Inabata): We announced our Sustainability Mid-term Plan alongside our financial results announcement in May 2024. The critical point is that we have set specific KPIs and targets in line with the materiality that we previously announced. For example, the plan describes what we must do, such as reducing GHG emissions. Still, at the same time, there are aspects of sustainability where taking action leads to business opportunities. Accordingly, from the perspective of gaining business opportunities, we have set specific targets, including achieving sales of at least 100 billion yen in environment-related businesses in FY03/27. In addition, we have also set detailed KPIs and targets for human capital, which we consider to be the most important capital, and we plan to work on utilizing it.