

Translation

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August 8, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Based on Japanese GAAP)

Company name: Inabata & Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 8098 URL <https://www.inabata.co.jp/english/>
 Representative: Director, President Katsutaro Inabata
 Executive Officer,
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 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2024	213,591	15.7	6,825	34.6	7,254	35.7	6,369	(17.5)
Three months ended June 30, 2023	184,557	0.3	5,071	(4.9)	5,346	(0.9)	7,721	69.3

Note: Comprehensive income For the fiscal year ended June 30, 2024: ¥15,413 million [10.8%]
 For the fiscal year ended June 30, 2023: ¥13,910 million [48.6%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2024	116.10		–	
Three months ended June 30, 2023	139.67		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of June 30, 2024	465,111		214,801		44.6	
As of March 31, 2024	427,320		206,754		46.8	

Reference: Equity

As of June 30, 2024: ¥207,455 million
 As of March 31, 2024: ¥200,166 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	55.00	–	65.00	120.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		60.00	–	65.00	125.00

(Note) Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated financial results for the year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

	Percentages indicate year-on-year changes								
	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2024	410,000	9.3	10,800	3.2	10,500	(1.5)	8,200	(34.6)	148.46
Full year	830,000	8.4	22,500	6.2	21,500	0.5	17,000	(15.0)	307.79

(Note) Revisions to the consolidated earnings forecasts most recently announced: None

4. Notes

- (1) Significant changes in the scope of consolidation during the period:
 Newly included: 4 companies (Novacel Co., Ltd. and 3 other companies) Yes
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
 Changes in accounting policies due to revisions to accounting standards and other regulations: No
 Changes in accounting policies due to other reasons: No
 Changes in accounting estimates: No
 Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	55,914,127 shares	As of March 31, 2024	55,914,127 shares
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Number of treasury shares at the end of the period

As of June 30, 2024	1,743,389 shares	As of March 31, 2024	680,789 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2024	54,857,463 shares	Three months ended June 30, 2023	55,281,520 shares
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Note: The Company has introduced the “Board Benefit Trust (BBT),” and shares of the Company held by this trust are included in the number of treasury shares to be deducted in the calculation of “Number of treasury shares at the end of the period” and “Average number of shares during the period.”

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: Yes (voluntary)

* Proper use of earnings forecasts, and other special matters

The above forecasts are based on information available to the Company as of the date of the announcement of this document and are not intended to be a commitment by the Company to achieve them. In addition, actual results may differ from the forecasts due to various factors in the future. For matters concerning earnings forecasts, please refer to “(3) Explanation of consolidated earnings forecasts and other forward-looking statements” of “1. Overview of operating results and others” on page 5 of the attached material.

Attached Material**Index**

1. Overview of operating results and others.....	2
(1) Overview of operating results for the period under review	2
(2) Explanation of financial position	5
(3) Explanation of consolidated earnings forecasts and other forward-looking statements	5
2. Consolidated financial statements and significant notes thereto.....	6
(1) Consolidated balance sheet	6
(2) Consolidated statement of income and consolidated statement of comprehensive income.....	8
Consolidated statement of income	8
Consolidated statement of comprehensive income.....	9
(3) Notes to quarterly consolidated financial statements	10
Notes to Segment information, etc.....	10
Notes in the case where there was a significant change in the amount of shareholders' equity	12
Notes on premise of going concern.....	12
Notes to quarterly consolidated statement of cash flows.....	12

1. Overview of operating results and others

(1) Overview of operating results for the period under review

During the three months ended June 30, 2024, the global economy was generally on a recovery trend, although there were differences by region.

In the U.S., the economy expanded as consumer spending and capital expenditure increased. In China, there was a moderate recovery mainly in production and exports, partly due to the effects of government policies. In emerging countries of Asia, the Indian economy expanded and the Indonesian economy picked up moderately. On the other hand, recovery stalled in Thailand. In Europe, the economy showed signs of recovery in both the Euro area and the U.K. mainly in the non-manufacturing sector.

In the Japanese economy, capital expenditure and production, etc. recovered moderately, and employment conditions and corporate earnings also improved.

Under this situation, the Group's consolidated net sales were ¥213,591 million (up 15.7% year-on-year) due to the effect of the yen's depreciation. As for profits, operating profit was ¥6,825 million (up 34.6% year-on-year) and ordinary profit was ¥7,254 million (up 35.7% year-on-year). Profit attributable to owners of parent was ¥6,369 million (down 17.5% year-on-year) due to absence of gain on bargain purchase in the three months ended June 30, 2024, which was recorded in the three months ended June 30, 2023.

The average exchange rate against US dollar during the three months ended June 30, 2024 was ¥155.85 (¥137.49 during the three months ended June 30, 2023).

	(Millions of yen)		
	Three months ended June 30, 2023	Three months ended June 30, 2024	Year-on-year (%)
Net sales	184,557	213,591	15.7% increase
Operating profit	5,071	6,825	34.6% increase
Ordinary profit	5,346	7,254	35.7% increase
Profit attributable to owners of parent	7,721	6,369	17.5% decrease

Operating results by segment are as follows.

Information & Electronics Business

In the Information & Electronics Business, net sales increased due to a recovery in sales related to flat panel displays (hereinafter, "FPDs") and inkjet printers.

For products related to FPDs, the recovery of end-user demand was sluggish, and sales of those for large TVs were weak, but sales for in-vehicle electronics and products for OLEDs were robust.

For LED-related products, sales were robust, mainly for outdoor displays in China, Europe, and the U.S.

For products related to inkjet printers, sales to consumers increased as inventory adjustments were completed. For industrial materials, sales of related materials also increased due to strong sales for food and beverage packaging applications, etc.

For copier-related products, sales of relevant materials increased due to the completion of inventory adjustment of toner for office use.

For products related to solar cells, sales decreased due to intensified global price competition, mainly affected by the spreading of inexpensive panels to Europe and other regions.

For products related to secondary cells, sales decreased against a backdrop of the slowdown in global EV sales.

For photomask-related products, sales of related materials increased both for semiconductors and for FPDs.

For semiconductor and electronics peripheral components, demand was on a recovery trend overall and sales increased.

As a result, net sales amounted to ¥74,050 million (up 30.0% year-on-year). Segment profit (operating profit) was ¥2,386 million (up 56.5% year-on-year).

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024	Year-on-year (%)
Net sales	56,948	74,050	30.0% increase
Segment profit (operating profit)	1,525	2,386	56.5% increase

Chemicals Business

In the Chemicals Business, sales increased as each business generally remained strong.

For resin materials/additives, sales were at the same level as the previous year due to an increase in export sales to overseas markets, etc., despite a decrease in sales of urethane-related products.

For materials for automotive parts, sales decreased due to discontinuation of handling some materials.

For coating/ink/adhesive area, sales remained strong in terms of both volume and unit prices.

For papermaking agents, sales increased as inventory adjustments for plain paper ran their course.

For products related to building materials, sales increased for imported lumber and apartments and condominiums.

As a result, net sales amounted to ¥28,831 million (up 5.8% year-on-year). Segment profit (operating profit) was ¥717 million (up 1.2% year-on-year).

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024	Year-on-year (%)
Net sales	27,257	28,831	5.8% increase
Segment profit (operating profit)	709	717	1.2% increase

Life Industry Business

In the Life Industry Business, sales increased due to strong sales of pharmaceuticals and other life science-related products.

For life science-related products, sales increased due to strong sales of pharmaceuticals as well as insect repellents and insecticide.

For food-related products, sales of agricultural products were weak due to sluggish sales of frozen fruits for overseas markets.

For fishery products, sales were robust for conveyor-belt sushi restaurants and mass retailers, but sales of processed fishery products and other ingredients for Japanese cuisine in the U.S. market declined sharply due to a drop in demand for restaurants and intensified competition, and overall sales of food-related products also decreased.

As a result, net sales amounted to ¥14,656 million (up 9.0% year-on-year). Segment profit (operating profit) was ¥390 million (up 56.2% year-on-year).

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024	Year-on-year (%)
Net sales	13,440	14,656	9.0% increase
Segment profit (operating profit)	249	390	56.2% increase

Plastics Business

In the Plastics Business, sales increased due to generally strong sales in each sector.

For products related to commodity resins, sales increased slightly due to strong sales of products for electric wire coatings and other applications.

For products related to high-performance resins, sales of products for OA/home appliances increased as inventory adjustments ran their course. For automotive-related products, sales to Japanese-affiliated automakers in China were sluggish. As for sales in Japan, Southeast Asia and the Americas, despite having earlier performed strongly in those regions, sales are currently weakening, particularly those to Japanese-affiliated automakers, and a production adjustment phase has begun. Sales in India, meanwhile, were strong.

For the compound business, sales recovered on the back of a return of demand from the automotive, OA/home appliance sectors.

Sales of polyolefin resins increased on the back of strong exports and increased inbound demand in Japan.

For film-related products, sales in the soft packaging area performed well on the back of increased inbound demand. In addition, both volume and unit prices increased in Japan as customers worked through inventories.

For sheet-related products, sales increased due to strong sales of sporting goods-related materials in both Japan and overseas.

The recycling material business grew steadily.

As a result, net sales amounted to ¥96,007 million (up 10.5% year-on-year). Segment profit (operating profit) was ¥3,295 million (up 29.1% year-on-year).

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024	Year-on-year (%)
Net sales	86,865	96,007	10.5% increase
Segment profit (operating profit)	2,552	3,295	29.1% increase

(2) Explanation of financial positionAssets

Total assets as of June 30, 2024 increased by ¥37,790 million compared with March 31, 2024 (up 8.8% from the end of the previous fiscal year) to ¥465,111 million.

The increase in current assets by ¥30,244 million was mainly due to increases in accounts receivable - trade, in cash and deposits and in merchandise and finished goods.

The increase in non-current assets by ¥7,545 million was mainly due to increases in intangible assets, in property, plant and equipment and in investment securities.

Liabilities

Total liabilities as of June 30, 2024 increased by ¥29,744 million compared with March 31, 2024 (up 13.5% from the end of the previous fiscal year) to ¥250,310 million.

The increase in current liabilities by ¥19,429 million was mainly due to increases in notes and accounts payable - trade and in short-term borrowings, despite a decrease in provision for bonuses.

The increase in non-current liabilities by ¥10,314 million was mainly due to an increase in bonds payable.

Net assets

Total net assets as of June 30, 2024 increased by ¥8,046 million compared with March 31, 2024 (up 3.9% from the end of the previous fiscal year) to ¥214,801 million. This was mainly attributable to an increase in foreign currency translation adjustment.

As a result, the equity ratio was 44.6% (down 2.2 points from March 31, 2024).

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

There are no changes to the consolidated earnings forecasts for the six months ending September 30, 2024 and the full year ending March 31, 2025, which were announced in the Consolidated Financial Results on May 9, 2024.

2. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	51,310	58,555
Notes receivable - trade	31,198	31,817
Accounts receivable - trade	175,264	193,009
Merchandise and finished goods	78,286	81,823
Work in process	1,938	2,623
Raw materials and supplies	4,843	5,071
Other	11,639	11,828
Allowance for doubtful accounts	(475)	(478)
Total current assets	354,006	384,251
Non-current assets		
Property, plant and equipment	18,625	20,444
Intangible assets	3,855	7,237
Investments and other assets		
Investment securities	34,872	36,467
Retirement benefit asset	9,346	9,423
Other	12,745	13,734
Allowance for doubtful accounts	(6,131)	(6,448)
Total investments and other assets	50,833	53,177
Total non-current assets	73,314	80,859
Total assets	427,320	465,111

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable – trade	127,702	140,221
Short-term borrowings	42,946	50,515
Income taxes payable	2,498	2,426
Provision for bonuses	1,863	1,360
Other	14,227	14,144
Total current liabilities	189,238	208,667
Non-current liabilities		
Bonds payable	7,500	17,500
Long-term borrowings	12,389	12,410
Provision for retirement benefits for directors (and other officers)	42	40
Provision for share awards for directors (and other officers)	262	275
Retirement benefit liability	2,343	2,442
Other	8,789	8,972
Total non-current liabilities	31,327	41,642
Total liabilities	220,565	250,310
Net assets		
Shareholders' equity		
Share capital	9,364	9,364
Capital surplus	7,177	6,573
Retained earnings	144,689	147,459
Treasury shares	(904)	(4,484)
Total shareholders' equity	160,327	158,913
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,289	10,957
Deferred gains or losses on hedges	595	710
Foreign currency translation adjustment	28,541	36,478
Remeasurements of defined benefit plans	412	394
Total accumulated other comprehensive income	39,838	48,541
Non-controlling interests	6,588	7,346
Total net assets	206,754	214,801
Total liabilities and net assets	427,320	465,111

(2) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	184,557	213,591
Cost of sales	167,616	193,933
Gross profit	16,940	19,657
Selling, general and administrative expenses	11,868	12,832
Operating profit	5,071	6,825
Non-operating income		
Interest income	86	189
Dividend income	510	486
Foreign exchange gains	74	-
Share of profit of entities accounted for using equity method	66	27
Miscellaneous income	247	273
Total non-operating income	985	976
Non-operating expenses		
Interest expenses	584	338
Foreign exchange losses	-	69
Miscellaneous losses	126	139
Total non-operating expenses	710	547
Ordinary profit	5,346	7,254
Extraordinary income		
Gain on sale of non-current assets	245	-
Gain on sale of investment securities	1,593	1,521
Gain on bargain purchase	3,419	-
Total extraordinary income	5,257	1,521
Extraordinary losses		
Loss on step acquisitions	225	-
Total extraordinary losses	225	-
Profit before income taxes	10,378	8,775
Income taxes - current	2,391	2,021
Income taxes - deferred	242	129
Total income taxes	2,633	2,151
Profit	7,744	6,624
Profit attributable to non-controlling interests	23	255
Profit attributable to owners of parent	7,721	6,369

Consolidated statement of comprehensive income

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	7,744	6,624
Other comprehensive income		
Valuation difference on available-for-sale securities	(857)	682
Deferred gains or losses on hedges	260	115
Foreign currency translation adjustment	6,738	7,999
Remeasurements of defined benefit plans, net of tax	(11)	(17)
Share of other comprehensive income of entities accounted for using equity method	36	10
Total other comprehensive income	6,165	8,789
Comprehensive income	13,910	15,413
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,705	15,071
Comprehensive income attributable to non-controlling interests	205	342

(3) Notes to quarterly consolidated financial statements**Notes to Segment information, etc.**

[Segment information]

I Three months ended June 30, 2023

1. Information on the amounts of net sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments				
	Information & Electronics	Chemicals	Life Industry	Plastics	Total
Net sales					
(1) Sales to external customers	56,948	27,257	13,440	86,865	184,511
(2) Intersegment sales or transfers	–	–	–	–	–
Total	56,948	27,257	13,440	86,865	184,511
Segment profit	1,525	709	249	2,552	5,037

	Others (Note) 1	Total	Adjustments	Amount recorded in the quarterly consolidated statement of income (Note) 2
Net sales				
(1) Sales to external customers	45	184,557	–	184,557
(2) Intersegment sales or transfers	–	–	–	–
Total	45	184,557	–	184,557
Segment profit	34	5,071	–	5,071

Notes: 1. “Others” category represents a business segment that is not included in reportable segments, and real estate leasing business.

2. The total amount of segment profit corresponds to operating profit in the quarterly consolidated statement of income.

2. Information about impairment loss of non-current assets or goodwill, etc., by reportable segment

(Gain on bargain purchase)

A bargain purchase occurred in conjunction with the Company making Maruishi Chemical Trading Co., Ltd. and its wholly-owned subsidiary Maruishi Techno Co., Ltd. into consolidated subsidiaries of the Company through the additional acquisition of shares. The amount of gain on bargain purchase recorded due to this event was ¥3,047 million for the three months ended June 30, 2024.

Gain on bargain purchase is an extraordinary income and is not included in the segment profit.

II Three months ended June 30, 2024

1. Information on the amounts of net sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments				
	Information & Electronics	Chemicals	Life Industry	Plastics	Total
Net sales					
(1) Sales to external customers	74,050	28,831	14,656	96,007	213,545
(2) Intersegment sales or transfers	–	–	–	–	–
Total	74,050	28,831	14,656	96,007	213,545
Segment profit	2,386	717	390	3,295	6,790

	Others (Note) 1	Total	Adjustments	Amount recorded in the quarterly consolidated statement of income (Note) 2
Net sales				
(1) Sales to external customers	45	213,591	–	213,591
(2) Intersegment sales or transfers	–	–	–	–
Total	45	213,591	–	213,591
Segment profit	34	6,825	–	6,825

Notes: 1. “Others” category represents a business segment that is not included in reportable segments, and real estate leasing business.

2. The total amount of segment profit corresponds to operating profit in the quarterly consolidated statement of income.

2. Information about impairment loss of non-current assets or goodwill, etc., by reportable segment

(Significant change in the amount of goodwill)

In the Plastics Segment, the Company, with the acquisition of the shares of Novacel Co., Ltd., included that company and its three consolidated subsidiaries in the scope of consolidation from the three months ended June 30, 2024.

As a result, goodwill of ¥2,977 million was recognized in the Plastics Segment. Since the allocation of the acquisition cost had not been completed, a provisional accounting process was implemented based on reasonable information available as of June 30, 2024.

Notes in the case where there was a significant change in the amount of shareholders' equity

The Company resolved, at the Board of Directors meeting held on May 9, 2024, to acquire treasury shares based on the provisions of Article 156 of the Companies Act which are applied by replacing terms and phrases pursuant to the provisions of Article 165, Paragraph 3 of the said act, and acquired 1,061,600 shares of treasury shares during the three months ended June 30, 2024. As a result, treasury shares increased by ¥3,579 million during the three months ended June 30, 2024, resulting in treasury shares of ¥4,484 million at the end of the first quarter.

Notes on premise of going concern

Not applicable.

Notes to quarterly consolidated statement of cash flows

A quarterly consolidated statement of cash flows for the three months ended June 30, 2024 is not prepared. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the three months ended June 30, 2023 and 2024 are as follows.

	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	¥895 million	¥1,011 million
Amortization of goodwill	–	¥1 million