
IR Briefing for 1Q Fiscal Year ending March 2017

October 2016
Inabata & Co., Ltd.

- P.3- Summary of the Company
- P.11- Medium-Term Management Plan
“New Challenge 2016”
– Forecast for the final year (FY3/2017)
- P.25- Corporate Governance
- P.29- Returning Profits to Shareholders
- P.32- Summary of Financial Results – 1Q FY3/2017
- P.41- Summary of Financial Results – FY3/2016
- P.45- Reference

About Inabata:

1. Founded in 1890

Founded in Kyoto in 1890 as *Inabata Senryoten* – an importer of dyestuffs

The business was later expanded, with the focus on chemicals



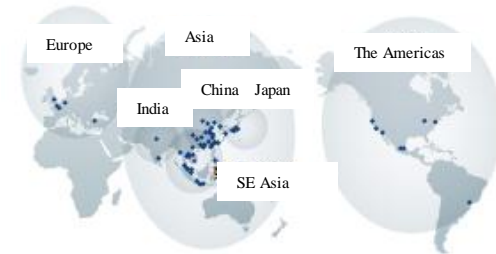
**Inabata Dye Shop
(Nishijin, Kyoto)**

2. A globally expanding, multi-faceted trading company

Around 60 locations deployed across 18 countries

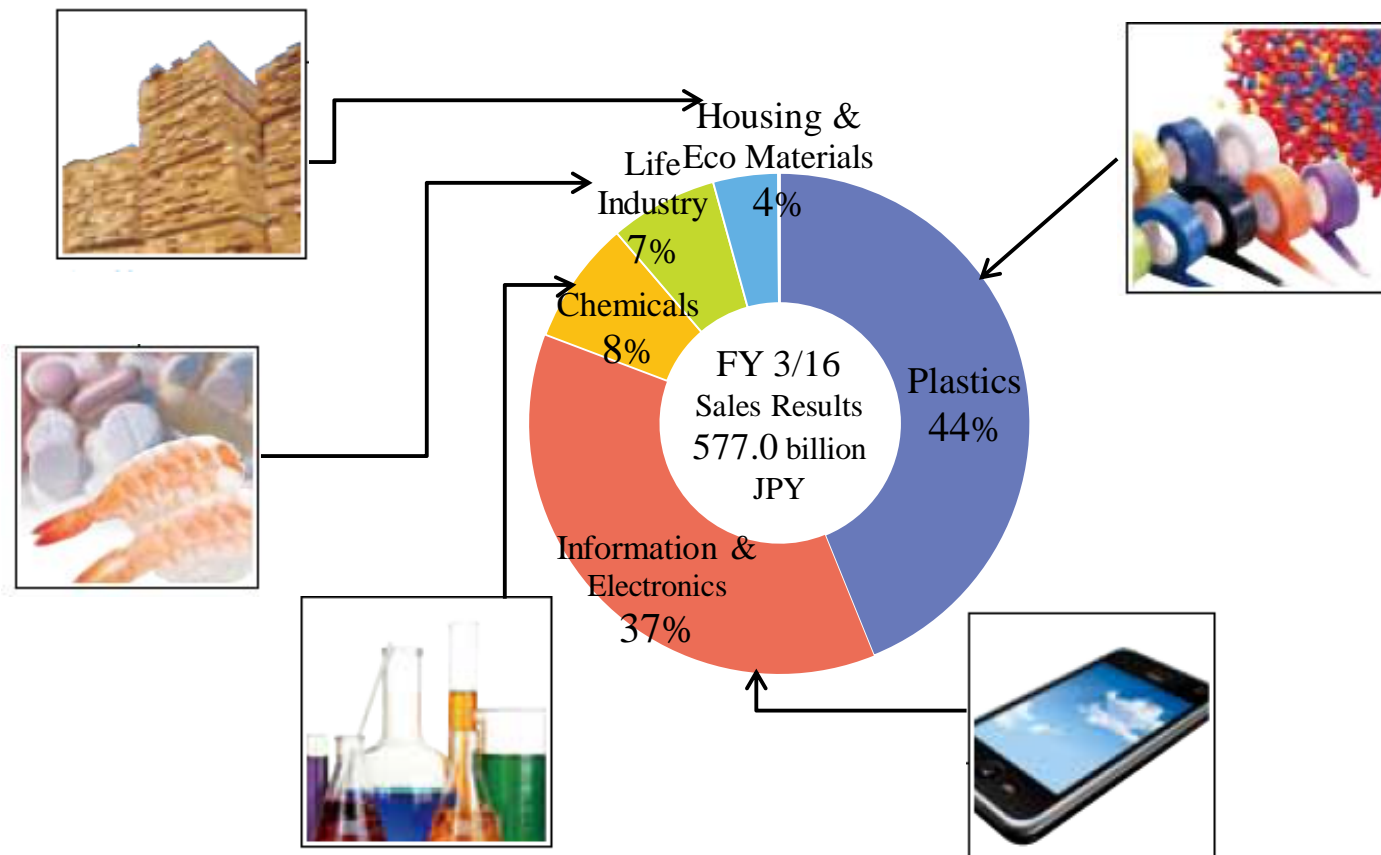
Business functions include market development; manufacturing & processing; logistics; finance etc.

Planning and proposals based on expertise and know-how of products and markets



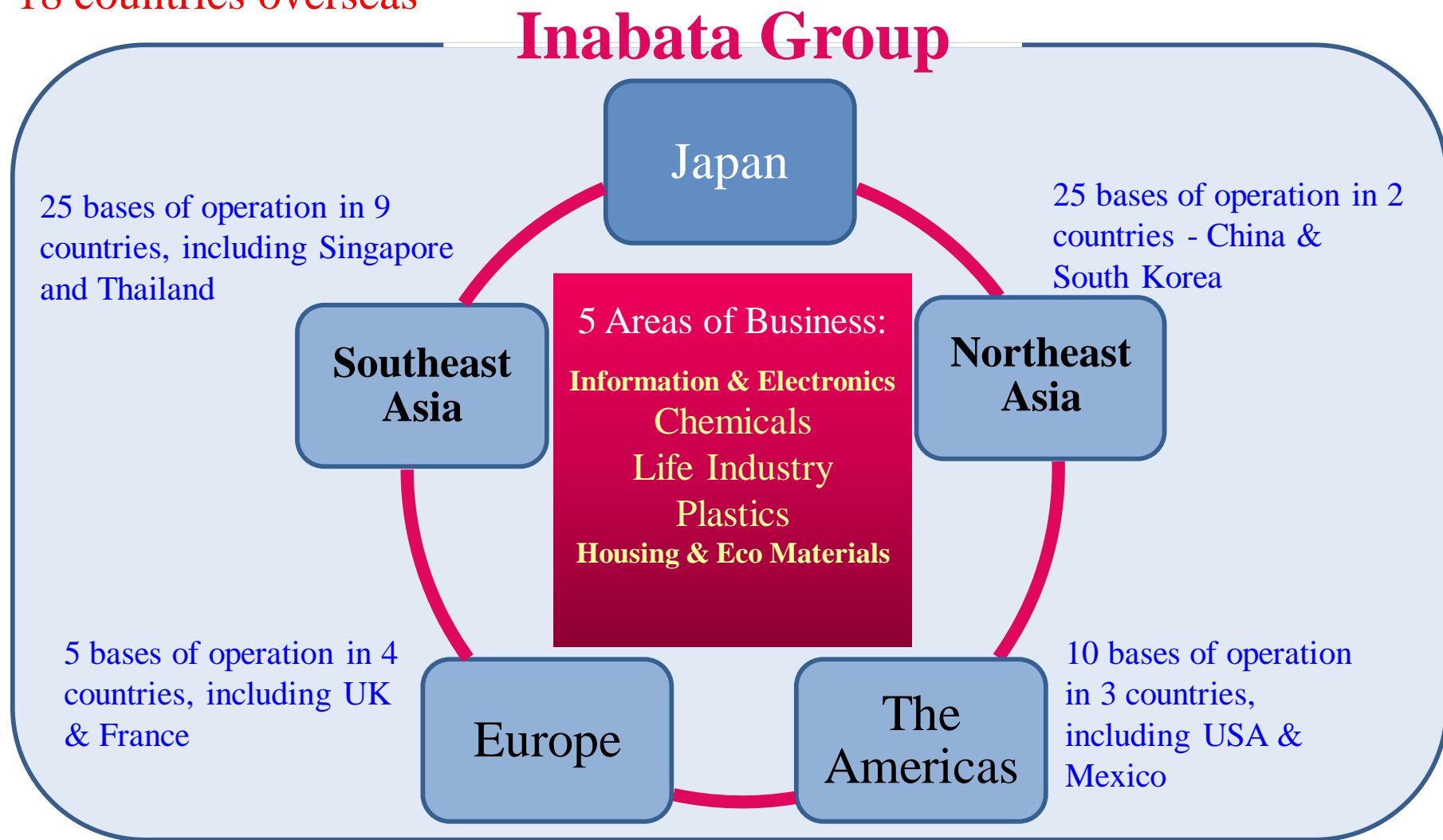
3. 5 Business Segments

Operating in 5 segments: Information & Electronics; Chemicals; Life Industry; Plastics; and Housing & Eco Materials



Inabata's Business Spheres

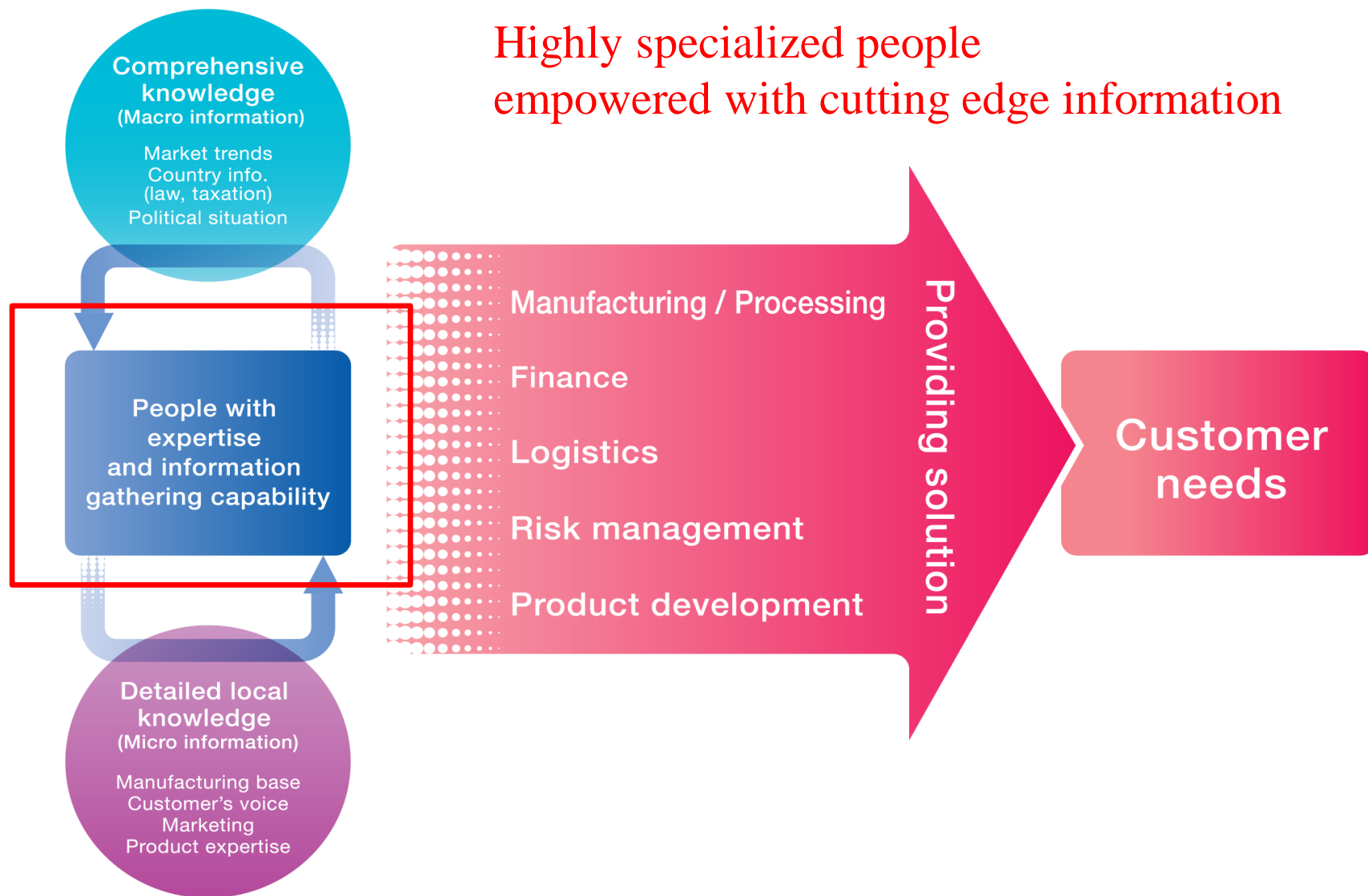
Operating in 5 business segments at about 60 locations, throughout Japan and 18 countries overseas



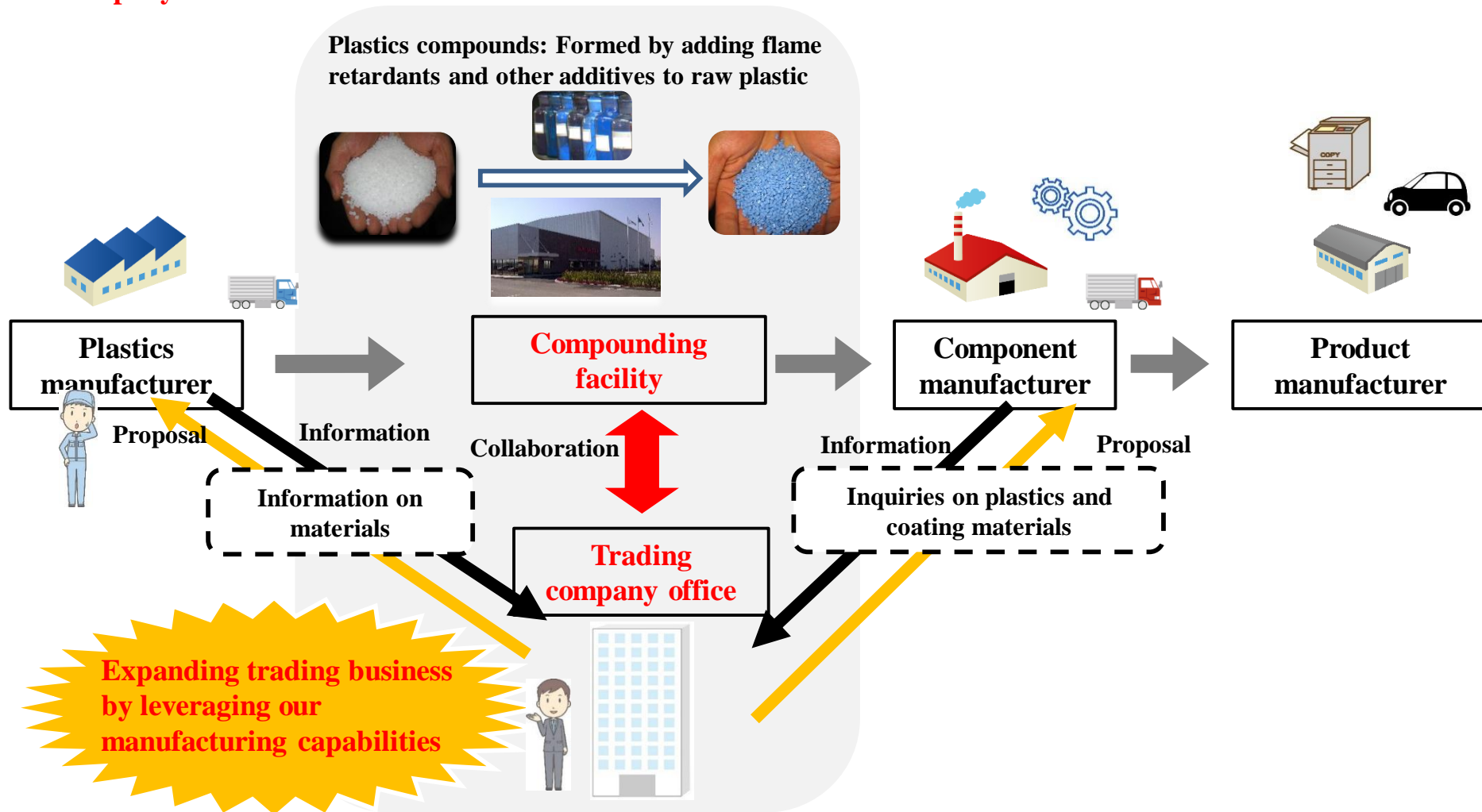
(NB) No. of overseas countries and operation bases valid as of 1 July 2016

(NB) No. of operation bases includes bona fide Inabata & Co., Ltd. affiliates

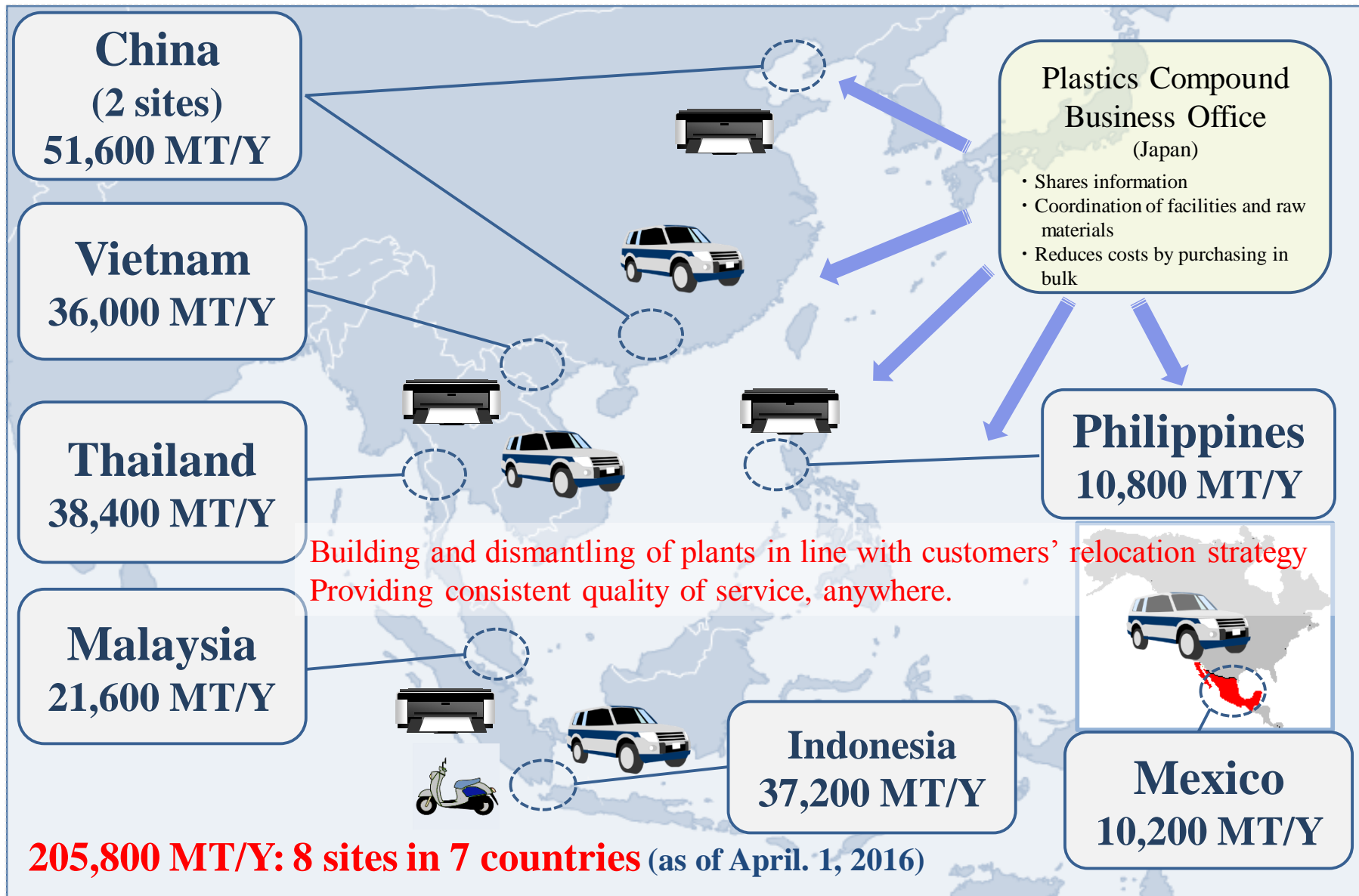
Inabata's Wide Range of Capabilities



Our strategy involves expanding our trading business by swiftly grasping with information regarding development of new products and market trends by drawing on our worldwide processing bases and trading company offices.



Inabata's Strengths [Plastic Compounding Facilities]

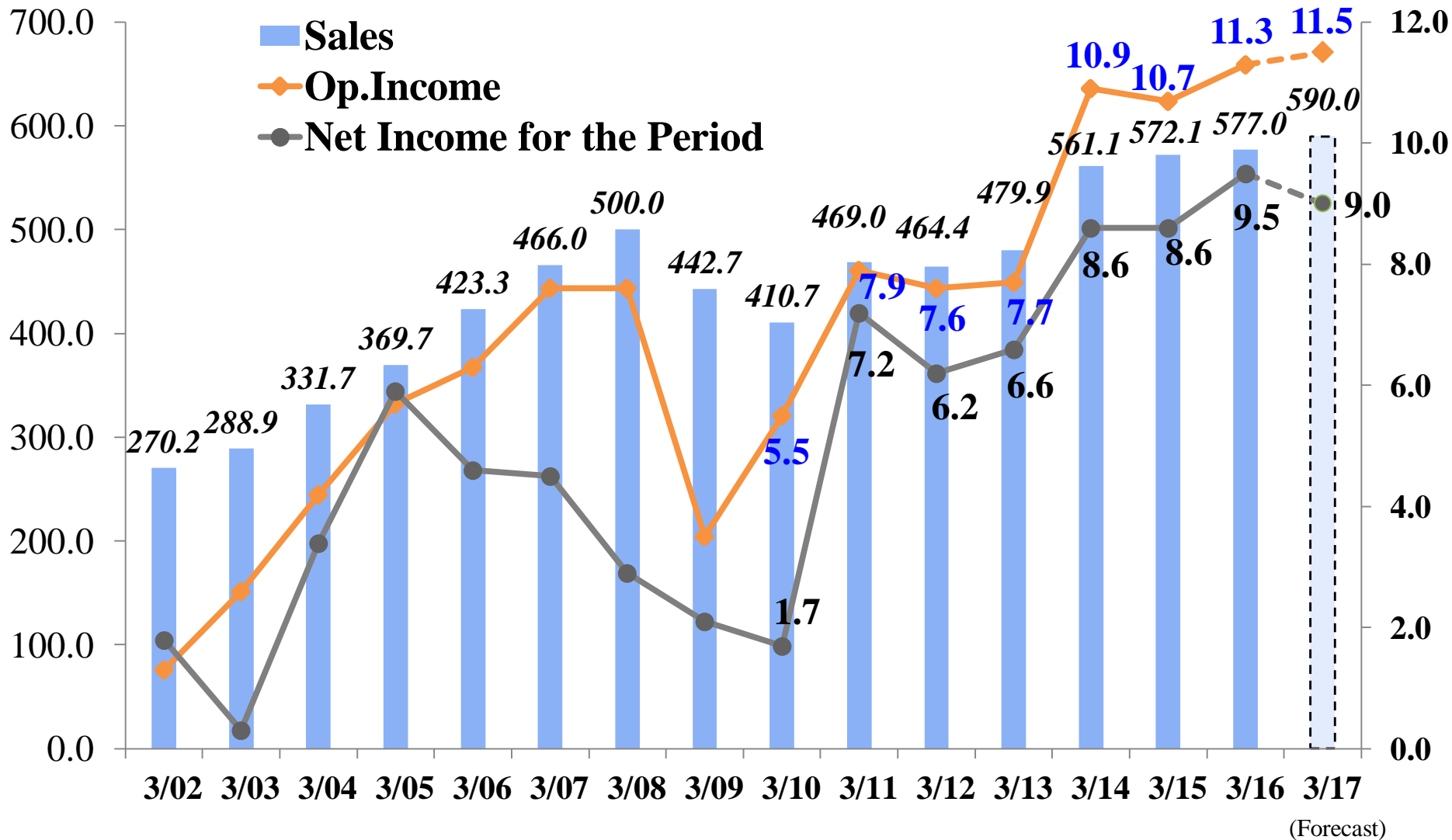


Consolidated Financial Results:Trends Over the Past 15 Years



(Sales:billion JPY)

(Op. Income:billion JPY)



Overseas Sales & Operating Income:Trends Over the Past 15 Years



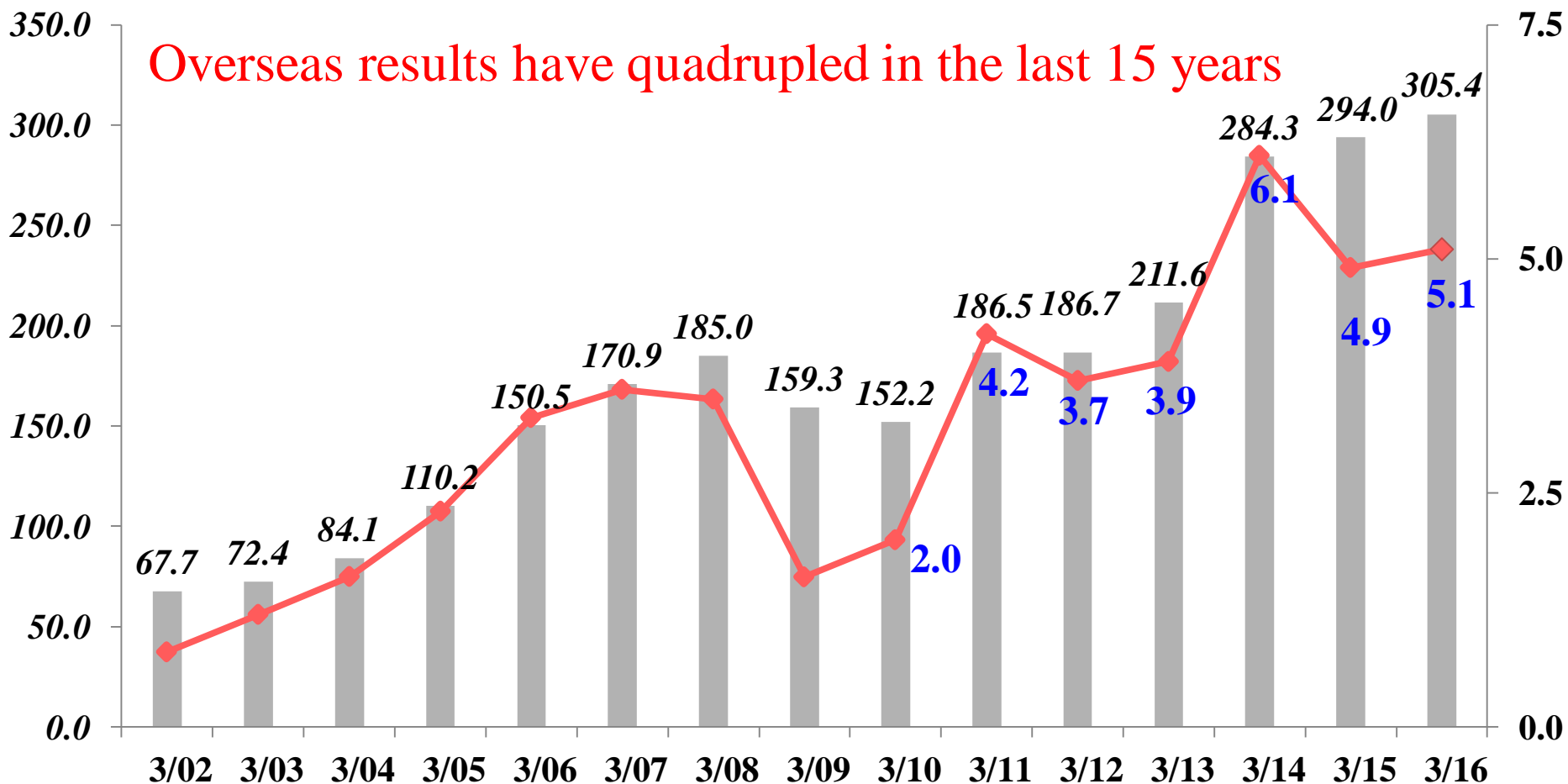
(Sales:billion JPY)

Overseas Sales

Overseas Op. Income

(Op. Income:billion JPY)

Overseas results have quadrupled in the last 15 years



JPY:USD
Exchange
Rates

131.9 119.9 107.1 104.2 118.0 119.1 114.1 91.0 92.1 81.49 77.74 79.81 100.17 109.76 120.15

(NB) The figures do not include the exports from Japan.

3 Year Medium-Term Management Plan “New Challenge 2016” Forecast for the Final Year (FY3/2017)

Medium-Term Management Plan Targets (FY 3/2017)

Sales : 620 billion JPY

Op. Income : 12.5 billion JPY

Current Profit : 13.5 billion JPY

Net Income : 10 billion JPY

ROE : 8.2%

Net D/E Ratio : 0.45 X or less(※)

Net Worth Equity Ratio : 38.0%

Assumed Exchange Rate: 1USD=100 JPY

(※) Net D/E Ratio = (Int. Bearing Debt – Cash & Deposits) / Equity Capital

1. Further expansion and build-up of overseas operations

- Further expansion and build-up of core Asian operations
- Increasing involvement in emerging countries outside Asia
- Expansion in trade with non-Japanese companies

2. Focus on markets with growth potential and sectors that have yet to be developed

- Focus on the automotive sector; the environment & energy sector; and the life science sector
- Steady diversification of income by expanding into new merchandise and making new business partners

3. Development and expansion of global management infrastructure

- Development of risk management and business management techniques to support global management
- Promotion of global standardization in information systems and business processes

4. Investment aimed at future growth

- 10 billion JPY earmarked for investment over the next 3 years

5. Strengthen financial position and seek further capital and asset efficiencies

6. On-going development of international-minded human resources

“New Challenge 2016” – Forecast for the Final FY



(Profit:billion JPY)

15.0

10.0

5.0

0.0

(Sales:billion JPY)

15.0

10.0

5.0

0.0

■ Sales
■ Op Income
◆ Current Profit
● Net Income

FY 3/12

FY 3/13

FY 3/14

FY 3/15

FY 3/16

FY 3/17
(Forecast)

FY 3/17
(Target)

JPY/USD ¥77.74

¥79.81

¥100.17

¥109.76

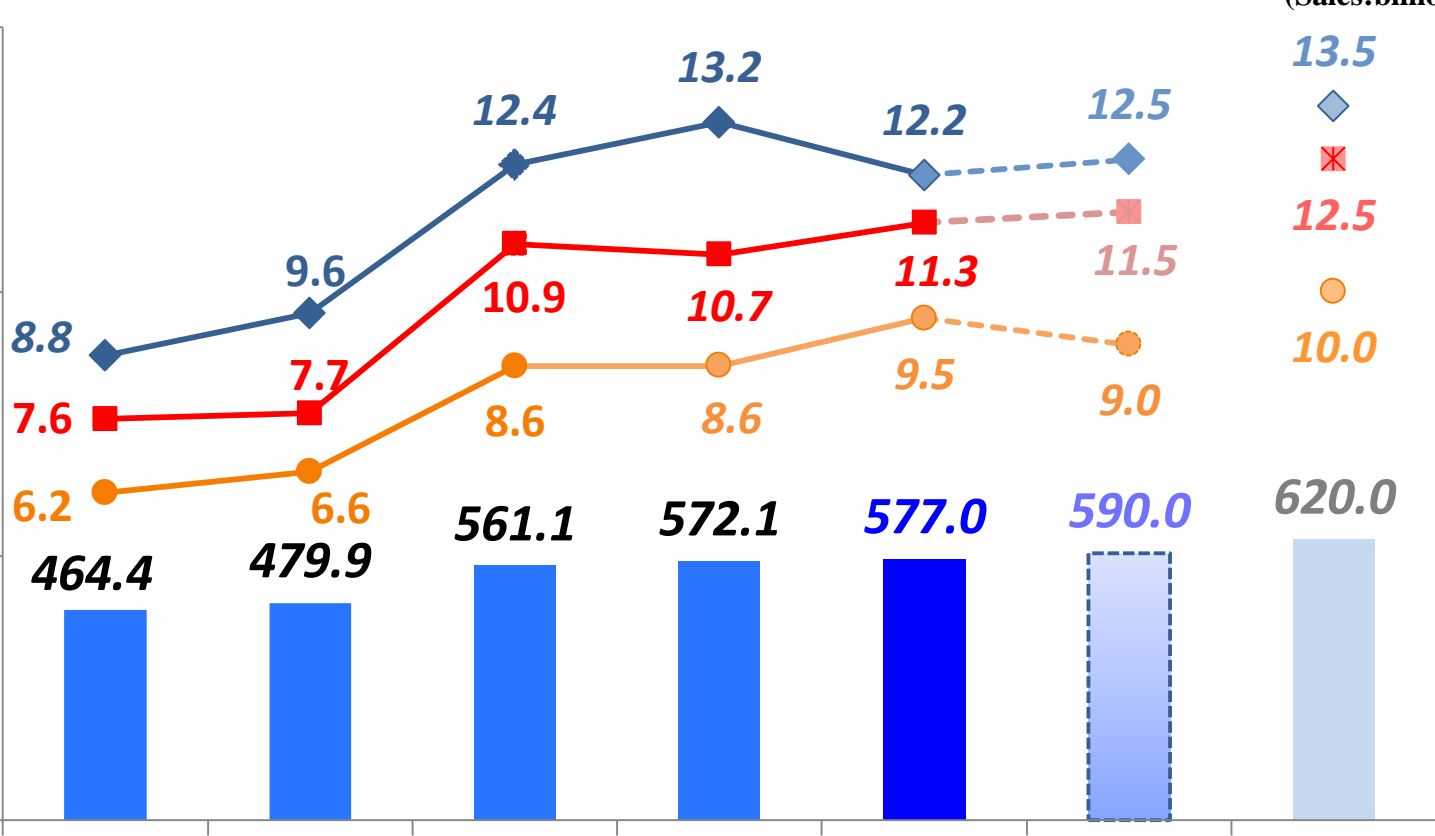
¥120.15

¥110.00

¥100.00

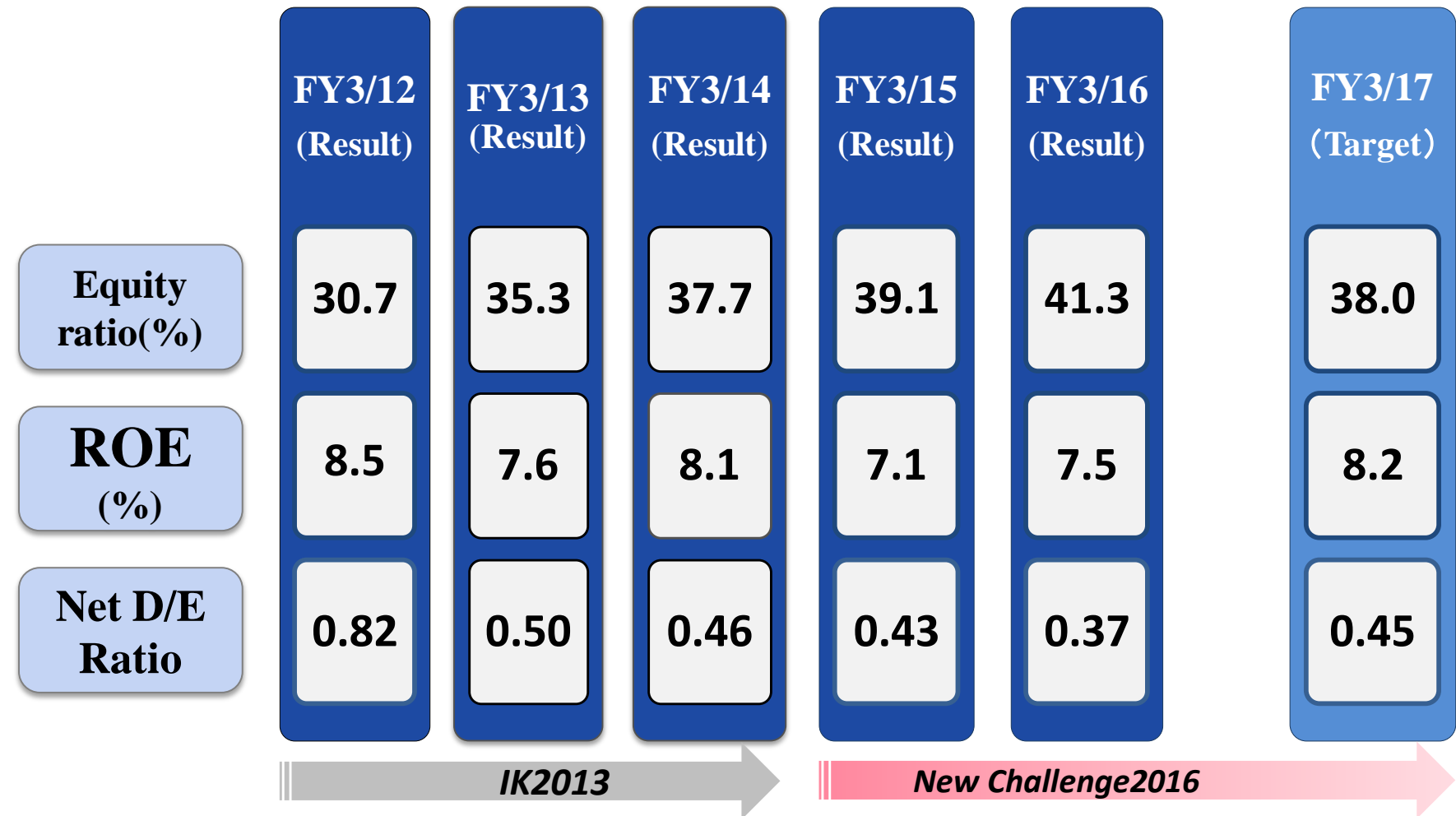
IK2013

New Challenge2016

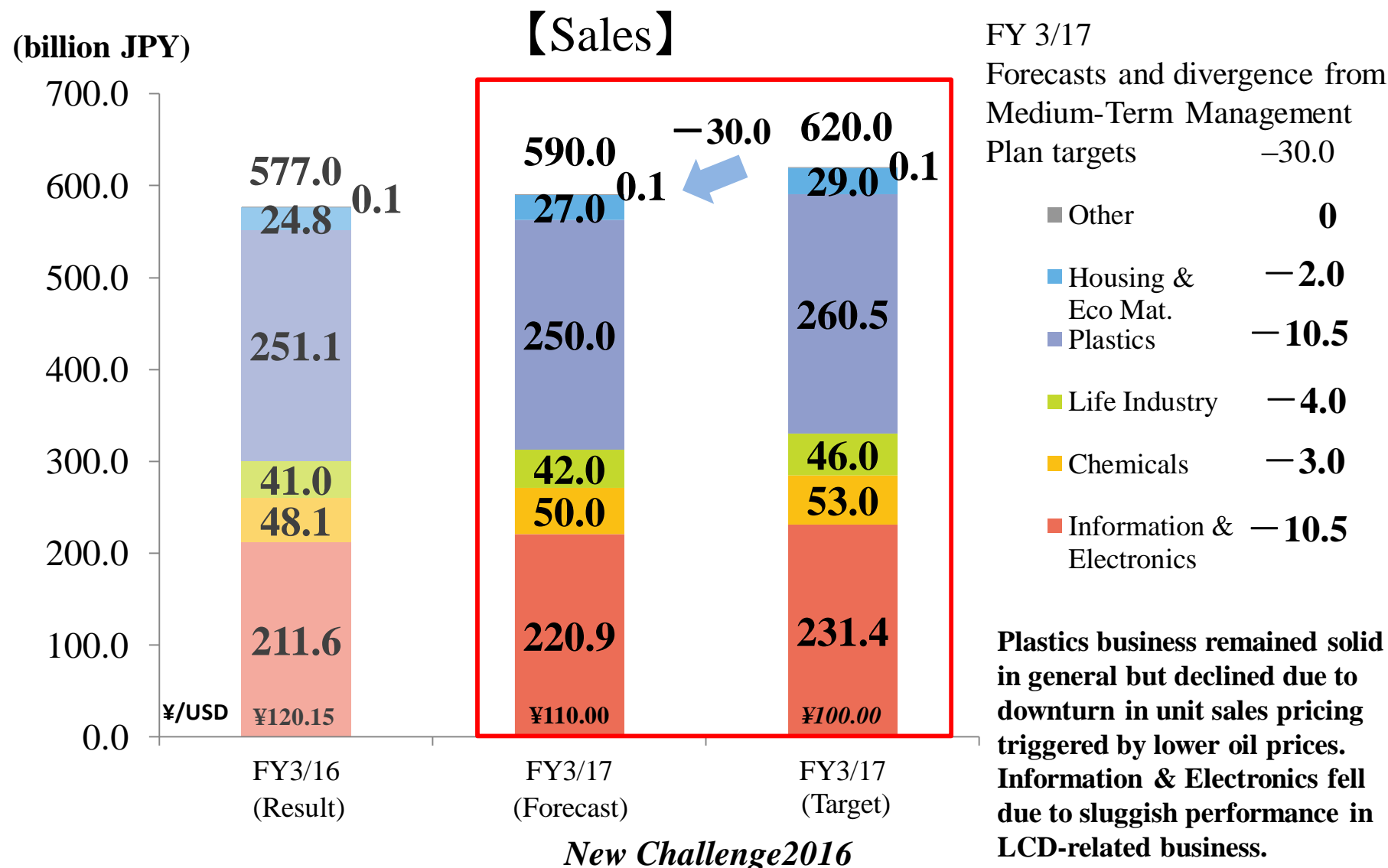


(NB) Net income for FY 3/16 includes 0.8 billion JPY from gains made on the disposal of securities held for investment purposes.

Trends in Key Management Indicators

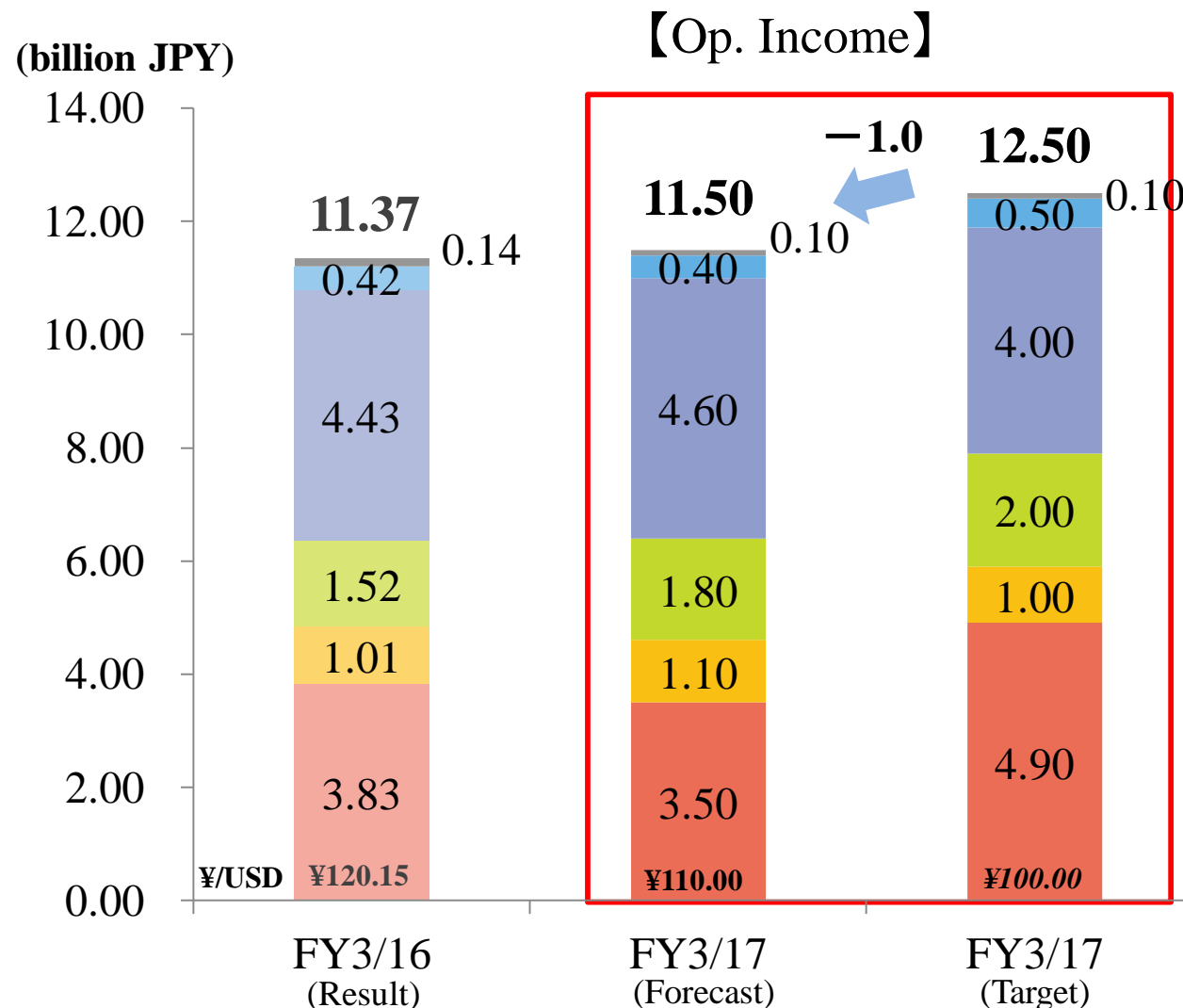


(NB) Net D/E Ratio = (Int. Bearing Debt – Cash & Deposits) / Equity Capital



(NB) From FY 3/17, crane business previously classified under “Other” is classified under “Information & Electronics.”
Segment information for FY 3/16 has been prepared on the basis of the new classifications.

Operating Income (consolidated)



FY 3/17

Forecasts and divergence from Medium-Term Management Plan targets

Other	0
Housing & Eco Mat.	–0.1
Plastics	+0.6
Life Industry	–0.2
Chemicals	+0.1
Information & Electronics	–1.4

Information & Electronics was significantly lower due to sluggish performance in LCD-related business,

(NB) From FY 3/17, crane business previously classified under “Other” is classified under “Information & Electronics.”

Segment information for FY 3/16 has been prepared on the basis of the new classifications.

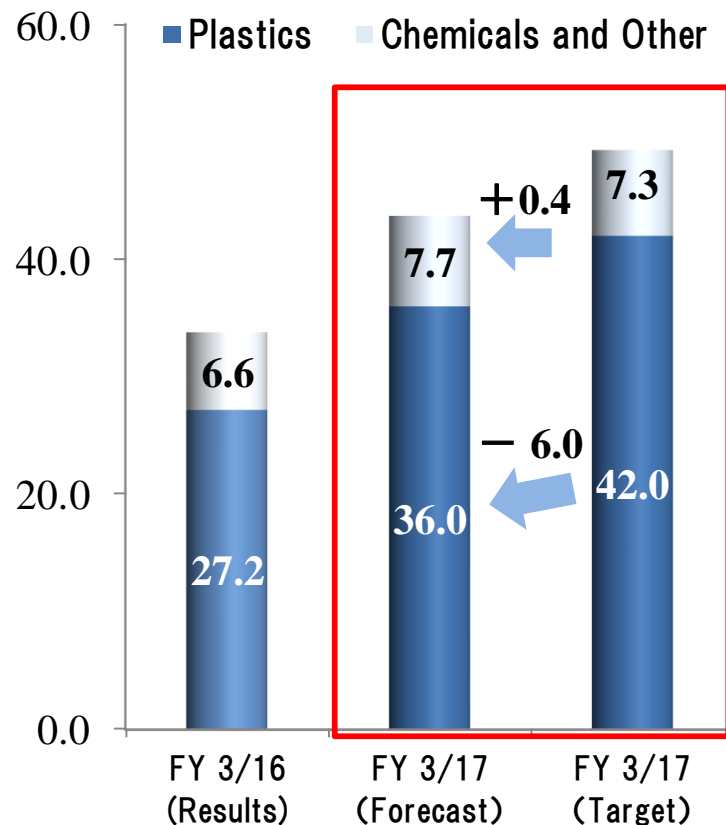
(NB) FY3/17(Forecast) is updated to the forecast as of November 30, 2016.

- Focus on the automotive sector; the environment & energy sector; and the life science sector

Initiatives in the automotive sector

◆ Sales Results for the Automotive Sector

(billion JPY)



■ FY 3/17 forecasts and divergence from Medium-Term Management Plan targets

Plastics: -6.0; Chemicals and other: +0.4

[Main factors]

- (+) Growth of sales in China
- (-) Downturn in unit sales prices
- (-) Slowdown in Southeast Asian emerging economies
- (-) Delays in Mexican compounding business

[Strategic focus in FY 3/17]

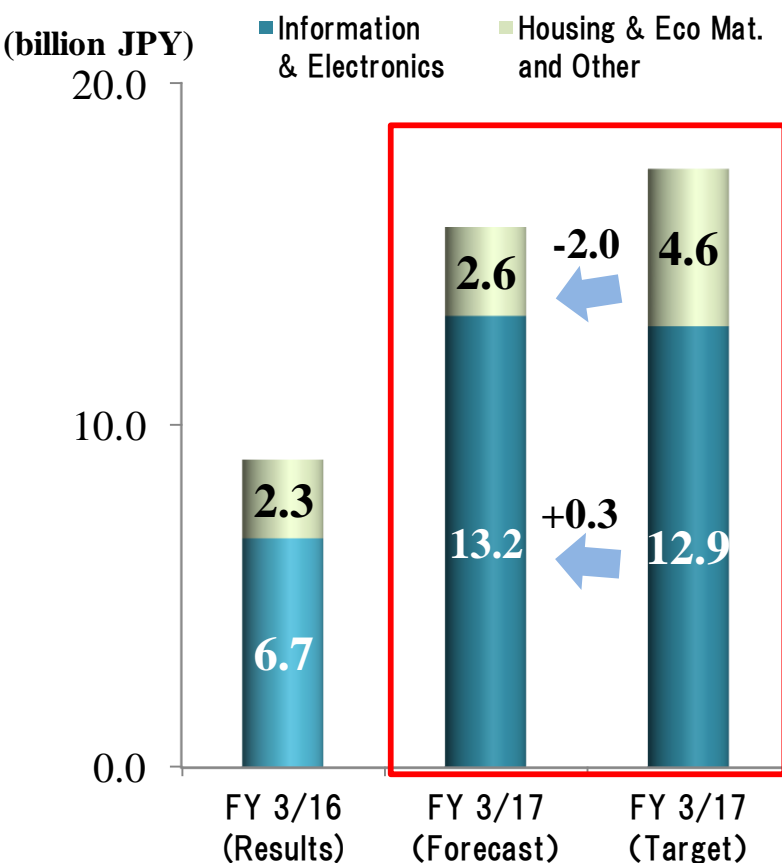
- Expand sales to key global users
- Expand sales in Mexico
- Raw materials for EV/HV (Chemicals)

* Sales amounts calculated as simple aggregate totals mainly of automotive sector results.

- Focus on the automotive sector; the environment & energy sector; and the life science sector

Initiatives in the environment & energy sector

◆ Sales Results for the Environment & Energy Sector



■ FY 3/17 forecasts and divergence from Medium-Term Management Plan targets

Information & Electronics: +0.3

Housing & Eco Mat. and Others: -2.0

[Main factors]

(+) Booming European and U.S. solar cell market

(-) Delays in sales of wood chips used for power generation (Housing & Eco Mat.)

[Strategic focus in FY 3/17]

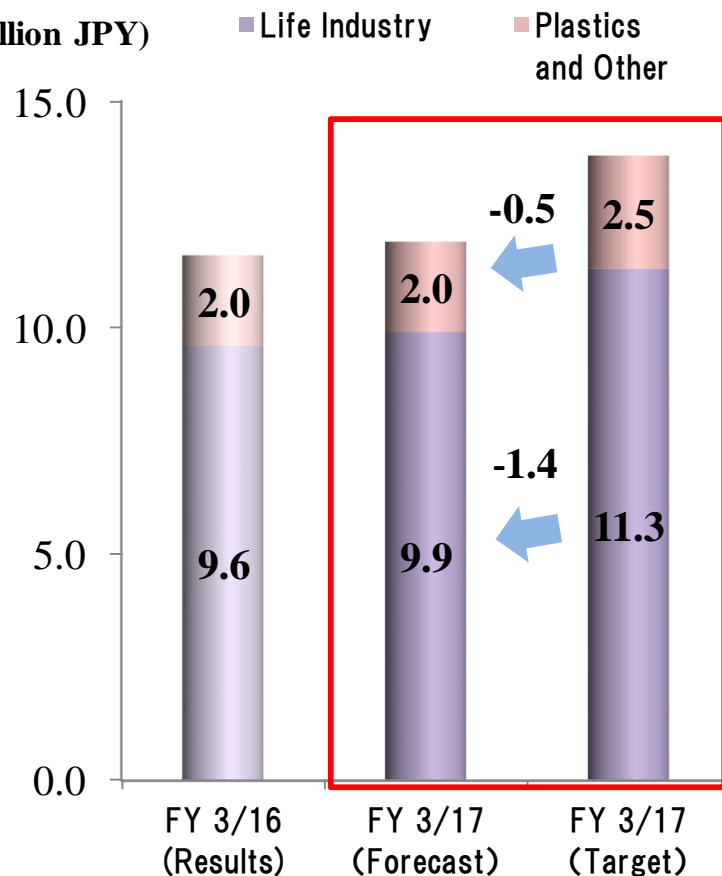
- Solar cell-related materials (European operations)
- LED heat sink materials

- Focus on the automotive sector; the environment & energy sector; and the life science sector

Initiatives in the Life Science Sector

◆ Sales Results for the Life Science Sector

(billion JPY)



■ FY 3/17 forecasts and divergence from Medium-Term Management Plan targets

Life Industry: -1.4; Plastics and Others: -0.5

[Main factors]

- (-) Lackluster results of pharmaceuticals-related business
- (-) Weak performance of French pharmaceutical manufacturing subsidiary

[Strategic focus in FY 3/17]

- Business related to generic drugs
- Revive operations of French pharmaceutical manufacturing subsidiary
- Field of regenerative medication

* Sales amounts calculated as simple aggregate totals mainly of life science sector results.

- Increasing involvement in emerging countries outside Asia

First Japanese engineering plastics compound plant in Mexico (to meet demands from automotive manufacturers)



November 2013:start of operations

September 2014:start of mass production

Launch of operations delayed due to time required to transition from prototype to mass production for automotive

FY 3/2016 sales results of 2,470 tons

⇒ Forging ahead with prototype projects, and expect steadily increasing results going forward

Estimated to sell 6,500 tons in FY 3/2017

Scheduled to boost annual production capacity to 15,000 tons



Company Name	: IK Plastic Compound Mexico, S.A. de C.V.
Production Capacity	: 10,200 tons / year
Location	: Silao, Guanajuato Province, Central Mexico

- Further expansion and build-up of core Asian operations

Plastic compounds plant in the Philippines (to meet OA demand)



Starts commercial production in July 2014

Starts mass production in 2015(compounds used for 2015 model printers)

Launch of operations delayed amid customer delays in relocating production and adverse effects of economic slowdown in emerging nations

FY 3/2016 sales results of 3,240 tons

⇒ Aiming to achieve annual production volume of 8,000 tons by capturing new business



Company Name:	IK PLASTIC COMPOUND PHILS. INC.
Production Capacity:	10,800 tons / year
Location:	Laguna Province, the Philippines

Investment aimed at future growth

10 billion JPY earmarked for investment over the 3 years of the Medium-Term Management Plan

Cumulative results for investments made over 2 years: 7.8 billion JPY (to FY 3/2016)

[Key investment results]

Plastics facilities and land in Indonesia:	1.23 billion JPY
Compounding business-related:	1.09 billion JPY
Inflation molding business-related:	0.74 billion JPY

- 3 outside directors (of 9 directors)

We aim to enhance supervisory functions and increase corporate value by taking advantage of the outside directors' extensive experience and wide-ranging insight into company business.

Outside Directors

- Mitsunori Takahagi*

Former President & Current Honorary Executive Consultant, - JX Holdings, Inc.

- Yoshimasa Takao

Former Executive Deputy Chairman & Current Advisor— Sumitomo Chemical Co., Ltd.

- Katsumi Nakamura*

Former Executive Vice President – Renault (France),
Current Chairman— Calsonic Kansei Corp.

(*) Mr. Mitsunori Takahagi and Mr. Katsumi Nakamura are registered as independent, outside officers with the TSE. ²⁵

The following initiatives were implemented to enhance governance

1. Established the Nominating and Remuneration Committee (voluntary)

Ensures objectivity, fairness and transparency with respect to appointing senior management, nominating director and audit & supervisory board member candidates, and making decisions on director remuneration

- Current membership: 1 internal director (chairperson) and 2 independent outside directors
- Held twice during FY 3/2016

2. Evaluating the board of directors (self-evaluation)

Objective - To increase corporate value by enhancing effectiveness and transparency of the board of directors

- ✓ In November 2015, performed an evaluation involving all directors and audit & supervisory board members using a survey format
 - An outside consultant was appointed and the direction of self-evaluation measures was confirmed in interviews with the president and one outside director. Then the content of questions was determined.
 - A questionnaire was distributed to all directors and corporate auditors and responses were obtained.
 - The outside consultant collected and analyzed the responses and made a report to the board of directors.
 - After sufficient verification by the board of directors, the direction of future measures was decided.
- ✓ In January 2016, disclosed analysis/evaluation results in writing

2. Evaluating the board of directors (self-evaluation)

◆ Tasks and measures taken

(1) **Discussion of medium and long-term themes by the board of directors has been insufficient**

⇒ Implemented a revision of standards for submissions to the board of directors
(Feb. 2016)

(2) **Feedback of dialog with capital markets to the board of directors has been insufficient**

⇒ Developed rules for reporting opinions and concerns of investors and shareholders to the board of directors

Returning Profits to Shareholders (1)



Policy for returning profits to shareholders

Total Return Ratio of 30-35% (target)

Total Return Ratio (%) = (amount of dividends + amount of treasury shares acquired) / consolidated net income x 100

【 Treasury stock 】

● Retirement of treasury shares (August 2014)

- No. of Shares Retired: 1,660,000

(equivalent to 2.55% of the total no. of shares issued and outstanding prior to retirement)

● Acquisition of Treasury shares (Details for FY 3/2016)

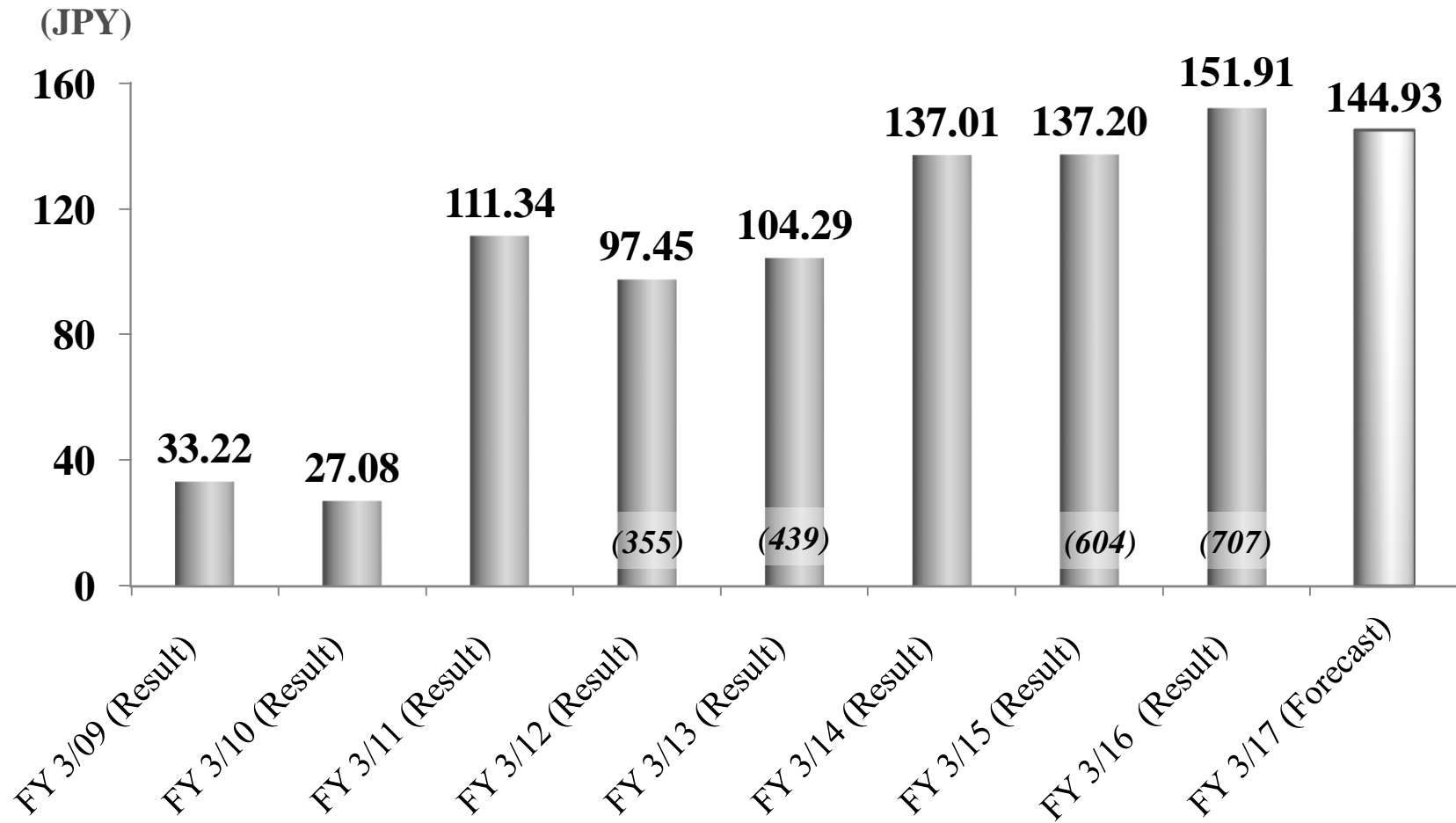
No. of Shares Acquired: 600,000

Value of Shares Acquired

: 707,553,600 JPY

Acquisition Period: 10th-24th Feb. 2016

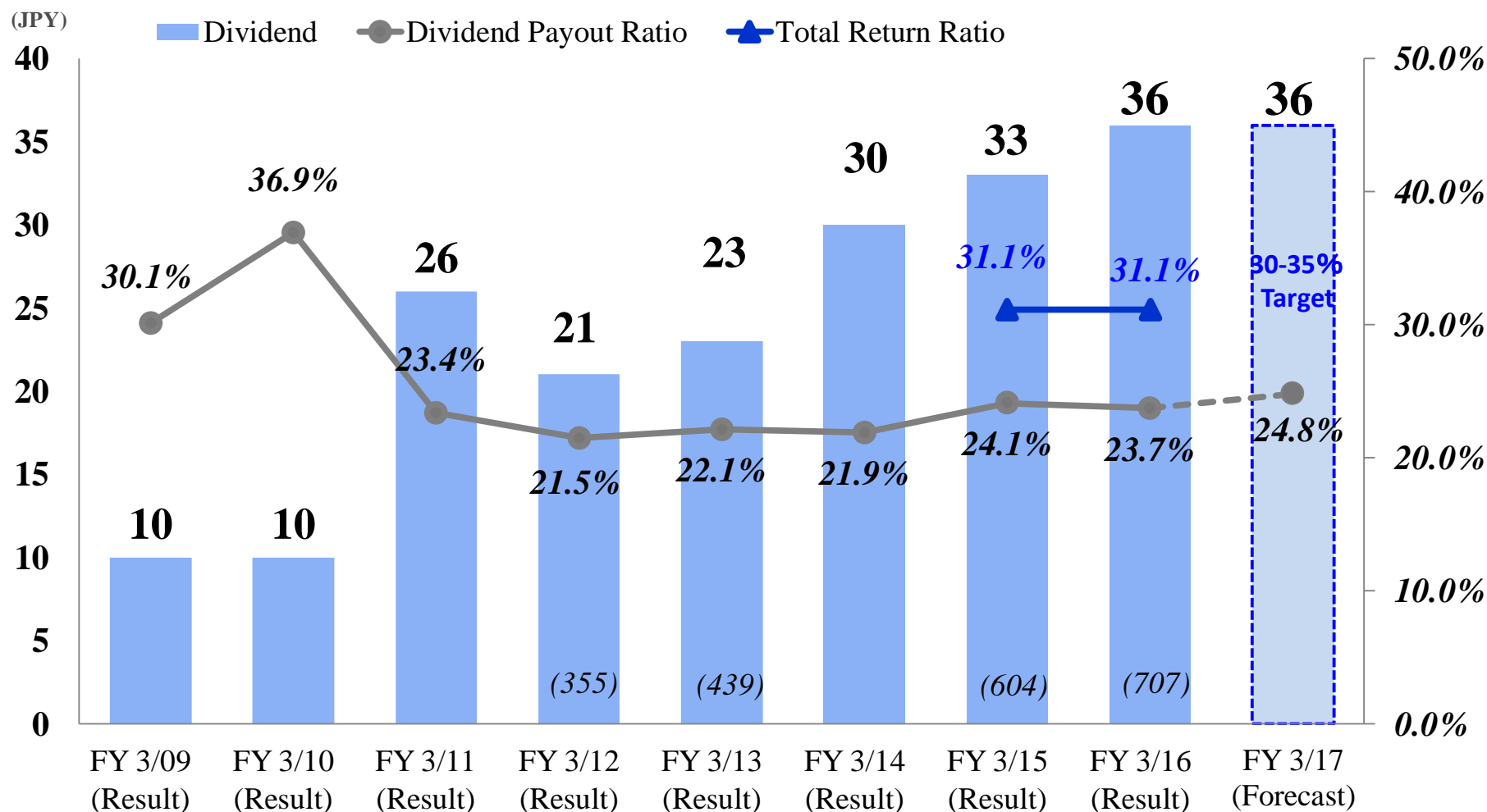
EPS Trends



(NB) The figures in brackets at the bottom of the bar chart show the amount of treasury shares acquired during the period (JPY million).

Returning Profits to Shareholders (2)

Trends in Annual DPS & Shareholder Return Indicators



(NB) The figures in brackets at the bottom of the bar chart show the amount of treasury stock acquired during the period (JPY million).

(NB) Figures for FY 3/11 include a special dividend of 2 JPY to commemorate the company's 120th anniversary.

Summary of Financial Results – 1Q FY3/2017

Sales : 141.4 billion JPY —3.8% YoY

Decrease due to adverse effects of strong yen

Op. Income : 3.1 billion JPY —6.6% YoY

Decrease due to adverse effects of strong yen

Current Profit : 3.7 billion JPY —18.3% YoY

Decrease due to lower operating income and dividend income

Net Income : 2.5 billion JPY —25.2% YoY
Attributable to owners of parent

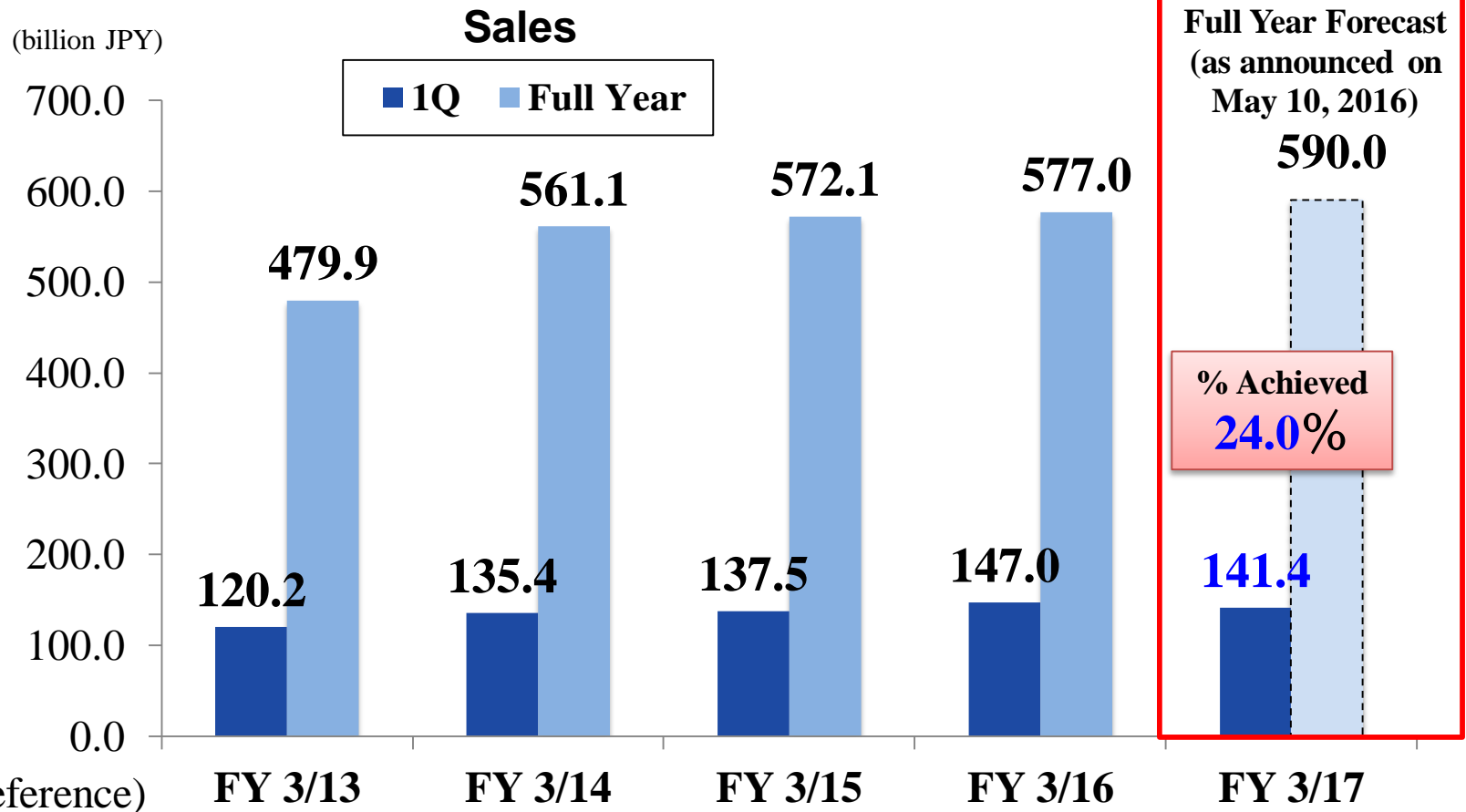
Decrease largely due to lower ordinary income

Consolidated Results Review – 1Q FY3/2017

(billion JPY)

	Three month ended June 30, 2015	Three month ended June 30, 2016(A)	YoY Change		Full Year Forecast - announced on May 10, 2016 (B)	Achievement (A)/(B)%
			Amount	%		
Sales	147.0	141.4	-5.5	-3.8%	590.0	24.0%
Op. Income	3.3	3.1	-0.2	-6.6%	11.5	27.0%
Current Profit	4.6	3.7	-0.8	-18.3%	12.5	30.3%
Net Income Attributable to owners of parent	3.3	2.5	-0.8	-25.2%	9.0	28.0%
Exchange Rate: USD/JPY	121.43	108.04	-13.39		110.00	

Sales Trends

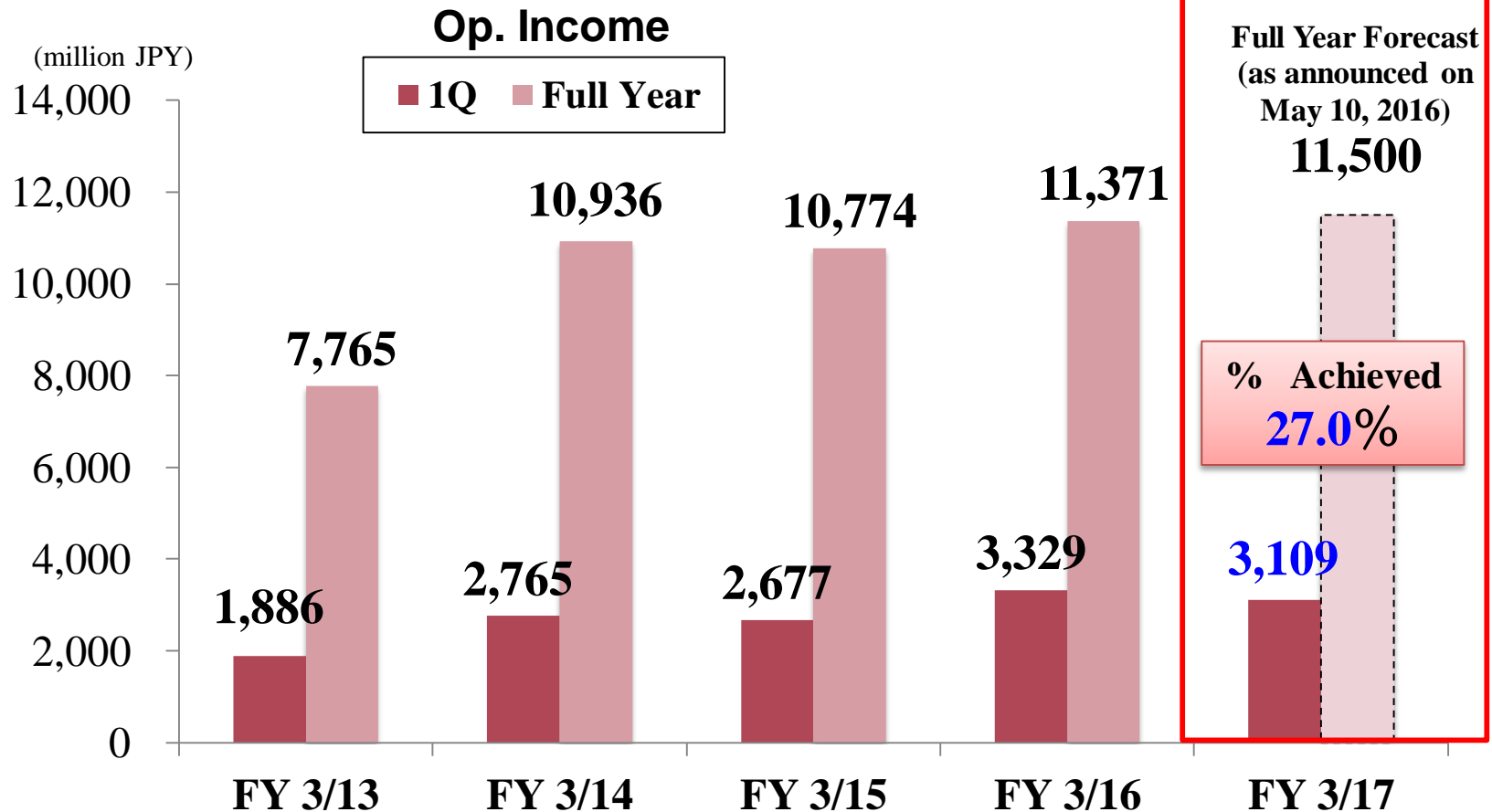


		FY 3/13	FY 3/14	FY 3/15	FY 3/16	FY 3/17
Exchange Rate: USD/JPY	1Q	82.19	98.78	102.17	121.43	108.04
	Full Year	79.81	100.17	109.76	120.15	(*Note)110.00

(*Note: The rate on which May 10 announcement will be based.)

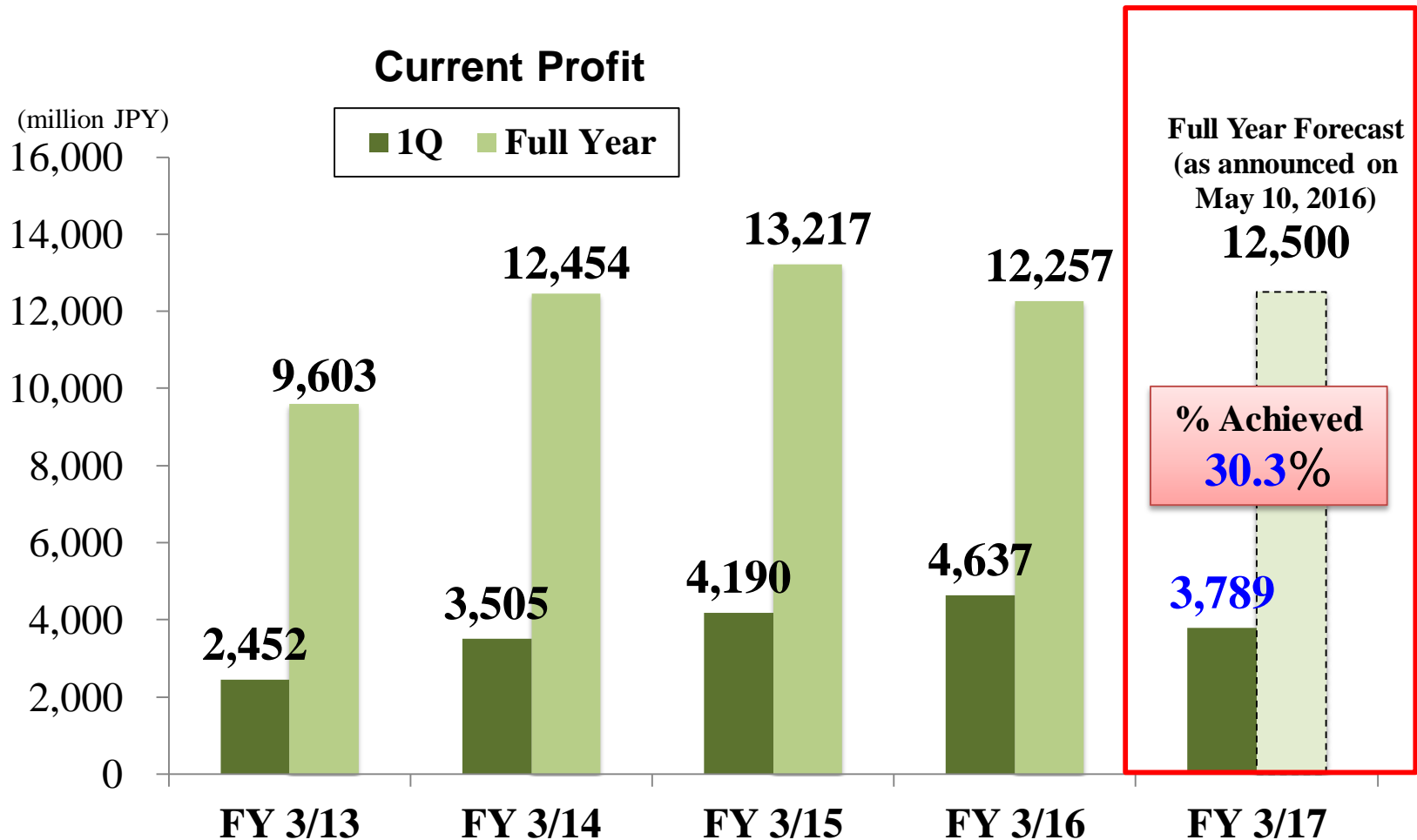
(NB) From FY 3/14 the method used to convert income and expenses of overseas subsidiaries changed from the year-end rate to the average rate for the period. Figure for FY 3/13 have been retrospectively adjusted to reflect this change; however figures for 1Q of FY 3/13 have not been adjusted.

Trends in Operating Income



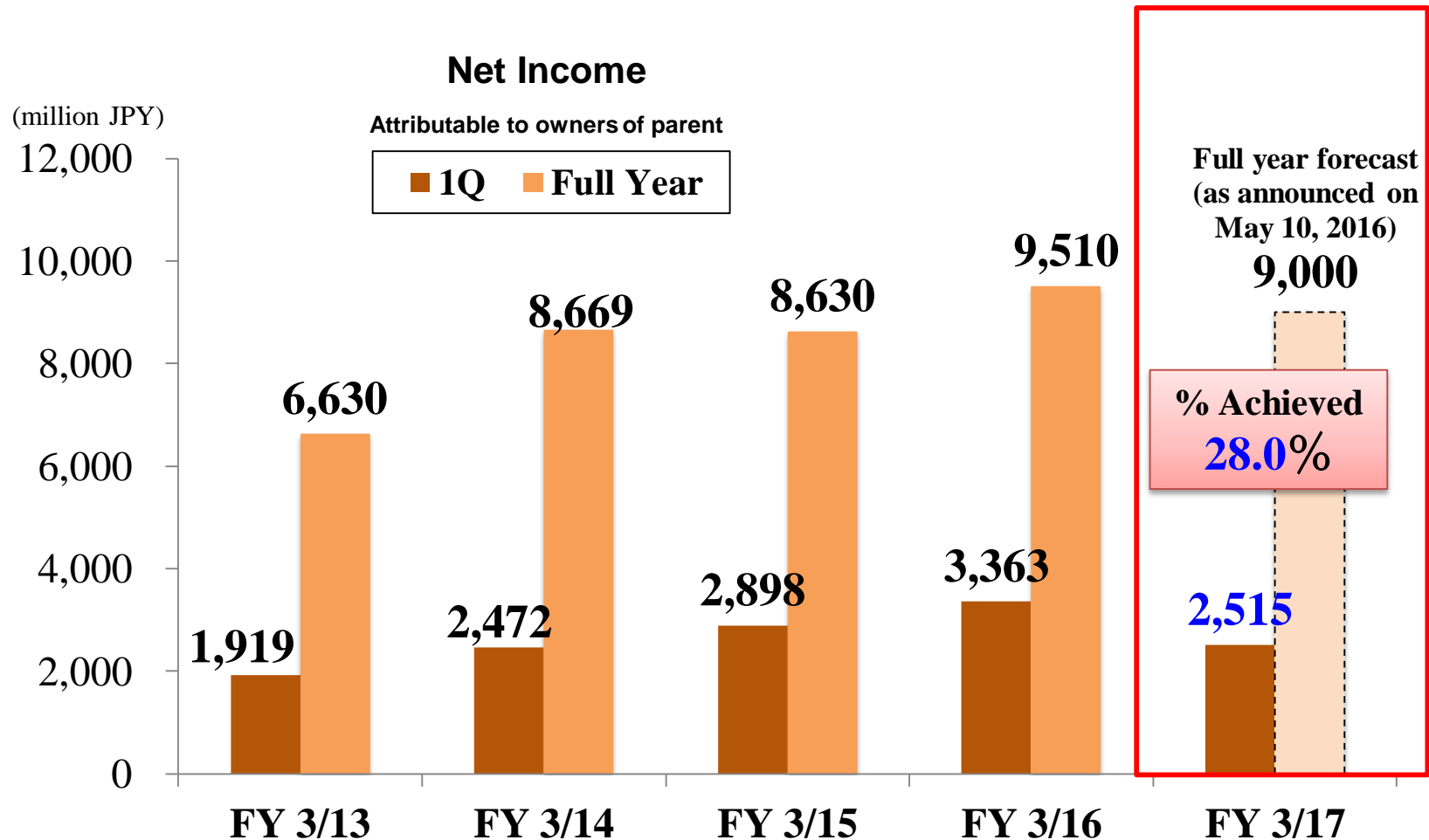
(NB) From FY 3/14 the method used to convert income and expenses of overseas subsidiaries changed from the year-end rate to the average rate for the period. Figure for FY 3/13 have been retrospectively adjusted to reflect this change; however figures for 1Q of FY 3/13 have not been adjusted.

Trends in Current Profit



(NB) From FY 3/14 the method used to convert income and expenses of overseas subsidiaries changed from the year-end rate to the average rate for the period. Figure for FY 3/13 have been retrospectively adjusted to reflect this change; however figures for 1Q of FY 3/13 have not been adjusted.

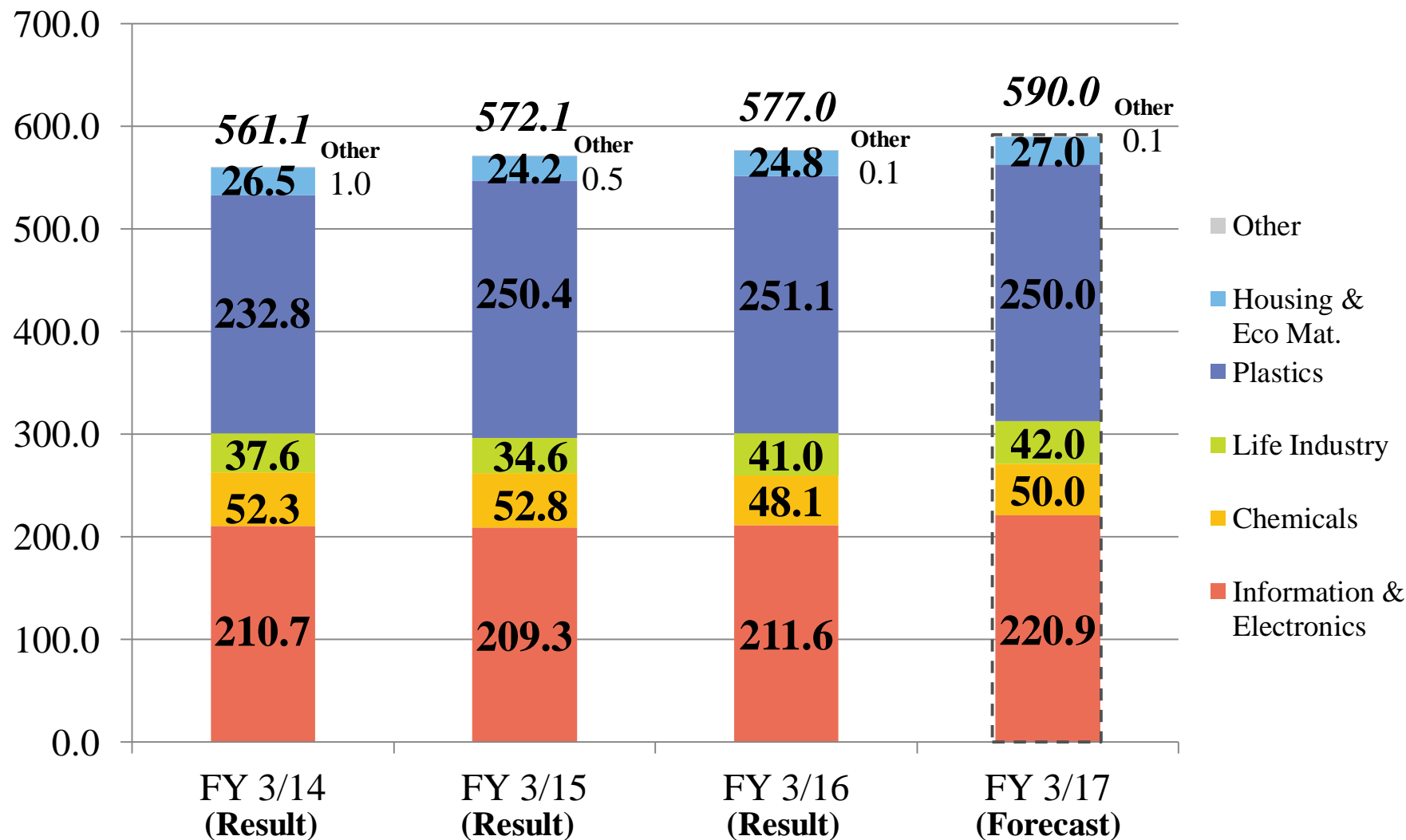
Trends in Net Income



(Note) Figures for FY 3/14 include the sum of 1.1billion JPY from gains made on the disposal of shares in affiliates.

Trends in Sales by Business Segment

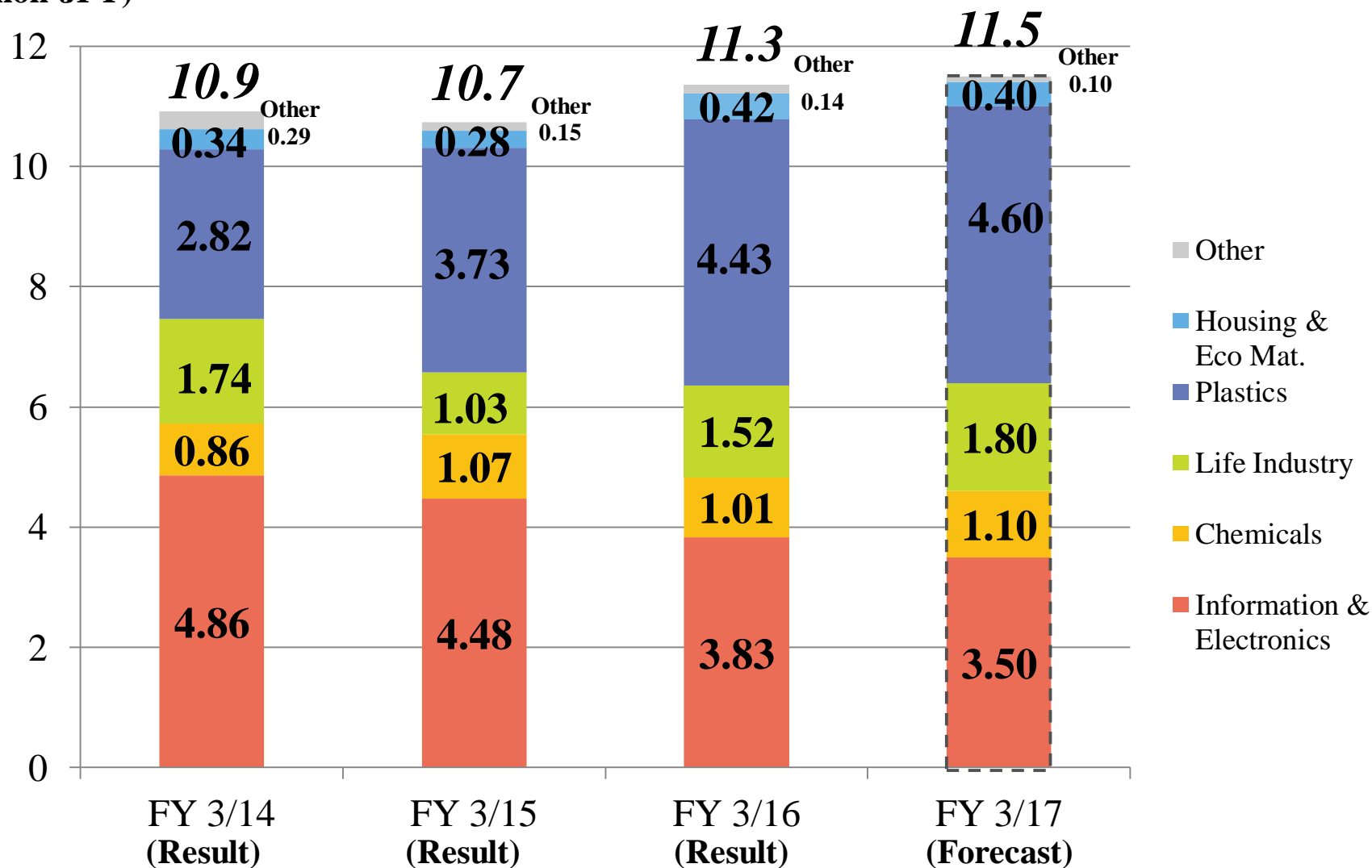
(billion JPY)



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Segment information for FY 3/16 has been prepared on the basis of the new classification.

Trends in Operating Income by Business Segment

(billion JPY)



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Segment information for FY 3/16 has been prepared on the basis of the new classification.

(NB) FY3/17(Forecast) is updated to the forecast as of November 30, 2016.

Summary of Financial Results – FY3/2016

<New Record High Sales, Operating Income and Net Income>

Sales: 577.0 billion JPY +0.9% YoY

Increase due largely to the impact of the weak yen

Op. Income: 11.3 billion JPY +5.5% YoY

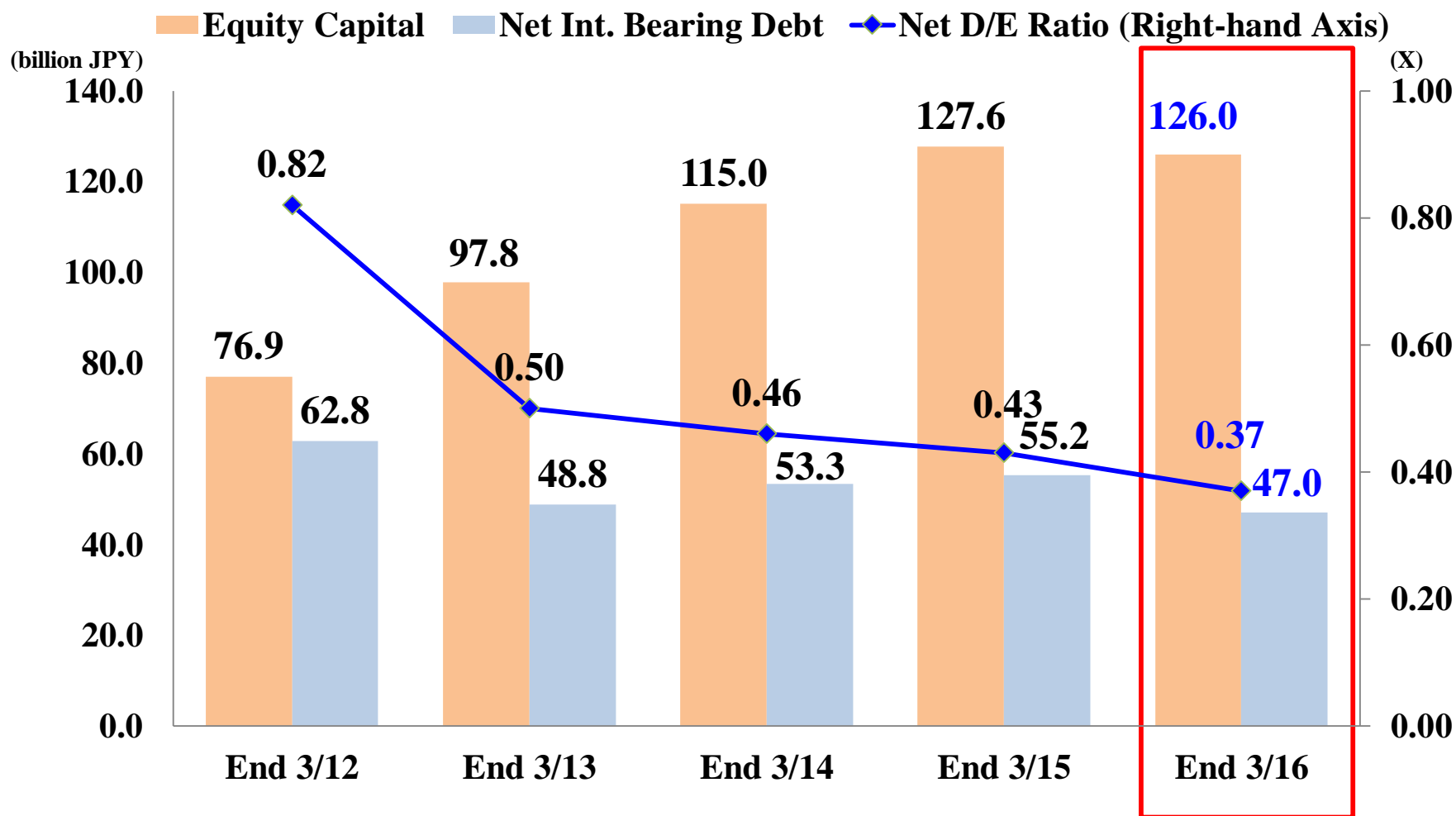
Increase due to bullish conditions in Plastics and the impact of the weak yen

Current Profit: 12.2 billion JPY –7.3% YoY

Decrease due to occurrence of foreign exchange losses

Net Income
Attributable to owners of parent : **9.5 billion JPY +10.2% YoY**

Increase due to the gain on sales of investment securities and decrease of income taxes



(NB)

Equity Capital = Net Assets – Stock Acquisition Rights – Non-controlling interests;

Net D/E Ratio = (Int. Bearing Debt – Cash & Deposits) / Equity Capital

Trends in Cash Flow

(billion JPY)



(million JPY)

	FY 3/05	FY 3/06	FY 3/07	FY 3/08	FY 3/09	FY 3/10	FY 3/11	FY 3/12	FY 3/13	FY 3/14	FY 3/15	FY 3/16
Operating CF	-1,675	-16,071	-1,150	-4,257	11,562	5,976	8,495	-15,534	19,400	-764	8,354	11,866
Change in WC	-12,055	-25,619	-3,873	-14,366	19,700	-968	-3,748	-20,357	3,414	-15,244	-11,179	5,821
Real Operating CF*	10,380	9,548	2,723	10,109	-8,138	6,944	12,243	4,823	15,986	14,480	19,533	6,045
Investment CF	-7,227	10,966	-3,132	-1,359	947	-5,529	-1,436	-1,629	277	-5,467	-3,044	-161

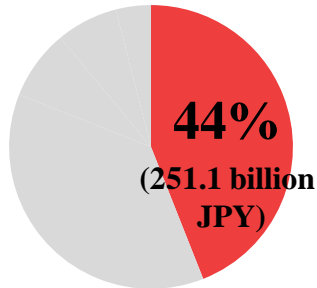
* Cash flows associated with operating activities – Cash flows associated with change in working capital

Working capital = Trade receivables + Inventory – Trade payables

Reference

1. Plastics

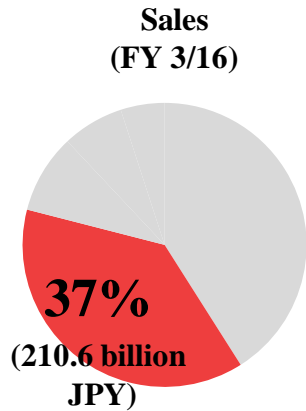
Sales
(FY 3/16)



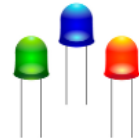
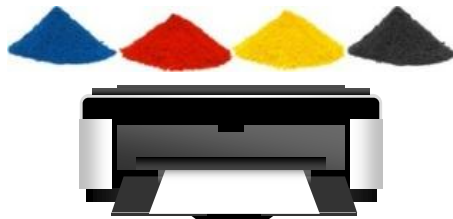
- Sales of high performance plastics:
For automobiles and motorcycles, home electric appliances, OA equipment, and electronic components
- Sales of plastics, molded plastic products and related materials
For general merchandise, sundry, architectural component, and healthcare industries
- Sales of resins/products for packaging materials and films:
Materials for garbage bags, packaging for industrial use and food
- Manufacture and sales of sheet products for sporting goods
Grip tapes for tennis rackets and baseball bats etc.



2. Information & Electronics

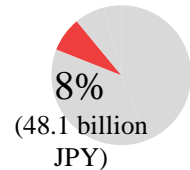


- Sales of raw materials for polarizing films to polarizing film manufacturers, and sales of polarizing film to panel manufacturers; also, alignment layer materials, electronic parts for LCD backlight units, etc.
- Sales of inkjet printer dye and toner ingredients to printer and copier manufacturers
- Materials for solar cells and lithium-ion batteries, LEDs, semiconductor materials, etc.



3. Chemicals

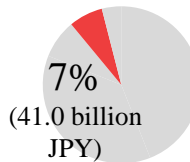
Sales (FY 3/16)



- Sales of raw materials and additives to the resin, rubber, textile and other industries
- Sales of raw materials and additives for use in paints, inks, adhesives, paper, etc.



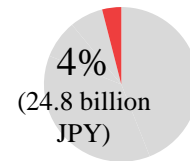
4. Life Industry



- Raw materials for pharmaceutical intermediates, insect repellents and insecticides, air fresheners and deodorants, and cosmetics
- Agricultural products (blueberries, fruit juices, frozen vegetables) and marine products (ingredients for sushi)



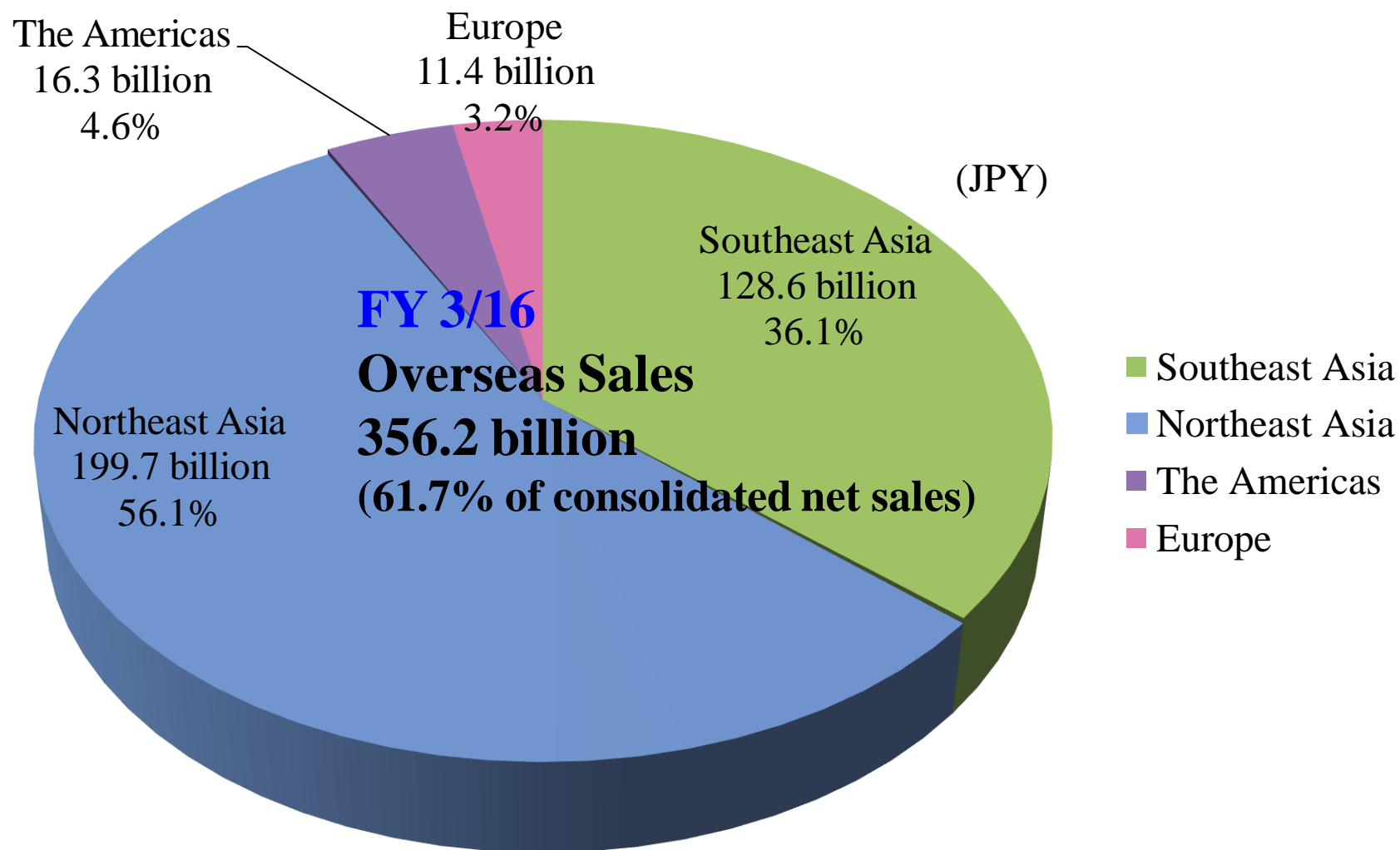
5. Housing & Eco Materials



- Lumber and laminated timber
- Chemicals, resin materials, stairs, flooring, prefabricated bath units, kitchens, toilets
- Recycled products (particle board made from scrap wood, and wood chips for use in wood biomass power generators)



Overseas Sales (including exports from Japan)

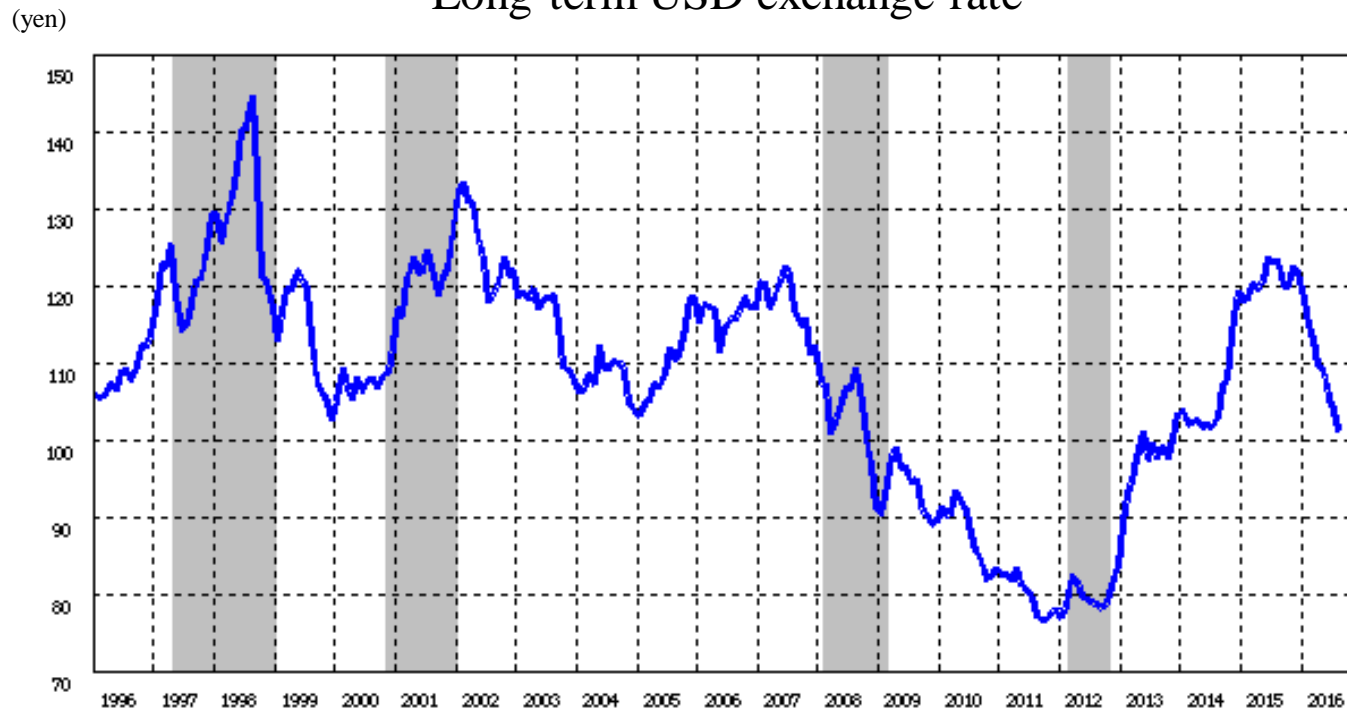




Global Economy

- ✓ The economic situation remains unstable due to a slowing economies in China and other developing Asian nations and a substantial foreign exchange volatility brought on by the United Kingdom's decision in June to withdraw from the EU.

Long-term USD exchange rate



Source: Bank of Japan



Trends in Share Price

Inabata's Share Price for the past 10 years

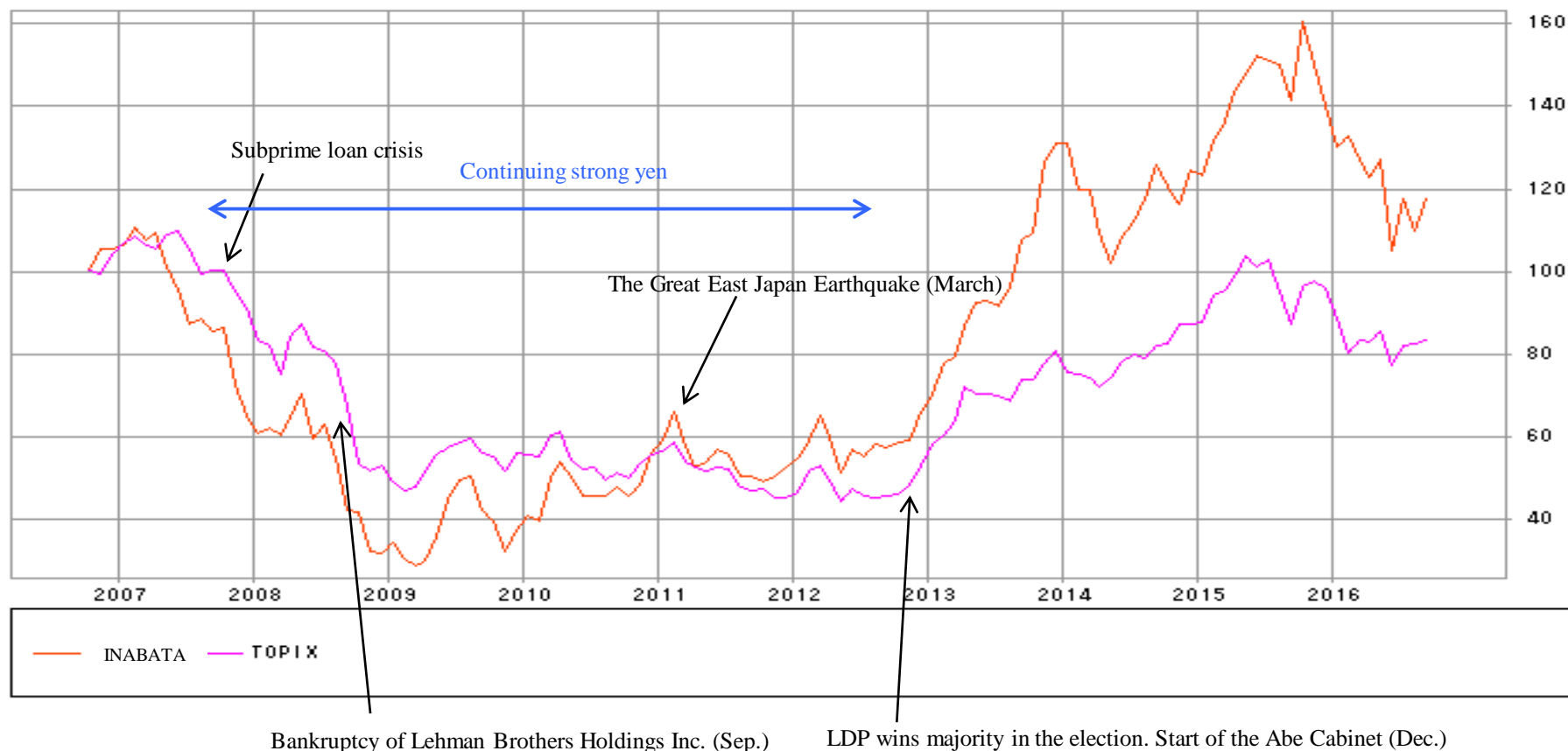




Trends in Share Price

Inabata's share price performance vs. TOPIX for the past 10 years

(09/2007=100)



□ IR queries should be directed to:

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◆ A Cautionary Note Regarding Future Estimates

The data and future predictions contained in this document are based on information available and judgments applicable at the time of the document's release. Consequently the data and future forecasts contained herein may include elements that are subject to change, and the reader should be aware that this document and its contents are no guarantee of future performance.

◆ Re:Numerical Format

Units of 'billion', 'hundred million' and 'million' JPY in this document use figures that have been rounded down. Consequently there may be some discrepancy between individual values and total values, or values showing changes between sets of data.