

IR Briefing for 2Q
Fiscal Year Ending March 2020
Progress During Year 3 of *NC2020*,
Our Medium-Term Management Plan

Inabata & Co., Ltd.

Katsutaro Inabata, President and Representative Director

December 3, 2019

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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)

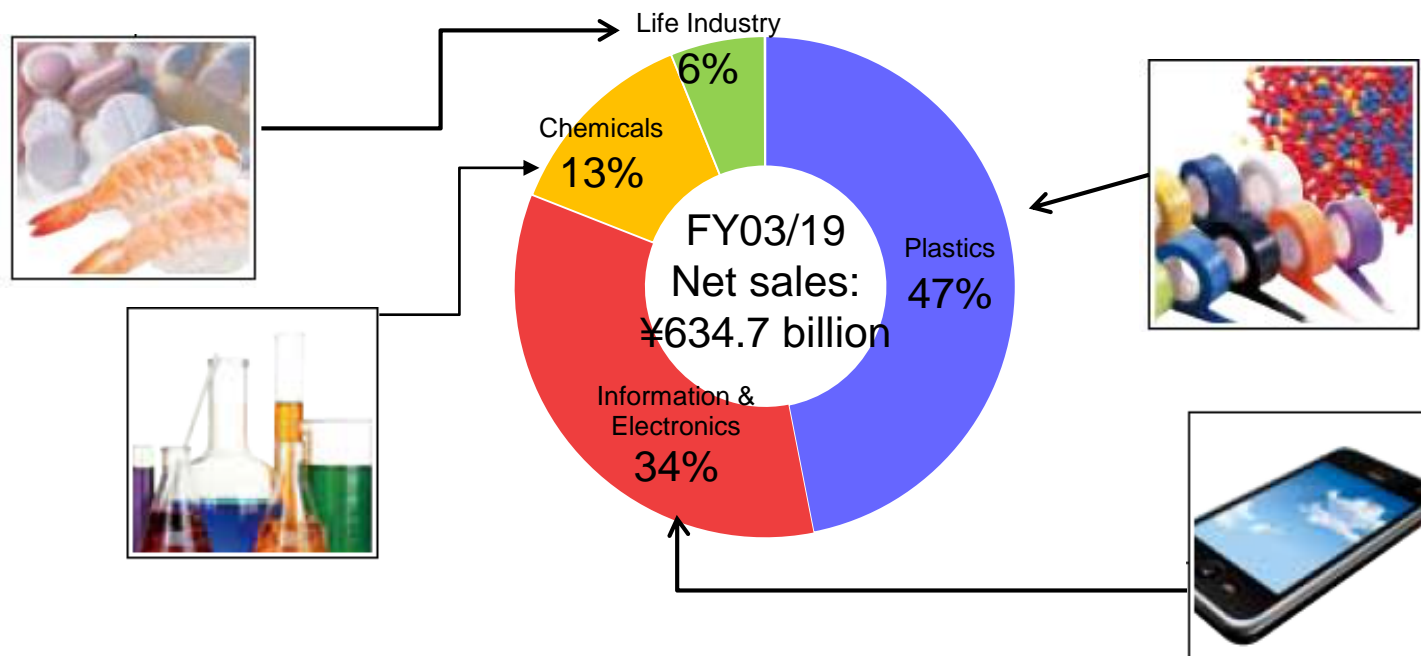
2. **A globally expanding, multifaceted trading company**

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

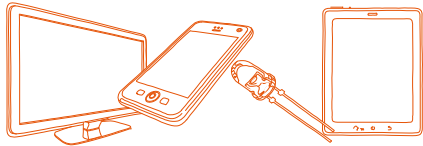
- Make minority investments, primarily to expand the trading business
- Consider majority investments, but with limited risk and scale

5 Continual review of assets and enhancement of financial standing

6 Establishment of global human resource management

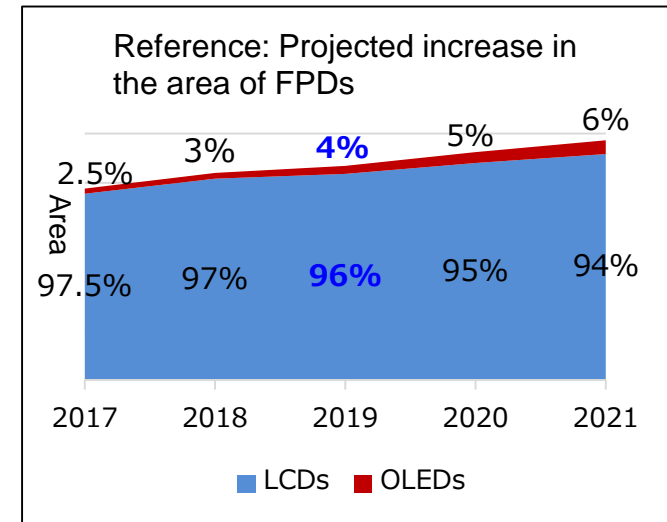
- Progress in Year 3 of *NC2020*

- As TVs continued to grow larger, demand for larger LCD panel areas also grew.
- The effective embargo placed by the US on Huawei products has impacted the Chinese market for small- and medium-sized LCD panels.
- Demand for organic electroluminescence displays (OLEDs) continued to grow, but the growth in panel area was limited.



Reference: Projected increase in the area of large LCD panels

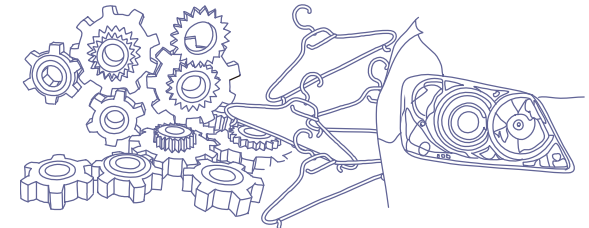
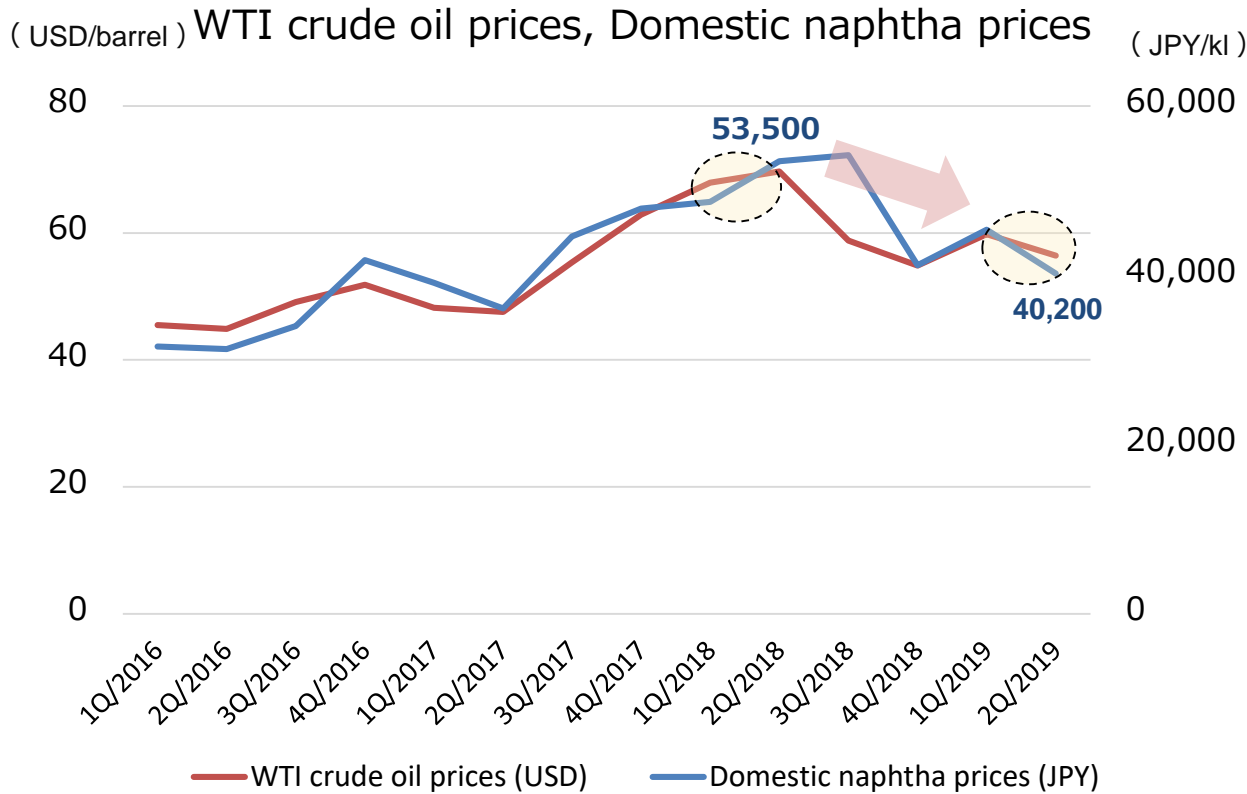
	2017	2018	2019 (forecast)
YoY increase (%)	105%	108%	103%



Operating Environments in Q2 FY03/20: Plastics



- Plastics prices trended downward due to dropping crude oil prices.
- The Chinese export business to North America was largely affected by trade friction between the US and China. Japanese, Taiwanese and South Korean electronics parts manufacturers were moving production to other Southeast Asian countries.



Note: Q2 FY03/20 naphtha prices have been calculated using preliminary figures for July and August

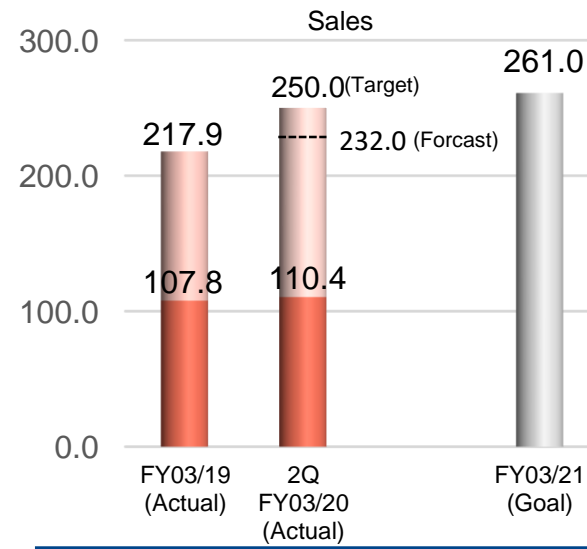
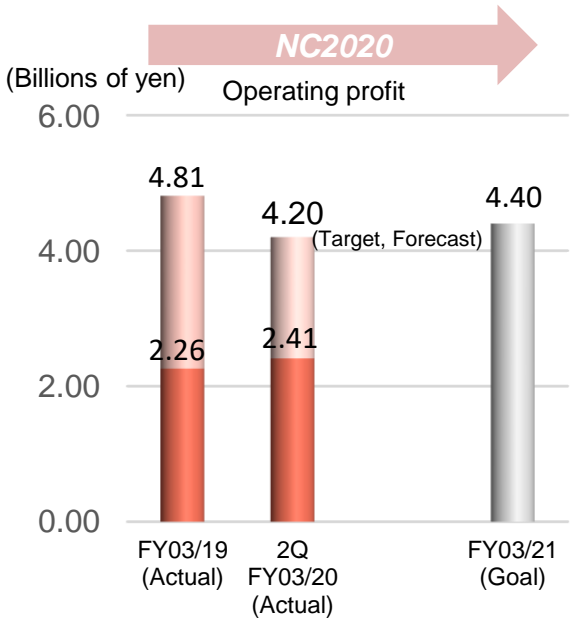
■ Profit figures were strong relevant to targets

(Billions of yen)

	2Q FY03/19 actual	2Q FY03/20 actual	FY03/20 Forecast (A)	NC2020 target for FY03/20 (B)	Projected achievement versus targets (A)/(B)%
Net sales	322.4	307.6	670.0	700.0	96%
Operating profit	7.1	7.1	14.5	14.5	100%
Ordinary profit	7.1	7.9	14.5	15.0	97%
Profit attributable to owners of parent	6.2	6.7	11.0	11.0	100%
Net debt/equity ratio	0.28	0.20	—	0.4x or less	Strong
Equity ratio	44.5%	45.9%	—	—	—
Exchange rate	USD1=¥110.26	USD1=¥108.60	USD1=¥110.00	USD1=¥110.00	—

Note: Net debt/equity ratio = (Interest-bearing debt – cash and deposits) / equity capital

NC2020 Progress by Segment: (1) Information & Electronics

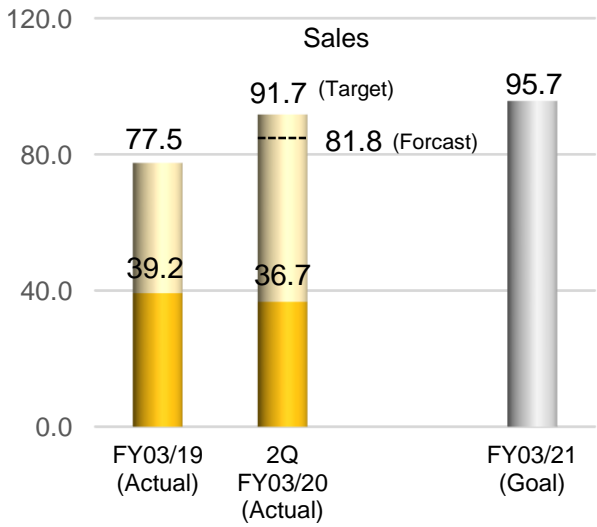
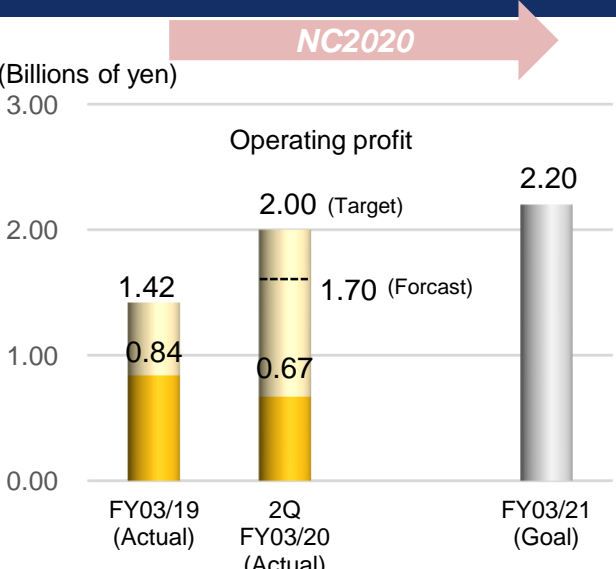


(Billions of yen)	2Q FY03/19 actual	2Q FY03/20 actual	FY03/20 forecast (A)	NC2020 target for FY03/20 (B)	Projected achievement versus targets (A)/(B)%
Operating profit	2.26	2.41	4.20	4.20	100%
Operating profit margin	2.1%	2.2%	1.8%	1.7%	—
Sales	107.8	110.4	232.0	250.0	93%

■ **Steady** operating profit progress in terms of FY03/20 target
Strong performance in the liquid crystal business made up for reduced profit in the European business caused by reorganizing.

	Main reasons for differences between actual and target figures
Operating profit	<ul style="list-style-type: none"> Increased sales of polarizing films in China (+) Favorable sales of polarizing film materials (+)
Sales	<ul style="list-style-type: none"> Discontinuation of solar cell transactions at a European subsidiary (-)

NC2020 Progress by Segment: (2) Chemicals



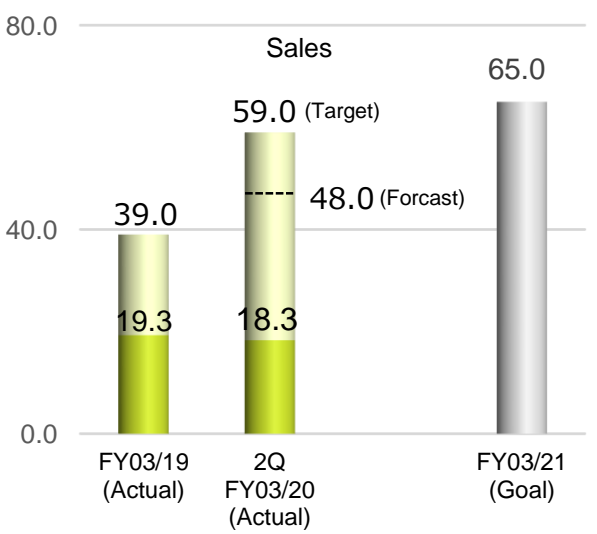
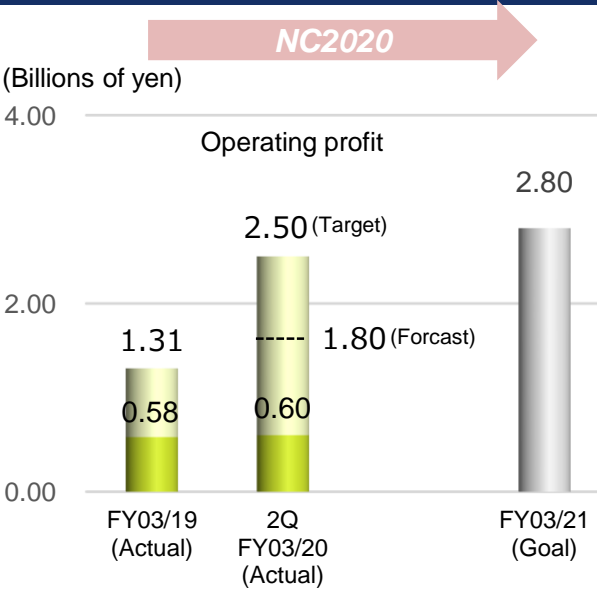
(Billions of yen)	2Q FY03/19 actual	2Q FY03/20 actual	FY03/20 forecast (A)	NC2020 target for FY03/20 (B)	Projected achievement versus targets (A)/(B)%
Operating profit	0.84	0.67	1.70	2.00	85%
Operating profit margin	2.2%	1.8%	2.1%	2.2%	—
Sales	39.2	36.7	81.8	91.7	89%

■ Operating profit progress fell short of FY03/20 target
 This was primarily caused by sluggishness in the recently integrated former Housing & Eco Materials segment.

	Main reasons for differences between actual and target figures
Operating profit	<ul style="list-style-type: none"> Sluggish performance in the former Housing & Eco Materials segment (-) Impact of environmental regulations in China (-) Growth in raw materials related to heat-dissipating materials (+)
Sales	<ul style="list-style-type: none"> Sluggish performance in the former Housing & Eco Materials segment (-) Review of transactions at a European subsidiary (-)

Note: In FY03/20, the Housing & Eco Materials segment was combined with the Chemicals segment. Accordingly, FY03/19 results and FY03/21 targets incorporate figures from the Housing & Eco Materials segment

NC2020 Progress by Segment: (3) Life Industry



(Billions of yen)	2Q FY03/19 actual	2Q FY03/20 actual	FY03/20 forecast (A)	NC2020 target for FY03/20 (B)	Projected achievement versus targets (A)/(B)%
Operating profit	0.58	0.60	1.80	2.50	72%
Operating profit margin	3.0%	3.3%	3.8%	4.2%	—
Sales	19.3	18.3	48.0	59.0	81%

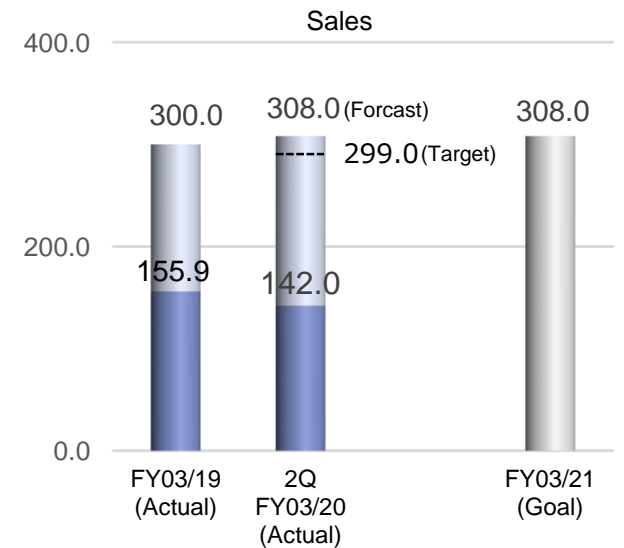
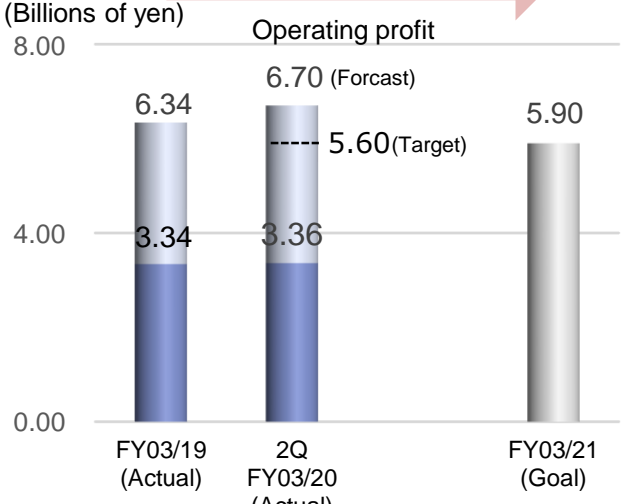
■ Operating profit progress fell short of FY03/20 target
 Primary factors included upfront expenses for the food-related business, which transferred sales rights to a subsidiary and delayed development of new businesses.

Main reasons for differences between actual and target figures	
Operating profit	<ul style="list-style-type: none"> • Upfront expenses for new food-related business (-) • Impact from sales cycle of pharmaceutical ingredients (-) • Sluggish sales of raw ingredients for insecticides (-) • French pharmaceutical and cosmetics subsidiaries contributed to earnings (+)
Sales	<ul style="list-style-type: none"> • Suspension of planned food business at a European subsidiary (-) • Delays in new food-related business (-)

NC2020 Progress by Segment: (4) Plastics



NC2020



(Billions of yen)	2Q FY03/19 actual	2Q FY03/20 actual	FY03/20 forecast (A)	NC2020 target for FY03/20 (B)	Projected achievement versus targets (A)/(B)%
Operating profit	3.34	3.36	6.70	5.60	120%
Operating profit margin	2.1%	2.4%	2.2%	1.9%	—
Sales	155.9	142.0	308.0	299.0	103%

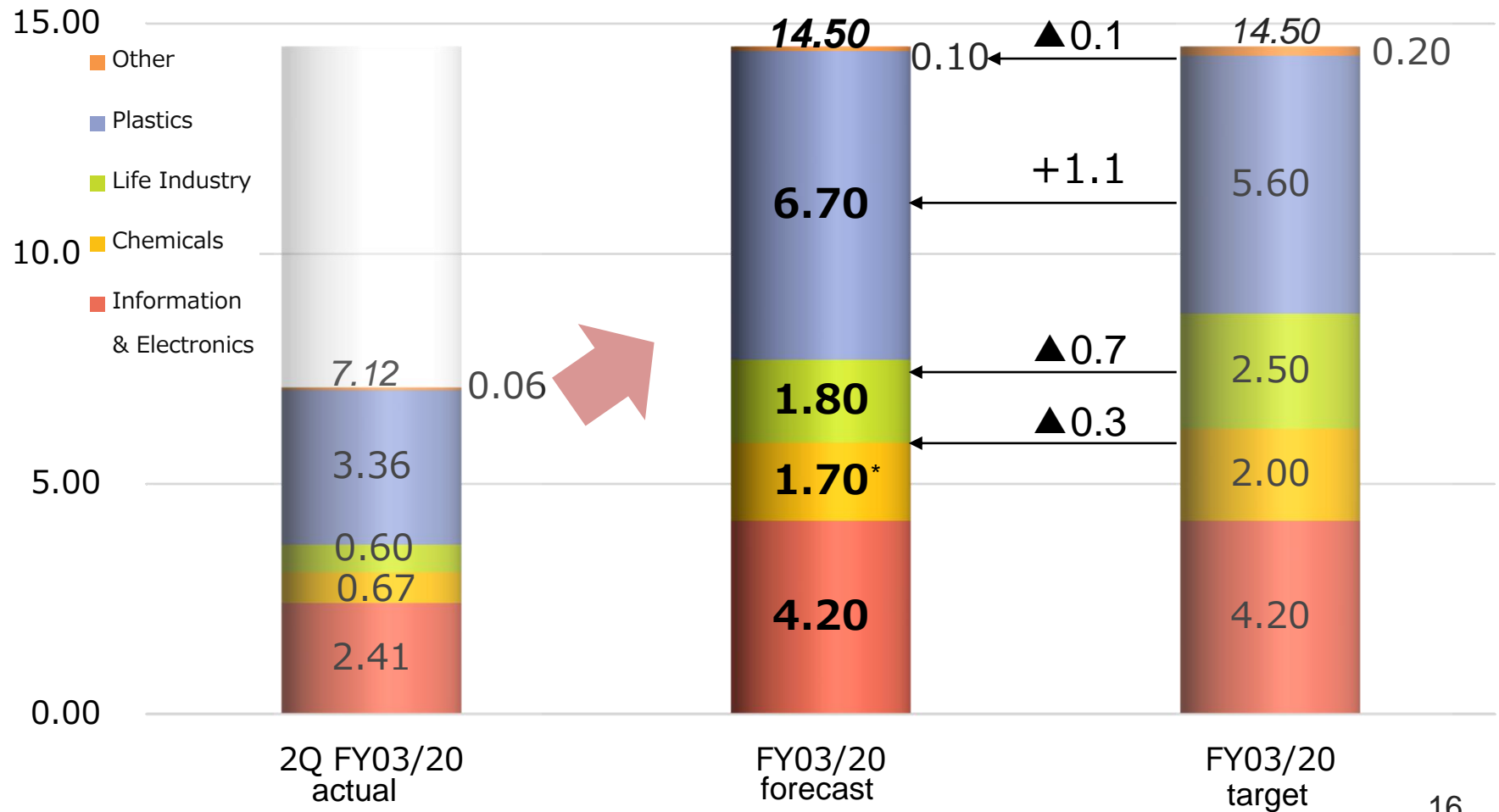
■ **Strong operating profit progress in terms of FY03/20 target**
Primarily due to improvement in profit margin caused by growth in sales of high-performance plastics

	Main reasons for differences between actual and target figures
Operating profit	<ul style="list-style-type: none"> Improved profit margin due to growth in sales of high-performance plastics (+) Indian subsidiary contributed to earnings (+) Despite improvements, Mexican compound facility struggling on the profit front (-)
Sales	<ul style="list-style-type: none"> Drop in plastics prices (-) Impact of economic slowdown in China (-)



■ We aim to achieve operating profit target as results in the Plastics segment cover for below-target performance in the Chemicals (former Housing & Eco Materials) and Life Industry segments

(Billions of yen)



* InFY03/20, the Housing & Eco Materials segment was combined with the Chemicals segment.

More proactive investment to expand the trading business

(Billions of yen)

	FY03/19 actual	2Q FY03/20 actual	NC2020 period (FY03/18 onward)
Growth investment	2.31	0.44	6.62
Fixed investment	2.03	1.25	4.87
Total	4.34	1.69	11.49

- Major growth investments in 2Q FY03/20
 - Information & Electronics segment:
 - ¥0.05 billion in investment (related to bioequipment)
 - Plastics segment:
 - ¥0.12 billion for facilities (inflation-molding-related)
 - ¥0.10 billion for facilities (group companies)
 - ¥0.05 billion for facilities (compound-related)

Note: The growth investment figure for FY03/19 has been partially revised

■ Returning Profits to Shareholders

Policy on returning profits to shareholders

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

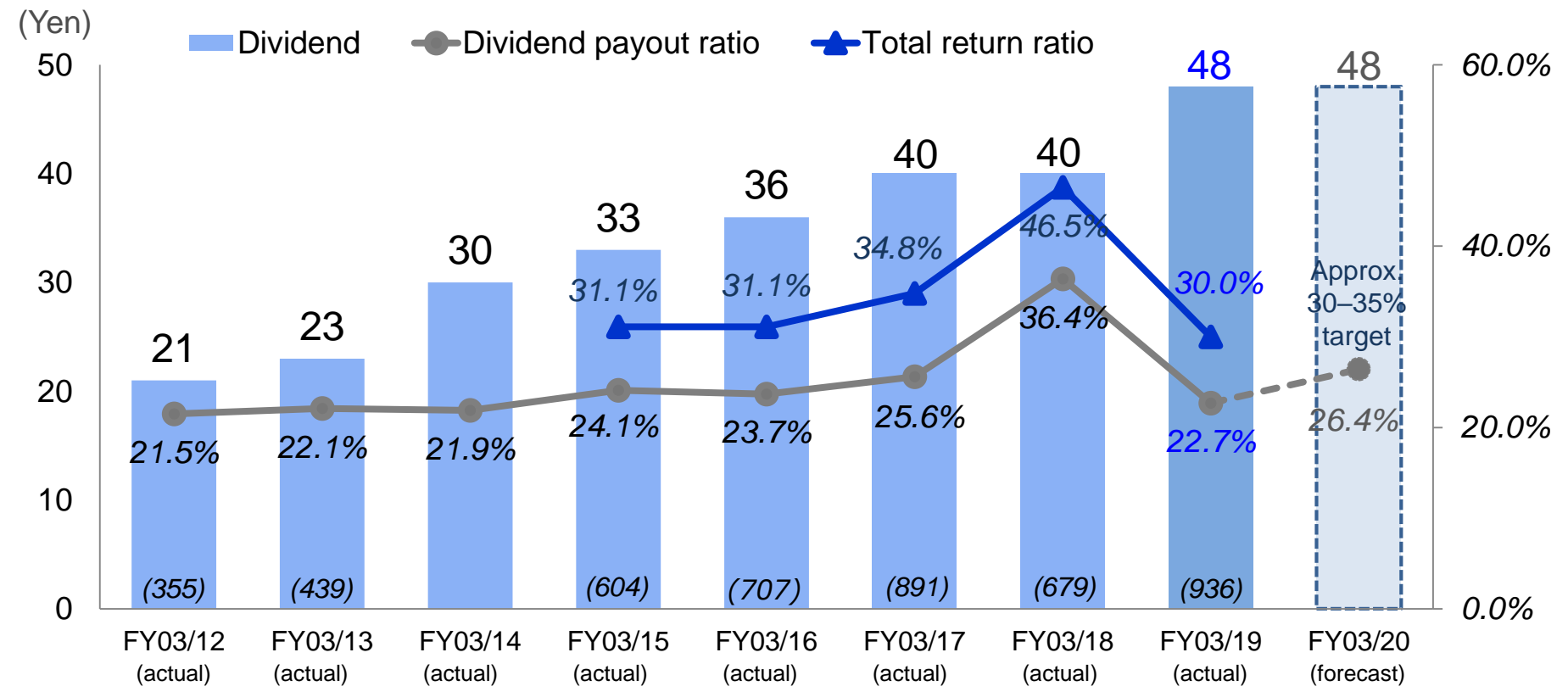
Dividends per share:

■ FY03/20

interim	¥20 (actual)
year-end	¥28 (forecast)

Annual dividend: ¥48 (forecast)

Annual dividends per share and indicators of shareholder return



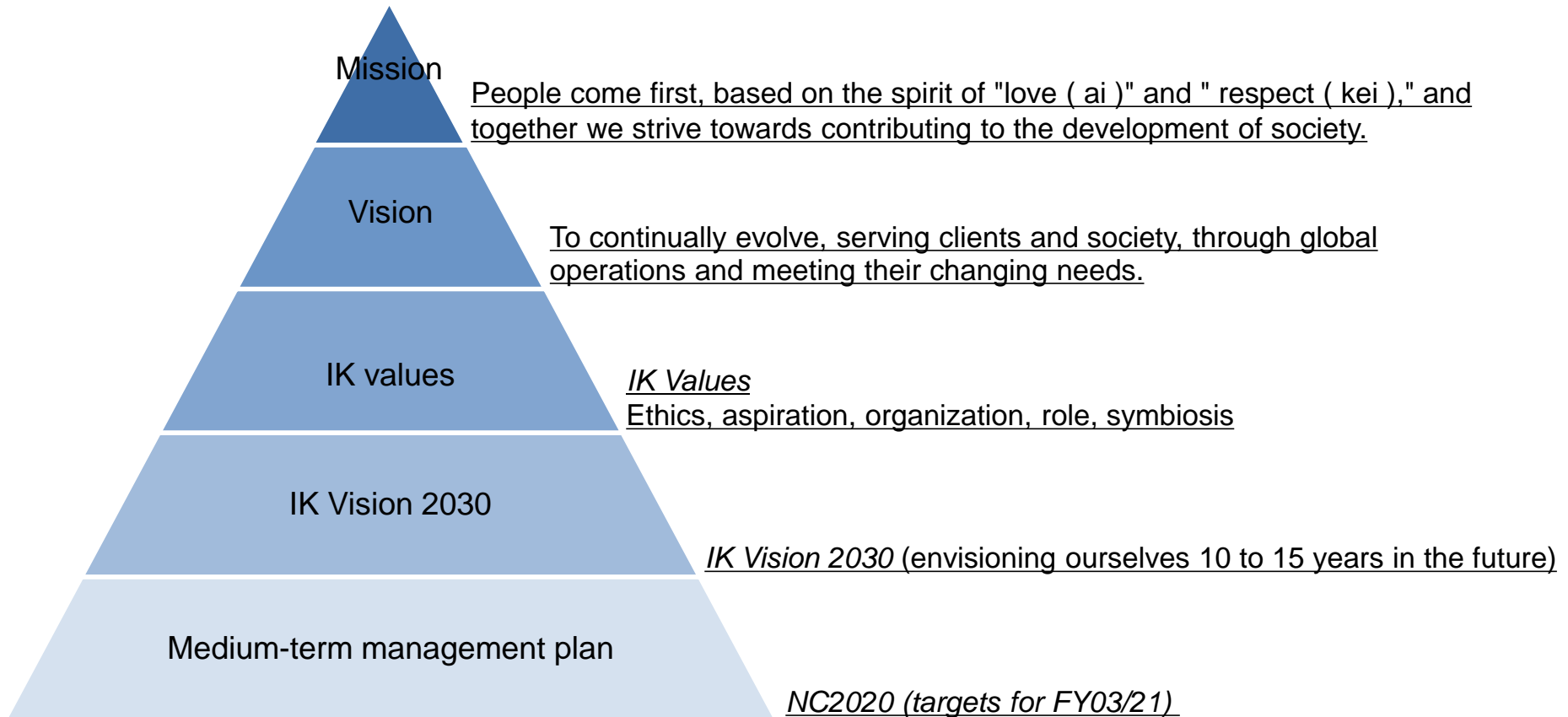
Note: The figures in parentheses at the bottom of the bar chart show the amount of treasury stock acquired (in millions of yen) during the period.

■ 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 10–15 years (2025–2030)

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

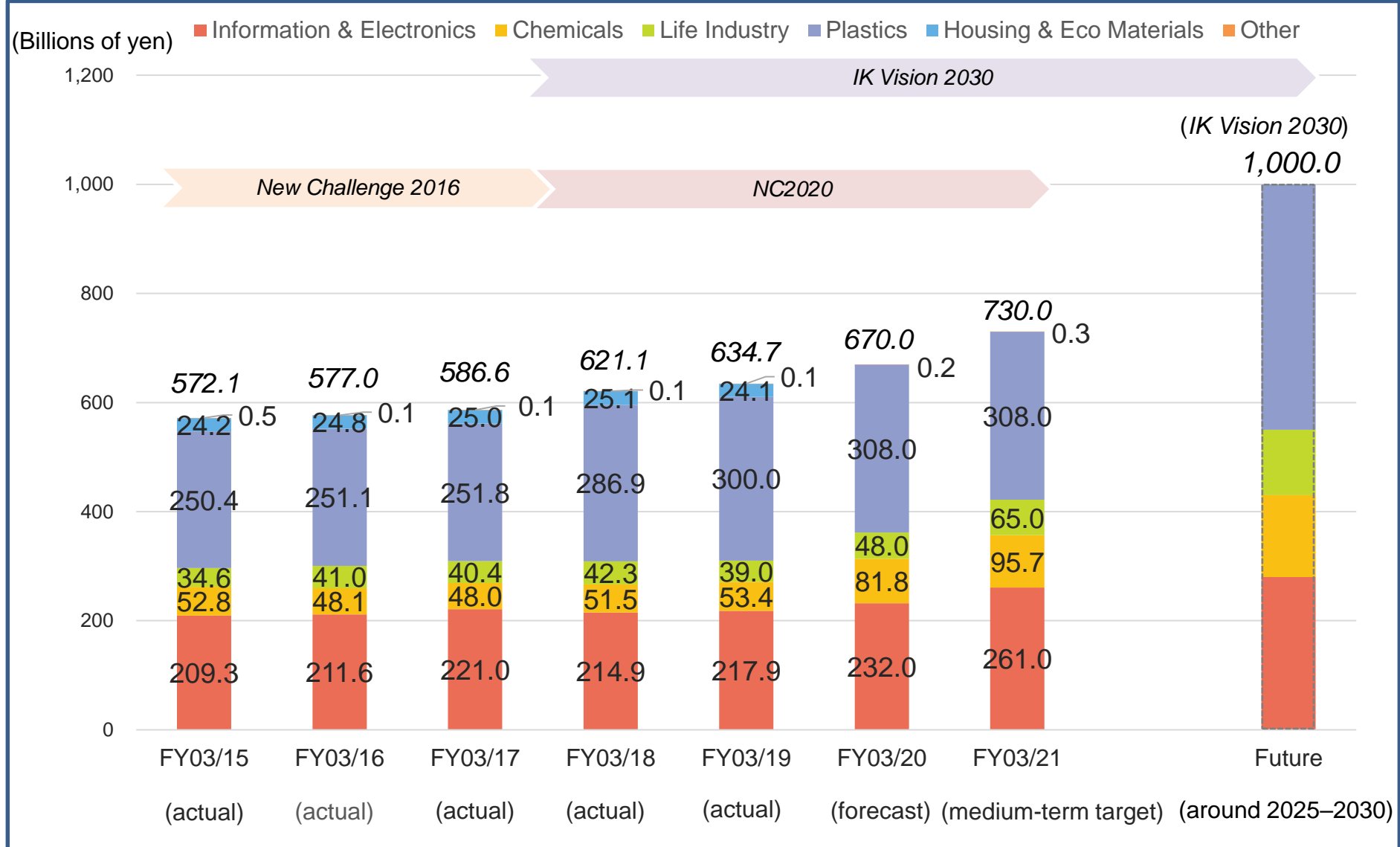
Segment	Operating environment
Information & Electronics	<ul style="list-style-type: none">• The liquid crystal business is poised to increase slightly in the medium term; panel display production continues shifting to China.• The photocopier and printer industries are mature, but room for growth exists 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



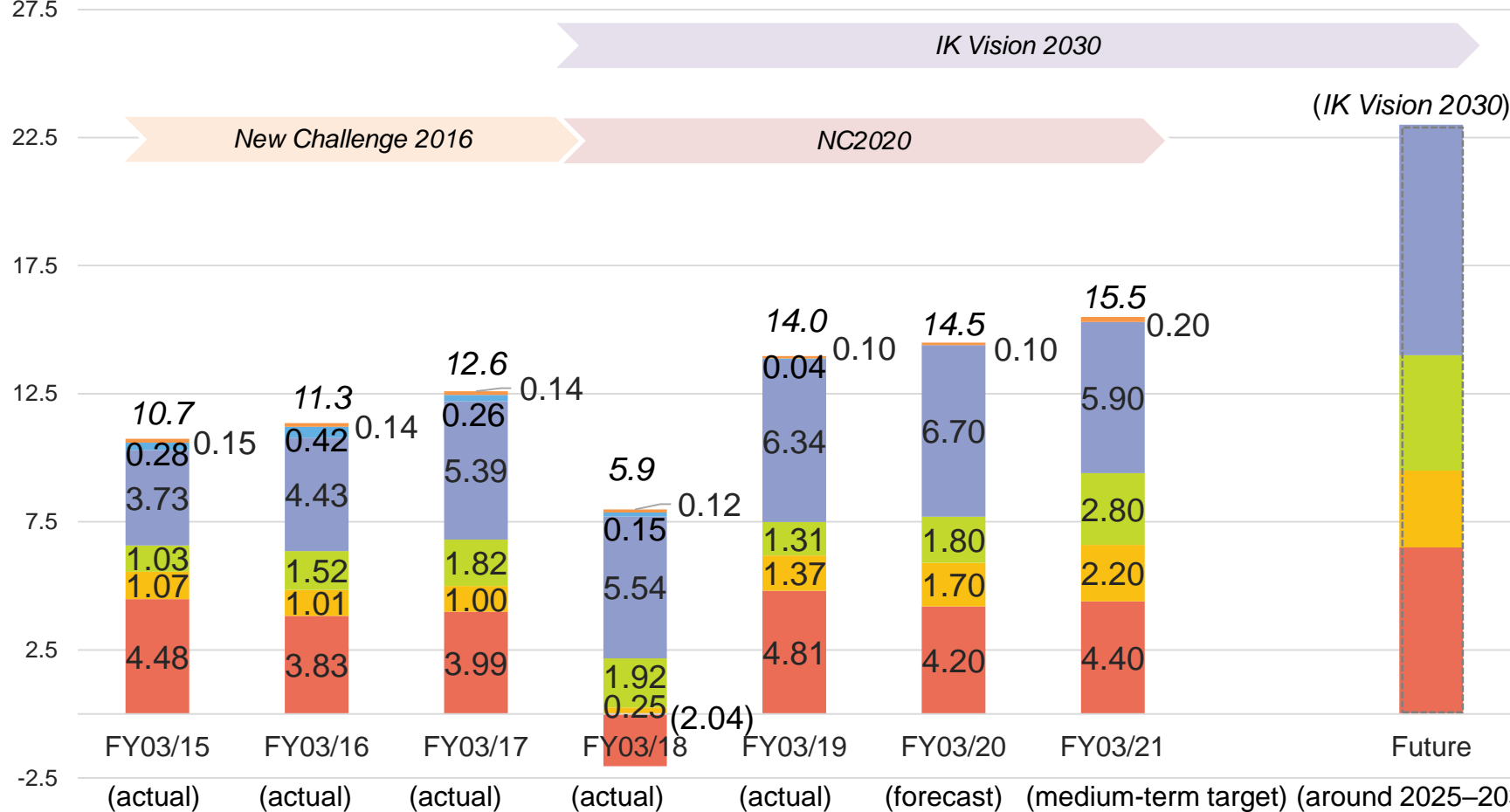
Note: In FY03/20, the Housing & Eco Materials segment was combined with the Chemicals segment.

(Reference) Operating Profit by Segment under NC2020



(Billions of yen)

Information & Electronics Chemicals Life Industry Plastics Housing & Eco Materials Other



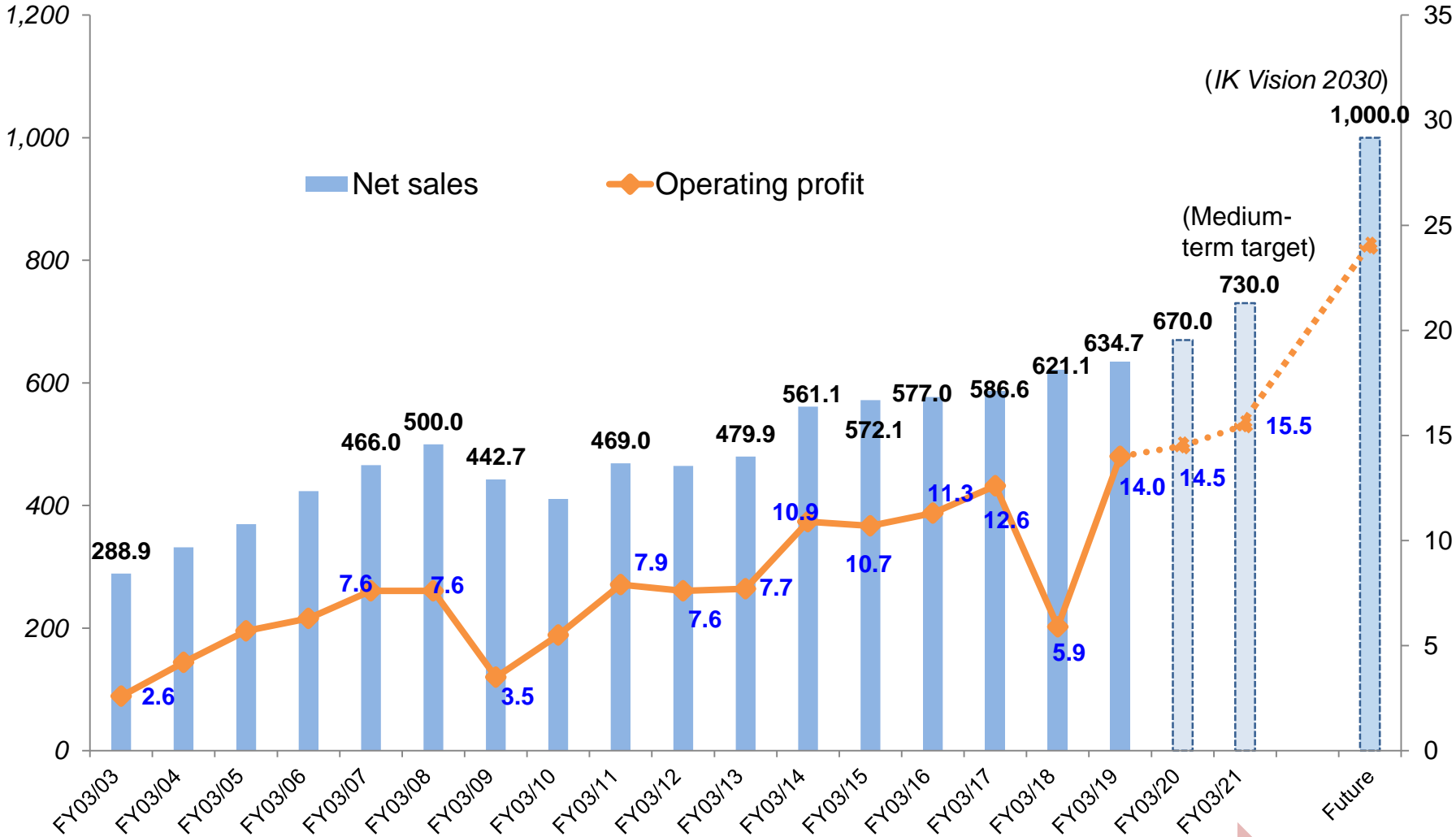
Note: In FY03/20, the Housing & Eco Materials segment was combined with the Chemicals segment.

(Reference) Net Sales and Operating Profit



(Net sales: Billions of yen)

(Operating profit: Billions of yen)



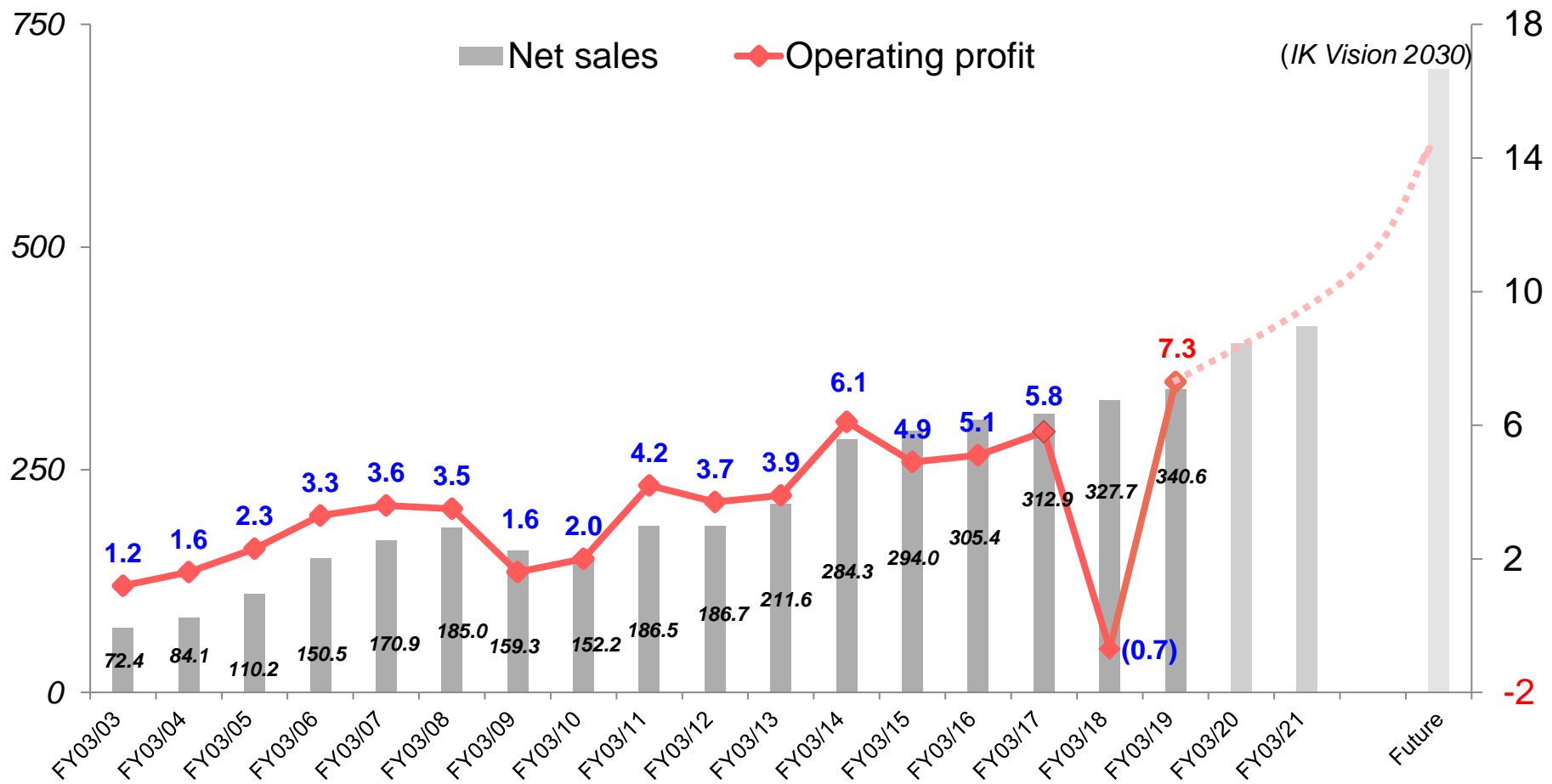
NC2020 (Around 2025–2030)

(Reference) Overseas Sales and Operating Profit



(Net sales: Billions of yen)

(Operating profit: Billions of yen)



(IK Vision 2030)

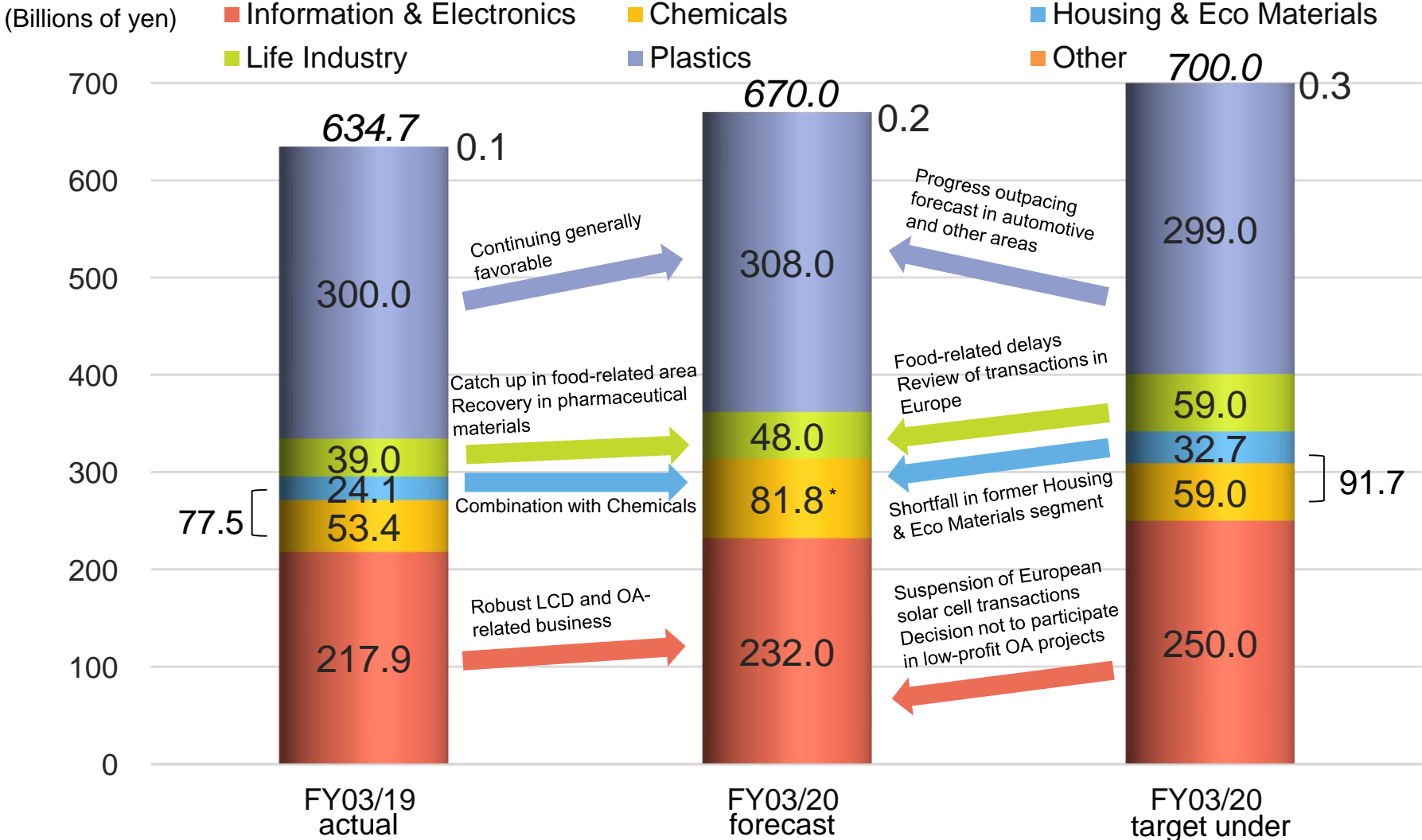
JPY per USD 119.9 107.1 104.2 118.0 119.1 114.1 91.0 92.1 81.4 77.7 79.8 100.1 109.7 120.1 108.3 110.8 110.9

NC2020

(Around 2025–2030)

Net sales

(Billions of yen)

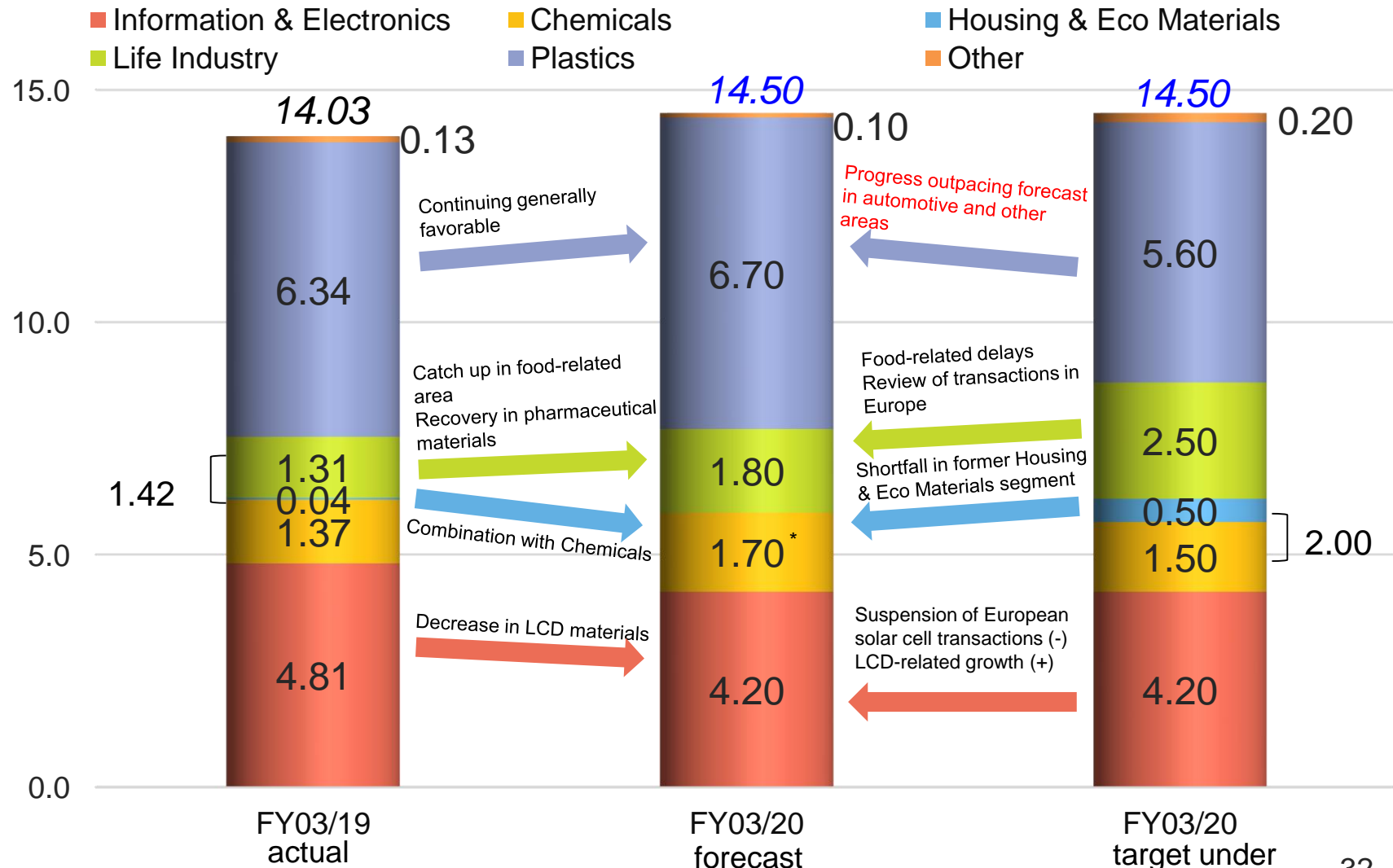


* In FY03/20, the Housing & Eco Materials segment was combined with the Chemicals segment. In FY03/20, performance in the Chemicals segment comprises ¥56.8 billion from the former Chemicals segment and ¥25.0 billion from the former Housing & Eco Materials segment.



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

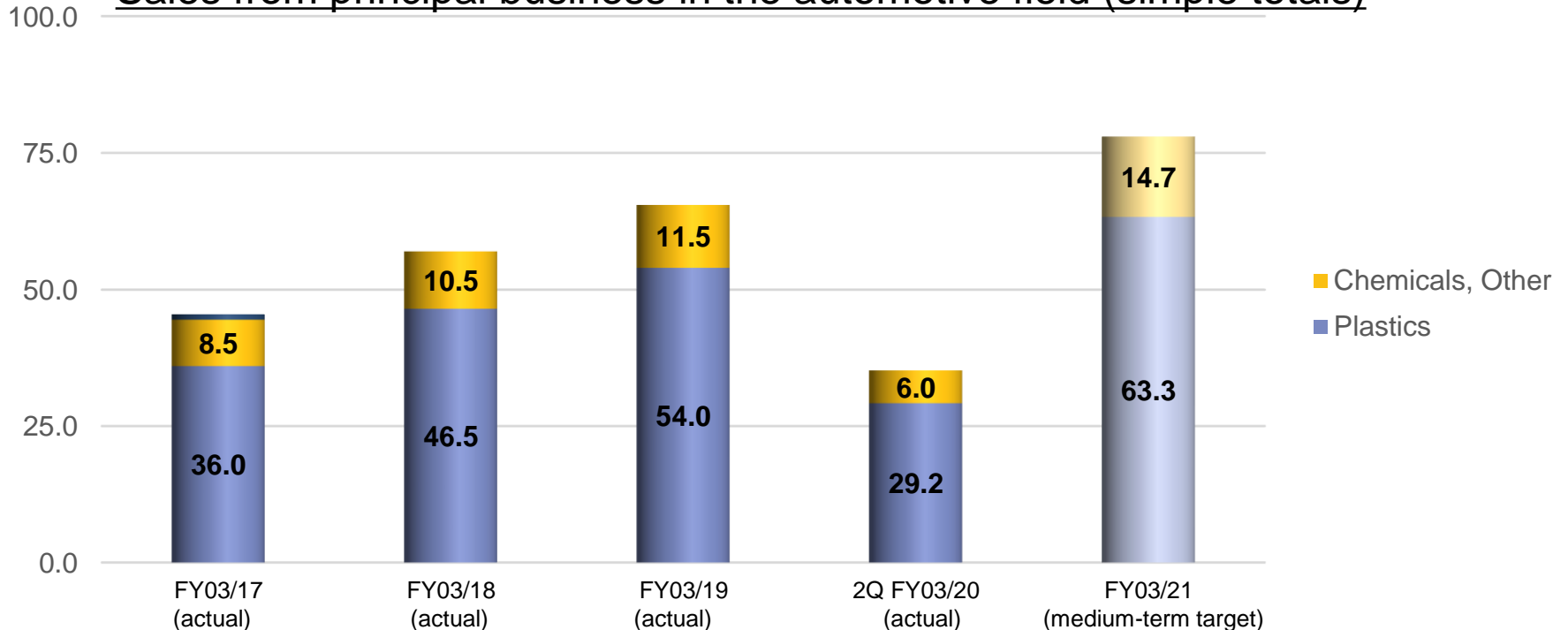
Plastics: We are working to increase sales of plastics to global customers, and are also expanding in-country sales.

Sales to Japanese automobile parts manufacturers were strong, despite sluggishness in the Chinese market

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: Results for past fiscal years include certain amounts that have been updated.

Figures from FY03/20 have been adjusted from initial forecasts, taking the most recent conditions into consideration.

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



Principal initiatives in the environment and energy fields

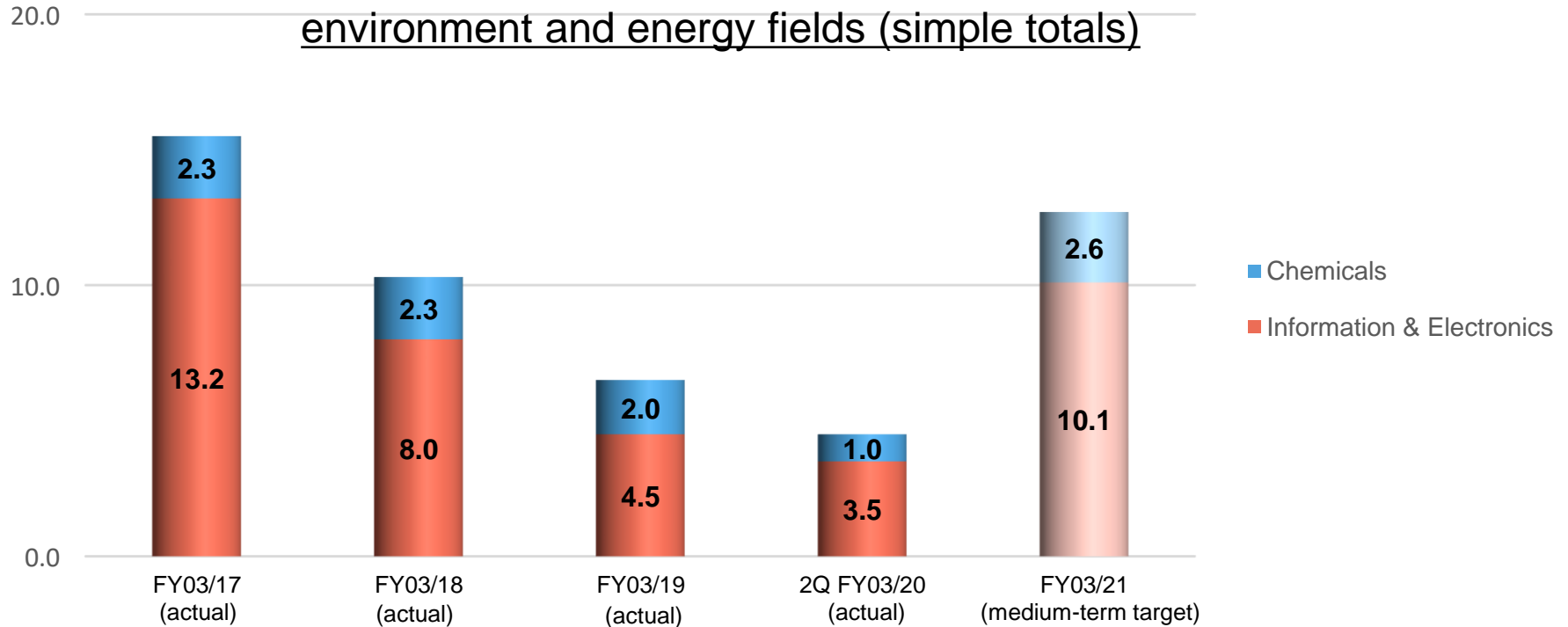
Information & Electronics: We are focusing on high value-added material and system sales as performance in solar sells drops sharply due to the suspension of business at our European subsidiary

Sales of lithium-ion battery materials to manufacturers in 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: Results for past fiscal years include certain amounts that have been updated.

Figures from FY03/20 have been adjusted from initial forecasts, taking the most recent conditions into consideration.

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

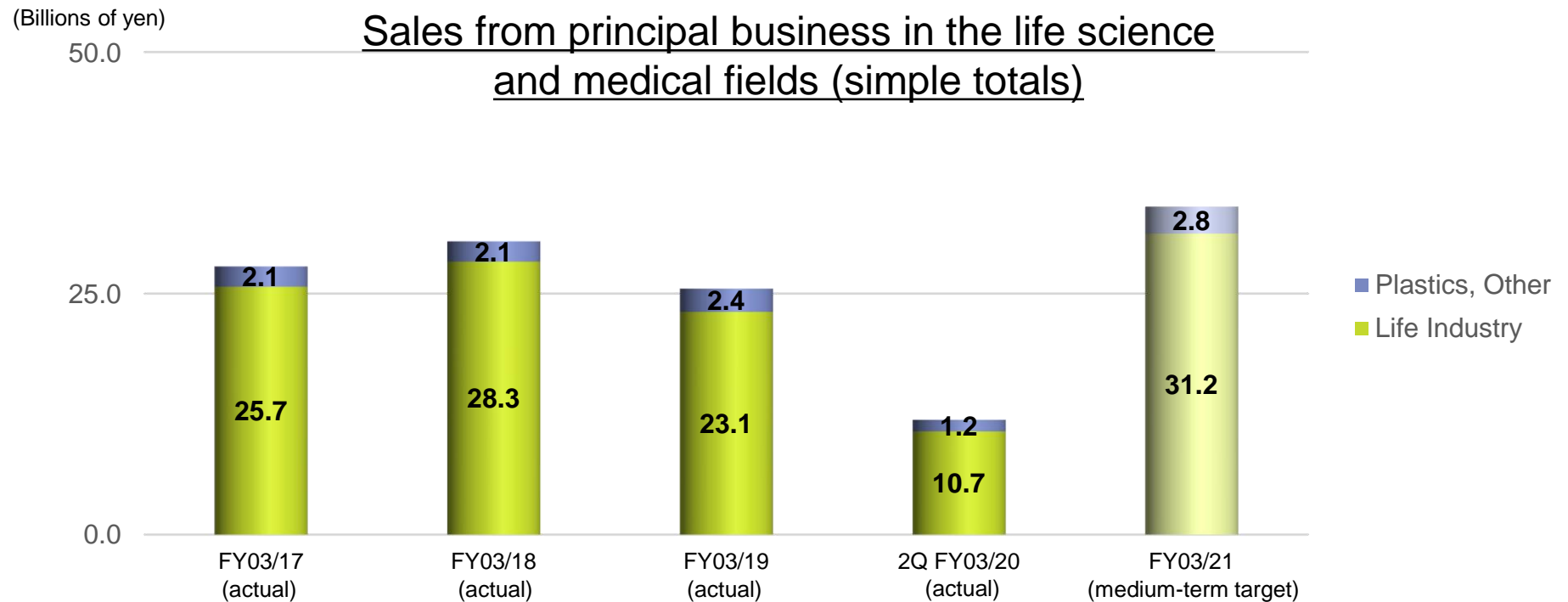


Principal initiatives in the life science and medical fields

Life Industry: Despite growth in sales of pharmaceutical ingredients (APIs and intermediates), we faced unstable supply caused by environmental issues in China and lagging sales in the field of advanced medicine

In household products, we are concentrating on overseas sales of Japanese-made products.

Plastics: We aim to sell plastics to medical device manufacturers (for use in syringes and other products).



Notes: Results for past fiscal years include certain amounts that have been updated.

Figures from FY03/20 have been adjusted from initial forecasts, taking the most recent conditions into consideration.

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



Principal initiatives in the agricultural field

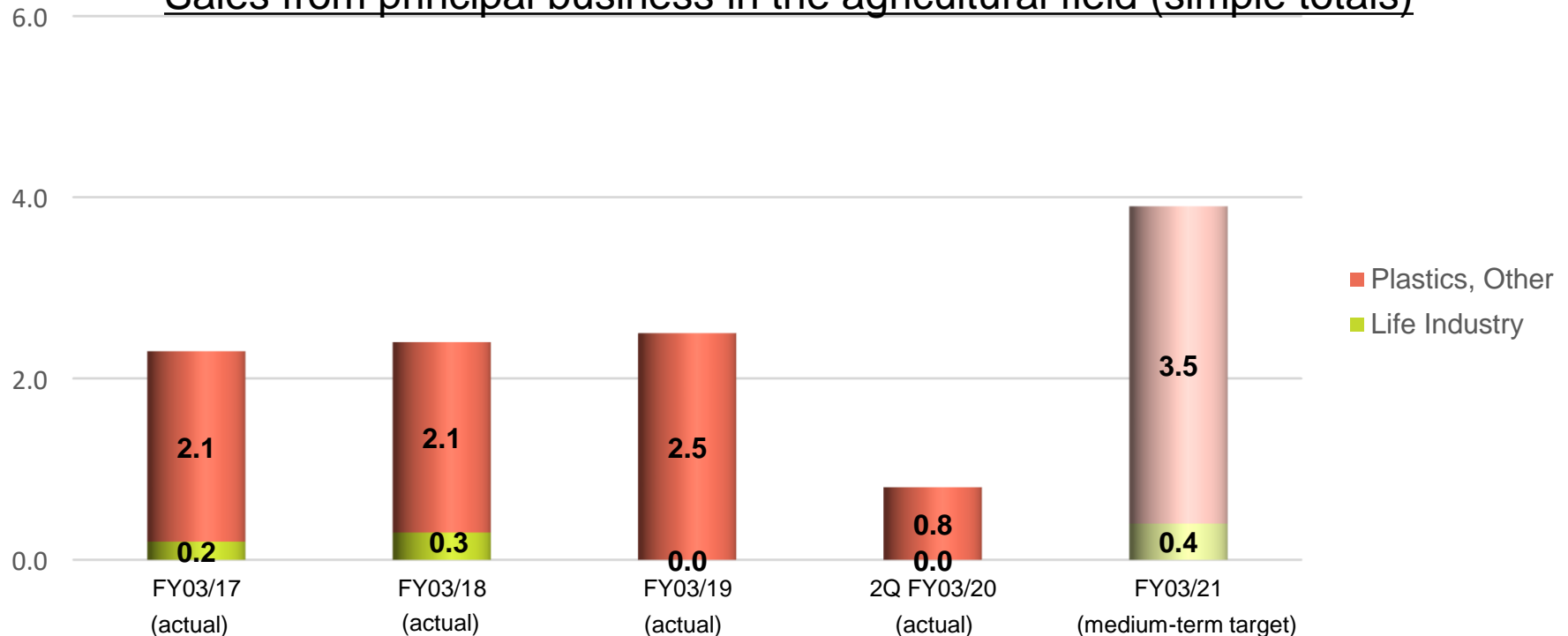
Life Industry: We are promoting the crop cultivation business in Hokkaido, centering on blueberries and garlic. Initial shipments of blueberries were small but were praised for their high quality.

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: Results for past fiscal years include certain amounts that have been updated. Figures indicated above exclude sales of refrigerated and frozen products. Figures from FY03/20 have been adjusted from initial forecasts, taking the most recent conditions into consideration.

(Reference) Further Expansion and Deeper Involvement in Overseas Businesses

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



Performance in Q2 FY03/20 fell below forecast as new model production at Japanese automobile manufacturers entered an adjustment phase. Results are expected to recover in 2H.

FY03/19

2Q FY03/20

FY03/20

Sales of 6,700 tonnes

Sales of 4,300 tonnes

Forecast sales of 9,600 tonnes



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

Production capacity: 15,000 tonnes/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)



Growth in Q2 FY03/20 sales was lower than expected due to sluggish production at major customers.

The business for two-wheeled vehicles is set to launch in 2H.

FY03/19

2Q FY03/20

FY03/20

Sales of 10,200 tonnes

Sales of 4,600 tonnes

Forecast sales of 9,600 tonnes



Company: IK PLASTIC COMPOUND PHILS. INC.

Production capacity: 10,800 tonnes/year

Location: Laguna Province, Philippines

Commenced business and production in July 2014

Board of Directors evaluation

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

FY03/18

Conducted third-party evaluation

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

FY03/19

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

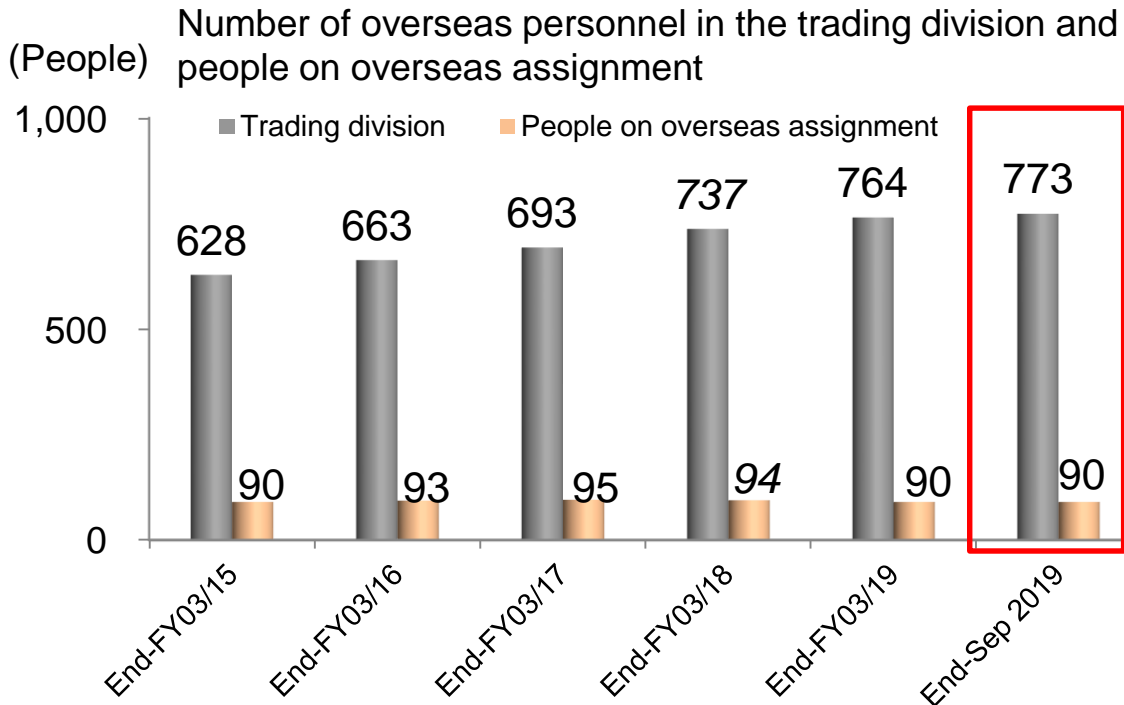
⇒ In April 2019, disclosed summary of evaluation and measures going forward

FY03/20

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

Expanding human resources and accelerating training efforts to enhance quality

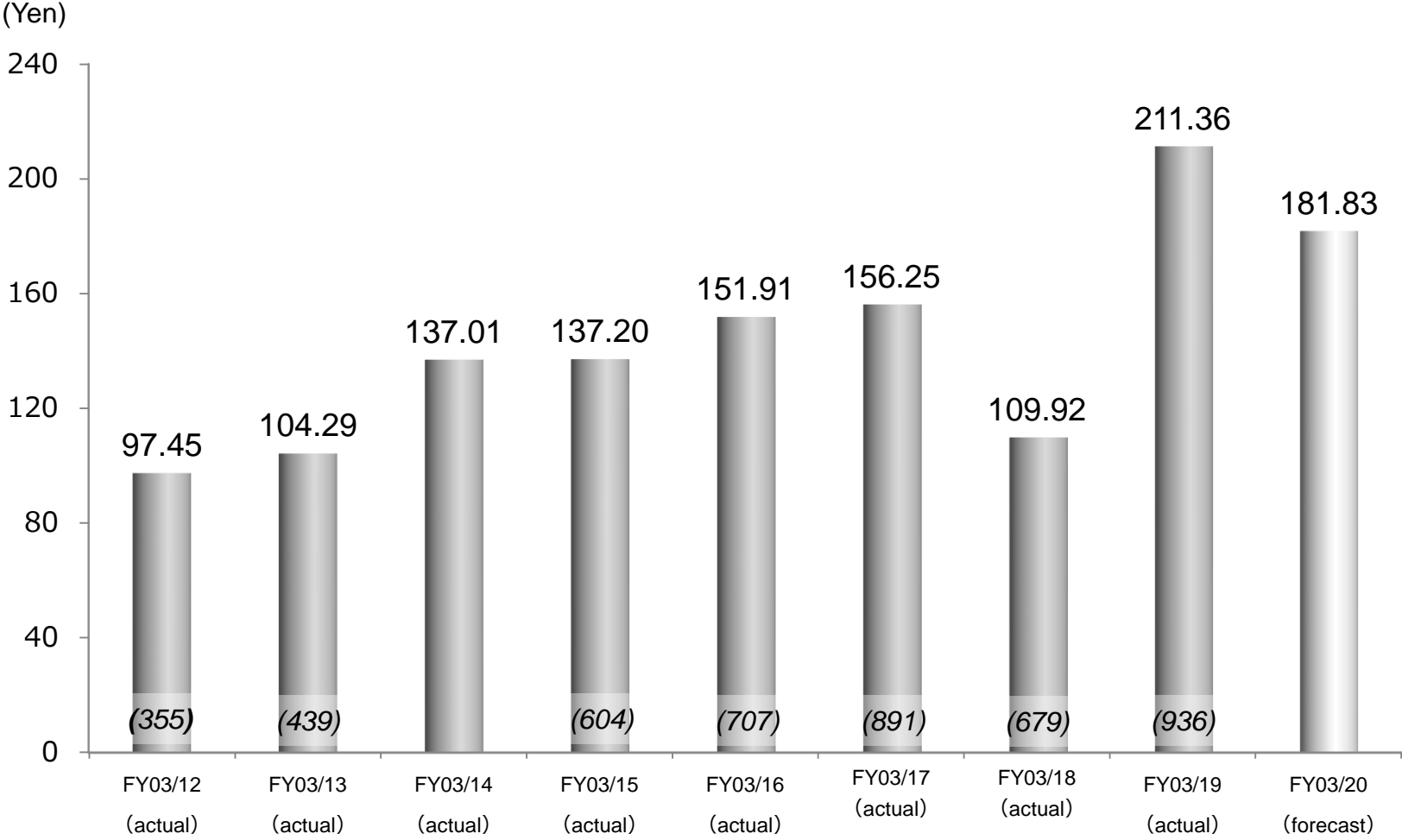
- ✓ We conducted workshops at 4 locations in 3 countries to promote “IK Values.”
Launched in 2018, we hold these workshops at 36 locations in 14 countries overseas
- ✓ We continued to hold the Global Staff Meeting.
The meeting was held in Tokyo in May 2019 (attended by 13 local staff members and four Japanese staff members).



Global Staff Meeting participants and executives from the Head Office

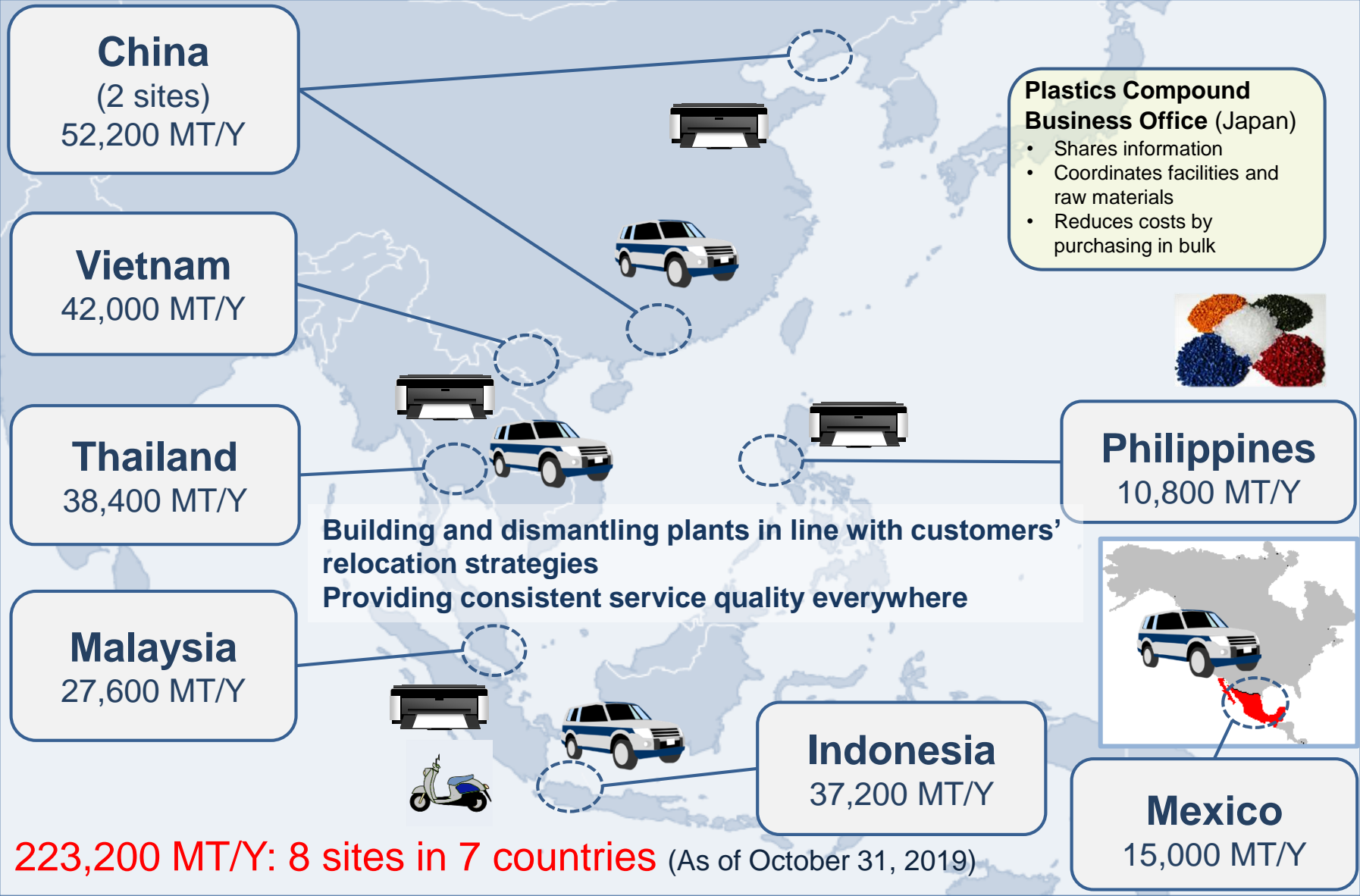
Note: The number of people on overseas assignment is as of the first day of the following month.

(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) Annual Production Capacity for Plastic Compounds



(Reference) Company Overview

Name	Inabata & Co., Ltd.
Founded	October 1, 1890
Incorporated	June 10, 1918
Capital stock	¥9,364 million
Representative	Katsutaro Inabata, president and CEO
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	644 (4,263 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	19,206
Major shareholders (top three and percentage ownership)	Sumitomo Chemical Co., Ltd. (22.8%) The Master Trust Bank of Japan, Ltd. (Trust Account) (3.6%) Japan Trustee Services Bank, Ltd. (Trust Account) (3.4%)

The Company owns 2,710,182 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 September 30, 2019)

□ IR-related inquiries:

IR Department, Financial Management Office

Inabata & Co., Ltd.

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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.