Inabata & Co., Ltd. Financial Results for the Fiscal Year Ended March 2023
Online Financial Results Briefing - Summary of Q&A Session

Date and Time: Monday, June 5, 2023, 13:00-14:00
Presenter: President Inabata

[Investment in the Compound Business Equipment] (Refer to Presentation P44)

Q: I've noticed that there have been changes in the annual production capacity of your resin compound production sites, compared to the figures from the December briefing last year. Specifically, there's been an increase of 1,200 tons in Malaysia and 2,000 tons in the Philippines. Conversely, Indonesia has seen a decrease of 4,200 tons and Thailand by 1,200 tons. Can you explain if there have been any equipment reductions or enhancements during these past six months? Also, do you have plans for future equipment expansion?

A: The increase in production in Malaysia and the Philippines is due to efficiency improvements from equipment upgrades. In Indonesia, on the other hand, we have aging factories, and as old equipment has been replaced, we've been streamlining operations to a certain extent. Notably, in Indonesia, we're seeing a shift from traditional exports to increased domestic demand, such as in the automotive and household appliance sectors. In this transition, we've had to replace equipment, and as a result, our production capacity has slightly decreased. A similar situation has occurred in Thailand, where our capacity has declined slightly due to equipment replacement according to customers' requirements and applications. For Mexico, we completed an additional production line in the first half of FY2022, which has increased our production capacity from the previous 15,000 tons to over 22,000 tons. As for the investments planned for the fiscal year ending in March 2024, we will announce those once the decisions are finalized.

[Intensifying Investments for Future Growth] (Refer to Presentation P15, P31)

Q: Your NC2023 strategy emphasizes increased investments for future growth. How are these investments in key areas progressing?

A: Our company has historically focused on organic growth. While organic growth remains our fundamental strategy, we have articulated an intention to invest more aggressively during this medium-term plan period, and we have put in place measures to facilitate this. For example, we established a Business Planning Office dedicated to this purpose about two years ago to expedite the identification and detailed examination of potential investment projects. Though we've already made this public, a recent example of our investment initiatives is our participation in the establishment of a new US-based company involved with materials related to lithium-ion batteries. In the environmental sector, we've been particularly active in evaluating and undertaking investments in biomass power generation, focusing primarily on small- and medium-sized projects. We were successful in implementing one such project in the fiscal year ended in March 2023. Also previously announced is our ongoing effort to make DAIGO TSUSHO Co., Ltd., a food-processing related company, a subsidiary. We will continue to proactively identify and evaluate potential investment projects moving forward.

[Shareholder Returns] (Refer to Presentation P19)

Q: You've set a target total return ratio of around 50%. Is this expected to change for the fiscal year ending in March 2024?

A: No, we do not anticipate any changes. Regarding dividends, in line with our progressive dividend policy, we're planning for a five yen increase to 120 yen per share for the fiscal year ending March 2024. Assuming profits align with our plans, this will correspond to a dividend payout ratio of approximately 32%. As for share buybacks, we have already publicly announced in February that we're carrying out a buyback program from February 10th to the end of July of this year, capped at either 1.2 million shares or four billion yen. As of the end of May, we've already acquired over 870,000 shares, roughly three-quarters of our target. Decisions about future dividend increases or additional share buybacks will be made by considering a range of factors, including profit forecasts for the current fiscal year, the need for funds for growth investments, and the status of reducing cross-shareholdings, among others. Our intent is to maintain a total return ratio of around 50% as a guideline, and we'll announce any decisions promptly once they've been made.

[Outlook for Business Environment in Information & Electronics Segment] (Refer to Presentation P9)

Q: Could you share your outlook on the business environment and anticipated recovery timeline for Flat Panel Display (FPD)-related products within the Information & Electronics segment for the fiscal year ending March 2024?

A: This sector posed considerable challenges in the just-concluded fiscal year (FY03/2023), and we expect a recovery to take some time. For the fiscal year ending March 2024, our projections for shipment volumes vary by application. For TVs, we anticipate a steady performance, with shipments similar to last year at about 99%. For laptops, notebooks, monitors, and tablets, we foresee the current declining trend to continue, with our current forecast at roughly 94% compared to the previous year. Last year was very challenging for smartphones, but this fiscal year, we're projecting a minor improvement, expecting to reach about 103% of the previous year's performance. However, considering that smartphones don't hold a significant share when it comes to the total screen size within the market, we are not expecting a considerable overall operational boost. Recently, we've made progress in inventory reduction, and panel manufacturers' capacity utilization rates have improved somewhat from their lowest levels. Nevertheless, we expect a full recovery will still require more time, and our plans for this fiscal year reflect this perspective.

[Approach to Human Capital Utilization] (Refer to Presentation P24)

Q: Interest in the utilization of human capital is growing. Amid this trend, your company has been making strides with diverse initiatives aimed at leveraging human capital. What are the core principles driving your approach?

A: Our basic approach draws from our company's ethos, characterized by love and respect, “People come first, based on the spirit of love(ai) and respect(kei)”, and we assume that this essential spirit underlies all the initiatives we undertake. However, to truly embody these principles, we recognize the need to fully understand the people we aim to love and respect, appreciating their individual differences. For instance, as we continue our global expansion, we are engaging with people from diverse cultures and perspectives. It's crucial that we understand and respect this diversity. On the other hand, societal values are experiencing a significant shift, something that has been accelerated by the COVID-19 pandemic. We understand that the values we once held true may change over time, and what was once considered correct may no longer be the case. In response to this evolving diversity and changing values, we've implemented actions such as employee engagement surveys. These surveys allow us to interpret overall trends and shape the initiatives we need to undertake. We believe that through persistent and ongoing efforts, we can enhance our employees' trust in the company. Additionally, we're adopting visible measures like the introduction of a restricted share incentive plan for our employee shareholding association. Our objective is to boost engagement with the company and expand our human capital by enhancing employee motivation.