

## Effectiveness Evaluation of the Board of Directors for Fiscal 2020 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 of the board of directors for fiscal 2020. The Company hereby announces the summary and future measures. In the fiscal year under review, a third-party evaluation, which is implemented every three years, was carried out by a third-party organization.

1. Target: All current 9 directors and 5 audit & supervisory board members as of March 31, 2021 (\*1)

2. Evaluation methodology

- ✓ The Company hired an outside consultant as a third-party organization (“the third-party organization”), had evaluation targets answer a questionnaire, and conducted individual interviews.
- ✓ Each item in the questionnaire was decided by the third-party organization based on the questionnaire for the evaluation of the board of directors for fiscal 2019 and the results of its self-evaluation and analysis, and after conducting interviews with the president, director in charge (\*2), and 1 outside director.
- ✓ The questionnaire determined in the above (\*3) was distributed to the targets, and responses were obtained from all of them.
- ✓ The third-party organization conducted individual interviews with each target based on the results of answers to the questionnaire. (\*4)
- ✓ The third-party organization collected the results of the analysis and evaluation based on the results of answers to the questionnaire and interviews, 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

As a result of the analysis and evaluation carried out by the third-party organization, the following points were identified concerning the awareness and way of thinking of all target directors and audit & supervisory board members in regard to the current status of the Company.

(1) Overview of management and business

Stable growth in the plastics segment and the information & electronics segment, which are primary businesses of the Company, was evaluated well. It has been recognized that the development of new businesses and the third pillar is a significant issue in management. It has been recognized that strengths of the Company are the ability to create new businesses from personal relationships with existing customers and the ability to flexibly respond to changing needs, and that personnel development, which includes the development of management, is an extremely significant management issue.

It has been recognized that significant risks include overseas activities' latent risks, credit risks of business partners and risks pertaining to business investments. The establishment of an internal control system was evaluated well, and against the backdrop of this system, the expansion of business while appropriately understanding and controlling risks is expected.

The further strengthening of company-wide functions is also expected.

(2) Overview of the board of directors

The operation and composition of the board of directors were both highly rated overall.

Regarding self-evaluation in the previous fiscal year, it is believed that it is necessary to further deepen discussions regarding medium- to long-term management and strategy, such as the mid-term business plan, which was recognized as an issue, despite the difficulties of medium- to long-term discussions due to the nature of the trading company business.

Regarding outside directors, the offering of opinions and advice based on the viewpoint of managers and knowledge of the industry was highly rated. Audit & supervisory board members participated in discussions from a wide range of perspectives based on each of their areas of expertise.

The composition of internal directors and outside directors was highly rated. There is an awareness of the ratio of outside directors in the board of directors being one third or more going forward, which considers the revision of the Japan's Corporate Governance Code. Furthermore, it is believed that it is necessary to assume that the ideal state of the board of directors will change with a view to needing outside directors to be the majority in the medium to long term.

(3) Overview of the Nominating and Remuneration Committee

It has been indicated that despite Nominating and Remuneration Committee members having appropriate discussions, topics and other matters were not appropriately shared with the board of directors.

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 board of directors will further deepen discussions regarding the direction of medium- to long-term businesses, which includes the mid-term business plan. Significant issues in the management of the Company, such as development of new businesses and the third pillar, personnel, internal control and group governance, will be discussed further.
- The Company will examine the following initiatives to promote discussion.
  - Sharing and discussion before the step that will strengthen the direction on the executive side
  - Free discussion and brainstorming in places other than the board of directors
- The Company will work to strengthen company-wide functions. The Company will make examinations, including the placement of personnel, keeping in mind functions that apply specific plans and measures that are cross-functional throughout the Company.
- The Company will continuously inspect the composition of the board of directors in light of environmental changes, such as the revision of the Japan's Corporate Governance Code and the establishment of the TSE Prime Market. Furthermore, the Company will estimate and examine changes, such as changes to the details of topics or discussions by the board of directors in conjunction with changes to the composition of the board of directors.
- The Company will examine the appropriate sharing of the overview (schedule, topics, points of contention, etc. of the committee) of discussions by the Nominating and Remuneration Committee with the board of directors.

In fiscal 2021, an evaluation (self-evaluation) of the board of directors is scheduled to be implemented.

End

(\*1) Toshihisa Deguchi, who retired from his position of director of the Company on January 31, 2021, was removed from the scope of evaluation.

(\*2) Director in charge of Financial Management and Investor Relations

(\*3) 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
- (\*4) Major items from the interview
1. Business and management
    - (1) Impact of COVID-19
    - (2) Major businesses
    - (3) New businesses & third pillar
    - (4) Business model
    - (5) Personnel
    - (6) Internal control & group governance
    - (7) Response to risks
    - (8) Corporate functions
  2. Discussions by the board of directors
    - (1) Discussions related to medium- to long-term management and strategy
    - (2) Documents, advance explanations
    - (3) Comments by outside directors
    - (4) Comments by internal directors
    - (5) Comments by audit & supervisory board members
  3. Scope and composition of the board of directors
    - (1) Scope and composition
    - (2) Composition of outside directors
    - (3) Composition of inside directors
  4. Nominating and Remuneration Committee
    - (1) Discussions at the committee and information sharing at the board of directors