

IR Briefing for 1H the Fiscal Year Ending March 2021

Progress in the Final Year of *NC2020*,
Our Medium-Term Management Plan

Inabata & Co., Ltd.

Katsutaro Inabata, Director, President

December 2, 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)

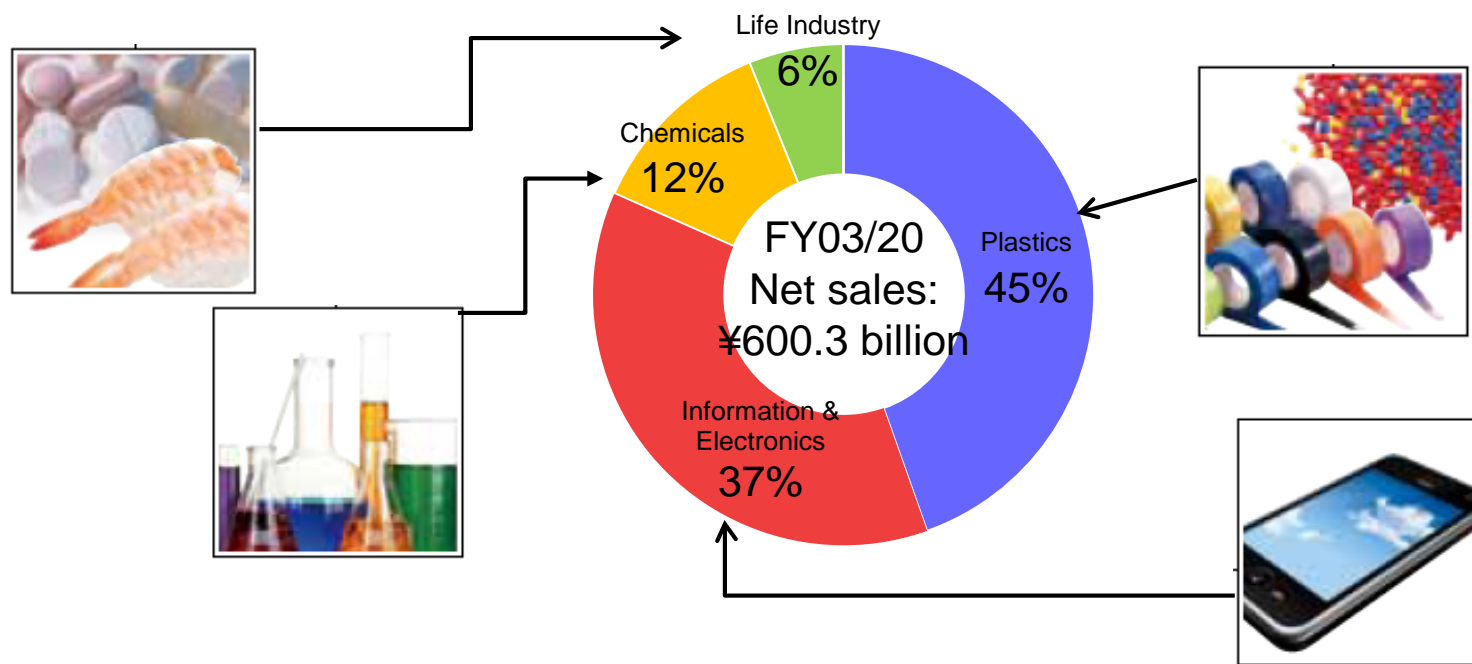
2. **A globally expanding, multifaceted trading company**

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.



- *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

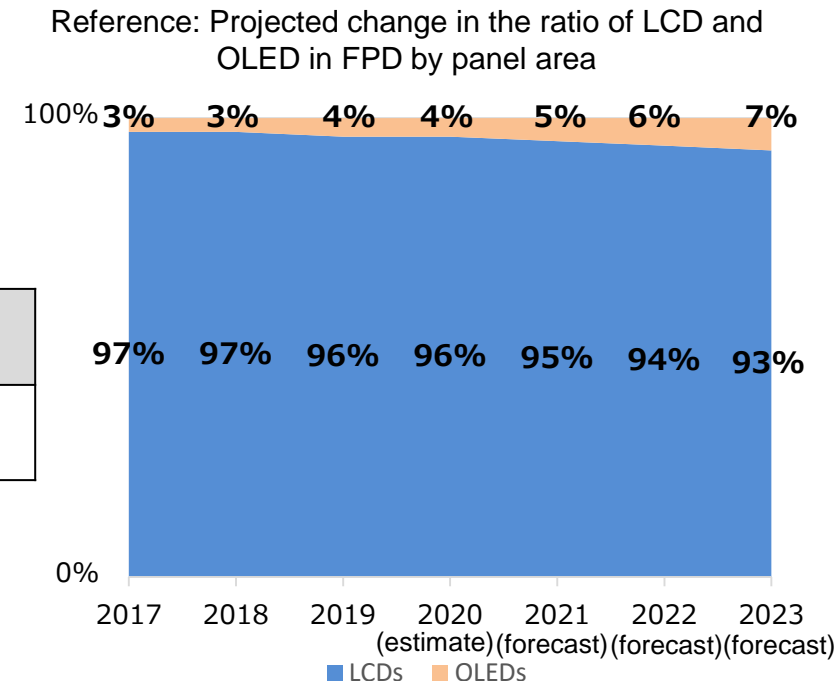
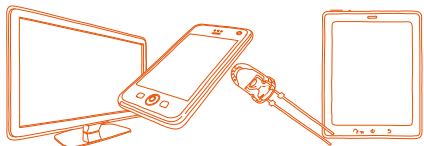
- Progress in the Final Year of *NC2020*,
Our Medium-Term Management Plan

Operating Environments in 1H FY03/21: Information & Electronics (FPD Market)

- Panel manufacturers in China continued operating at high capacity rates despite impact from the novel coronavirus pandemic.
- As TVs continued to grow larger, demand for LCD panel areas also grew.
- Sales of organic electroluminescent panels for smartphones continued to grow, but this growth was limited when measured in terms of area.
LCD panels are expected to continue commanding a large share of the FPD market in terms of panel area for the foreseeable future.

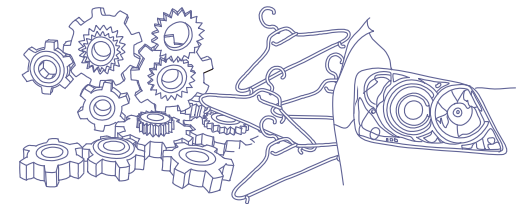
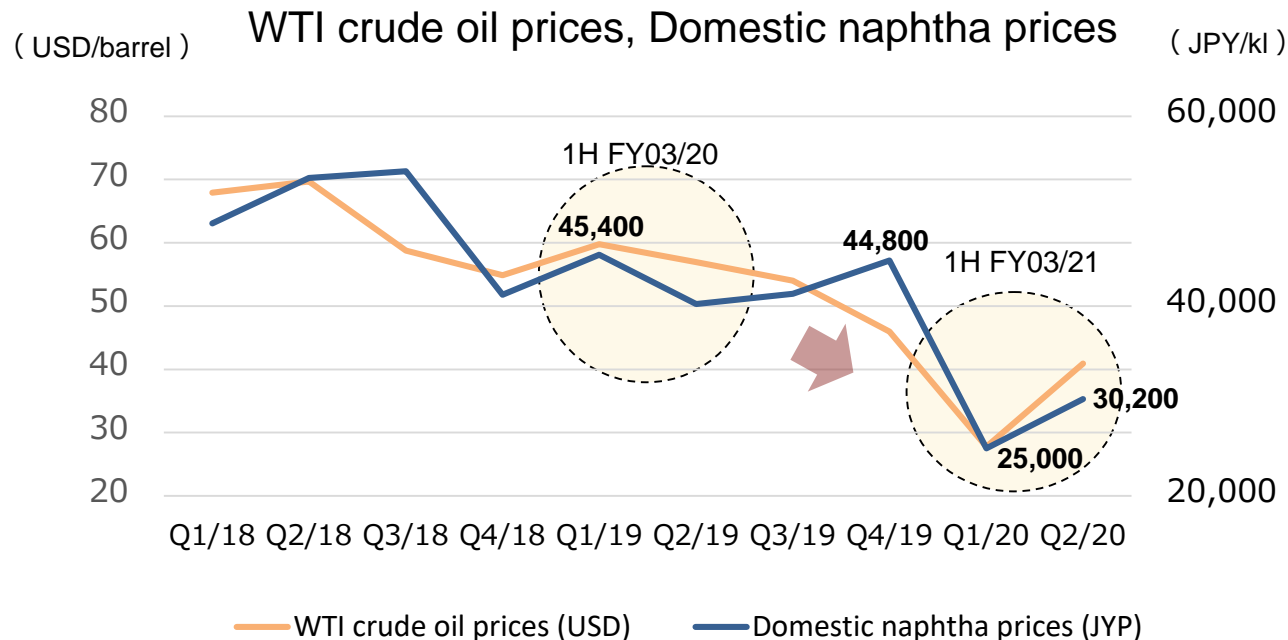
Reference: Projected increase in the area of large LCD panels

	2019	2020 (estimate)	2021 (forecast)
YoY increase (%)	104%	101%	104%



Operating Environments in 1H FY03/21: Plastics

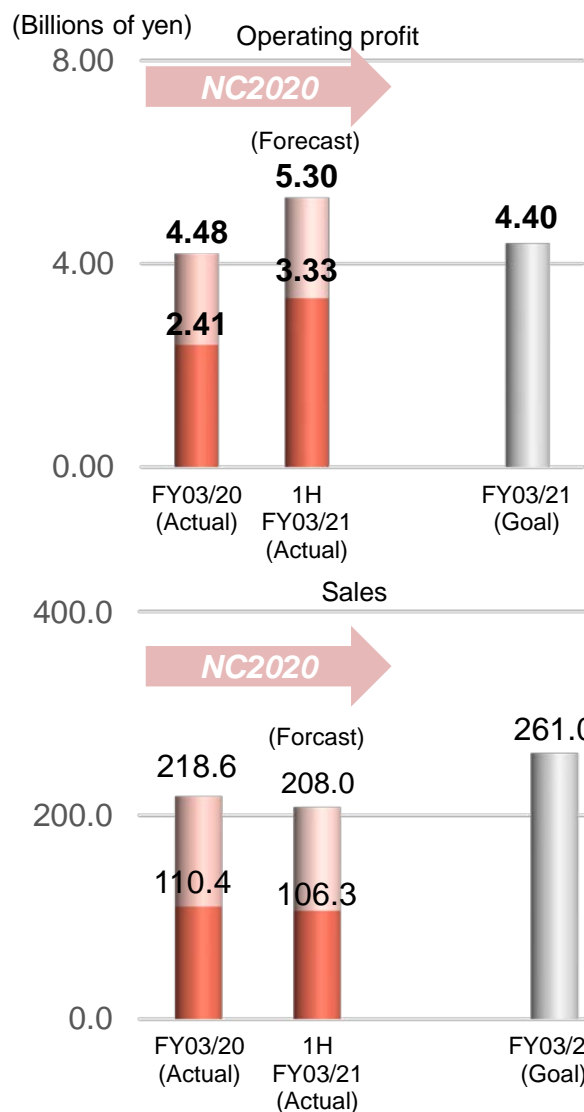
- Plastics prices fell year on year due to stagnant naphtha prices.
- In Q1, demand from end users declined due to the global spread of COVID-19.
- Demand began to recover from the latter half of Q2, but extent of recovery varied by region and end user.
Demand in China and for automotive-related use recovered at an early stage, but demand in Southeast Asia and for office automation and construction materials-related use seemed slow to pick up.



- Due in part to the COVID-19 pandemic, achieving final year sales and profit targets would be difficult.
- Inabata is maintaining a highly stable financial base.

(Billions of yen)	1H FY03/20 actual	1H FY03/21 actual	FY03/21 forecast (A)	NC2020 Final year targets (B)	Projected achievement versus targets (A)/(B)%
Net sales	307.6	267.1	550.0	730.0	75%
Operating profit	7.1	6.2	12.0	15.5	77%
Ordinary profit	7.9	6.9	12.7	16.0	79%
Profit attributable to owners of parent	6.7	5.8	10.5	12.0	88%
Net debt/equity ratio	0.20	0.08	–	0.4x or less	Strong
Equity ratio	45.9%	49.8%	–	–	–
Exchange rate	USD1=¥108.60	USD1=¥106.93	USD1=¥107.00	USD1=¥110.00	–

NC2020 Progress by Segment: (1) Information & Electronics



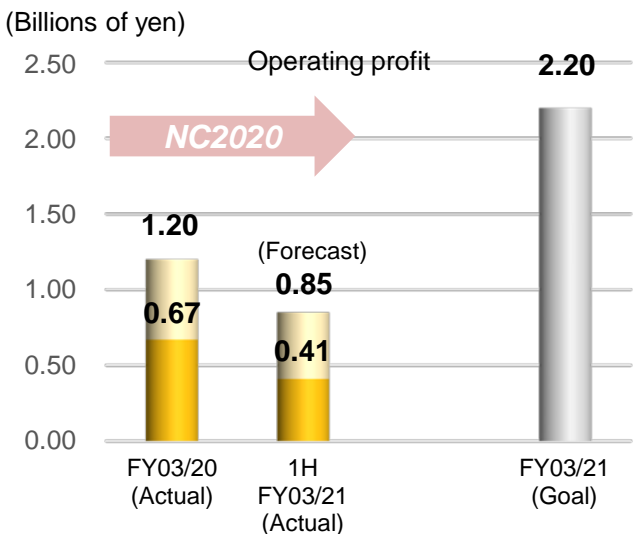
(Billions of yen)	1H FY03/20 actual	1H FY03/21 actual	FY03/21 forecast (A)	NC2020 Final year targets (B)	Projected achievement versus targets (A)/(B)%
Operating profit	2.41	3.33	5.30	4.40	120%
Operating profit margin	2.2%	3.1%	2.5%	1.7%	—
Sales	110.4	106.3	208.0	261.0	80%

■ Progress versus operating profit target in NC2020: **On track**

Main reasons for differences between actual and target figures	COVID-19	Operating profit	Sales
<ul style="list-style-type: none"> • Increase in FPD material sales in China • Strong performance by polarizing film materials • Reversal of allowance for doubtful accounts at a European subsidiary • Discontinuation of solar cell transactions at a European subsidiary • Decision to forgo low-margin VMI transactions • Increase in remote work (home-use inkjet printers) • Same as above (office multifunction printers) 		+	
		+	
		+	—
		+	—
	+	+	+
	—	—	—

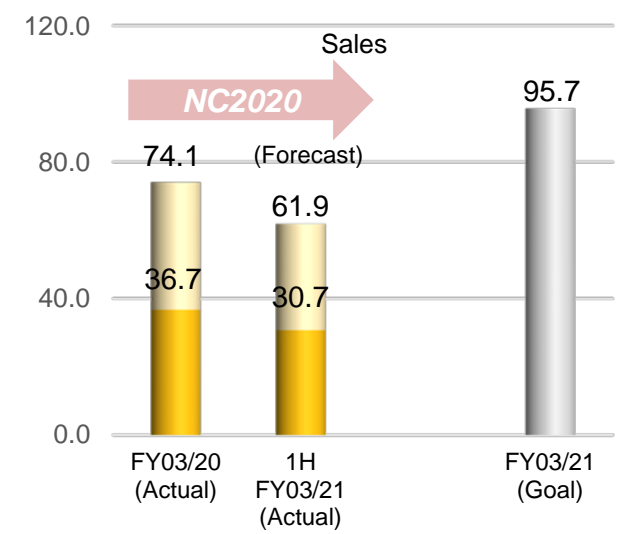
Note: Excluding 740 million yen in reversal of allowance for doubtful accounts, OPM in the Information & Electronics segment in 1H FY03/21 would have been 2.4%.

NC2020 Progress by Segment: (2) Chemicals



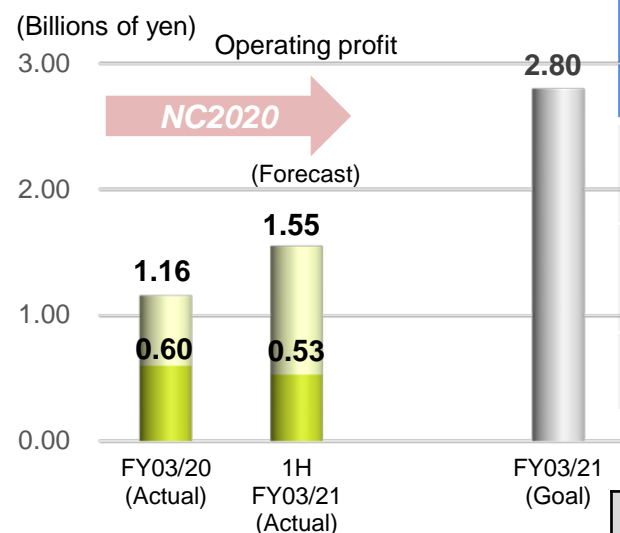
(Billions of yen)	1H FY03/20 actual	1H FY03/21 actual	FY03/21 forecast (A)	NC2020 Final year targets (B)	Projected achievement versus targets (A)/(B)%
Operating profit	0.67	0.41	0.85	2.20	39%
Operating profit margin	1.8%	1.4%	1.4%	2.3%	—
Sales	36.7	30.7	61.9	95.7	65%

■ Progress versus operating profit target in NC2020: **Substantially below target**



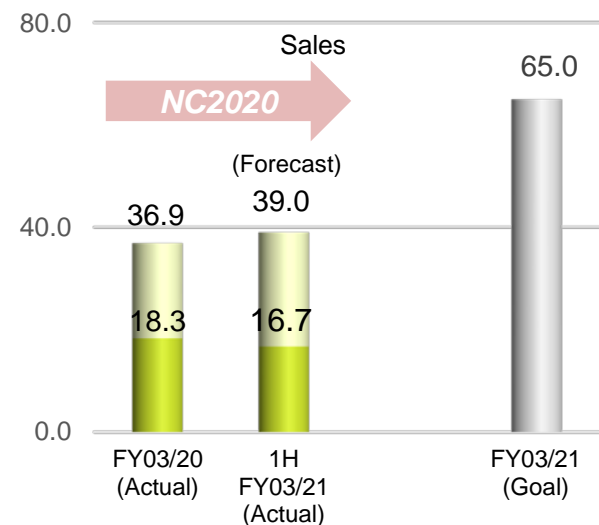
Main reasons for differences between actual and target figures	COVID -19	Operating profit	Sales
<ul style="list-style-type: none"> Sluggish performance in the former Housing & Eco Materials segment Sluggish export sales in the former Housing & Eco Materials segment Slow sales of heat-dissipating products Review of transactions at a European subsidiary Low overall sales of products including those for use in construction materials, communication paper, resin materials, paint, and ink 	—	—	—

NC2020 Progress by Segment: (3) Life Industry



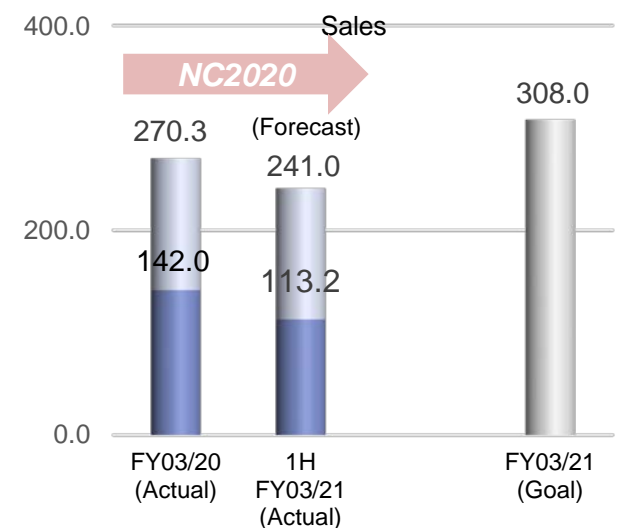
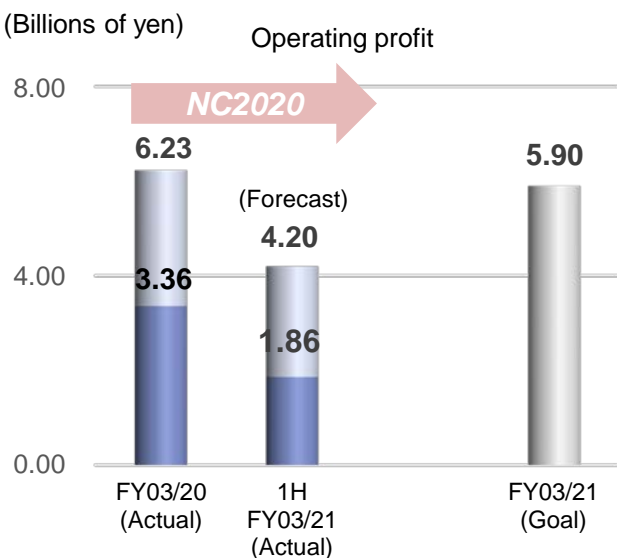
(Billions of yen)	1H FY03/20 actual	1H FY03/21 actual	FY03/21 forecast (A)	NC2020 Final year targets (B)	Projected achievement versus targets (A)/(B)%
Operating profit	0.60	0.53	1.55	2.80	55%
Operating profit margin	3.3%	3.2%	4.0%	4.3%	—
Sales	18.3	16.7	39.0	65.0	60%

■ Progress versus operating profit target in NC2020: **Substantially below target**



Main reasons for differences between actual and target figures	COVID-19	Operating profit	Sales
<ul style="list-style-type: none"> • Pharmaceutical ingredients (supply resumption delays at suppliers) • Same as above (self-imposed restraints on outpatient hospital visits, decline in the use of influenza drugs) 	—	—	—
<ul style="list-style-type: none"> • Earnings improvement at a French pharmaceutical, cosmetics-related subsidiary 		+	—
<ul style="list-style-type: none"> • Food-related (plans suspended at a European subsidiary) 		—	—
<ul style="list-style-type: none"> • Same as above (delays in the launch of new businesses) 		—	—
<ul style="list-style-type: none"> • Same as above (sluggish sales to restaurants and food service facilities) 	—	—	—
<ul style="list-style-type: none"> • Same as above (growth in fishery product sales to conveyor-bent sushi restaurants) 		+	+

NC2020 Progress by Segment: (4) Plastics



(Billions of yen)	1H FY03/20 actual	1H FY03/21 actual	FY03/21 forecast (A)	NC2020 Final year targets (B)	Projected achievement versus targets (A)/(B)%
Operating profit	3.36	1.86	4.20	5.90	71%
Operating profit margin	2.4%	1.6%	1.7%	1.9%	—
Sales	142.0	113.2	241.0	308.0	78%

■ Progress versus operating profit target in NC2020: **Below target**

Main reasons for differences between actual and target figures	COVID-19	Operating profit	Sales
<ul style="list-style-type: none"> • Drop in plastics prices • Increase in the share of sales from high-performance resins • Struggling performance at the Mexico-based compounds plant • Decrease in commodity resin sales (construction materials and electric cables-related) • Same as above (for use in PCs and game consoles) • Decrease in high-performance resin sales (automotive-related) • Same as above (office automation and home appliance-related) • Decrease in sporting goods-related sales 	—	+	—
	—	—	—
	—	—	—
	+	+	+
	—	—	—
	—	—	—
	—	—	—

More proactive investment to expand the trading business

(Billions of yen)

	FY03/18 actual	FY03/19 actual	FY03/20 actual	1H FY03/21 actual	NC2020 period (FY03/18 onward)
Growth investment	3.86	2.31	1.85	0.37	8.41
Fixed investment	1.59	2.03	2.01	0.83	6.45
Total	5.45	4.34	3.86	1.20	14.86

■ Major growth investments in 1H FY03/21

• Plastics segment:

¥0.17 billion for facilities (related to inflation molding)

¥0.07 billion for facilities (related to compound)

• Life industry segment:

¥0.05 billion for facilities (related to food-related business)

Projected Impact of COVID-19 on Businesses in FY03/21



Segment	Business field	Major impacts on FY03/21 forecast
Information & Electronics	Liquid crystal display-related business	The COVID-19 pandemic has had no negative impact, as the projected shipment volume of TV sets for the full year is 228 million units (+2% YoY). Shipment volume of smartphones is expected to decline only by a limited margin (-5% YoY) to 1.3 billion units. Inabata expects robust sales of LCD panel materials in China.
Information & Electronics	OA-related business	Despite a one-time increase in demand for inkjet printers for telework, the Company expects the downturn in industrial sectors due to the economic recession to have a significant impact on its performance. Declines in shipment volumes of consumable materials for office multifunction printers are expected to continue.
Chemicals	Overall	Sales of raw materials for automotive use are robust in China and recovering in Southeast Asia. Construction materials, raw materials for resins, packaging, and ink-related sales have bottomed out but recovery has been slow.
Life industry	Life science-related business	Inabata forecasts lower sales of intermediates for influenza drugs and raw materials for cosmetics-related use, including patches for non-life threatening conditions. It expects no impact on insect repellent and insecticide-related sales, but expects delays in executing plans in the regenerative medicine area.
Life industry	Food-related business	The Company expects declines in sales of fishery products for the restaurant and food service industries, as well as in export sales of Japanese food ingredients due to lockdowns and restraints on going out to eat overseas. Sales of fishery products for use in conveyor-belt sushi restaurants are expected to exceed pre-pandemic levels. Overseas sales of frozen fruits are on an uptrend owing to stay-at-home demand.
Plastics	Commodity resins	Automobile-related sales in Japan have been on a recovery track since August, but recovery is delayed for construction, civil engineering, and electric cables-related sales. Daily goods-related sales continue to be strong. Sales of food packaging materials increased in Q1, but seem to be slowing down since Q2.
Plastics	High-performance resins	Office automation-related sales are on a recovery trajectory in Southeast Asia (e.g., the Philippines and Thailand). Sales of resins for automotive use recovered in China ahead of anywhere else, got on a recovery track in July in Japan, and are also recovering in the US and India; however, sales seem to be slow to recover in Southeast Asian countries.

■ Returning Profits to Shareholders

Policy on returning profits to shareholders

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

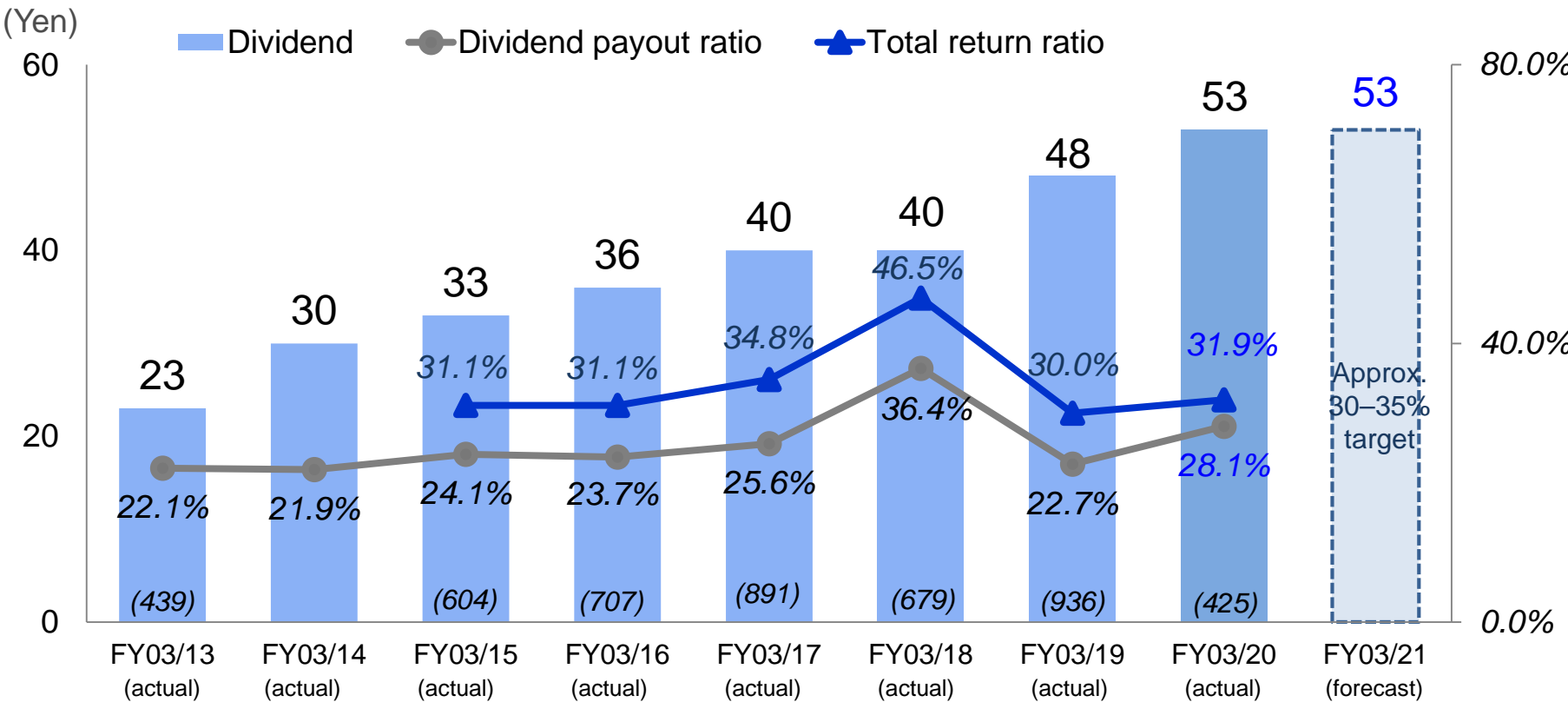
Dividends per share:

■ FY03/21

interim	¥20 (actual)
year-end	¥33 (forecast)

Annual dividend: ¥53 (forecast)

Annual dividends per share and indicators of shareholder return



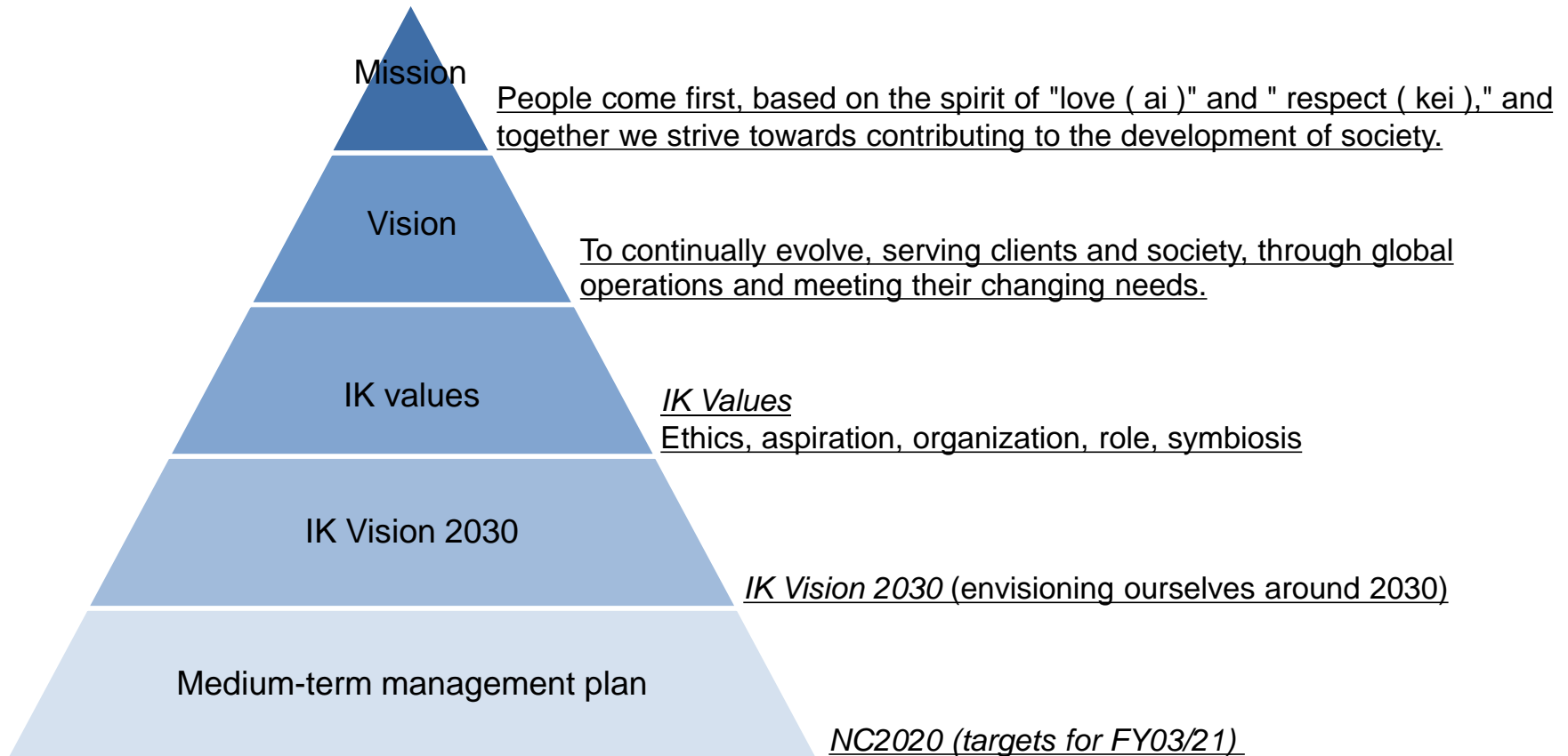
Note: The figures in parentheses at the bottom of the bar chart show the amount of treasury stock acquired (in millions of yen) during the period. 20

■ 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

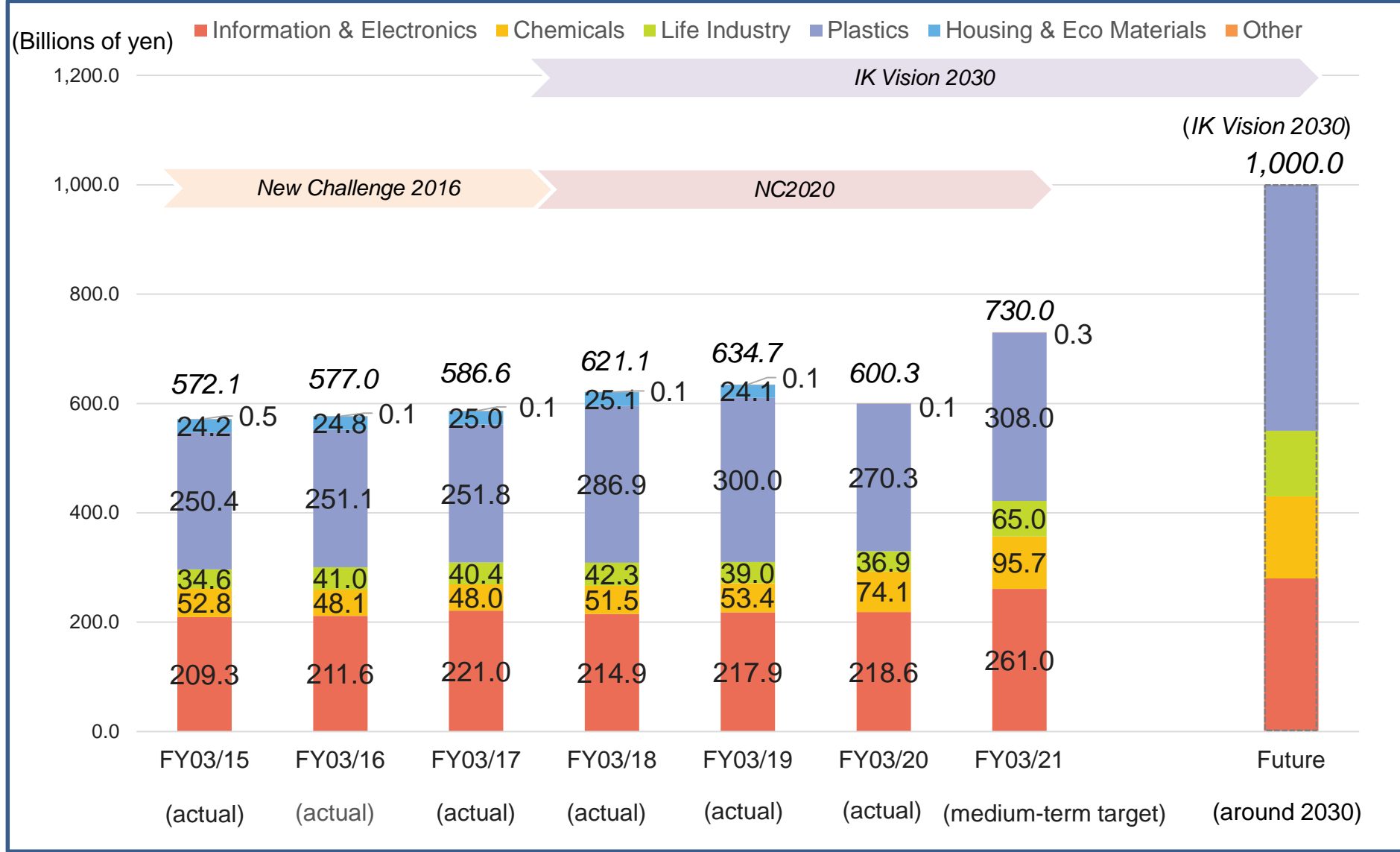
Segment	Operating environment
Information & Electronics	<ul style="list-style-type: none">• The liquid crystal business is poised to increase slightly in the medium term; panel display production continues shifting to China.• The photocopier and printer industries are mature, but room for growth exists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

Formulated May 2017

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

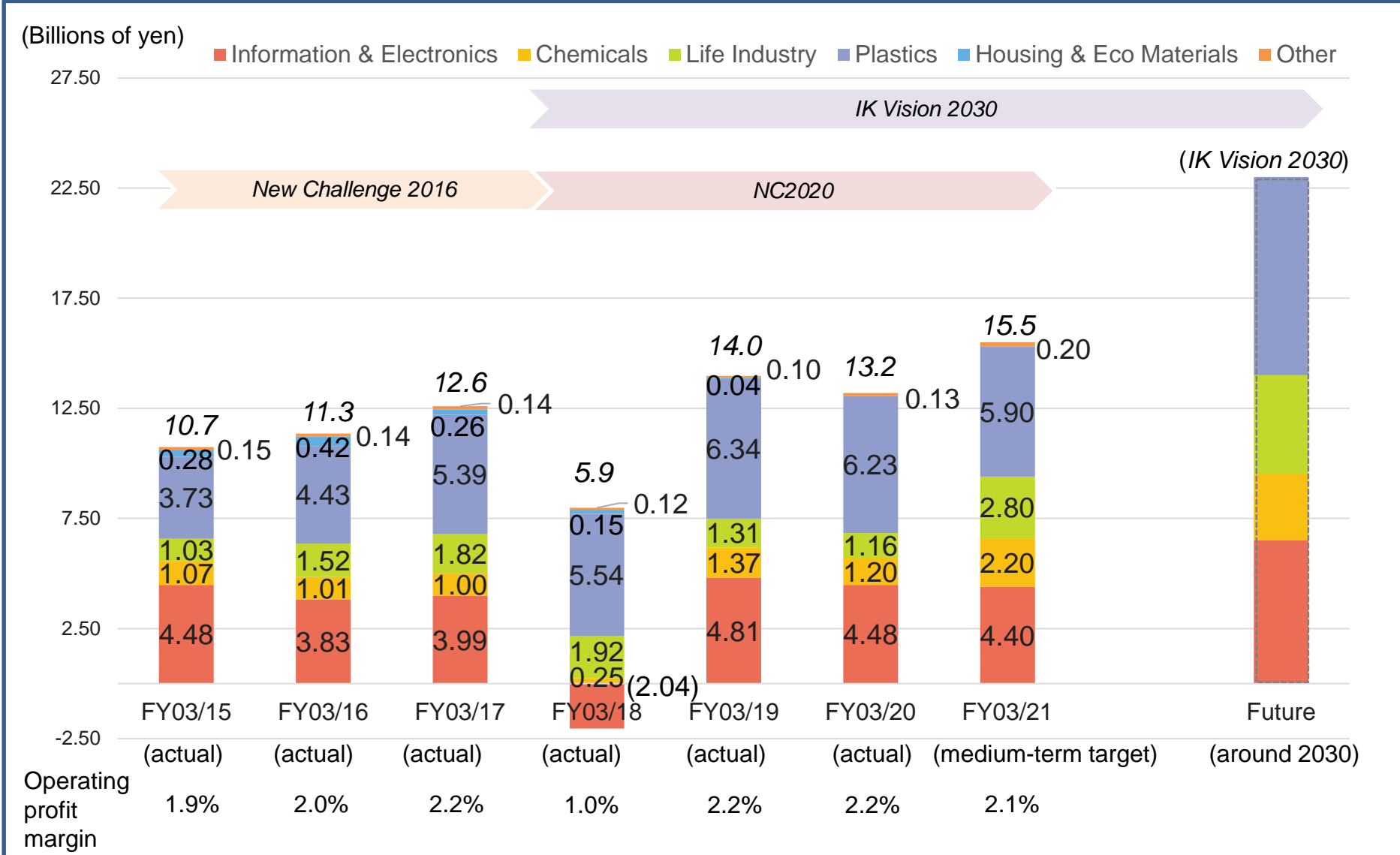
Formulated May 2017

(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



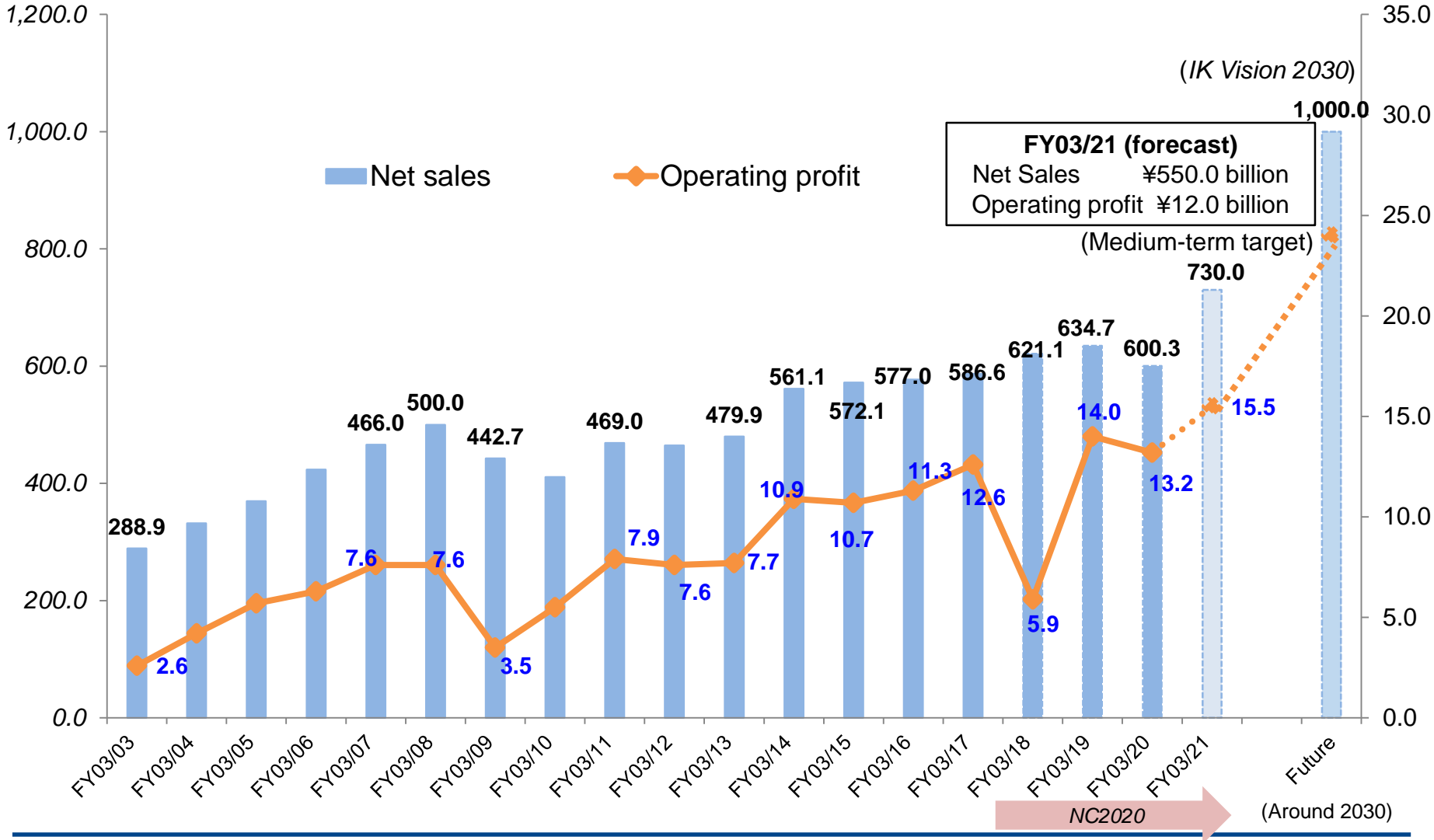
Note: In FY03/20, the Housing & Eco Materials segment was combined with the Chemicals segment.

(Reference) Net Sales and Operating Profit



(Net sales: Billions of yen)

(Operating profit: Billions of yen)

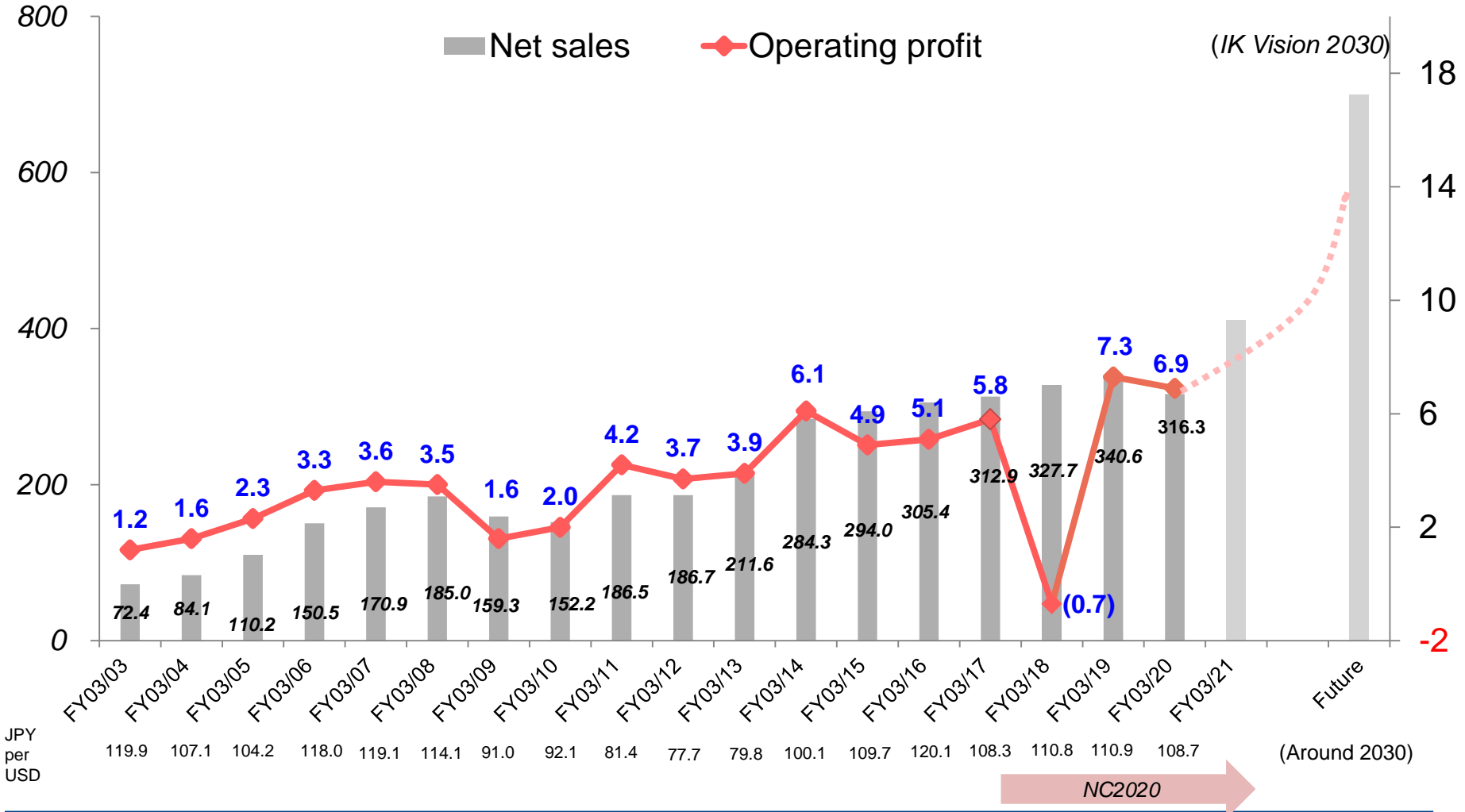


(Reference) Overseas Sales and Operating Profit



(Net sales: Billions of yen)

(Operating profit: Billions of yen)



JPY per USD

119.9 107.1 104.2 118.0 119.1 114.1 91.0 92.1 81.4 77.7 79.8 100.1 109.7 120.1 108.3 110.8 110.9 108.7 (Around 2030)

NC2020

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



Principal initiatives in the automotive field

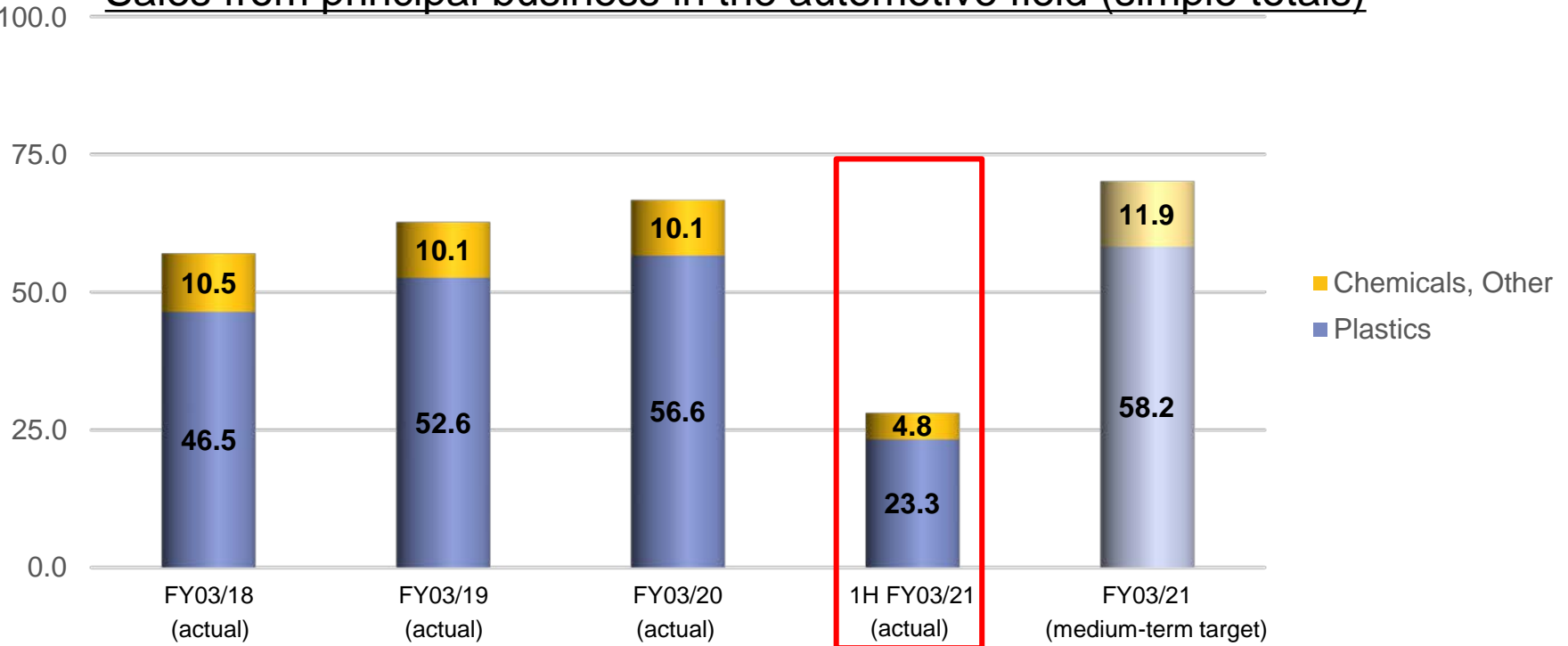
In 1H FY03/21, sales in Plastics and Chemicals were down due to the impact of pandemic.

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)



Note: 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



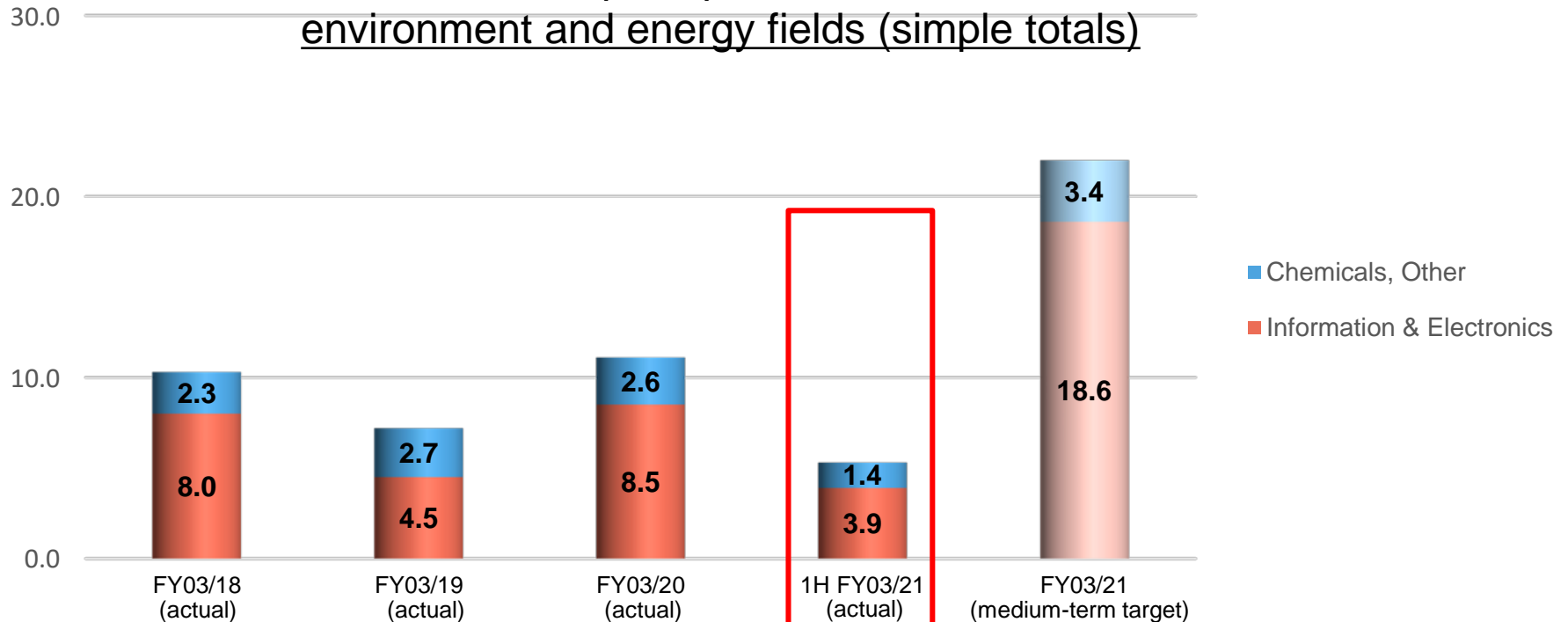
Principal initiatives in the environment and energy field

Information & Electronics: Sales of solar cells were down sharply due to discontinuation of transactions at a European subsidiary, but we intend to focus on the sale of high value-added materials and systems.
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)



Note: 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

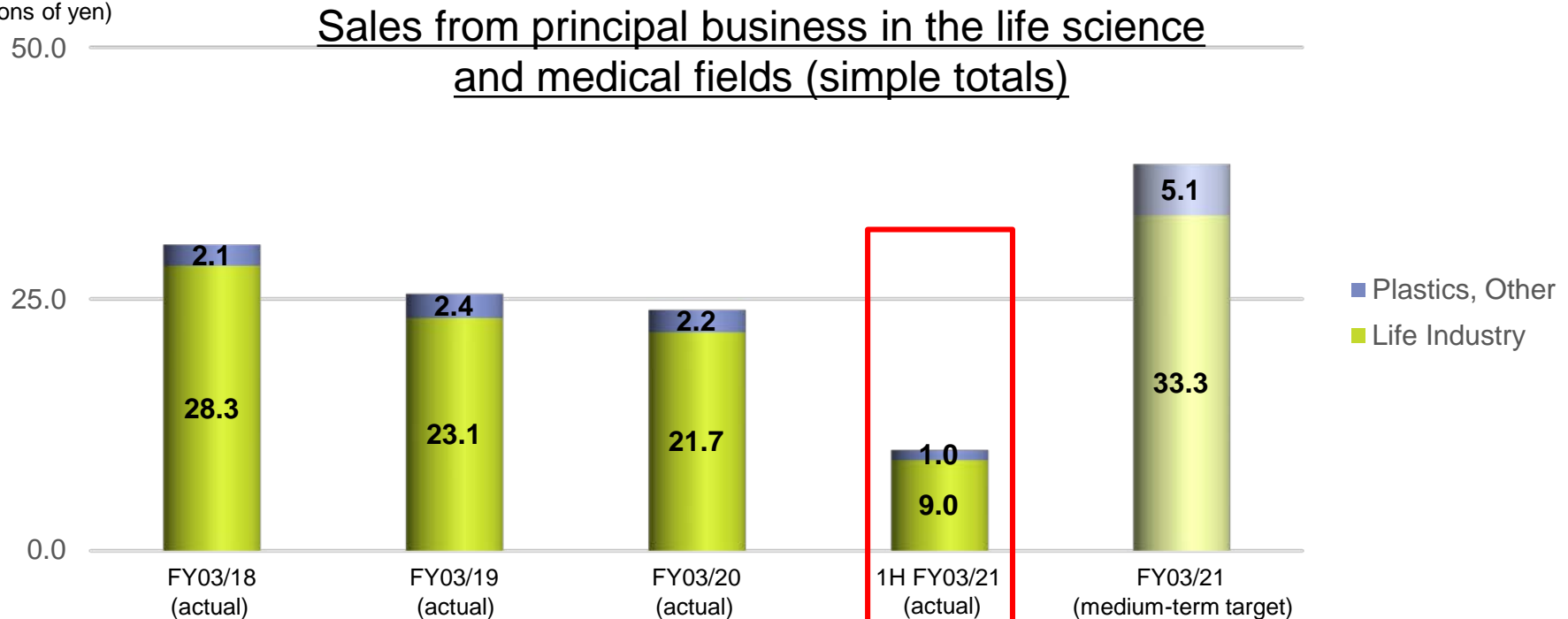
In 1H FY03/21, overall sales were down in the wake of the pandemic.

Life Industry: With pharmaceutical ingredients (active ingredients and intermediates) sales as a stepping stone, we will focus on advanced medicine.

We will sell Japan-made household products overseas.

Plastics: We will sell plastics to medical device manufacturers (e.g., for syringes).

(Billions of yen)



Note: 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 agricultural field

Life Industry: We are developing the cultivation business, centered on the production of blueberries and garlic in Hokkaido.

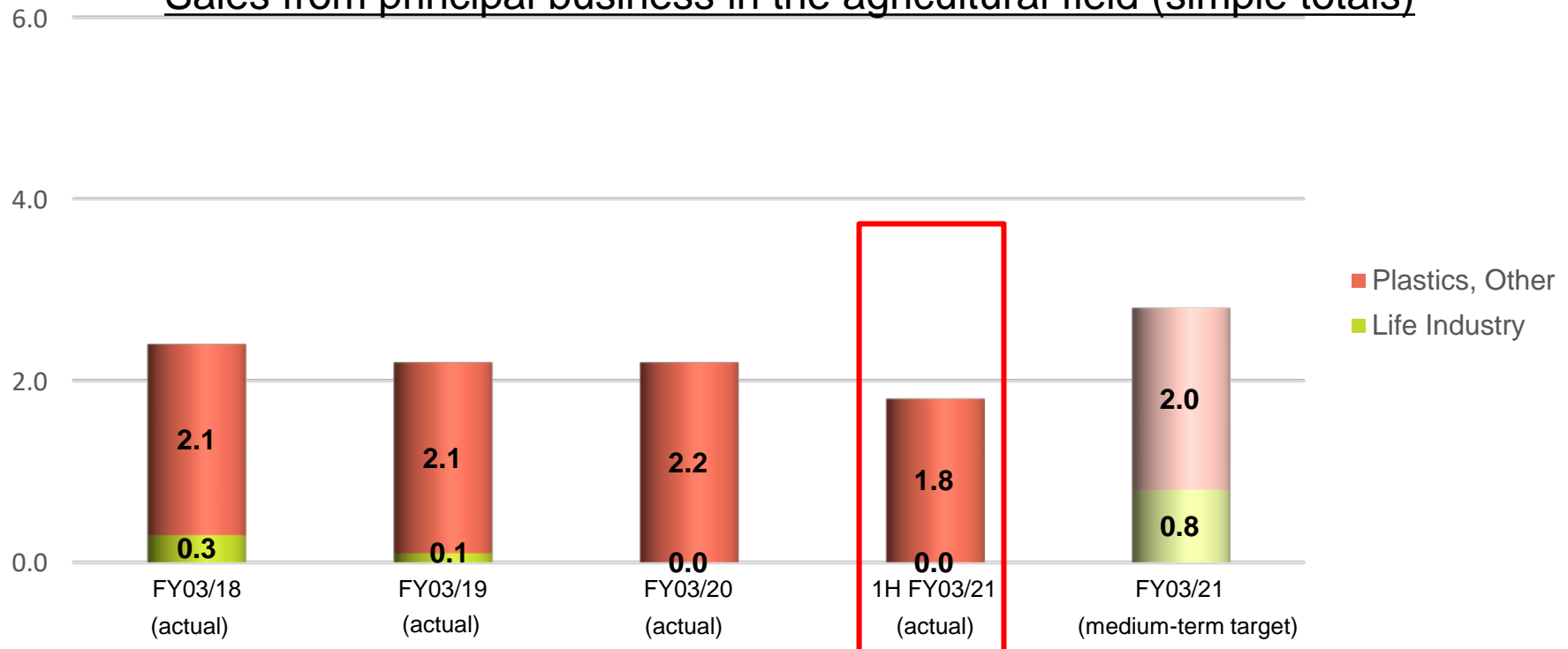
Full-scale shipment of blueberries and garlic will start in FY03/22 or later.

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)



Note: 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)



- Impact from the spread of the novel coronavirus pandemic in 1H FY03/21
In April and May, operations at all plants in Mexico were suspended under government guidance. Sales slumped as demand declined. Operations resumed in June, but recovery in demand has been gradual.

FY03/18	Sales of 6,100 tons
FY03/19	Sales of 6,700 tons
FY03/20	Sales of 9,000 tons

1H FY03/21	Sales of 2,500 tons
FY03/21	Forecast sales of 7,300 tons




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) 

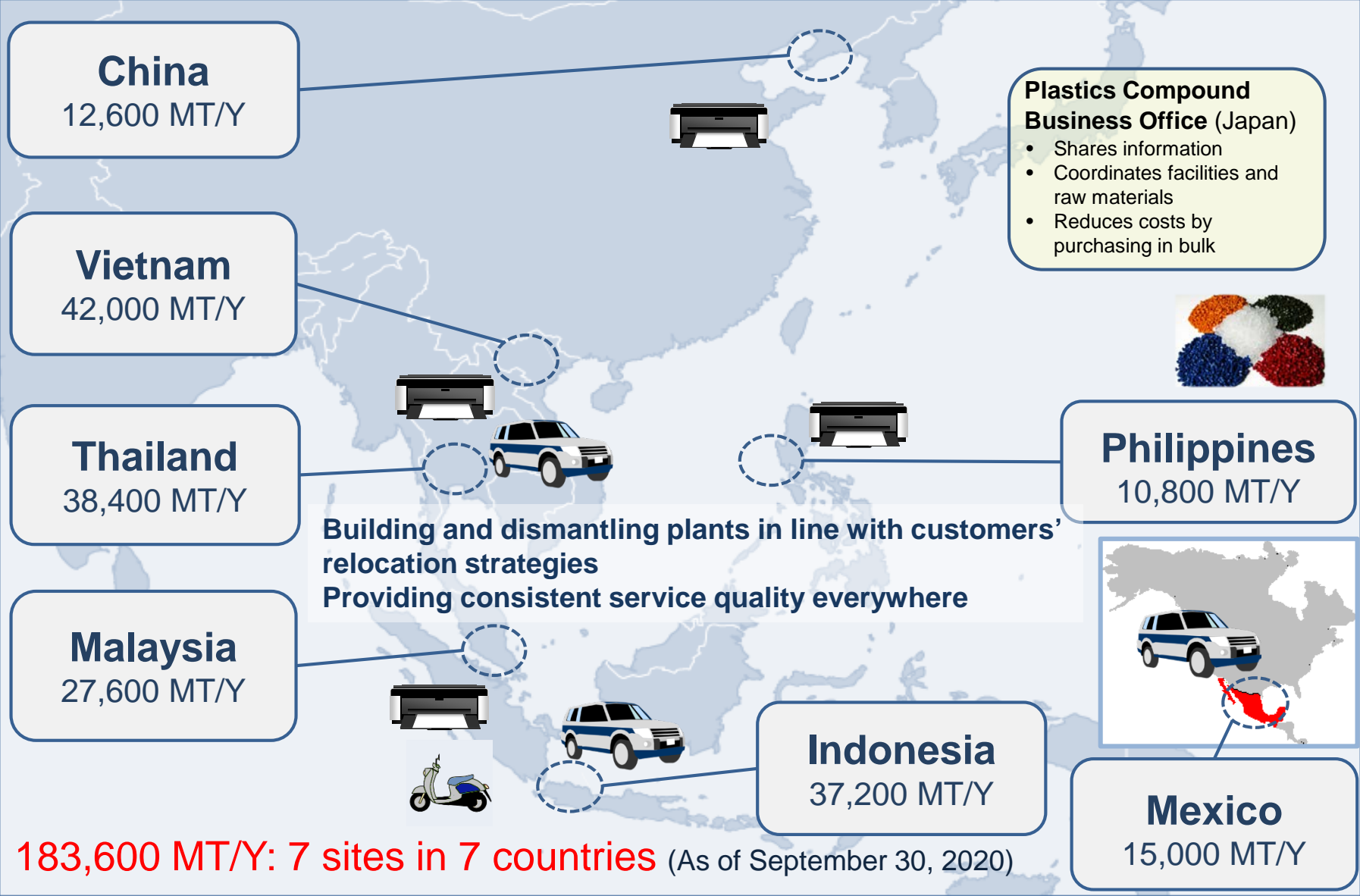
■ Impact from the spread of the novel coronavirus pandemic in 1H FY03/21
Operations were suspended in April and May. Operations resumed in June, but customer company plants were not operating at full capacity to prevent the spread of the pandemic.

FY03/18	Sales of 7,200 tons
FY03/19	Sales of 10,200 tons
FY03/20	Sales of 9,300 tons
1H FY03/21	Sales of 3,700 tons
FY03/21	Forecast sales of 10,000 tons



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

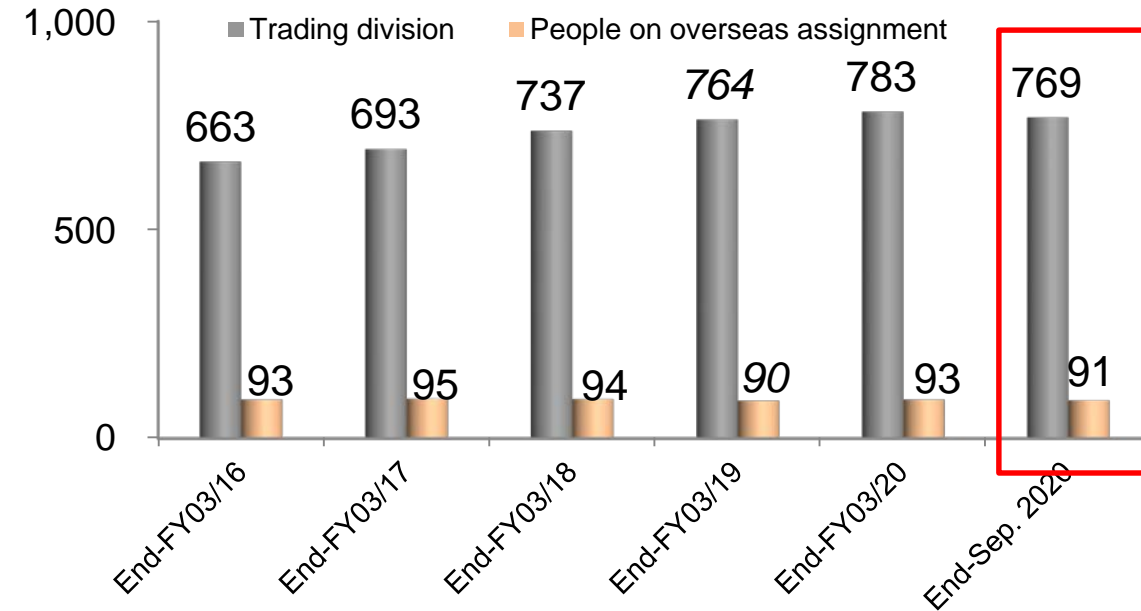
FY03/21

Third-party evaluation by surveys and interviews are under way.

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.

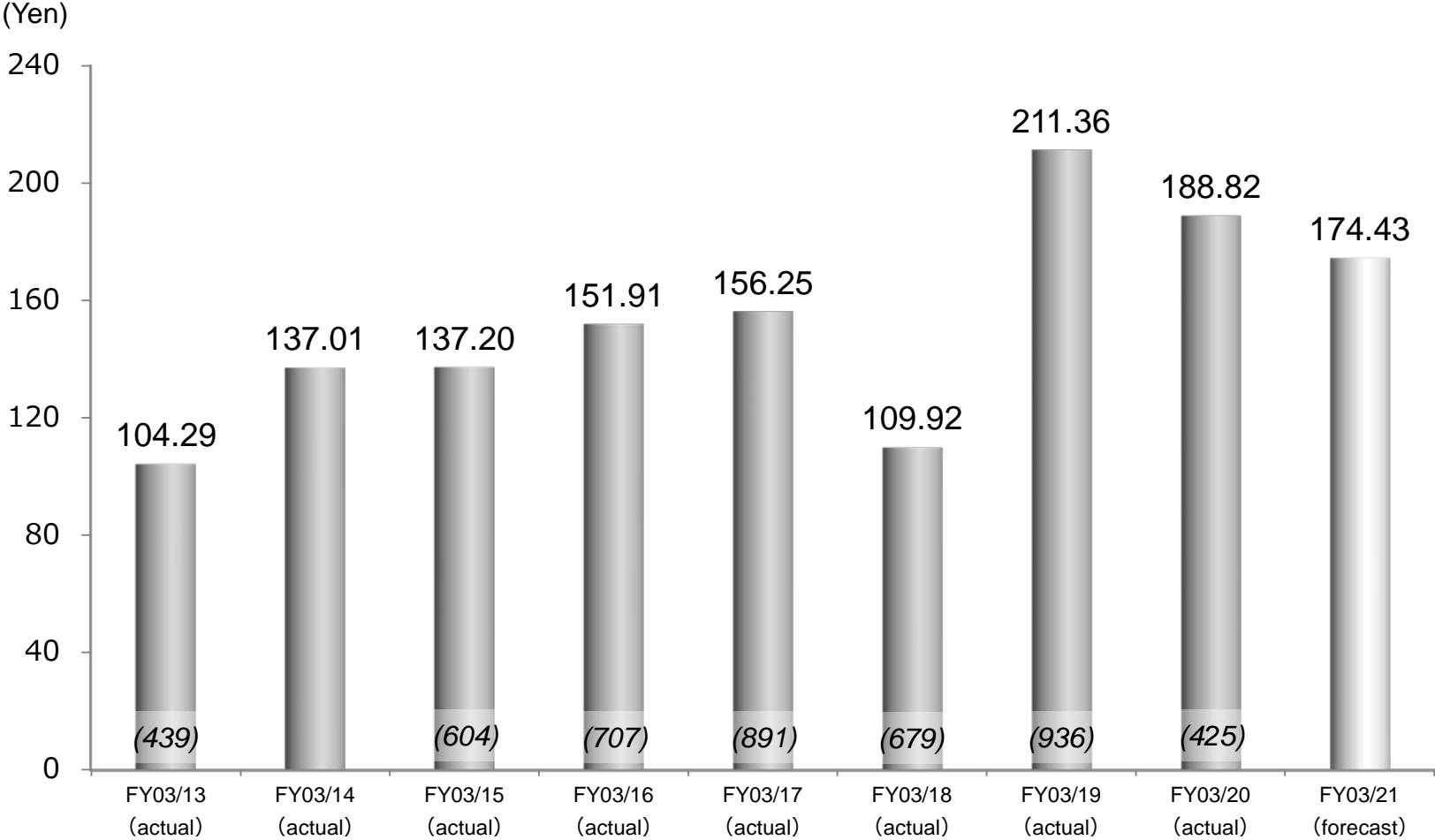
Number of overseas personnel in the trading division and people on overseas assignment



Management philosophy workshop at Inabata Europe GmbH

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).

(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	659 (4,072 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	17,158
Major shareholders (top three and percentage ownership)	Sumitomo Chemical Co., Ltd. (22.9%) The Master Trust Bank of Japan, Ltd. (Trust Account) (5.2%) Custody Bank of Japan, Ltd. (Trust Account) (2.9%)

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 Custody Bank of Japan, 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 September 30, 2020)

□ IR-related inquiries:

IR Department, Financial Management Office
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◆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.