

# IR Briefing for the Fiscal Year Ended March 2020

Progress During Year 3 of *NC2020*,  
Our Medium-Term Management Plan

**Inabata & Co., Ltd.**  
Katsutaro Inabata, Director, President

June 4, 2020

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## About Inabata:

### 1. **Founded in 1890**

The Company was founded in Kyoto in 1890 as an importer of dyestuffs. The business was later expanded with a focus on chemicals.



Inabata Dye Shop (Nishijin, Kyoto)

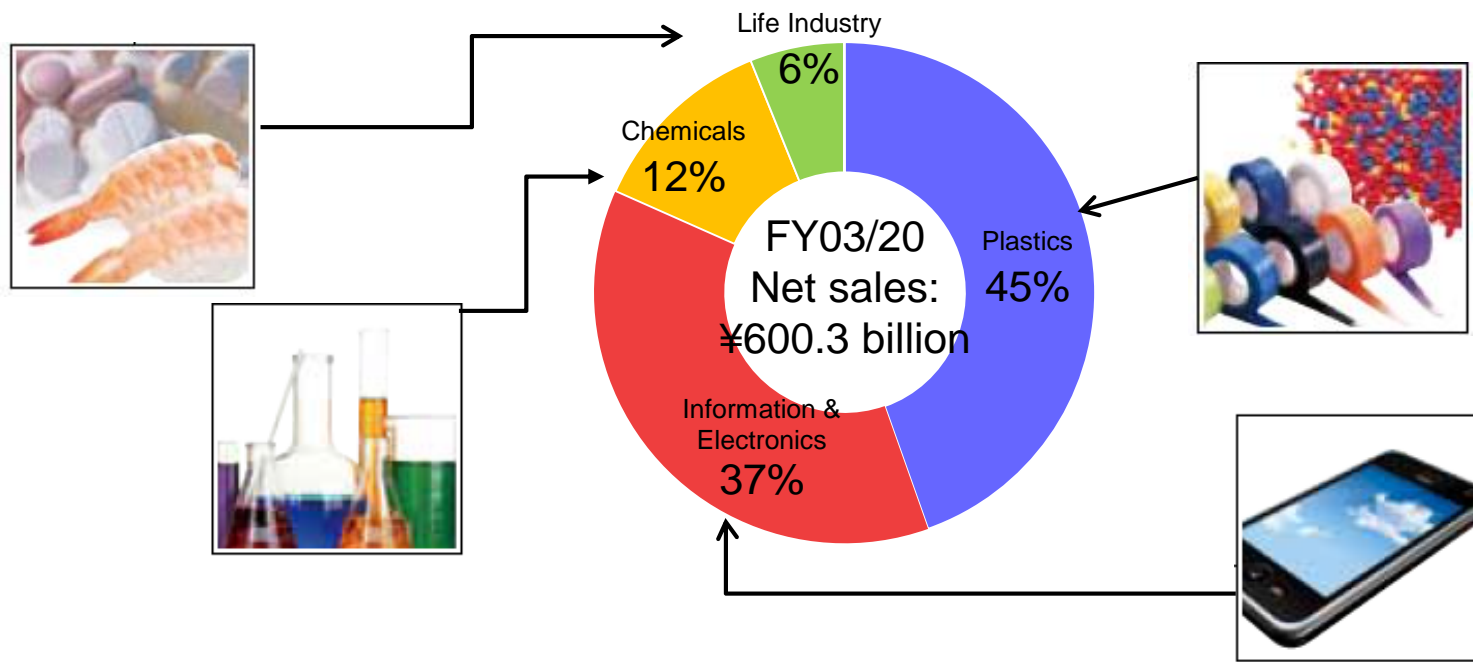
### 2. **A globally expanding, multifaceted trading company**

The company operates at 60 locations across 17 countries. Business functions include market development, manufacturing and processing, logistics, and finance. Our plans and proposals are based on specialized expertise and knowledge of products and markets.



## 3. Four business segments

We operate in four segments: Information & Electronics, Chemicals, Life Industry, and Plastics.



## ■ Operating Environment

- Strove to prevent the spread of the virus and continued operations from a perspective centered on business continuity planning (BCP)
- Established a companywide task force on February 13, 2020
- Achieved a teleworking rate of about 80% at our head office in Japan
- Currently, we have no infected personnel on record

# Impact of the Novel Coronavirus Pandemic on Operations in FY03/20

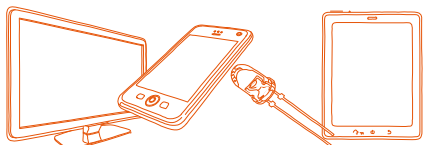


- The virus had almost no impact on the Information & Electronics and Chemicals segments. However, it led to reduced demand that had a negative impact on the Life Industry and Plastics segments.

Segment	Business field	Primary impact during FY03/20
Information & Electronics	<ol style="list-style-type: none"> <li>1. LCD-related business</li> <li>2. Office automation (OA)-related business</li> </ol>	<ol style="list-style-type: none"> <li>1. (no impact) The front-end processes of panel manufacturers escaped impact from the virus and operations continued at high capacity rates.</li> <li>2. (no impact)</li> </ol>
Chemicals	All fields in general	(-) The virus had no major impact overall, but falloff concentrated in China during February and March brought down full-year sales slightly.
Life Industry	<ol style="list-style-type: none"> <li>1. Life science-related business</li> <li>2. Food-related business</li> </ol>	<ol style="list-style-type: none"> <li>1. (-) Operations were affected by plant shutdowns at suppliers in China.</li> <li>2. (-) Japan: Sales of fishery products fell, including sales of sliced fresh fish for conveyor-belt sushi restaurants, cut fish for food service establishments, and shrimp products for restaurants. (-) Overseas: Sales of seafood soft-shell crab and other fishery products for restaurants declined.</li> </ol>
Plastics	<ol style="list-style-type: none"> <li>1. Commodity resins</li> <li>2. Functional resins (OA-related business)</li> <li>3. High-performance resins (automotive-related business)</li> </ol>	<ol style="list-style-type: none"> <li>1. (+) Sales of food containers and containers for liquid sanitizers were favorable. (-) Sales of synthetic rubber for use in automobiles declined. (-) Construction delays brought down sales related to construction materials, civil engineering works, and electric cables.</li> <li>2. (-) Sales of cladding for Japanese client companies in Asia fell.</li> <li>3. (-) China: Sales to both Japanese and non-Japanese client companies decreased. Overall, we encountered no major sales interruptions to Tier 1 or Tier 2 companies through March 31.</li> </ol>

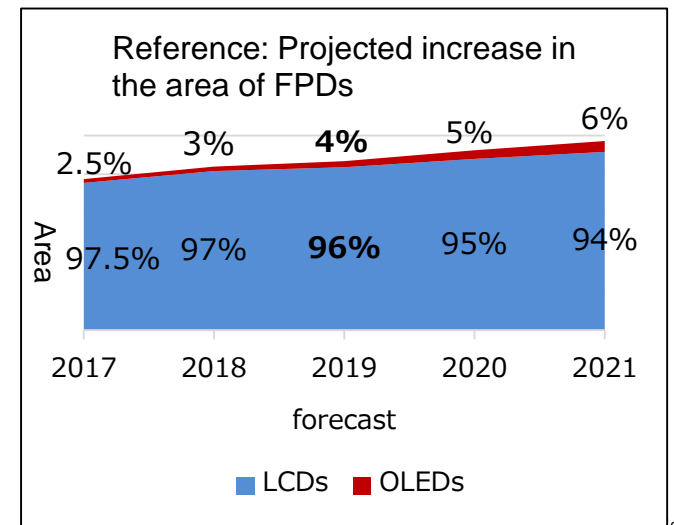
# Operating Environments in FY03/20: Information & Electronics (FPD Market)

- As TVs continued to grow larger, demand for larger LCD panel areas also grew.
- Toward the end of FY03/20, panel manufacturers in China continued operating at high capacity rates despite impact from the novel coronavirus pandemic.
- Sales of organic electroluminescent panels for smartphones continued to grow, but this growth was limited when measured in terms of area.



Reference: Projected increase in the area of large LCD panels

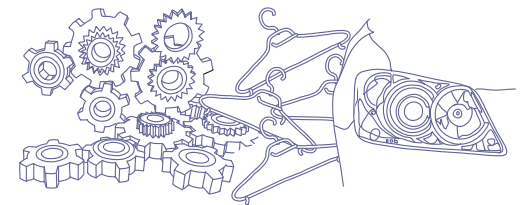
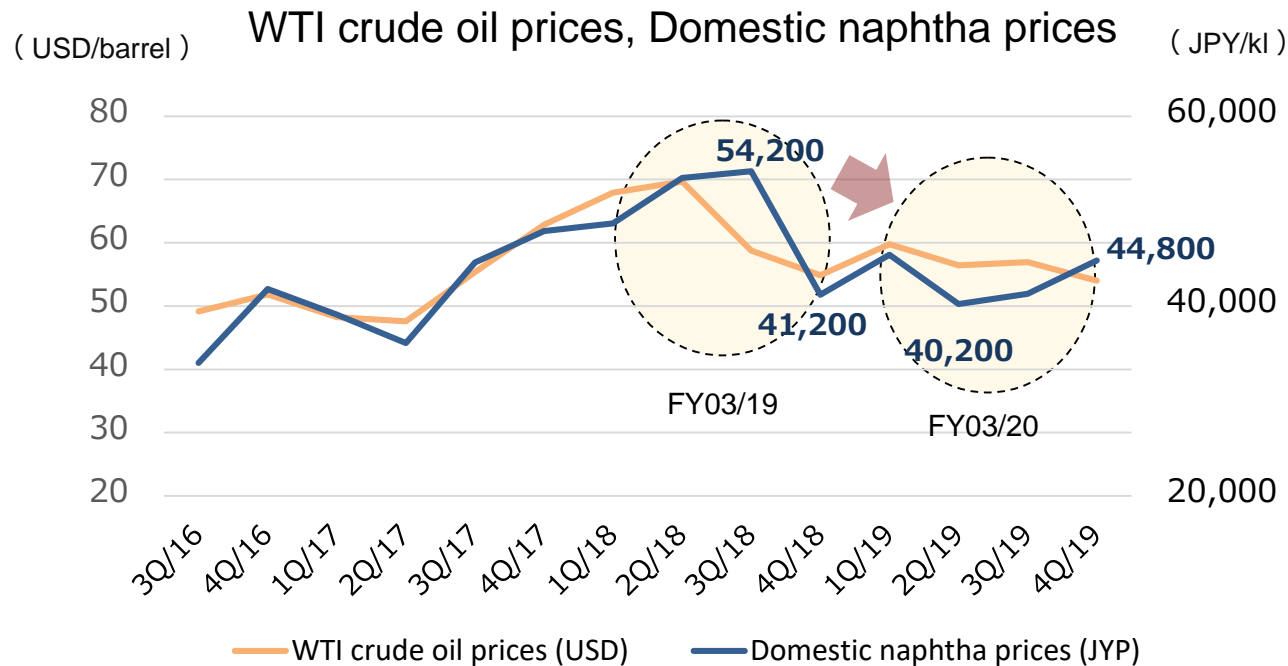
	2017	2018	2019 (forecast)
YoY increase (%)	105%	108%	<b>103%</b>





# Operating Environments in FY03/20: Plastics

- Plastics prices fell year on year due to stagnant naphtha prices.
- During the first half of FY03/20, exports from China to North America fell due to trade friction between the US and China.  
Mainly Japanese and South Korean companies continued moving their production facilities from China to locations in Southeast Asia.
- Global end-user demand plummeted toward the end of FY03/20 due to impact from the novel coronavirus pandemic.



Note: Naphtha prices in Q4/19 have been calculated based on preliminary figures for January through March 2020.

- *New Challenge 2020 (NC2020),*  
Our Medium-Term Management Plan

*NC2020*, a four-year medium-term management plan ending in FY03/21

Quantitative targets	FY03/21
Net sales	¥730.0 billion
Operating profit	¥15.5 billion
Ordinary profit	¥16.0 billion
Profit attributable to owners of parent	¥12.0 billion
Net D/E ratio	0.4x or less
Assumed exchange rate	USD1 = JPY110

**1** Further expansion and deeper involvement in overseas businesses

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

- Continue to focus on the automotive, life science and medical, and environment and energy sectors
- Launch new initiatives in the food business, including agriculture

**3** Further enhancement of information infrastructure essential for global management

- Prioritize infrastructure that is best for the entire Group
- Enhance and standardize overseas business management

**4** More proactive investment to expand the trading business

- Make minority investments, primarily to expand the trading business
- Consider majority investments, but with limited risk and scale

**5** Continual review of assets and enhancement of financial standing

**6** Establishment of global human resource management

- Progress in Year 3 of *NC2020*

# Overview of Year 3 of NC2020 (FY03/20)



- Net sales fell short of projection
- Operating profit also came in below projection due to the shortfall in net sales, but we were able to secure operating profit margin in line with projection
- Our net debt/equity ratio continued to improve, and our financial strength grew

(Billions of yen)	FY03/20 actual (A)	NC2020 target for FY03/20 (B)	Difference (A)-(B)	Achievement rate (A)/(B)%	Primary reasons for differences
Net sales	600.3	700.0	-99.6	85.8%	Explained on following slides
Operating profit	13.2	14.5	-1.2	91.2%	Explained on following slides
Operating profit margin	2.2%	2.1%	+0.1%		
Ordinary profit	14.2	15.0	-0.7	94.7%	Increase in dividend income and a decrease in interest expenses
Profit attributable to owners of parent	11.4	11.0	+0.4	103.8%	Higher gain on sales of investment securities
Net debt/equity ratio	0.16	0.4x or less			
Equity ratio	45.2%	—	—	—	
Exchange rate	USD1=¥108.70	USD1=¥110.00			

# Differences between Targets and Actual Results for Net Sales and Operating Profit by Segment



- Operating profit exceeded projections in the Information & Electronics and Plastics segments

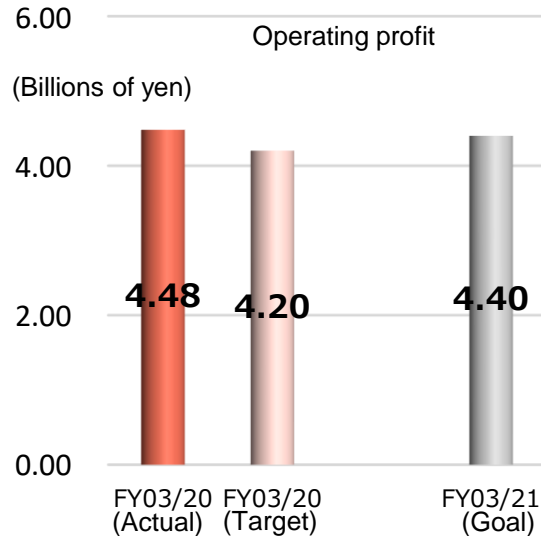
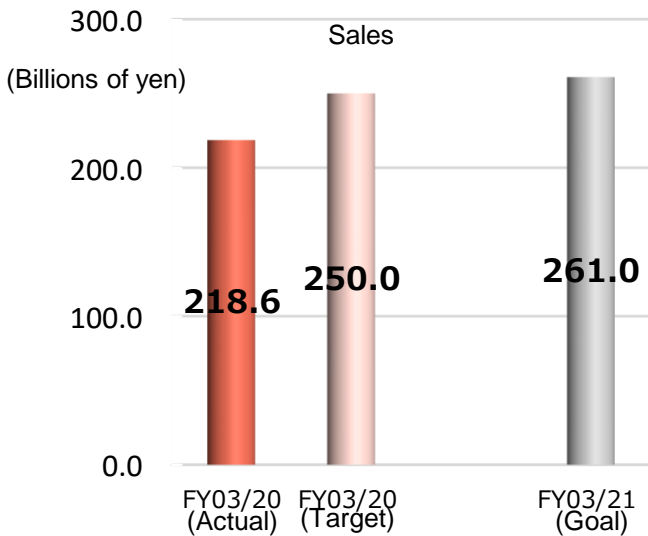
(Billions of yen)	FY03/20 actual (A)	NC2020 target for FY03/20 (B)	Difference (A)-(B)	Segment	Difference (A) - (B)
Net sales	600.3	700.0	-99.6	Information & Electronics	- 31.3
				Chemicals	-17.5
				Life industry	-22.0
				Plastics	-28.6
				Other	-0.1
Operating profit	13.2	14.5	-1.2	Information & Electronics	+0.2
				Chemicals	-0.7
				Life industry	-1.3
				Plastics	+0.6
				Other	-0.0

# NC2020 Progress by Segment: (1) Information & Electronics



■ Sales fell below projection, but operating profit achieved forecast level and was on par with target for the final fiscal year of NC2020

(Billions of yen)	FY03/20 actual (A)	NC2020 target for FY03/20 (B)	Difference (A)-(B)	Achievement rate (A)/(B)	Primary reasons for differences
Sales	218.6	250.0	-31.3	87.5%	(+) Growth in liquid crystal-related sales (-) Decision to forgo less profitable businesses (OA-related business) (-) Business restructuring at European subsidiaries (solar cells)
<b>Operating profit</b>	<b>4.48</b>	<b>4.20</b>	<b>+0.28</b>	<b>106.7%</b>	(+) Growth in liquid crystal-related materials
Operating profit margin	2.0%	1.7%	+0.3%		



Products Factored into NC2020 at the Time of its Formulation

Products as an earnings base
Parts and materials for liquid crystal displays OA-related products
Products in growth areas
Secondary cell-related products (Solar cells, lithium-ion cells)

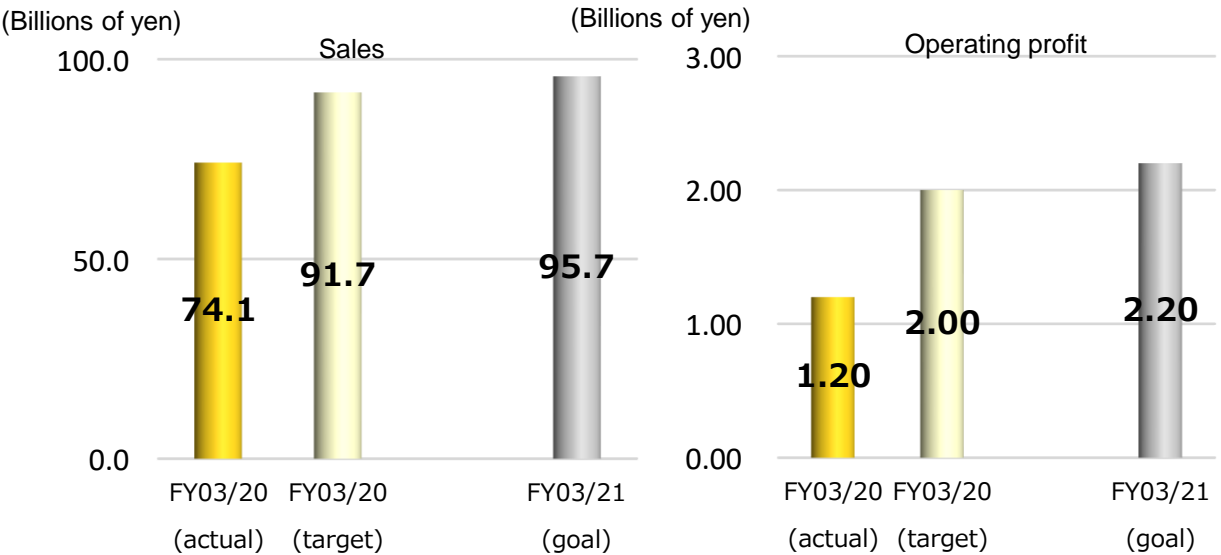


# NC2020 Progress by Segment: (2) Chemicals



■ Sales and profit fell short of targets due to stagnation in the former Housing & Eco Materials segment

(Billions of yen)	FY03/20 actual (A)	NC2020 target for FY03/20 (B)	Difference (A)-(B)	Achievement rate (A)/(B)	Primary reasons for differences
Sales	74.1	91.7	-17.5	80.9%	(-) Stagnation in the former Housing & Eco Materials segment (overseas sales of construction materials) (-) Generally sluggish in the Chemicals segment
Operating profit	1.20	2.00	-0.79	60.4%	(-) Sales fell short of targets (+) Growth in heat-dissipating materials for automobiles
Operating profit margin	1.6%	2.2%	-0.6%		



Products Factored into NC2020 at the Time of its Formulation

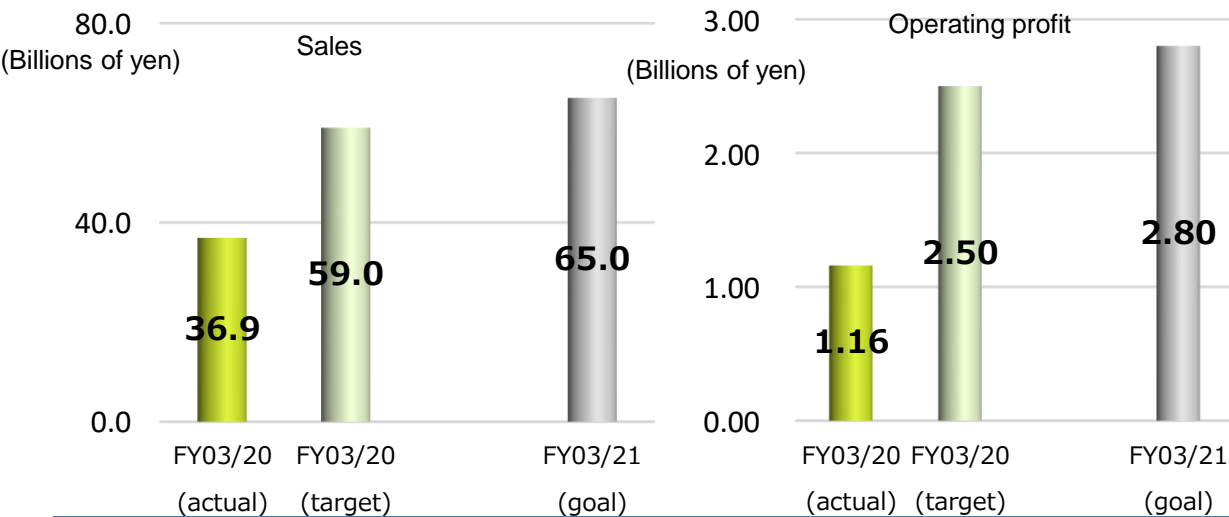
Products as an earnings base
Materials for automotive parts, coating-related products, housing materials
Products in growth areas
New products, including heat-dissipating materials; housing materials (sold overseas); and environmental materials

# NC2020 Progress by Segment: (3) Life Industry



■ Both sales and profit came in below targets due in part to delays to new food-related projects

(Billions of yen)	FY03/20 actual (A)	NC2020 target for FY03/20 (B)	Difference (A)-(B)	Achievement Rate (A)/(B)	Primary reasons for differences
Sales	36.9	59.0	-22.0	62.6%	(-) Transactions volume in China fell due to environmental regulations (-) Slumping sales of materials for insect repellent and pesticide (-) Delays to new food-related projects (related to agriculture and food processing)
Operating profit	1.16	2.50	-1.33	46.6%	(-) Sales were below forecast
Operating profit margin	3.2%	4.2%	-1.0%		



Products Factored into NC2020 at the Time of its Formulation

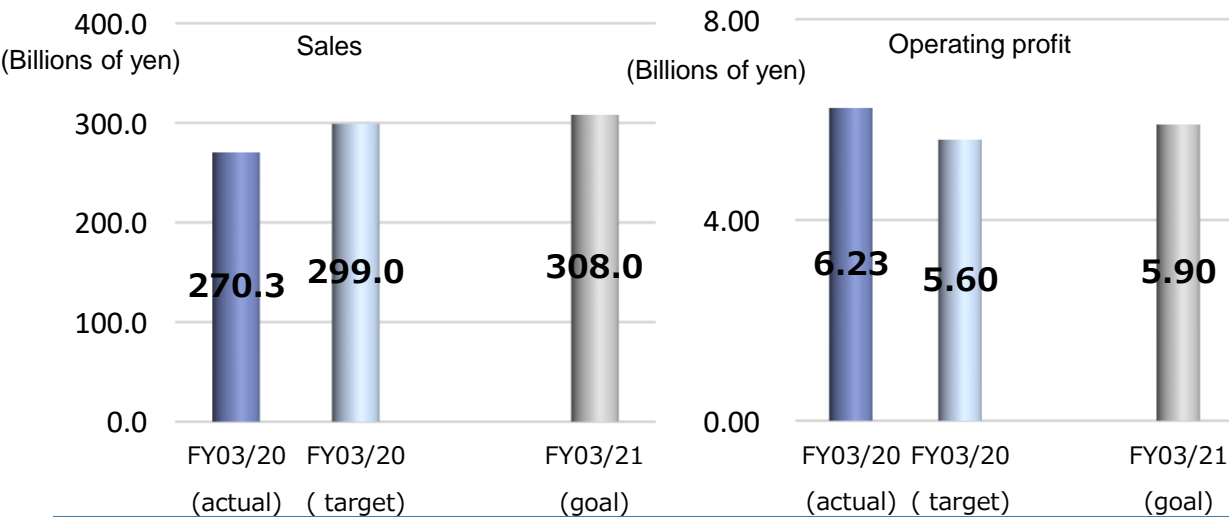
Products as an earnings base
<ul style="list-style-type: none"> <li>• Pharmaceutical ingredients (new drugs)</li> <li>• Materials for home products</li> <li>• Fishery products (for conveyor-belt sushi restaurants)</li> </ul>
Products in growth sectors
Devices and materials related to advanced medicine (regenerative medicine) and agricultural products (blueberries, etc.)

# NC2020 Progress by Segment: (4) Plastics



- Sales fell below projection, but operating profit achieved forecast level and was on par with target for the final fiscal year of NC2020

(Billions of yen)	FY03/20 actual (A)	NC2020 target for FY03/20 (B)	Difference (A)-(B)	Achievement Rate (A)/(B)	Primary reasons for differences
Sales	270.3	299.0	-28.6	90.4%	(-) Drop in plastics prices (-) Impact from the novel coronavirus pandemic
<b>Operating profit</b>	<b>6.23</b>	<b>5.60</b>	<b>+0.63</b>	<b>111.3%</b>	(+) Higher sales of high-performance plastics for use in automobiles (+) Overall increase in profit margin (-) Sales came in below forecast
Operating profit margin	2.3%	1.9%	+0.4%		



## Products Factored into NC2020 at the Time of its Formulation

Products as an earnings base
Plastics for OA equipment and consumer electronics Films and sheets (for food products), including manufacturing and processing
Products in growth areas
High-performance resins for use in automobiles, sports-related products (grip tape)

## ■ Focus on markets with growth potential and sectors that have yet to be developed

Priority areas	Comments	Assessment
Automotive	Sales of high-performance resins to global customers grew despite impact from the novel coronavirus pandemic. Meanwhile, the company recorded growth in sales of heat-dissipating materials for electric vehicles and strong sales related to decorative films.	◎
Life science and medical	Sales of pharmaceutical ingredients fell below projection due in part to environmental regulations in China and the spread of the novel coronavirus. Meanwhile, sales of growth media, devices, and other products in the field of advanced medicine were delayed, and sales of home products such as insect repellent and pesticide materials struggled.	×
Environment and energy	We have revised our forecast for solar cell sales due suspensions of related transactions in Europe. We recorded growth in system-related projects in Japan and material sales. Despite slight delays to lithium-ion cell-related sales, we experienced growth in terms of associated material sales to Chinese and South Korean manufacturers.	△
Food, including agriculture (Agricultural field)	Cultivation of blueberries and garlic in Hokkaido took more time than expected, but crop growth was strong nevertheless. Sales of imported grass and other types of animal feed were robust.	△

## More proactive investment to expand the trading business

(Billions of yen)

	FY03/18 actual	FY03/19 actual	FY03/20 actual	NC2020 period (FY03/18 onward)
Growth investment	3.86	2.31	1.85	8.03
Fixed investment	1.59	2.03	2.01	5.63
Total	5.45	4.34	3.86	13.66

■ Major growth investments in FY03/20

- Information & Electronics segment:
  - Start-up loans ¥0.50 billion (related to mask blanks)
- Plastics segment:
  - Plant relocation loans ¥0.54 billion (related to specialty paper)
  - ¥0.17 billion for facilities (related to inflation molding)
- Life industry segment:
  - Share acquisition ¥0.15 billion (related to pharmaceuticals)
  - ¥0.10 billion in investment (related to regenerative medicine)

## ■ Returning Profits to Shareholders

# Returning Profits to Shareholders

## Policy on returning profits to shareholders

We target a total return ratio\* of approx. 30–35%.

### Dividends per share:

#### ■ FY03/20 results

Annual dividend ¥53 (interim ¥20 year-end ¥33)

Value of treasury shares acquired: ¥425 million (300,000 shares)

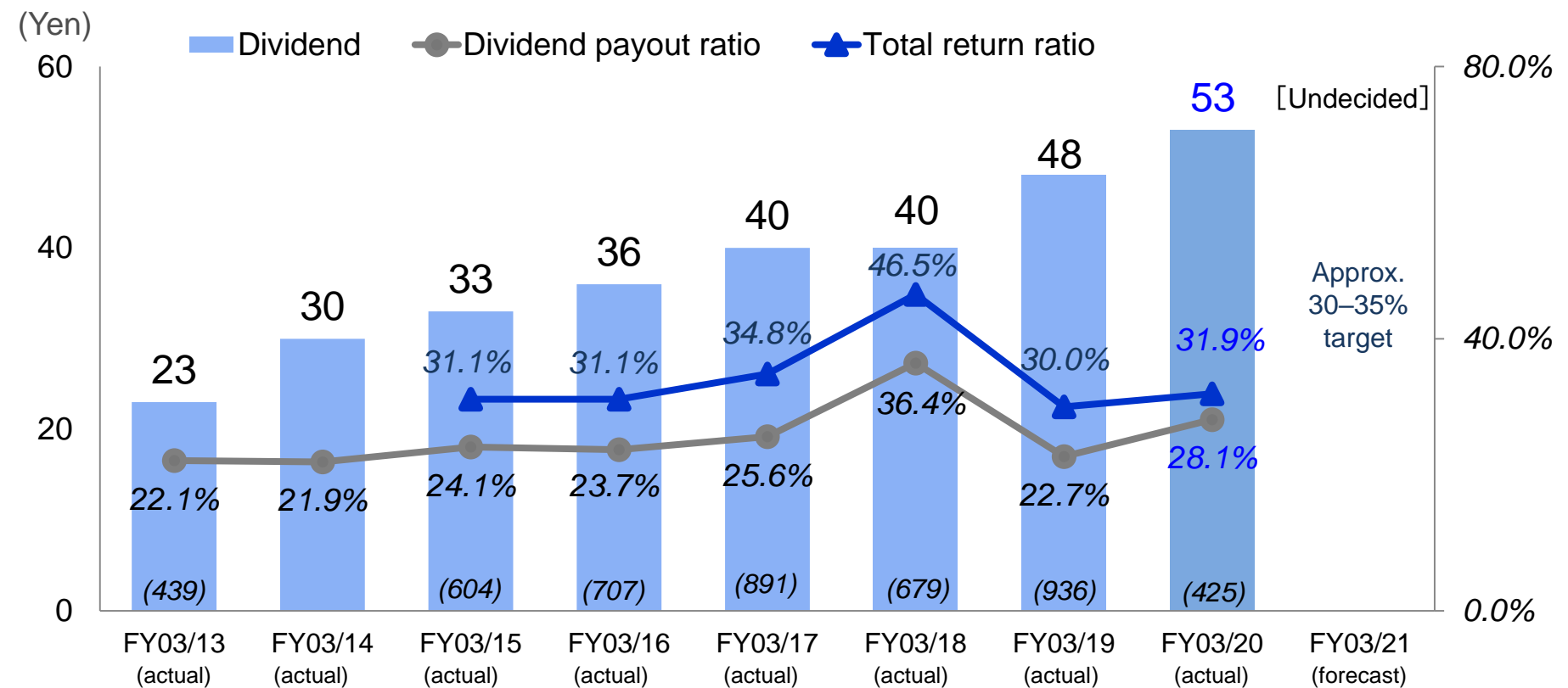
Total return ratio: 31.9% (dividend payout ratio: 28.1%)

#### ■ FY03/21 (forecast)

Annual dividend Undecided

\* Total return ratio (%) = (dividend amount + amount of treasury shares acquired) / consolidated net income x 100

## Annual dividends per share and indicators of shareholder return



Note: The figures in parentheses at the bottom of the bar chart show the amount of treasury stock acquired (in millions of yen) during the period.



- Forecast for FY03/21, the Final Fiscal Year of *NC2020*, our Medium-Term Management Plan

■ Regarding our Forecast for FY03/21, the Final Year of *NC2020*

Due to a large number of uncertainties, we are currently unable to make rational estimates regarding the future impact of the global novel coronavirus pandemic. Accordingly, we have postponed disclosures of our FY03/21 earnings and dividend forecasts. We will closely monitor trends moving forward and will promptly release a consolidated earnings forecast based on rational estimations as soon as possible.

- Based on the spread of the novel coronavirus pandemic, we project the following impact on our businesses (as of June 4, 2020)

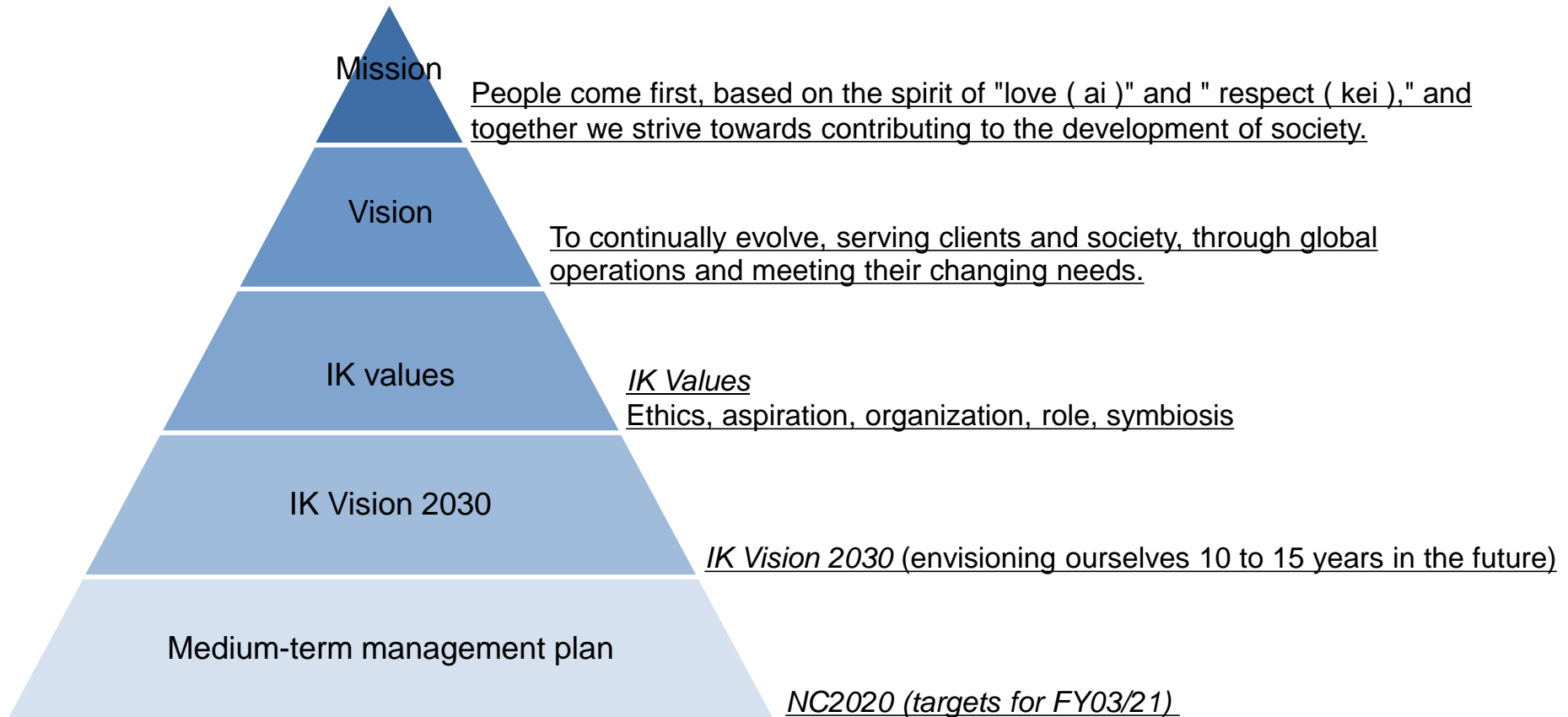
Segment	Business field	Primary impact in FY03/21
Information & Electronics	<ol style="list-style-type: none"> <li>Liquid crystal-related business</li> <li>OA-related business</li> </ol>	<ol style="list-style-type: none"> <li>(-) Panel manufacturers could reduced their rates of operations due to substantial declines in end-user demand for TVs and smartphones</li> <li>(+) Extraordinary demand for consumer inkjet printers associated with teleworking (-) Impact on office copying machines amid the spread of teleworking</li> </ol>
Chemicals	<ol style="list-style-type: none"> <li>Automotive-related business</li> <li>Communication paper and ink-related business</li> <li>Construction materials-related business</li> </ol>	<ol style="list-style-type: none"> <li>(-) Decrease in volume of automobiles produced in China and Southeast Asia</li> <li>(no impact) Strong trend in terms of package-related sales</li> <li>(-) Impact on construction material-related sales due in part to housing exhibition closures following state of emergency declarations</li> </ol>
Life industry	<ol style="list-style-type: none"> <li>Life science-related business</li> <li>Food-related business</li> </ol>	<ol style="list-style-type: none"> <li>(-) Decrease in sales of ingredients for influenza medication due to a spreading culture of prevention (-) Lower sales of sunblock and insect repellent spray due to a tendency of remaining indoors in response to stay-at-home orders</li> <li>(-) Decline in sales of cut fish for school lunches due to school closures (-) Delayed launches of fishery product processing projects due to overseas travel restrictions (-) Lower exports of Japanese food ingredients due to a tendency of remaining indoors in response to stay-at-home orders.</li> </ol>
Plastics	<ol style="list-style-type: none"> <li>Commodity resins</li> <li>Functional resins (OA-related business)</li> <li>High-performance resins (automotive-related business)</li> </ol>	<ol style="list-style-type: none"> <li>(-) Impact of a projected drop in naphtha prices accompanying a rapid decline in oil prices</li> <li>(-) Decline in exports from Japan due to sluggish production and sales overseas</li> <li>(-) Decrease in global automobile production Impact from the timing of launches for mass production related to new car models and recovery in production related to existing models</li> </ol>

# ■ Reference Materials

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◆ *IK Vision 2030* was drawn up in May 2017, prior to *NC2020*.



◆ Inabata's aspirations for itself in around 2030

Function: Further enhancing multifaceted capabilities (such as manufacturing, logistics, and finance) in addition to trading

Scale: Reach consolidated net sales of ¥1 trillion at an early stage

Overseas business: 70% or more

Portfolio: At least one-third of business from segments other than Information & Electronics and Plastics

Formulated May 2017

Segment	Operating environment
Information & Electronics	<ul style="list-style-type: none"><li>• The liquid crystal business is poised to increase slightly in the medium term; panel display production continues shifting to China.</li><li>• The photocopier and printer industries are mature, but room for growth exists with respect to industrial applications.</li><li>• In solar power generation, expectations for Japan are low, but growth persists overseas.</li></ul>
Chemicals	<ul style="list-style-type: none"><li>• The existing chemicals market in Japan has changed little, and the market for products handled by Inabata is limited.</li><li>• Foreign chemical manufacturers are tending to have trading companies handle their marketing in Japan.</li></ul>
Life Industry	<ul style="list-style-type: none"><li>• In pharmaceuticals, markets for new drugs and regenerative medicine have been growing at a moderate pace.</li><li>• In household products, the Japanese market is saturated while markets in emerging economies are expanding.</li><li>• In food products, industrialized nations are becoming more health- and safety-conscious, while food consumption is increasing in emerging economies.</li></ul>
Plastics	<ul style="list-style-type: none"><li>• Customers and suppliers are becoming increasingly international.</li><li>• Companies are opting to channel business to trading companies that can operate globally.</li></ul>
Housing & Eco Materials	<ul style="list-style-type: none"><li>• The number of housing starts is expected to keep decreasing.</li><li>• The market for renovations is expanding.</li><li>• Increasingly, major homebuilders and housing equipment manufacturers are entering overseas markets.</li></ul>

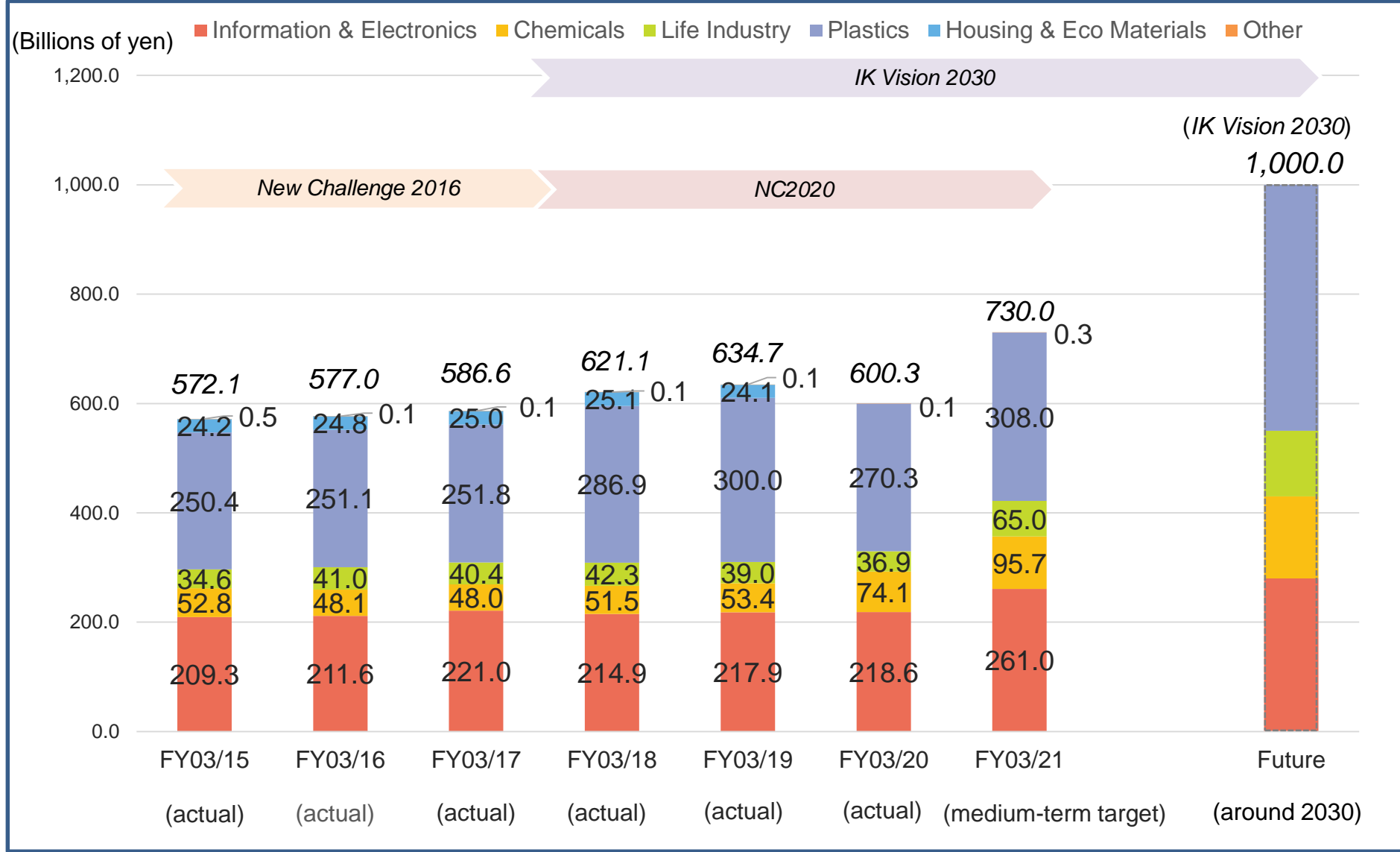
Formulated May 2017



Segment	Operating environment
Information & Electronics	<ul style="list-style-type: none"><li>• We will work to maintain steady profits in the liquid crystal display business, which will remain a mainstay business while the medium-term plan is in effect.</li><li>• We will work to expand new businesses, due to expectations of slowing growth in our current mainstay businesses over the long term.</li></ul>
Chemicals	<ul style="list-style-type: none"><li>• We aim to achieve deeper penetration in the automotive parts industry.</li><li>• We will expand the coating business with a focus on the automotive industry.</li><li>• We will enhance initiatives with foreign chemical manufacturers.</li></ul>
Life Industry	<ul style="list-style-type: none"><li>• We will develop promising opportunities in the new drugs and raw materials businesses, and focus on leading-edge medical fields.</li><li>• In household and food products, we will work to increase sales, driven by overseas and other expanding markets.</li><li>• In food products, we will continue expanding into the production and processing businesses.</li></ul>
Plastics	<ul style="list-style-type: none"><li>• We aim to expand sales of plastics, leveraging the plastic compounds business.</li><li>• We will focus on the automotive sector, particularly the North American market.</li></ul>
Housing & Eco Materials	<ul style="list-style-type: none"><li>• We will expand our sales to overseas markets.</li><li>• We will focus on non-housing fields of business.</li></ul>

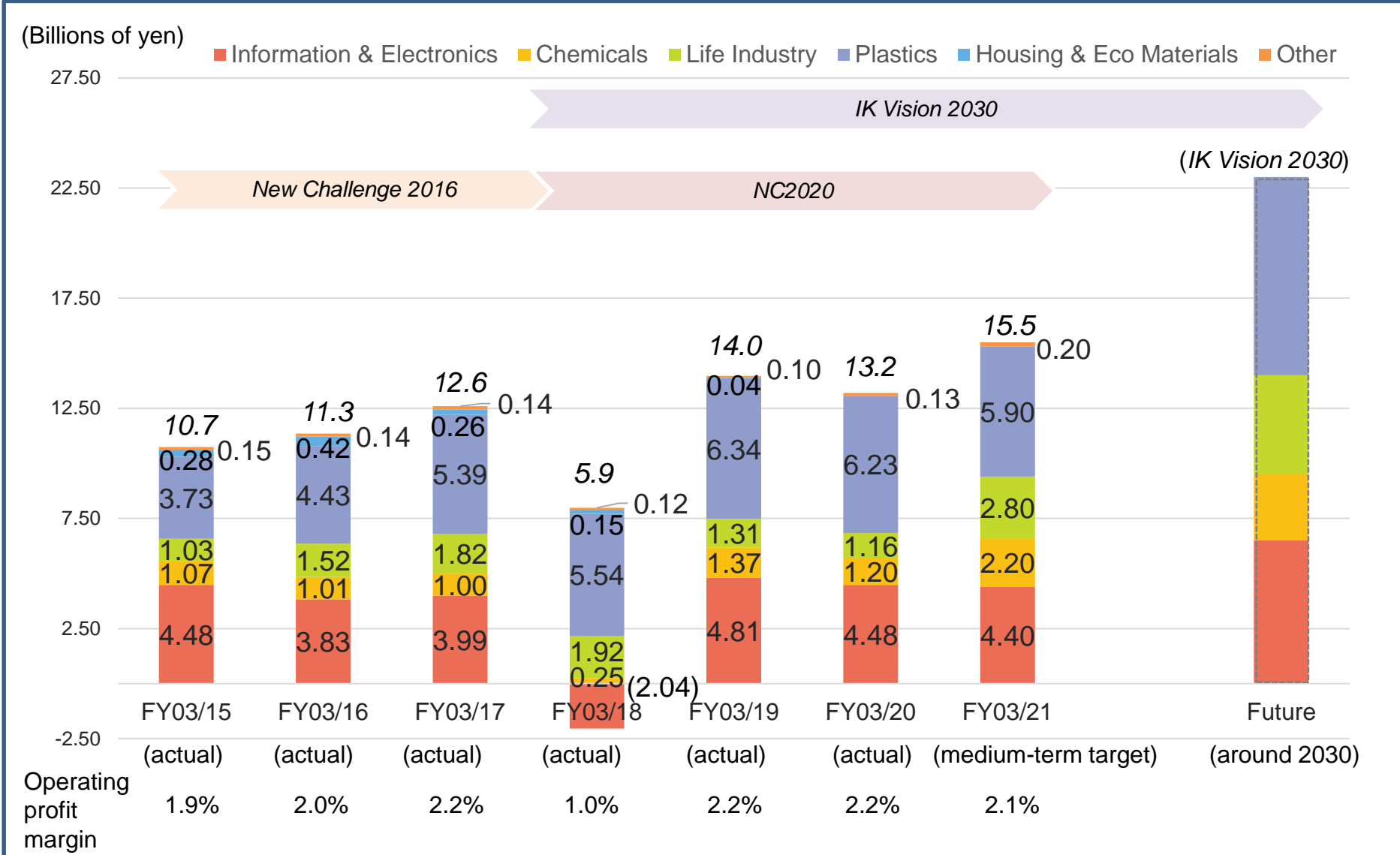
Formulated May 2017

# (Reference) Sales by Segment under NC2020



Note: In FY03/20, the Housing & Eco Materials segment was combined with the Chemicals segment.

# (Reference) Operating Profit by Segment under NC2020



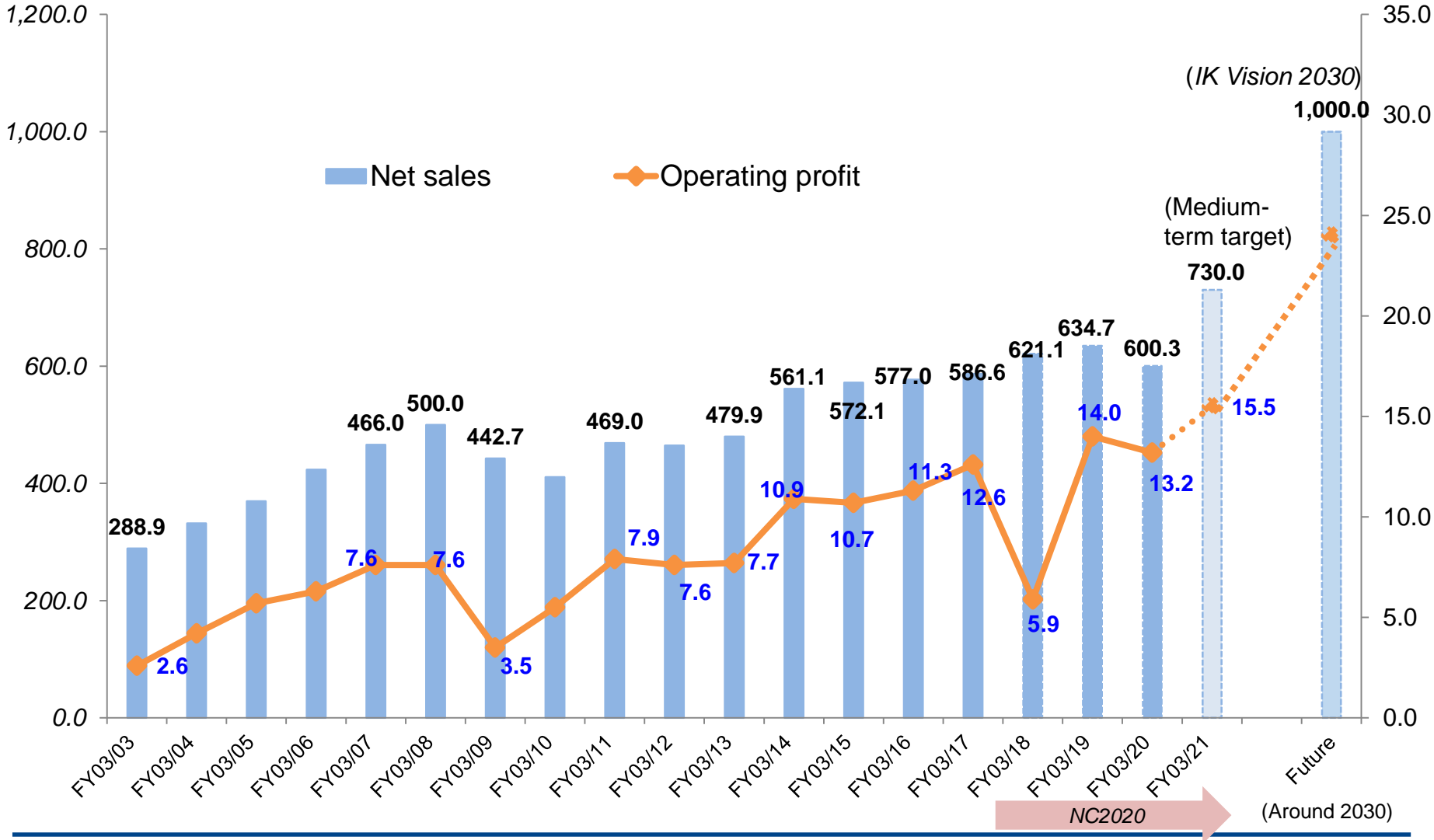
Note: In FY03/20, the Housing & Eco Materials segment was combined with the Chemicals segment.

# (Reference) Net Sales and Operating Profit



(Net sales: Billions of yen)

(Operating profit: Billions of yen)

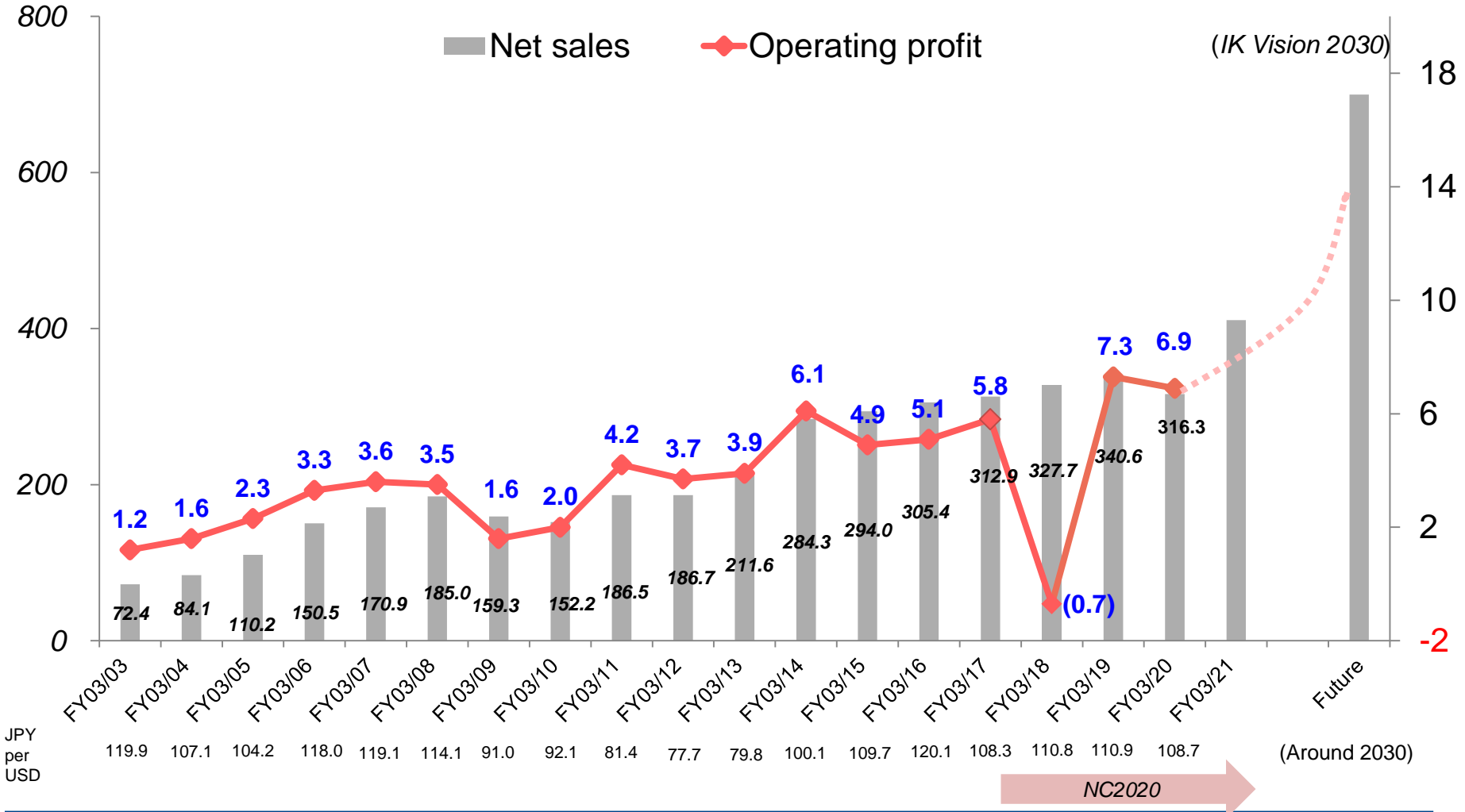


# (Reference) Overseas Sales and Operating Profit



(Net sales: Billions of yen)

(Operating profit: Billions of yen)



# (Reference) Focus on Markets with Growth Potential and Sectors That Have Yet to Be Developed



## Principal initiatives in the automotive field

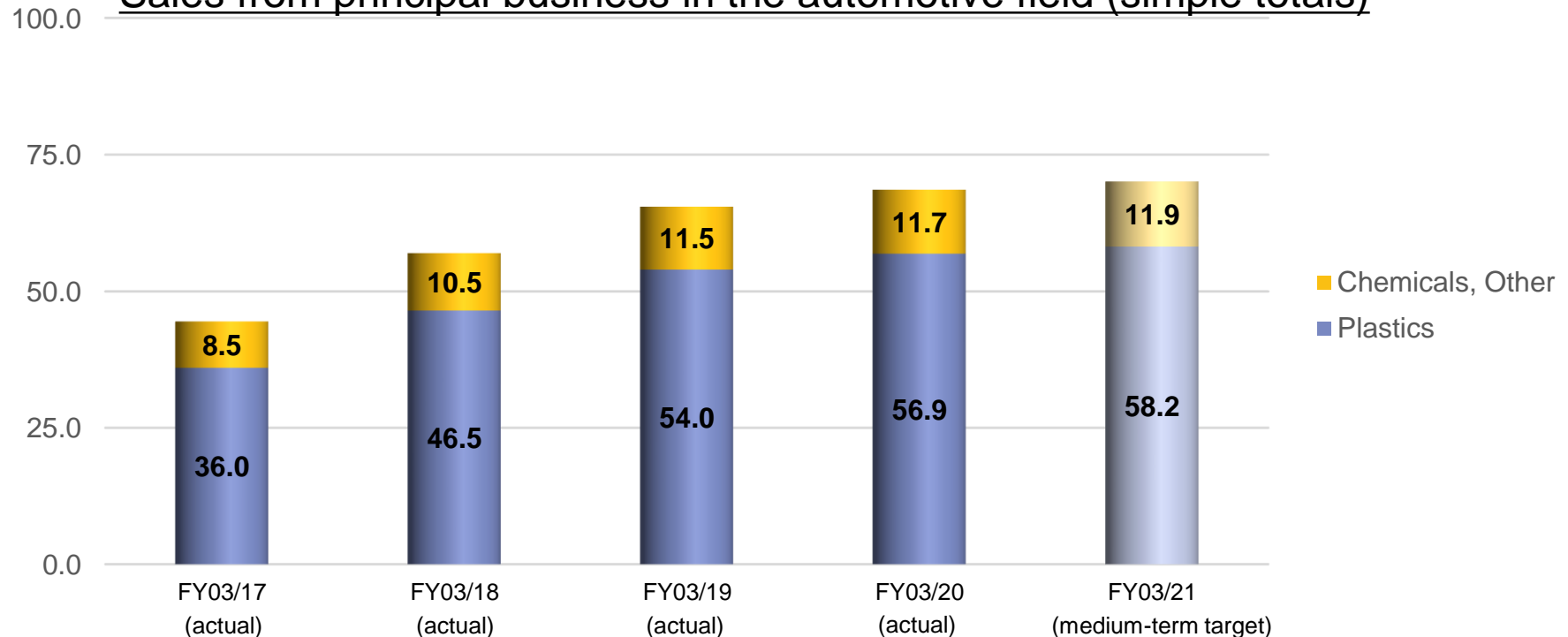
Performance was strong overall, but slowed down toward the end of FY03/20, due to the spread of the novel coronavirus pandemic

**Plastics:** We are working to increase sales of plastics to global customers, and are also expanding in-country sales.

**Chemicals:** We are expanding sales of parts and paint materials, and are focusing on sales of heat-dissipating materials and parts.

**Information & Electronics:** Potential exists to sell decorative films.

(Billions of yen) Sales from principal business in the automotive field (simple totals)



Notes: FY03/21 figures reflect targets in place when our Medium-Term Management Plan was formulated. Results for past fiscal years include certain amounts that have been updated.

# (Reference) Focus on Markets with Growth Potential and Sectors That Have Yet to Be Developed



## Principal initiatives in the environment and energy fields

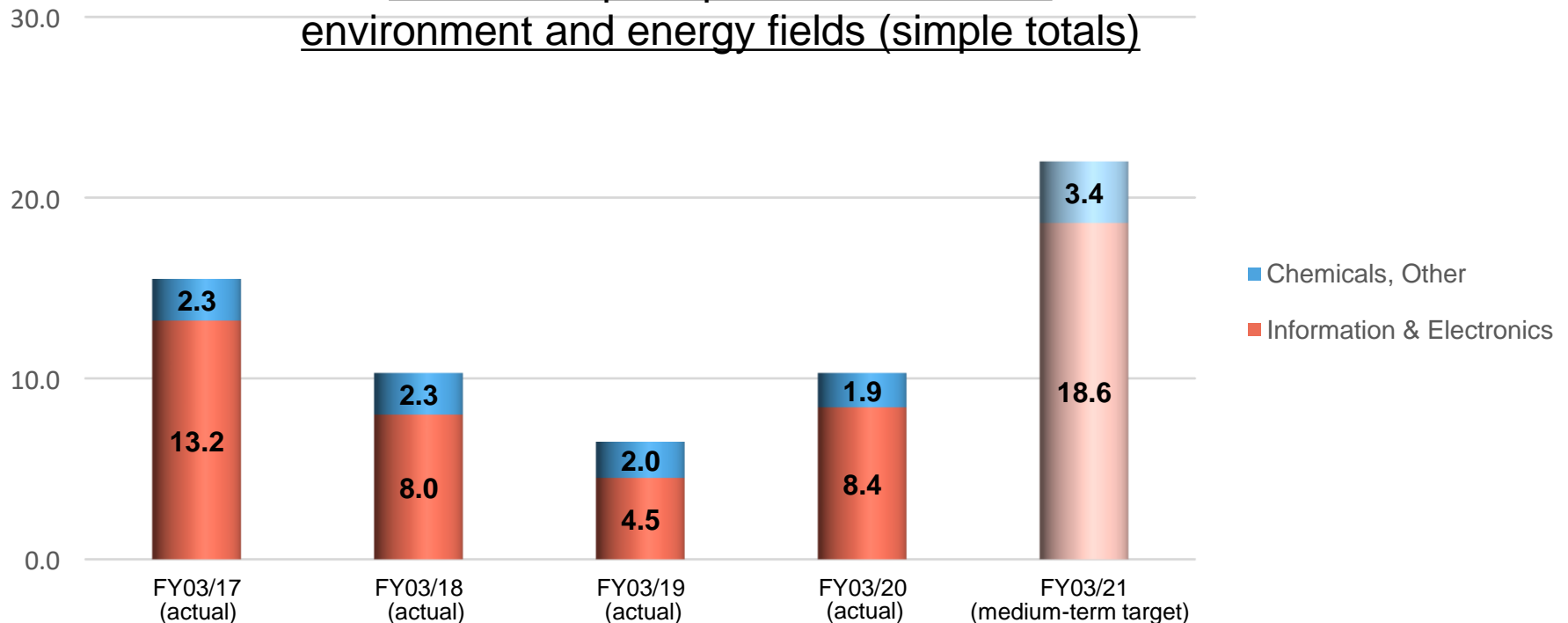
Information & Electronics: Overall trend toward recovery thanks to growth in system-related projects in Japan and material sales despite substantially lower solar cell-related sales due to suspension of transactions at European subsidiaries.

Sales of lithium-ion battery materials to manufacturers in China and South Korea are increasing.

Chemicals: We will focus on sales of wood chips and particle board.

(Billions of yen)

### Sales from principal business in the environment and energy fields (simple totals)



Notes: FY03/21 figures reflect targets in place when our Medium-Term Management Plan was formulated  
Results for past fiscal years include certain amounts that have been updated.

# (Reference) Focus on Markets with Growth Potential and Sectors That Have Yet to Be Developed



## Principal initiatives in the life science and medical fields

Life Industry: Focus on pharmaceutical and cosmetics ingredients; large impact from environmental regulations in China

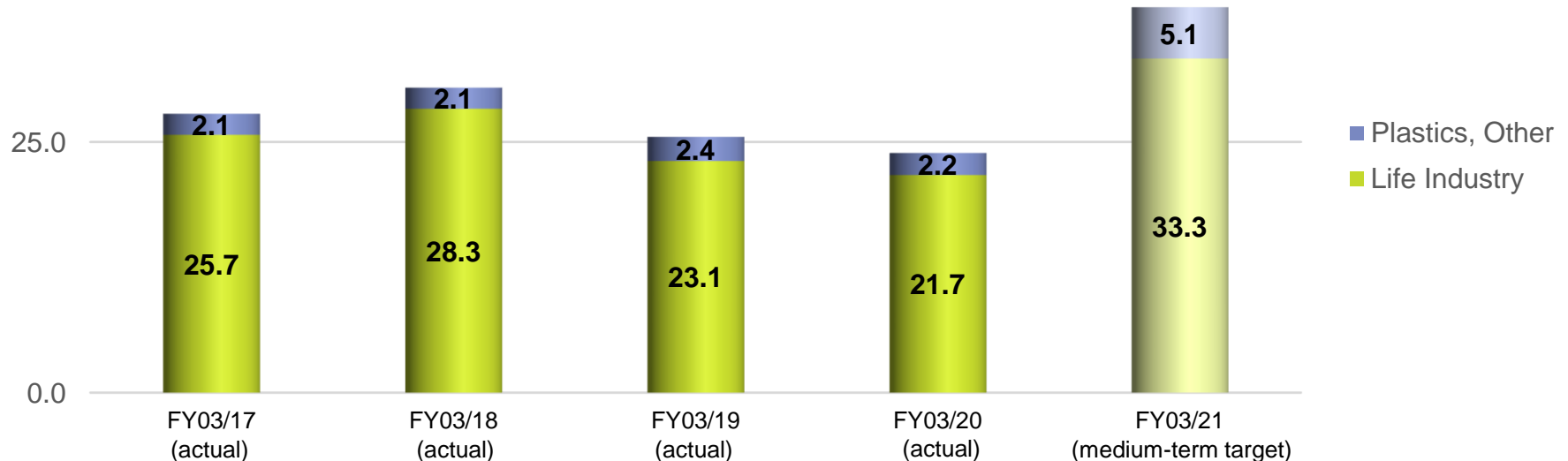
Delayed sales despite concentration on sales related to regenerative medicine in the advanced medicine field

Lower sales of home products such as insect repellent and pesticide ingredients

Plastics: Impact from unit price reductions on sales of plastics for medical equipment manufacturers (for use in syringes, etc.)

(Billions of yen)

### Sales from principal business in the life science and medical fields (simple totals)



Notes: FY03/21 figures reflect targets in place when our Medium-Term Management Plan was formulated.  
Results for past fiscal years include certain amounts that have been updated.



# (Reference) Focus on Markets with Growth Potential and Sectors That Have Yet to Be Developed



## Principal initiatives in the environment and energy fields

Life Industry: In the cultivation business, growth of blueberries, garlic, and other crops are delayed slightly, but progressing satisfactorily.

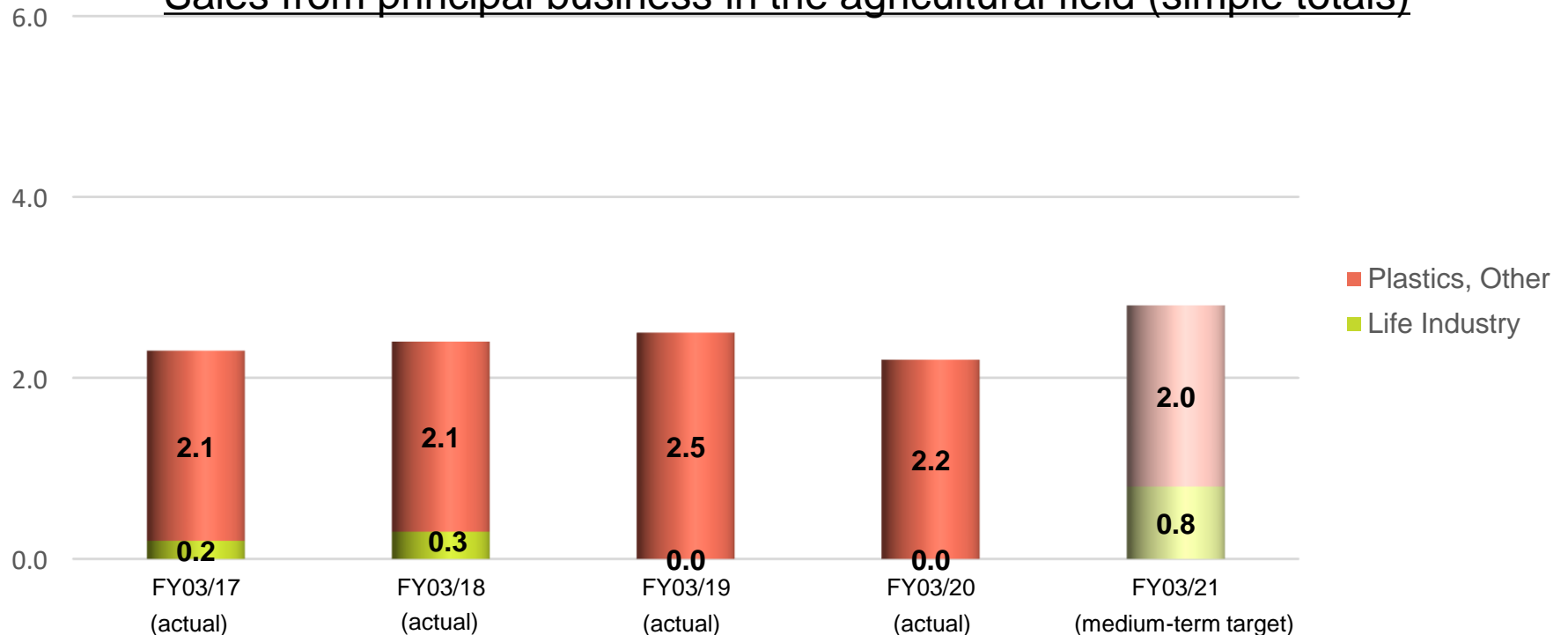
Sales of processed products and new projects are delayed.

Plastics: We are concentrating on sales of films for agricultural use (for anti-fogging, for example).

Information & Electronics: Sales of animal feed (imported grass) are increasing.

(Billions of yen)

### Sales from principal business in the agricultural field (simple totals)



Notes: FY03/21 figures reflect targets in place when our Medium-Term Management Plan was formulated.  
Results for past fiscal years include certain amounts that have been updated.

# (Reference) Further Expansion and Deeper Involvement in Overseas Businesses



Progress at our compounds plant  
(sales to automakers in Mexico)



FY03/20 sales volume fell below projections due in part to suspended production of new car models from Japanese manufacturers.

FY03/18	Sales of 6,100 tons
FY03/19	Sales of 6,700 tons
<b>FY03/20</b>	<b>Sales of 9,000 tons</b>
FY03/21	Sales forecast undetermined

■ Impact from the spread of the novel coronavirus pandemic (as of June 4, 2020)

FY03/20	Nearly no impact
FY03/21	Suspension of operations in April and May in response to directives issued by the Mexican government



Company: IK Plastic Compound Mexico, S.A. de C.V.

Production capacity: 15,000 tons/year

Location: Silao, Guanajuato, central Mexico

Commenced operations in November 2013, with mass production starting in September 2014

# (Reference) Further Expansion and Deeper Involvement in Overseas Businesses

## Progress at our compounds plant

(sales to manufacturers of OA equipment in the Philippines)

Volume of sales fell below targets due to low production at major manufacturers of Japanese OA equipment in FY03/20.

Launched of new businesses, including business related to two-wheeled vehicles.

FY03/18	Sales of 7,200 tons
FY03/19	Sales of 10,200 tons
<b>FY03/20</b>	<b>Sales of 9,300 tons</b>
FY03/21	Sales forecast undetermined

### ■ Impact from the spread of the novel coronavirus pandemic (as of June 4, 2020)

FY03/20	Near suspension-like operating conditions since March
FY03/21	Impact will be large and we do not know when production will recover



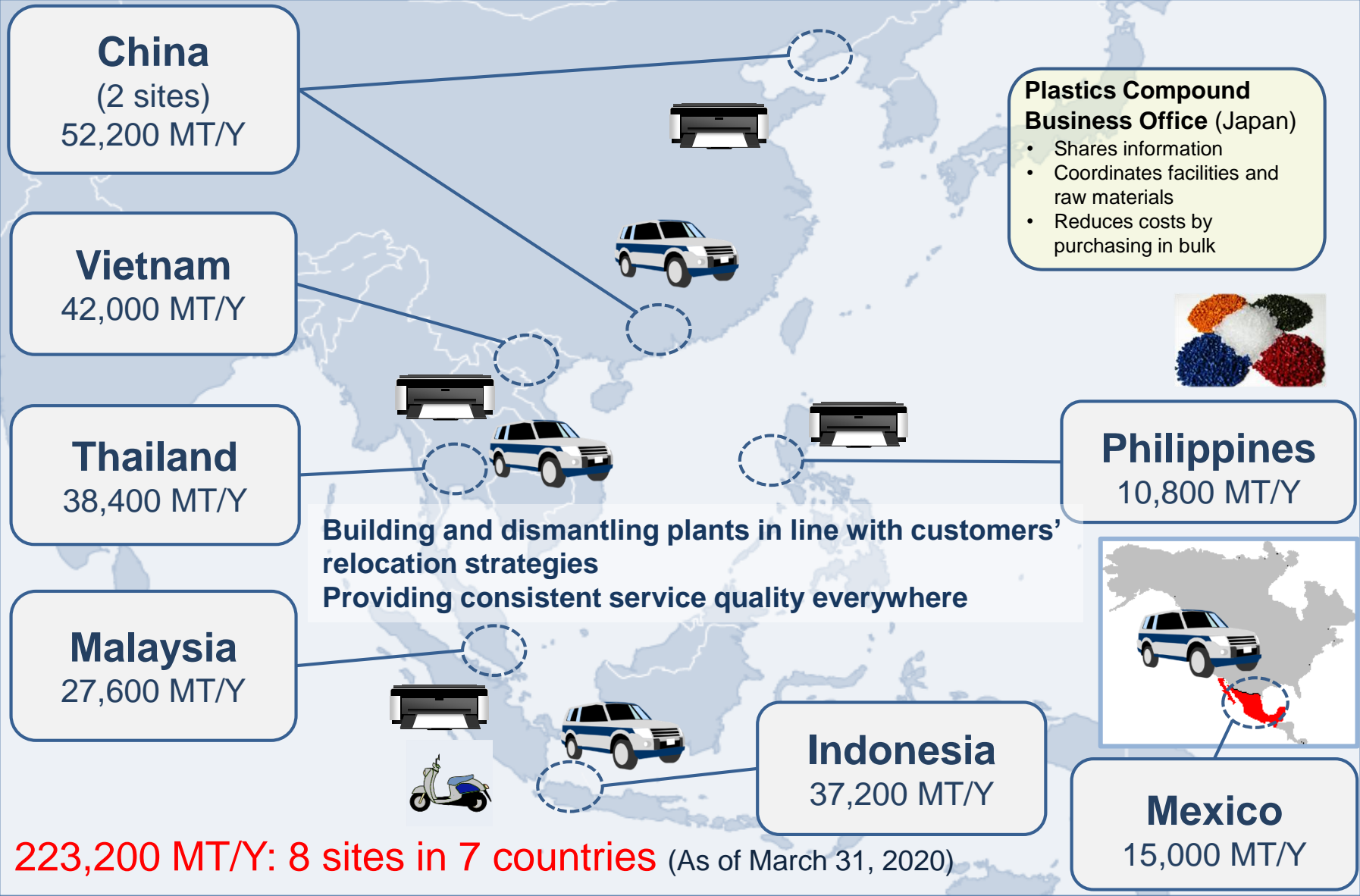
Company: IK PLASTIC COMPOUND PHILS. INC.

Production capacity: 10,800 tons/year

Location: Laguna Province, Philippines

Commenced business and production in July 2014

# (Reference) Annual Production Capacity for Plastic Compounds



## Board of Directors evaluation

Objective: To enhance corporate value by increasing the effectiveness and transparency of the Board of Directors

### **FY03/19**

Performed a self-evaluation of all directors and Audit & Supervisory Board members using a survey format

⇒ In April 2019, disclosed summary of evaluation and measures going forward

### **FY03/20**

Performed a self-evaluation of all directors and Audit & Supervisory Board members using a survey format

⇒ In April 2020, disclosed summary of evaluation and measures going forward

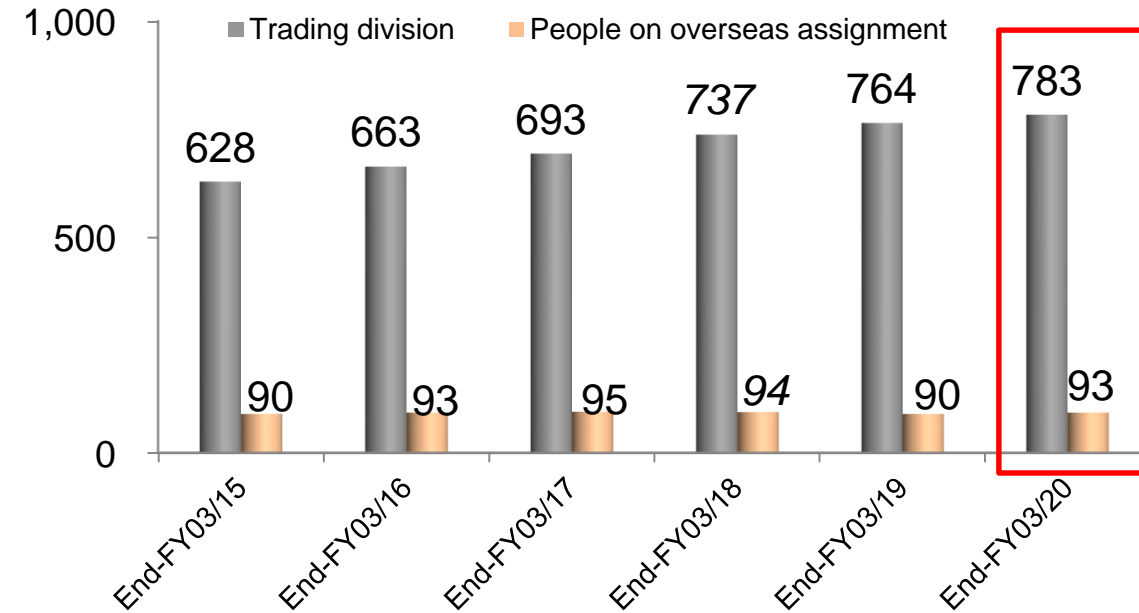
### **FY03/21**

Plan to conduct third-party evaluation

## Expanding human resources and accelerating training efforts to enhance quality

- ✓ We conducted workshops at 36 locations in 14 countries to promote “IK Values.” More than 700 local staff members participated.
- ✓ We continued to hold the Global Staff Meeting. However, we cancelled the meeting scheduled for May 2020 due to the spread of the novel coronavirus pandemic.

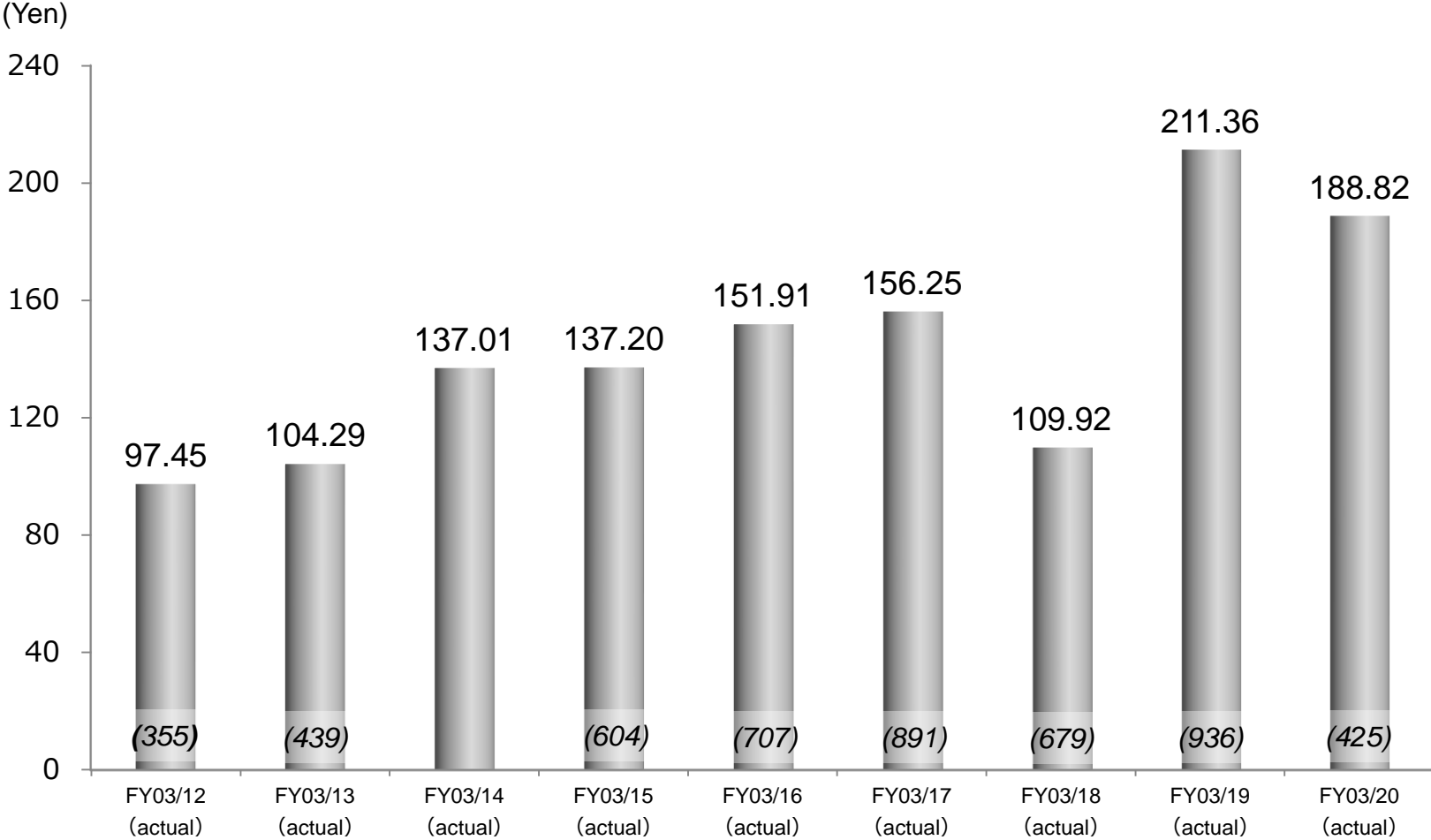
Number of overseas personnel in the trading division and people on overseas assignment






Inabata Mexico, S.A. de C.V. employees with directors from our head offices

Note: The number of people on overseas assignment is as of the first day of the following month.

# (Reference) Earnings per Share



Note: Figures in parentheses at the bottom of the bar graph indicate own-share purchases conducted during the year (in millions of yen).

- Our European subsidiary (IKEG) was found to have made an unauthorized sale of solar cell modules in inventory (to Company X).  

- To check the facts of the case and confirm fiscal period closing results, reporting for Q1 of FY03/18 was delayed (announcement of results delayed from August 14, 2017 to September 13, 2017).  

- A internal investigative committee, including third-party members, was established. The committee thoroughly clarified the facts, analyzed the source of the problem and submitted a report to Inabata that included recommendations on preventing recurrence.  

- Upon receiving the investigation report, we set up a recurrence-prevention team and formulated preventive measures.
- These recurrence prevention measures were resolved by the Board of Directors (TSE timely disclosure: September 28, 2017)

**Promote awareness of recurrence prevention measures throughout the Group**



# (Reference) Relationship with European Subsidiary (Analysis of Results and Measures to Prevent Recurrence)



## ◆ Background of the current issue

- Europe had been growing more slowly than other regions, and was experiencing pressure to quickly expand its business.
- The European subsidiary was established as a trading company for Europe only recently (December 2013), and personnel training and the organizational structure were insufficient.
- As the Company's overseas business was expanding rapidly, we did not have in place an adequate structure for managing all overseas Group companies.

Recurrence prevention measures	
1. Measures related to purchasing and inventory management	1-1 Enhancement of physical stocktaking, book inventories
	1-2 Establishment of decision-making standards for large-scale purchases
2. Measures related to operations management	2-1 Ensuring thorough awareness of operational rules at overseas subsidiaries
	2-2 Thorough training related to purchasing and inventory management, credit management, and operations management
3. Measures related to smooth communication between sales departments and administrative departments	
4. Measures to enhance Group company administrative functions	4-1 Configuration of new information systems
	4-2 Enhancement of the checking function of the Company's administrative division

# (Reference) Relationship with European Subsidiary (Impact on Consolidated Operating Performance)



## ◆ Impact on consolidated operating performance in 1H FY03/18

- Increase in cost of goods sold due to unclear differences in inventories of solar cell modules ¥12 million
- Posting of an allowance for doubtful accounts vis a vis the receivable from the business partner (Company X) in relation to the solar cells Approx. ¥3.1 billion
- Posting of a loss on valuation of investment securities as an extraordinary loss ¥0.25 billion

Note: In Q4 of FY03/18, the Company posted additional allowances, bringing the total allowance for doubtful accounts related to the European subsidiary to ¥6.65 billion (¥5.90 billion in Information & Electronics, ¥0.75 billion in Chemicals).

# (Reference) Company Overview

Name	Inabata & Co., Ltd.
Founded	October 1, 1890
Incorporated	June 10, 1918
Capital stock	¥9,364 million
Representative	Katsutaro Inabata, Director, President
Head offices	Osaka Head Office (1-15-14 Minami-semba, Chuo-ku, Osaka) Tokyo Head Office (2-8-2 Nihonbashi-honcho, Chuo-ku, Tokyo)
Employees	648 (4,282 on consolidated basis)
Issuable shares	200,000,000
Shares issued and outstanding	63,499,227

Fiscal year	April 1 to March 31
Exchange listing	Tokyo Stock Exchange
Ticker	8098
Trading unit	100 shares
Shareholders	10,648
Major shareholders (top three and percentage ownership)	Sumitomo Chemical Co., Ltd. (22.9%) The Master Trust Bank of Japan, Ltd. (Trust Account) (4.4%) Japan Trustee Services Bank, Ltd. (Trust Account) (4.2%)

The Company owns 3,010,320 shares of treasury stock. This shareholding has not been included in the calculation of the shareholding ratio. However, 100,000 shares of the Company held by Trust & Custody Services Bank, Ltd. (Trust account E) as a trust property under the Board Benefit Trust (BBT) system is excluded from the number of the treasury shares, and hence, is included in the calculation of the ratio.

(As of March 31, 2020)

## □ IR-related inquiries:

IR Department, Financial Management Office

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E-mail: [inabata-ir@inabata.com](mailto:inabata-ir@inabata.com)

### ◆Cautionary note regarding forward-looking statements

The data and future predictions contained in this document are forward-looking statements, based on information available and judgments applicable at the time of the document's release. The data and forecasts contained herein may include elements that are subject to change. This document and its contents are no guarantee of future performance.

### ◆Presentation of numerical figures

Figures in this document presented in millions and billions of yen have been rounded down. Consequently, certain discrepancies may exist between individual values and total values, or values showing changes between sets of data.