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Q&A Regarding Financial Results for the Fiscal Year Ended March 2025

The following is a summary of the Q&A session held at our financial results briefing for the fiscal year ended March 2025, which took place on Friday, May 30, 2025.

*The contents of this document are not a verbatim transcript of the Q&A session at the financial results briefing. Some additions and revisions have been made for clarity. Please note this in advance.

Q. The condom market is growing, and we believe it can compete well with its thinness technology. Are you considering aggressive expansion in Europe and the US outside of Asia?

A. Each region has its own strong brands, so we are considering approaches that will appeal to consumers in each area. For example, several years ago in France, we focused on a policy whereby condoms were provided free on prescription and invested in this area, which resulted in us gaining significant market share. We recognize that this will take time, but we plan to actively pursue this strategy.

Q. If there are products with unique features, there is potential to quickly capture the overseas market. How much growth are you aiming for in the overseas condom business, and over what period of time?

A. Looking back over the past 10 years, we have grown steadily. We do not expect to grow by leaps and bounds, but we are aiming to steadily increase our revenue and profits by gaining brand recognition.

Q. How do you view the difficulty of obtaining approvals and licenses from the FDA and other agencies when expanding overseas condom business?

A. From a medical device perspective, specialized knowledge is required. The costs are included in the budget, but it takes one to one and a half years to obtain approval for some countries. We have accumulated knowledge and experience, but the current situation is that it takes time.

Q. I think Zero One and Zero Zero Three are products that can compete overseas, but will manufacturing capacity be an issue?

A. Capacity expansion has already been incorporated into capital investment, and last year we expanded our factories in Japan and Thailand. We will continue to invest in high-end products in particular. We will also utilize our factories in China.

Q. What is the outlook for the recycling business?

A. We are reducing manufacturing waste through thorough reuse and other measures, and creating products that use recycled materials. Customers who understand our approach are purchasing our products, and sales are steadily increasing.

Q. Are there any countermeasures or assumptions regarding US tariff policies?

A. Basically, it is necessary to obtain the customer's understanding regarding the increase in customs duties. We will ask for the customer's understanding for any amount exceeding our internal efforts.

Q. You mentioned that you will actively invest in domestic and overseas facilities, but will the focus be on labor saving rather than increased production?

A. We believe that labor saving leads to improved productivity, which in turn leads to increased production. We will strive to thoroughly improve the efficiency of existing equipment through labor saving.

Q. Please tell me about the utilization plan of the Okayama Plant.

A. Since we did not have a base in western Japan, we plan to use the Okayama factory to process semi-finished consumer products into finished products and as a warehouse for film-related products.

Q. PBR has been hovering around 1.0. Although capital investment can be seen from the single-year flow, are you considering utilizing accumulated cash and securities to improve PBR and ROE by reducing assets?

A. We believe that improving asset efficiency and boosting stock prices is fundamental. However, we do not believe that quickly utilizing past stockpiles in the short term is always the best solution. With regard to policy-held shares, we dispose of them as appropriate when deemed unnecessary and actively invest the proceeds in businesses that we deem necessary, such as capital investment. We are also actively considering M&A, but we will not enter fields that are outside our area of expertise and where we lack management know-how. Instead, we will invest in areas where we believe we are well-suited.

Q. Please provide market trends and future outlook for automotive interior materials, condoms, and gloves.

A. Regarding automotive interior materials, Japanese manufacturers account for the majority of our sales, so the impact of Japanese manufacturers' struggles in the Chinese market is significant. We are also working to expand sales to local manufacturers, but the outlook for this fiscal year is unlikely to change significantly, depending on the situation of Japanese manufacturers. The current demand in North America is not bad, but the situation remains uncertain due to trade policy.

Condoms are relatively stable, and the market is basically linked to economic conditions. This industry seems to be holding steady despite the declining domestic population. In China, the economic slowdown is affecting the market, with high-end products remaining strong but mid- to low products facing difficulties. There is a growing polarization between high-end and low-end products.

The market for gloves is tough. The main reason is that there are now more suppliers due to the COVID-19 pandemic, which has led to excessive competition. At the time, subsidies and grants were provided to alleviate the global shortage of gloves, resulting in excess production compared to normal times, and the effects of this are still being felt.

Q. Regarding condoms, I believe that focusing on high-end condoms and the Asian market last fiscal year was the right decision, but I feel that the results were insufficient. Please provide your outlook for the next three years.

A. There are aspects that we were unable to expand sales in Asia as planned. Although the economic slowdown in China has had an impact, we did not reach our targets in ASEAN countries. We believe that it is essential to increase sales in Asian countries other than China in the future, and we will continue to actively promote this region during the current fiscal year. Due to licensing requirements, the time frame will be longer than three years, but we aim to recover against our targets.

Q. It appears that there are no outside directors with expertise in consumer business. Isn't it necessary to have outside directors with such skills?

A. Our current outside directors are well versed in business revitalization, and the one new candidate is very active and involved in various industries. We believe that she will undoubtedly contribute to our company with his wide range of knowledge.

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