
IR Briefing on Fiscal Year ending March 2014

July 2014
Inabata & Co., Ltd.

About Inabata :

1. A company with rich history

Founded in 1890, initially as a dye business



Inabata Dye Shop (Nishijin, Kyoto)

2. A company that combines the functions of a trading company with logistics and manufacturing etc.

A globally expanding trading business

Plastic compound plants deployed throughout Asia

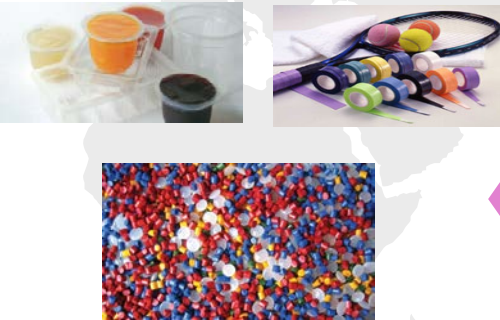
Planning/proposals based on product & market know-how and expertise

Inabata's Areas of Business Activity

Housing & Eco Materials



Plastics



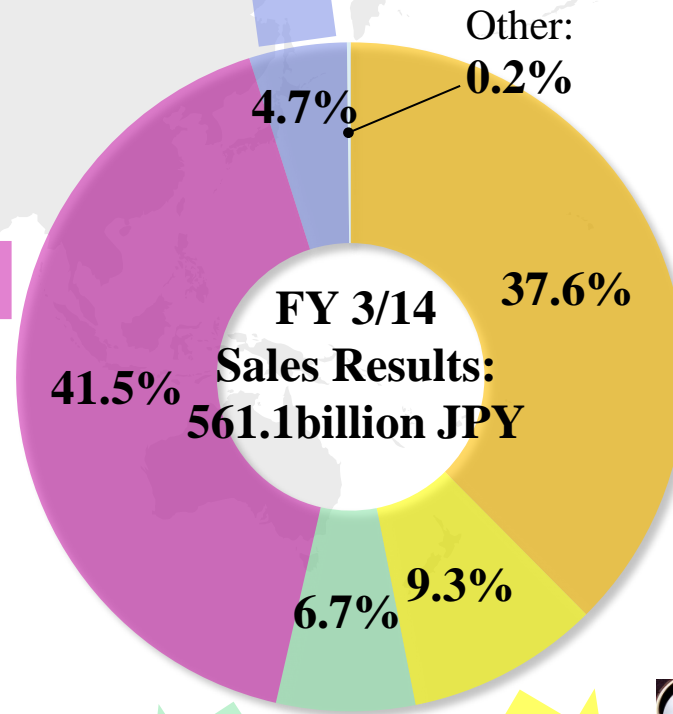
IT & Electronics



Life Industry

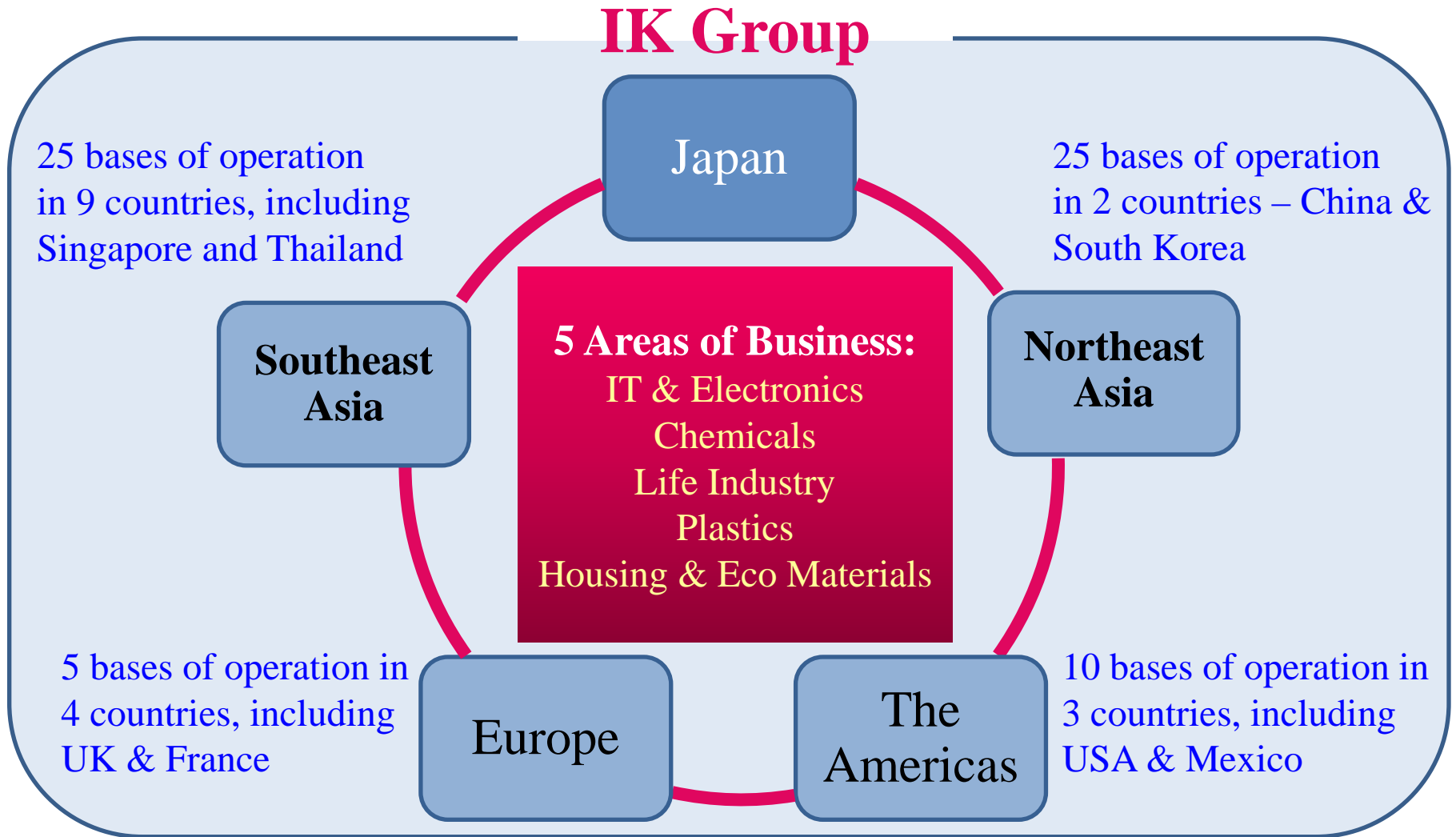


Chemicals



Inabata's Business Spheres

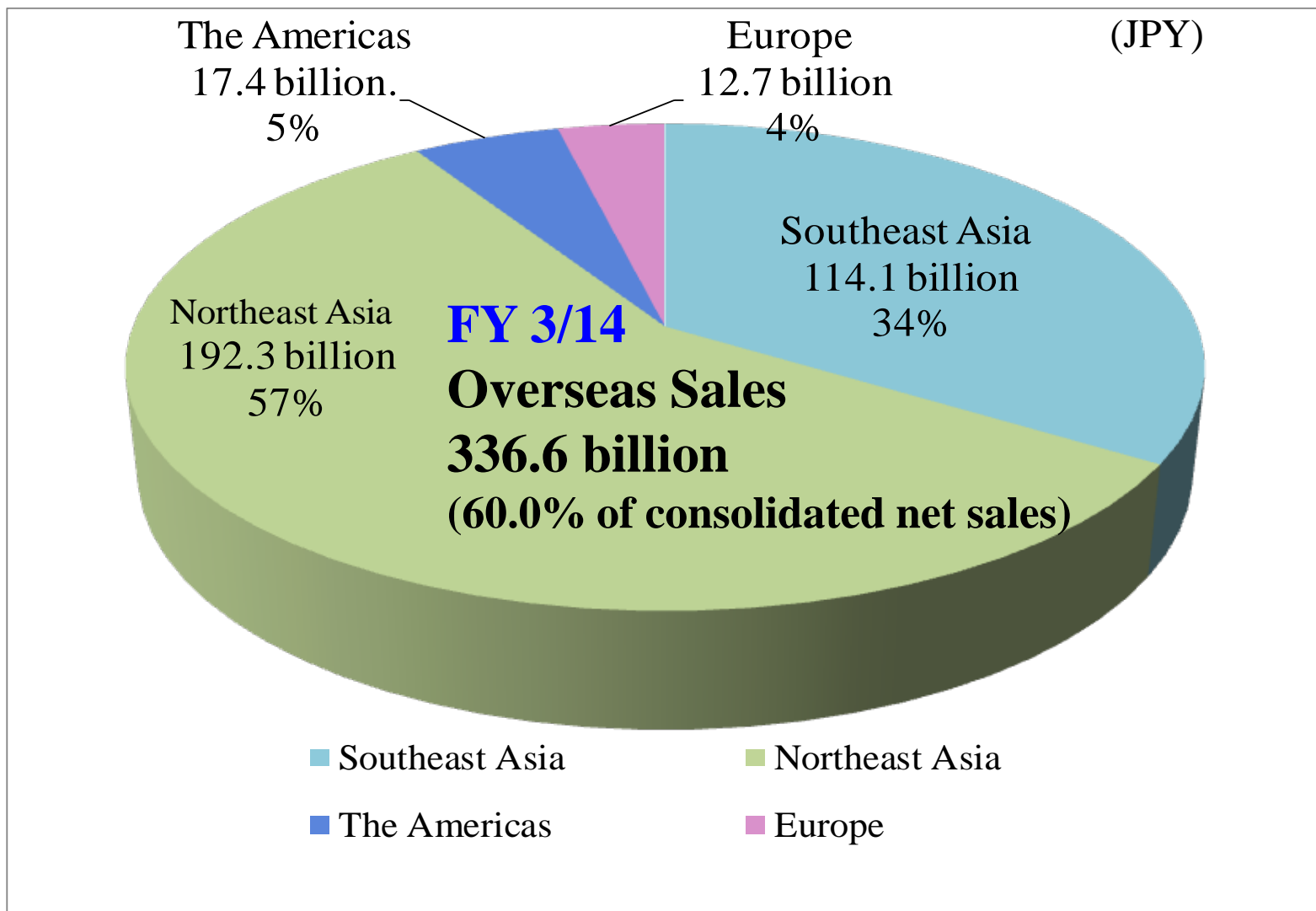
Operating in 5 business segments at about 60 locations, throughout Japan and 18 countries overseas



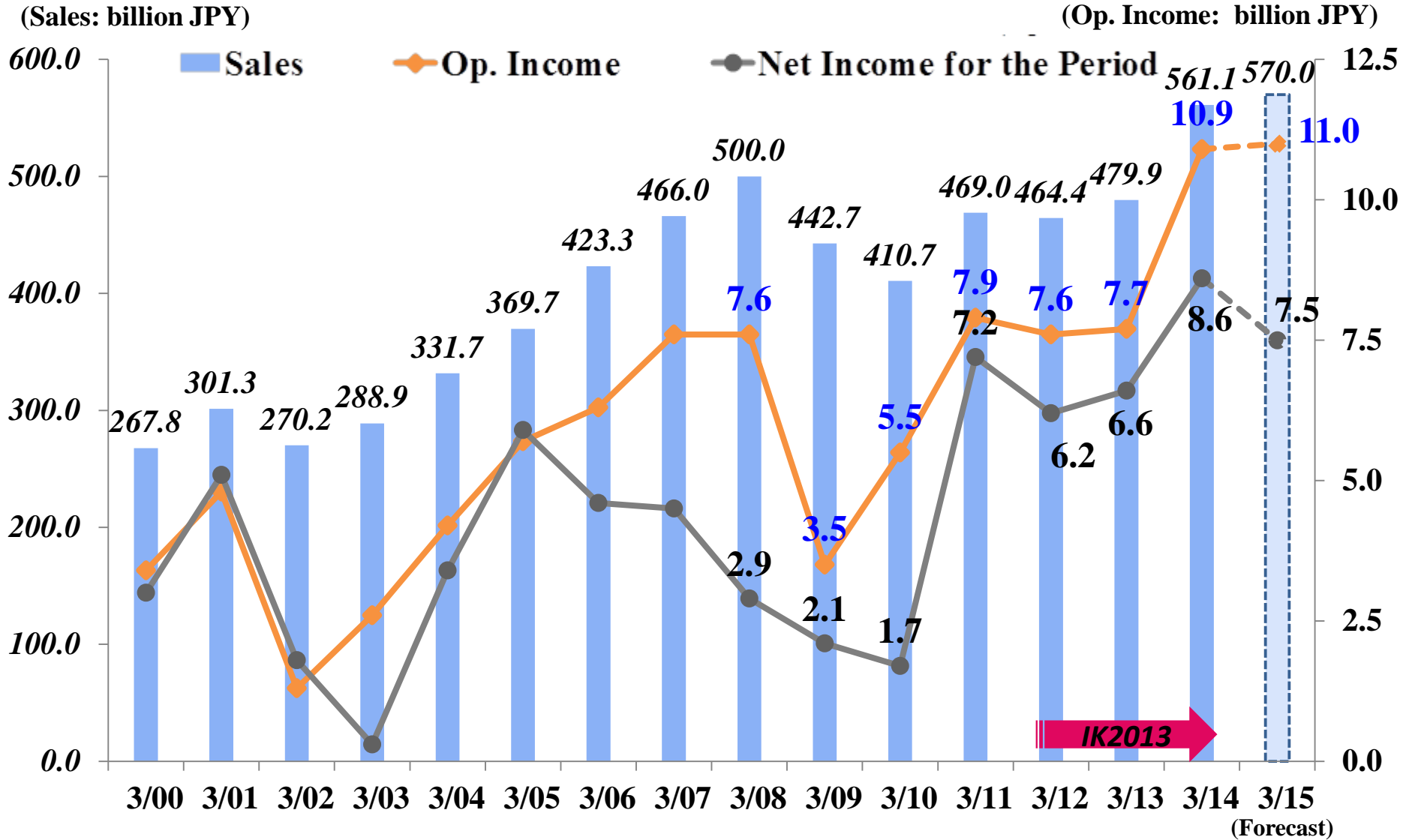
(NB) No. of overseas countries and operation bases valid as of 31 March 2014)

(NB) No. of operation bases includes bona fide IKJ affiliates

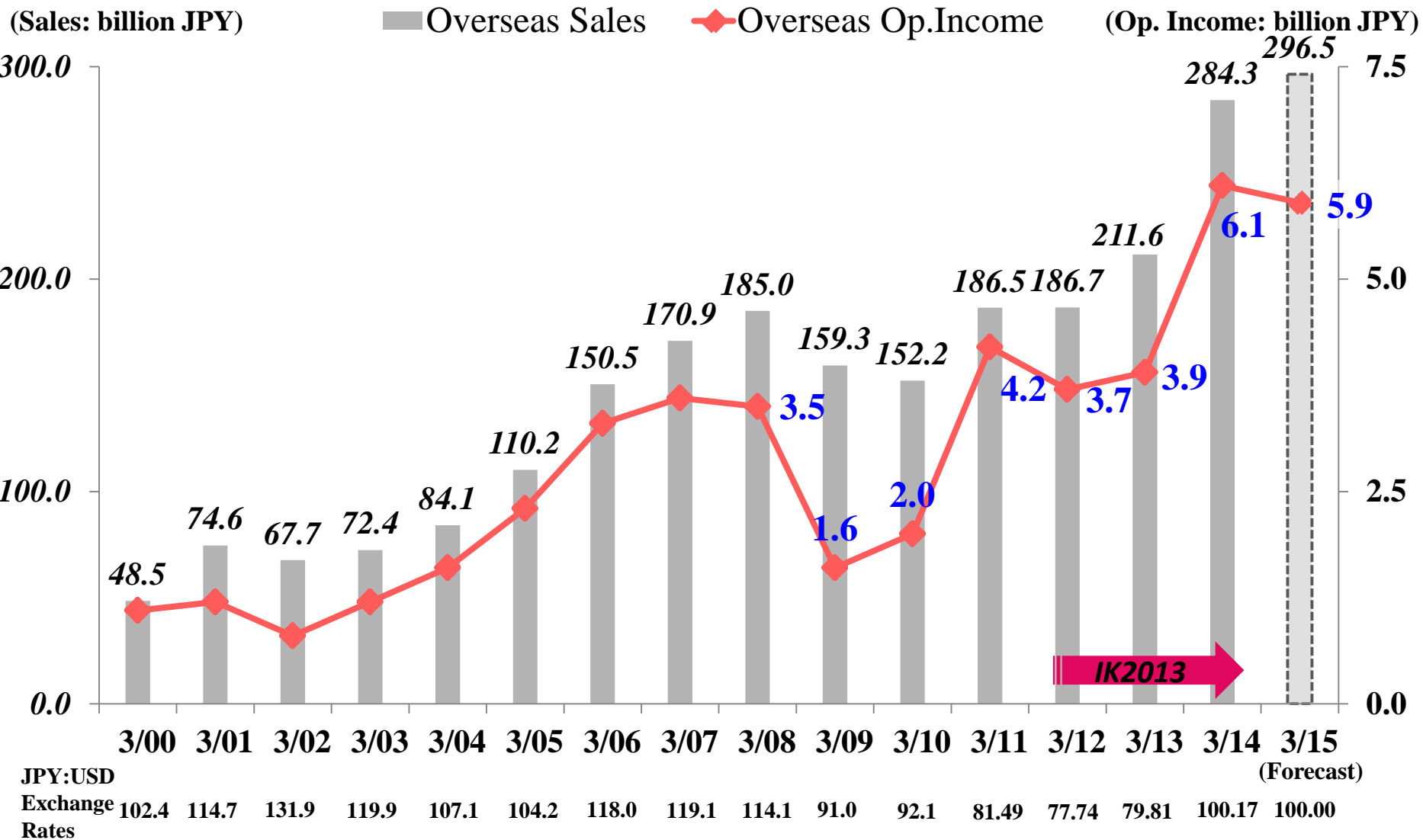
Overseas Sales (including the exports from Japan)



Consolidated Financial Results: Trends Over the Past 15 Years



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



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

<New Record High Sales and Profits>

Sales: 561.1 billion JPY +16.9% YoY

Increase in overseas' sales, centered on Asia; plus the impact of the depreciating yen (+67.9 billion JPY)

Op. Income: 10.9 billion JPY +40.8% YoY

Strong revenue trends in IT & Electronics and Plastics, our key divisions

Current Profit: 12.4 billion JPY +29.7% YoY

Improvements due to increase in operating income

Net Income: 8.6 billion JPY +30.7% YoY

Up due to increased operating income & gains on sales of shares in affiliated companies

FY3/2014 Consolidated Results Review



(billion JPY)

	FY 3/13	FY 3/14 (A)	YoY Change		Forecast for the full fiscal year, as announced on November 8, 2013 (B)	Progress in % (A)/(B)
			Amount	%		
Sales	479.9	561.1	+81.2	+16.9%	550.0	102.0%
Op. Income	7.7	10.9	+3.1	+40.8%	10.5	104.2%
Current Profit	9.6	12.4	+2.8	+29.7%	11.5	108.3%
Net Income	6.6	8.6	+2.0	+30.7%	8.5	102.0%
Exchange Rate: USD/JPY	79.81	100.17	+20.36		97.75	

(NB) From FY 3/14 there was a “Change in the Method Used to Convert Income and Expenses of Overseas Subsidiaries.”
Consequently, the figures recorded for FY 3/13 have been retrospectively adjusted to reflect these changes in accounting policy.
(The same applies hereinafter in this document.)

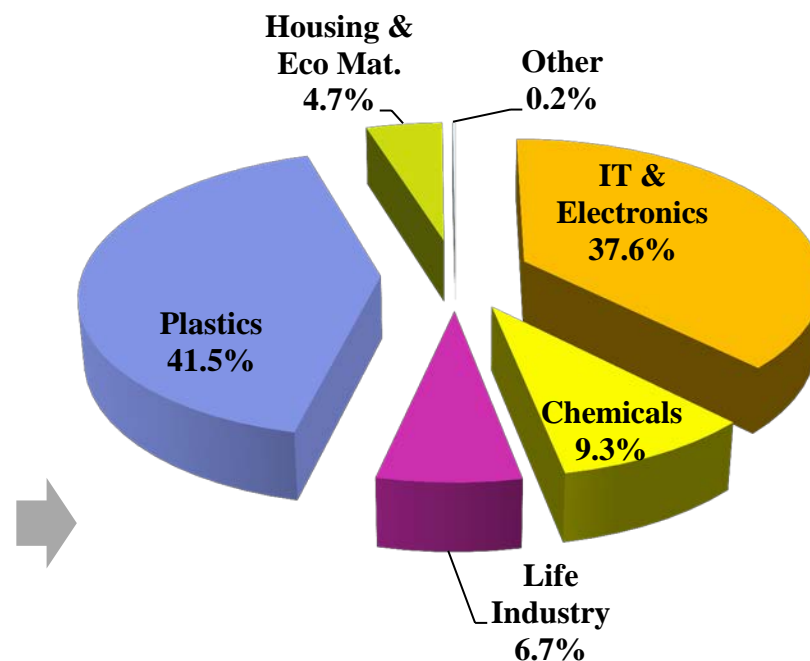
Sales by Business Segment

- ✓ IT & Electronics sees robust trends in LCD sector
- ✓ Plastics show strong sales in vehicle sector/OA sector, centered on Asia
- ✓ Overall sales significantly helped by depreciation of the yen

Sales

(billion JPY)

	FY 3/13	FY 3/14	YoY
	FY Total	FY Total	% Change
IT & Electronics	192.4	210.7	+9.5%
Chemicals	42.7	52.3	+22.4%
Life Industry	35.8	37.6	+5.0%
Plastics	186.0	232.8	+25.1%
Housing & Eco Mat.	22.2	26.5	+19.1%
Other	0.4	1.0	+106.7%
Total	479.9	561.1	+16.9%



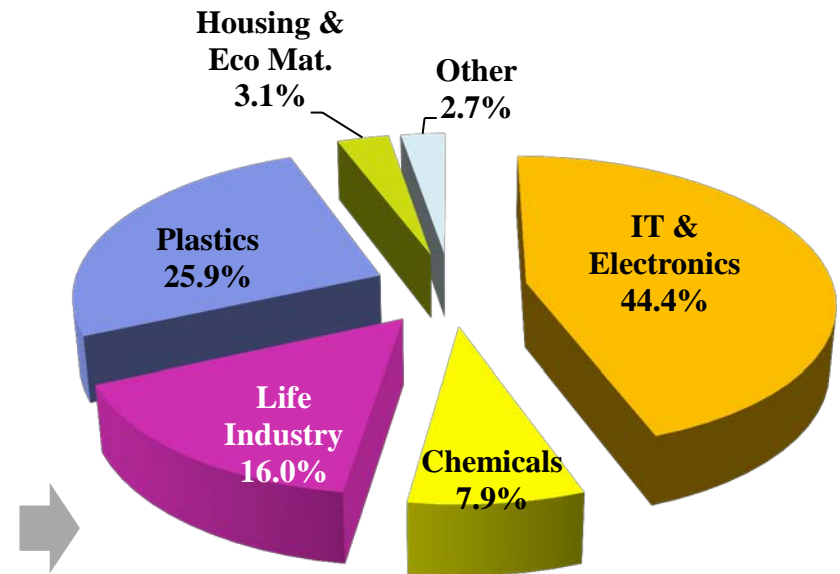
Op. Income by Business Segment

- ✓ IT & Electronics see robust trends in LCD sector
- ✓ Chemicals remain strong overall; including overseas operations
- ✓ Plastics show strong sales in vehicle sector/OA sector, centered on Asia

Op. Income

(million JPY)

	FY 3/13 FY Total	FY 3/14 FY Total	YoY % Change
IT & Electronics	3,248	4,863	+49.7%
Chemicals	339	862	+154.3%
Life Industry	1,492	1,745	+17.0%
Plastics	2,297	2,828	+23.1%
Housing & Eco Mat.	159	343	+115.1%
Other	227	292	+28.4%
Total	7,765	10,936	+40.8%



B/S Summary

- Total assets increase (15.8 billion JPY) as a result of the depreciating yen
- Due to changes caused by unification of accounting period (Mar. 31) P/L for the period (Jan. – Mar. 2013) was directly posted to retained earnings(920 million JPY)

(billion JPY)

(Assets)	End 3/13	End 3/14	Change
Cash & deposits	19.2	23.2	+4.0
Notes receivable & Accounts receivable	137.5	144.0	+6.4
Inventory	34.7	41.7	+7.0
Other current assets	5.7	5.6	-0.1
Tangible fixed assets	9.6	11.6	+1.9
Intangible fixed assets	4.2	3.6	-0.5
Investments in securities	60.2	69.7	+9.5
Other fixed assets	5.4	5.2	-0.1
Total assets	276.9	305.0	+28.0

(Debt/net assets)	End 3/13	End 3/14	Change
Notes payable and accounts payable	85.7	84.0	-1.7
Short-term loans payable	57.3	63.1	+5.7
Other current liabilities	7.3	7.9	+0.6
Long-term loans payable	10.7	13.4	+2.7
Other fixed liabilities	17.0	20.6	+3.5
Shareholders' equity	72.0	80.4	+8.3
AOCI	25.8	34.5	+8.7
Other net assets	0.7	0.8	+0.0
Total liabilities and net assets	276.9	305.0	+28.0

Current Ratio	131.1%	138.4%
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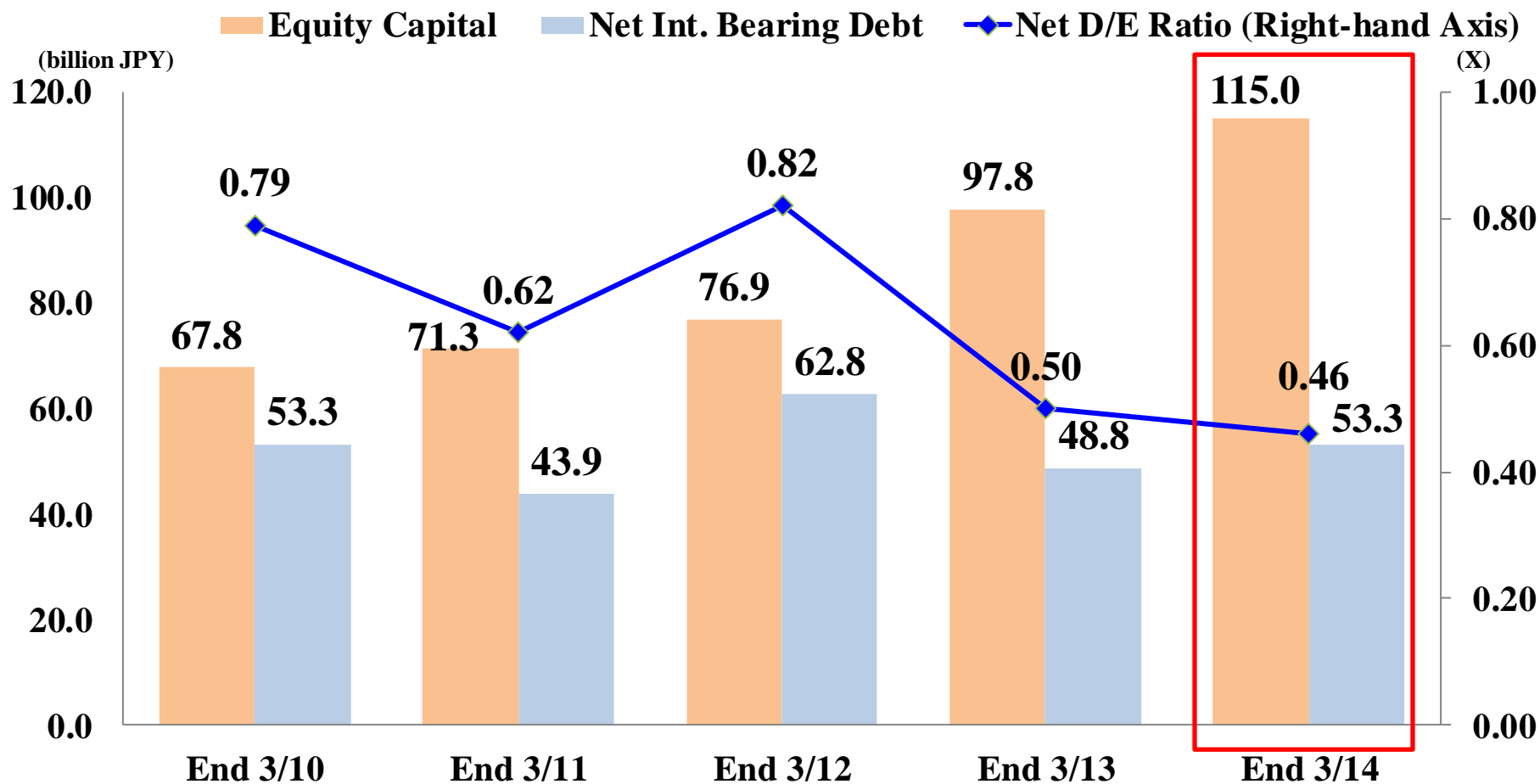
Net Worth Equity Ratio	35.3%	37.7%
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IK2013



IK2013





IK2013

(NB)

Equity Capital = Net Assets – Stock Acquisition Rights – Minority Interests;

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

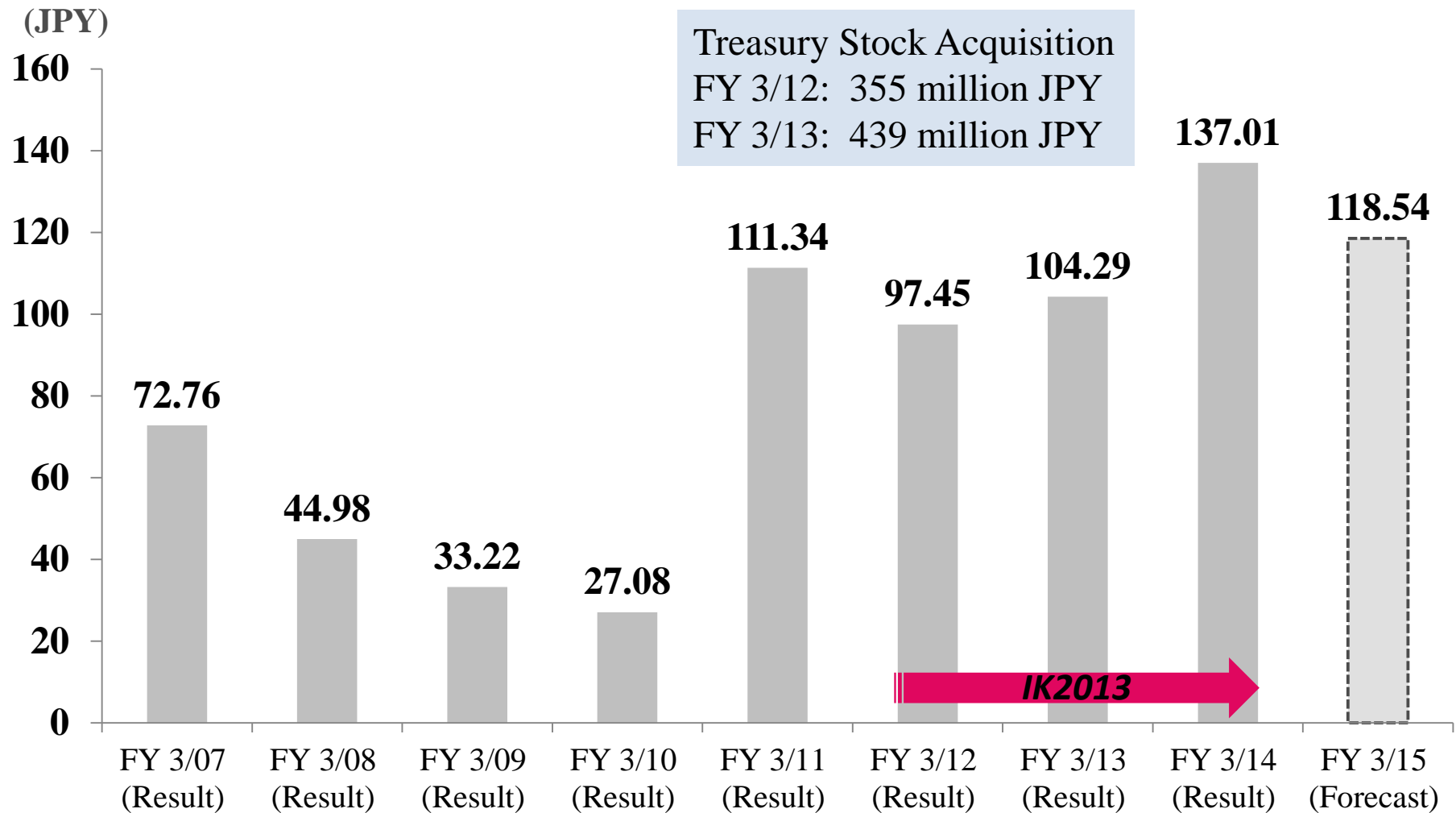
□ Dividend Policy :

Dividend target of 20-30% of consolidated net income for the period, with the aim of ensuring a stable annual dividend of at least 10JPY per share.

□ **Treasury Stock Acquisition : ⇒ to be undertaken as appropriate**

Shareholder returns & value to be increased by improving capital efficiency

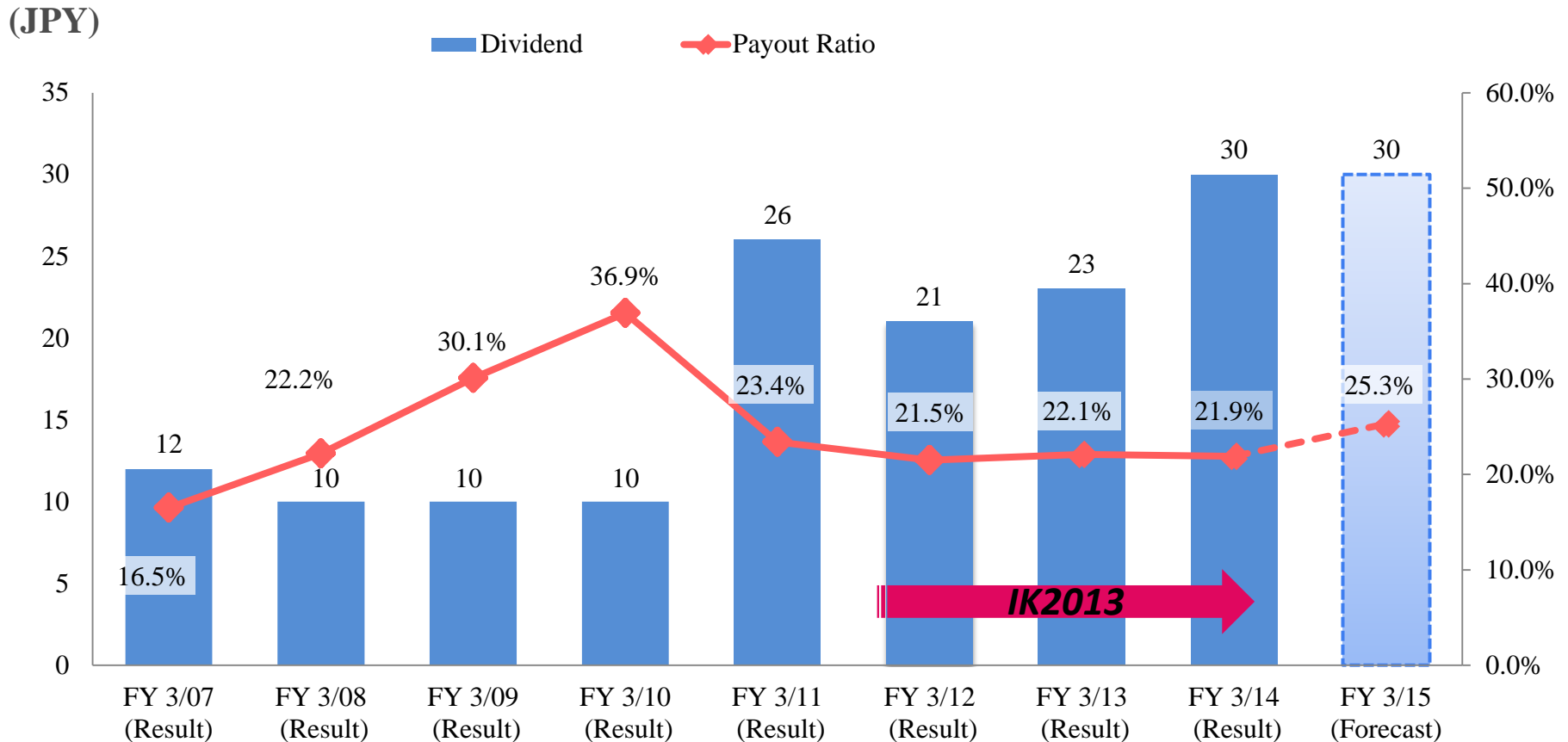
EPS Trends



Returning Profits to Shareholders ②

Annual Dividend per Share and Payout Ratio

Target Payout Ratio: 20 ~ 30%



(NB) FY 3/11 includes a dividend of 2 JPY in celebration of the company's 120th anniversary.

One additional outside director joined the board from June 25, 2013 to allow enhanced cross-supervision amongst the directors.

Outside Director : Mitsunori Takahagi
Former President & Current Advisor to JX Holdings, Inc.

“IK2013” Medium-Term Management Plan
Final Year (FY3/2014) Review

Exceeded quantitative targets from IK2013 ; record highs sales and profits

	FY 3/2014					
	(billion JPY)	FY 3/2014 Results (A)	Full Year Forecast	Difference with f/cast	"IK2013" Final Year Target (B)	Achievement (A/B) %
Sales		561.1	550.0	+ 11.1	550.0	102.0%
Op.Income		10.9	10.5	+ 0.4	10.0	109.4%
Current Profit		12.4	11.5	+ 0.9	10.0	124.5%
Net Income		8.6	8.5	+ 0.1	6.0	144.5%
ROE		8.1%			7.4%	achieved
Net D/E Ratio		0.46	-	-	0.72	achieved
Net Worth Equity Ratio		37.7%	-	-	29.1%	achieved
Exchange Rate (USD)		100.17JPY	97.75JPY	-	81.49JPY	-

(NB) “IK2013” target was set in May 2011.

(Quantitative Target) FY 3/2014

Consolidated Sales : 550billion JPY

Consolidated Op. Profits : 10 billion JPY

ROE : 7.4%

Net D/E Ratio : 0.72 x or less*

Net Worth Equity Ratio : 29.1%

Assumed Rate of Exchange : 1USD = 81.49 JPY

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

(Key Initiatives)

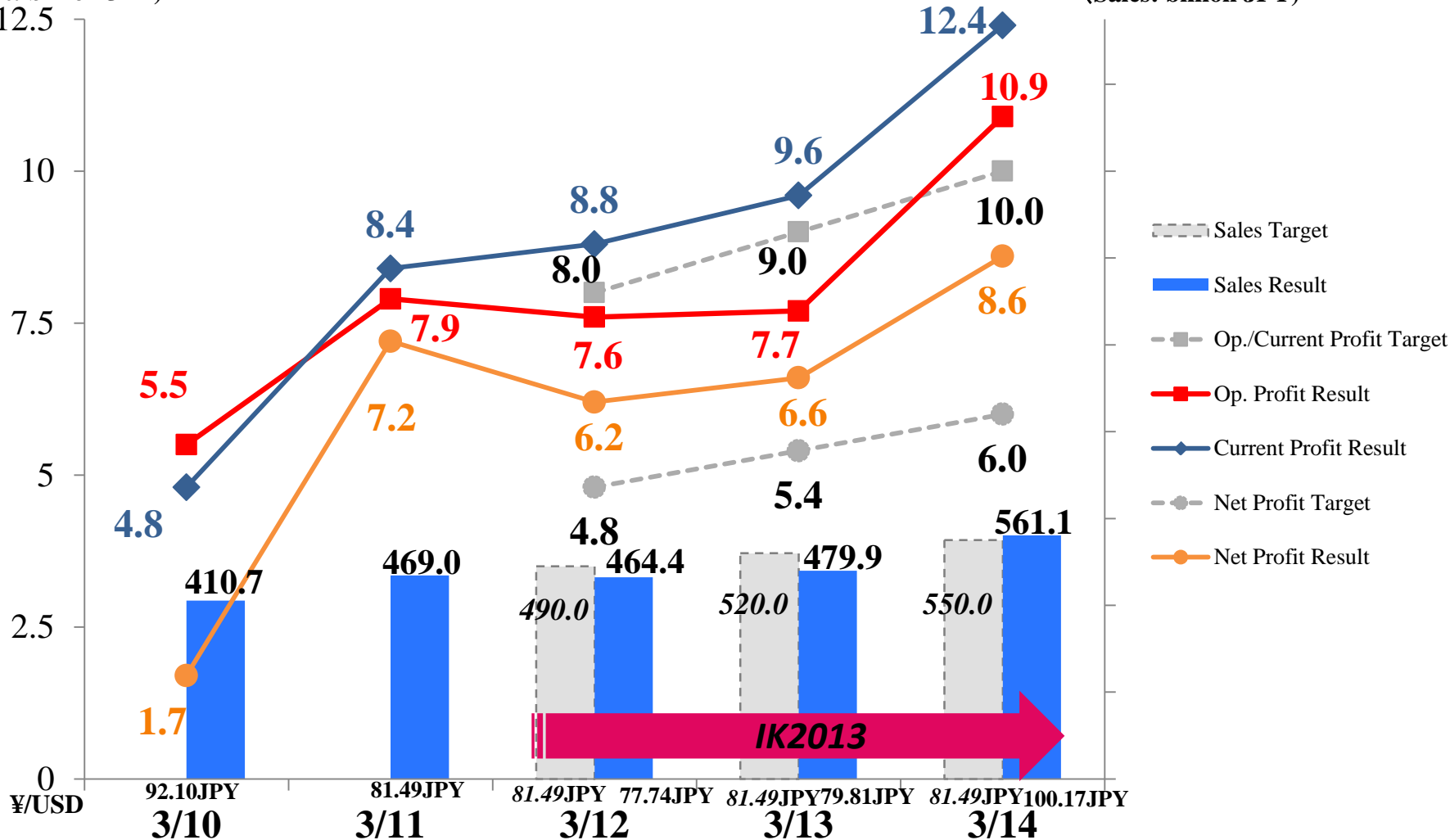
1. Further Investing management resources into growing Asia and China
2. Expanding into newly emerging markets.
3. Enhancing businesses related to environment, energy, and life science themes.
4. Accelerating global human resources development.
5. Securing returns on investments.

“IK2013” Performance Review (Quantitative)



(Profit: billion JPY)

(Sales: billion JPY)



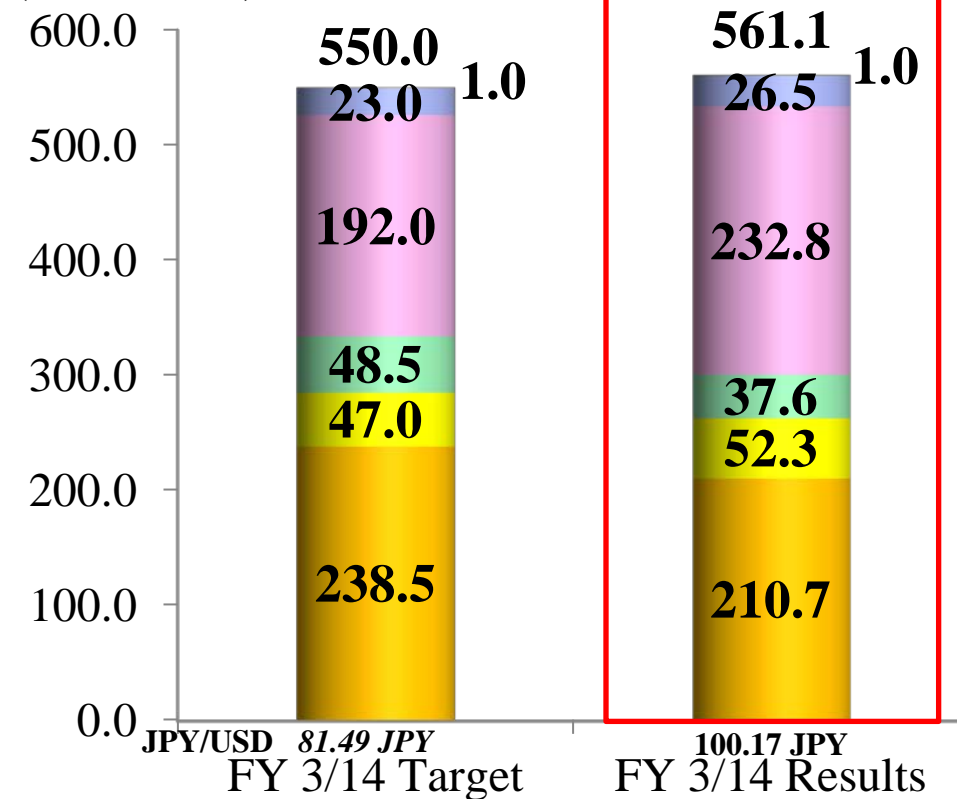
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“IK2013” Performance Review: Sales by Business Segment



Sales

(billion JPY)

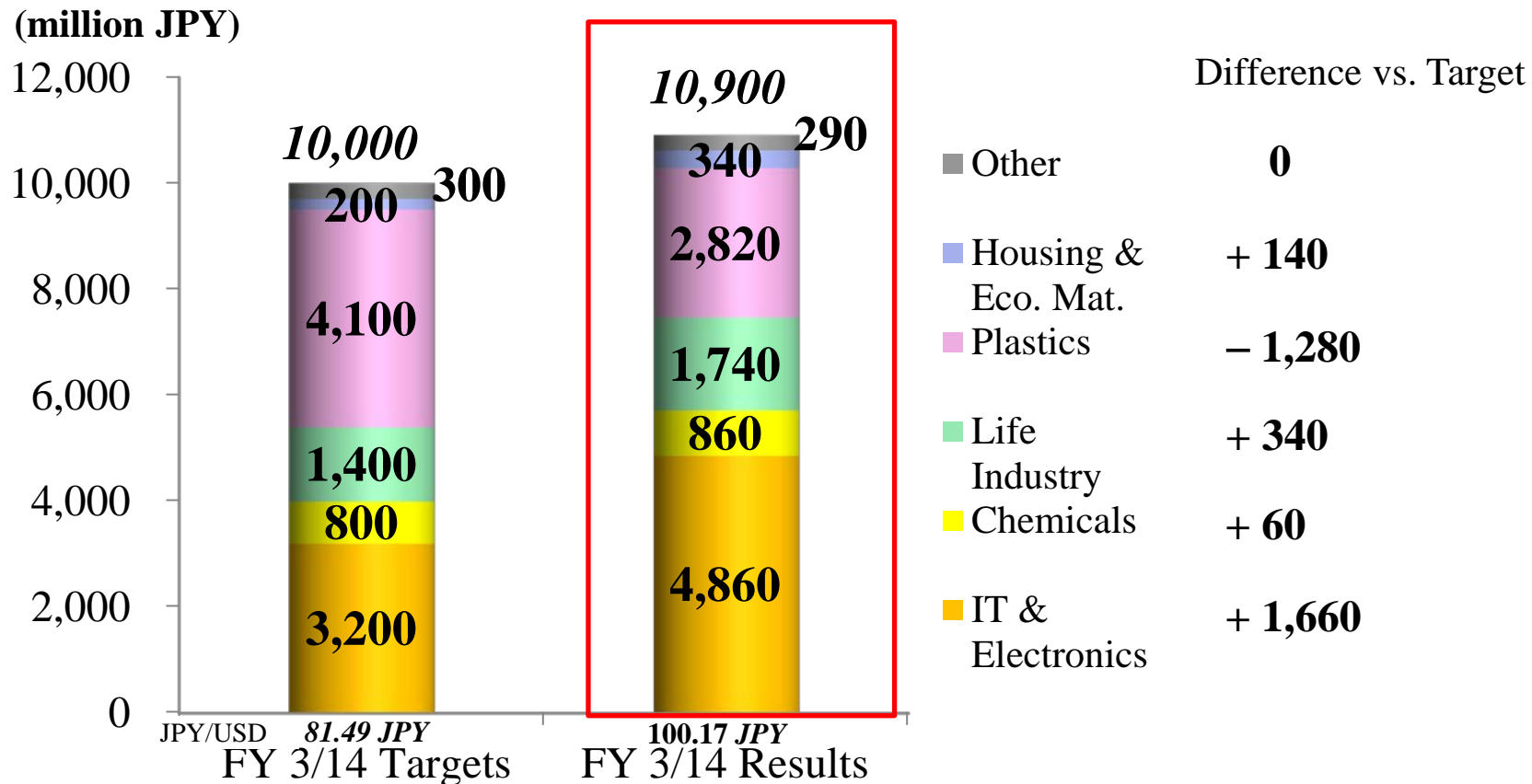


Difference vs. Target

Other	0
Housing & Eco. Mat.	+ 3.5
Plastics	+ 40.8
Life Industry	- 10.9
Chemicals	+ 5.3
IT & Electronics	- 27.8

IK2013

Operating Income



IK2013

1. Further investing management resources into growing Asia and China

Thoroughly enhancing the strengths of our Asian Business



Expanding our plastics compound business

Strengthening worldwide cooperation, led by the Compound Office

- Establishing production systems on an optimum scale, in the most suitable regions
- Reducing costs by standardizing equipment/raw materials and bulk-purchase



[plastics compound]

The key items implemented in the plastics compound business under “IK2013

- ✓ Integration of plants in China
- ✓ Streamlining of production at the Malaysian plant and transfer of disused plant and equipment to Mexico
- ✓ Establishment of Mexican production site(non-Asian), focused on the car market
- ✓ Establishment of Philippine production site, focused on the OA market
- ✓ Standardization of raw materials such as pigments; implementation of bulk purchasing

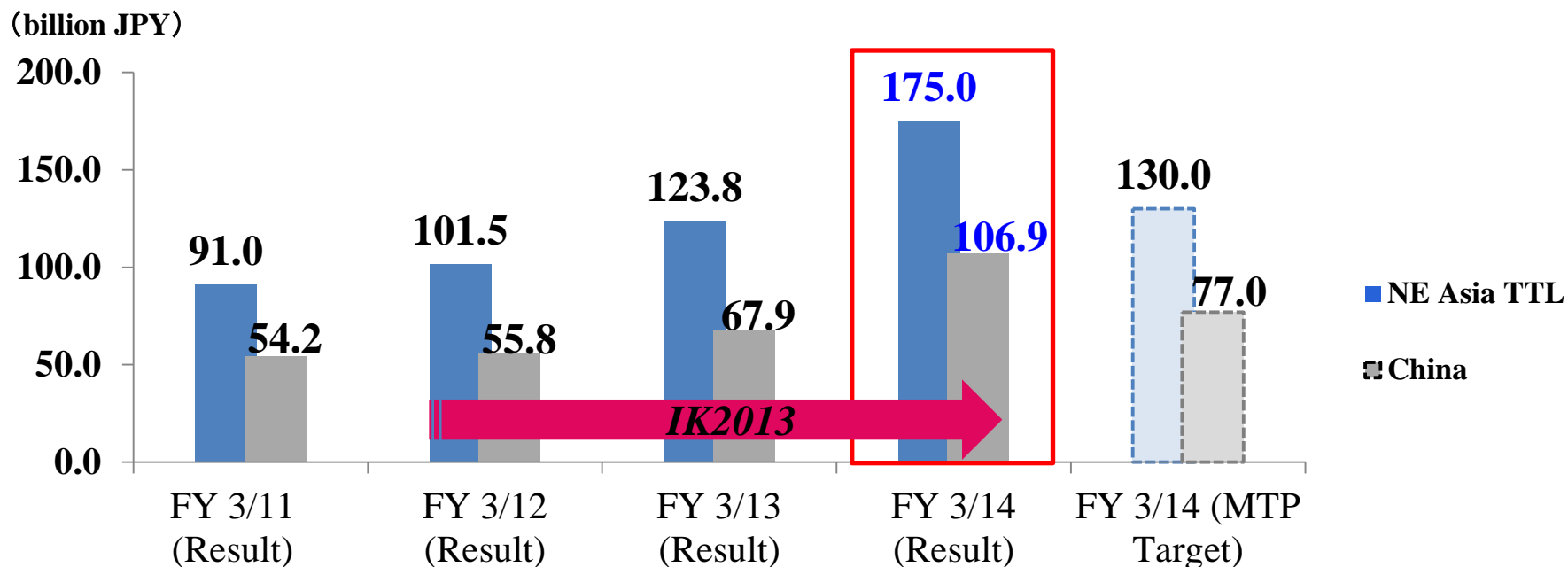
⇒ Strengths in the compounds business promotes expansion of our plastics trading business.

Initiatives for China

Total sales for FY 3/14 greatly exceed medium range targets in both China and Northeast Asia as a whole – helped by the weak yen, as well as a strong core business

Sales Results for FY 3/2014 (simple addition basis)

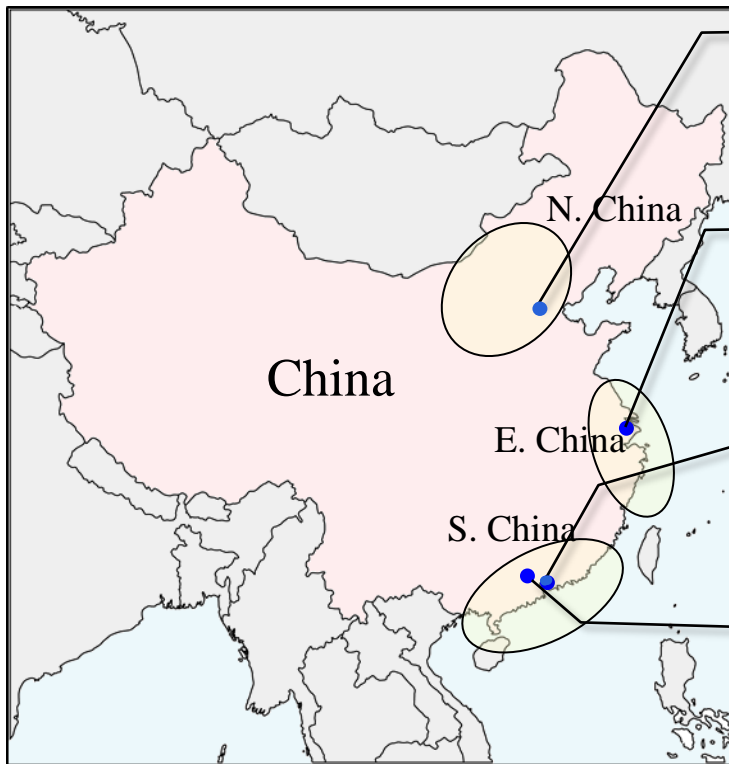
NE Asia 175 billion JPY of which, China 106.9 billion JPY



The Business Situation in China

Despite a slowdown in the rate of expansion, China's economy still continues to grow, and industries fuelled by domestic demand remain strong; including automobiles, consumer electronics and communication-related sectors such as smart phones.

Steady growth in business with the focus on sales of LCD materials and plastics.



Inabata
Tianjin

【 Northern China 】

- Increase in plastics for use in electronic/electrical machinery sectors

Inabata
Shanghai

【 Eastern China 】

- Sales remain strong for plastics aimed at the OA sector and US/European automotive sector
- Increased sales of LCD materials such as small/medium polarizer to local customers
- Increased sales to paint manufacturers of curing agent for use on automobiles

Inabata
Hong Kong

【 Southern China 】

- Huge expansion of sales of LCD materials such as polarizers
- Start of frozen fruit and fishery product business aimed at South Korea and Thailand

Inabata
Guangzhou

Sales Results for FY 3/2014 (simple addition basis)

SE Asia – 154.9 billion JPY

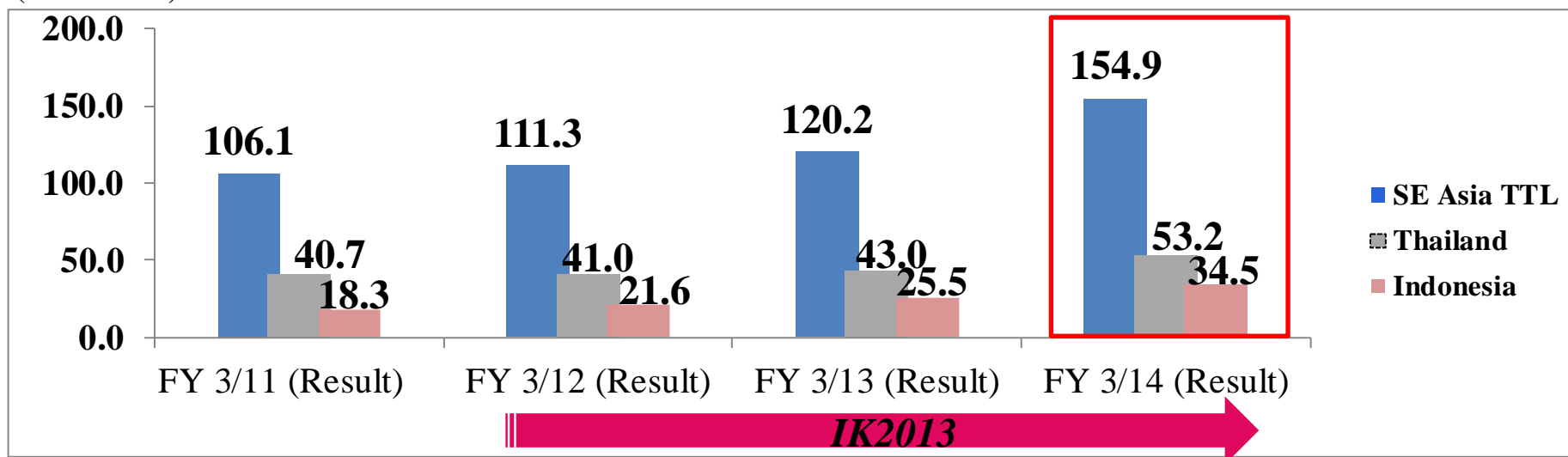
of which, Thailand – 53.2 billion JPY (+23.8% YoY)

Indonesia – 34.5 billion JPY (+35.3% YoY)

Growth in plastics business, mainly to the automotive sector, was also aided by weak yen

◆ Southeast Asian Sales Results

(billion JPY)

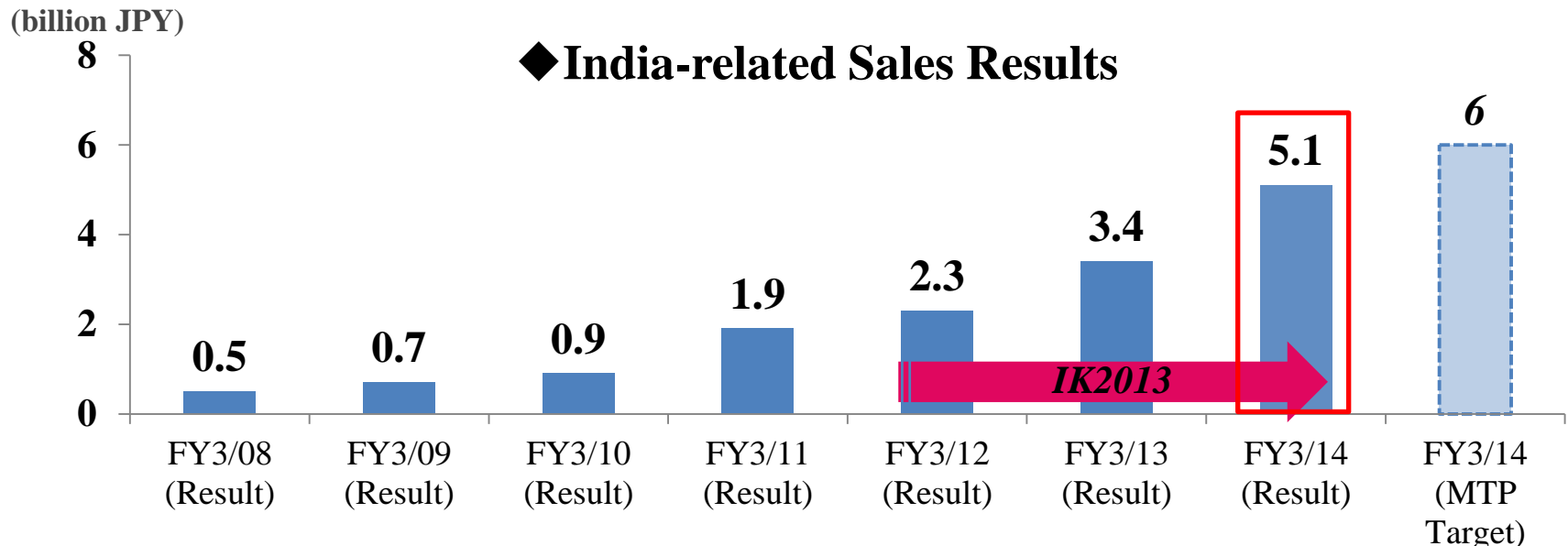


2. Expanding into newly emerging markets

Initiatives for India

Slowdown in the Indian economy, plus the fact that India is not an area where we can capitalize on our business model which focuses on Japanese customers, have resulted in failure to reach medium range sales targets

⇒ **No change in the market potential; continue to focus in a long term perspective**



3. Enhancing businesses related to environment, energy, and life science themes

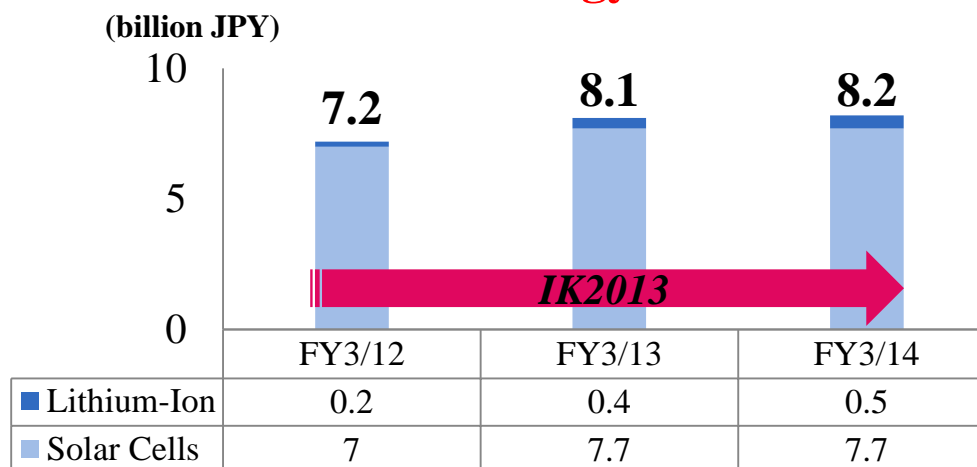
Battery related business (Solar Cell , Lithium-ion Battery (LIB))

Market Conditions

- Solar Cell (-) Oversupply in the market and falling prices
 (+) Increased demand in Japan due to continuation of the total buy-back scheme
- LIB (-) Forecasted growth in the EV and power storage applications not realized
 (+) Start of HEV boom in Japan

Overall, the forecasted medium range business growth has not been realized

⇒ Continue to work on as environmental and energy related issues



(NB) EV : Electric Vehicle
 HEV : Hybrid Electric Vehicle

4. Accelerating global human resources development

- Increase the number of expat employees from Japan to 100 within 3 years
- Increase the number of staff in the overseas trading divisions to a minimum of 600 employees within 3 years (FY 3/2014) & a target staff of 700 within 5 years

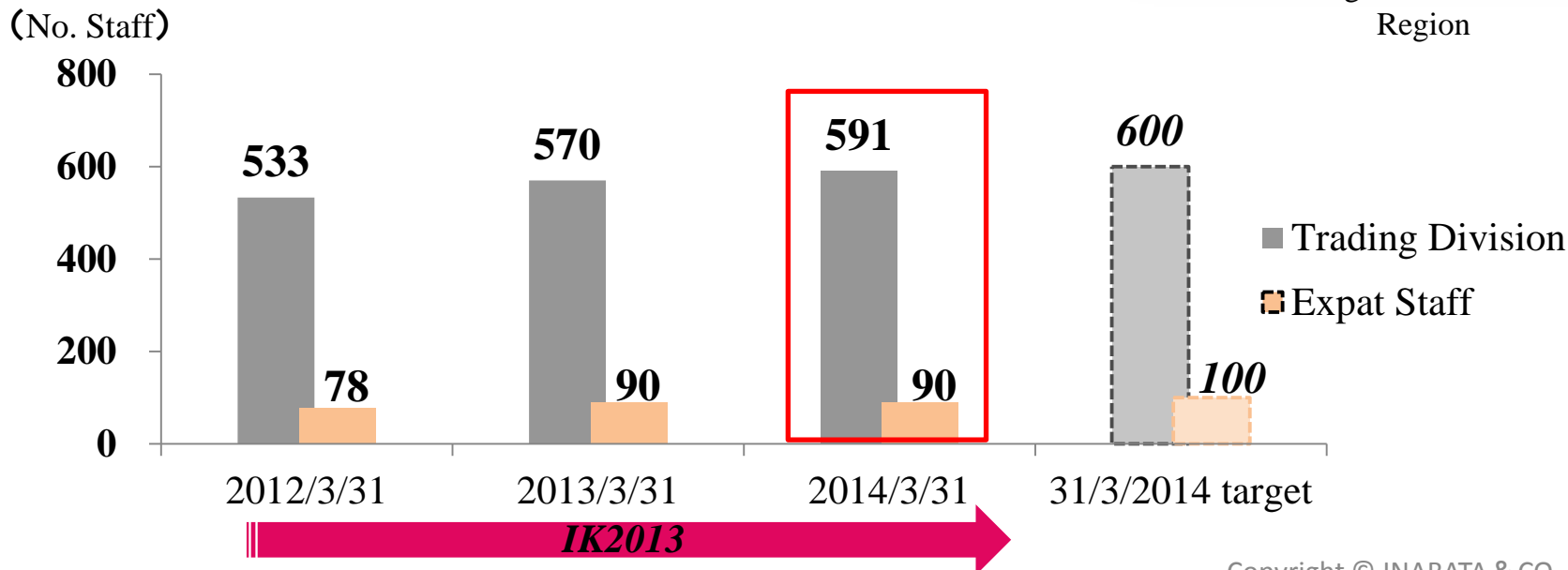
No. of Expatriate Staff: 90

Trading Division Staff: 591(as of 31/3/2014)

⇒ Aim at qualitative improvements through training



Accounts Managers for the South East Asia Region



5. Securing returns on investments

A 3 year investment framework set at 9 billion JPY

Investment Results for April 2011 to March 2014

Cumulative Total: 10.5 billion JPY

Highlights over the 3 years:

Plastics: 4.9 billion JPY;

(Compound Business: 2.0 billion JPY; Inflatables: 1 billion JPY etc.)

IT & Electronics 2.3 billion JPY ;(LCD: 2 billion JPY)

Life Industry: 0.8 billion JPY;

(French Pharmaceutical Business: 0.5 billion JPY etc.)

Chemicals: 0.4 billion JPY, Housing & Eco Materials: 0.1 billion JPY

□ “IK2013” Investment Plan 9 billion JPY (New 3 year total)

Existing Investments : select and concentrate through continuous review

New Investments : Allocation to business sectors and geographical regions where growth can be expected

Key Sectors : 3 sectors, namely “IT & Electronics”; “Plastics”; & “Chemicals”

Key Regions : Asia (including China & India), Central & South America

「New Challenge2016」 Medium-Term Management Plan

June 2014

Inabata & Co., Ltd.

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	: 10.0 billion JPY
ROE	: 8.2%
Net D/E Ratio	: 0.45 x or less*
Net Worth Equity Ratio	: 38.0%
Assumed Ex. Rate:	1USD=100JPY

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

“New Challenge 2016” – 6 Key Initiatives

1. Further expansion and build-up of overseas operation

- 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
- To steadily diversify income by expanding into new merchandise and making new business partners.

“New Challenge 2016” – 6 Key Initiatives

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

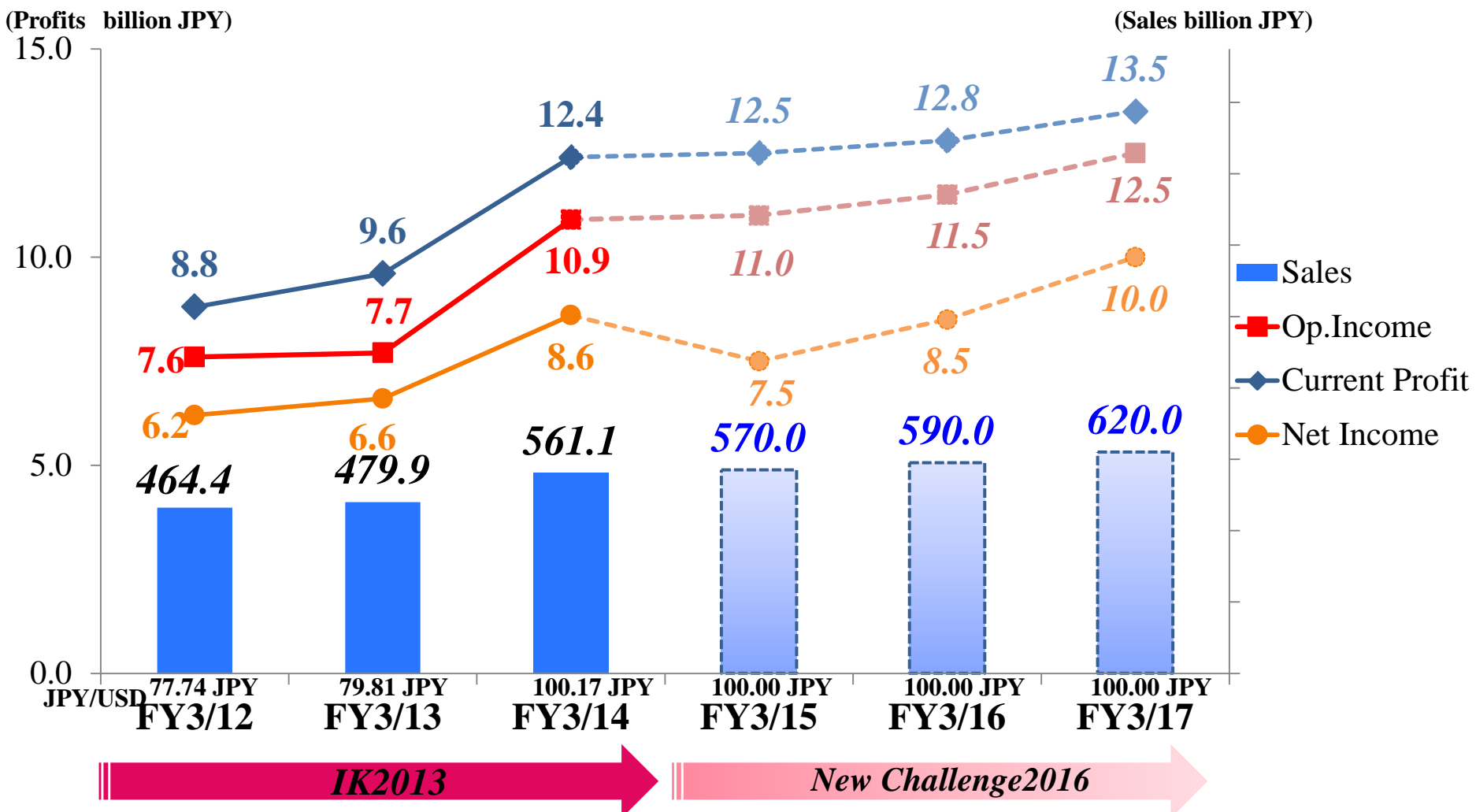
4. Investment aimed at future growth

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

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

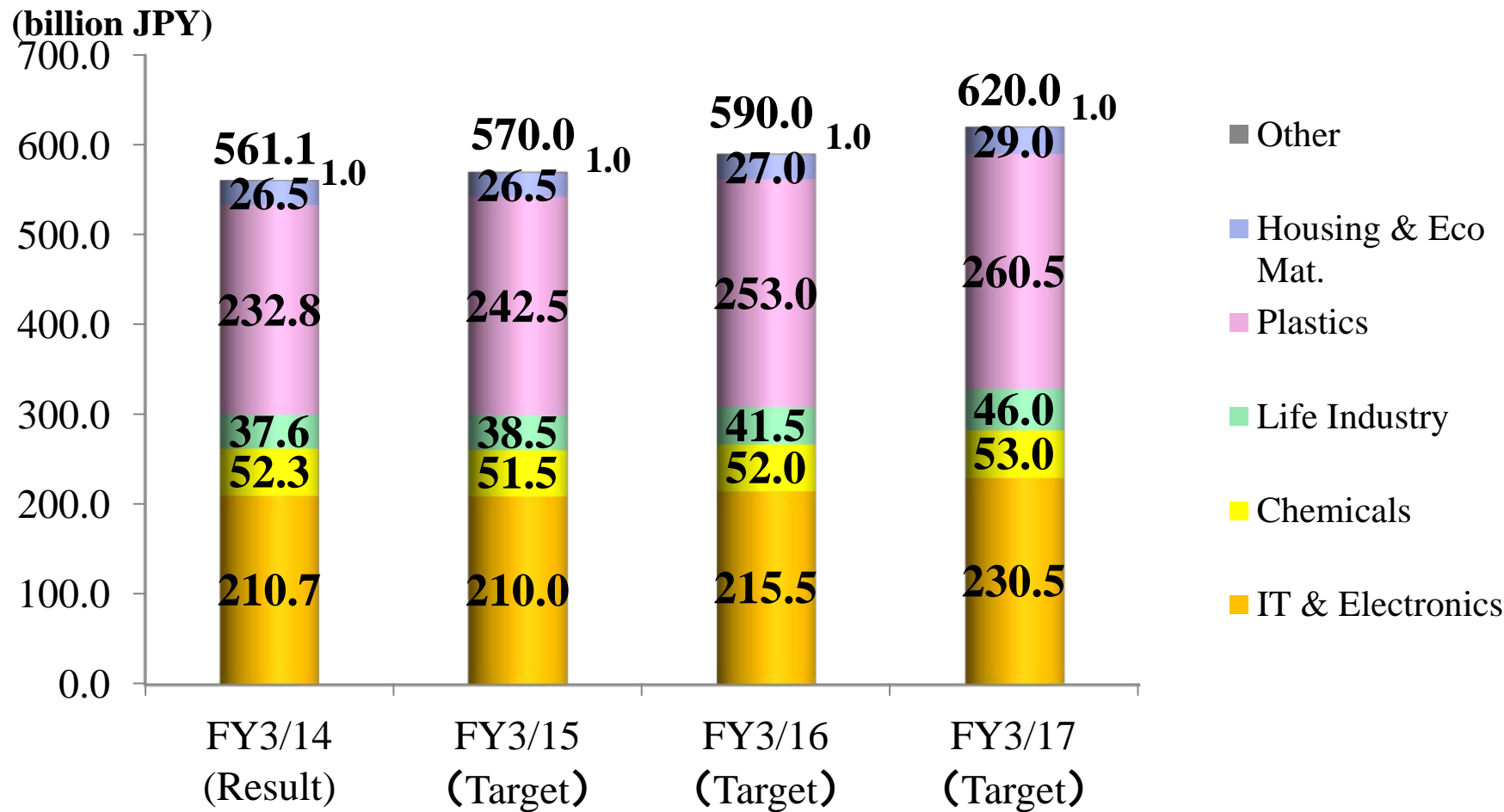
6. On-going training for staff worldwide

“New Challenge 2016” - Quantitative Targets for the 3 Years



“New Challenge 2016”: Sales by Business Segment

Sales

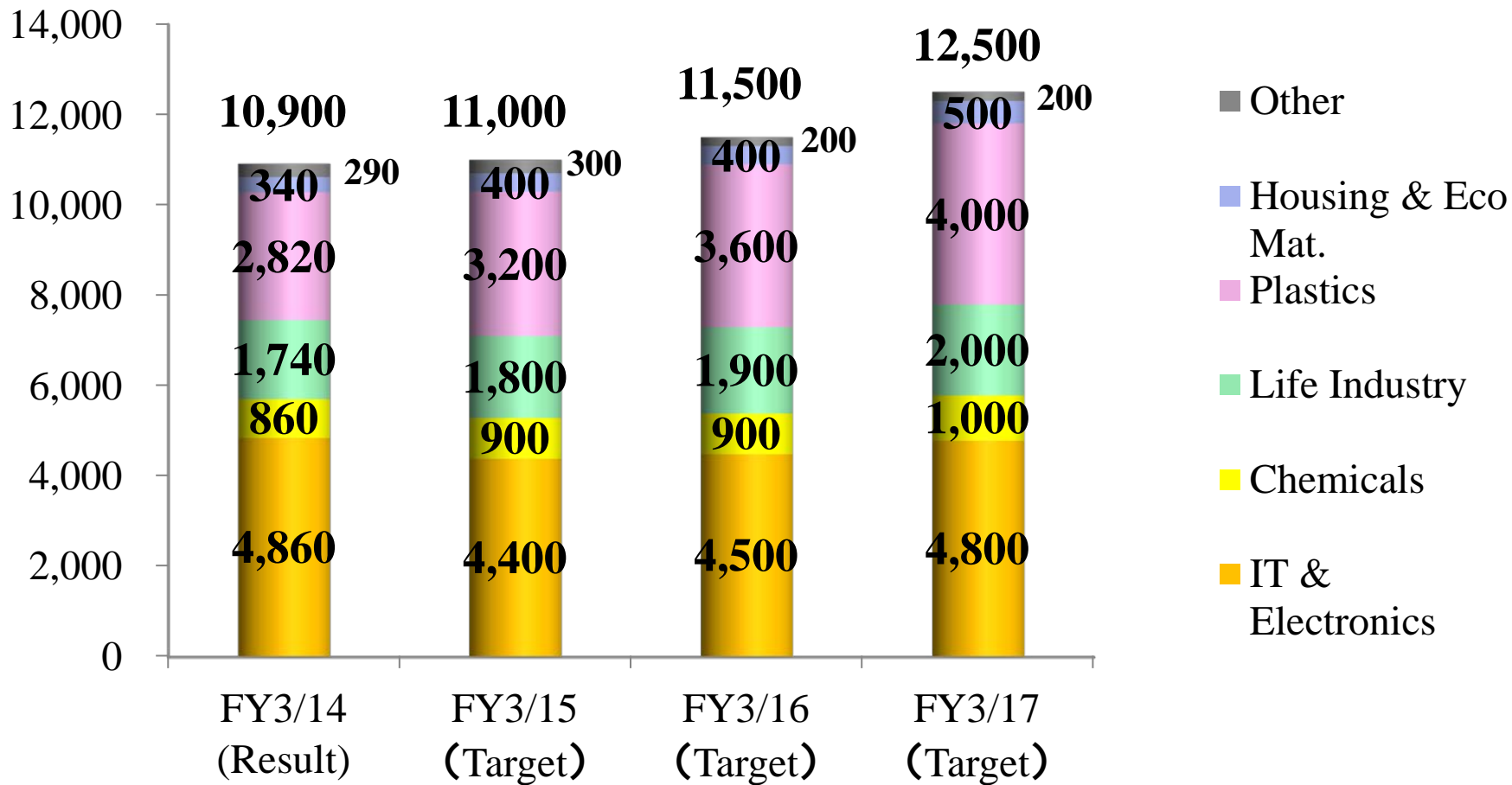


New Challenge 2016 →

“New Challenge 2016”: Op. Income by Business Segment

Op. Income

(million JPY)



New Challenge2016 →

“New Challenge 2016” – 6 Key Initiatives (Case 1)

1. Further expansion and build-up of overseas operation

• Further expansion and build-up of core Asian operations

Plastic Compound Business in the Philippines

Production base established in conjunction with the "China plus one" movement of Japanese OA manufacturers Production starts June 2014

Company Name	: IK PLASTIC COMPOUND PHILS. INC.
Operations	: Plastic dyeing/compounds
Production Capacity	: 10,800 tons/p.a.
Location	: Philippines, Laguna Province
Production Start Date	: June 2014



Production Line
(under construction)



“New Challenge 2016” – 6 Key Initiatives (Case 2)

1. Further expansion and build-up of overseas operation

• Further expansion and build-up of core Asian operations

Initiatives for Vietnam

Establishment of production site for the manufacture of PE bags

New company established in Vietnam as a second factory for the subsidiary Apple Film Co., Ltd., which manufactures polyethylene (PE) bags/film in Thailand.

Operations scheduled to begin at the end of August, 2014

- ✓ Increasing supply capacity in response to customer tendencies to “move away from Chinese suppliers.”
- ✓ Production of high value-added products in Thailand; and labor-intensive generic products in Vietnam

Company Name	: Apple Film Da Nang Co., Ltd.
Established	: Sept. 2013
Operations	: Manufacture & sale of polyethylene bags (garbage bags & standard bags)
Production Capacity	: Initially 2,400 tons/p.a.
Location	: Vietnam, Da Nang City
Start Date for Op	: End Aug. 2014
Sales Targets	: Major Supermarkets etc.



Apple Film Da Nang construction site in May 2014

“New Challenge 2016” – 6 Key Initiatives (Case 3)

1. Further expansion and build-up of overseas operation

• Increasing involvement in emerging countries outside Asia

Plastic Compound Business in Mexico

Production base established to meet rapid advances being made by Japanese car manufacturers

Construction completed in November 2013; Production to start June 2014

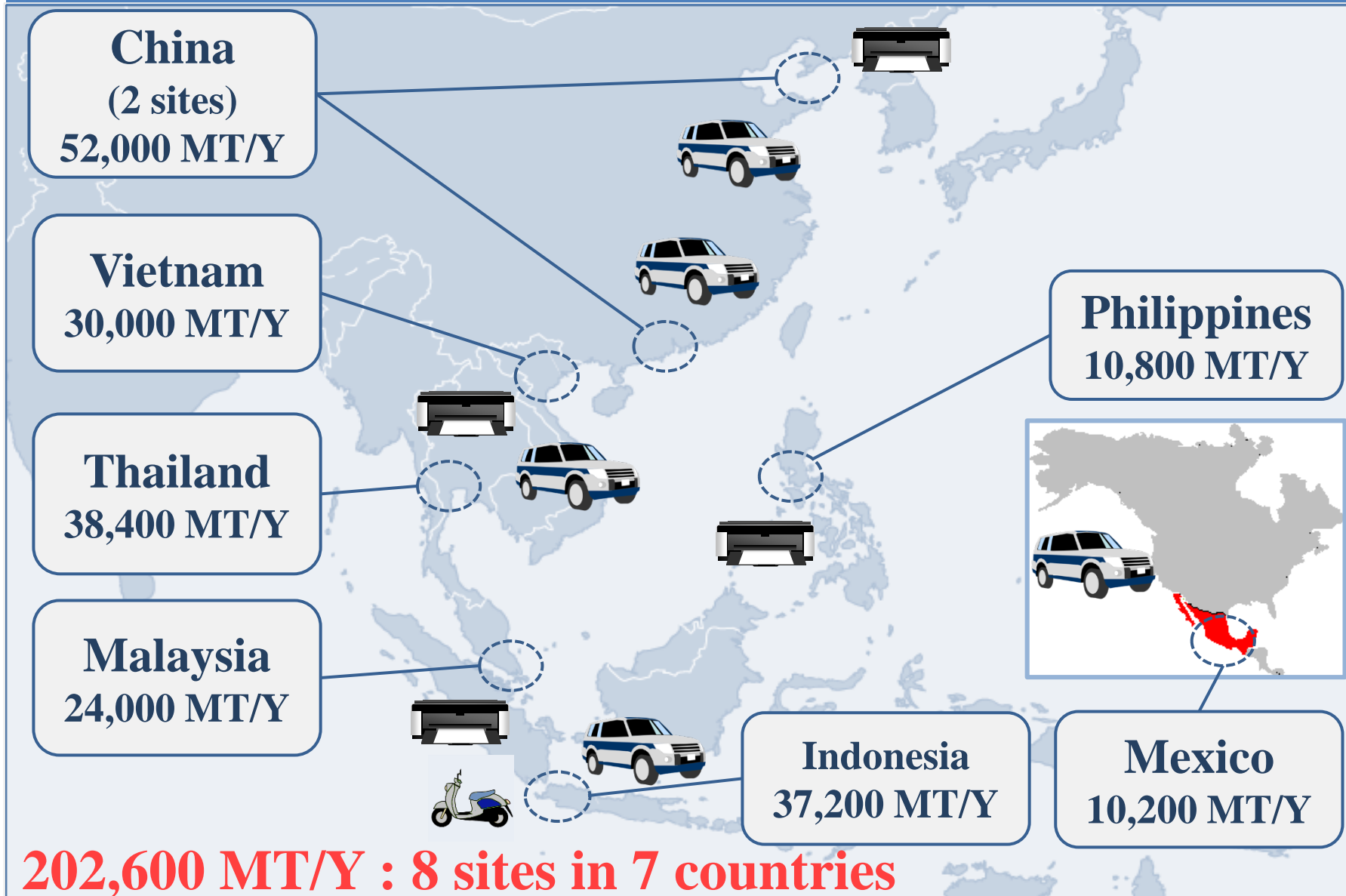
Company Name	: IK PLASTIC COMPOUND Mexico, S.A. de C.V.
Operations	: Plastic dyeing/compounds
Production Capacity	: 10,200 tons/p.a.
Location	: Central Mexico, Guanajuato Province Silao
Production Start Date	: June 2014



External View



Annual Production Capacity of Plastics Compound (Worldwide)



202,600 MT/Y : 8 sites in 7 countries

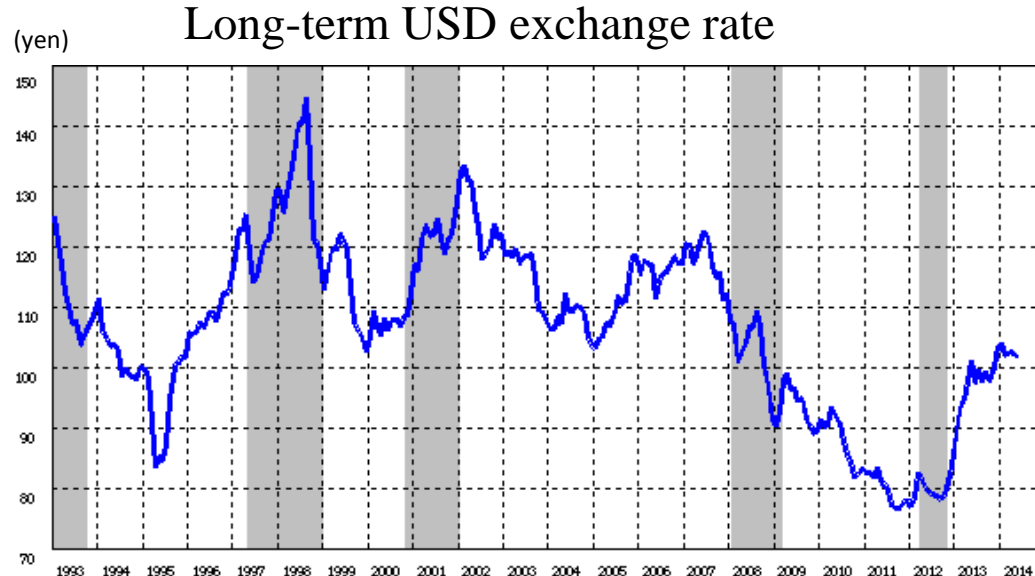
Reference

The Global Economy

- ✓ Recovery in the U.S. economy
- ✓ Leading European economies head towards recovery
- ✓ Pace of economic expansion slows in China & India sees sluggish growth

The Japanese Economy

- ✓ Strong stock prices; improvements in employment; pick-up in consumer spending; favorable export environment due to depreciating yen
- ✓ Economy sees a gradual recovery thanks to improvements in corporate earnings



Source: Bank of Japan

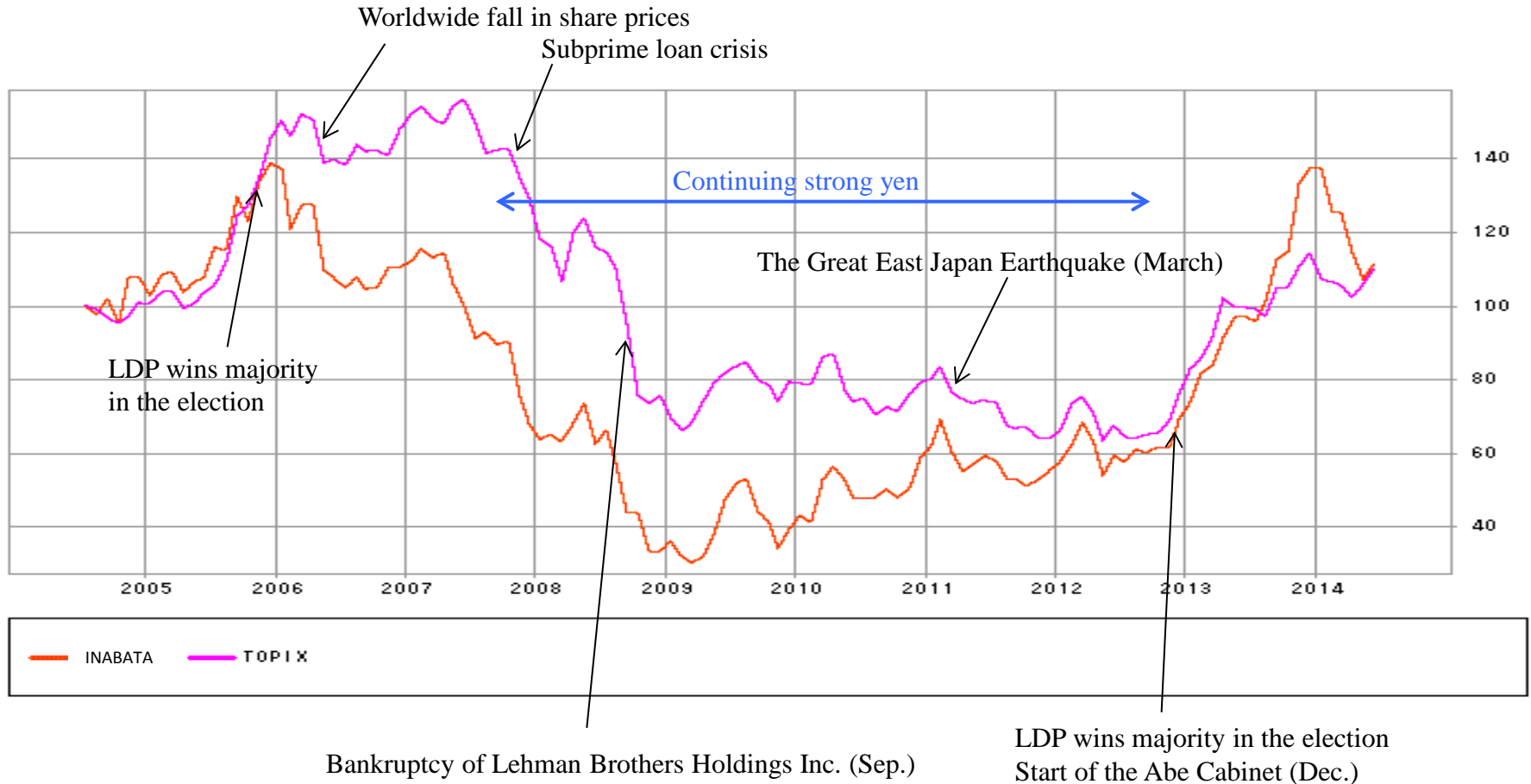
Inabata's Share Price for the past 10 years



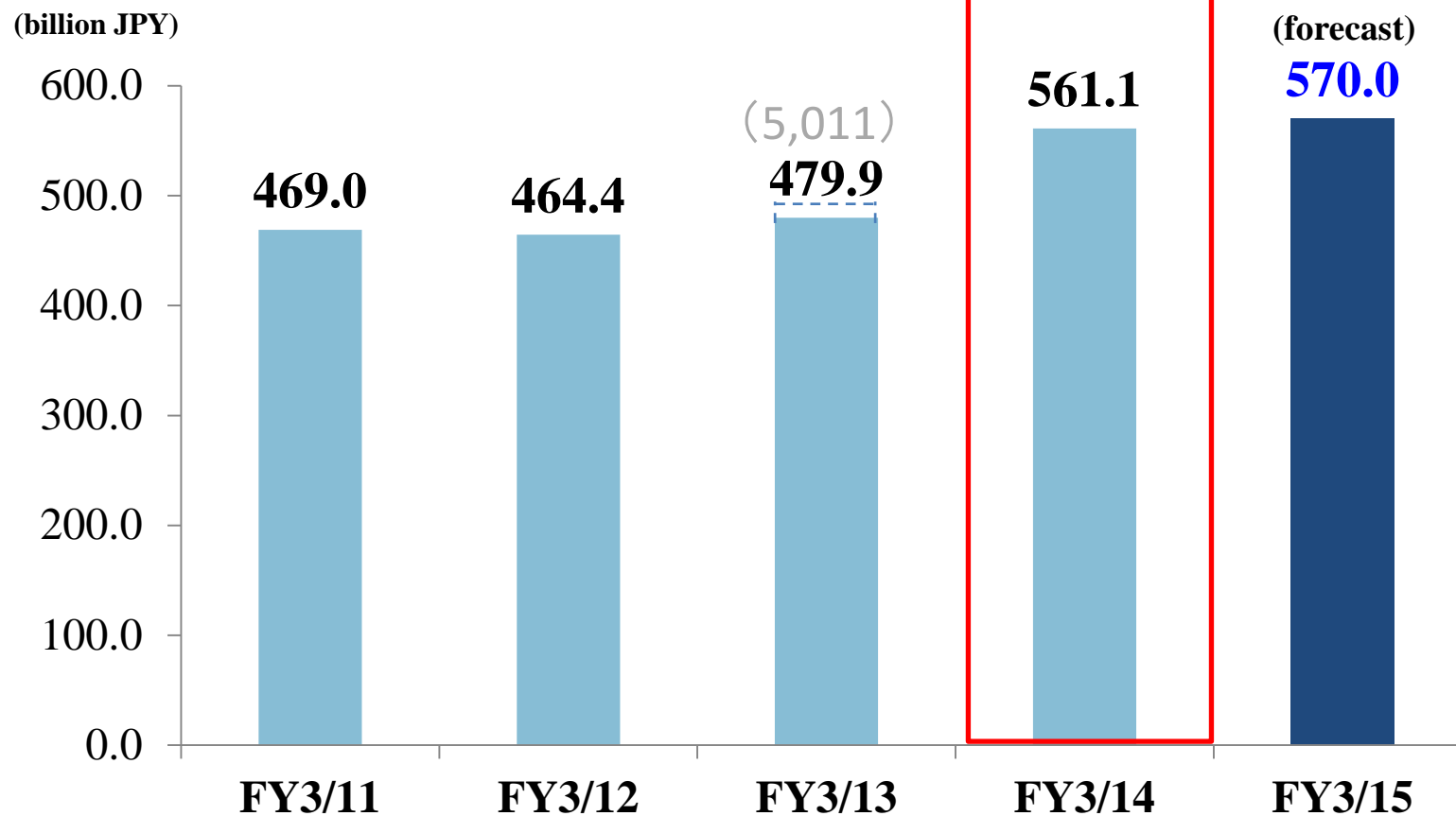
Trends in Share Price

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

(05/2004=100)



Sales Trends



(Ref.)

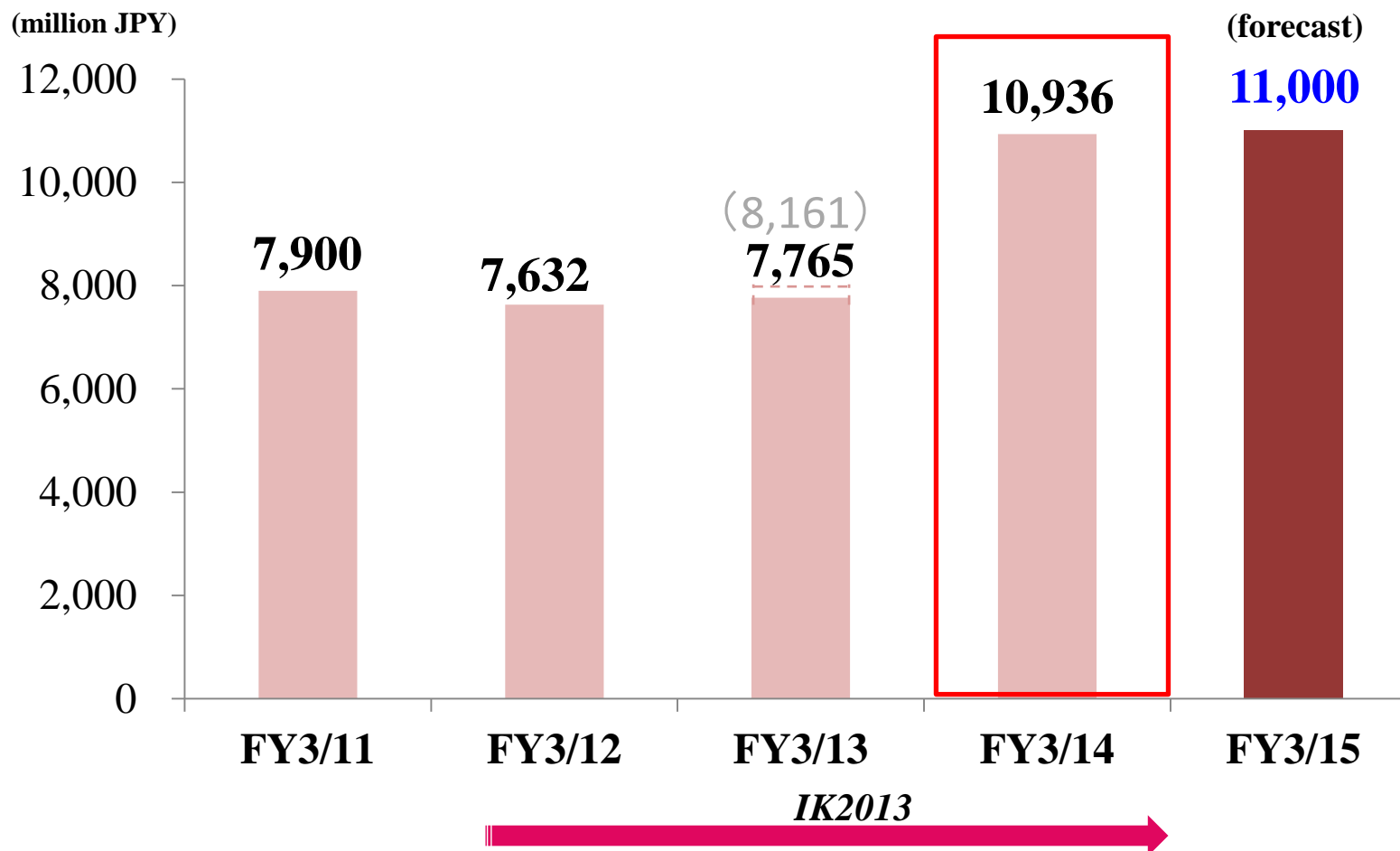
	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15
Exchange Rate: USD/JPY	81.49	77.74	79.81	100.17	100.00

(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 FY 3/11 and

FY 3/12 have not been adjusted (figures in brackets show figures prior to retrospective adjustment).

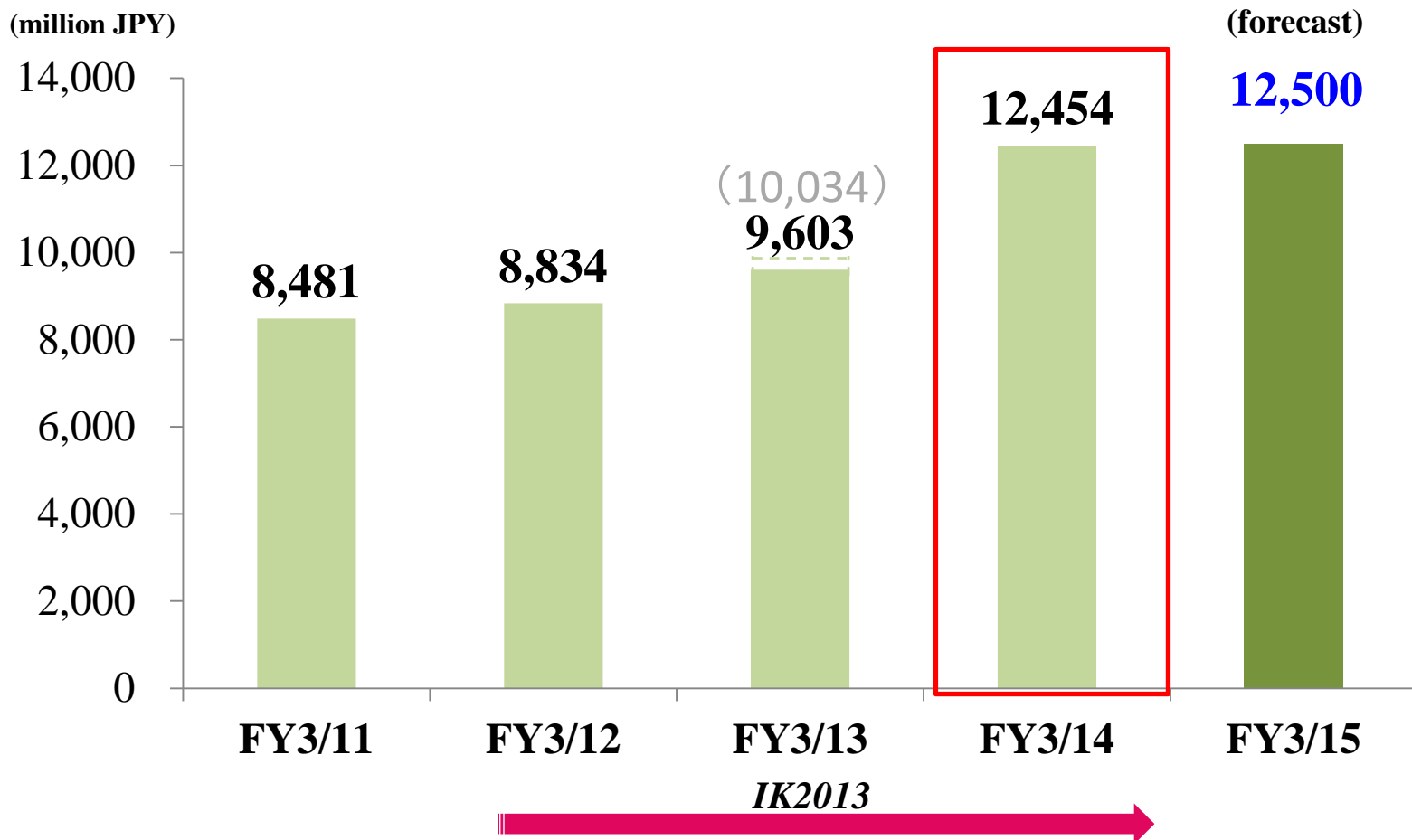
□ Trends in Operating Income



(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 FY 3/11 and FY 3/12 have not been adjusted (figures in brackets show figures prior to retrospective adjustment).

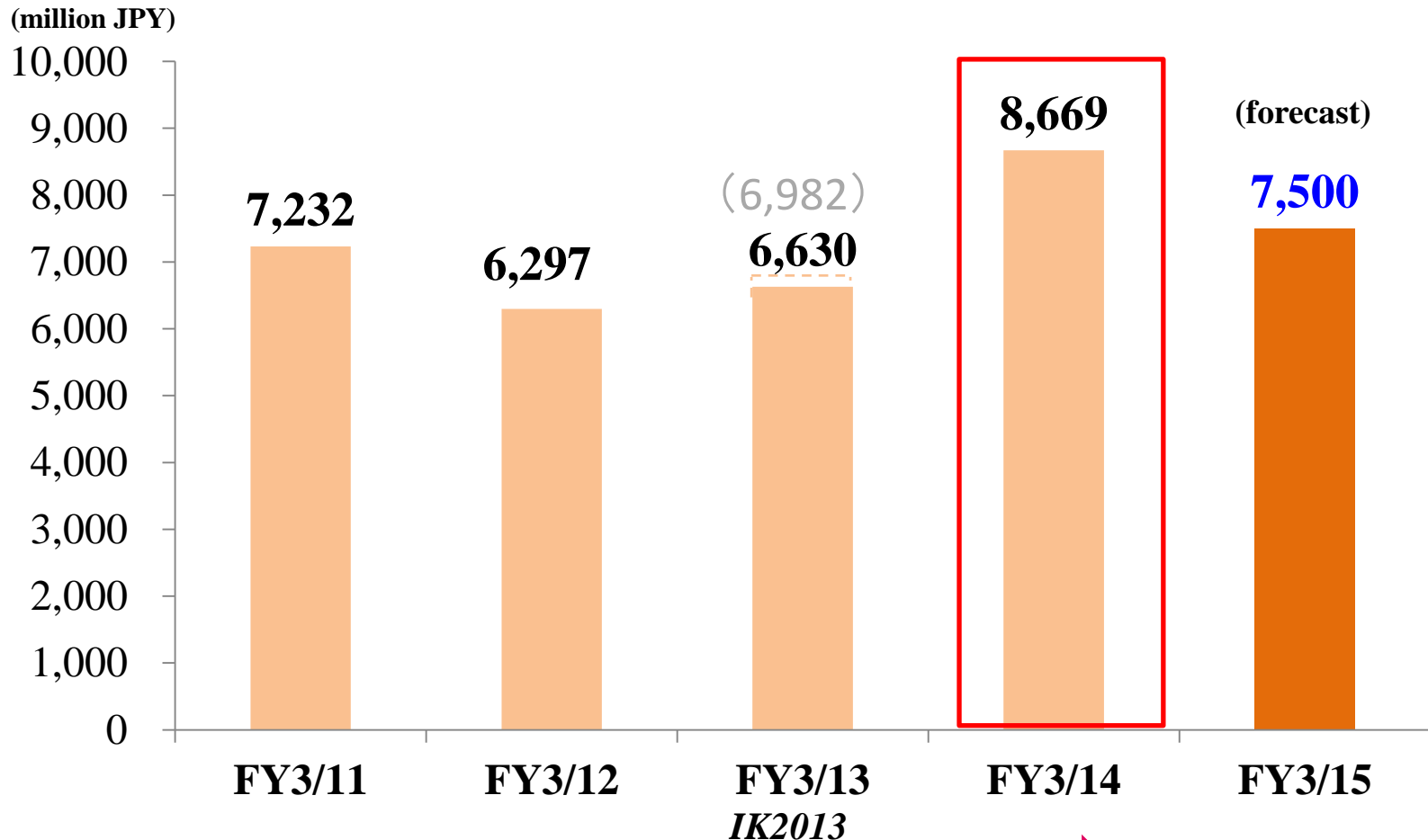
Trends in Current Profit



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Figure for FY 3/13 have been retrospectively adjusted to reflect this change; however figures for FY 3/11 and FY 3/12 have not been adjusted (figures in brackets show figures prior to retrospective adjustment).

□ Trends in Net Income



(NB) FY 3/11 included a 3.1bn JPY gain from sales of shares in IK Pharmacy

FY 3/12 includes an 800 million yen decrease in tax expenses as a result of operating loss carryforwards inherited upon the liquidation of a subsidiary.

(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 FY 3/11 and FY 3/12 have not been adjusted (figures in brackets show figures prior to retrospective adjustment).

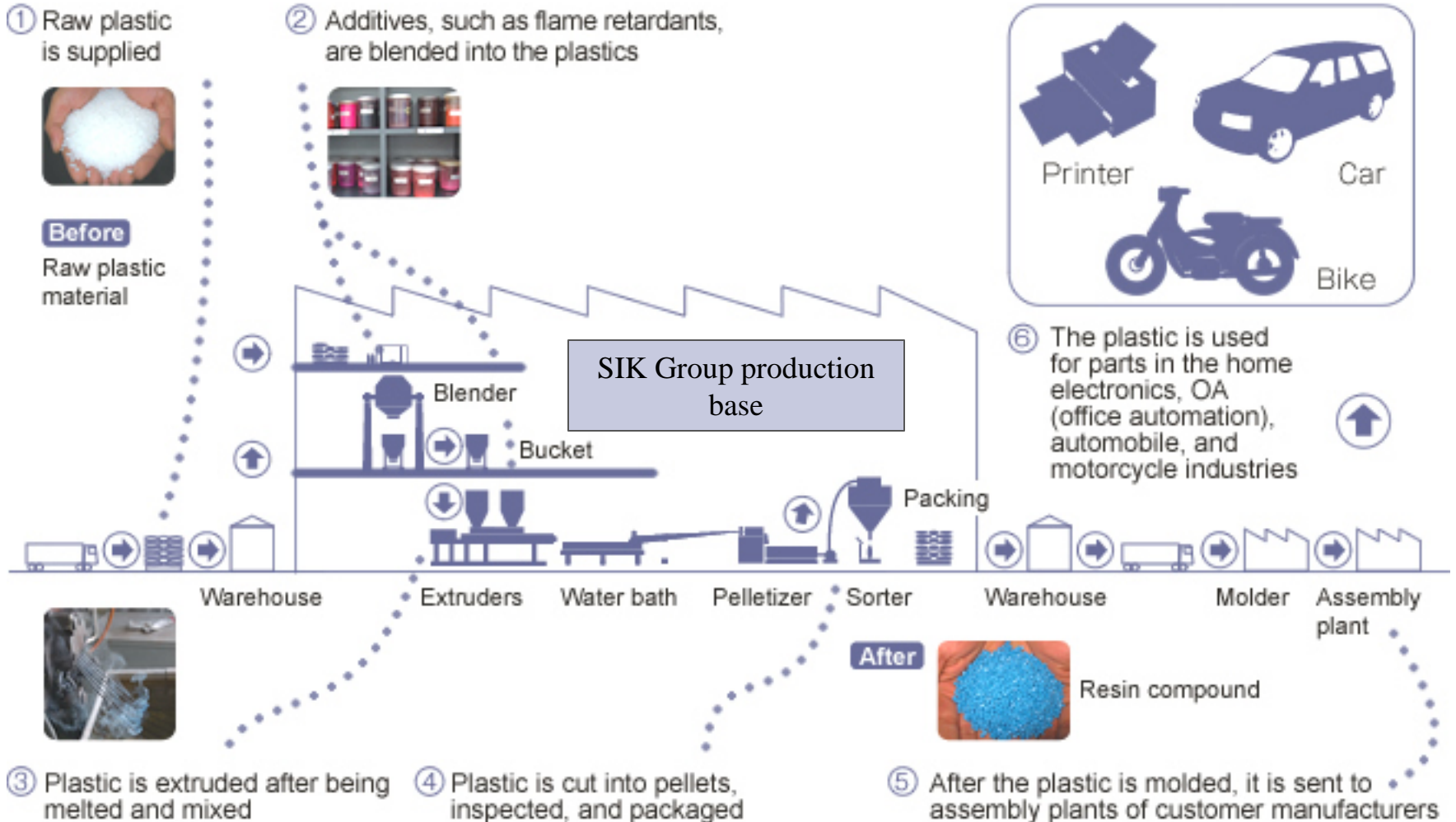
Principal Consolidated Subsidiaries



	No. of Consolidated Subsidiaries		
	Japan	Overseas	Total
Consolidated Subsidiaries	9	34	43
(of which manufacturers)	(5)	(15)	(20)
Unconsolidated subsidiaries & affiliates in which equity is held	5	2	7
(of which manufacturers)	(2)	(2)	(4)
Total	14	36	50
(of which manufacturers)	(7)	(17)	(24)

Manufacturing Process of Plastic Compound

Plastic compound production



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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.