Sumitomo Bakelite Co., Ltd. FY2026 Q1 Financial Results Briefing
Main Q&A Summary

Date: Monday, August 3, 2026, 3:00 PM – 4:30 PM
Presenter: Managing Executive Officer Toshiya Hirai

【Company-Wide Matters】

Q: What is the current status and expected full-year impact of the Middle East situation and higher raw material prices, which were initially estimated to have a negative impact of ¥2.0 billion?

A:

- The initial ¥2.0 billion negative impact was our preliminary assumption made amid considerable uncertainty, and it remains unclear to what extent these factors will ultimately affect results. Naphtha prices also temporarily rose to unexpectedly high levels, making it difficult to judge whether price increases have been fully passed through.
- There is also a risk of a rebound in volumes due to inventory adjustments following some front-loaded demand, and therefore the full-year results remain uncertain.
- The outlook may change after the Obon holiday period in mid-August, depending on developments such as an easing of geopolitical risks. However, given the progress in passing through price increases and firm demand growth, we do not believe an overly pessimistic view is warranted at this point.

【Semiconductor Materials Segment】

Q: Could you elaborate on why encapsulants are performing strongly, by application and geography?

A:

- The main driver of growth is AI-related demand, especially for power device applications, with the expansion of data centers providing strong momentum.
- Demand for advanced applications, such as MUF, has also started to grow. While Chinese smartphone-related demand has temporarily paused, applications in automotive, communications, and home appliances remain broadly firm and are growing overall.
- China: In addition to already strong conditions, demand is expanding further.
- Southeast Asia: Recovery in automotive applications is becoming more pronounced.

Q: What is accelerating growth in encapsulants for AI data centers? Is it demand, added value, broader adoption, or all of these?

A:

- All of these factors are contributing, but the biggest driver is demand growth as data center expansion continues globally. As a result, the use of power semiconductors around GPUs is increasing, which is driving higher volumes.
- In fields where high reliability is required, our track record has been highly valued, leading to preferential adoption of our products.
- In terms of material properties, high thermal conductivity is becoming increasingly important, and these value-added requirements are serving as a tailwind for us.

Q: Monthly trends (April–June) / Whether there was any front-loaded demand and whether any subsequent decline is expected going forward

A:

- Growth in the April–June period was not concentrated in any particular month, but remained consistently strong on average throughout the quarter. We have also seen no indication of a significant decline in demand in July.
- It is still unclear when an adjustment phase may emerge, but if Chinese smartphone demand recovers from the current pause, smartphone-related applications could provide additional upside.
- Overall, we believe the top priority is to ensure a stable and reliable supply.

Q: Is it correct to expect that the impact of the encapsulant price increase for June shipments will become more visible fromQ2, thereby supporting higher profits?

A:

- In principle, price increases are intended to reflect rises in raw material costs.
- Given the competitive environment and pricing pressure from customers, it is not possible to continue raising prices easily.
- Although the price revision for June shipments will be reflected from the second quarter onward, business profit should be evaluated on a comprehensive basis, including volume growth, improvements in product mix, and production rationalization.

Q: Roughly how much investment will be required for the additional capacity expansion in China?

A:

- Although exchange rate movements, including yen depreciation and renminbi appreciation, are a factor, we expect this round of expansion to require less than ¥5.0 billion.

Q: How do you view the competitive landscape and market share trends in light of the rise of Chinese competitors?

A:

- One of our key competitive advantages is our extensive accumulation of data on manufacturing recipes and on how our products are used by customers.
- Having operated in China for many years, we have established a highly responsive local-for-local structure that allows us to stay close to customers and respond quickly to their needs.
- While Chinese local players are improving their technical capabilities, we believe we are responding to customer requirements at the same speed or faster, and we do not believe it will be easy for competitors to catch up with us.
- Competition is expected to intensify going forward, and we believe continuous efforts will be essential to maintain our competitive advantage.

Q: What are the sales growth figures and breakdown for the strategic mobility products?

A:

- The strategic mobility products recorded +36% YoY and +18% QoQ growth.
- Encapsulants for fixing motor magnets: This was the main driver of growth, with sales up more than 40%, driven by strong HEV demand in Japan and North America and increased sales to local Chinese customers.
- Encapsulants for ECUs: Adoption is centered mainly in Europe. The business is on a recovery trend, and we expect further growth from around July or August onward.
- Encapsulants for power modules: Demand for HEVs is strong in Japan and North America, and sales to local Chinese customers are also expanding.
- Encapsulants for stators: Adoption is expanding for robotics applications, including actuators used in joint areas such as hands.

Q: What is the schedule for the acquisition of Kyocera's chemical business, and what will be the earnings impact?

A:

- Integration preparations are progressing, and the schedule for the share transfer agreement to become effective on October 30 remains on track.
- As for the profit impact after consolidation, it is difficult at this stage to provide a numerical figure, as alignment of the two companies' accounting systems and other processes is still required.
- We expect the business to contribute to earnings from November onward. However, as

this has not been incorporated into our earnings forecast, it is essentially an upside factor.

【High-Performance Plastics Segment】

Q: How do you view the risk of a pullback following front-loaded demand and earlier price increases?

A:

- There has been some front-loaded demand to a certain extent, but Asia remains firm and we view the impact as limited. In Europe, however, there is a possibility that front-loaded demand has been added on top of the recovery trend, and we are monitoring the situation closely.

Q: How sustainable is the 10% business profit margin?

A:

- The completion of the North American structural reform, including the withdrawal from unprofitable businesses, made a major contribution to achieving a 10% profit margin.
- Sales of new products and high-margin products, such as COPLUS™, have been expanding, driving improvements in profit margins.

Q: What is driving the high contribution margin ratio? Is this a structural change or a temporary factor?

A:

- The structural reform in North America, including the rationalization of unprofitable products, is having a clear effect. Even with lower volumes, improved profitability has offset the decline, demonstrating that the structural reform is working.
- While the benefits of the structural reform are expected to continue, we also anticipate that an increase in sales volume could lead to higher fixed costs, including personnel-related expenses, at certain stages.

Q: What is the extent of the price increases for copper-clad laminates, and what is driving them?

A:

- In products such as heat dissipation sheets, pass-through of higher material costs has progressed, allowing us to achieve both cost pass-through and appropriate profit margins.

【Quality of Life Segment】

Q: What is the risk of a pullback following front-loaded demand in QOL-related products?

A:

- Pharmaceutical packaging remains uncertain due to drug shortages and drug price-related factors. In food packaging materials and some industrial functional materials, there is a possibility that concerns over naphtha availability led to some front-loaded demand.