

Implementation of Evaluation (self-evaluation) of the Board of Directors for Fiscal 2016
and Future Measures

With the aim of increasing corporate value through enhancing the effectiveness and transparency of the board of directors, Inabata & Co., Ltd. (“the Company”) has implemented the evaluation (self-evaluation) of the board of directors for fiscal 2016. The Company hereby announces the summary and future measures.

1. Evaluation methodology

- ✓ Each item in the questionnaire was decided by the director in charge (* 1) based on the questionnaire of fiscal 2015 and the results of its evaluation and analysis, and after consulting with an outside consultant in charge of collection.
- ✓ The questionnaire (* 2) determined in the above were distributed to directors and audit & supervisory board members, and responses were obtained from all of them.
- ✓ After the outside consultant collected the responses, a working group for the evaluation of the board of directors (* 3) carried out a simplified analysis and compilation, and the director in charge reported to the board of directors.
- ✓ After sufficient verification by the board of directors of the content of the report, the direction of future measures was decided, as described in 3. below.

2. Regarding the analysis and evaluation

- It was confirmed that the size and composition of the board of directors (6 internal directors and 3 outside directors), which is the key to corporate governance, are generally appropriate at present. However, the future need for change in the composition of the board of directors has also been recognized.
- It was established that, due to a culture of respecting open discussion and under appropriate management by the chairperson, lively discussions are conducted at meetings of the board of directors. Moreover, it was considered that the contribution of outside directors and audit & supervisory board members to discussions was significant.

Concerning the following three items that were recognized as issues in the fiscal 2015 evaluation:

- In regard to discussions on medium and long term issues, there was improvement compared to the previous fiscal year. However, it was also pointed out that there is need for deeper discussions.
- In regard to the content and the amount of discussion topics submitted to the board of

directors, there was improvement as a result of the revision of submitting standards. Hence, the evaluation was high overall, however, it was also pointed out that there is need for further revision.

- In regard to the provision of IR information from the executives to the board of directors, improvement was achieved.

Also, the following two items were recognized as future issues.

- Enhancement of succession planning and promotion of diversity
- Further communication and collaboration among outside directors and audit & supervisory board members.

3. Future measures

The following initiatives will be taken to deal with the issues recognized from the results of the above-mentioned analysis and evaluation.

(1) Fuller discussion of medium and long term issues by the board of directors

The review of the function and role of the board of directors will be continued, a system that allows the board of directors to focus on more important matters will be put in place, and there will be deeper discussions of medium and long-term management issues.

(2) Enhancement of succession planning and promotion of diversity

Under the recognition that these are important issues for the Company, there will be more in-depth discussion by the board of directors and at the Nominating and Remuneration Committee.

(3) Further communication and collaboration among outside directors and audit & supervisory board members

In March 2017, the Company created an occasion in which outside directors and audit & supervisory board members could exchange opinions. The Company will continue to consider ways which would deepen their communication and collaboration.

In fiscal 2017, the evaluation of the board of directors is scheduled to be carried out by a third party.

End

(* 1) Director in charge of Financial Management and Investor Relations

(* 2)

Major items from the board of directors evaluation questionnaire

1. Operational status of the board of directors
2. Composition of the board of directors

3. Composition and role of committees (Nominating and Remuneration Committee)
 4. Support system for outside directors
 5. Role of and expectations toward audit & supervisory board members
 6. Relationship with investors and shareholders
- (* 3) Financial Management Office