
Corporate Governance

April 2020

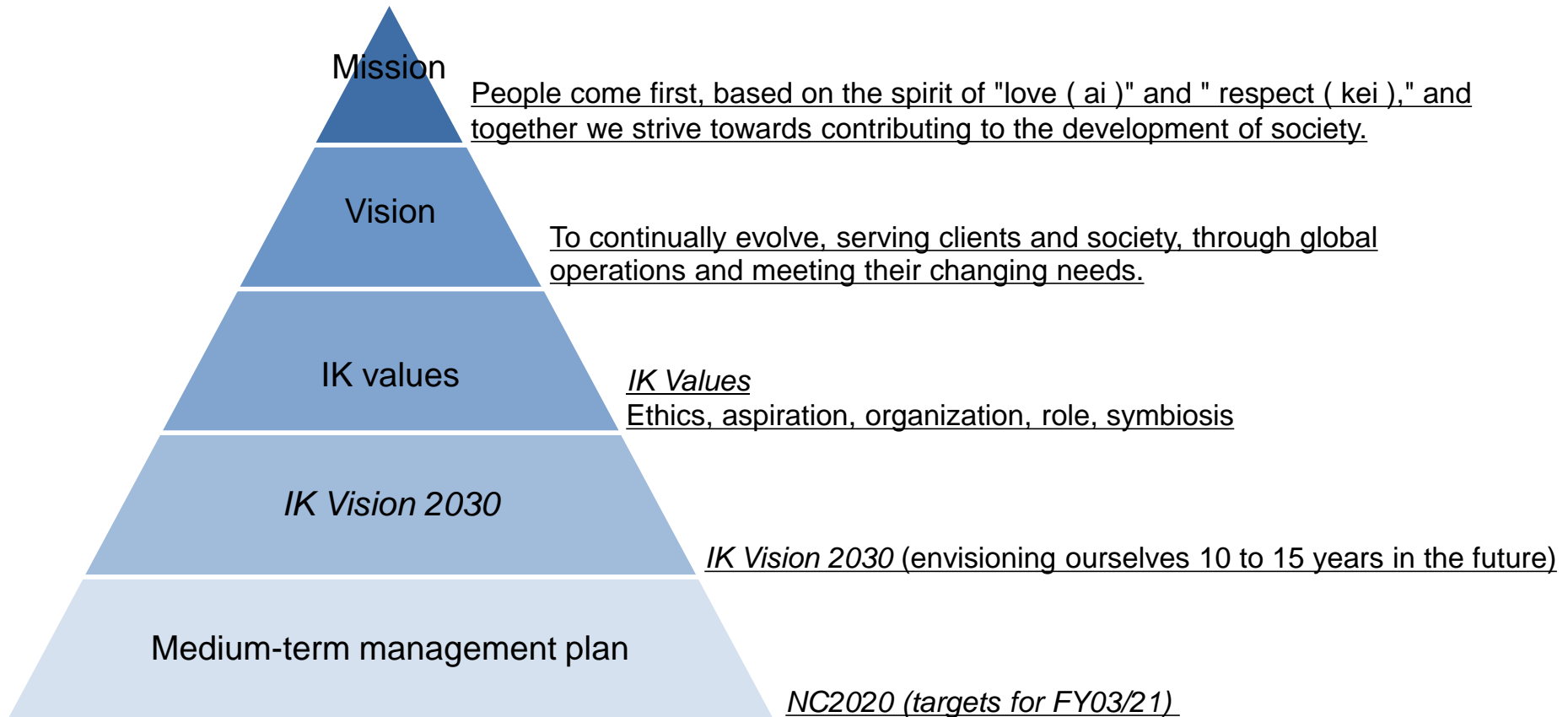
Inabata & Co., Ltd.

1. Long-term Vision and Medium-Term Management Plan	...	P 3
2. Corporate Governance	...	P 13
Basic Views on Corporate Governance	...	P 14
Corporate Governance Structure	...	P 15
Outside Officers	...	P 16
Nominating and Remuneration Committee	...	P 18
Evaluation of Board of Directors	...	P 19
Officer Remuneration	...	P 21
Strategically Held Shares	...	P 23
Major Business Risks	...	P 24
Management of Overseas Subsidiaries	...	P 25
Initiatives in the Environment and Energy Fields	...	P 26

Long-term Vision and Medium-term Management Plan

Positioning of *NC2020*, Our Medium-Term Management Plan

◆ *IK Vision 2030* was drawn up in May 2017, prior to *NC2020*.



◆ Inabata's aspirations for itself around 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

Key Initiatives for *NC2020*



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

Quantitative Targets of *NC2020*



◆ *NC2020*, a four-year medium-term management plan ending in FY03/21

	FY03/18 actual	FY03/19 actual	3Q FY03/20 actual	FY03/20 Forecast (vs. <i>NC2020</i> targets)	<i>NC2020</i> target for FY03/21
Net sales	621.1	634.7	458.5	670.0	730.0
Operating profit	5.9	14.0	10.4	14.5	15.5
Ordinary profit	6.3	14.3	11.5	14.5 (-0.5)	16.0
Profit attributable to owners parent	6.7	12.8	9.1	11.0	12.0
Net D/E ratio	0.28	0.19	0.17	0.4x or less	0.4x or less
Equity ratio	40.1%	44.5%	46.0%	—	—
Exchange rate	USD1=JPY110.85	USD1=JPY110.92	USD1=JPY108.65	USD1=JPY110.00	USD1=JPY110.00

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

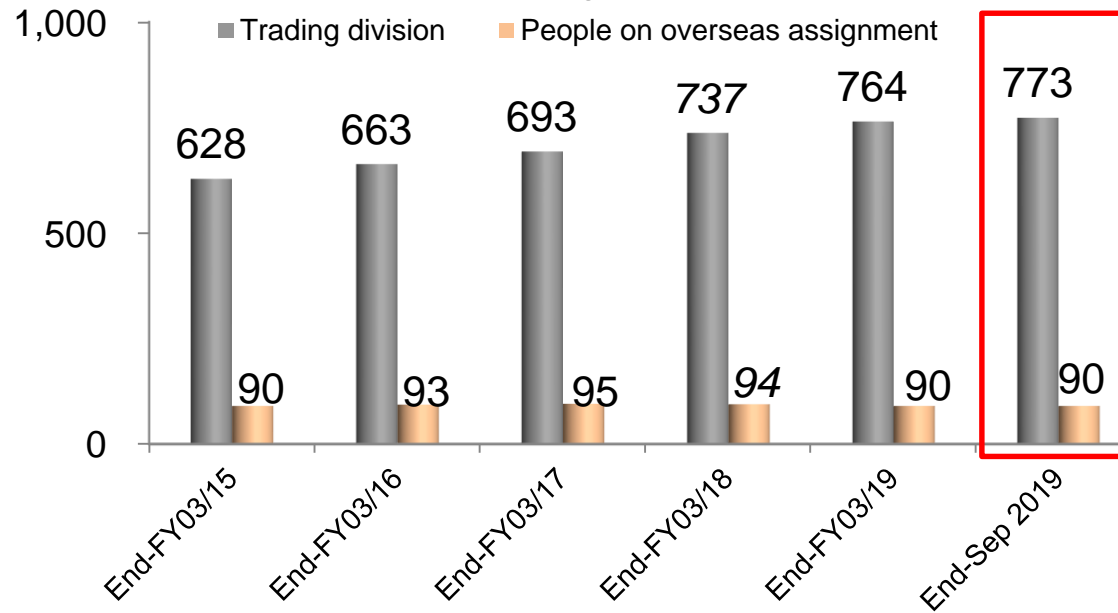
NC2020 Key Initiatives No.6 Establishment of Global Human Resource Management



Expanding human resources and accelerating training efforts to enhance quality

- ✓ We conducted workshops 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).

Number of overseas personnel in the trading division and people on overseas assignment



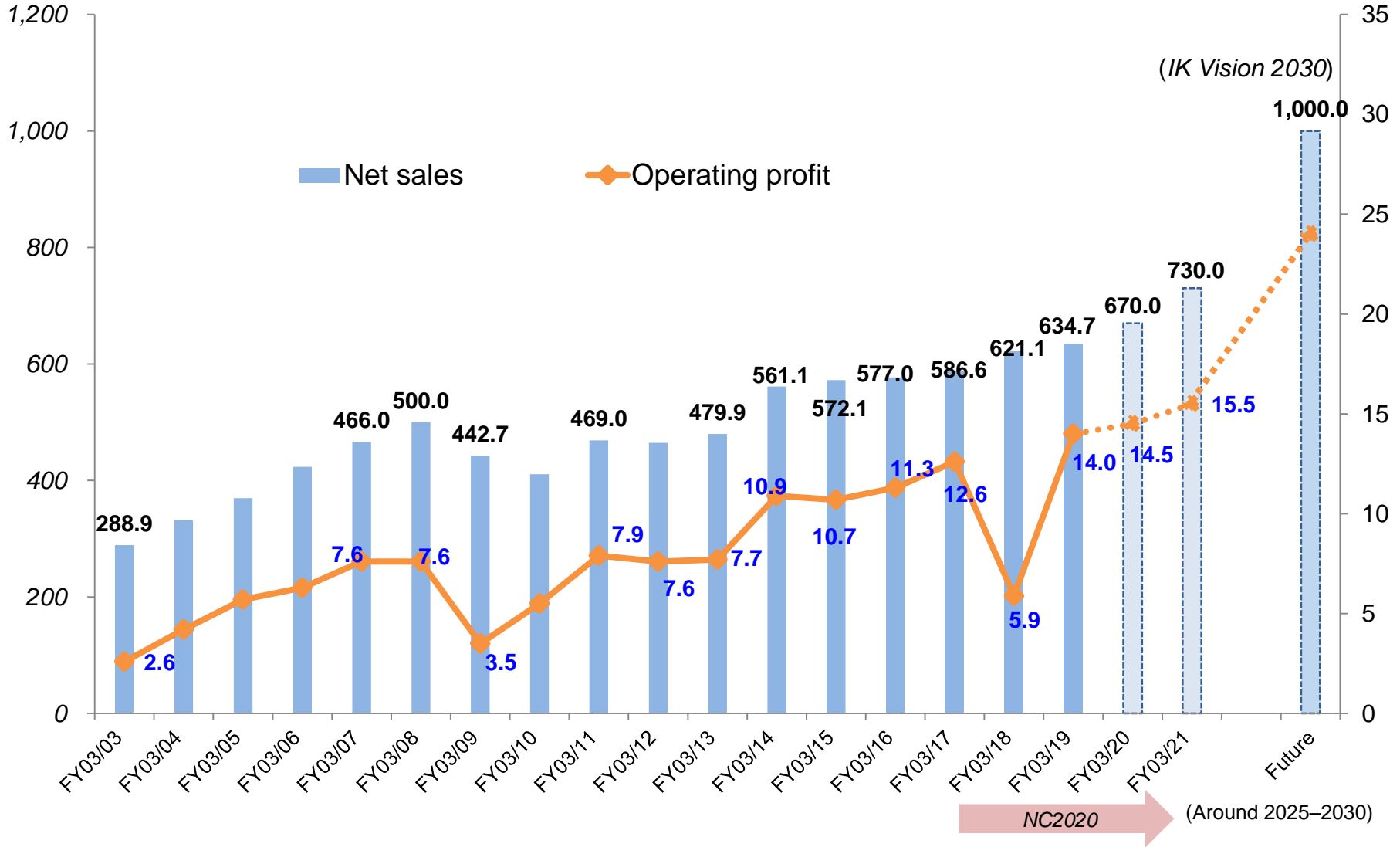
Global Staff Meeting participants and executives from the Head Office

Net Sales and Operating Profit



(Net sales: Billions of yen)

(Operating profit: Billions of yen)



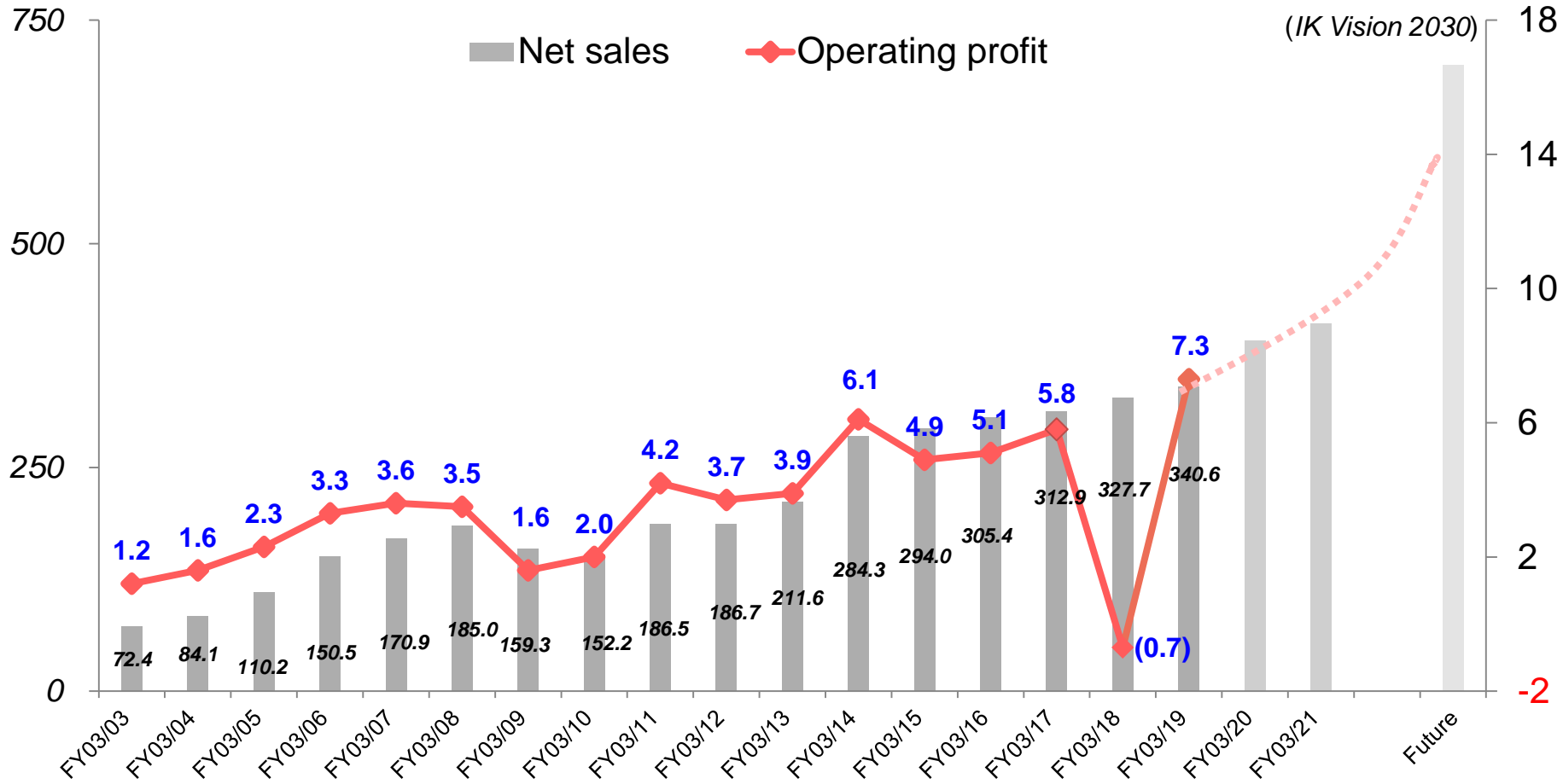
Note: Recorded allowance for doubtful accounts at a European subsidiary in FY03/18:
Full Year: ¥6.65 billion

Overseas Sales and Operating Profit



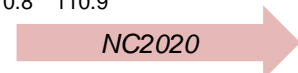
(Net sales: Billions of yen)

(Operating profit: Billions of yen)



(IK Vision 2030)

(Around 2025–2030)



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

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

Dividends per share:

■ FY03/20

interim	¥20 (actual)
year-end	¥33 (forecast)

【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 03/2020)

•No. of Shares Acquired: 300,000

•Value of Shares Acquired

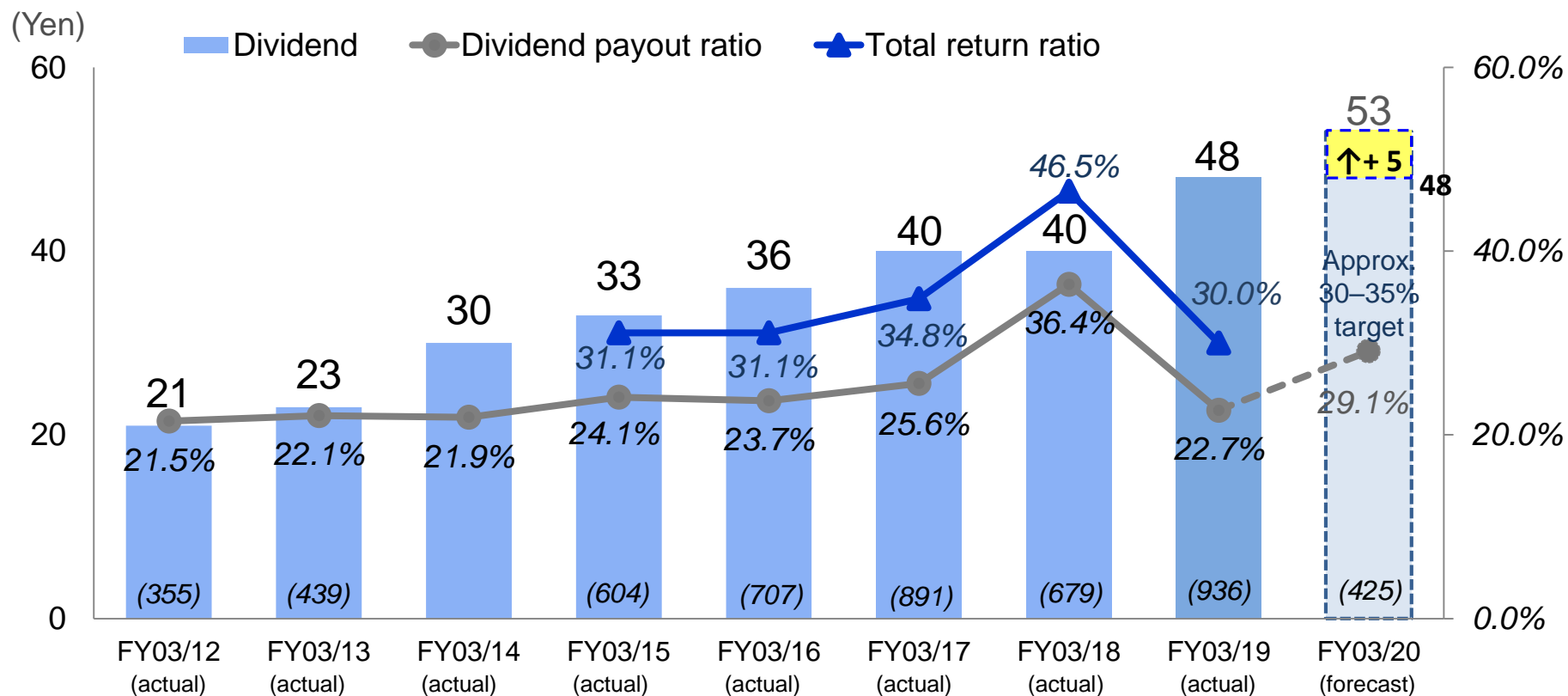
: 425 million JPY

* Total return ratio (%) = (dividend amount + amount of treasury shares acquired) / consolidated net income x 100

Annual dividends per share and indicators of shareholder return

FY03/20 dividend forecast revised upward by ¥5 per share

(disclosed on February 7, 2020)



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.

Corporate Governance

A strong corporate governance foundation is essential to achieving our Mission and Vision

[Vision]

To continually evolve, serving clients and society, through global operations and meeting their changing needs.

[Specific initiatives implemented to strengthen corporate governance]

Jun. 2006: Shortened term of directors from two years to one year

Jun. 2013: Appointed one independent outside director

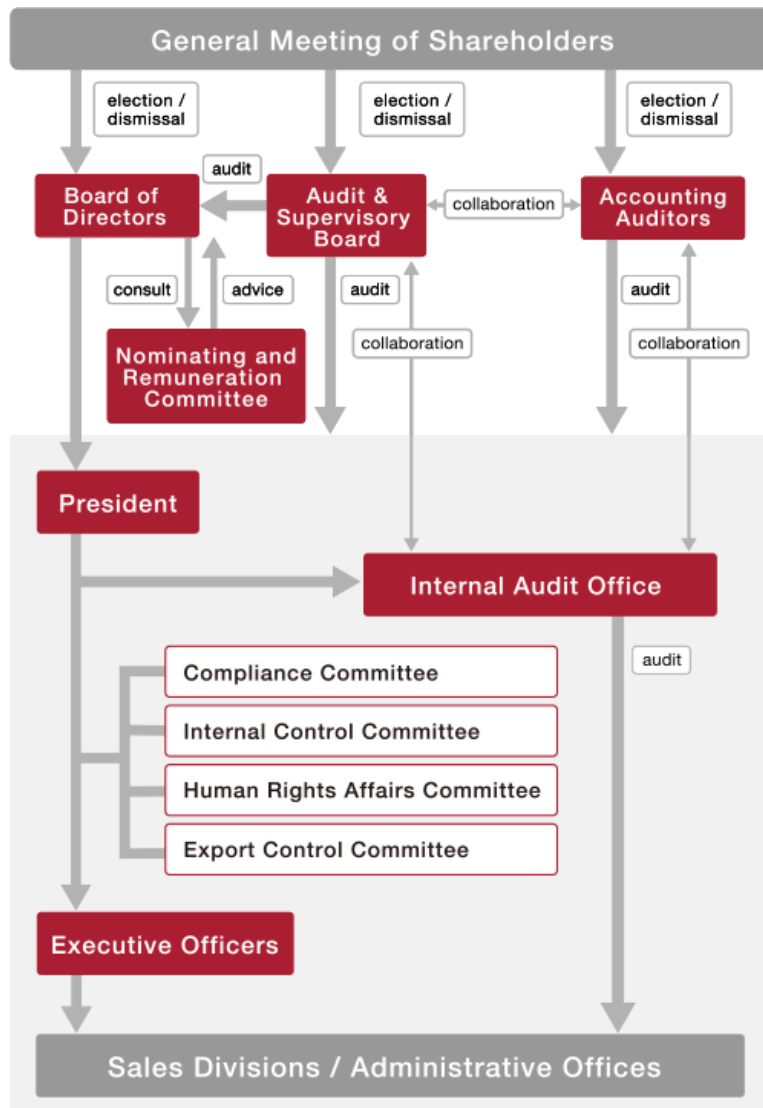
Jun. 2015: Increased number of independent outside directors to two

Nov. 2015: Established Nominating and Remuneration Committee as a voluntary advisory body

Introduced evaluation of the Board of Directors

Jun. 2018: Introduced performance-based stock remuneration scheme

Ongoing: Continuing to reduce strategically held shares



Decision-making by the Board of Directors

Board meetings are attended by outside directors with extensive insight and expertise in corporate management.

Company with Audit & Supervisory Board

Audits are performed by auditors, including several independent outside auditors with a high degree of expertise.

Composition of Board of Directors (Outside Directors)

▪ Three outside directors (of total of nine 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.



Toshiyuki Kanisawa*

Background

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

Reasons for appointment

Mr. Kanisawa has abundant experience as top management of a leading energy company.



Toshihisa Deguchi

Background

Former Representative Director and Executive Vice President - Sumitomo Chemical Co., Ltd.; Current Special Advisor - Sumitomo Chemical Co., Ltd. Current Director (Outside) - Sumitomo Bakelite Co., Ltd.

Reasons for appointment

Mr. Deguchi has extensive knowledge of the chemical industry and abundant experience as top management of a diversified chemicals manufacturer.



Kiyoshi Sato*

Background

Former President and CEO - Tokyo Electron Ltd.
Current Director (Outside) – Shibaura Machine Co., Ltd.
Current Director (Outside) – Mazda Motor Corporation

Reasons for appointment

Mr. Sato has abundant experience as top management of a leading producer of manufacturing equipment for semiconductors and flat panel displays.

(*) Mr. Toshiyuki Kanisawa and Mr. Kiyoshi Sato are registered as independent outside officers with the TSE.

Three outside Audit & Supervisory Board members (of total of four members)

Outside auditors are experts in finance, accounting, law, and other fields, with a high degree of independence, who monitor decisions made by the Board of Directors and the execution of duties by directors.

Name	(1) Background (2) Reasons for appointment
Yoshitaka Takahashi*	(1) Mr. Takahashi has served as an auditor of a listed company. (2) In light of his experience as an auditor of a listed company, Mr. Takahashi is expected to leverage his abundant experience and broad insight to conduct objective, proactive, and fair audits.
Shinji Morimoto*	(1) Mr. Morimoto is a certified public accountant. (2) As a certified public accountant, Mr. Morimoto is expected to conduct objective, proactive, and fair audits from a professional standpoint.
Katsuya Yanagihara*	(1) Mr. Yanagihara is an attorney. (2) As an attorney, Mr. Yanagihara is expected to conduct objective, proactive, and fair audits from a professional standpoint.

(*)Mr. Yoshitaka Takahashi, Mr. Shinji Morimoto and Mr. Katsuya Yanagihara are registered as independent outside officers with the TSE.

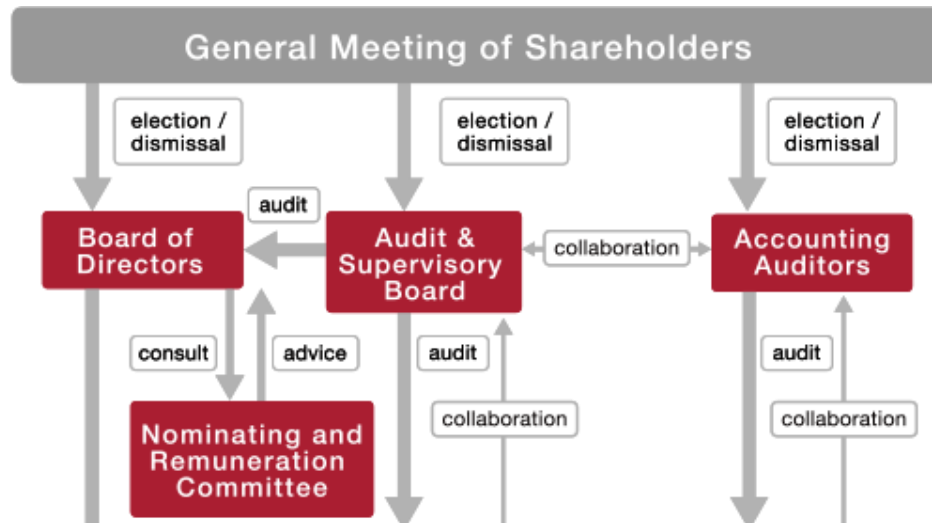
[Nominating and Remuneration Committee] (Voluntary)

Established in 2015

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

Independent outside directors are key members

Current membership: One internal director (chairperson) and two independent outside directors



Held five times during FY03/2020

Objective - To increase corporate value by enhancing the effectiveness and transparency of the Board of Directors

■ FY03/2016, FY03/2017

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

■ FY03/2018

Conducted third-party evaluation

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

■ FY03/2019, FY03/2020

Performed self-evaluation

⇒ In April 2020, disclosed evaluation summary, as well as future response

FY03/2020 (self-evaluation)

Summary of evaluation

- Composition and operation of Board of Directors received high marks.
- Open and lively discussions were confirmed.
- Outside officers (directors and auditors) made contributions.
- The composition, role, and operation of the Nominating and Remuneration Committee were appropriate.

= Outstanding issues and required measures =

- Need to further deepen discussion related to medium- to long-term issues.
- Further room to consider succession plan for outside officers.
- Need to further examine issues related to sustainability and promotion of diversity.
- The following three areas are reasonably adequate, but need to be further reinforced: (1) risk management, (2) communication among outside directors and auditors, and (3) dissemination of information to capital markets.

⇒ We plan to continue addressing the issues above.

Remuneration of internal directors

■ Cash remuneration

- Fixed remuneration
- Performance-based remuneration: Determined based on profit before income taxes (excluding gains on the sale of a portion of strategically held shares)

■ Performance-based stock remuneration

• **Board Benefit Trust (BBT)**

(Introduced in June 2018 to enhance motivation to contribute to medium- to long-term expansion in corporate value)

$$\begin{array}{l} \text{Points awarded in} \\ \text{the current fiscal year} \end{array} = \begin{array}{l} \text{Continuous service} \\ \text{points} \\ \text{(Fixed at 50\%)} \end{array} + \begin{array}{l} \text{Performance points} \\ \text{(Continuous service points} \\ \text{x performance coefficient*)} \end{array}$$

Officer Remuneration (2)

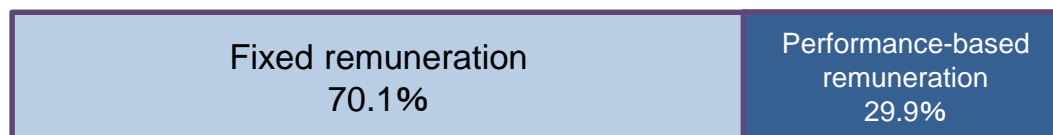
(Reference) Officer remuneration in FY03/2019

Officer category	Total remuneration amount (¥mn)	Total amount by remuneration type			No. of Officers
		Fixed	Performance-based	Board Benefit Trust (BBT)	
Internal directors	248	174	37	37* ³	6
Internal auditors	25	25	-	-	2* ¹
Outside directors and auditors	46	46	-	-	7* ²

*1, 2 Includes one officer who resigned at the end of the General Meeting of Shareholders on June 22, 2018.

*3 Provision for share-based remuneration for directors recorded in FY03/2019.

Resulting fixed remuneration and performance-based remuneration ratios for internal directors



[Policy on retention and reduction]

- Our decisions to retain or dispose of strategically held shares are based on whether or not they contribute to collaborative relationships, increase corporate value over the medium to long term, or lead to shareholder benefit.
- Each year, the Board of Directors considers the capital cost of each individual stock in a comprehensive investigation into the suitability of our strategically held shares.
- We cut back on shares that are not deemed to be strategically significant, paying due consideration to timing, as well as market and business impacts.

	Sales of other securities
FY03/15	¥730 million
FY03/16	¥1,421 million
FY03/17	¥5,150 million
FY03/18	¥9,106 million
FY03/19	¥5,395 million

- ◆ Counterparty credit risk
- ◆ Business investment risk
- ◆ Potential risk associated with overseas activities
- ◆ Currency fluctuation risk
- ◆ Commodity price fluctuation risk

In tandem with rapid growth in our overseas businesses in recent years, we have continued to strengthen the management structure for our overseas subsidiaries.

- ◆ Strengthening management control by headquarters
 - Build new information systems
 - Reinforce audits of operations of overseas subsidiaries
 - Strengthen credit risk control

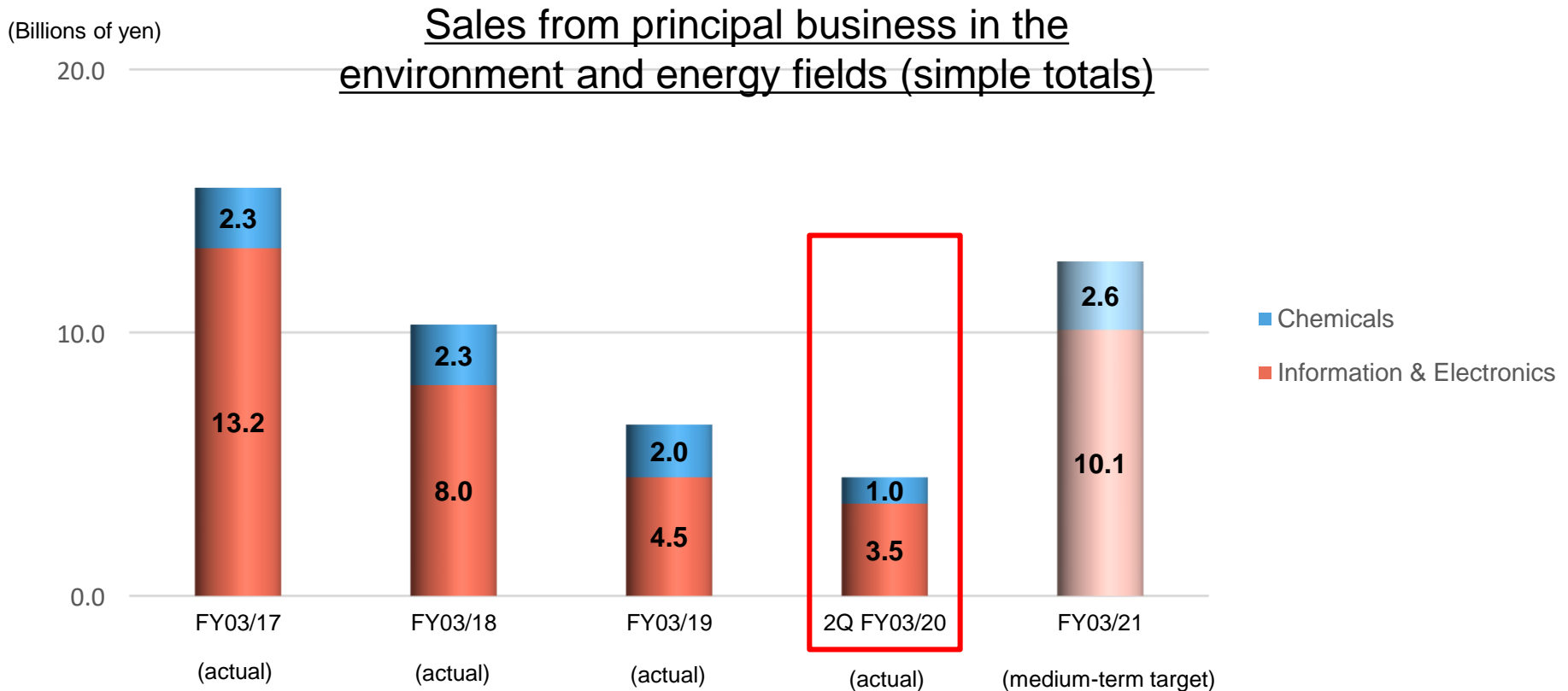
- ◆ Purchasing and inventory management
 - Reinforce onsite stocktaking and book inventory practices

- ◆ Operational management
 - Review operational rules of overseas subsidiaries, and disseminate and thoroughly instill them

NC2020 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.



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.

□ IR-related inquiries:

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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.