

Inabata & Co., Ltd. Financial Results for FY03/26

Online Financial Results Briefing

Summary of Q&A Session

Date and Time: Thursday, June 4, 2026, 13:00–14:00

Presenter: President Inabata

In addition to a summary of the questions and answers from the briefing session, this document also includes certain supplementary Q&A items (questions marked with an asterisk [*]) that provide further clarification on matters the Company considers particularly important.

[Financial Results and Business]

Q: How do you assess the impact of the worsening situation in the Middle East on your business performance?

A (Inabata): Regarding the impact of the worsening situation in the Middle East, movements in naphtha prices are a key factor affecting our business performance.

Japan's annual demand for naphtha is estimated at approximately 35 million kiloliters. Around 60% of this volume is imported, and roughly 70% of those imports are said to originate from the Middle East. As such, there is no doubt that the deteriorating situation in the Middle East will have a significant impact on our business. However, at present, it is difficult to predict factors such as how long the situation will continue.

Accordingly, we have not incorporated any impact into our earnings forecast, as it is currently not possible to make a reasonable estimate. That said, I would like to briefly discuss the potential impacts based on the current situation.

The first impact relates to rising prices. The domestic naphtha price for the fiscal year ended March 2026 was approximately ¥66,000 per kiloliter. Recently, however, it has surged to over ¥100,000 per kiloliter. This short-term increase of more than 50% in naphtha prices will drive up prices for petrochemical derivatives across the board. In particular, solvent-related products and polyolefin-related products tend to be affected relatively quickly, and we are already seeing significant price increases in these areas.

The second impact concerns volume. If the situation becomes prolonged, securing

petrochemical derivatives, including naphtha, could itself become a major challenge. What we are seeing at present is essentially advance purchasing. Customers are seeking to build up inventories as quickly as possible, and as a result, shipment volumes in April and May have exceeded usual levels.

Part of this increase is likely attributable to purchases made ahead of expected price hikes. However, underlying demand is not rising sharply, so we believe there will eventually be a pullback. That said, it is difficult to predict when the pullback will occur or how significant it will be.

At times like these, a trading company's procurement capabilities and sourcing function within the supply chain are put to the test. We believe this is one of the most critical moments for us to demonstrate our value as a trading company. By leveraging not only our operations in Japan but also our network of overseas offices to gather a wide range of information and maintain supply chains, we intend to fulfill our role as a trading company.

Q: Could you explain the key points behind the earnings forecast for the fiscal year ending March 2027?

A (Inabata): First, I will begin with the assumptions regarding the external environment. For foreign exchange rates, we have assumed ¥155 per U.S. dollar based on current market levels.

Regarding the sensitivity of our earnings to exchange rate fluctuations, a ¥1 depreciation of the yen against the U.S. dollar would have a positive impact of approximately ¥3.5 billion on net sales and roughly ¥80 million on operating profit.

As for domestic naphtha prices, our forecast for the fiscal year ending March 2027 is based on an assumption of higher than ¥90,000 per kiloliter.

For the fiscal year ending March 2027, we expect the Information & Electronics segment to face some challenges, while the other three segments are expected to offset this weakness. One reason for the anticipated weakness in Information & Electronics is the slowdown in our mainstay flat panel display (FPD)-related business, which performed strongly throughout the previous fiscal year.

This strength was supported in part by factors such as government subsidies for

household electronics in China. However, panel production has slowed since the second half of last year, and we expect market conditions to remain subdued throughout the current fiscal year, with inventory adjustments likely to be unavoidable. Another factor relates to the Environment and Energy field. Under our current medium-term management plan, we had particularly high expectations for secondary battery-related business for electric vehicles (EVs). However, amid headwinds such as the global slowdown in EV sales, it has become clear that both market growth and our sales in this area will take longer to materialize than originally anticipated. For these reasons, we expect Information & Electronics to continue facing challenges this fiscal year.

On the other hand, in the Chemicals and Plastics segments, while it remains difficult to predict how long the current moves to secure inventories, driven by concerns over the procurement of naphtha-based feedstocks, will continue, or when any subsequent pullback may occur. However, rising raw material prices generally have a positive impact on our earnings.

From the perspective of actual demand, the automotive sector is an area of key focus within the Plastics segment. Although Japanese automotive parts manufacturers are facing challenges globally, we have steadily expanded business not only with Japanese manufacturers but also with non-Japanese manufacturers through our overseas bases. Within the Plastics segment, some businesses are performing very well despite still being modest in scale, such as grip tape products for sporting goods applications. We believe there is ample potential to continue broadening the scope of our businesses going forward.

<Shareholder Returns>

Q: What was the rationale for revising the shareholder return policy during the course of the medium-term management plan? In particular, what considerations led to the introduction of DOE?

A (Inabata): Some investors may have found the change somewhat unexpected, given that it was made during the course of the medium-term management plan. Throughout the plan period, however, our business performance has been strong, with profit attributable to owners of parent exceeding the final-year target in the first year of the plan. As a result, shareholders' equity has accumulated, which has in turn led to a slight decline in ROE.

In response, as we explained in our discussion of capital allocation, we are of course committed to accelerating growth investments to further enhance earnings and profitability. At the same time, we believed it was necessary to clearly demonstrate our intention to allocate profits appropriately in light of the level of shareholders' equity. Based on this thinking, we decided to introduce DOE as a new shareholder return metric.

We had previously targeted a total payout ratio of around 50%. We have now clarified this policy by specifying that, in principle, the total payout ratio will be maintained at 50% or higher in each fiscal year, thereby seeking to meet the expectations of our shareholders and investors more explicitly.

Through this revision of our basic shareholder return policy, we hope investors will recognize our strong commitment to improving capital efficiency. We will continue working to ensure that this commitment is reflected positively in our share price.

<Growth Driver>

Q: It appears that achieving ¥100 billion in sales in the Environment and Energy field by around 2030 has become considerably more challenging. How do you plan to approach this business going forward? (*)

A: The main products in the Environment and Energy field are solar power-related and lithium-ion battery-related products. Over the past several years, however, the business environment has deteriorated rapidly due to factors such as headwinds facing renewable energy and slowing EV sales, and our business in this area has also struggled.

In the solar power-related business, price competition has intensified in certain regions where low-cost panels and related products are widely available. As a result, sales declined significantly in the fiscal year ended March 2026. In the lithium-ion battery-related business, the global slowdown in EV sales has weighed on demand, leading to a substantial decline in sales, particularly in the fiscal year ended March 2025.

Looking ahead, in the solar power-related business, we will focus on regions such as North America and India, where the impact of price competition is relatively limited, as we work to rebuild the business. In the lithium-ion battery-related business, we will shift our focus toward India and ASEAN, where demand continues to expand, while also strengthening our efforts in the energy storage battery applications in Europe and North

America, where demand is growing.

In addition, the environment surrounding the energy sector is undergoing significant changes due to developments such as the worsening situation in the Middle East and the sharp increase in electricity demand associated with the spread of AI. Specifically, the risks associated with dependence on the Middle East for crude oil and naphtha supplies have become more apparent, prompting countries to pursue greater self-sufficiency in resources and energy supply. Furthermore, rising crude oil prices and the rapid expansion of data centers have led to renewed interest in renewable energy as a comparatively low-cost source of power.

Taking these developments into account, we intend to determine the direction of our initiatives in this field as we formulate our next medium-term management plan.

Q: Sales of resins for automotive applications appear to have grown at a slower pace in recent years. Are your initiatives in this area progressing as planned? (*)

A: Let me first review the market environment. In the first year of the current medium-term management plan, the fiscal year ended March 2025, automobile production volumes were sluggish due in part to issues involving certification irregularities at certain automakers. The fiscal year ended March 2026 began amid concerns over the impact of U.S. tariff policies. While some regions, such as Mexico, were affected, we believe global automobile production ultimately increased modestly year on year.

Against this backdrop, our automotive resin business achieved sales growth in both the first and second years of the current medium-term management plan. While Japanese automotive manufacturers, which are our main customers, generally faced challenges, growth was supported by the expansion of business with non-Japanese customers, an area we have been focusing on. Looking ahead, particularly in markets such as China, where Japanese manufacturers are expected to continue facing difficulties, we intend to further expand business with non-Japanese customers.

From a regional perspective, we are placing particular emphasis on India and Mexico. Our business in India continues to expand steadily, with sales increasing by approximately 30% year on year in the fiscal year ended March 2026. As automotive manufacturers continue to expand their operations in India, we expect further growth potential in this

market. Accordingly, we plan to further strengthen our structure there and continue focusing on the region.

In contrast, sales in Mexico for the fiscal year ended March 2026 remained broadly in line with the previous fiscal year. Customer production adjustments resulting from the impact of U.S. tariff policies weighed on business activity. Nevertheless, when looking at the overall automotive supply chain in the Americas, including North America, we believe Mexico will become even more important. As such, we intend to maintain our focus on the Mexican market going forward.

<M&A and investment>

Q: The three companies acquired through M&A are making solid contributions. Are you considering additional M&A opportunities going forward? If so, what types of businesses are you targeting? (*)

A: Yes, we intend to continue pursuing M&A opportunities going forward. At the same time, we believe it is extremely important to provide investors with ongoing updates regarding acquired businesses, including details of their operations and earnings contributions, as we have done this time.

When considering M&A and other investments, we broadly evaluate opportunities from two perspectives. The first is investments aimed at strengthening our business functions, such as manufacturing and processing capabilities that can partially complement or substitute functions traditionally performed by customers or manufacturers.

By enhancing these capabilities, we can increase the added value of our businesses while also differentiating ourselves from other trading companies, thereby enhancing both growth potential and profitability.

The primary target areas for such investments are expected to include automotive-related businesses, environment-related businesses, and lifestyle industry businesses such as food.

The second perspective is investments in markets with high growth potential that we want to focus on in particular going forward. Specific examples include businesses related to semiconductors and recycled plastics. Through such investments, we aim to achieve growth at a pace that would be difficult to realize through organic growth investment alone.

For both categories of investment, we intend to focus on opportunities where substantial synergies can be expected with our existing businesses, and where we can expect not only expansion in earnings scale but also in ROE and profit margins.

<Management Conscious of Cost of Capital and Share Prices>

Q: Despite solid business performance, the Company's PBR has remained below 1.0x. You have stated that you intend to strengthen management initiatives with a greater focus on cost of capital and share price performance. What specific measures are you considering? (*)

A: We believe that the primary reason our PBR has yet to consistently exceed 1.0x is that market expectations for our future growth remain insufficient and, as a result, our PER remains at a relatively low level. Under the current medium-term management plan, we have accelerated growth strategies, including M&A activities. As outlined in "Business Investments and Earnings Contributions" (page 12), these efforts have enabled us to steadily raise our earnings level. Although our PER remains relatively low, it has been rising. We are currently considering additional investment opportunities, including M&A transactions, and intend to pursue such initiatives even more proactively going forward. At the same time, during both the first and second years of the current medium-term management plan, profit attributable to owners of parent exceeded our original targets. As a result, shareholders' equity has accumulated at a faster pace, which has in turn led to a slight decline in ROE. We view this as a new management challenge. Accordingly, at this point in time, with NC2026 entering its final year, we have strengthened our shareholder return policy and reaffirmed our commitment to improving capital efficiency. By advancing these two key initiatives—accelerating growth and enhancing capital efficiency—we aim to achieve, as early as possible, a share price level that consistently supports a PBR above 1.0x.