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On **August 6, 2020**, Inabata & Co., Ltd. announced earnings results for Q1 FY03/21.

Cumulative (JPYmn)	FY03/19				FY03/20				FY03/21	FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	% of 1H	1H Est.	% of Est.	FY Est.
Sales	158,248	322,474	488,080	634,740	153,461	307,615	458,573	600,312	128,701	49.5%	260,000	23.4%	550,000
YoY	6.4%	5.8%	4.9%	2.2%	-3.0%	-4.6%	-6.0%	-5.4%	-16.1%		-15.5%		-8.4%
Gross profit	11,748	23,637	36,025	47,257	11,658	23,541	35,330	46,259	9,763				
YoY	7.1%	7.4%	6.9%	5.4%	-0.8%	-0.4%	-1.9%	-2.1%	-16.3%				
GPM	7.4%	7.3%	7.4%	7.4%	7.6%	7.7%	7.7%	7.7%	7.6%				
SG&A expenses	8,259	16,531	24,740	33,226	8,151	16,415	24,895	33,029	7,535				
YoY	-5.5%	-13.3%	-10.6%	-14.6%	-1.3%	-0.7%	0.6%	-0.6%	-7.6%				
SG&A ratio	5.2%	5.1%	5.1%	5.2%	5.3%	5.3%	5.4%	5.5%	5.9%				
Operating profit	3,488	7,105	11,284	14,031	3,507	7,126	10,435	13,229	2,227	55.7%	4,000	23.4%	9,500
YoY	56.1%	141.7%	87.4%	135.3%	0.5%	0.3%	-7.5%	-5.7%	-36.5%		-43.9%		-28.2%
OPM	2.2%	2.2%	2.3%	2.2%	2.3%	2.3%	2.3%	2.2%	1.7%		1.5%		1.7%
Recurring profit	3,795	7,154	11,444	14,309	4,377	7,941	11,587	14,211	3,072	69.8%	4,400	30.7%	10,000
YoY	33.8%	112.3%	72.6%	124.5%	15.3%	11.0%	1.2%	-0.7%	-29.8%		-44.6%		-29.6%
RPM	2.4%	2.2%	2.3%	2.3%	2.9%	2.6%	2.5%	2.4%	2.4%		1.7%		1.8%
Net income	3,700	6,247	11,331	12,896	3,054	6,738	9,113	11,415	2,020	53.2%	3,800	23.8%	8,500
YoY	25.9%	128.8%	48.3%	91.2%	-17.5%	7.9%	-19.6%	-11.5%	-33.9%		-43.6%		-25.5%
Net margin	2.3%	1.9%	2.3%	2.0%	2.0%	2.2%	2.0%	1.9%	1.6%		1.5%		1.5%

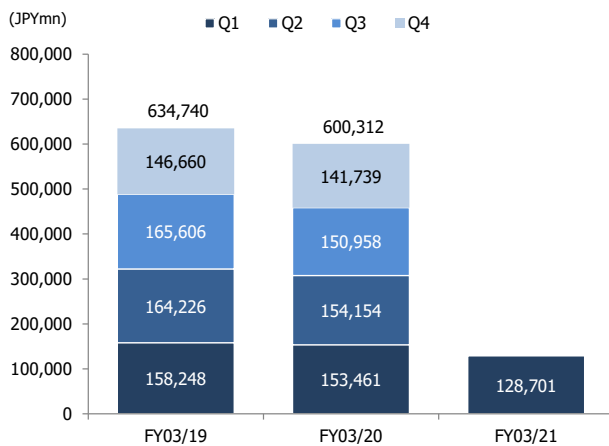
  

Quarterly (JPYmn)	FY03/19				FY03/20				FY03/21
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sales	158,248	164,226	165,606	146,660	153,461	154,154	150,958	141,739	128,701
YoY	6.4%	5.2%	3.2%	-5.9%	-3.0%	-6.1%	-8.8%	-3.4%	-16.1%
Gross profit	11,748	11,889	12,388	11,232	11,658	11,883	11,789	10,929	9,763
YoY	7.1%	7.7%	5.9%	0.7%	-0.8%	-0.1%	-4.8%	-2.7%	-16.3%
GPM	7.4%	7.2%	7.5%	7.7%	7.6%	7.7%	7.8%	7.7%	7.6%
SG&A expenses	8,259	8,272	8,209	8,486	8,151	8,264	8,480	8,134	7,535
YoY	-5.5%	-20.0%	-4.7%	-24.3%	-1.3%	-0.1%	3.3%	-4.1%	-7.6%
SG&A ratio	5.2%	5.0%	5.0%	5.8%	5.3%	5.4%	5.6%	5.7%	5.9%
Operating profit	3,488	3,617	4,179	2,747	3,507	3,619	3,309	2,794	2,227
YoY	56.1%	413.8%	35.6%	-	0.5%	0.1%	-20.8%	1.7%	-36.5%
OPM	2.2%	2.2%	2.5%	1.9%	2.3%	2.3%	2.2%	2.0%	1.7%
Recurring profit	3,795	3,359	4,290	2,865	4,377	3,564	3,646	2,624	3,072
YoY	33.8%	530.2%	31.6%	-	15.3%	6.1%	-15.0%	-8.4%	-29.8%
RPM	2.4%	2.0%	2.6%	2.0%	2.9%	2.3%	2.4%	1.9%	2.4%
Net income	3,700	2,547	5,084	1,565	3,054	3,684	2,375	2,302	2,020
YoY	25.9%	-	3.5%	-	-17.5%	44.6%	-53.3%	47.1%	-33.9%
Net margin	2.3%	1.6%	3.1%	1.1%	2.0%	2.4%	1.6%	1.6%	1.6%

Source: Shared Research based on company data

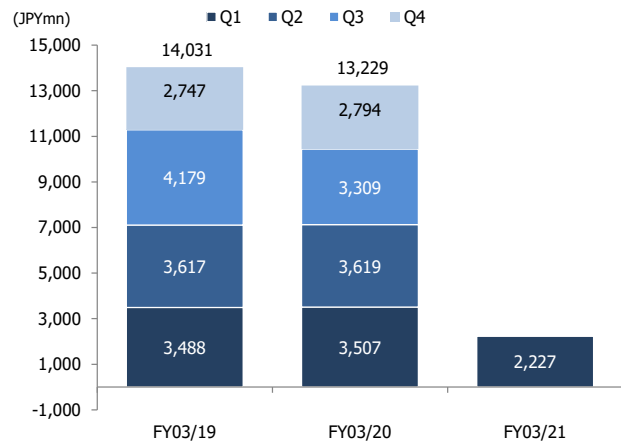
Note: Figures may differ from company data due to differences in rounding methods.

### Quarterly sales



Source: Shared Research based on company data

### Quarterly operating profit





## Q1 FY03/21 results (out August 6, 2020)

### Overview

Results for Q1 FY03/21 (April 2020–June 2020)

- ▷ Sales: JPY128.7bn (-16.1% YoY)
- ▷ Operating profit: JPY2.2bn (-36.5% YoY)
- ▷ Recurring profit: JPY3.1bn (-29.8% YoY)
- ▷ Net income\*: JPY2.0bn (-33.9% YoY)

\*Net income attributable to owners of the parent

Reasons for decreased sales and profits: As a result of the worldwide spread of the novel coronavirus disease (COVID-19), the global economy was extremely weak in April–June, with tough conditions in a wide range of countries and regions, from developed economies, including the US, China, and the leading countries in the eurozone, to emerging economies in Asia, including Indonesia, Thailand, and India. Conditions were equally tough in Japan as the spread of COVID-19 adversely impacted employment and contributed to a rapid decline in exports and production and a deterioration in corporate earnings. While there have been signs of the Japanese and global economies bottoming out and beginning to recover, conditions remain tough and there remains a great deal of uncertainty over the direction of these economies moving forward. Against such a backdrop, performance during Q1 FY03/21 was rather weak across all four segments, including the mainstay Information & Electronics and Plastics, with sales declining 16.1% YoY and operating profit down 36.5% YoY.

### Information & Electronics

- ▷ Segment sales: JPY53.0bn (-3.7% YoY)
- ▷ Segment (operating) profit: JPY1.2bn (+0.1% YoY)
- ▷ Summary: Sales on an overall basis declined amid sluggish sales in the segment's mainstay products.
- ▷ LCD-related business: Despite firm capacity utilization at Chinese panel manufacturers, sales of polarizing plates declined on a deterioration in market share. Specification changes contributed to a downturn in sales of polarizing plate materials.
- ▷ LED-related business: Sales of materials used in outdoor displays declined.
- ▷ Inkjet printer-related business: With more people telecommuting, sales of inkjet printer-related products in the consumer market were up. However, sales on an overall basis were flat as a sharp drop in commercial printing contributed to a decline in sales of materials used in the industrial market.
- ▷ Photocopier-related business: Material sales declined as the increase in the number of people telecommuting contributed to a sharp downturn in demand for toner at offices.
- ▷ Solar cell-related business: Material sales declined on the lack of large system deliveries and the spread of COVID-19 contributing to reduced operations at mainstay customers.
- ▷ Secondary battery-related: The new business launch contributed to an expansion in material sales.
- ▷ Photomask-related: Material sales declined as the spread of COVID-19 eroded demand.
- ▷ Semiconductor and electronic component-related: Despite lackluster automotive demand, sales were flat overall on favorable data center and telecommunications-related demand, including for 5G products.

### Chemicals

- ▷ Segment sales: JPY15.3bn (-15.8% YoY)
- ▷ Segment profit: JPY226mn (-36.7% YoY)
- ▷ Summary: The spread of COVID-19 contributed to sluggish sales of automotive materials and a decline in sales in the segment as a whole.

- ▷ Ingredients and additives for resins: Sales were generally sluggish.
- ▷ Automotive materials: Sales to Southeast Asia were weak.
- ▷ Pigment ingredients and intermediates for paint, ink, and adhesives: Packaging material-related sales were flat, but automotive-related sales declined.
- ▷ Chemicals for the paper industry: Sales were generally flat.
- ▷ Building materials-related materials: Sales were down as the spread of COVID-19 brought some construction projects to a halt.

### Life Industry

- ▷ Segment sales: JPY8.1bn (-14.8% YoY)
- ▷ Segment profit: JPY309mn (-21.6% YoY)
- ▷ Summary: The spread of COVID-19 contributed to a decline in sales in food-related and life sciences-related products.
- ▷ Life sciences-related products: Sales of pharmaceutical ingredients declined as environmental regulations and the spread of COVID-19 contributed to delays in the reopening of supply lines from China.
- ▷ Home products: Sales were firm in insecticide and repellent-related materials.
- ▷ Foods: In marine products, domestic sales of processed imported goods for the restaurant industry were weak. Despite a recovery in the second half of Q1, sales of sliced processed fish meats for conveyor belt sushi outlets were down for the quarter. Sales of seafood products for the restaurant industry in the US decreased. In the agricultural product area, stay-at-home demand contributed to firm sales of frozen vegetable fruit products in Japan. Sales of frozen blueberries increased in South Korea.

### Plastics

- ▷ Segment sales: JPY52.3bn (-26.1% YoY)
- ▷ Segment profit: JPY470mn (-69.4% YoY)
- ▷ Summary: Sales declined on lower plastic prices and the adverse effects from the spread of COVID-19.
- ▷ General-purpose resins: With the exception of some food-related resins and PC and gaming equipment-related resins, sales were generally down.
- ▷ High-performance resins: Domestic and overseas sales of automotive, office automation, and electric appliance-related resins were down. The decline in sales was particularly sharp for automotive-related applications and in Southeast Asian countries enduring lockdowns, including Indonesia, India, and The Philippines.
- ▷ Film-related materials: Sales were firm for packaging materials used in the home, for home meal replacements, and for vegetables, but sales were flat overall on a downturn in sales for convenience stores, restaurants, and recreation uses.
- ▷ Sheet-related materials: Beverage-related sales to convenience stores and fast food outlets declined.
- ▷ Sporting goods-related materials: Grip tape sales declined sharply on the cancellation of numerous sporting events and competitions in Japan and overseas.

## Company forecast for FY03/21

(JPYmn)	FY03/18			FY03/19			FY03/20			FY03/21
	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	FY Est.
<b>Sales</b>	<b>304,900</b>	<b>316,237</b>	<b>621,137</b>	<b>322,474</b>	<b>312,266</b>	<b>634,740</b>	<b>307,615</b>	<b>292,697</b>	<b>600,312</b>	<b>550,000</b>
YoY	5.6%	6.2%	5.9%	5.8%	-1.3%	2.2%	-4.6%	-6.3%	-5.4%	-8.4%
CoGS	282,888	293,394	576,282	298,837	288,645	587,482	284,074	269,979	554,053	
<b>Gross profit</b>	<b>22,011</b>	<b>22,843</b>	<b>44,854</b>	<b>23,637</b>	<b>23,620</b>	<b>47,257</b>	<b>23,541</b>	<b>22,718</b>	<b>46,259</b>	
GPM	7.2%	7.2%	7.2%	7.3%	7.6%	7.4%	7.7%	7.8%	7.7%	
SG&A expenses	19,072	19,819	38,891	16,531	16,695	33,226	16,415	16,614	33,029	
SG&A-to-sales ratio	6.3%	6.3%	6.3%	5.1%	5.3%	5.2%	5.3%	5.7%	5.5%	
<b>Operating profit</b>	<b>2,939</b>	<b>3,023</b>	<b>5,962</b>	<b>7,105</b>	<b>6,926</b>	<b>14,031</b>	<b>7,126</b>	<b>6,103</b>	<b>13,229</b>	<b>9,500</b>
YoY	-48.2%	-56.4%	-52.7%	141.7%	129.1%	135.3%	0.3%	-11.9%	-5.7%	-28.2%
OPM	1.0%	1.0%	1.0%	2.2%	2.2%	2.2%	2.3%	2.1%	2.2%	1.7%
<b>Recurring profit</b>	<b>3,369</b>	<b>3,005</b>	<b>6,374</b>	<b>7,154</b>	<b>7,155</b>	<b>14,309</b>	<b>7,941</b>	<b>6,270</b>	<b>14,211</b>	<b>10,000</b>
YoY	-47.5%	-58.6%	-53.4%	112.3%	138.1%	124.5%	11.0%	-12.4%	-0.7%	-29.6%
RPM	1.1%	1.0%	1.0%	2.2%	2.3%	2.3%	2.6%	2.1%	2.4%	1.8%
<b>Net income</b>	<b>2,730</b>	<b>4,014</b>	<b>6,744</b>	<b>6,247</b>	<b>6,649</b>	<b>12,896</b>	<b>6,738</b>	<b>4,677</b>	<b>11,415</b>	<b>8,500</b>
YoY	-41.6%	-19.9%	-30.4%	128.8%	65.6%	91.2%	7.9%	-29.7%	-11.5%	-25.5%
Net margin	0.9%	1.3%	1.1%	1.9%	2.1%	2.0%	2.2%	1.6%	1.9%	1.5%
Forex (USD/JPY)	111.04	-	110.85	110.26	-	110.92	108.60	-	-	-

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

### FY03/21 earnings forecasts (out August 6, 2020)

Sales: JPY550.0bn (-8.4% YoY)

Operating profit: JPY9.5bn (-28.2% YoY)

Recurring profit: JPY10.0bn (-29.6% YoY)

Net income\*: JPY8.5bn (-25.5% YoY)

Dividend per share: JPY53.00 (Unchanged YoY)

\*Net income attributable to owners of the parent

When announcing FY03/20 results on May 22, 2020, the company decided to delay releasing its FY03/21 earnings forecasts, citing the difficulties in reasonably estimating the impact from COVID-19 on business performance. However, with economic activity in Japan and the overseas economies gradually resuming, the company on August 6, 2020 announced that it had calculated its consolidated earnings forecasts based on projections available at the current time.

With regard to its outlook for the future, the company noted that although the impact of COVID-19 is different in each country in which it operates, it does not expect to again see sudden downturns similar to those in the first three months of the fiscal year and expects a gradual recovery in the economic environment in Japan and the rest of the world in the months leading up to the end of March 2021. On the other hand, the company does not expect an end to the COVID-19 pandemic and believes a tough operating environment for its individual business will likely persist.

The company expects the negative impact from COVID-19 to be particularly severe in the Plastics and Chemicals segments, in the automotive-related businesses, and in Southeast Asia.

Finally, the company indicated that it would promptly revise its earnings forecast if necessary should there be a second wave of COVID-19 infections.

This note is the most recent addition to the [full report](#).

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