

Overview of Effectiveness Evaluation of the Board of Directors for Fiscal 2017 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 (third-party evaluation) of the board of directors for fiscal 2017. The Company hereby announces the summary and future measures.

1. Target: All current 9 directors and 4 audit & supervisory board members as of March 31, 2018
2. Evaluation methodology
  - ✓ The Company hired an outside consultant as an evaluator (“the outside evaluator”), had evaluation targets answer a questionnaire, and conducted individual interviews.
  - ✓ Each item in the questionnaire was decided by the outside evaluator based on the questionnaire for the evaluation (self-evaluation) of the board of directors for fiscal 2016 and the results of its evaluation and analysis, and after conducting interviews with the president, director in charge (\*1), and 1 outside director. (\*2)
  - ✓ The questionnaire determined in the above was distributed to the targets, and responses were obtained from all of them.
  - ✓ The outside evaluator conducted individual interviews with each target based on the results of answers to the questionnaire.
  - ✓ The outside evaluator collected the results of the analysis and evaluation and reported these results to the board of directors of the Company.
  - ✓ After verification by the board of directors of the content of the report, the direction of future measures was decided, as described in 4. below.

3. Regarding the overview of results of analysis and evaluation

According to the results of the analysis and evaluation by the outside evaluator, the operational status of the board of directors of the Company and the support system for outside directors was highly rated overall. The results also confirmed that in general the board of directors of the Company executes its functions appropriately while maintaining effectiveness.

It was confirmed that the board of directors has secured sufficient time for discussions and is striving for further discussions in order to deepen discussions regarding medium and long term issues, one issue identified last fiscal year. The results also confirmed initiatives to increase opportunities to

share information and opinions to ensure sufficient communication between outside directors and audit & supervisory board members.

However, the board of directors of the Company identified the following issues for consideration in the future after verifying and evaluating the results based on the analysis by the outside evaluator.

- The Company should further strengthen initiatives to be aware of and manage risk
- Regarding succession planning, construct initiatives for long-term personnel development, in particular development of top management
- While communication between outside directors and audit & supervisory board members has improved from the previous fiscal year, further increase opportunities

#### 4. Future measures

The Company will strive to further enhance the effectiveness of the board of directors by executing the following initiatives to deal with the issues recognized from the results of the above-mentioned analysis and evaluation.

- The Company will continuously review the risk management system (including the system of overseas subsidiaries) which is an important infrastructure that bolsters global management.
- Regarding succession planning, mainly the Nominating and Remuneration Committee will consider issues based on the results of this evaluation and deepen the discussions.
- The Company will continue to execute initiatives regarding issues identified last fiscal year, such as “promotion of diversity” and “further communication among outside directors and audit & supervisory board members.”
- The Company will continue to evaluate the effectiveness of the board of directors as the content of discussions of the board of directors will change along with changes in management and business stages.

In fiscal 2018, an evaluation (self-evaluation) of the board of directors is scheduled to be implemented.

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. Function and role of the board of directors
3. Composition of the board of directors

4. Composition and role of the Nominating and Remuneration Committee
5. Operational status of the Nominating and Remuneration Committee
6. Support system for outside directors
7. Role of and expectations toward audit & supervisory board members
8. Relationship with investors and shareholders
9. Overall effectiveness of the board of directors and governance system
10. Self-evaluation