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IR Briefing for 1Q  
Fiscal Year ending March 2019

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October 2018  
Inabata & Co., Ltd.

- P.3- Summary of the Company
- P.9- Medium-Term Management Plan *NC2020*
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## About Inabata:

### 1. Founded in 1890

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

The business was later expanded, with the focus on chemicals



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

### 2. A globally expanding, multi-faceted trading company

Around 60 locations deployed across 18 countries

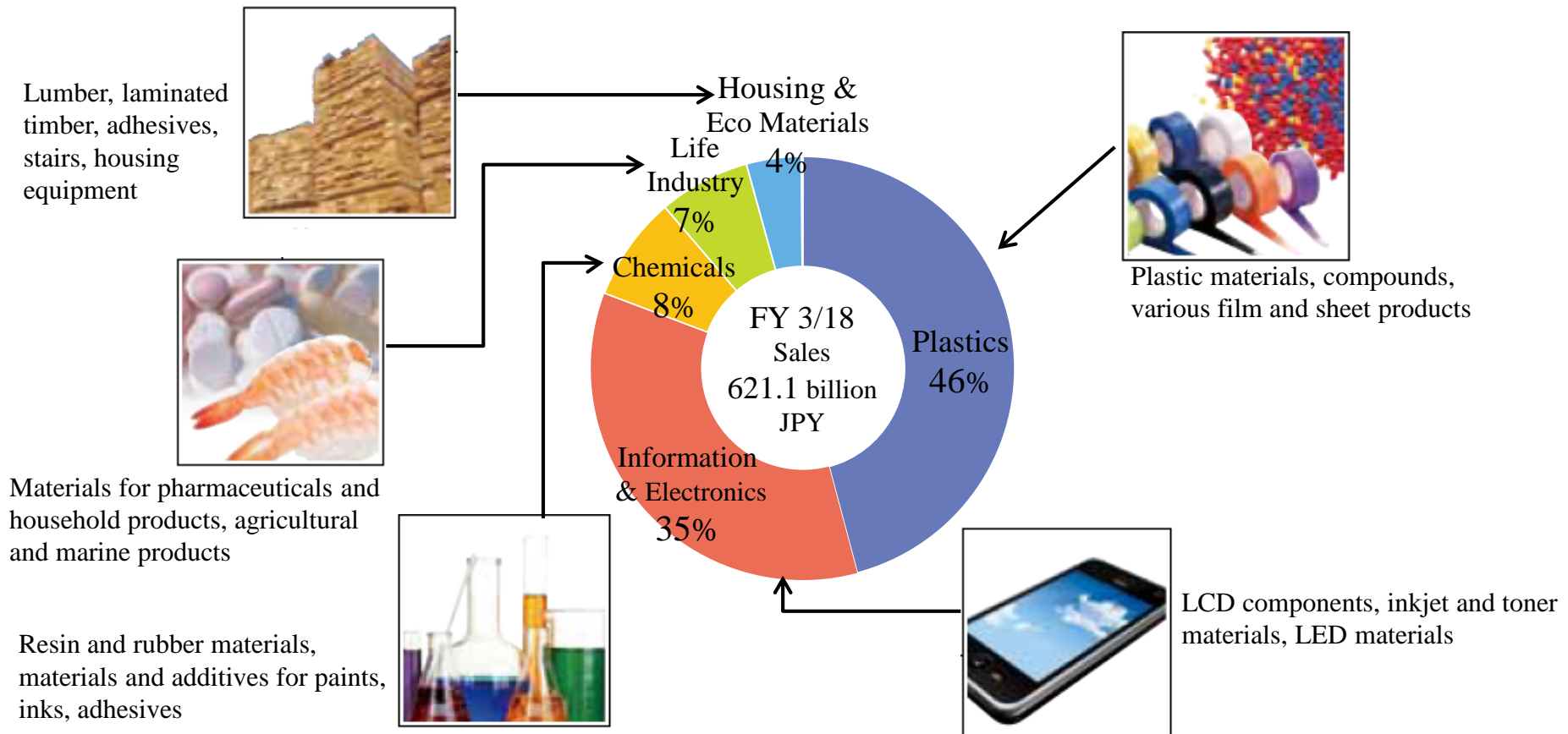
Business functions include market development; manufacturing & processing; logistics; finance etc.

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



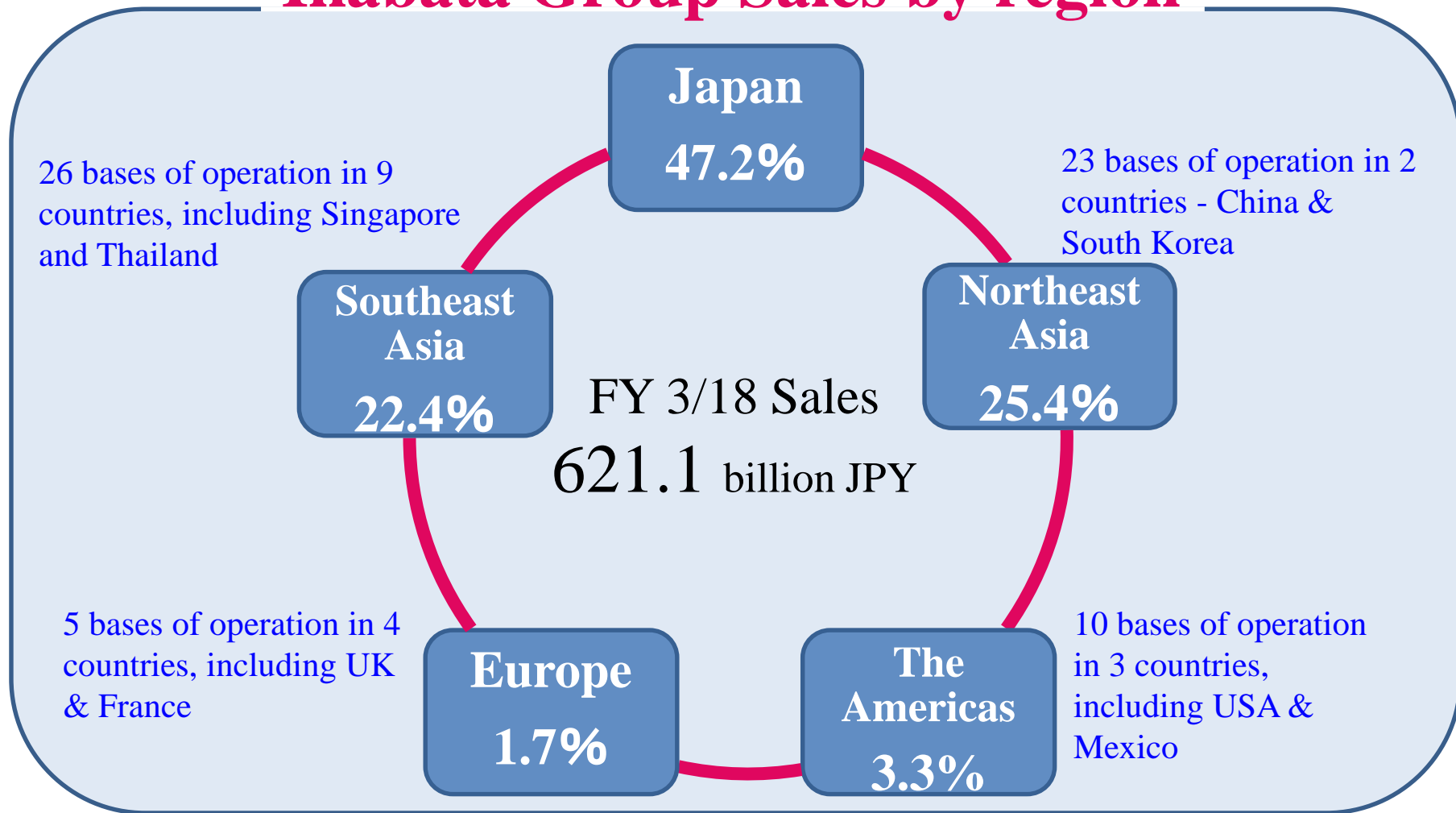
## 3. 5 Business Segments

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



Operating in Japan and at about 60 locations in 18 countries

## Inabata Group Sales by region

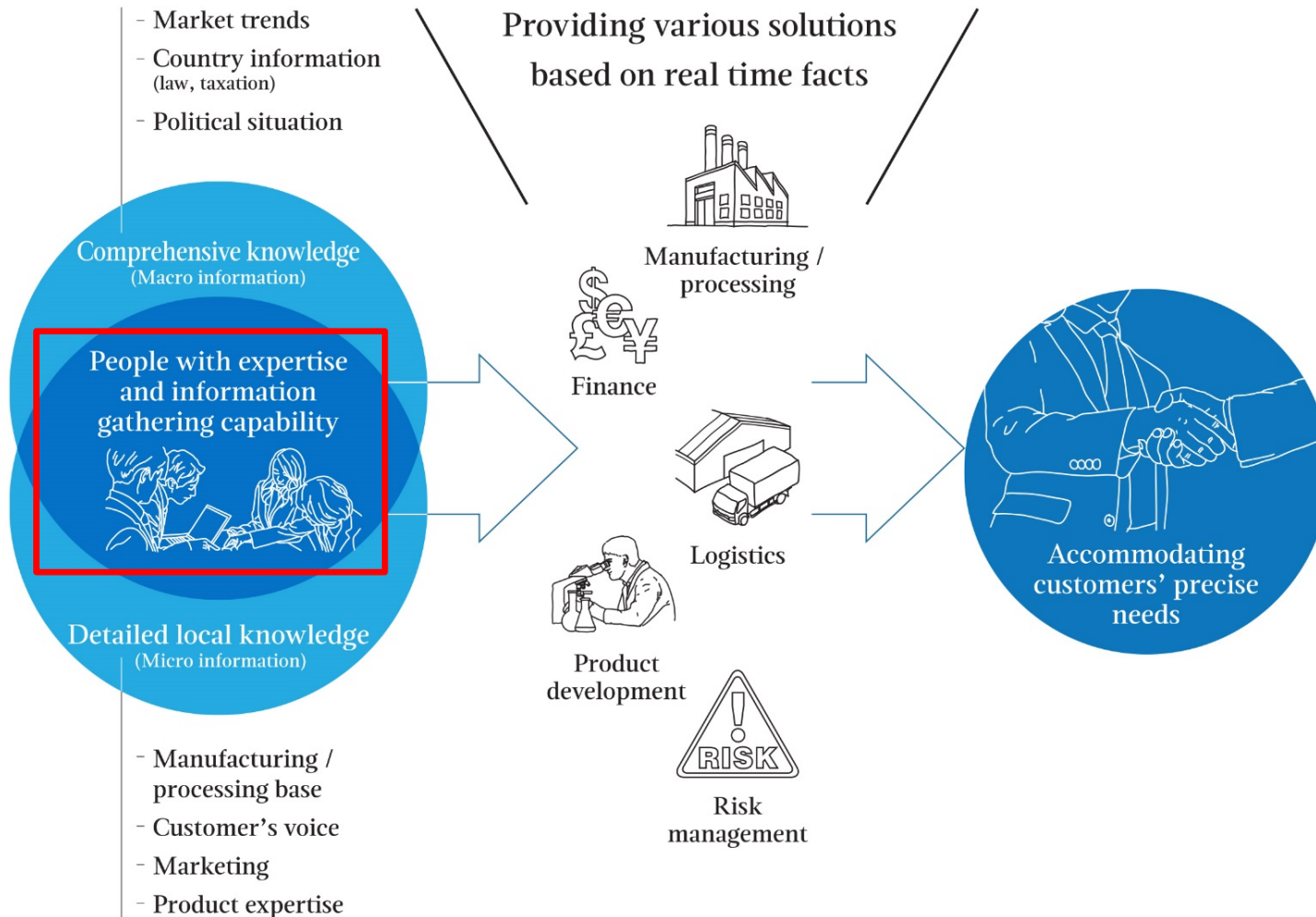


(NB) No. of overseas countries and operation bases as of 1 July 2018

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

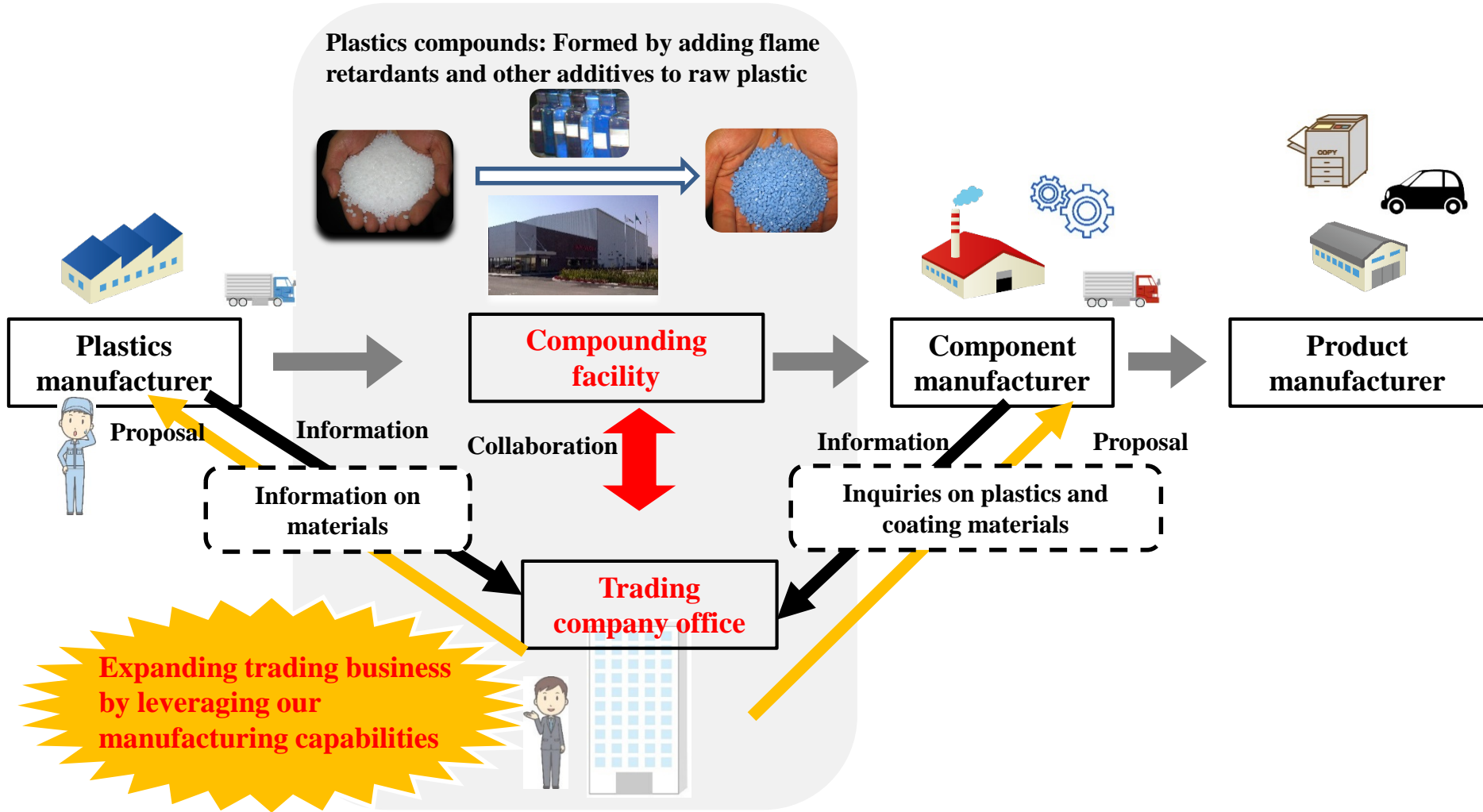
# Inabata's Wide Range of Capabilities

Highly specialized people  
empowered with cutting edge information

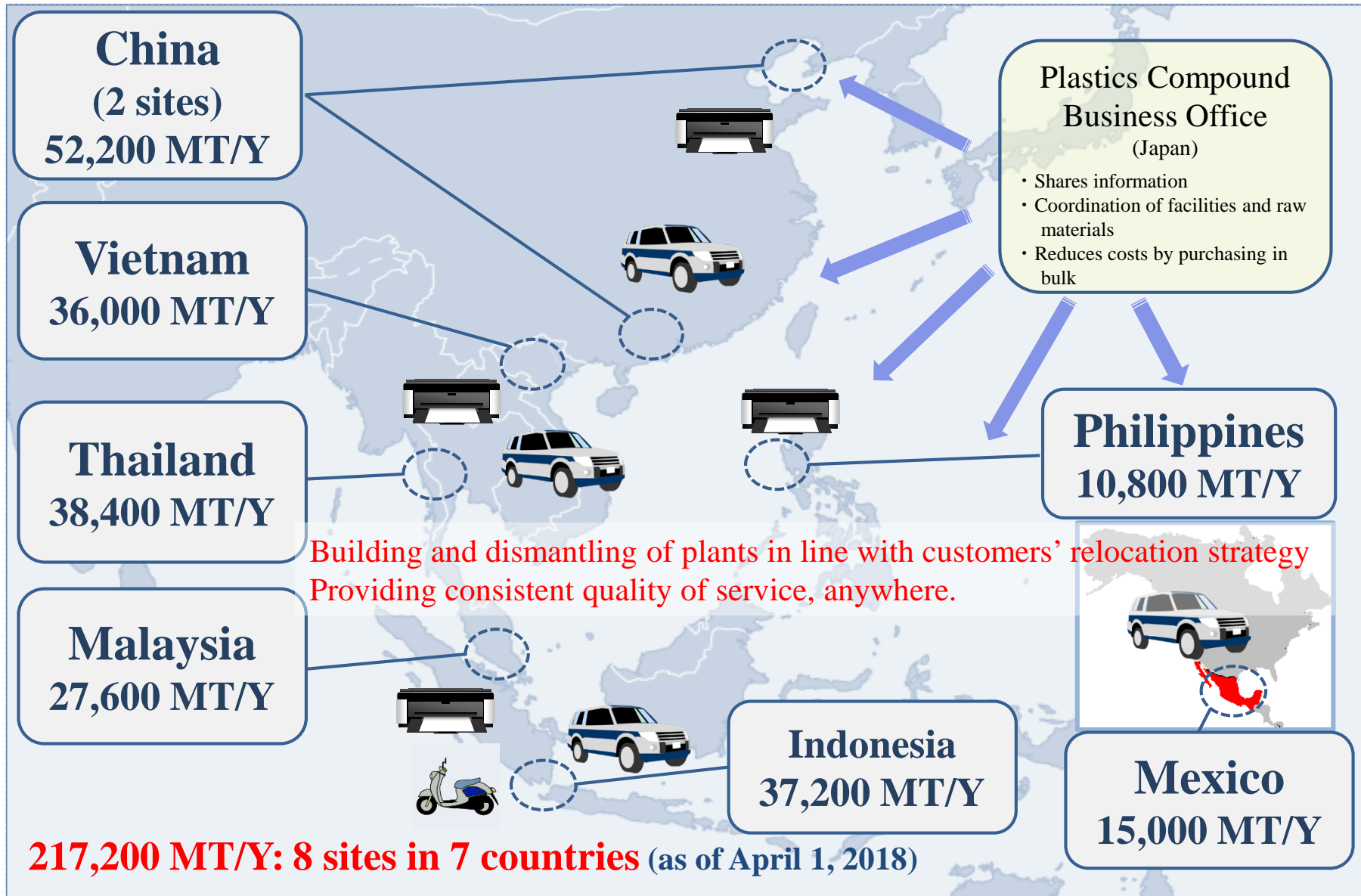


# Inabata's Strengths [Manufacturing and Processing]

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



# Inabata's Strengths [Plastic Compounding Facilities]





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

## ◆ What Inabata envisions to be in years around 2025 to 2030

### Function :

**Further enhancing multi-faceted capabilities such as manufacturing, logistics and finance, in addition to trading.**

### Scale of operation :

**Achieving more than 1 trillion JPY in consolidated sales in early stage.**

### Sales and operating income generated outside of Japan :

**70% or more**

### Portfolio :

**At least one-third of sales and operating income from business segments other than Information & Electronics and Plastics segments.**

**Four-year medium-term management plan with FY 3/2021 as its final fiscal year**

Quantitative Targets	FY3/2021
Sales	<b>730 billion JPY</b>
Op. Income	<b>15.5 billion JPY</b>
Current Profit	<b>16.0 billion JPY</b>
Net Income	<b>12.0 billion JPY</b>
Net D/E Ratio	<b>0.4X or less<sup>(*)</sup></b>
Assumed Exchange Rate	<b>USD1=110 JPY</b>

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

**1** Further broadening and deepening of business outside Japan

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

- Continual development of the automotive, life science & medical, and environment & energy sectors
- Launching new initiatives in the food business, including in the field of agriculture

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

- Setting priority on what is best as a group
- Further enhancement of global business management and standardization

**4** Stepping up investments to expand trading business

- Making minority investments primarily to expand trading business
- Considering majority investments but with limited risk and scale

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

**6** Establishing global human resources management

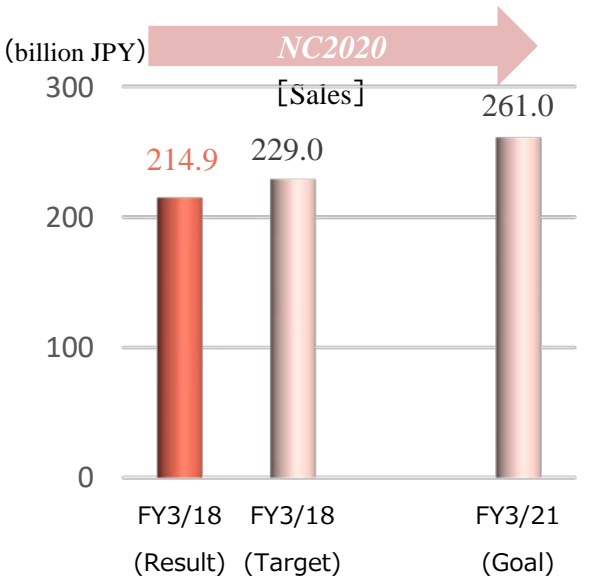
- **Medium-Term Management Plan**  
***NC2020* Year1 Progress (FY3/2018)**

## ■ Difference Between FY3/18 Results and Targets

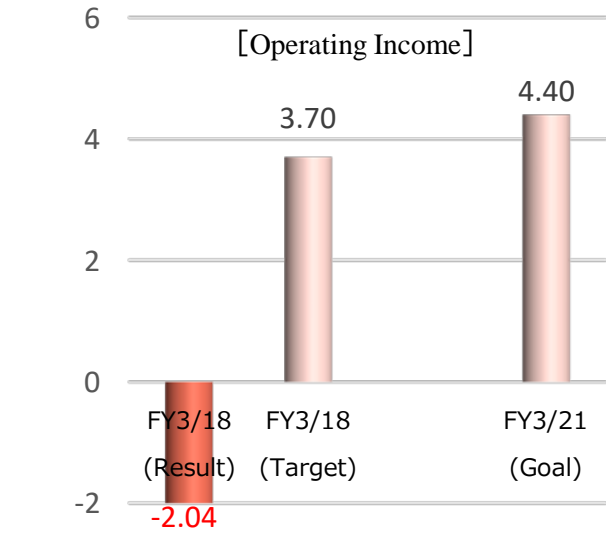
(billion JPY)

	FY3/18 Results (A)	NC2020 FY3/18 Target (B)	Difference with Target	% Achieved (A)/(B)
Sales	<b>621.1</b>	<b>630.0</b>	<b>-8.8</b>	<b>98.6%</b>
Op. income	<b>5.9</b>	<b>12.5</b>	<b>-6.5</b>	<b>47.7%</b>
Current profit	<b>6.3</b>	<b>13.0</b>	<b>-6.6</b>	<b>49.0%</b>
Net income	<b>6.7</b>	<b>10.0</b>	<b>-3.2</b>	<b>67.4%</b>
Net worth equity ratio	<b>40.0%</b>	—	—	—
Exchange rates	<b>USD 1 = JPY 110.85</b>	USD 1 = JPY 110.00		

# NC2020 Progress (per business segment): (1) Information & Electronics



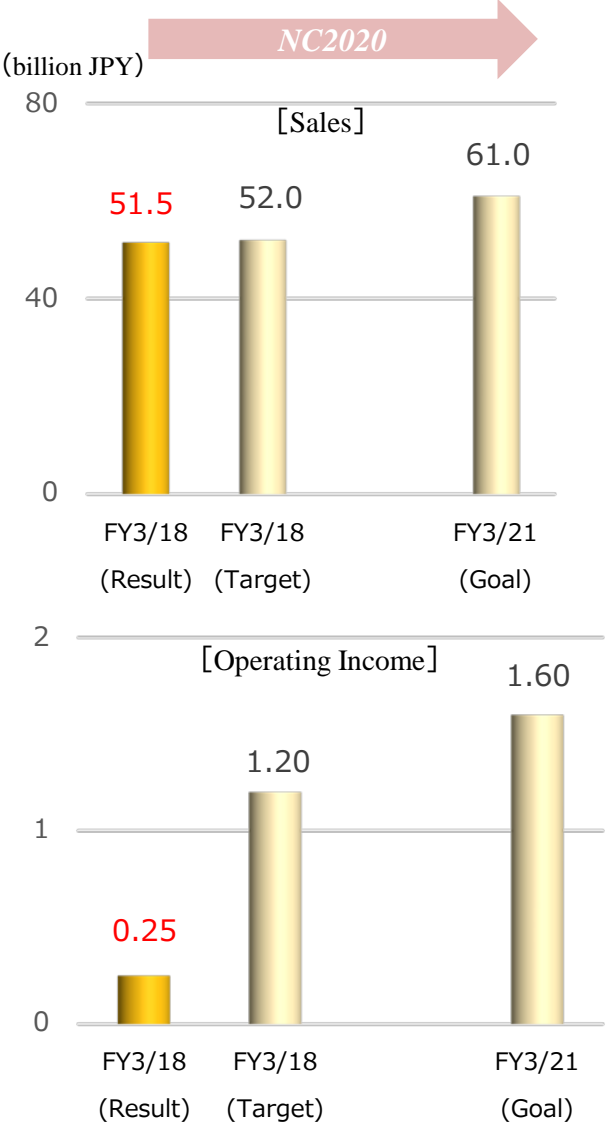
	FY3/18 Results (A)	NC2020 FY3/18 Target (B)	% Achieved (A)/(B)	FY3/21 Goal
Sales	214.9	229.0	93.9%	261.0
Op. income	-2.04	3.70	—	4.40



- ✓ Large sales decline due to discontinuation of solar cell-related transactions at European operating bases; operating loss due to recording allowance for doubtful accounts
- ✓ The liquid crystal-related business was solid on the profit front supported by strong sales of polarizing film materials in Japan, despite loss of market share in China and Taiwan amid fierce competition on pricing of large polarizing films.
- ✓ Further developed LED and IT related businesses alternative to solar cells

Profit drivers	Growth drivers
<ul style="list-style-type: none"> <li>• Parts and materials for liquid crystal displays</li> <li>• Parts and materials for photocopiers and printers</li> </ul>	<ul style="list-style-type: none"> <li>• Business related to lithium-ion batteries</li> <li>• Development of business involving “storing, releasing and saving energy,” in addition to “energy generation”</li> </ul>

# NC2020 Progress (per business segment): (2) Chemicals



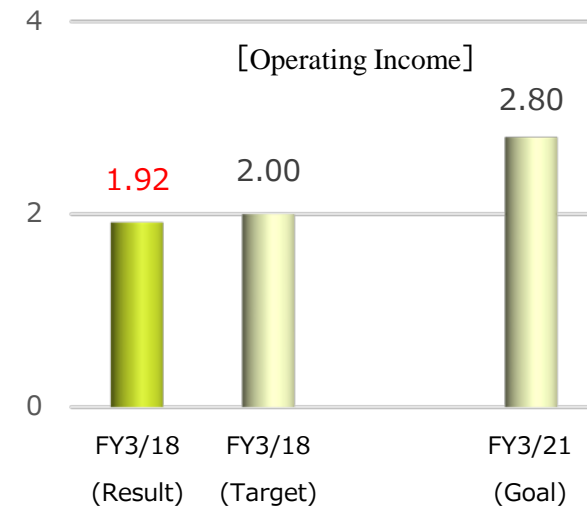
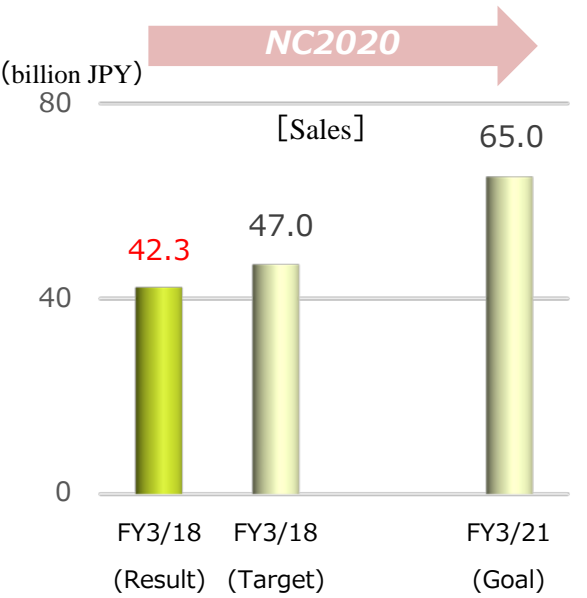
	FY3/18 Results (A)	NC2020 FY3/18 Target (B)	% Achieved (A)/(B)	FY3/21 Goal
Sales	51.5	52.0	99.2%	61.0
Op. income	0.25	1.20	21.6%	1.60

- ✓ Sales nearly achieved target due to business growth, but operating income fell far short of target due to recording an allowance for doubtful accounts
- ✓ International sales of paints, ink-related materials, and intermediates increased.
- ✓ Sales of materials for heat-dissipating parts grew steadily. Focused on sales of heat-dissipating materials for China and North American markets.

Profit drivers	Growth drivers
<ul style="list-style-type: none"> <li>• Materials for automotive parts</li> <li>• Coatings (paints and inks)</li> </ul>	<ul style="list-style-type: none"> <li>• Heat-dissipating parts (Sekisui Polymatech Co., Ltd. )</li> <li>• New products such as plastic compounds reinforced with glass wool</li> </ul>



# NC2020 Progress (per business segment): (3) Life Industry



	FY3/18 Results (A)	NC2020 FY3/18 Target (B)	% Achieved (A)/(B)	FY3/21 Goal
Sales	42.3	47.0	90.2%	65.0
Op. income	1.92	2.00	96.0%	2.80

- ✓ Steady growth in pharmaceutical ingredients and home products-related business
- ✓ Solid sales of salmon and other marine products in the U.S.
- ✓ In advanced medication field and Hokkaido agricultural products (cultivation business\*), progress slowed.
- ✓ For food products, reorganized sales system, including domestic subsidiaries to increase sales.

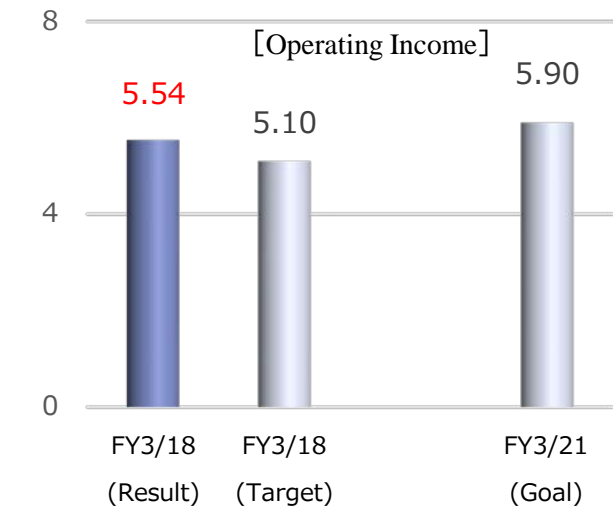
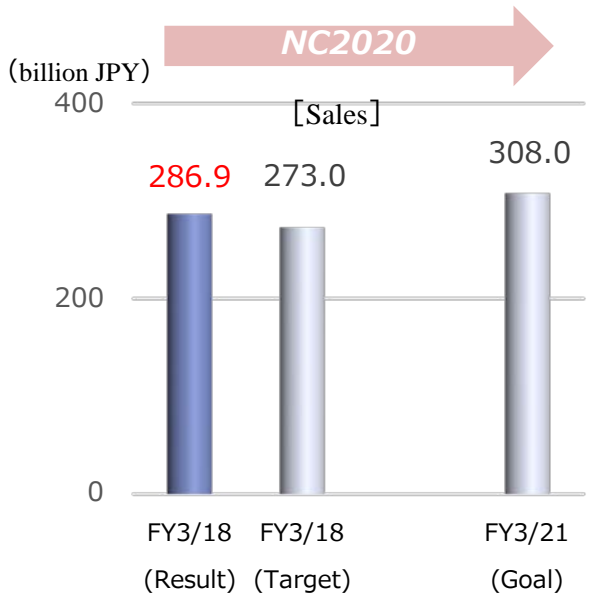
\* Blueberries, pumpkins, garlic, etc.

Profit drivers	Growth drivers
<ul style="list-style-type: none"> <li>• Pharmaceutical ingredients (new drugs)</li> <li>• Materials for home products</li> </ul>	<ul style="list-style-type: none"> <li>• Advanced medication such as regenerative medication.</li> <li>• Agricultural products, particularly blueberries</li> <li>• Develop new business models (agriculture and food processing)</li> </ul>

# NC2020 Progress (per business segment): (4) Plastics



NC2020

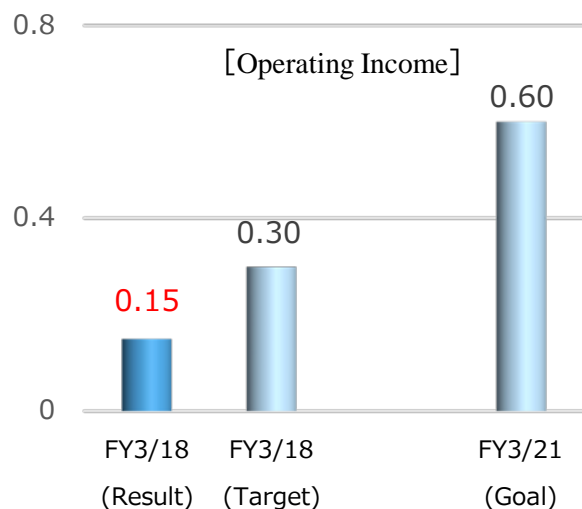
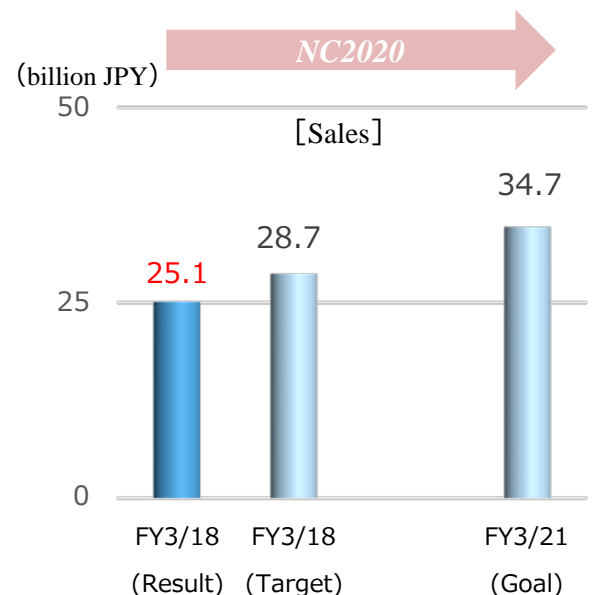


	FY3/18 Results (A)	NC2020 FY3/18 Target (B)	% Achieved (A)/(B)	FY3/21 Goal
Sales	286.9	273.0	105.1%	308.0
Op. income	5.54	5.10	108.6%	5.90

- ✓ Strong resin sales overall including automotive-related applications. Both sales and operating income exceeded targets.
- ✓ Mexico compound facility struggled on profit front, but prototyping made progress and income are expected to improve from FY3/19.
- ✓ Will continue to increase sales focused on global customers through domestic/international coordination.

Profit drivers	Growth drivers
<ul style="list-style-type: none"> <li>Plastics for the automobile, office equipment, and home electrics sectors</li> <li>Film-related products, including manufacturing and processing</li> </ul>	<ul style="list-style-type: none"> <li>Sales to global users</li> <li>Further expansion in international business (regionally and in different fields)</li> </ul>

# NC2020 Progress (per business segment): (5) Housing & Eco Materials



	FY3/18 Results (A)	NC2020 FY3/18 Target (B)	% Achieved (A)/(B)	FY3/21 Goal
Sales	25.1	28.7	87.6%	34.7
Op. income	0.15	0.30	52.3%	0.60

- ✓ Sales fell short of target amid stagnant growth in international and housing-related businesses.
- ✓ Operating income fell greatly below target due to increase in administrative expenses.
- ✓ Sales of particle boards made from scrap wood grew.
- ✓ Focused on construction materials (new applications) and non-housing fields.

Profit drivers	Growth drivers
<ul style="list-style-type: none"> <li>• Materials for major homebuilders and housing equipment manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>• International markets (flooring, etc.)</li> <li>• Non-housing fields of business (urethane materials, wood chips, etc.)</li> </ul>

*Stepping up investments to expand trading business*

(billion JPY)	FY3/18 Results
Growth investment	<b>3.86 billion JPY</b>
Fixed investment	<b>1.59 billion JPY</b>
Total	<b>5.45 billion JPY</b>

■ Major growth investments in FY3/2018

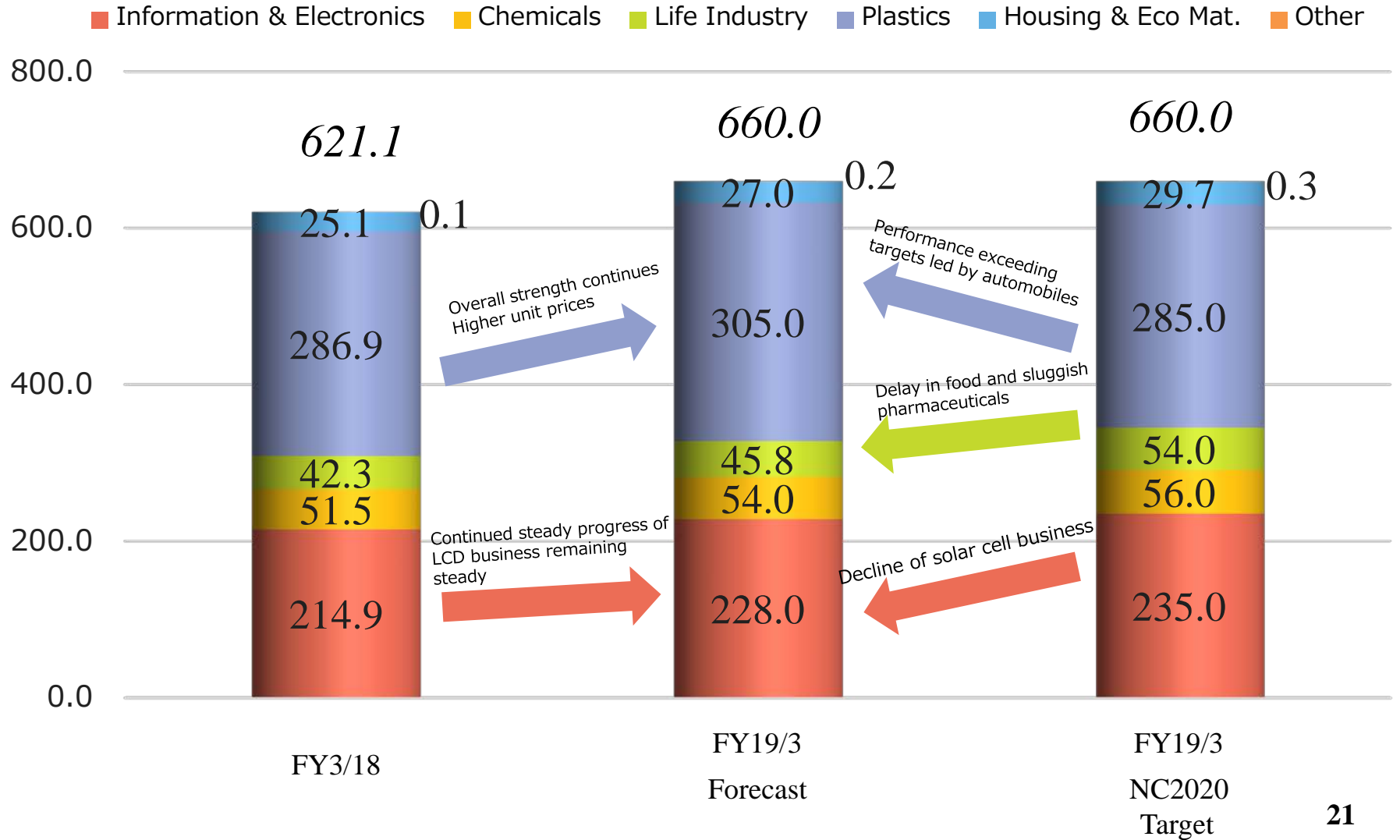
- Chemicals segment:  
Investment outlay of 1.88 billion JPY (Automotive and heat-dissipating parts business)
- Information & Electronics segment:  
Investment outlay of 0.49 billion JPY (2 investments in the environment & energy-related business)
- Plastics segment:  
Capital investment of 0.52 billion JPY (Resin compound related, Inflation molding related)

# NC2020 *Difference Between Year 2 Targets and Forecasts by Business*



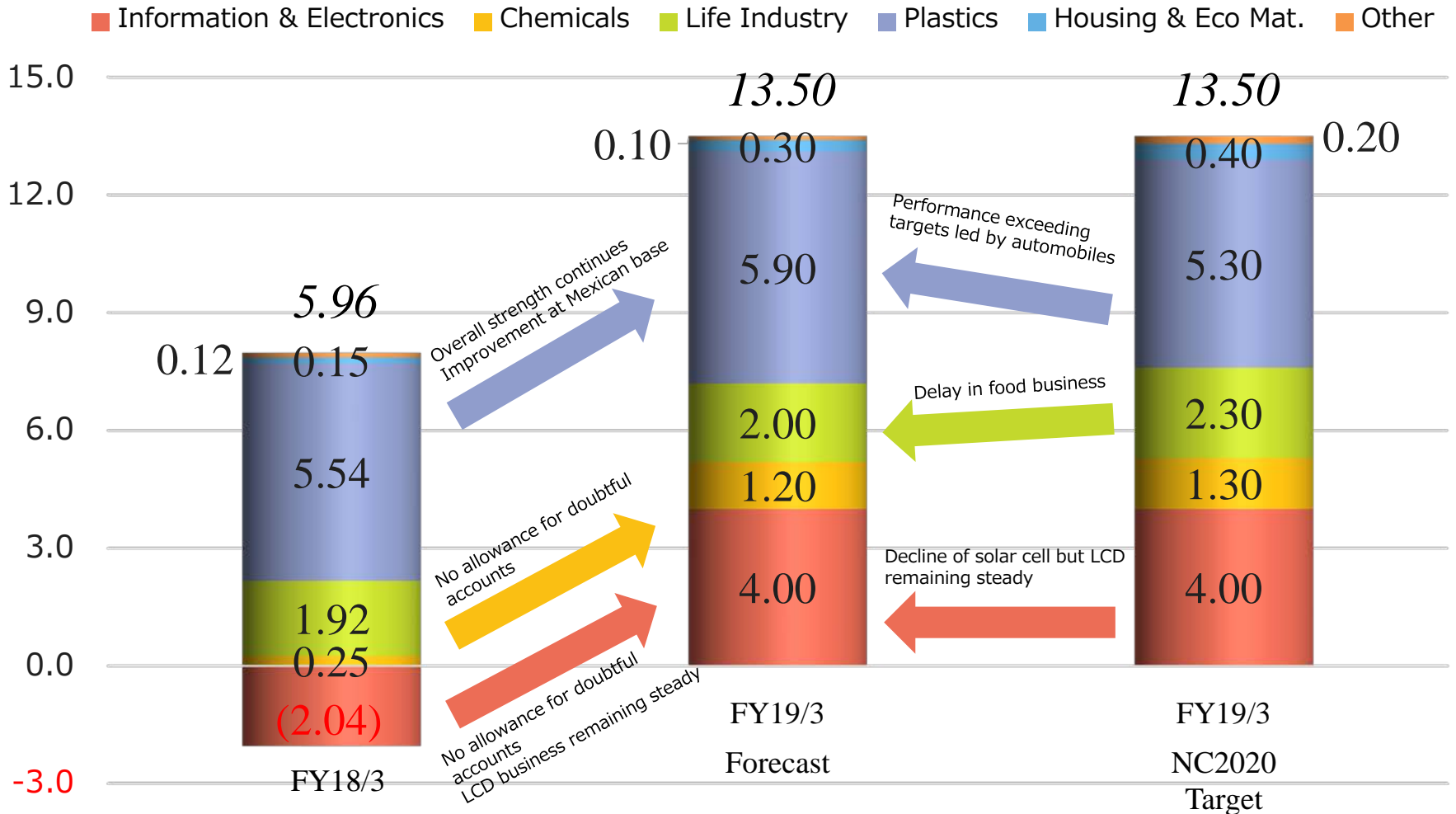
## 【Sales】

(billion JPY)



## 【Operating Income】

(billion JPY)



Policy for returning profits to shareholders

**Total Return Ratio of 30-35% (target)**

## 【 Treasury stock 】

● **Retirement of treasury shares**  
(August 2014)

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

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

● **Acquisition of Treasury shares**  
(Details for FY 3/2018)

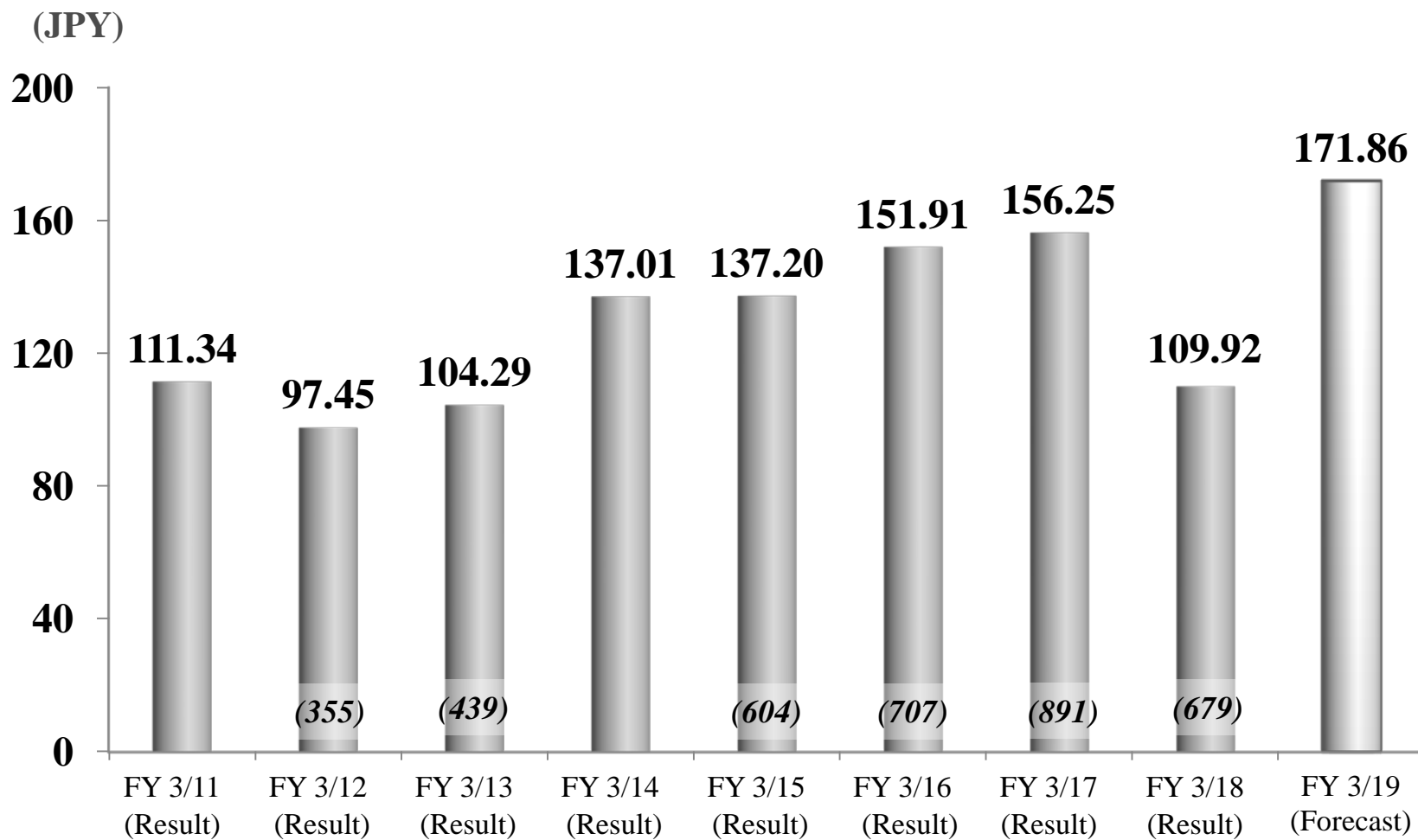
**No. of Shares Acquired: 400,000**

**Value of Shares Acquired**

**: 679 million JPY**

**Acquisition Period: 15<sup>th</sup> Nov.-13<sup>th</sup> Dec. 2017**

# EPS Trends

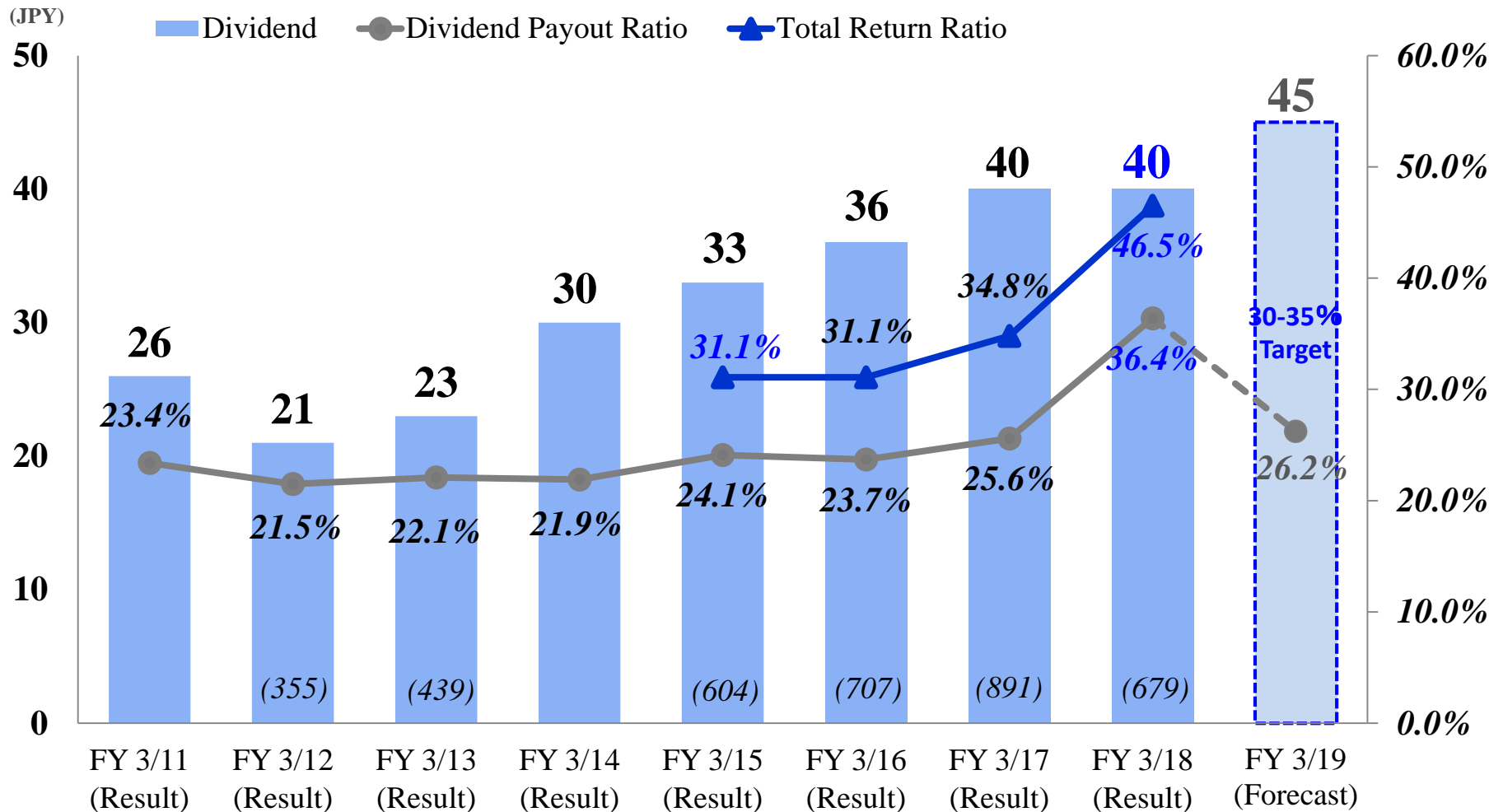


(NB) The figures in brackets at the bottom of the bar chart show the amount of treasury shares acquired during the period (JPY million).



# Returning Profits to Shareholders (2)

Trends in Annual DPS & Shareholder Return Indicators



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

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

# ■ Corporate Governance

- **3 outside directors (of 9 directors)**

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

## Outside Directors

- **Yoshimasa Takao**

Former Executive Deputy Chairman ; Current Advisor– Sumitomo Chemical Co., Ltd.  
Current Director (Outside) –Fuji Oil Company, Ltd.

- **Katsumi Nakamura\***

Former Executive Vice President – Renault (France),  
Former Chairman of the Board– Calsonic Kansei Corp. ;  
Current Director (Outside) – Kito Corp., Kansai Airports

- **Toshiyuki Kanisawa\***

Former Representative Director and  
Executive Vice President -Tokyo Gas Co., Ltd.

(\*) Mr. Katsumi Nakamura and Mr. Toshiyuki Kanisawa are registered as independent, outside officers with the TSE. 27

The following initiatives were implemented to enhance governance

## 1. Established the Nominating and Remuneration Committee (voluntary)

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

- Current membership: 1 internal director (chairperson) and 2 independent outside directors
- Held six times during FY 3/2018

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

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

✓ FY 3/2016, FY 3/2017

Performed self-evaluation of all directors and audit & supervisory board members using a survey format

✓ FY 3/2018

Conducted third-party evaluation

⇒ In May 2018, disclosed evaluation summary and measures going forward

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

### ◆ Tasks and measures taken

- (1) Continual consideration of mechanisms for identifying and managing risks  
We will continue to consider risk management systems (including those covering subsidiaries outside of Japan), which are key infrastructure supporting global management.
- (2) Development of systems for long-term human resources development with focus on development of top executives  
We will consider and deepen discussions on a succession plan, primarily through the Nominating and Remuneration Committee.
- (3) Further communication between outside directors and audit & supervisory board members  
This will continue to be conducted going forward.

## 3. Strategically Held Shares

### 【Basic view】

- Holding such shares establishes, maintains and further develops close business relations with various companies, increases corporate value in the medium and long term, and leads to benefits for shareholders.

### 【Decisions on acquisition, continuous holding and disposal】

- The necessity of such holdings is validated on a yearly basis and its rationale is explained to the board of directors.

	<b>Sales of other securities</b>
FY3/15	¥730 million
FY3/16	¥1,421 million
FY3/17	¥5,150 million
FY3/18	¥9,106 million

# Summary of Financial Results – 1Q FY3/2019



**Sales : 158.2 billion JPY +6.4% YoY**

**Increase from strong performance of mainstay businesses, led by plastics business**

**Op. Income : 3.4 billion JPY +56.0% YoY**

**Major increase due to strong performance of mainstay businesses and no recording of allowance for doubtful accounts that occurred at a European subsidiary in the previous term**

**Current Profit : 3.7 billion JPY +33.8% YoY**

**Increase from higher operating income**

**Net Income : 3.7 billion JPY +25.9% YoY**

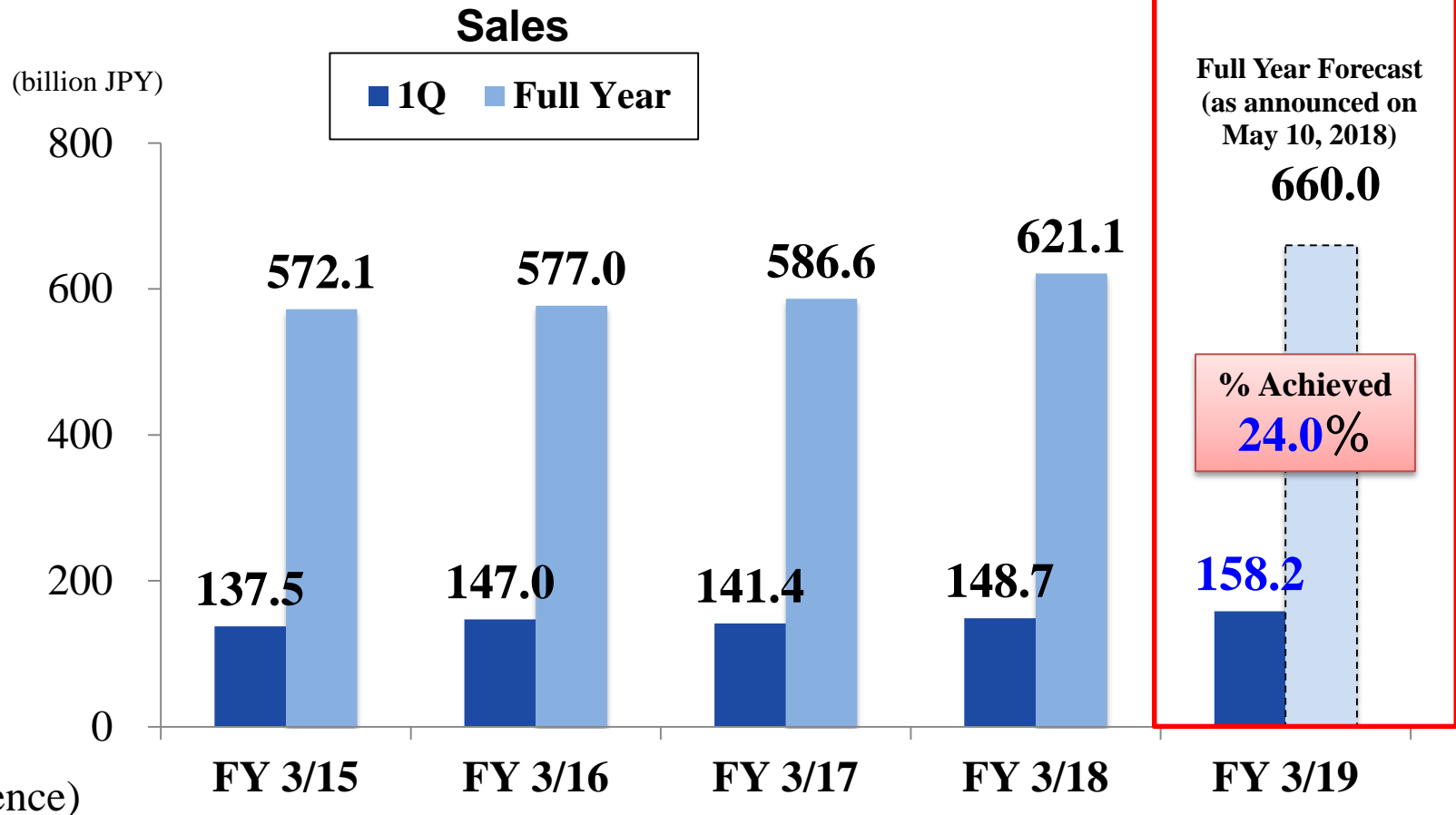
**Increase from higher current profit and further gain on sales of investment securities, despite a rise in tax expense**

# Consolidated Results Review – 1Q FY3/2019

(billion JPY)

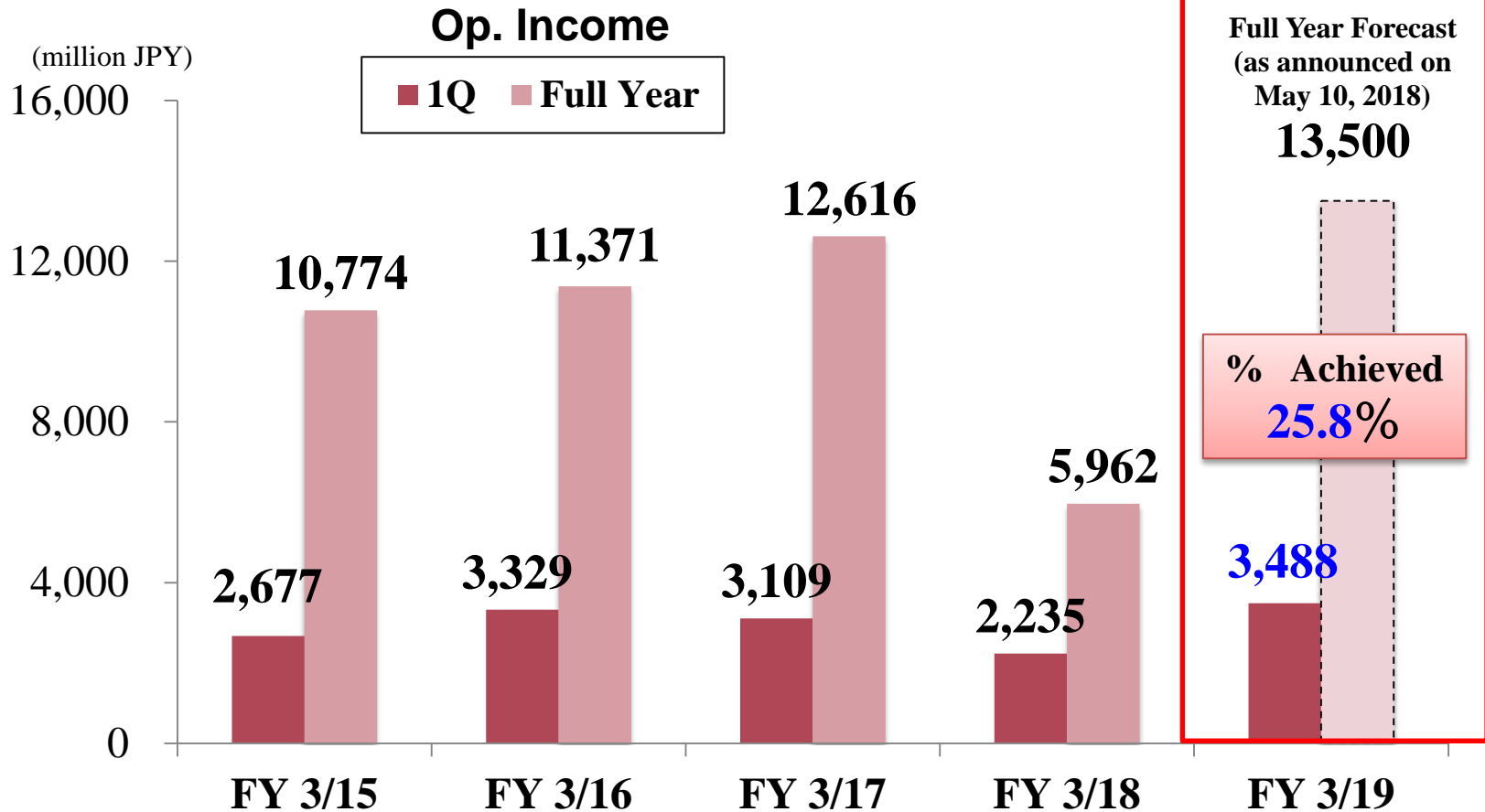
	Three month ended Jun. 30,2017	Three month ended Jun. 30,2018 (A)	YoY Change		Full Year Forecast - announced on May 10, 2018	Achievement (A)/(B)%
			Amount	%		
<b>Sales</b>	<b>148.7</b>	<b>158.2</b>	<b>+9.4</b>	<b>+6.4%</b>	<b>660.0</b>	<b>24.0%</b>
<b>Op. Income</b>	<b>2.2</b>	<b>3.4</b>	<b>+1.2</b>	<b>+56.0%</b>	<b>13.5</b>	<b>25.8%</b>
<b>Current Profit</b>	<b>2.8</b>	<b>3.7</b>	<b>+0.9</b>	<b>+33.8%</b>	<b>14.0</b>	<b>27.1%</b>
<b>Net Income</b>	<b>2.9</b>	<b>3.7</b>	<b>+0.7</b>	<b>+25.9%</b>	<b>10.5</b>	<b>35.2%</b>
<b>Exchange Rate: USD/JPY</b>	<b>111.09</b>	<b>109.10</b>	<b>△1.99</b>		<b>110.00</b>	

# Sales Trends



		FY 3/15	FY 3/16	FY 3/17	FY 3/18	FY 3/19
Exchange Rate: USD/JPY	1Q	102.17	121.43	108.04	111.09	109.10
	Full Year	109.76	120.15	108.34	110.85	(*Note)110.00

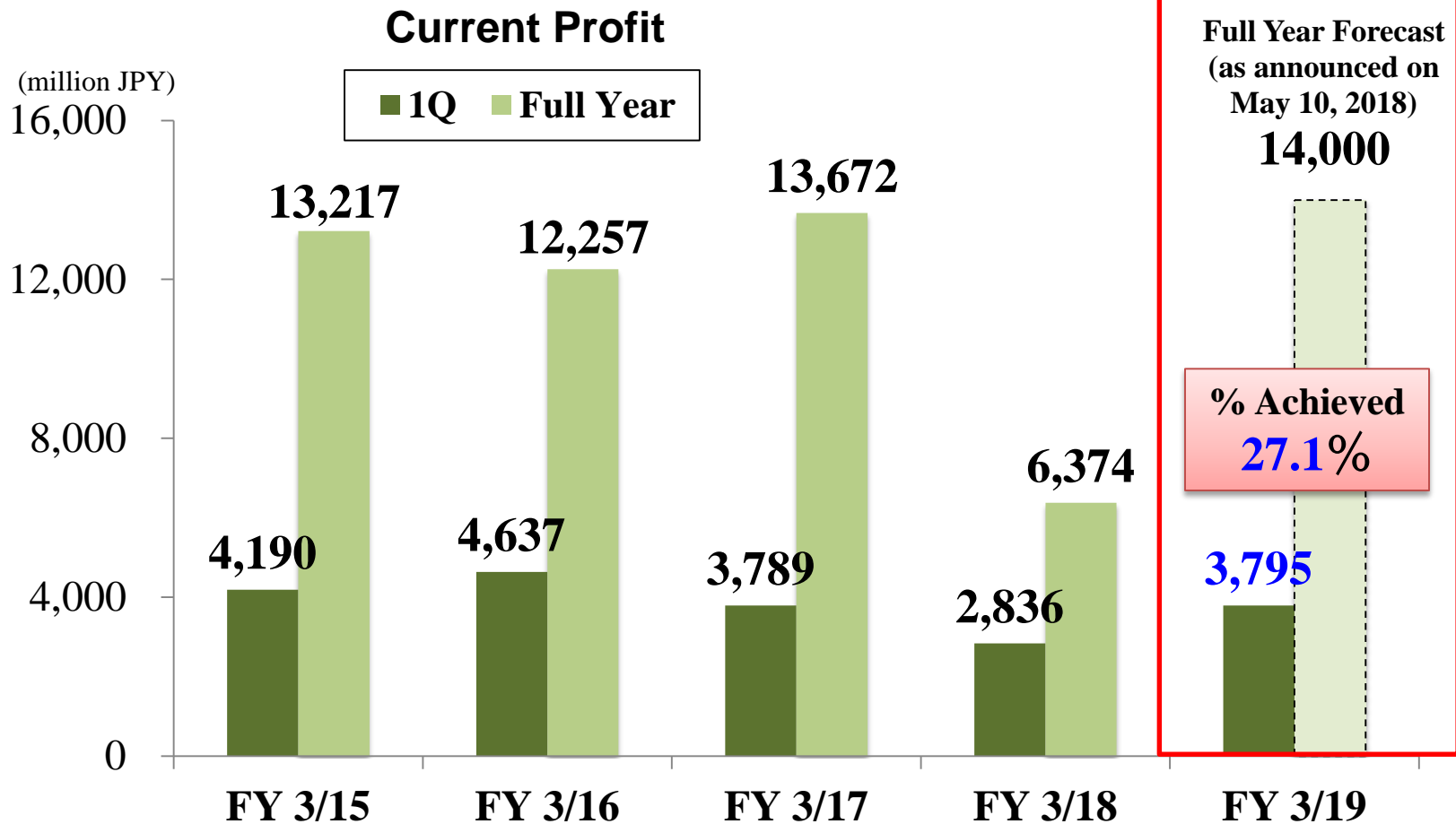
# Trends in Operating Income



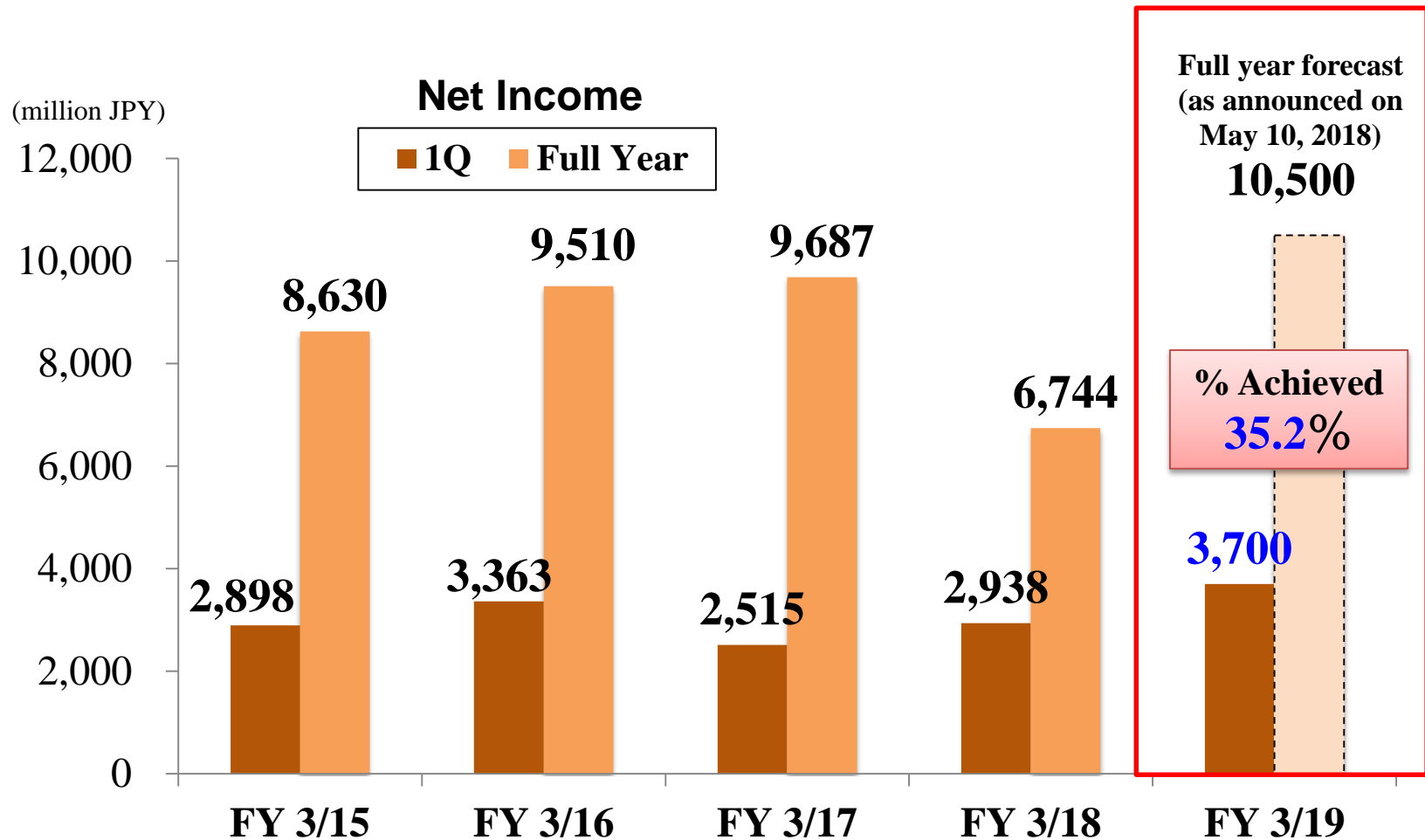
\*Recorded allowance for doubtful accounts at European subsidiary in FY 3/18

1Q: 900 million JPY; Full year: 6,650 million JPY

# Trends in Current Profit



# Trends in Net Income



\*Recorded gain on sales of investment securities

FY 3/18 1Q: 1,370 million JPY; FY 3/18 full year: 8,380 million JPY; FY 3/19 1Q: 1,660 million JPY

# Reference

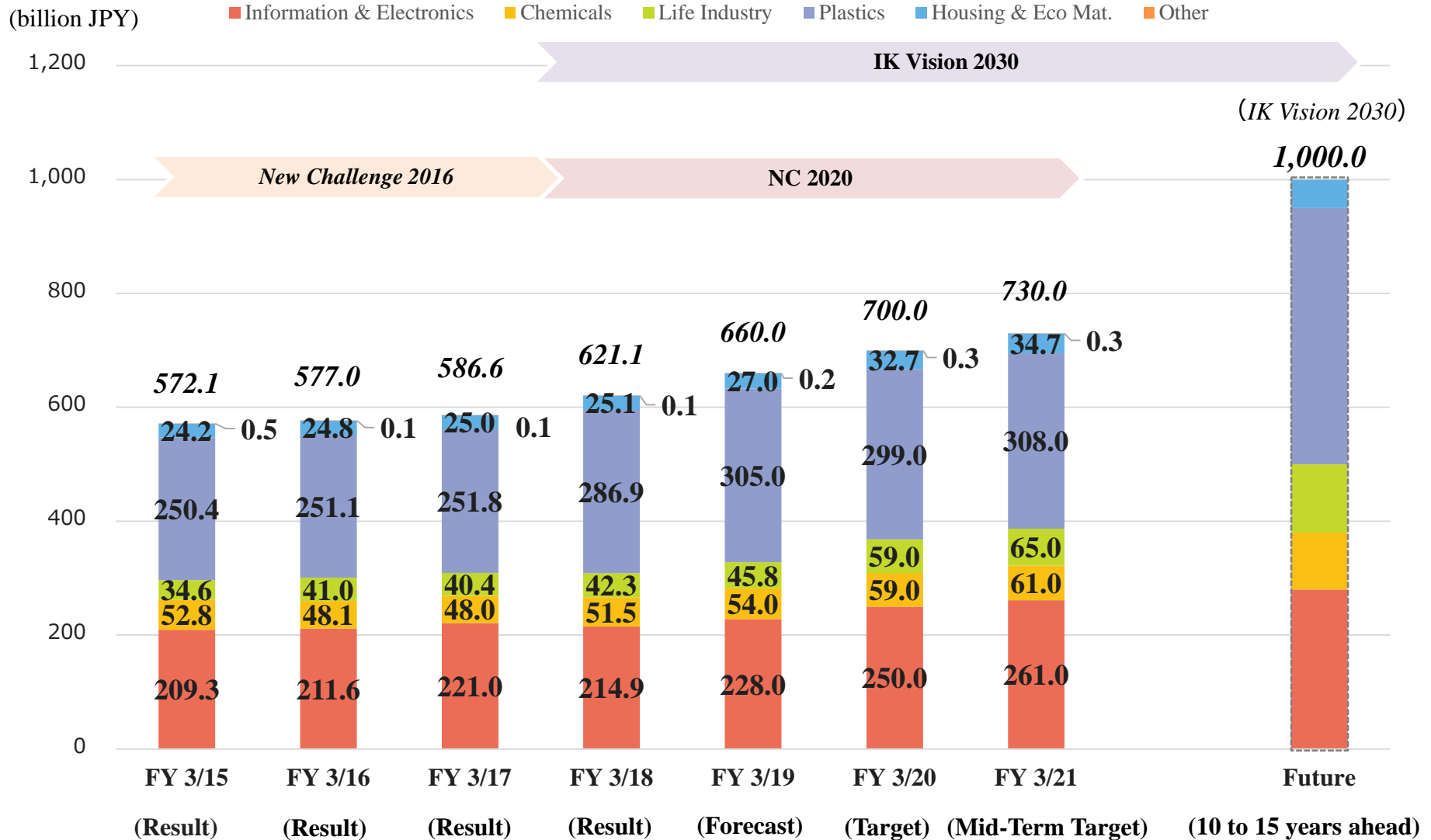
### ◆ *IK Vision 2030* was drawn up prior to *NC2020*

*(May 2017)*



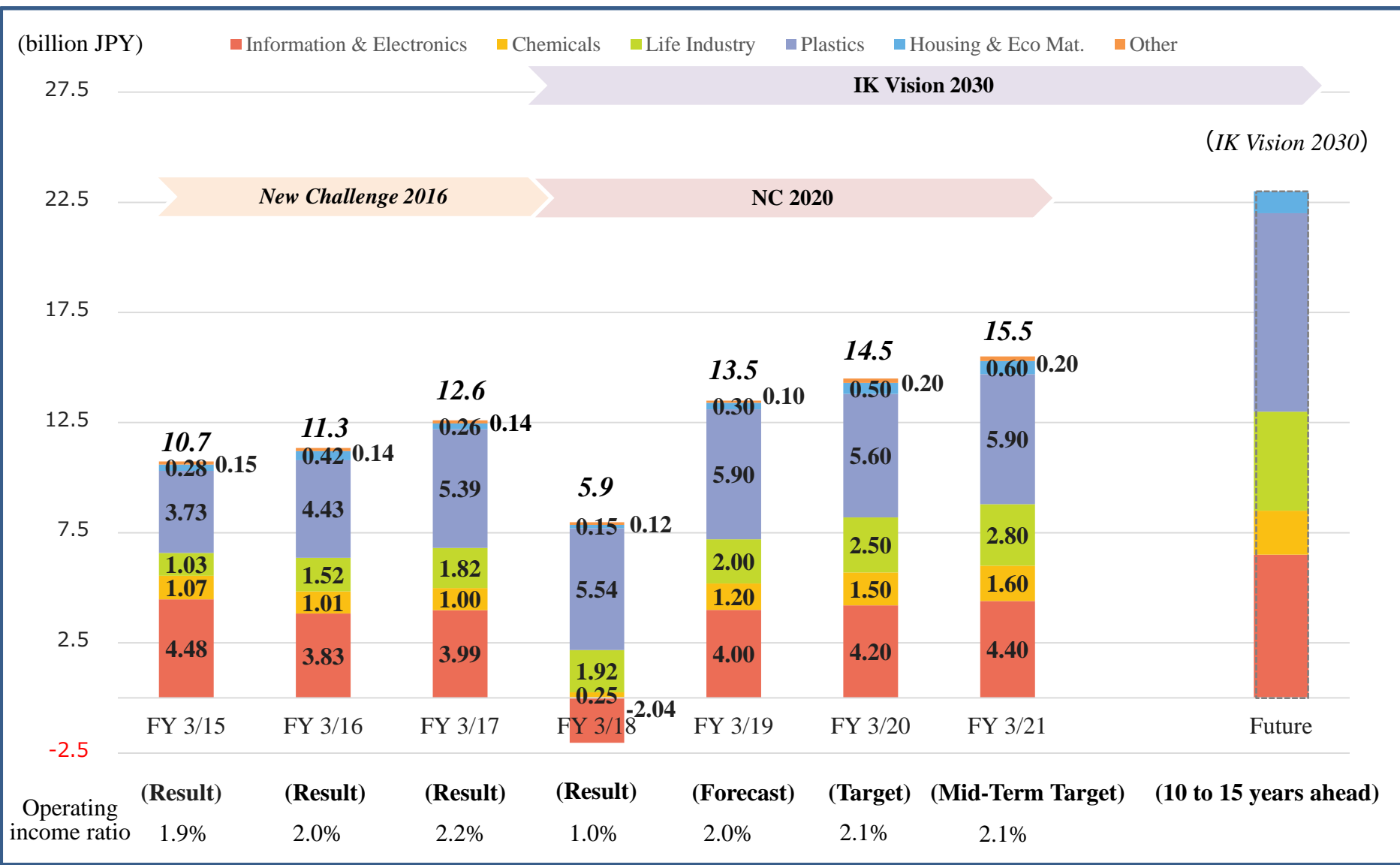


# NC2020: Sales Transition by Business Segment



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

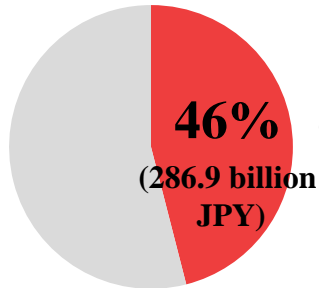
# NC2020: Operating Income Transition by Business Segment



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

## 1. Plastics

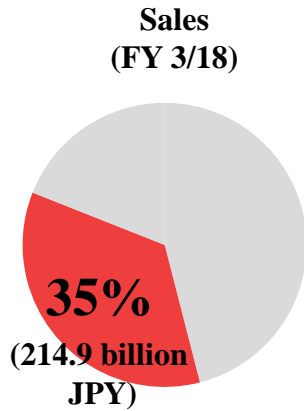
Sales  
(FY 3/18)



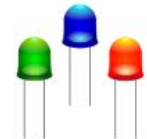
- Sales of high performance plastics:  
For automobiles and motorcycles, home electric appliances, OA equipment, and electronic components
- Sales of plastics, molded plastic products and related materials  
For general merchandise, sundry, architectural component, and healthcare industries
- Sales of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



## 2. Information & Electronics

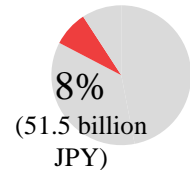


- Sales of raw materials for polarizing films to polarizing film manufacturers, and sales of polarizing film to panel manufacturers; also, alignment layer materials, electronic parts for LCD backlight units, etc.
- Sales of inkjet printer dye and toner ingredients to printer and copier manufacturers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



## 3. Chemicals

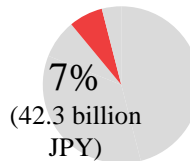
Sales (FY 3/18)



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



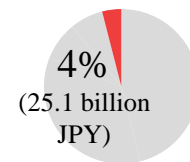
## 4. Life Industry



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



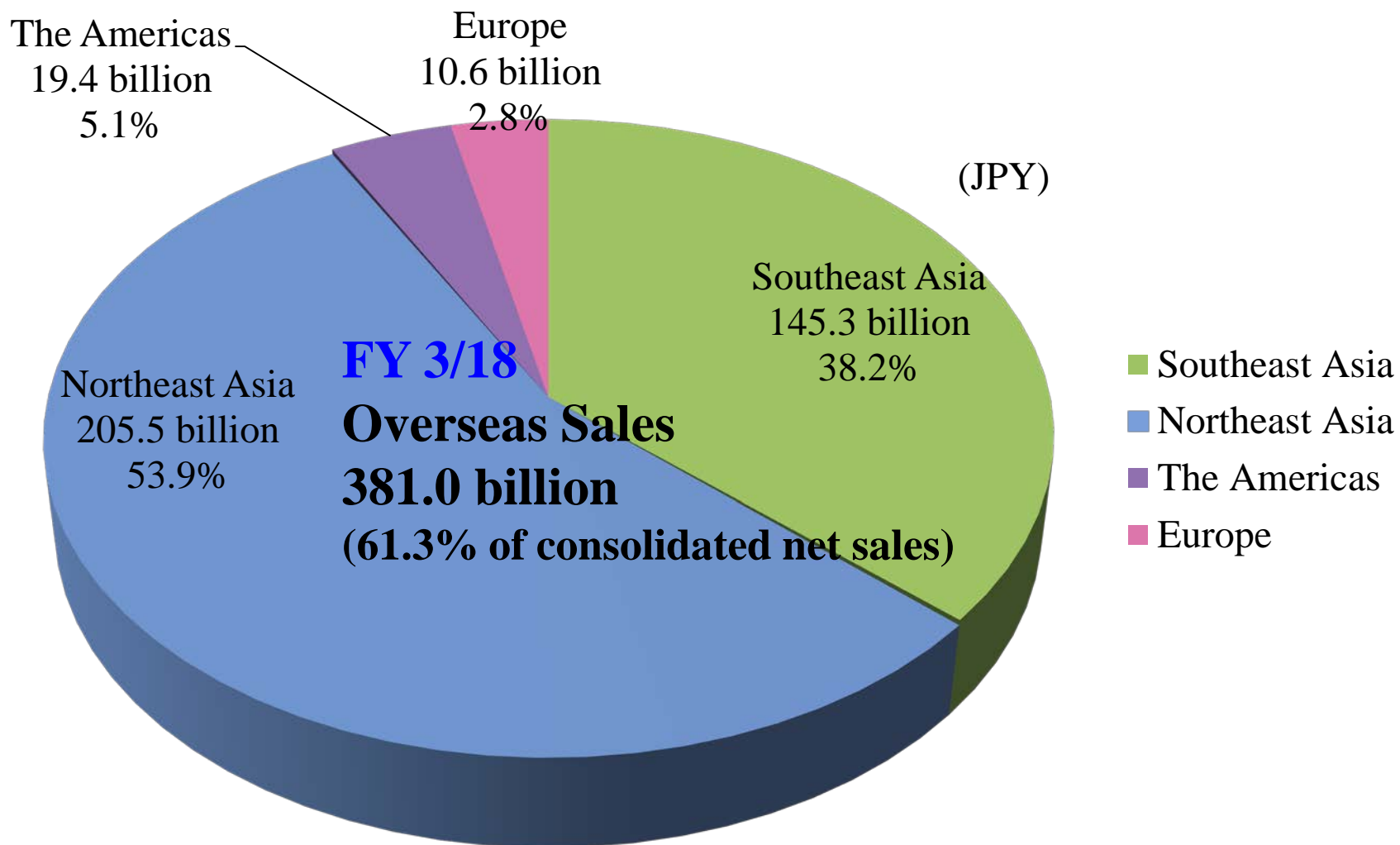
## 5. Housing & Eco Materials



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



# Overseas Sales (including exports from Japan)

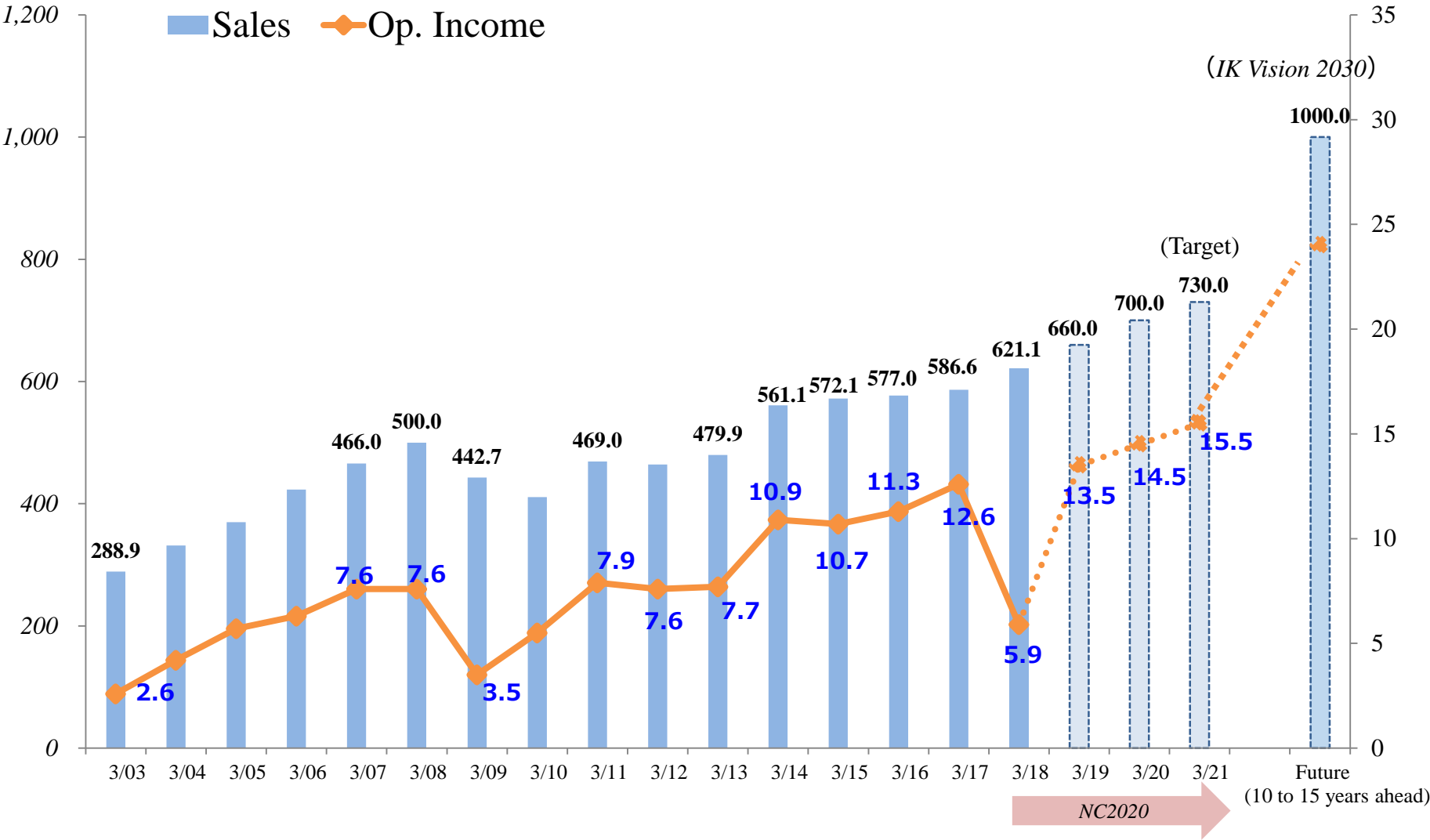


# Sales and Operating Income



(Sales: billion JPY)

(Op. Income: billion JPY)



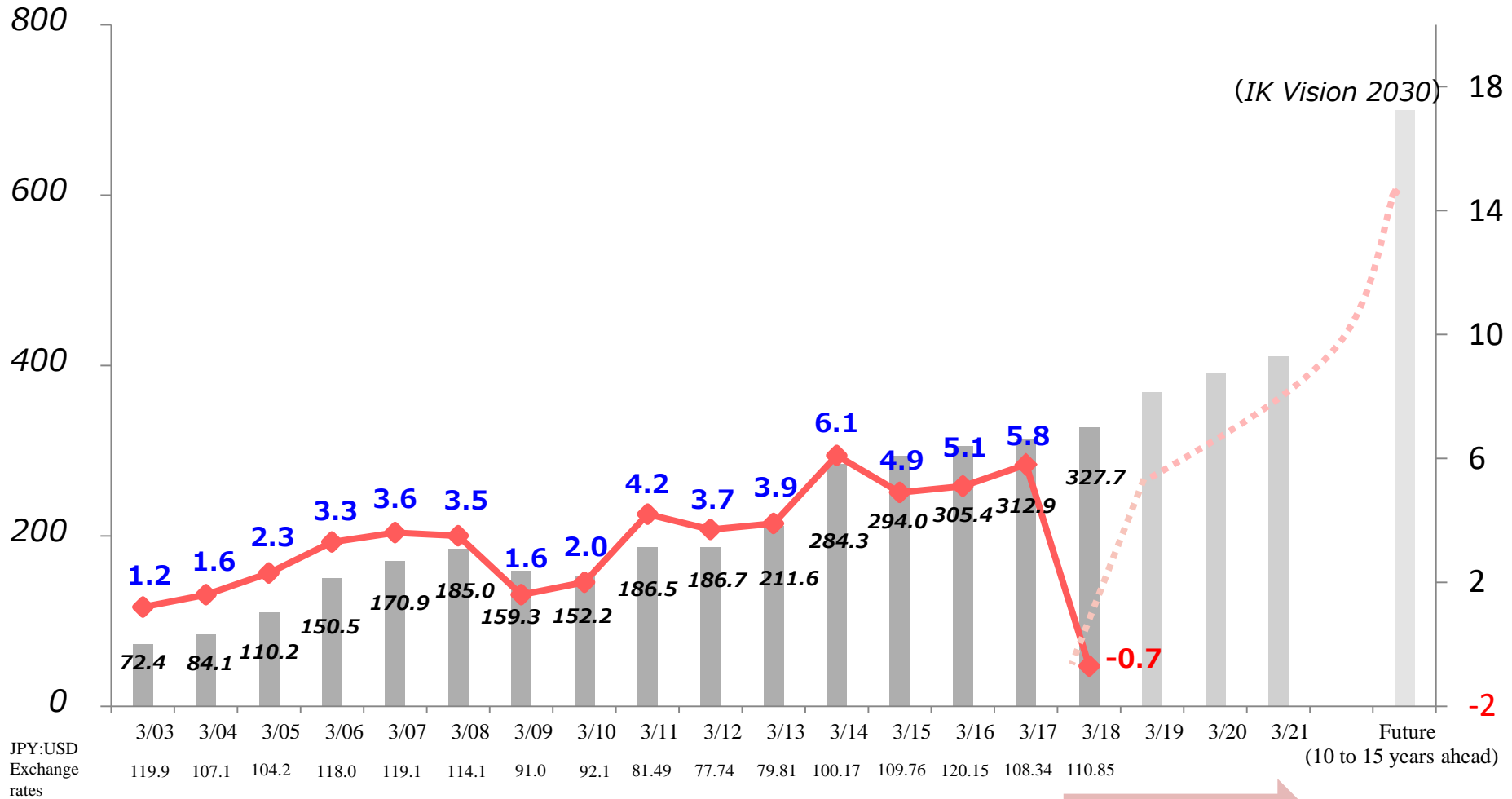
# Overseas Sales and Operating Income



(Sales: billion JPY)

■ Sales ◆ Op. Income

(Op. Income: billion JPY)

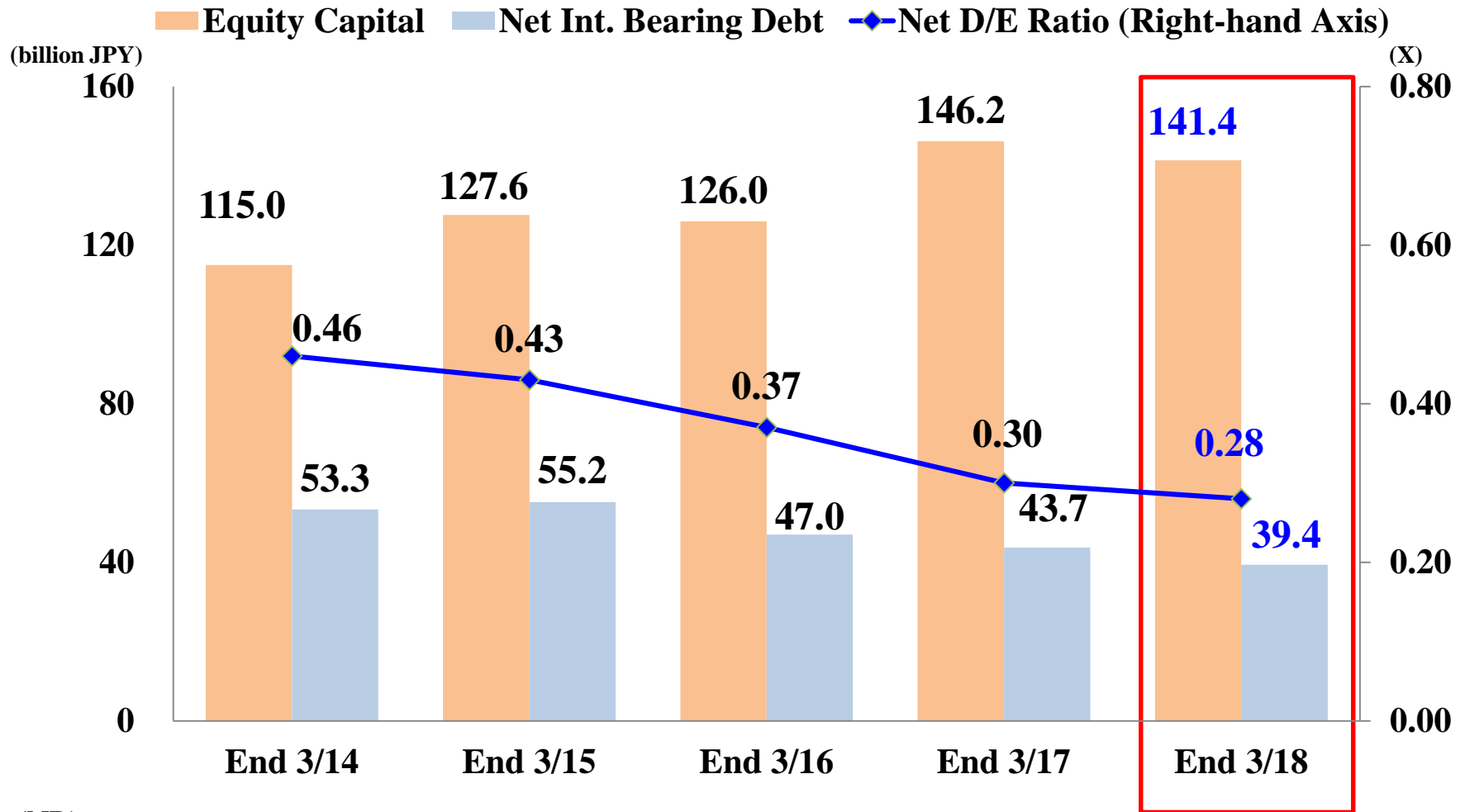


JPY:USD Exchange rates

NC2020



# Trends in Equity Capital/Net Interest-Bearing Debt/Net Debt Equity Ratio



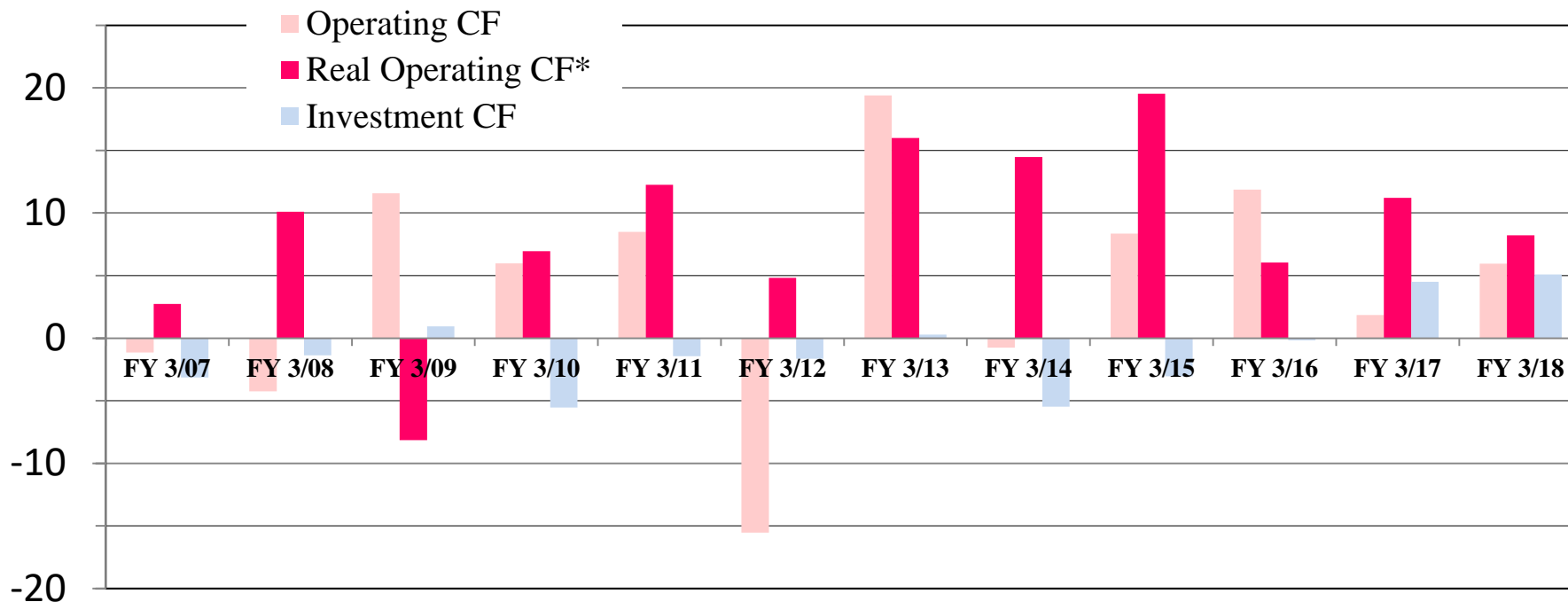
(NB)

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

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

# Trends in Cash Flow

(billion JPY)



(million JPY)

	FY 3/07	FY 3/08	FY 3/09	FY 3/10	FY 3/11	FY 3/12	FY 3/13	FY 3/14	FY 3/15	FY 3/16	FY 3/17	FY 3/18
Operating CF	-1,150	-4,257	11,562	5,976	8,495	-15,534	19,400	-764	8,354	11,866	1,840	5,960
Change in WC	-3,873	-14,366	19,700	-968	-3,748	-20,357	3,414	-15,244	-11,179	5,821	-9,367	-2,249
Real Operating CF*	2,723	10,109	-8,138	6,944	12,243	4,823	15,986	14,480	19,533	6,045	11,207	8,209
Investment CF	-3,132	-1,359	947	-5,529	-1,436	-1,629	277	-5,467	-3,044	-161	4,504	5,086

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

Working capital = Trade receivables + Inventory – Trade payables



## Inabata's Share Price for the past 10 years

JPY/share

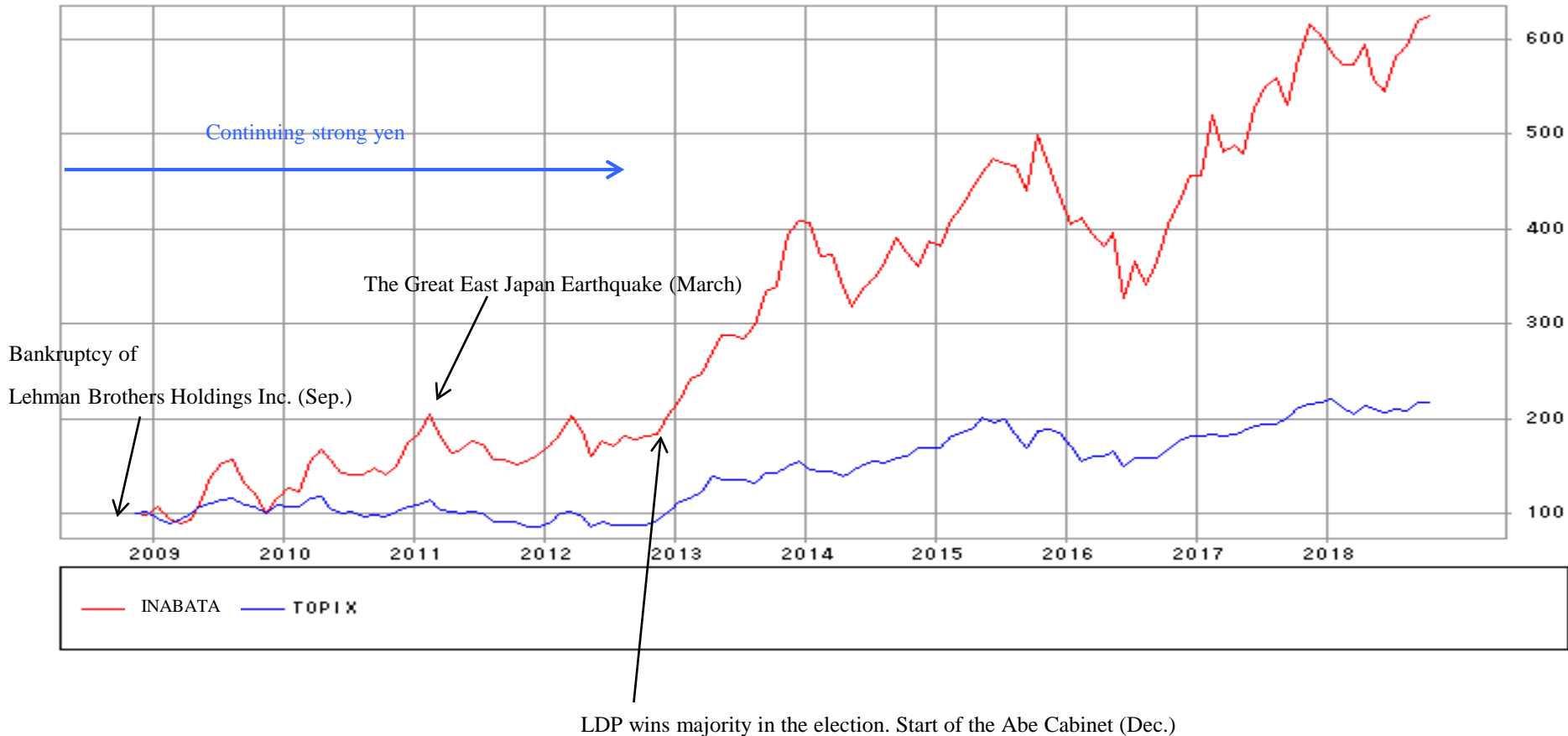




# Trends in Share Price

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

(09/2009=100)



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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.**