
Corporate Governance

March 9, 2022
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)

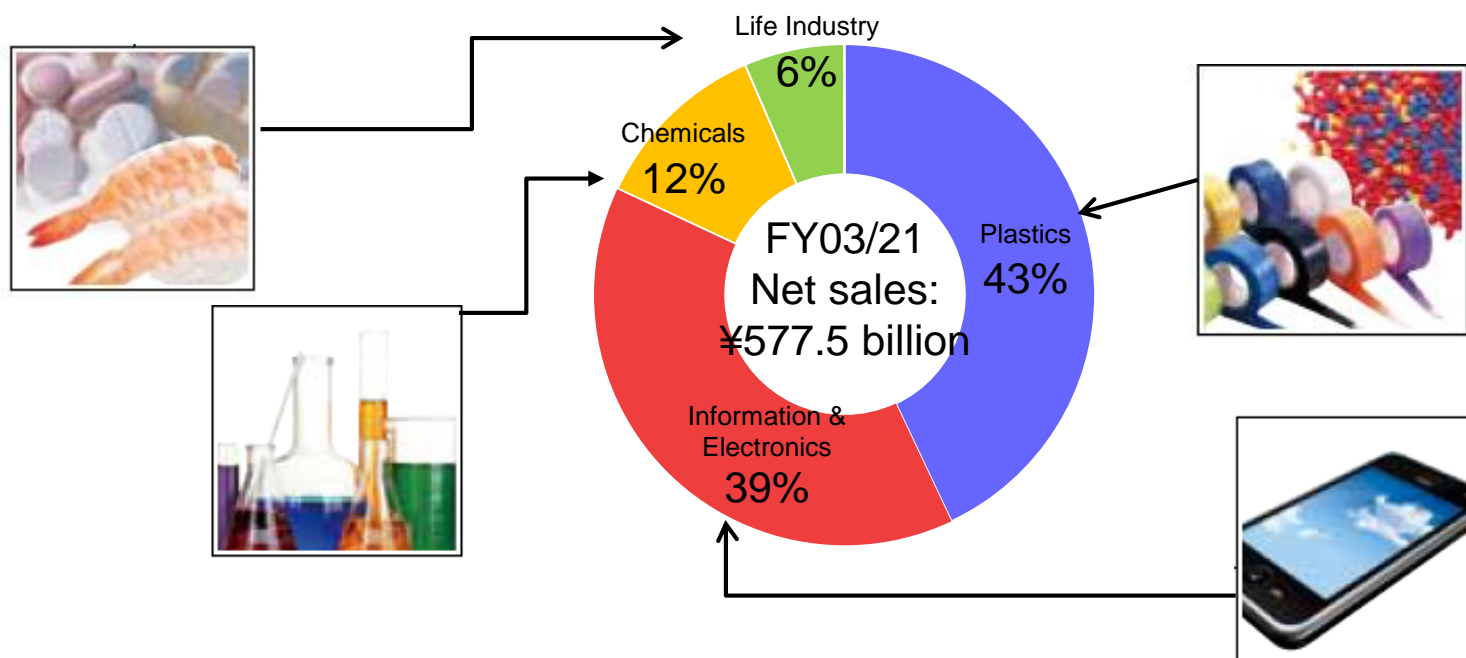
2. **A globally expanding, multifaceted trading company**

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.

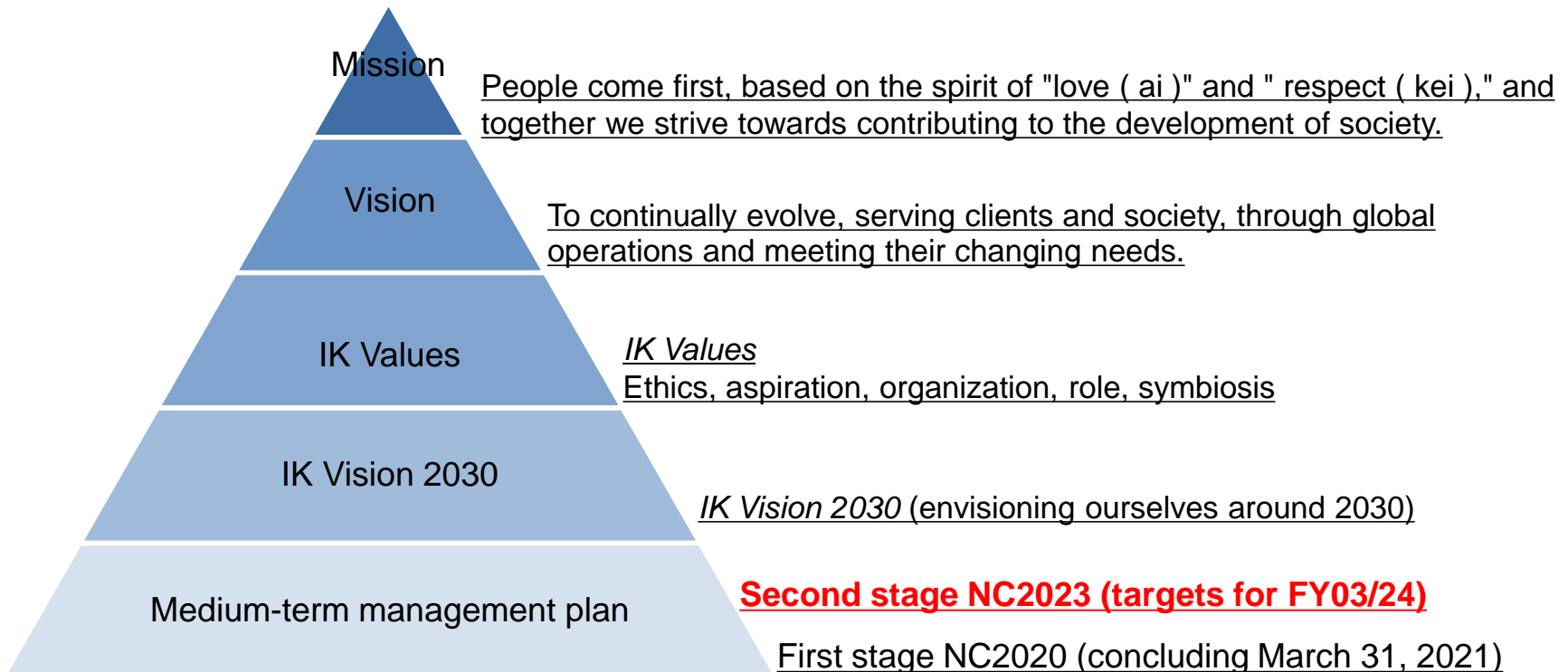


Our Medium-Term Management Plan

NC2023: Basic Policies



- Second-stage medium-term management plan on the way to our long-term vision, *IK Vision 2030*
- Continues along the same basic trajectory as *NC2020*, the first-stage plan
- Some adjustments have been made based on the degree of achievement associated with targets in *NC2020* and changes in the current business environment.



◆ 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]

- 1. Further development of core businesses and horizontal expansion into growth sectors**
- 2. Multi-faceted approach to markets with potential for future growth and steady monetization efforts**
- 3. Intensification of investment targeting future growth**
- 4. Further upgrades to global management information infrastructure**
- 5. Continuous review of assets and further improvement of capital and asset efficiency**
- 6. Enhancement of human capital utilization efforts**

3. Intensification of investment targeting future growth

Segment	Key Initiatives
Information & Electronics	<ul style="list-style-type: none">Batteries and other elements of renewable energy
Life industry	<ul style="list-style-type: none">Upstream and downstream domains associated with food products and agriculture (especially processing functions)Regenerative medicine and other growth areas (venture investment, etc.)
Plastics	<ul style="list-style-type: none">Pursue manufacturing functions with the aim of achieving enrichment in the automotive sectorAutomation and labor saving in manufacturing divisions for compounds, etc.Plastics recycling business
Chemicals	<ul style="list-style-type: none">Mobility sector
Companywide	<ul style="list-style-type: none">Digital transformation (DX)Overhaul of information system

Quantitative Targets of NC2023



	FY03/24
Net sales	¥670.0 billion
Operating profit	¥16.5 billion
Ordinary profit	¥17.0 billion
Profit attributable to owners of parent	¥16.0 billion
ROE	8% or more
Net D/E ratio	0.3x or less
Equity ratio	50% or more
Assumed exchange rate	USD1 = JPY105

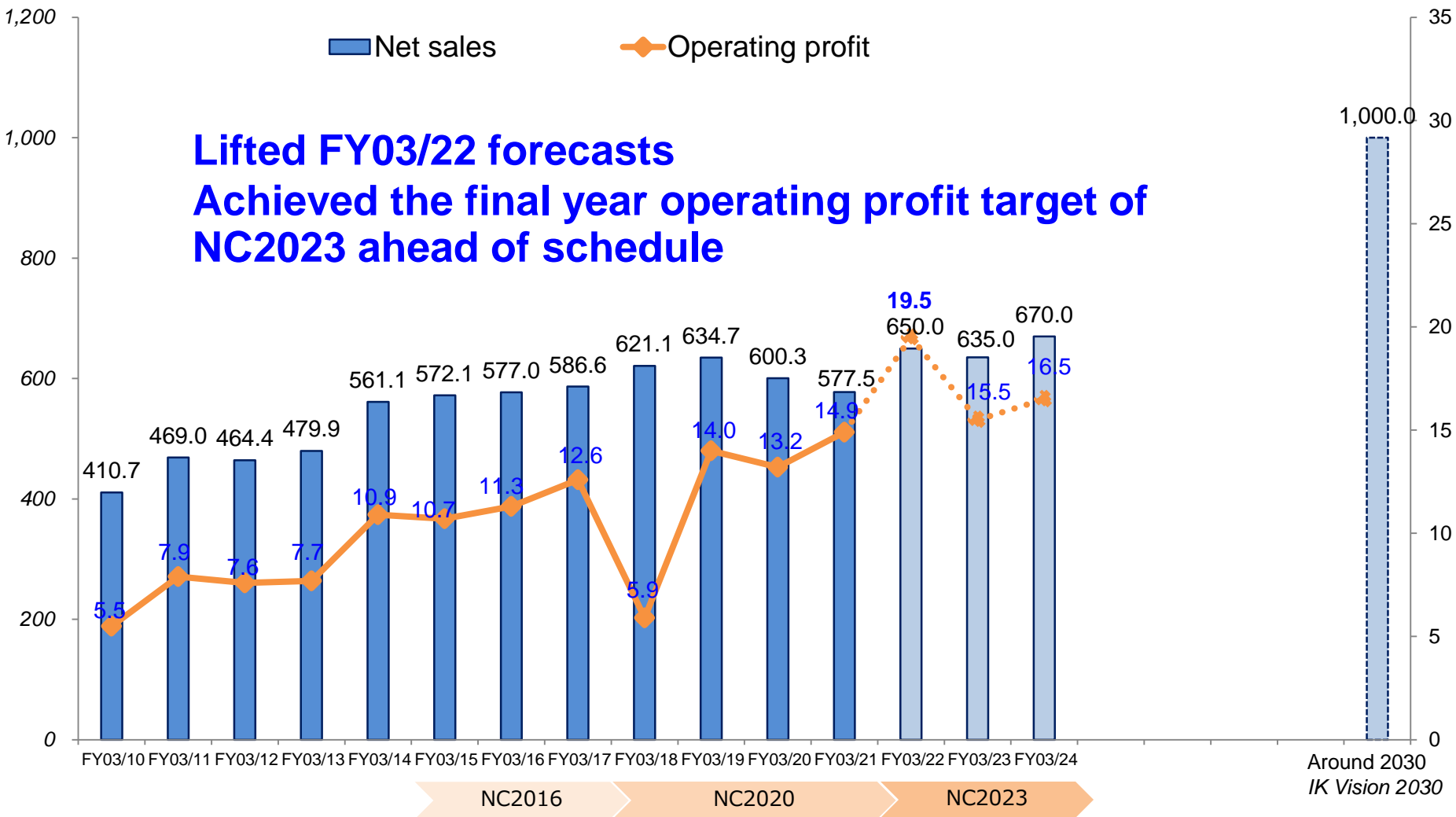
Note: Sales target based on accounting standards prior to the adoption of the revised revenue recognition methods: 700.0 billion JPY

Net Sales and Operating Profit



(Net sales: Billions of yen)

(Operating profit: Billions of yen)



Notes: On February 7, 2022, the Company lifted its FY03/22 forecasts for net sales from ¥600.0 billion to ¥650.0 billion and for operating profit from ¥16.0 billion to ¥19.5 billion.

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

Partial Revision of Shareholder Return Policy

Partially revised shareholder return policy on Feb. 7, 2022

During NC2023

(Before change) Target total return ratio of 30–35%



(After change) Target total return ratio of around 50%

However, in fiscal years when the Company has recorded a considerable amount of cash inflows from the sale of strategically held shares, instead of being strictly bounded by the target total return ratio, the Company will return profits to shareholders after comprehensive consideration of various factors including future funding needs, financial position, stock price, and market conditions.

(No change) Continue raising dividends

We will ensure that dividend per share does not decline year on year by continually increasing our dividends.

◆ Retirement of treasury shares held as of December 31, 2021

1. Class of shares to be retired : Common shares
2. Total number of shares to be retired : 2,700,000 shares
3. Date of retirement : February 16, 2022

(Reference)

The total number of issued shares of the Company after the retirement will be 60,799,227 shares

Utilizing funds raised from the sale of strategically held shares, the Company plans to acquire and subsequently retire treasury shares to increase capital efficiency

【1.Acquisition of Treasury Shares】

- (1) Class of shares to be acquired : Common shares
- (2) Total number of shares that can be acquired: 3,500,000 shares (upper limit)
(Percentage to the total number of issued shares (excluding treasury shares): 5.80%)
- (3) Aggregate amount of acquisition price : ¥7.5 billion (upper limit)
- (4) Acquisition period : From February 8, 2022 to August 31, 2022
- (5) Method of acquisition : Market purchase on the Tokyo Stock Exchange

【2.Retirement of Treasury Shares】

- (1) Class of shares to be retired : Common shares
- (2) Total number of shares to be retired : Total number of the treasury shares acquired through 1. above
- (3) Scheduled date of retirement : October 6, 2022

Actual and Planned Acquisition and Retirement of Treasury Shares



【Acquisition of Treasury Shares】

Acquisition period	Acquisition cost (millions of yen)	Total number of shares acquired (shares)
November 10–December 12, 2011	355	800,000
August 8–28, 2012	439	800,000
August 7–15, 2014	604	600,000
February 10–24, 2016	707	600,000
February 10–23, 2017	891	600,000
November 15–December 13, 2017	679	400,000
February 8–March 8, 2019	936	600,000
February 10–March 3, 2020	425	300,000
February 8–25, 2022	7,499	3,085,100

【Retirement of Treasury Shares】

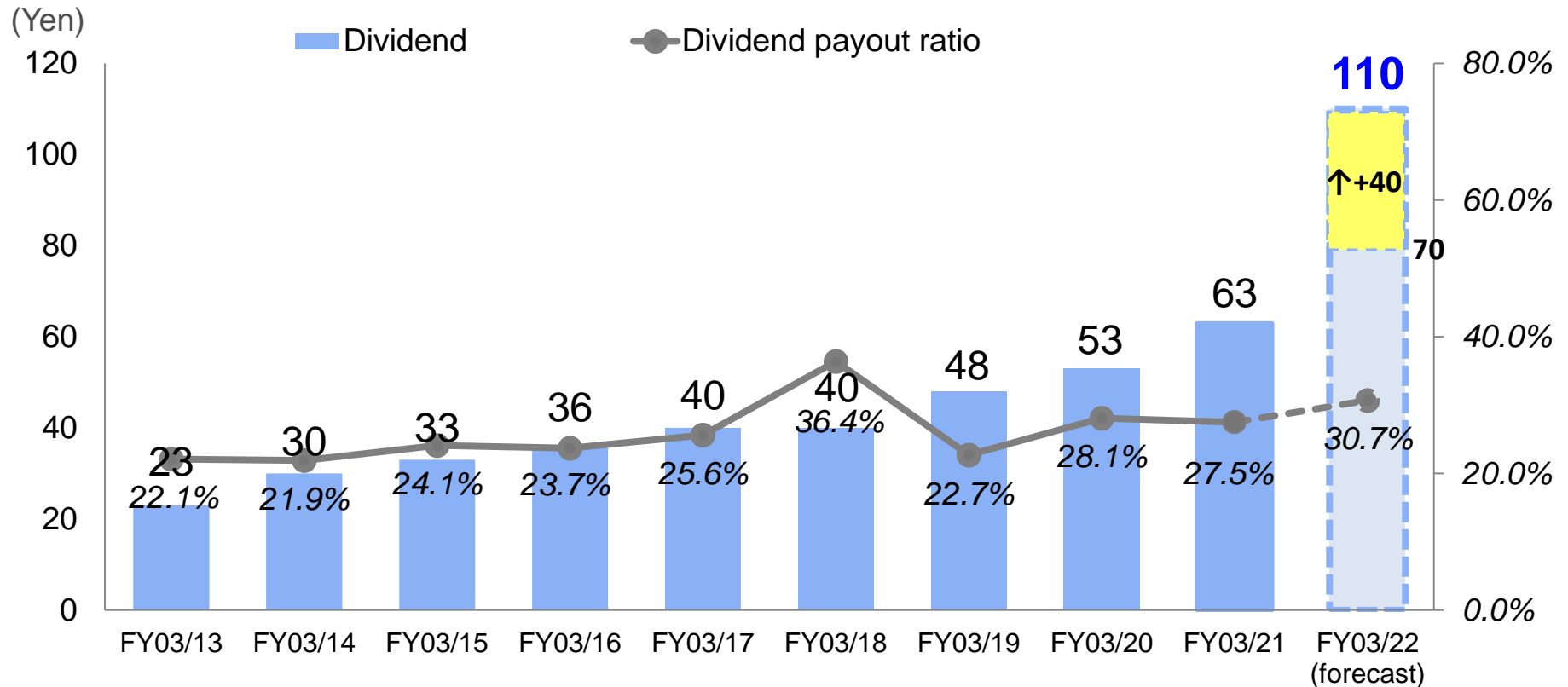
Date of Retirement	Total number of shares to be retired (shares)
August 22, 2014	1,660,000
February 16, 2022	2,700,000
October 6, 2022 (planned)	3,085,100

Notes: The total number of issued shares of the Company after the retirement on October 6, 2022 will be 57,714,127 shares.

Annual dividends per share and indicators of shareholder return



FY03/22 dividend forecast revised upward by ¥40 per share (disclosed on February 7, 2022)



Note: The Company has revised the forecast for the annual dividend per share upward from ¥70 to ¥110. (February 7, 2022)

[Policy on reduction]

- Further review strategically held shares and reduce them by 50% in three years (NC2023)
- The Company's basic policy is to allocate funds raised from the sale of these shares to shareholder returns and growth investments

	Sales of strategically held shares
FY03/17	¥4,549 million
FY03/18	¥9,017 million
FY03/19	¥5,298 million
FY03/20	¥3,026 million
FY03/21	¥2,944 million
FY03/22 Q3	¥7,294 million

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.

Decision-making by the Board of Directors

Board meetings are attended by one-third of 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.

October 2021

Sustainability Committee established.



June 2022

Transition to a company with an Audit & Supervisory Committee is planned, subject to approval at the annual shareholders meeting. (Establish a monitoring type of the Board of Directors with a majority of independent outside directors.)

Experience and expected roles of directors and auditors



Inabata, a global business operator, has in place a corporate governance structure that supports the Board of Directors' decision making and enables the Company to fulfill supervisory functions over executive officers' business execution.

Field of experience and expected roles of directors and audit & supervisory board members

Name	Management	Sales (global)			Finance & accounting	Legal & risk management	HR & labor	IT & digital	ESG	Know-how from other companies
		Information & Electronics	Plastics	Chemicals and Life Industry						
Katsutarō Inabata	●		●	●			●	●	●	●
Toyohiro Akao	●	●		●						
Kenichi Yokota	●				●	●		●	●	●
Masahiro Sugiyama	●	●	●							●
Noriomi Yasue	●		●							
Kenji Ohno	●					●			●	●
Kiyoshi Sato*	●	—	—	—						—
Kenji Hamashima*	●	—	—	—	●					—
Takako Hagiwara*	●	—	—	—			●		●	—
Audit & Supervisory Board Members	Nobukazu Kuboi				●				●	●
	Yoshitaka Takahashi*		—	—	—		●			—
	Katsuya Yanagihara*		—	—	—	●				—
	Satoshi Tamai*		—	—	—	●				—

(Note) * Independent outside director or audit & supervisory board member

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.



Kiyoshi Sato*

Lead outside director/Chair of Nominating and Remuneration Committee

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.



Takako Hagiwara*

Background

Current Representative Director, DDD Corp.
Current Outside Director, Twinbird Corp.
Current Outside Director, NEC Capital Solutions Ltd.

Reasons for appointment

Ms. Hagiwara has extensive experience as a member of top management in charge of HR at a major electronics manufacturer that operates multiples businesses globally.

(*) Mr. Kiyoshi Sato, Mr. Kenji Hamashima and Ms. Takako Hagiwara 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.
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.

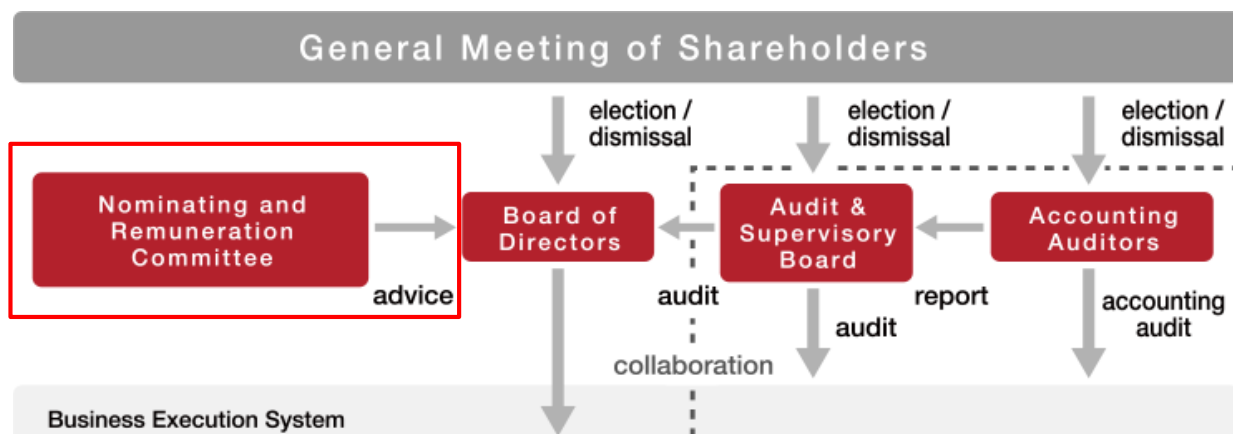
[Nominating and Remuneration Committee] (Voluntary)

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

- Chairperson : lead independent outside director
- Current membership: 1 internal director and 3 independent outside directors



Held seven times during FY03/2021

Objective - To increase corporate value by enhancing the effectiveness and transparency of the Board of Directors; evaluation of the Board began in FY03/2016

■ FY03/2020

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

⇒ In April 2020, disclosed summary of evaluation and measures going forward

■ FY03/2021

Conducted third-party evaluations of all directors and Audit & Supervisory Board members through questionnaires and interviews

⇒ In April 2021, disclosed summary of evaluation and measures going forward

■ FY03/2022

Self-evaluation of all directors and Audit & Supervisory Board members using questionnaires currently underway

⇒ Plans to disclose results of the evaluation and measures to be taken in April 2022

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 FY03/2021

Performance-linked
remuneration
43.2%

Fixed remuneration
56.8%

Target: seven directors
Total: 318mn yen

Major Business Risks

Impact on business performance	Huge		<ul style="list-style-type: none"> • Potential risks of overseas activities • Credit risk of business partners • Risk related to business investment 		
	Medium	<ul style="list-style-type: none"> • Risk related to business restructuring • Risk of natural and other disasters • Risk of fluctuations in retirement benefit obligation 	<ul style="list-style-type: none"> • Risk of fluctuations in product markets • Risk of fluctuations in foreign exchange rate 	<ul style="list-style-type: none"> • Risk of decline in value of securities held 	
	Small	<ul style="list-style-type: none"> • Environment-related risks • Risk related to laws and Regulations 			
		Low	Medium	High	Possibility of occurrence

• 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.

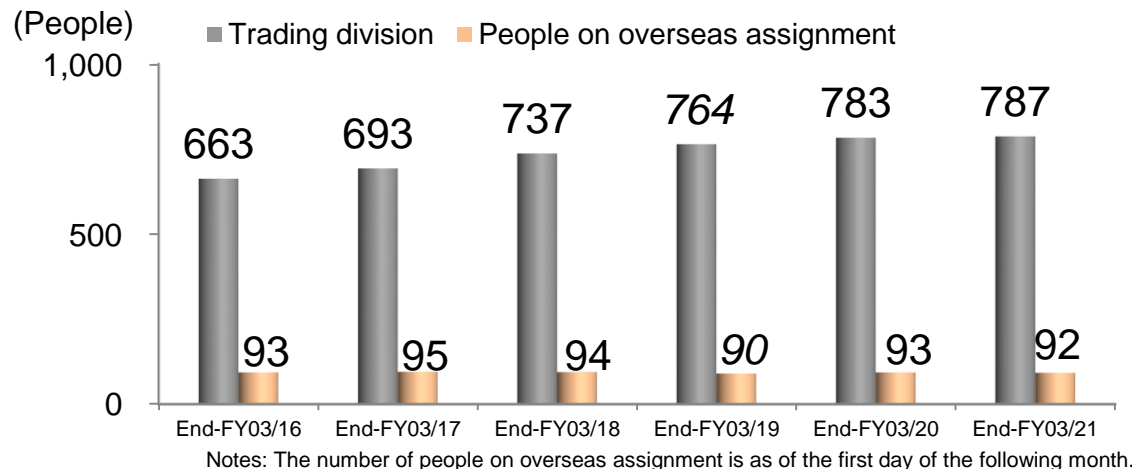
Our strengths lie in our human resources and information s

- ◆ Fostering global talent
- ◆ Succession plan
- ◆ In April 2021, we conducted an employee engagement survey.

A total of about 1,400 employees participated at the head office and 16 major overseas bases of the trading division.

70%* of respondents replied that they shared Inabata's corporate philosophy, vision, and management policy and that they wanted to participate in realizing them.

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



Employees at Inabata Mexico

* The percentage of respondents who chose either (5) Strongly agree or (4) Agree on a five-point Likert scale.

October 2021

- Established the Sustainability Committee

Chair : President

Members : Directors in charge of each business division

Observers : Non executive directors, outside directors, audit & supervisory board members

November 2021

- Formulated the Inabata Group Sustainability Basic Policy and the Inabata Group Sustainability Code of Conduct

⇒ Going forward, the Company will identify material sustainability issues and disclose information in line with the TCFD recommendations

□ 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.