

Inabata & Co., Ltd. Financial Results for 1H FY03/26
Online Financial Results Briefing - Summary of Q&A Session

Date and Time: Monday, December 1, 2025, 13:00–14:00

Presenter: President Inabata

[Financial Results and Business]

Q: What were the factors behind all profit categories exceeding the initial forecast in 1H FY03/26?

A (Inabata): The main contributors were the Information & Electronics and Plastics segments, both of which outperformed expectations.

In Information & Electronics, we initially took a cautious view of the flat-panel display (FPD) market. We assumed that the effect of China's subsidy programs—mainly for household electronics—and other economic stimulus measures would taper off and that demand would weaken accordingly. However, demand remained stronger for longer than we had anticipated. In addition, sales of FPD-related materials for automotive applications and organic EL materials for mobile device applications, which we had conservatively estimated at the beginning of the fiscal year, performed better than expected and contributed positively to results.

In Plastics, the main driver of last fiscal year's recovery—particularly in Southeast Asia—was driven primarily by the rebound in production of office automation (OA)-related products, mainly printers. Various think tanks expect the OA market, especially the consumer segment, to have limited room for growth and to gradually contract over time. Based on this outlook, we anticipated some pullback from last year's strong recovery. However, demand in this segment remained relatively firm throughout 1H, resulting in performance that substantially exceeded expectations. Additionally, sales in areas such as grip tape for sports applications performed very well. Overall, the Plastics segment delivered better-than-expected results in the first half.

Q: On page 13 of the briefing material, the full-year operating profit outlook for the Information & Electronics and Plastics segments appears somewhat weak compared with 1H results.

Are there any factors that could cause performance to slow?

A (Inabata): As mentioned earlier, in Information & Electronics, China's economic stimulus measures—mainly affecting the FPD market—had a relatively positive impact in 1H. We expect this effect to diminish at some point, which would likely lead to production adjustments.

In Plastics, automotive-related performance has been mixed this fiscal year. In Southeast Asia, including Thailand, the market share of Japanese automakers appears to be declining slightly. Given these developments, we believe the outlook remains quite uncertain.

Additionally, although OA-related products were one of the key drivers of strong results in 1H, we expect demand to weaken in 2H. Among the three major printer manufacturers, two have announced plans that do not include production adjustments, while one has already begun to revise down its production plan for 2H. Our 2H forecast incorporates this and reflects a cautious stance.

That said, the foreign exchange rate, which hovered around the mid-JPY140/USD range during 1H, is now slightly above JPY155/USD. If the yen remains at this level, we expect the positive forex impact to offset the aforementioned negative factors, allowing full-year results to come in close to—or even above—our initial forecast.

Q: Based on the demand outlook for the end products that use your materials, what are your views on the earnings growth drivers for the next fiscal year and beyond?

A (Inabata): Our business portfolio is relatively diversified, so we are not concentrating on any single area. That said, in Plastics, we see overseas markets—particularly in Asia—as the main source of growth. In recent years, companies, especially Japanese manufacturers, have shown increasing interest in Thailand—where many final markets are in Europe—and especially in India. We are also actively allocating management resources, including personnel, to these regions. We believe these areas will clearly serve as growth drivers. In contrast, the environment & energy field has been one of the most challenging areas this fiscal year. With the abrupt slowdown in the EV market and oversupply in the solar panel sector, it has been difficult for any player to generate profits.

Nevertheless, as countries move toward circular economies, we believe global demand

for environmental and energy field will inevitably grow. Although this may not translate into the short-term gains, we view the sector as indispensable over the longer term and consider it an important future growth driver.

[Medium-Term Management Plan]

Q: What level of performance should we expect for the next fiscal year, the final year of NC2026?

A (Inabata): Regarding the initial targets for the final year of the medium-term management plan, we have already exceeded the target for profit attributable to owners of parent in the first year. Net sales, operating profit, and ordinary profit have not yet reached their final-year targets, but we believe they are well within reach.

I understand the question to be whether we intend to revise our outlook for the next fiscal year, the final year of NC2026. As we see this fiscal year with the impact of U.S. tariff policy, external conditions remain highly fluid. We will assess these factors carefully and expect to announce our business plan for the next fiscal year around May. Numerical targets will be disclosed at that time.

[Investment and Financing]

Q: On page 15 of the briefing material, you presented the one-year earnings contributions from the three acquired companies. Should we understand full-scale synergies with these companies are yet to come?

A (Inabata): While we have explained the one-year earnings contributions, we believe full-scale synergies are still ahead of us.

Among the three companies presented, Novacel in particular is advancing various initiatives aimed at generating genuine synergies—such as reviewing production processes and developing new grades—to help raise the overall level of our compounding business. In the future, we expect these efforts to extend beyond the compounding business and benefit the entire Plastics business.

As for the other two investments—Daigo Tsusho and Satoen—Daigo Tsusho has achieved a certain degree of success in e-commerce sales. Satoen, meanwhile, has a

very strong customer base built through paper-based catalog sales. By leveraging each company's sales channels and promoting cross-selling, we expect synergies to emerge. Matcha, one of Satoen's key products, is currently experiencing robust demand, with strong inquiries from overseas. By utilizing our overseas trading bases, we believe there is significant potential to expand sales internationally.

Q: Looking at the earnings contributions so far, it appears that your growth investments have produced certain results. Could you share your views on investment once again?

A (Inabata): Our investments serve a range of objectives, but they can broadly be divided into two categories. The first is the most conventional type: investing to strengthen functions we already possess. This includes enhancing manufacturing and processing capabilities that can partially substitute for the functions of our customers or suppliers, as well as reinforcing our logistics capabilities. By strengthening these functions, we can enhance our added value as a company, which in turn will reinforce our competitive strengths. Key focus areas here include automotive-related, environmental, and food processing fields. The second category involves investing in areas where overall market growth potential is extremely high, even though our current market share may not be very large. Specifically, this includes the semiconductor field—which is certain to grow—and recycled plastics within the environmental business. While organic growth and steadily refining the functions we have cultivated remain important, in areas where such efforts alone will not allow us to keep pace in terms of timing, we intend to pursue investment proactively. One additional point I would note is that, when considering investments, we place great importance on whether there is room for us to apply and leverage our own functions. This is one respect in which our investment approach differs from that of financial institutions or investment funds.

Q: Regarding the investment projects on page 16 of the briefing material, including your investment in REFINVERSE, which manufactures recycled resin, could you tell us about your initiatives in the recycled resin field? Also, if you have any near-term plans to expand resin compounding capacity, please share them.

A (Inabata): In the recycled resin business, in addition to REFINVERSE, we are gathering

information from various sources and continue to look for opportunities for business partnerships and other forms of collaboration.

As for resin compounding, our current total capacity is a little over 195,000 tons. Through routine equipment replacement, there may be instances where capacity increases—for examples, by boosting extrusion throughout—but these are essentially handled within our regular capital investment cycle. At this stage, we have no specific expansion plans, and for the time being we expect to be able to meet demand with our current capacity.