



February 7, 2022

To whom it may concern:

Company name: Inabata & Co., Ltd.
Representative: Katsutaro Inabata, Director, President
(Stock code: 8098, First Section of the Tokyo Stock Exchange)
Inquiries: Koichi Noda, General Manager,
Financial Management Office
(TEL 03-3639-6421)

Notice Concerning Partial Amendment to Basic Policy on Shareholder Return

Inabata & Co., Ltd. (the “Company”) hereby announces that it resolved at the Board of Directors meeting held today to partially amend the basic policy on shareholder return as follows.

The Company started its mid-term business plan “New Challenge 2023” (NC2023) in April 2021 as the second stage of the mid-term business plan toward the long-term vision IK Vision 2030. The key strategies include (i) further development of core businesses and horizontal expansion into growth sectors, (ii) multi-faceted approach to markets with potential for future growth and steady monetization efforts, and (iii) intensification of investment targeting future growth. In addition, progressive dividends have been introduced as the new basic policy on shareholder return during the period of the mid-term business plan NC2023. On the other hand, with regard to strategic shareholdings, the Company has announced a reduction of them by 50% in the next three years as its policy.

As a result of the company-wide efforts to achieve the mid-term business plan NC2023, full-year earnings forecasts for the current fiscal year, which is the first fiscal year of the plan, are expected to already partially exceed target figures for the final fiscal year, as stated in the “Notice Concerning Revision of Full-year Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2022” which is also disclosed today.

(Billions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
NC2023 Quantitative Targets(FY03/2024)	670	16.5	17.0	16.0
Revised forecast (FY03/2022)	650	19.5	21.0	21.5
Difference	-20.0	+ 3.0	+ 4.0	+ 5.5

In response to this, the Company has decided to change the target for total return ratio* from current approximately 30% to 35% to roughly 50% and introduce the basic policy on shareholder return during the period of this mid-term business plan as follows, from the viewpoint of further emphasizing shareholder return.

[New basic policy on shareholder return]

- (i) The actual amount of dividends paid in the previous fiscal year will be used as the lower limit for dividends per share, and the basic policy is to continuously increase the dividends without reducing them. (Continuation of progressive dividends).
- (ii) The target for total return ratio is roughly 50%. However, in any fiscal year when strategic shareholdings are sold and consequently, a substantial amount of cash-in is generated, shareholder return will be made without necessarily regard to the above target for total return ratio, comprehensively taking into account future funding needs, the Company's financial conditions, stock price, market conditions and other factors.

* Total return ratio = (Amount of dividends + Amount of treasury shares acquired) ÷ Consolidated net income × 100

[Policy for utilizing funds obtained through sales of strategic shareholdings]

As its policy, funds obtained through sales of strategic shareholdings are basically to be allotted not to internal reserve but to shareholder return and investment for future growth.

As for shareholder return, the Company believes that together with the continuation of progressive dividends, acquisition of treasury shares is also an effective measure for shareholder return, and as its policy, will conduct examinations more proactively. As such, the Company will advance rebuilding of the balance sheet over the mid-term, aiming for increases in ROE (return on equity) and EPS (earnings per share) and an improvement in PBR (price book-value ratio).

As for investment for future growth, its policy is to make aggressive investment in each segment based on the key strategies disclosed in the mid-term business plan NC2023. Specifically, in the Information and Electronics field, positioning the renewable energy area including batteries as one of priority investment areas, the Company will not only be engaged in the traditional trading of components but also work to achieve multidirectional expansion through collaboration with major power utility companies and cooperation with local governments, business in which the Company holds assets, etc. In the Food Products field including agriculture, as its policy, the Company is considering establishing new processing bases in Japan and abroad for expansion to upstream and downstream areas, particularly enhancement of the processing function, aiming to increase added value of businesses through such efforts. In the Plastics and Chemicals field, the Company thinks that the automobile and mobility area, which is in the process of structural change called "CASE", is the highest priority area. In this field, industry reorganization has been conducted following dissolution of existing business affiliations and various startup ventures have risen in Japan and abroad. Thus, the Company recognizes that investment opportunities that contribute to future growth have also been increasing for the Company. Moreover, in response to the trend of carbon neutrality, the Company will also step up its efforts to increase demand for recycling plastics in the future.

Such major changes in trends are business opportunities for the Company, and its policy is to focus managerial resources on them. Furthermore, as company-wide investment, the Company will renovate the information system to strengthen its efforts for digital transformation (DX) and sophistication of information security.

To promote such efforts, as company-wide initiatives, the Company launched a new dedicated organization in July 2021, and then gradually put in place a structure by securing human resources who are well-versed in M&A practices and other means to collect information from financial institutions, venture capitals, investment funds, etc. and conduct research. Going forward, as its policy, the Company will strive to advance screening of investees, make aggressive growth investment and further increase the corporate value.

[Consideration of partial review of the mid-term business plan]

While the Company started the three-year mid-term business plan NC2023 in April 2021, full-year earnings forecasts for the current fiscal year, which is the first fiscal year of the plan, are expected to already partially exceed target figures for the final fiscal year. In view of this current business situation and various subsequent changes in the conditions, future outlook at present, the above amendment to the basic policy on shareholder return, etc., the Company will consider partially reviewing the mid-term business plan that has already been announced in the future. If any change is made as a result of the review, the Company will announce it as soon as determined.

[Consideration of the corporate governance system]

For some time, the Company has been undertaking ongoing initiatives to enhance and strengthen corporate governance, treating it as an important management issue. As part of such activities, the Company is currently considering ways to further strengthen supervisory functions, including transitioning to a company with an audit and supervisory committee, and adopting a Board of Directors composition in which independent outside directors form a majority. The Company will make further announcements on this matter in the future when specific details have been determined.