
Corporate Governance

March 2021
Inabata & Co., Ltd.

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Company Overview and Medium-Term Management Plan

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)

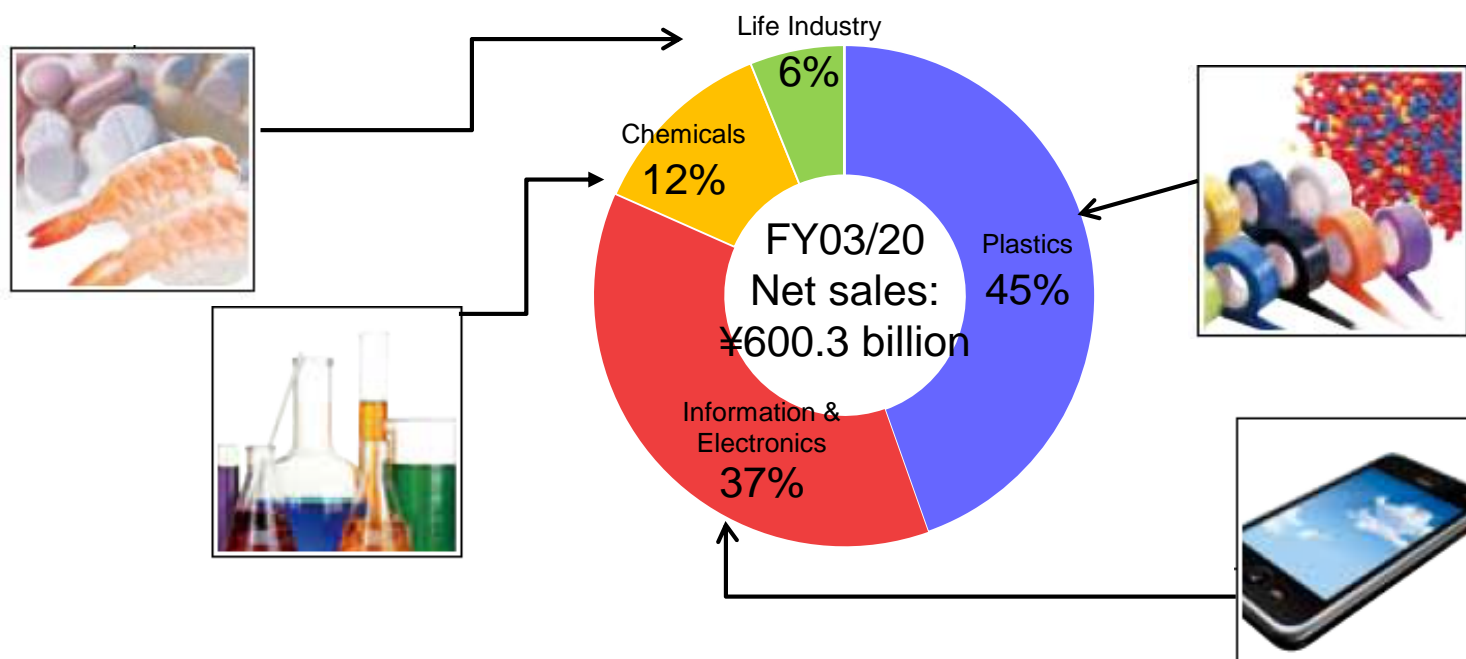
2. **A globally expanding, multifaceted trading company**

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

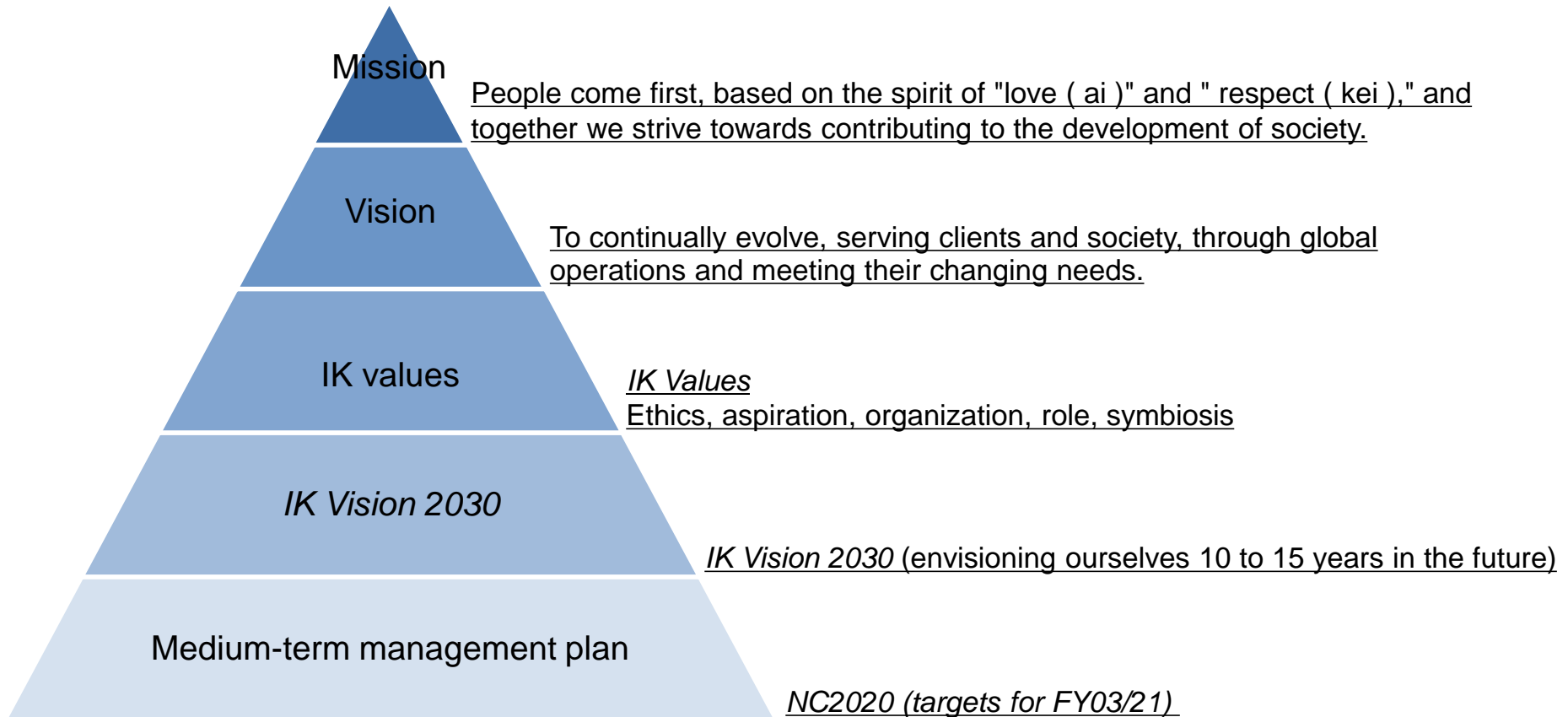
We operate in four segments: Information & Electronics, Chemicals, Life Industry, and Plastics.



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 in around 10-15 years

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

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

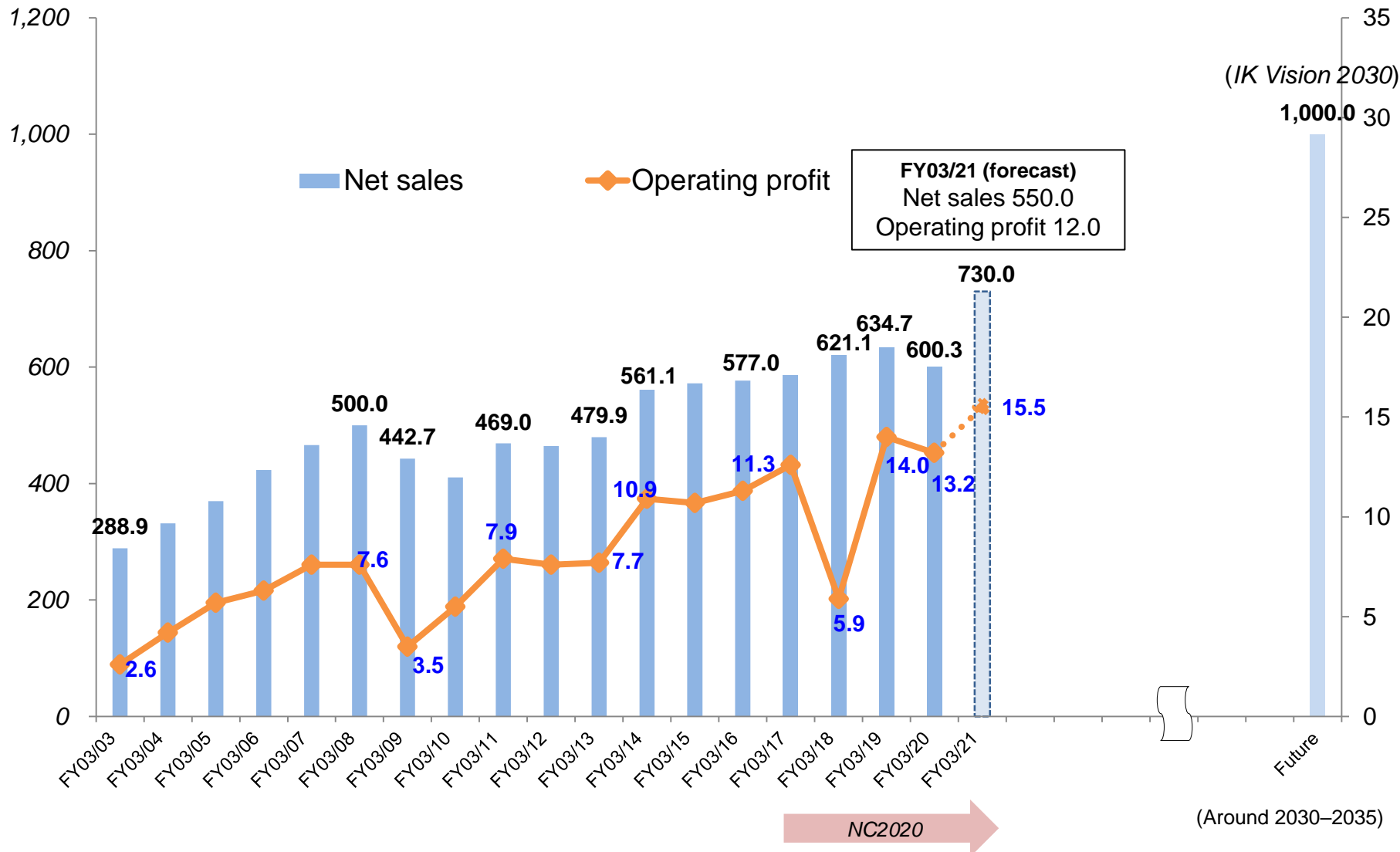
Quantitative targets	FY03/21
Net sales	¥730.0 billion
Operating profit	¥15.5 billion
Ordinary profit	¥16.0 billion
Profit attributable to owners of parent	¥12.0 billion
Net D/E ratio	0.4x or less
Assumed exchange rate	USD1 = JPY110

Net Sales and Operating Profit



(Net sales: Billions of yen)

(Operating profit: Billions of yen)



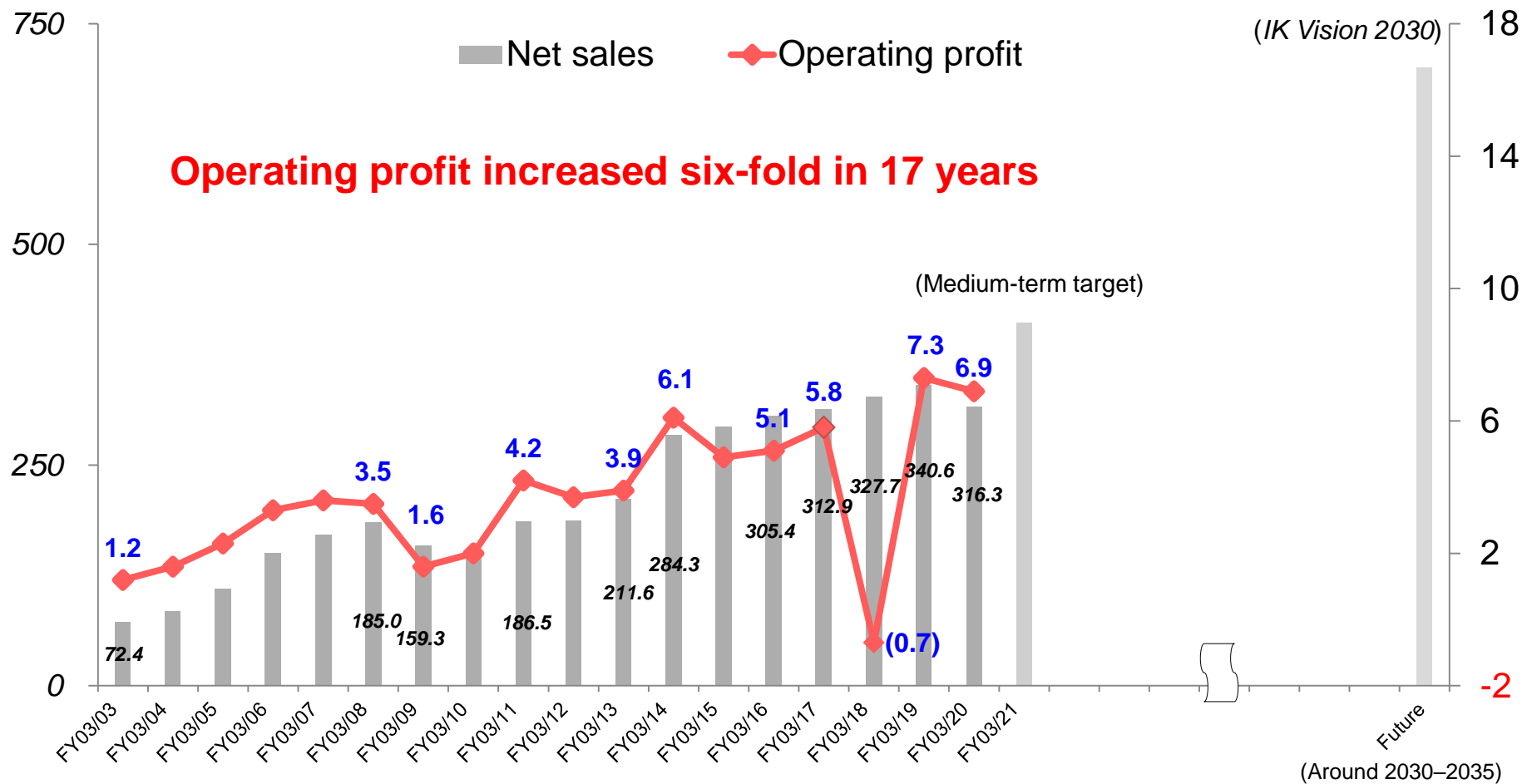
Note: Recorded allowance for doubtful accounts at a European subsidiary in FY03/18:
Full Year: ¥6.65 billion

Overseas Sales and Operating Profit



(Net sales: Billions of yen)

(Operating profit: Billions of yen)



JPY per USD 119.9 107.1 104.2 118.0 119.1 114.1 91.0 92.1 81.4 77.7 79.8 100.1 109.7 120.1 108.3 110.8 110.9 108.7

NC2020

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

FY03/21 (forecast)

Dividends per share : ¥63

interim ¥20 (actual)

year-end ¥43 (forecast)

【Treasury stock】

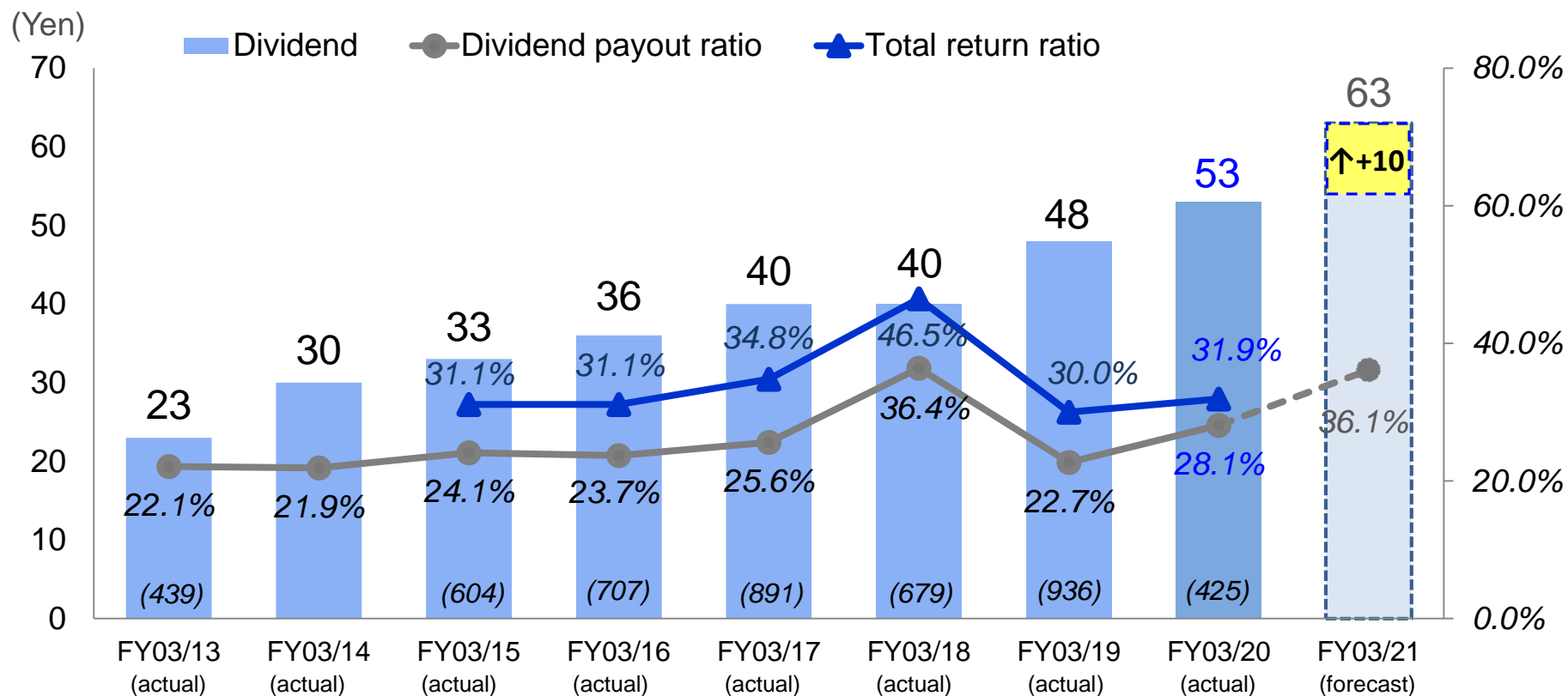
- Retirement of treasury shares
(August 2014)

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

Annual dividends per share and indicators of shareholder return



Notes: The Company has revised the forecast for the annual dividend per share upward from ¥53 to ¥63. (February 25, 2021)

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. 13

Corporate Governance

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

→ Revise and strengthen the governance system

[Mission]

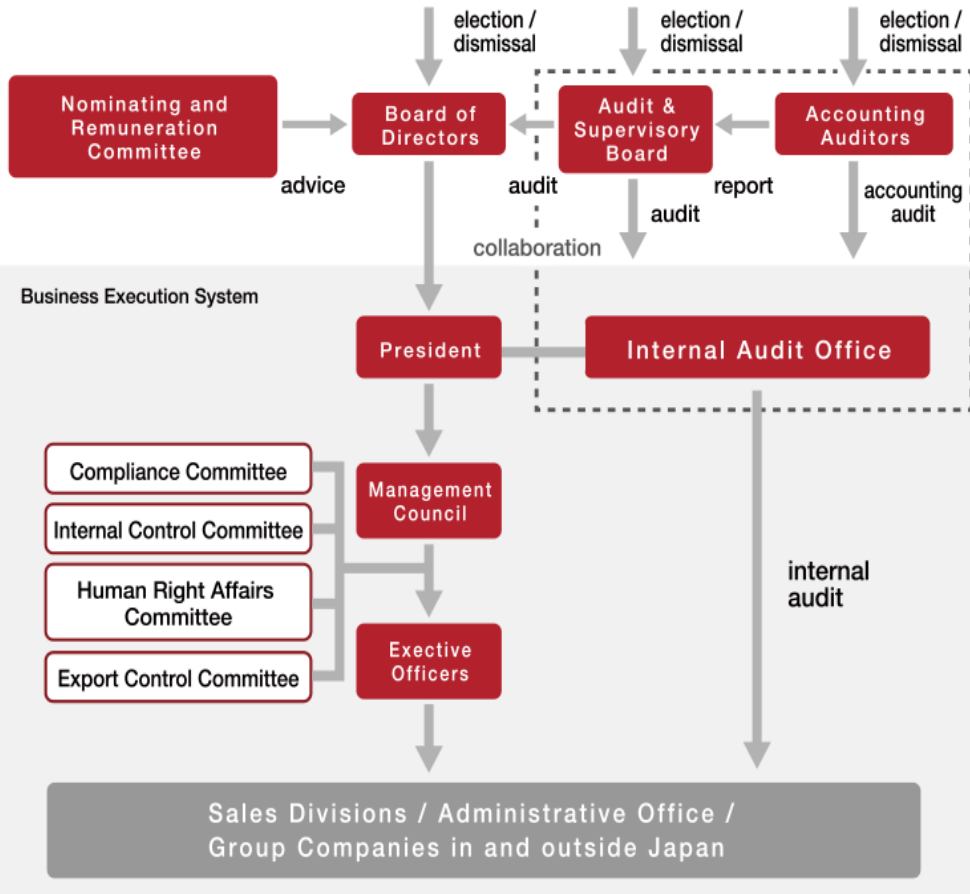
People come first, based on the spirit of “love (ai)” and “respect (kei)” and together we strive towards contributing to the development of society.

[Vision]

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

Corporate Governance Structure

General Meeting of Shareholders



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.

Strengthen the supervisory function of the Board of Directors while maintaining its diversity, with the aim of ensuring balance and objectivity, as well as a high level of transparency

Jun. 2006

Shortened term of directors from two years to one year

Nov. 2015

Established Nominating and Remuneration Committee as a voluntary advisory body
Introduced evaluation of the Board of Directors

Change in the number of outside directors

Term (as of)	No. of directors	No. of outside directors (independent)
General Meeting of Shareholders, June 2013	11	2 (1)
General Meeting of Shareholders, June 2014	10	2 (1)
General Meeting of Shareholders, June 2015	9	3 (2)
General Meeting of Shareholders, June 2020	10	3 (3)

Note: With the resignation of Mr. Toshihisa Deguchi from the Board on January 31, 2021, the number of directors fell from 10 to nine.

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.



Kiyoshi Sato*

Background

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

Reasons for appointment

Mr. Sato has extensive experience in global business operations as top management of a leading producer of manufacturing equipment for semiconductors and flat panel displays.



Kenji Hamashima*

Background

Former President and Chief Executive Officer – Ushio Inc.

Reasons for appointment

Mr. Hamashima has extensive experience in global business operations as top management of a manufacturer handling applied optics products and industrial machinery.

(*) Mr. Toshiyuki Kanisawa, Mr. Kiyoshi Sato and Mr. Kenji Hamashima are registered as independent outside officers with the TSE. With the resignation of Mr. Toshihisa Deguchi from the Board on January 31, 2021, the number of directors fell from 10 to nine.

Three outside Audit & Supervisory Board members (of total of five 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.
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.
Satoshi Tamai*	(1) Mr. Tamai is a certified public accountant. (2) As a certified public accountant, Mr. Tamai is expected to conduct objective, proactive, and fair audits from a professional standpoint.

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

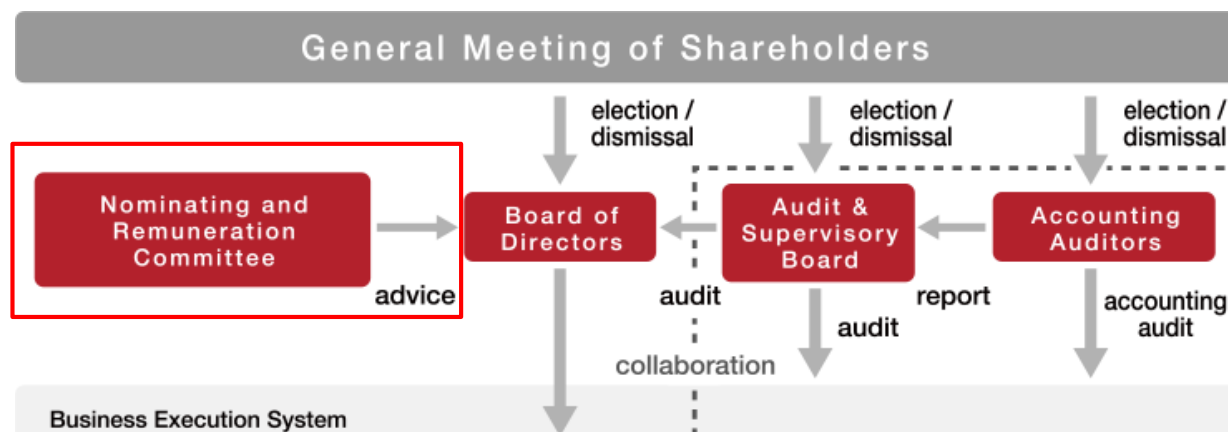
[Nominating and Remuneration Committee] (Voluntary)

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 three 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

■ FY03/2017

Conducted third-party evaluation of all directors and auditors using surveys and one-on-one interviews

■ FY03/2019, FY03/2020

Conducted self-evaluation using surveys

■ FY03/2021

Conduct third-party evaluation every three years

FY03/2021 (third-party evaluation)

Summary of evaluation

- The composition and operating status of the Board received high marks overall.
- 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.

Issues to be addressed

- Further discussion on medium- to long-term management and strategies
- Strengthening corporate functions
- Continued review of the composition of the Board to respond to changes in the business environment
- Sharing deliberation summaries of the Nominating and Remuneration Committee at Board meetings

Remuneration of 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-linked stock remuneration

- **Board Benefit Trust (BBT)**

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

Ratio of performance-linked remuneration and fixed remuneration in FY03/2020

Performance-linked
remuneration
41.3%

Fixed remuneration
58.7%

Target: six directors
Total: 300mn yen

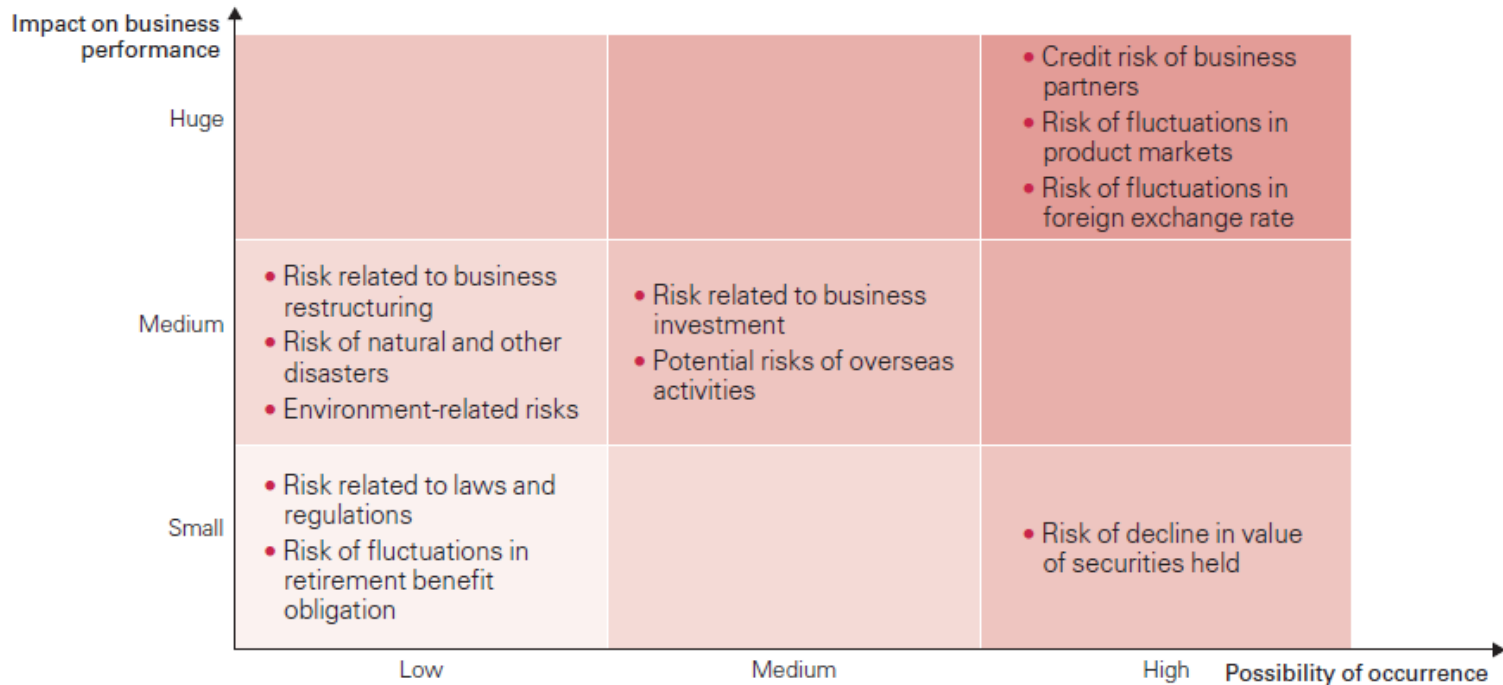
*Excluding non-executive directors

[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
FY03/16	¥1,421 million
FY03/17	¥5,150 million
FY03/18	¥9,106 million
FY03/19	¥5,395 million
FY03/20	¥3,134 million

Major risks faced by the Inabata Group



- Business Continuity Plan (BCP)

Since 2018, Inabata has promoted the formulation and adoption of BCP at major business bases, including group companies in Japan and overseas.

Impact on business

■ Forecast assumptions

The impact of the pandemic is expected to linger through the end of the current fiscal year (FY03/2021), but there will not be as sharp an economic downturn as the one seen in Q1. Instead, economic environments in Japan and worldwide will gradually start to recover from around the end of the current fiscal year.

Businesses/areas significantly negatively affected by the pandemic

Business segment: Plastics, Chemicals

Area: Automobile, among others

Region: Southeast Asia

Areas positively affected by the pandemic

Areas that benefited from stay-at-home demand (notebook computers, game consoles, frozen vegetables, etc.)

Countermeasures against COVID-19

Give top priorities to the health and safety of employees and implement thorough infection countermeasures, as to not burden regional communities

- ✓ Maintain a telework ratio* of 50-70%
- ✓ Use online conference systems

*Ratio at parent

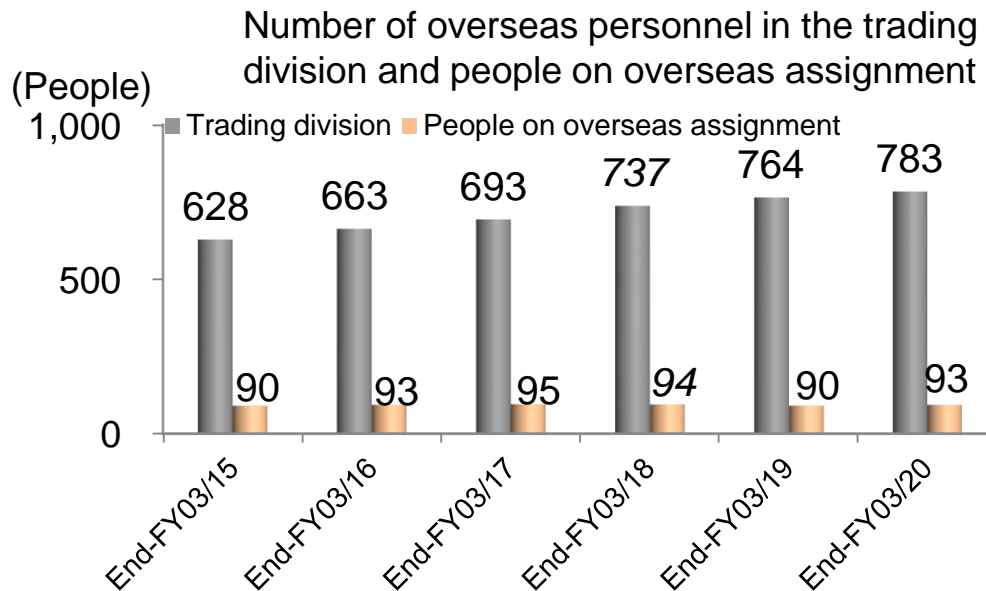
Human Resource Development

Our strengths lie in our human resources and information
Regarding the development of human resources, our most important assets

◆ Succession plan

◆ Initiatives to further enhance on-site capabilities, our forte

- Fostering global talent, e.g., through Global Staff Meetings and Corporate Philosophy Immersion Workshops (at 36 locations in 14 countries, more than 700 local staff
- Initiatives aimed at promoting diversity
- Basic training for trading company personnel
- Training for overseas bases



【President Mr. Inabata】



【Global Staff Meeting】

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

①Automotive field

②Environment and energy fields

Development of business involving the storing, releasing, and saving of energy, in addition to energy generation

③Life science and medical fields

Pharmaceutical ingredients

Areas of advanced medicine, such as regenerative medicine

④Food business, including agriculture

Production and sale of agricultural products, including vegetables and fruits

Establishment of processing plants and sale of processed products



□ 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.