
IR Briefing For Q1 Fiscal Year Ending March 2025

October 2024
Inabata & Co., Ltd.

Topics

- Sales and operating profit forecast to reach record highs for the 4th consecutive fiscal year
 - In FY03/25, we expect net sales and operating profit to grow owing to solid business performance in Japan and Southeast Asia.
- The mid-term management plan NC2023 concluded with the company largely meeting its targets, laying the groundwork for accelerated growth.
 - Largely achieved its earnings targets (96% for net sales, 103% for operating profit, and 10% or more for ROE)
 - Made *proactive investments for future growth* and set the stage for spurring growth under the next mid-term plan
- Accelerate business growth by proactively pursuing investment under the mid-term management plan NC2026 (announced in May 2024)
 - Spur continued growth by investing aggressively and allocating around 50–60% of cash flows from operating activities, etc. to growth investment
 - Invest in areas of renewable energy, food, automotive, and other products
 - Maintain paying progressive dividends and total shareholder return ratio of approximately 50% as basic policy on shareholder return

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*1 Hereinafter, NC2023

*2 Hereinafter, NC2026

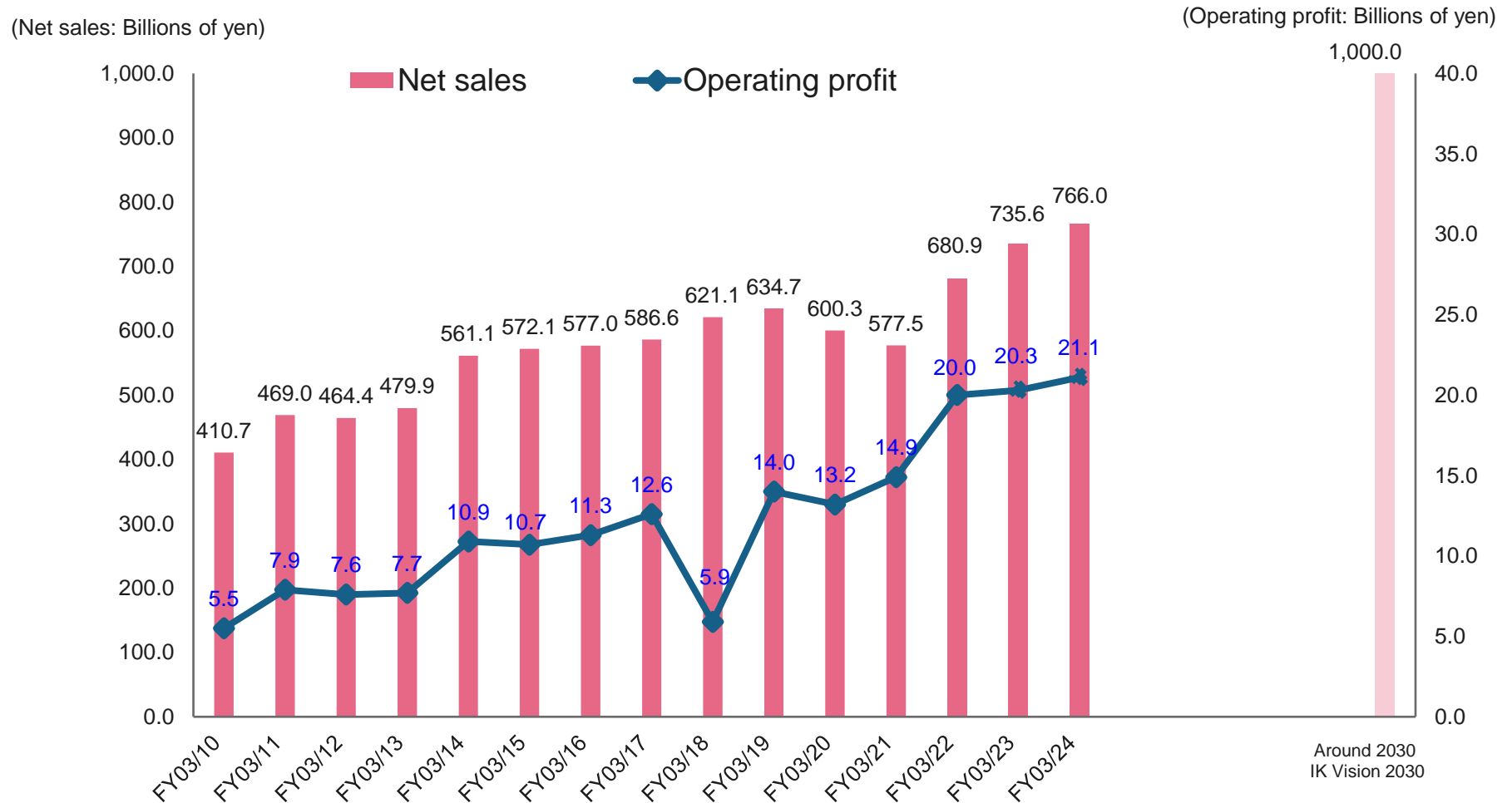
* In this document, Net income = Net income attributable to owners of parent

Inabata's Strengths

In formulating NC2026, we reassessed and clarified the question, “What are our strengths?”

Inabata's Strengths ~ (1) Performance Growth

- Business performance is growing steadily, with record-high net sales and operating profit in the last three consecutive fiscal years.



Inabata's Strengths ~ (2) History, Client Base, and Human Capital

- **Founded in 1890, built up a client base (suppliers and customers) of about 10,000 companies during a history spanning more than 130 years**
 - Founded in 1890 as Inabata Senryoten in Kyoto. Since then, Inabata has expanded business, focused on the chemicals field, in response to modern customer needs. In addition to chemicals, our business spans a variety of categories, including electronics, precision equipment, automobiles, daily necessities, and housing-related products, enabling Inabata to secure stable earnings and explore innovative new products and applications.

- **A trading company specializing in chemicals with a global information network**
 - Inabata is a trading company specializing in chemicals with nearly 70 overseas bases in 19 countries. We have established a global information network and customer support system covering everything from product markets to raw material supply and demand, enabling us to respond in a timely manner to customer local production and overseas expansion needs.

- **Providing high-mix, low-volume production, VMI* functionality, and other added value**
 - Inabata provides added value by responding to customer needs for procurement and small lot production outsourcing. For example, we reduce procurement and logistics costs by establishing manufacturing and processing bases close to customers and consumers for customer procurement activities requiring a wide range of raw materials.

- **Human resources embodying “business management with respect for people”**
 - Employees are the most important form of capital for trading companies, and Inabata provides high value by building relationships of trust with suppliers and customers based on the spirit of “love (*ai*)” and “respect (*kei*),” and a high level of expertise.

*Vendor Managed Inventory

Inabata's Strengths ~ (3) Solid Business Base in Asia

- Established sales base in Singapore in 1976. We then expanded our network of bases to build a solid business foundation in Northeast and Southeast Asia (56 bases in 11 countries outside Japan).
- Our main focus in Northeast Asia is FPD materials. In Southeast Asia, we are expanding the plastics business by differentiating us from competitors through the compound business.

Number of Locations and Personnel

Around 1980

3 bases
in 2 countries

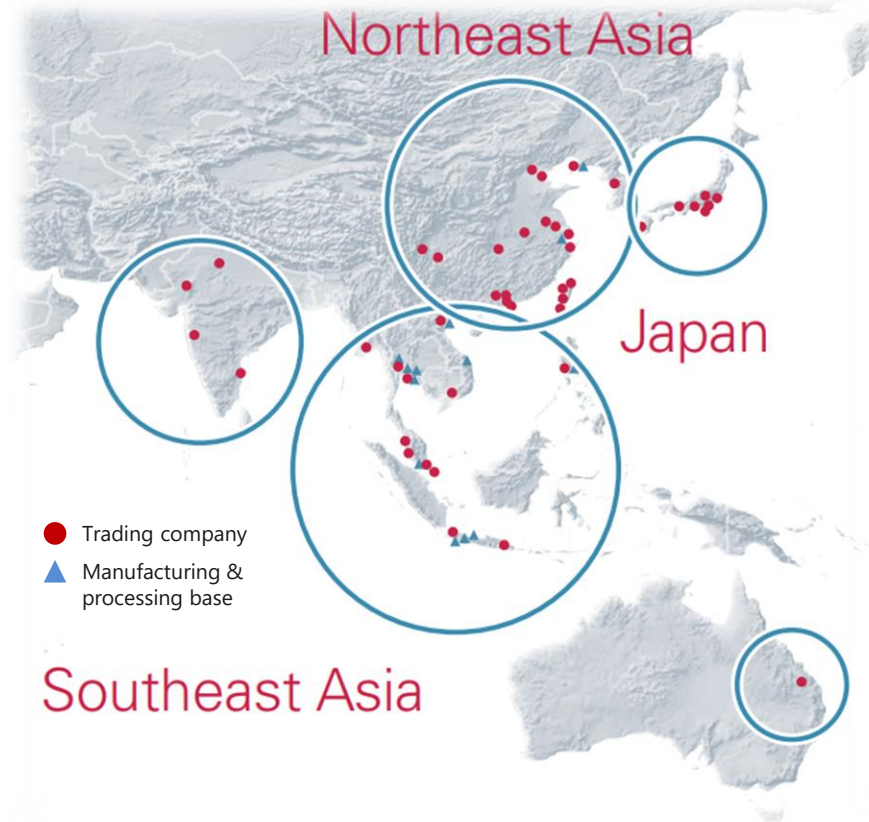
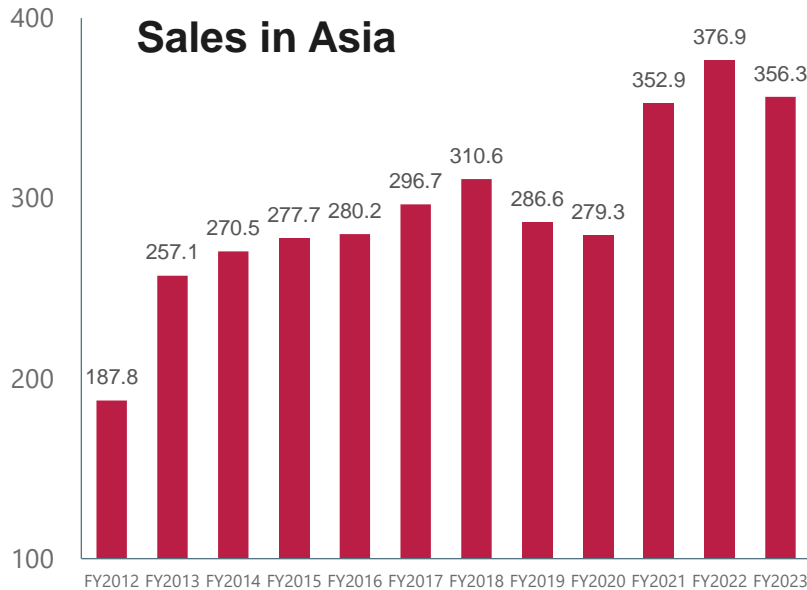


End of 2023

56 bases in
11 countries

- Number of Personnel in Asia : 2,956
(Percentage of total consolidated basis 64%) *As of March 31, 2024

(Billions of yen)



Our Previous Medium-Term Management Plan
Achievement of Targets in “New Challenge 2023”

Company-wide

- Net sales fell short of the target due to deteriorating FPD market conditions and other factors.
- Operating profit achieved the target, partly due to a tailwind from yen depreciation.
- Ordinary profit was roughly in line with the target, absorbing interest rate hikes.
- Profit attributable to owners of parent fell short of the target due to a decrease in gains on the sale of investment securities.
- ROE was in line with the projection, with the target level maintained through financial soundness.

(Billions of yen)

	FY03/24 Actual	Target for FY03/24	Difference	Achievement rate
Net sales	766.0	800.0	-33.9	96%
Operating profit	21.1	20.5	+0.6	103%
Operating profit margin	2.8%	2.6%	+0.2%	-
Ordinary profit	21.3	21.5	-0.1	100%
Profit attributable to owners of parent	20.0	22.5	-2.4	89%
ROE	10.5%	10% or more	-	Achieved
Net debt/equity ratio	0.06x	0.5x or less	-	Achieved
Equity ratio	46.8%	Approximately 40~50%	-	Achieved
Exchange rate (USD/JPY)	¥144.59	¥120.00	-	-

By Segment

- Mainly Sales in Information & Electronics fell short of the target due to deteriorating FPD market conditions and other factors.
- With the exception of Life Industry, all other segments achieved operating profit targets.

(Billions of yen)

Segment	FY03/24 Actual		Target for FY03/24		Difference	
	Sales	Operating profit	Sales	Operating profit	Sales	Operating profit
Information & Electronics	239.1	6.90	284.0	6.30	-44.8	+0.60
Chemicals	112.6	2.78	119.0	2.60	-6.3	+0.18
Life Industry	53.5	1.48	52.0	2.50	+1.5	-1.01
Plastics	360.4	9.87	344.8	9.00	+15.6	+0.87
Other	0.1	0.13	0.2	0.10	-0.0	+0.03
Total	766.0	21.19	800.0	20.50	-33.9	+0.69

Key Initiatives

■ We made steady progress in measures for each initiative, building a foundation for further earnings growth.

Key Initiatives for NC2023	Results of specific measures
1. Further development of core businesses and horizontal expansion into growth sectors	<ul style="list-style-type: none"> • Expansion in sales of plastics, FDP-related materials, and other products for automobiles • Acquisition of Maruishi Chemical Trading (made it a subsidiary) • Established joint venture with Daicel Corporation to strengthen the compound business functions
2. Multi-faceted approach to markets with potential for future growth and steady monetization efforts	<ul style="list-style-type: none"> • Expansion of sales of products that reduce environmental load • Participation in biomass power generation projects —Fukuyama (Hiroshima Pref.), Sakaiminato (Tottori Pref.), and Shiwa District (Iwate Pref.) • Investment in semiconductor-related companies • Invested in a high-performance filler production company
3. Intensification of investment targeting future growth	<ul style="list-style-type: none"> • Acquisition of Daigo Tsusho (made it a subsidiary) • Establishment of a US joint venture that manufactures lithium-ion battery-related materials • Investment in a French company engaged in the development, extraction, and sales of plant extract components • Reinforcement of Business Planning Office functions
4. Further improvement of global management information infrastructure	<ul style="list-style-type: none"> • Establishment of a centralized management system for information assets worldwide (master integration, implementation of a global management infrastructure) • Reinforcement of security measures worldwide (establishment of CSIRT, development of SOC framework) • Introduction of in-house generative AI services
5. Continuous review of assets and further improvement of capital and asset efficiency	<ul style="list-style-type: none"> • Fundraising for growth investment through the sale of strategic shareholdings • Issue of straight bonds (diversifying fundraising methods)
6. Enhancement of human capital utilization efforts	<ul style="list-style-type: none"> • Introduction of a restricted stock incentive plan for the employee shareholding association • Revision of HR systems to promote diversity • Enhancement of training systems to nurture global talent

Investments aimed at future growth

- Aggressive investment in second half of *NC2023* aimed at accelerating growth in *NC2026*

Segments	Specific measures	Our objectives
Information & Electronics	Participation in biomass power generation business (Yahaba Town Shiwa District Iwate Pref.)	To expand environment and energy-related businesses
	Investment in semiconductor-related companies	To expand semiconductor-related businesses
Chemicals	Acquisition of Maruishi Chemical Trading (made it a subsidiary)	To reinforce the chemicals business
Life Industry	Acquisition of Daigo Tsusho (made it a subsidiary)	To strengthen food processing and sales functions
	Investment in a French company engaged in the development, extraction, and sales of plant extract components	To use naturally-derived raw materials (for cosmetics, pesticides, etc.)
Plastics	Established joint venture with Daicel Corporation	To enhance compounding capabilities in the Plastics business
Information & Electronics, Plastics	Invested in a high-performance filler production company	To lighten and recycle plastic products

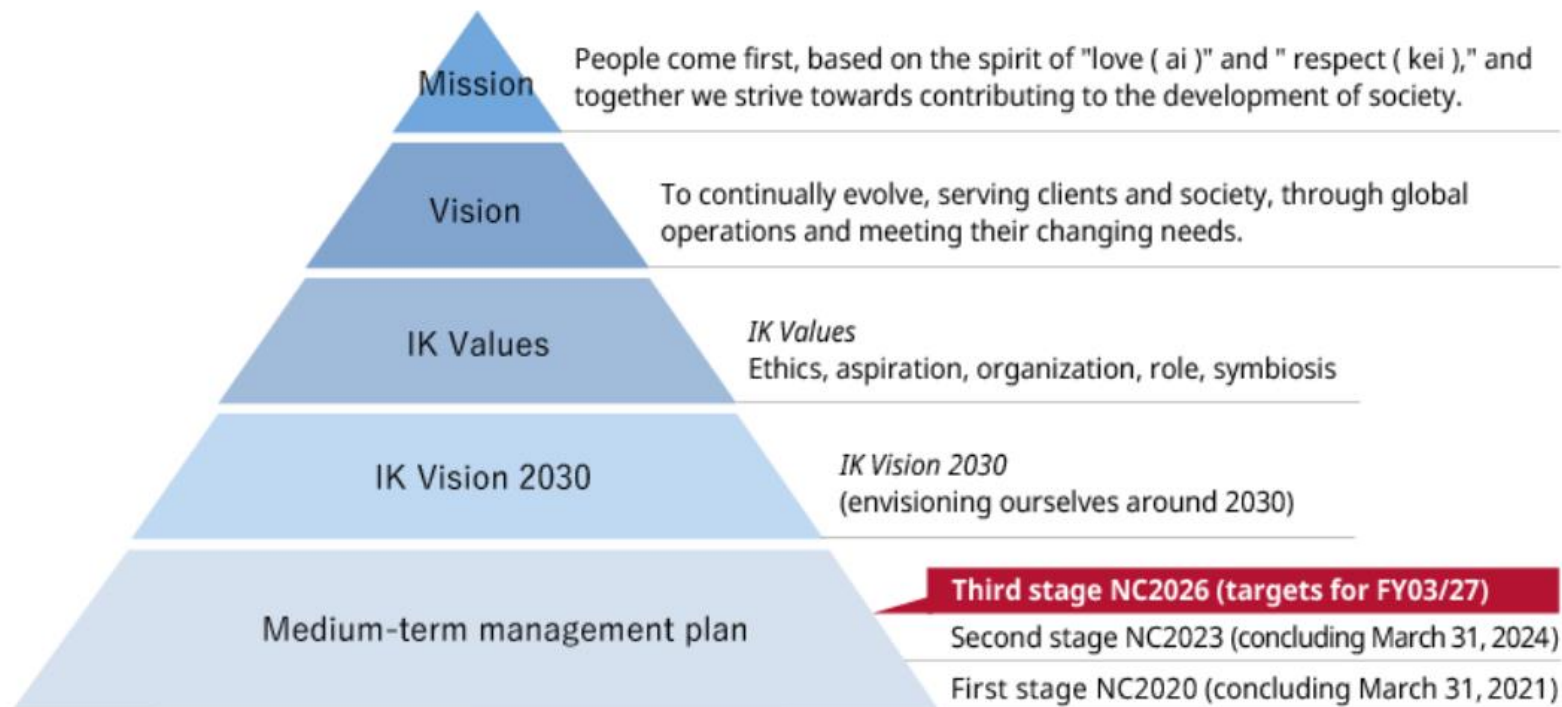
(Billions of yen)

	FY03/22 Actual	FY03/23 Actual	FY03/24 Actual	NC2023 cumulative results FY03/22~FY03/24
Growth investment	1.20	2.86	8.81	12.88
Fixed investment	2.01	2.78	3.91	8.70
Total	3.21	5.64	12.73	21.58

**Our New Medium-Term Management Plan
Summary of “New Challenge 2026”**

Mid-term Management Plan NC2026 Toward Achieving Long-term IK Vision 2030

Inabata Group is promoting the "New Challenge 2026" mid-term management plan for the next three years, which is the third stage towards achieving our long-term vision "IK Vision 2030" by around 2030.



NC2026 Overview

Long-term Vision “IK Vision 2030”

Medium-term Management Plan NC2026

Key themes:

- Accelerate growth through proactive investment
- Address key management priorities (materiality) under the sustainability medium-term plan

Company-wide Growth Strategy P19

Segment Growth Strategy P55

Management Base Strategy

Financial Strategy
P27

Sustainability Strategy
(including HR strategy)
P31,P61

Digital Strategy
P33

(Reference) Long-term Vision “IK Vision 2030”

Reach consolidated net sales of

¥1 trillion

Further enhancing multifaceted capabilities (such as manufacturing, logistics, and finance) in addition to trading

IK Vision 2030

At least **1/3** of business from segments other than Information & Electronics and Plastics

Overseas business
70% or more

[Formulated in May 2017]

NC2026 Quantitative Targets

(Billions of yen)

	FY03/24 Actual	NC2026		
		FY03/25 Plan	FY03/26 Plan	FY03/27 Targets
Net sales	766.0	830.0	890.0	950.0
Operating profit	21.1	22.5	24.5	27.0
Ordinary profit	21.3	21.5	23.5	26.0
Profit attributable to owners of parent	20.0	17.0	17.5	19.0
ROE	10.5%	10% or more	10% or more	10% or more
Net debt/equity ratio	0.06 times	0.5 times or less	0.5 times or less	0.5 times or less
Equity ratio	46.8%	Approximately 50%	Approximately 50%	Approximately 50%
Exchange rate (USD/JPY)	¥144.59	¥145.00	¥145.00	¥145.00

NC2026 Quantitative Targets (Segment)

(Billions of yen)

Segment	FY03/24 Actual		NC2026					
			FY03/25 Plan		FY03/26 Plan		FY03/27 Targets	
	Sales	Operating profit	Sales	Operating profit	Sales	Operating profit	Sales	Operating profit
Information & Electronics	239.1	6.90	256.0	6.55	283.0	7.20	312.0	8.45
Chemicals	112.6	2.78	124.8	2.85	132.0	3.05	139.0	3.25
Life Industry	53.5	1.48	61.0	2.20	66.8	2.60	72.8	3.10
Plastics	360.4	9.87	388.0	10.80	408.0	11.55	426.0	12.10
Other	0.1	0.13	0.2	0.10	0.2	0.10	0.2	0.10
Total	766.0	21.19	830.0	22.50	890.0	24.50	950.0	27.00

3-1)

Company-wide Growth Strategy



Company-wide Growth Strategy Summary

Consolidated sales Over ¥1 trillion

- » Approach: Expand earnings through proactive investment
- » Business domains: Expand environment-related business and life industry business such as food products

Enhance multifaceted capabilities

- » Differentiate and boost earnings by enhancing multifaceted capabilities (especially in manufacturing and logistics)

Business portfolio

- » Further develop key segments (Plastics, Information & Electronics)
- » Establish earnings pillar on par with key segments

Overseas ratio 70% or more

- » Further develop growth areas (especially in India, Mexico, and the Americas, in addition to the existing Asia sites)
- » Move into untapped areas (e.g., Eastern Europe)

Capital Allocation

[Three-year period from FY03/25 to FY03/27]

Cash flows from
operating
activities, etc.
Approximately
¥65 billion



Investments, etc.
About **50~60%**

Shareholder returns
About **40~50%**

Company-wide Growth Strategy

Consolidated sales of ¥1 trillion or more

Expand earnings through proactive investment
 Expand environment-related business and life industry business such as food products

- Expand earnings and boost profitability through proactive M&A deals and other investments
- Focus management resources particularly on environment-related areas (renewable energy, recycling), automobile-related areas (for NEVs* and batteries), and semiconductors and electronic components-related areas
- Expand the food business (especially processing functions) and the pharmaceutical business

*New Energy Vehicle

Enhance multifaceted capabilities

Differentiate and boost earnings by enhancing multifaceted capabilities (especially in manufacturing and logistics)

- Further reinforce the Plastics business by expanding and enhancing compounding capabilities through the establishment of a joint venture company
- Differentiate by providing logistics functions (mainly overseas)

Company-wide Growth Strategy

Business portfolio

Further develop key segments (Plastics, Information & Electronics)

- Accelerate expansion of environment/energy and semiconductor-related businesses (Information & Electronics)
 - ~ Environmental and energy field sales: ¥100 billion (target around 2030)
- Accelerate expansion in the automotive field (Plastics)
 - ~ Automotive resin sales: ¥200 billion (target around 2030)
- Further develop display peripheral business (Information & Electronics)
- Expand and enhance compounding capabilities (Plastics)

Establish earnings pillars on par with key segments

- Expand our business domain and contribute to earnings quickly through M&A, etc.
- Expand sales in food and other life industry fields
- Expand Chemicals business overseas

Company-wide Growth Strategy

Overseas ratio of 70% or more

Further develop growth areas

- Strong focus on India and Mexico
- Further develop the Asia region
- Expand business opportunities by responding to supply chain reevaluations by global customers

Move into untapped areas (e.g., Eastern Europe)

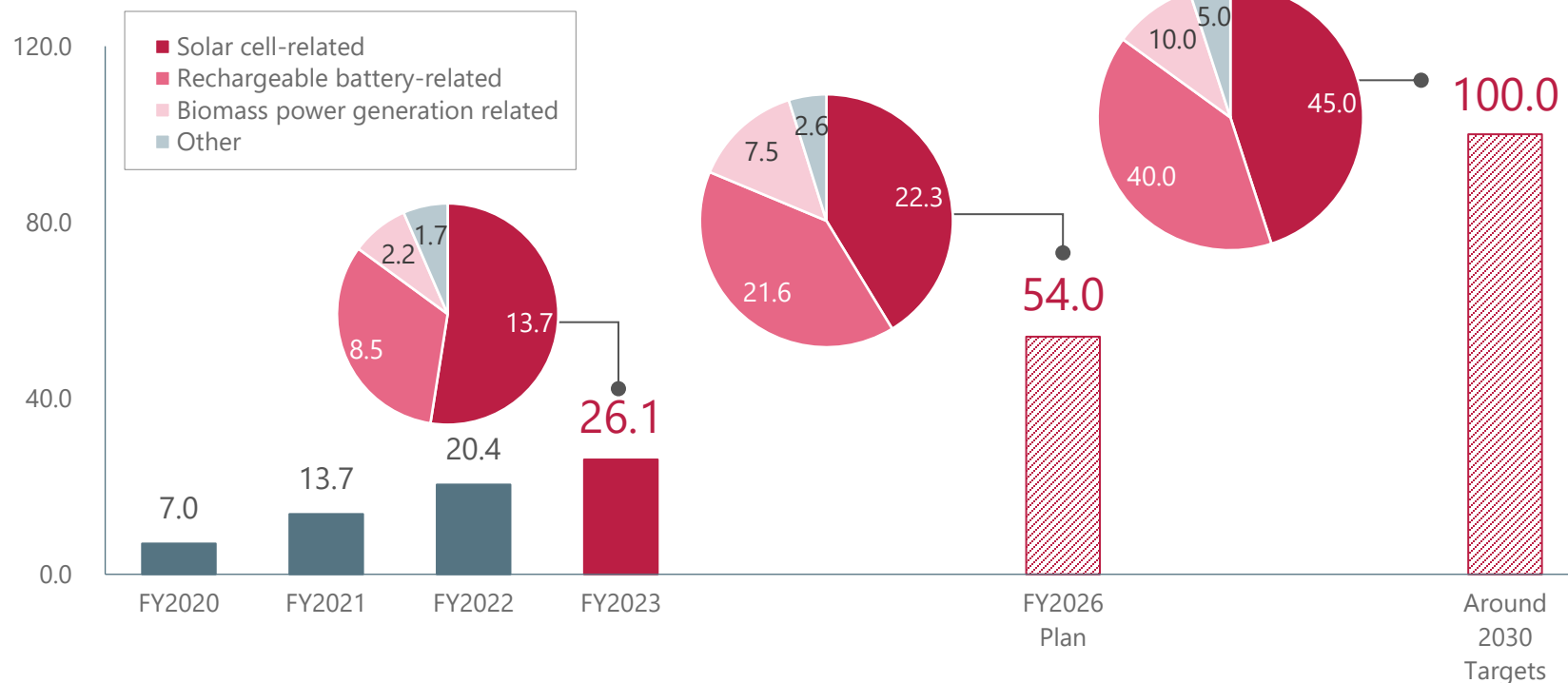
- Expand business in Eastern Europe
- Explore expansion into untapped Global South countries (South Asia, Cambodia, African countries, etc.)

Environment and Energy Field Expansion (Information & Electronics Segment)

Accelerate expansion of environment and energy field
— Aiming for sales of ¥100 billion around 2030

Environment & energy field sales

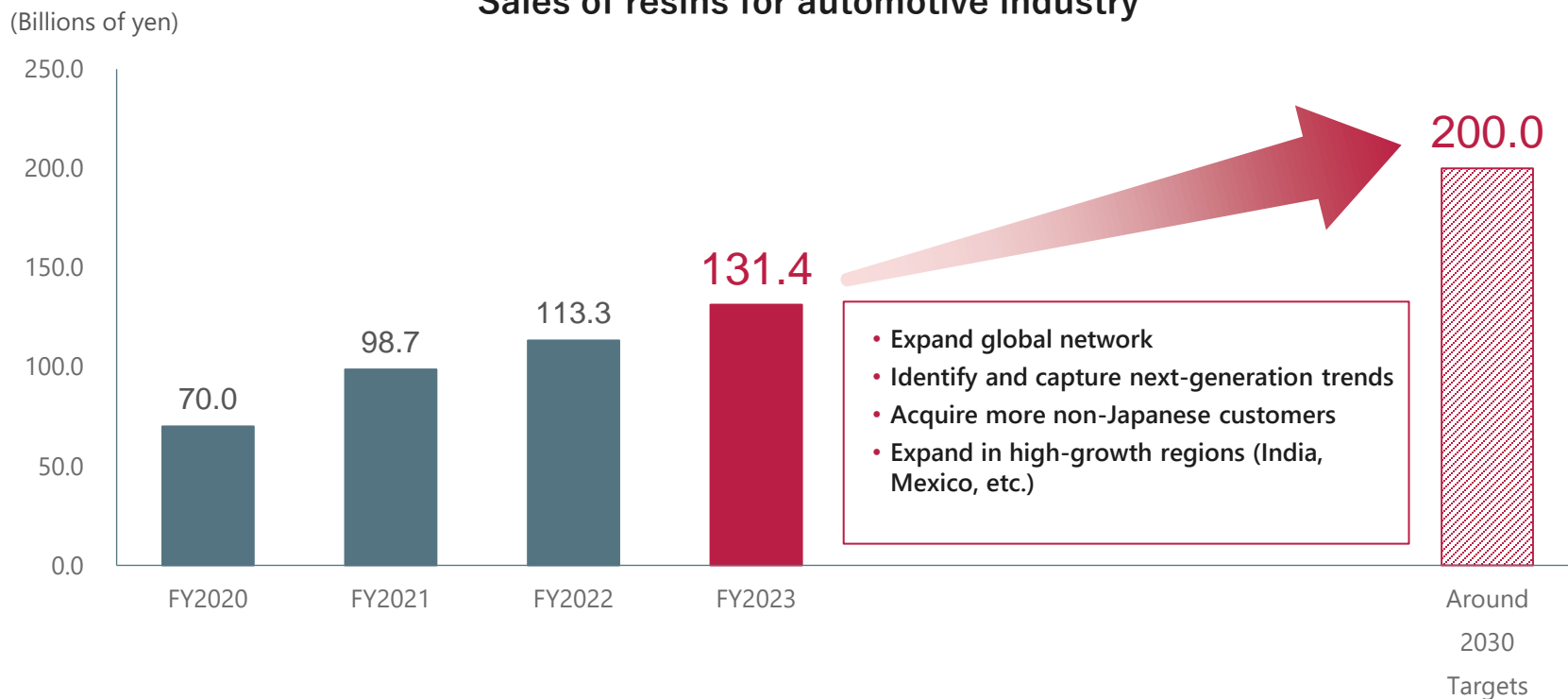
(Billions of yen)



Automotive Resin Sales Expansion (Plastics Segment)

Accelerate global expansion in the automotive field
 — Aiming for sales of ¥200 billion around 2030

Sales of resins for automotive industry



3-2)

Management Base Strategy Financial Strategy



Financial Strategy

Financial

Further improve capital efficiency

- Maintain ROE of 10% or more by boosting business profitability and keeping shareholders' equity under control
- Steadily implement policy of reducing strategic shareholdings and utilize proceeds from sales (for investment and shareholder return)

Focus on shareholder returns, including paying progressive dividends

- Maintain total shareholder return ratio of approximately 50%
- Continue paying progressive dividends
- Continue flexible share repurchases and cancellations

Implement measures to realize management conscious of cost of capital and share prices (achieve a share price level that regularly exceeds 1x P/B ratio as soon as possible)

- Maintain ROE above shareholders' cost of equity (10% or more)
- Enhance business value through steady implementation of growth strategies
- Reduce cost of shareholders' equity and foster growth expectations through enhanced information disclosure and dialogue (boosting P/E ratio)

Basic Policy on Shareholder Return

During NC2026

■ Progressive dividends

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

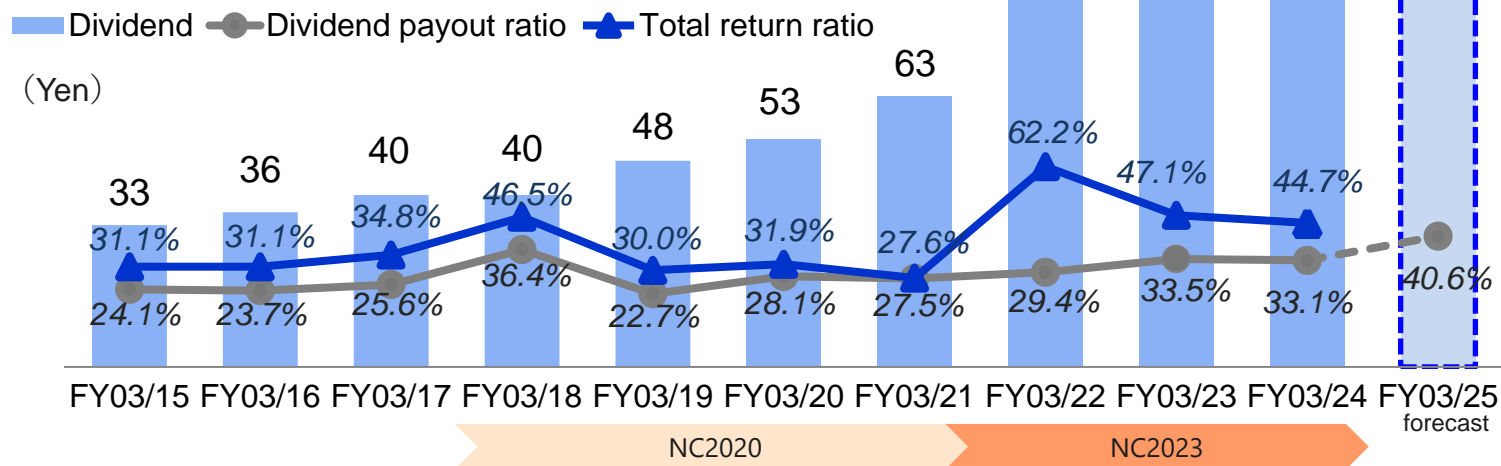
■ Target total return ratio of around 50%

NC2026 Returning Profits to Shareholders

For FY03/25,

- We plan to pay an annual dividend of ¥125 per share, with an increase of ¥5 (interim: ¥60 per share; year-end: ¥65 per share).
- We bought back 1,200,000 shares (July 17, 2024 canceled).

Annual dividends per share and indicators of shareholder return



Treasury shares	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24	FY03/25*
Acquisition amount	604	707	891	679	936	425	-	7,499	2,635	2,229	4,079
No. of shares Acquired	600	600	600	400	600	300	-	3,085	1,035	765	1,200
No. of shares cancelled	1,660	-	-	-	-	-	-	2,700	3,685	1,200	1,200

(Millions of yen)

(Thousands of shares)

(Thousands of shares)

* Amounts current as of July 31, 2024.

3-3)

Management Base Strategy
Sustainability Strategy
Digital Strategy



Sustainability Strategy Details

May 2024: Formulated a new “Sustainability Mid-term Plan 2026”

Establish a long-term vision, strategies, KPIs and targets related to materiality

Long-term Vision

Long-term Targets

GHG emissions (Scopes 1 and 2):

**Reduce emissions by 42% by FY2030, compared to FY2022 levels;
and achieve carbon neutrality by FY2050.**

“Sustainability Mid-term Plan 2026” Main KPIs, and Targets

By FY2026,

Reduce GHG emission (Scopes 1 and 2) by 25% compared to FY2022 levels

Achieve net sales of 100 billion yen 1 for environment-related business etc.

Note: Please refer to p. 62-63 for the Strategy, KPIs, and Targets of "Sustainability Mid-term Plan 2026".

Digital strategy

Enhance management information infrastructure and reinforce Group-wide security

- **Revamp core systems and strategically leverage Group-wide sales information**
 - ~ Fully support front-line sales activities with digital technology to generate new business and maintain and expand existing business
- **Establish a scheme to strengthen security and deploy it across the Group**
 - ~ Complete transfer of IT infrastructure to cloud environment and further enhance security for all Group companies
- **Improve productivity by leveraging in-house generative AI services, etc.**
 - ~ Enhance digital marketing and productivity by leveraging unstructured data using OpenAI

■ Corporate Governance

■ June 2022

Transition to Company with Audit and Supervisory Committee

Transition to monitoring-type Board of Directors where independent outside directors account for more than half

=> To oversee the central theme of NC2026, “proactive investment,” the Board comprises independent outside directors with expertise and experience in global management, relevant businesses and industries, and risk management.

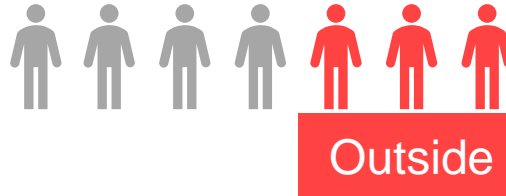
Ratio of independent outside directors

58% (7 out of 12)



Directors (excluding audit and supervisory committee members)

7 persons



Directors (audit and supervisory committee members)

5 persons



■ Established the Nomination and Remuneration Committee

Ensures objectivity, fairness and transparency with respect to the appointment and dismissal of senior management, nomination of candidates for directors and executive officers, and determination of director remuneration

- Chairperson: Lead independent outside director
- Current membership: 1 internal director and 4 independent outside directors
- Held 12 times during FY 03/2024

The Effectiveness Evaluation of the Board of Directors (1)

Objective - To enhance corporate value by increasing the effectiveness and transparency of the board of directors

- FY 2021, FY2022

 - Performed a self-evaluation using a survey format

- FY2023

 - Had a third-party evaluation, which takes place every three years

 - Conducted the evaluation for all directors using surveys and individual interviews

FY2023 Third-party evaluation methodology

- ✓ Had an external consultant interview the president and a responsible director to confirm the direction. We then determined what to ask.
- ✓ Distributed questionnaires to all directors and collected responses.
- ✓ Based on the responses, the external consultant conducted individual interviews with all directors.
- ✓ The external consultant reported the results to the Board of Directors.
- ✓ The Board reviewed the report and decided on future actions.

FY2023 Summary of third-party evaluation

- The operating status of the Board received high marks overall
- Open and lively discussions were confirmed
- Outside directors contributed
- The Nomination and Remuneration Committee and the Audit and Supervisory Committee were properly operated
- There was sufficient reporting on the status of dialogues with investors and shareholders

Issues to be addressed in the future

- Business status and portfolio
 - Deepen discussions on strategies for sustainable growth by segment.
 - Explore ways to visualize the growth of new businesses and consider setting targets.
- Management issues
 - Further discuss human resource challenges, including our ideal salesforce, talent development, and diversity promotion. Also, deliberate on the recycling business and other sustainability challenges.
- Medium- to long-term strategies
 - Continue to enhance deliberations on medium- to long-term strategies.
- Nominating and Remuneration Committee
 - Step up efforts to develop successors to the president and management talent.
 - Further strengthen information sharing with the Board of Directors.

Reference

Summary of Financial Results for Q1 FY03/2025 and Full-Year Outlook

Consolidated Results Review – Q1 FY03/25

- Net sales, Op. profit and ordinary profit reached record highs.

Net sales: **¥213.5 billion** **+15.7% YoY**

Net sales increased, owing to the weak yen and favorable performance in Japan and Southeast Asia.

Operating profit: **¥6.8 billion** **+34.6% YoY**

Operating profit expanded due to growth in net sales and an increase in our operating profit margin.

Ordinary profit: **¥7.2 billion** **+35.7% YoY**

Ordinary profit increased on operating profit growth and a decrease in interest expenses.

Profit attributable to owners of parent: **¥6.3 billion** **-17.5% YoY**

Profit declined despite higher ordinary profit, due to the absence of gain on negative goodwill recorded in FY03/24.

Consolidated Results Review – Q1 FY03/25

(Billions of yen)

	Q1 FY03/24	Q1 FY03/25 (A)	YoY change		Forecast announced May 9, 2024 (B)	Progress rate (A)/(B)
			Amount	%		
Net sales	184.5	213.5	+29.0	+15.7%	830.0	25.7%
Operating profit	5.0	6.8	+1.7	+34.6%	22.5	30.3%
Ordinary profit	5.3	7.2	+1.9	+35.7%	21.5	33.7%
Profit attributable to owners of parent	7.7	6.3	-1.3	-17.5%	17.0	37.5%
Exchange rate (USD/JPY)	137.49	155.85	+18.36		145.00	

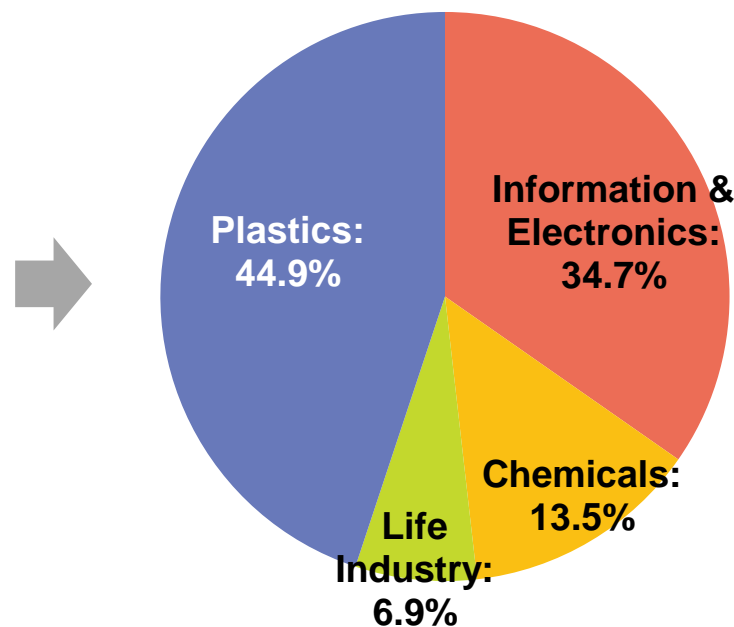
Net Sales by Business Segment

- In Information & Electronics, net sales increased backed by a recovery in sales of FPD-related and printer-related products.
- In Plastics, net sales grew, owing to robust sales in all categories reflecting a recovery in demand for materials for office automation applications and contributions from the weak yen.

Net Sales

(Billions of yen)

	Q1 FY03/24	Q1 FY03/25	YoY change
Information & Electronics	56.9	74.0	+30.0%
Chemicals	27.2	28.8	+5.8%
Life Industry	13.4	14.6	+9.0%
Plastics	86.8	96.0	+10.5%
Other	0.0	0.0	+0.1%
Total	184.5	213.5	+15.7%



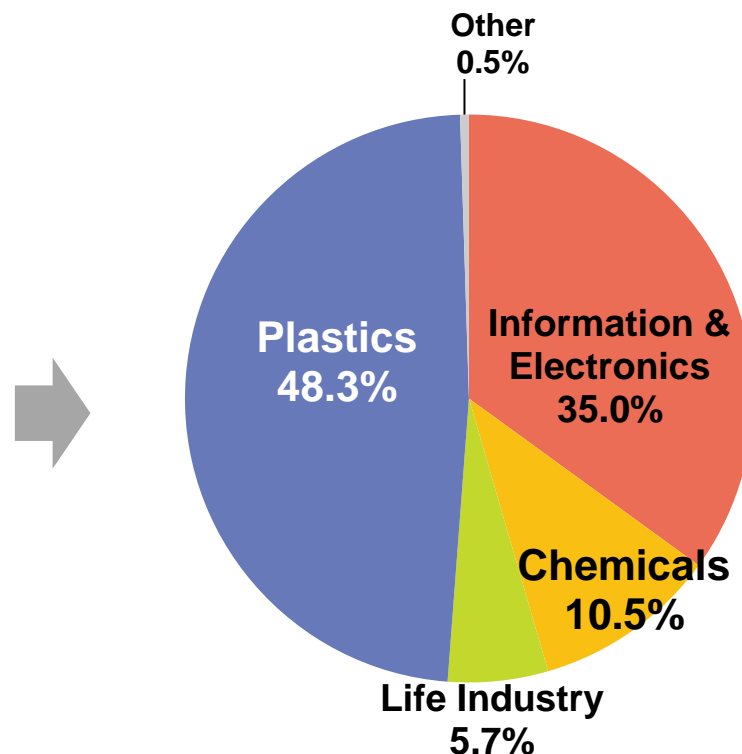
Operating Profit by Business Segment

- In Information & Electronics, profit increased due to a recovery in sales of FPD-related and printer-related products and strong sales of high-margin products.
- In Plastics, profit grew, thanks to recovered demand for office automation-related materials and robust sales of materials for automobiles in Japan and Southeast Asia.

Operating profit

(Millions of yen)

	Q1 FY03/24	Q1 FY03/25	YoY change
Information & Electronics	1,525	2,386	+56.5%
Chemicals	709	717	+1.2%
Life Industry	249	390	+56.2%
Plastics	2,552	3,295	+29.1%
Other	34	34	- 0.6%
Total	5,071	6,825	+34.6%



Balance Sheet

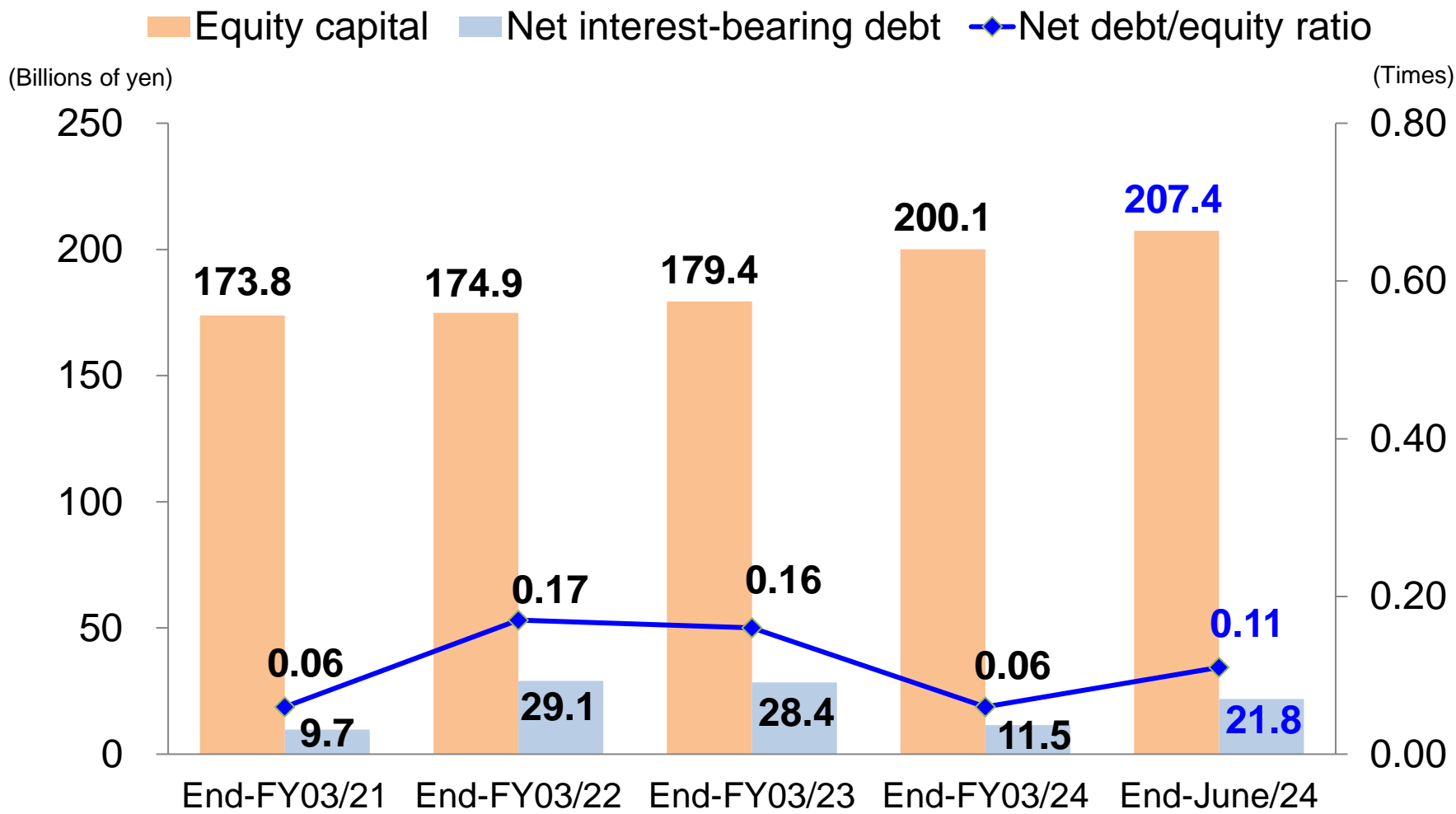
- Notes and accounts receivable–trade, and notes and accounts payable–trade increased due to favorable performance and a weak yen.
- Issued the second and third series of unsecured straight bonds.
- Accumulated other comprehensive income increases as a result of a rise in foreign currency translation adjustment.

(Billions of yen)

Assets	End-FY03/24	End-June 2024	Change
Cash and deposits	51.3	58.5	+7.2
Notes receivable - trade	31.1	31.8	+0.6
Accounts receivable-trade	175.2	193.0	+17.7
Inventories	85.0	89.5	+4.4
Other current assets	11.1	11.3	+0.1
Property, plant and equipment	18.6	20.4	+1.8
Intangible assets	3.8	7.2	+3.3
Investment securities	34.8	36.4	+1.5
Other fixed assets	15.9	16.7	+0.7
Total assets	427.3	465.1	+37.7
Current ratio	187.1%	184.1%	

Liabilities and net assets	End-FY03/24	End-June 2024	Change
Notes and accounts payable - trade	127.7	140.2	+12.5
Short-term loans payable	42.9	50.5	+7.5
Other current liabilities	18.5	17.9	-0.6
Bonds payable	7.5	17.5	+10.0
Long-term loans payable	12.3	12.4	+0.0
Other non-current liabilities	11.4	11.7	+0.2
Shareholders' equity	160.3	158.9	-1.4
Accumulated other comprehensive income	39.8	48.5	+8.7
Non-controlling interests	6.5	7.3	+0.7
Total liabilities and net assets	427.3	465.1	+37.7
Equity ratio	46.8%	44.6%	

(Reference) Equity Capital, Net Interest-Bearing Debt, **IK INABATA**
 Net Debt/Equity Ratio



Notes: Equity capital = Net assets – stock acquisition rights – non-controlling interests

Net debt/equity ratio = (Short-term loans payable + Long-term loans payable + Bonds payable – cash and deposits) / equity capital

About Inabata

■ Summary of the Company

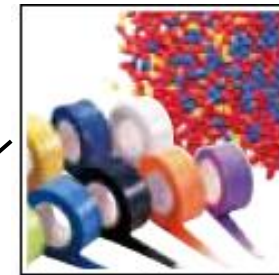
Summary of the Company

4 Business Segments

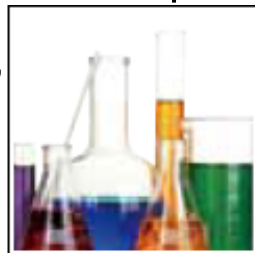
Operating in 4 segments: Information & Electronics, Chemicals, Life Industry and Plastics



Materials for pharmaceuticals and household products, agricultural and marine products



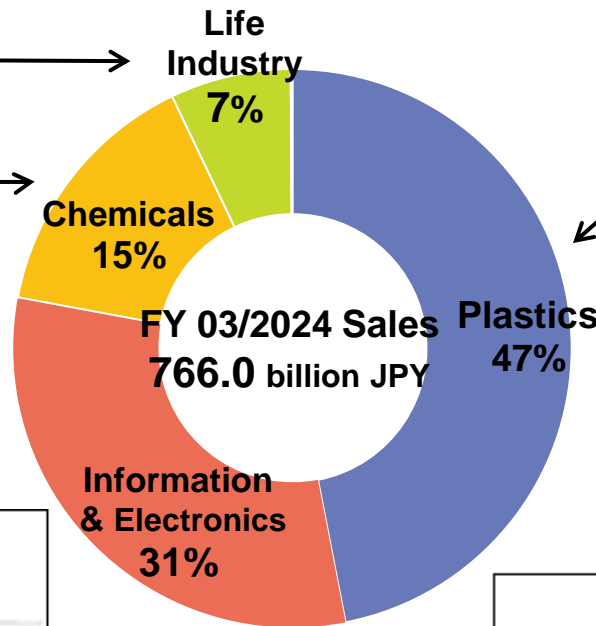
Plastic materials, compounds, various film and sheet products



Resin and rubber materials, materials and additives for paints, inks, adhesives
Lumber, laminated timber, housing equipment



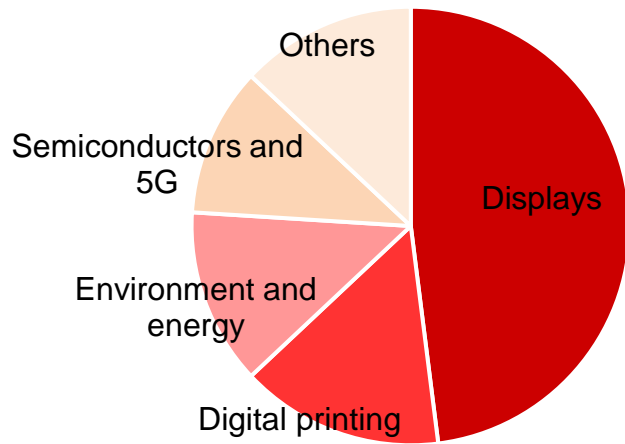
LCD components, inkjet and toner materials, LED materials



Composition of Products and Materials (FY03/2024)

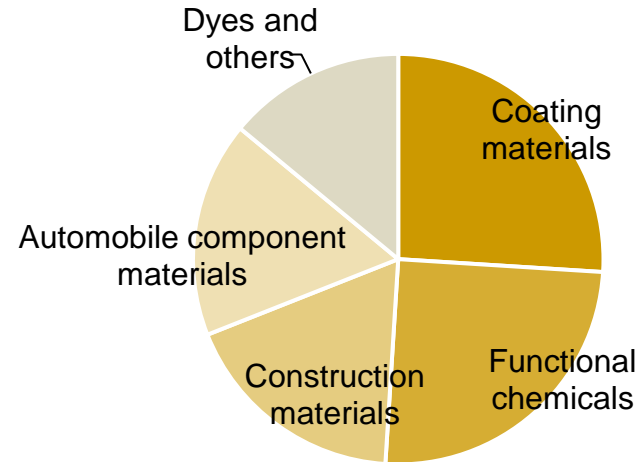
Information & Electronics

Sales ¥239.1 billion



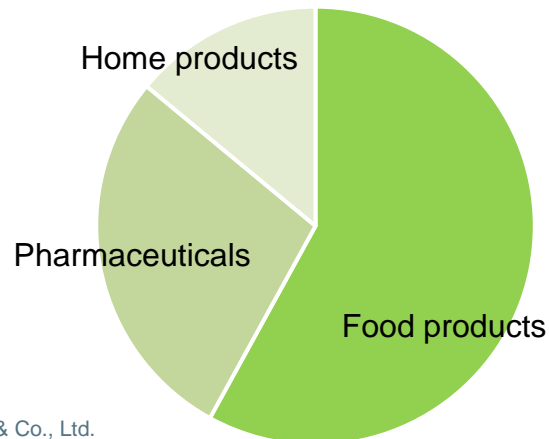
Chemicals

Sales ¥112.6 billion



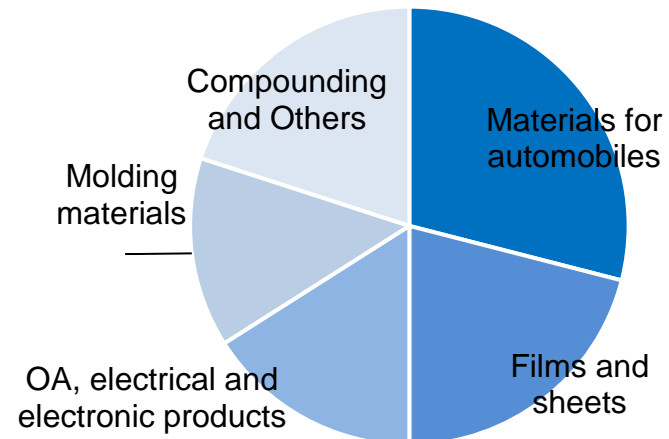
Life Industry

Sales ¥53.5 billion



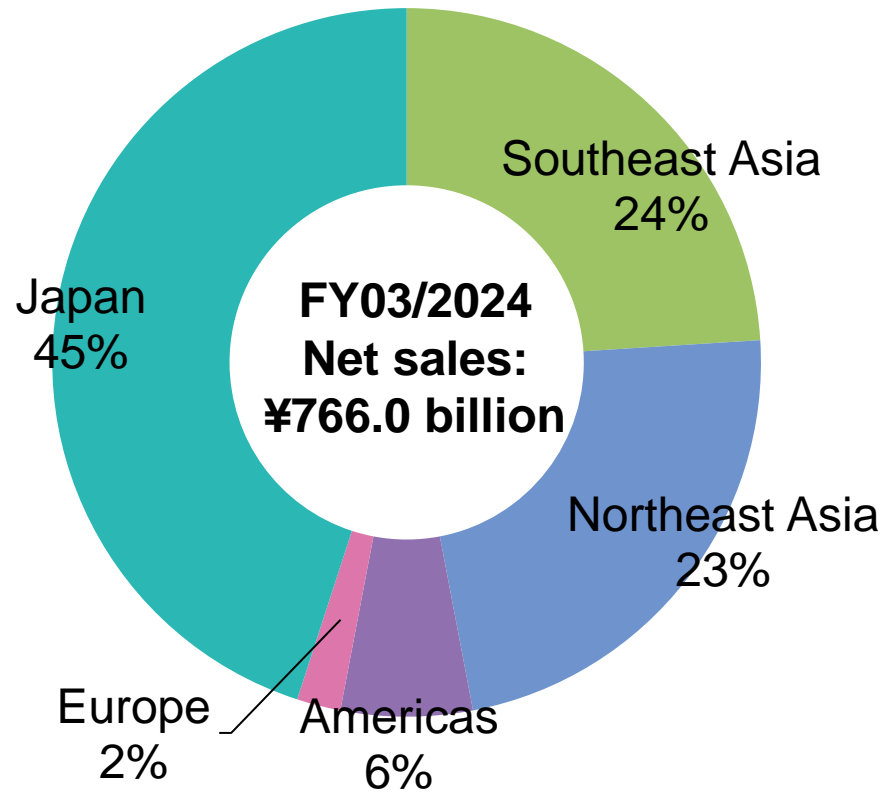
Plastics

Sales ¥360.4 billion



Conducting business globally at about 70 locations in across 19 countries

IK Group's sales by region



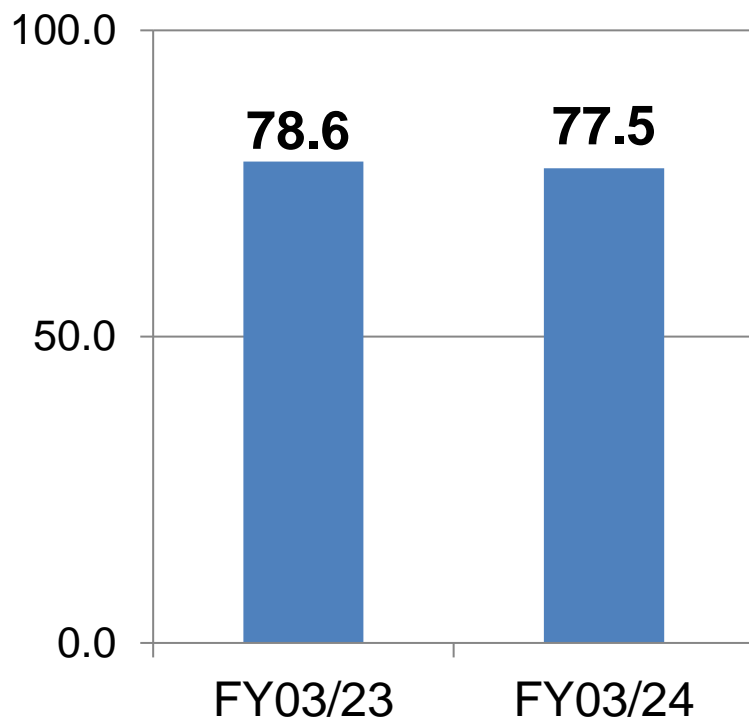
Sales and Operating Profit in the Manufacturing Sector

Manufacturing and processing businesses account for 10–15% of consolidated sales and operating profit

Positioned as a means of expanding trading functions

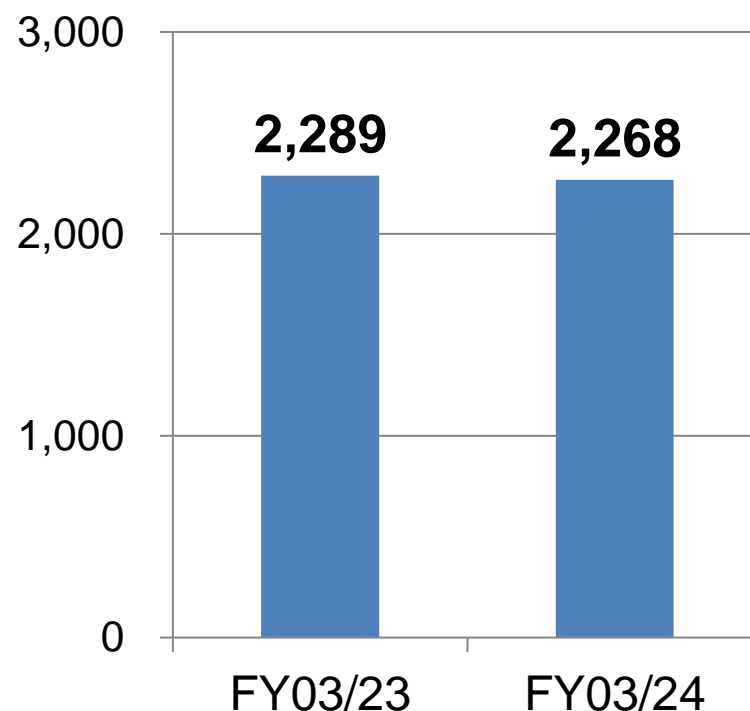
Sales

(Billions of yen)



Operating profit

(Millions of yen)

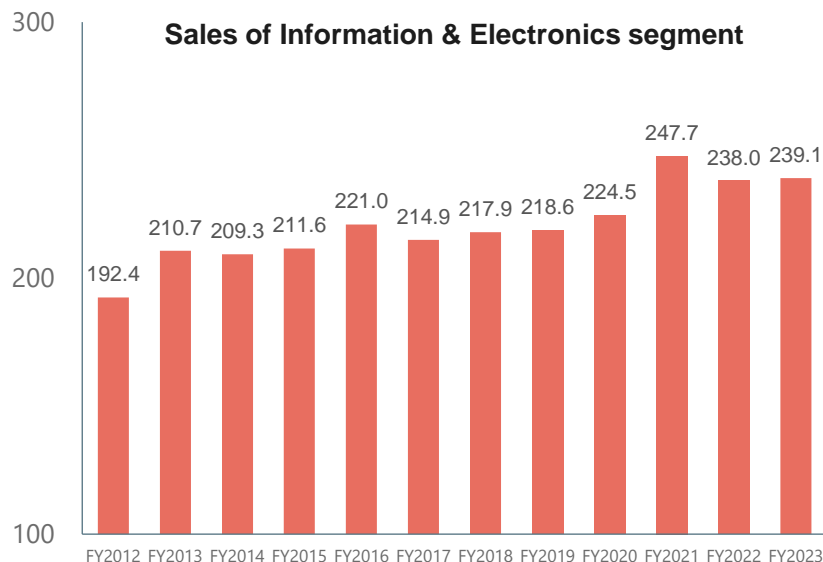


Note: Results for FY03/23 have been converted at the exchange rate for FY03/24 (USD1=JPY144.59).

Developments in Asia ~ FPD-related business

- **Expanding customer base and scope of business in response to changes in the FPD market environment, growing into a core business**
 - Rapidly responded to changes in the main panel manufacturing countries (Japan -> Taiwan -> China · South Korea) by developing personnel at local bases, initiating transactions with local manufacturers.
 - Launched business with polarizer raw materials, expanded product lineup to include polarizer, protective films, and alignment layer films, as well as OLED materials.
 - Developed business based on information from a wide range of customers, from raw material and component manufacturers, to panel manufacturers.
 - Leveraging our accumulated expertise and information, we were also able to establish supply chains and develop proposal-based business.

(Billions of yen)

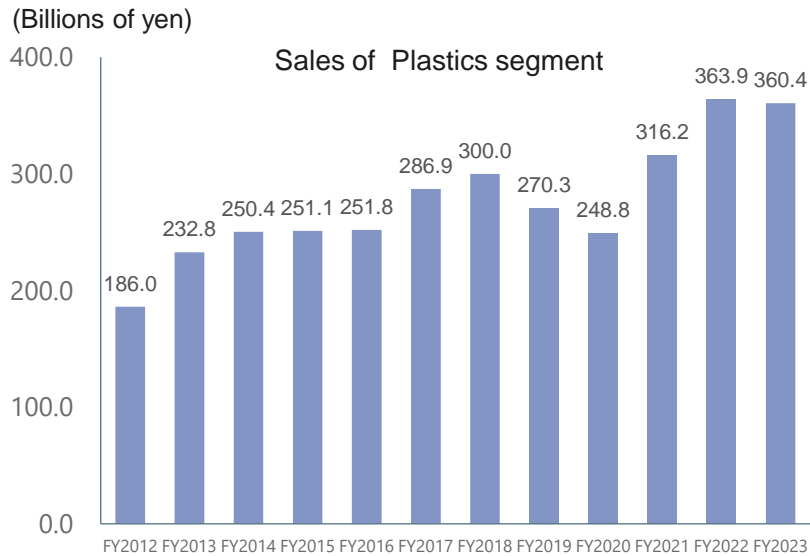


Business Development Transition

1990 s	<ul style="list-style-type: none"> • Started in 1990 from sales of polarizer materials (PVA films) • In 1993, launched sales of polarizer films to Japanese panel makers
2000 s	<ul style="list-style-type: none"> • Established polarizer film processing base in Taiwan in response to emergence of local leading panel makers. In 2001, took over a joint venture with Sumitomo Chemical Co., Ltd., assumed responsibility for sales, etc. • Among the first to start business with leading Chinese panel makers and capture market expansion (spread of notebook PCs, shift to FPD for TVs, and rapid growth of smartphones)
2010 s	<ul style="list-style-type: none"> • Developed a wide range of commercial products in response to trends toward OLEDs and next-generation FPDs

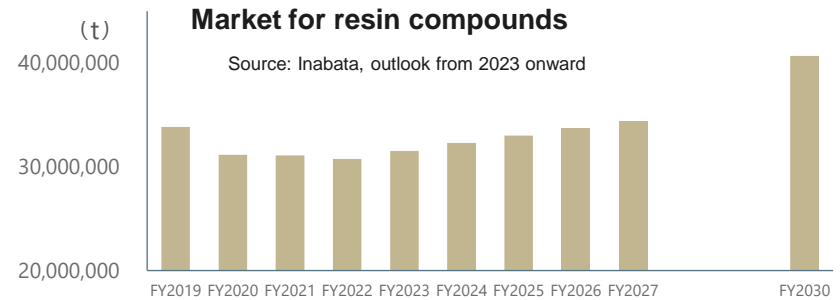
Developments in Asia ~Plastics Segment

- Expanded overseas in line with Japanese consumer electronics manufacturers transition to overseas production. Subsequently expanded into a global network of bases while cultivating customers in the office automation and automobile industries (overseas sales ratio exceeded 62% in FY2023).
- Producing resin compounds at seven bases in seven countries mainly in Asia. In addition to providing products meeting customer needs, we also made new proposals for resin materials.
- Points of differentiation from other companies
 - Versus major trading companies: Meticulous response to needs for a wide variety of products in small quantities
 - Versus small- to medium-sized trading companies: Support for customer overseas expansion

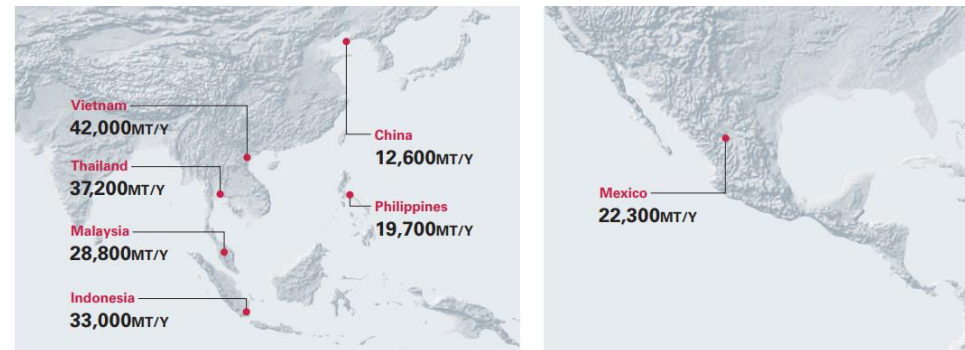


Resin Market Environment

- Overall market growth of 2–3% per year is expected to remain stable.
- Declining trend in general-purpose applications such as plastic bags, tableware, and containers/packaging
- Automotive and other applications are expected to grow in line with demands for weight reductions and metal substitutions.
- Recycled materials are expected to increase amid expanding environmental regulations and decarbonization trends .



Annual production capacity of resin compounds (MT/Y) As of March 31, 2024



7 locations in 7 countries Total annual production capacity: 195,600MT/Y

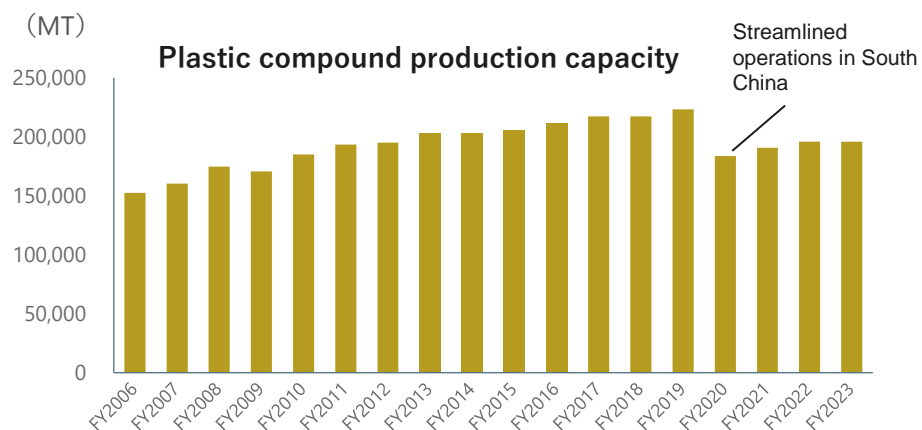
Developments in Asia ~Plastic compound

■ Highest productivity in the industry

- With seven production bases in seven countries including China, Vietnam, and Indonesia (195,600 MT/year in total as of March 31, 2024), Inabata is among the largest production scales in the industry as a trading company-affiliated resin compounder.

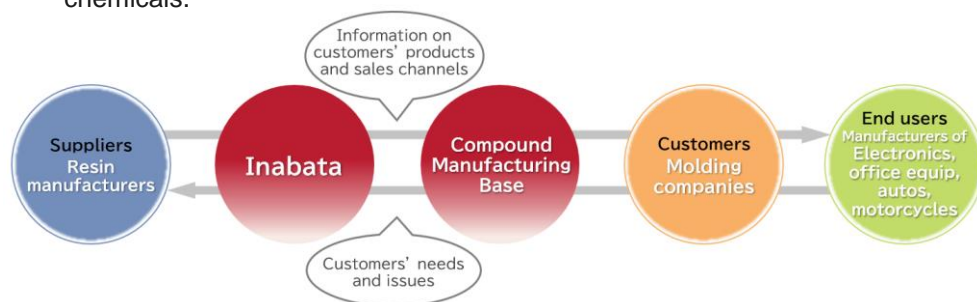
■ Global customer support structure

- Integrated domestic and overseas customer support system, including overseas offices, provides prompt and useful information, one-stop price negotiation capabilities in Japan and overseas, and assurance of stable supply.



Business model for the plastic compound

- Differentiation by meeting customer needs for rapid delivery and high-mix low-volume production in close proximity to customer manufacturing bases
- Involvement in customer manufacturing processes enables Inabata to obtain up-to-the-minute product-related information starting from the development phase, leading to new proposals for plastic materials and chemicals.



Joint venture with Daicel

- Established joint venture with Daicel Corporation (scheduled to begin operations in July 2024) to further enhance compounding functions and expand the plastics business

Aims of joint venture

- Acquire new production technologies and enhance quality controls
- Develop technical talent
- Augment development capabilities
- Increase manufacturing capability through introduction of production system

NC2026 Segment Growth Strategy

Segment Growth Strategy

Classified strategies for each segment under Core, Growth, and Next.
In addition, we identified key areas to allocate management resources.



Segment Growth Strategy

Information & Electronics Segment



Segment Growth Strategy

Chemicals Segment

Core

- » Expand sales of resin materials and additives, coating materials, and construction materials
- » Achieve synergies with Maruishi Chemical Trading (coating materials, paints, etc.)

Growth

- » Expand business in materials in the EV field (batteries, motors, display materials)
- » Bolster overseas development (expand sales of various products using global logistics functions)

Next

- » Take on initiatives for biodegradable raw materials and recycled materials
- » Capture new themes by enhancing planning and development capabilities

Investments, etc.

- » EV field
- » Functional chemicals, coating materials
- » Enhance logistics and processing functions

Segment Growth Strategy

Life Industry Segment

Core

- » Expand sales areas of pharmaceuticals and consumer goods (especially overseas)
- » Expand sales to conveyor-belt sushi chains by leveraging processing capabilities

Growth

- » Expand e-commerce by achieving synergies with Daigo Tsusho, etc.
- » Focus on growth areas such as regenerative medicine, nucleic acids and biopharmaceuticals

Next

- » Make use of natural raw materials (cosmetics, agrochemical raw materials, etc.)
- » Explore business opportunities to reduce CO2 emissions and sludge by using microorganism formulations

Investments, etc.

- » Expand upstream and downstream areas in food and agriculture (especially processing functions)
- » Explore growth areas such as regenerative medicine

Segment Growth Strategy

Plastics Segment

Pick Up

Core

- » Accelerate global expansion in the automotive field
— Aiming for sales of ¥200 billion around 2030
- » Strengthen Group company collaboration in the film and sheet-related business

Growth

- » Enhance compounding capabilities
— Strengthen technological development capabilities, streamline production, and enhance quality control by establishing a joint venture company
- » Grow recycling business and green business
- » Expand EV business in the automotive field
- » Acquire more non-Japanese customers

Next

- » Develop untapped overseas regions (South Asia, Cambodia, African countries, etc.)
- » Explore the chemical recycling business

Investments, etc.

- » Plastic compounds business
- » Recycling business

NC2026 Management Base Strategy **Sustainability Strategy** (including HR strategy)

Sustainability Strategy Details

Long-term Vision

Long-term Targets

GHG emissions (Scopes 1 and 2): **Reduce emissions by 42% by FY2030**, compared to FY2022 levels; and achieve carbon neutrality by FY2050.

Long-term Aims

- » A decarbonized and circular society, and rich natural capital for society and the planet
- » A society in which human rights are respected, people feel safe and secure, and their well-being is maintained
- » A state of sustainable growth where the value provided by the Company, co-created with its business partners, is seen as indispensable to society
- » A situation where all employees in Japan and overseas, who are critical for sustainable growth, are physically and mentally healthy, work with enthusiasm in a style that fits the individual and in appropriate roles, and enjoy a high level of well-being

Relevant United Nations Sustainable Development Goals



Sustainability Strategy Details

Materiality: Long-term Vision, Strategy, KPIs, and Targets(1)

Creating sustainable value

Contributing to a decarbonized and circular society; sustainable use of natural capital
 Contributing to safety, security, and well-being
 Providing value through resilience in procurement and supply functions

Strategy	KPIs and Targets (April 2024 to March 2027)	Boundary
– Achieve carbon neutrality in business activities	» Reduce GHG emission (Scopes 1 and 2) by 25% compared to FY2022 levels	Consolidated
– Contribute to the global environment through the business	» Achieve net sales of 100 billion yen*1 for environment-related business	Consolidated
– Ensure safe and secure quality through stronger management of compliance with chemical substances regulations	» Understand and share trends in chemical substances regulations in Japan and overseas in a timely manner, and strengthen the compliance management framework	Consolidated
– Enhance resilience in procurement and supply functions by strengthening supply chain management	» Clarify the Company’s position on responsible procurement, and communicate it internally and externally	Non Consolidated
– Establish supply chains that respect human rights	» Establish the human rights DD cycle*2 for selected operations as a model case	Non Consolidated

*1. The expected ratio of environment-related business by field in the final fiscal year of the Sustainability Medium-term Plan 2026 is outlined below.



*2. The human rights DD cycle refers to the following due diligence processes and supporting measures set out in OECD Due Diligence Guidance for Responsible Business Conduct:

- | | |
|---|---|
| 1. Embed responsible business conduct into policies and management systems | 4. Track implementation and results |
| 2. Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services | 5. Communicate how impacts are addressed |
| 3. Cease, prevent and mitigate adverse impacts | 6. Provide for or cooperate in remediation when appropriate |

Sustainability Strategy Details

Materiality: Long-term Vision, Strategy, KPIs, and Targets(2)

Strengthening the foundation for business continuity

Respecting human rights in the spirit of love (ai) and respect (kei) and growing together with local communities
 Fostering and strengthening the human capital driving the value creation
 Enhancing governance and risk management

Strategy	KPIs and Targets (April 2024 to March 2027)	Boundary
<ul style="list-style-type: none"> – Improve the well-being (state of being physically, mentally, and socially satisfied) of employees who support sustainable growth 	<ol style="list-style-type: none"> 1. In employee engagement surveys, achieve an overall response rate of at least 90%, a positive response rate of at least 80% to the statements “I am satisfied to work at the Company” and “I can identify with the Company’s mission, vision, and managerial policy, and I want to work to achieve them,” and a positive response rate of at least 70% across all items*3 2. Expand the implementation boundary for the human rights DD digital survey to the Group 	Consolidated
<ul style="list-style-type: none"> – Foster diversity and inclusion that makes the most of diverse individuals 	<ol style="list-style-type: none"> 1. Increase the ratio of women in managerial positions to at least 8% by March 2028, and to 10% by 2030 2. Maintain the ratio of mid-career hires at around 50% 3. Increase the ratio of male employees taking paternity leave to 100% 4. Continue to exceed the legal rate of employment for persons with disabilities 5. Encourage managerial appointments for local employees at overseas subsidiaries 	1-4 Non Consolidated 5 Consolidated
<ul style="list-style-type: none"> – Further advance health and productivity management 	<ol style="list-style-type: none"> 1. Achieve a 100% rate of complete checkup*4 2. Maintain comprehensive health risk found by stress checks at current levels*4 	Non Consolidated
<ul style="list-style-type: none"> – Focus on investment in human capital 	<ol style="list-style-type: none"> 1. Every year, spend more on education and training costs*5 per employee than in the previous year 2. Maintain the ratio of employees with overseas posting experience at around 40% 	Non Consolidated

*3. The positive response rate in employee engagement surveys refers to—of employee responses on the five-point scale (5. Fully agree; 4. Agree; 3. Neither agree nor disagree; 2. Disagree; 1. Fully disagree)—the proportion of responses 4 and 5, which are the positive responses.

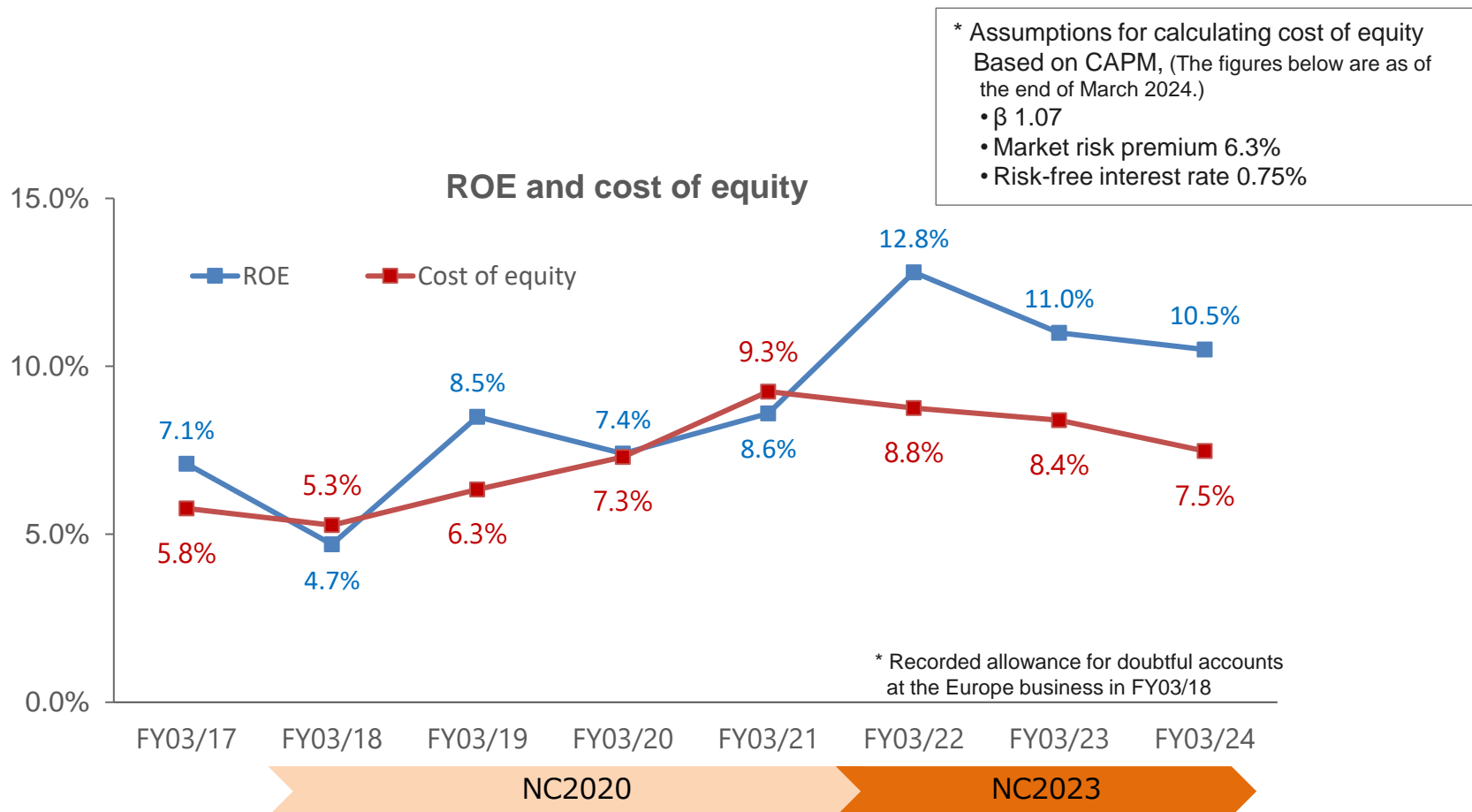
*4. The rate of complete checkup refers to the proportion of employees who were advised to undergo a complete checkup after the initial health check and actually followed the advice. Comprehensive health risk is an indicator for stress evaluation provided by the Ministry of Health, Labour and Welfare to comprehensively assess to what degree the workplace environment impacts on employee health. The risk is calculated by using four criteria obtained from stress checks: psychological burden of work (volume), degree of discretion at work, degree of support from managers, and degree of support from colleagues. The national average is calculated as 100: workplace health risk is high if the value exceeds 100, and low if the value falls below 100. The value at the Company is currently below 100.

*5. Education and training costs refer to the expenses spent on group training, external training, video learning, and so on at Inabata on a nonconsolidated basis. For FY2022, the costs were 50,776 yen per person. (FY2023 results will be disclosed in the summer of 2024.)

- Measures to Realize Management Conscious of Cost of Capital and Share Prices

Cost of Capital vs. Return on Capital

- Under *NC2023*, ROE has continuously risen to a level exceeding the cost of shareholders' equity.
- In FY03/24, beta (β) declined on an expanded shareholder base due to improved market liquidity.

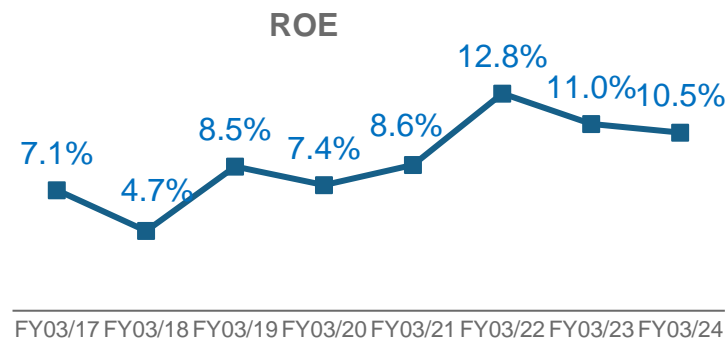
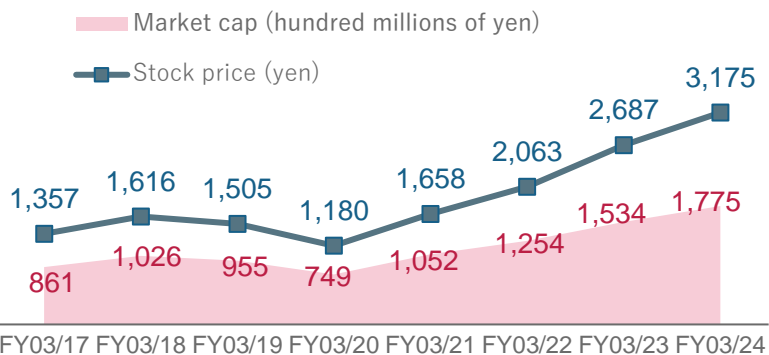


Share Price and the Market's Valuation of the Company

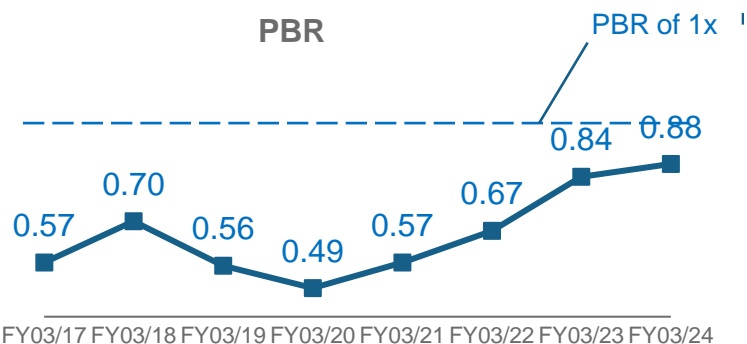
- Steady rise in market price (approx. 1.9x) and market cap (approx. 1.7x) over the three-years of *NC2023*.
- PBR is trending up, but not yet reached the target of 1.0x (0.92x* as of September 30, 2024).
- PER is also trending up, but remains at a low level. Need to raise higher for Inabata's future growth expectations.

Stock price and market capitalization

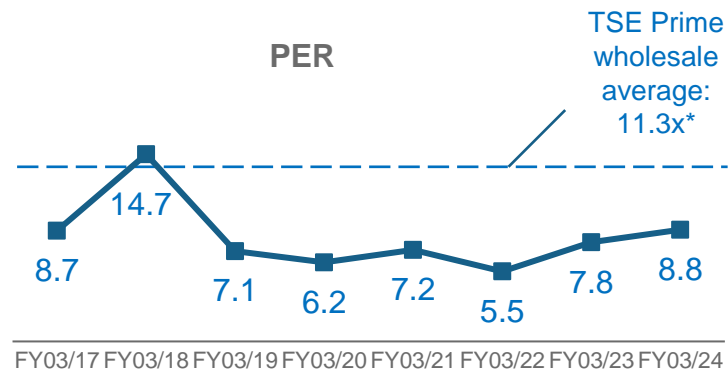
*Obtained by dividing the closing price on September 30, 2024 by BPS at the end of FY03/24



PBR



PER



*Recorded allowance for doubtful accounts at the Europe business in FY03/18

*All figures are as of the end of the fiscal year

*As of March 31, 2024 * Weighted average PER

Policies/Targets, and Timeline (June 2023 disclosure)

- At a Board of Directors meeting held in May 2023, we have resolved on the following policies.

□ Policies

Increase the share price so that PBR stays above 1x at all times, as soon as possible, through the following four measures:

- ① Firmly implement growth strategies to drive sustainable growth in business value, and foster expectations for future profit growth
- ② Maintain ROE of 10% or above
- ③ Control and/or curtail the cost of capital, including by utilizing financial leverages
- ④ Continue buying back shares

Specific Measures ① Increase Business Value and Foster Growth Expectations

- The following growth initiatives were implemented under *NC2023*. Under *NC2026*, we will pursue rapid contributions to earnings.

Note: Red text indicates recent major investments.

Key Initiatives for NC2023	Actual
1. Further development of core businesses and horizontal expansion into growth sectors	<ul style="list-style-type: none"> • Sales of plastics, FDP-related materials, and other products for automobiles increased • Acquisition of Maruishi Chemical Trading (made it a subsidiary) • Established joint venture with Daicel Corporation to strengthen the compound business functions
2. Multi-faceted approach to markets with potential for future growth and steady monetization efforts	<ul style="list-style-type: none"> • Expansion of sales of products that reduce environmental load • Participation in biomass power generation business • Investment in semiconductor-related companies • Invested in a high-performance filler production company
3. Intensification of investment targeting future growth	<ul style="list-style-type: none"> • Acquisition of Daigo Tsusho (made it a subsidiary) • Establishment of a US joint venture that manufactures lithium-ion battery-related materials • Investment in a French company engaged in the development, extraction, and sales of plant extract components • Reinforcement of Business Planning Office functions
5. Continuous review of assets and further improvement of capital and asset efficiency	<ul style="list-style-type: none"> • Fundraising for growth investment through the sale of strategic shareholdings • Issue of straight bonds (diversifying fundraising methods)
6. Enhancement of human capital utilization efforts	<ul style="list-style-type: none"> • Introduction of a restricted stock incentive plan for the employee shareholding association • Revision of HR systems to promote diversity • Enhancement of training systems to nurture global talent

Specific Measures ② Maintain ROE of 10% or above

- Maintain ROE of 10% or above, largely by expanding profits, enhancing profitability, and continuing to control the cost of equity

Expand profits and increase GPM	Actual
Grow mainstay businesses	<ul style="list-style-type: none"> • Driven by core businesses, we achieved record-high net sales and operating profit for the third consecutive fiscal year under <i>NC2023</i>.
Increase the share of earnings accounted for by highly profitable businesses	<ul style="list-style-type: none"> • Under <i>NC2023</i>, the operating profit margin steadily improved from 2.6% in FY03/21 to 2.8% in FY03/24.
Make aggressive investments, including in M&A, and generate revenue at an early stage	<ul style="list-style-type: none"> • During <i>NC2023</i>, we invested about ¥21.5 billion over three fiscal years.
Steadily dispose of strategic shareholdings	<ul style="list-style-type: none"> • Progress in reduction of cross shareholdings exceeded the target.
Control of equity	Actual
Continue flexible share buybacks and cancellations	<ul style="list-style-type: none"> • During <i>NC2023</i>, 4,880,000 shares were repurchased for ¥12.3 billion, and 7,580,000 shares were canceled. • Repurchasing 1,200,000 shares for up to ¥5.0 billion (planned between May–July 2024)
Maintain a progressive dividend policy	<ul style="list-style-type: none"> • Substantially raised dividend in first year of <i>NC2023</i> (from ¥63 per share in FY03/21, to ¥110 per share in FY03/22). Since then, dividends have been increased by ¥5 per share every fiscal year (¥115 per share in FY03/23, ¥120 per share in FY03/24). • Dividends amounting to ¥19.6 billion were paid out during the three years of <i>NC2023</i>*

Specific Measures ③ Control and Curtail Cost of Capital

- By promoting indirect measures in addition to direct measures, reduce risks and information gaps with the market and control and/or curb the cost of capital

Direct measures	Actual
Utilize debt (diversify funding methods, including the issue of corporate bonds)	<ul style="list-style-type: none"> • Issued the company's first straight corporate bonds in March 2023. • Plan to issue second series and third series of straight corporate bonds In June 2024.
Buyback and cancel own shares	<ul style="list-style-type: none"> • During the three years of <i>NC2023</i>, 4,880,000 shares were repurchased for ¥12.3 billion, and 7.58 million shares were canceled. • Repurchasing 1,200,000 shares for up to ¥5.0 billion (planned between May–July 2024).
Indirect measures	Actual
Enhance information disclosure	<ul style="list-style-type: none"> • Rapidly responded to Measures to Realize Management Conscious of Cost of Capital and Share Prices and Implementation Status of Dialogue with Shareholders. • Disclosed details of growth strategy and other aspects of new medium-term business plan <i>NC2026</i>.
Actively engage in dialogues with investors (step up efforts to provide explanation)	<ul style="list-style-type: none"> • Increased the number of one-on-one meetings with institutional investors and analysts (from 54 meetings in FY03/22 to 62 meetings in FY03/23). • Initiated one-on-one meetings between outside directors and institutional investors.
Strengthen the Board's monitoring function to continuously monitor performance	<ul style="list-style-type: none"> • Continued to evaluate the effectiveness of the Board of Directors, and identified and addressed issues for the next fiscal year and beyond.
Be selected as a constituent of many ESG indexes by increasing ESG scores	<ul style="list-style-type: none"> • First selected as a constituent stock for the JPX-Nikkei Index 400. • First selected as a constituent stock for the FTSE Blossom Japan Index.
Improve market liquidity	<ul style="list-style-type: none"> • Market liquidity improved and shareholder base expanded in line with stock offering.

■ Governance / Sustainability

Sustainability Initiatives

■ We accelerated sustainability initiatives during NC2023.

Note: Text in red indicates recent developments.

October 2021	Established Sustainability Committee Chaired by the Company president; all directors, including those from outside the Company, participate in the Committee as a member or observer
November 2021	Formulated the Inabata Group Sustainability Basic Policy and the Code of Conduct
March 2022	Formulated Inabata Group Human Rights Policy
April 2022	Signed UN Global Compact (UNGC)
June 2022	Announced “2050 Carbon Neutrality Declaration” Defined materiality issues Began disclosures in accordance with TCFD recommendations
August 2022	Selected as a component of the FTSE Blossom Japan Sector Relative Index
March 2023	Certified as a Health & Productivity Management Outstanding Organization 2023
April 2023	Endorsed the recommendations of TCFD
August 2023	Selected as a component of the FTSE Blossom Japan Index
September 2023	Forged a business alliance with Asuene Inc. to support decarbonization of corporations
March 2024	Certified as a Health & Productivity Management Outstanding Organization 2024
May 2024	Formulated "Sustainability Mid-term Plan 2026" ^{**}

^{**}https://www.inabata.co.jp/archives/002/202406/20240605_SustainabilityMedium-termPlan2026.pdf

Products that reduce environmental load

- Sales of eco-friendly (i.e., environmental load-reducing) products steadily expanded mainly in the Energy & Power and Resources & Environment fields.
- From FY03/25 onward, we will focus on expanding sales of recycled resins.

(Billions of yen)

Field	Main contents	Sales		
		FY03/22 (Actual)	FY03/23 (Actual)	FY03/24 (Actual)
Energy & Power	Renewable energy-related, battery-related, etc.	13.4	17.5	24.4
Resources & Environment	Sustainable raw materials, recycling, water-related	4.2	7.5	10.7
Materials & Chemicals	Low carbon materials, reduction of environmental pollutants, etc.	0.7	1.5	3.1
Environmental certifications	Forestry certifications, marine product certifications, etc.	0.3	0.3	0.1
Total*		18.7	26.9	38.6

* Simple aggregate value

* From FY03/23, some product categories have been reclassified (solar cell and EV battery materials were moved from Materials & Chemicals to Energy & Power). FY03/22 sales figures have been retroactively adjusted to reflect this change.

Reducing strategic shareholdings

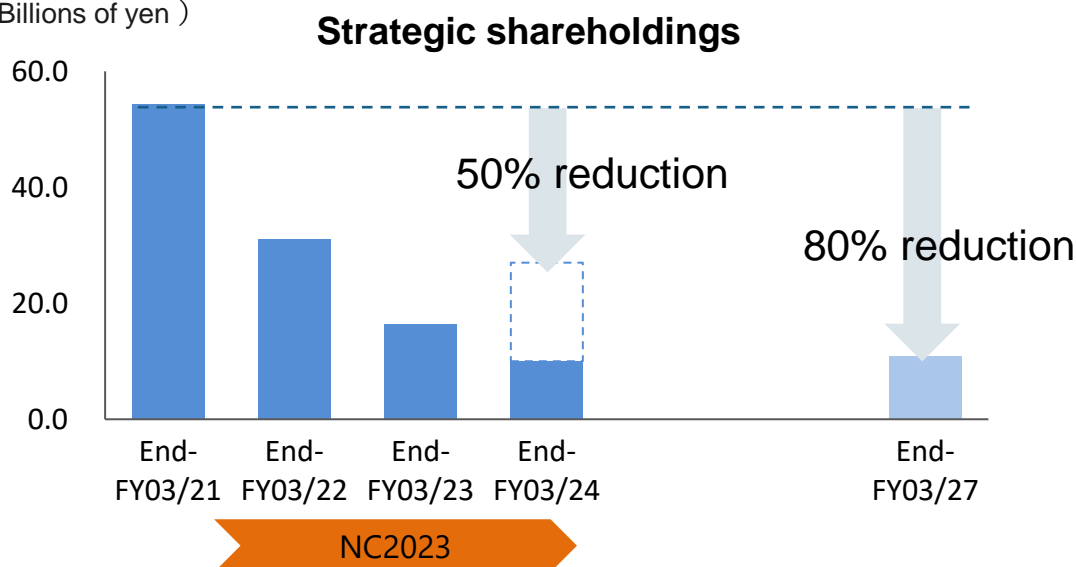
- We made greater-than-expected progress in reducing strategic shareholdings, owing in part to a drop in market prices, and achieved the *NC2023* reduction target.

Policy for reducing strategic shareholdings

- Reduce the balance of strategic shareholdings at the end of March 2021 by half during the three years of *NC2023*. **Achieved**
- Further reduce strategic shareholdings in the medium to long term, curtailing the balance of strategic shareholdings at the end of March 2021 by about 80% by the end of March 2027.

⇒ **Funds raised from the sale are in principle allocated to shareholder returns and growth investments.**

(Billions of yen)



Sales value of strategic shareholdings

FY03/18	¥9,017 million
FY03/19	¥5,298 million
FY03/20	¥3,026 million
FY03/21	¥2,944 million
FY03/22	¥9,367 million
FY03/23	¥10,076 million
FY03/24	¥4,159 million

*The balance of strategic shareholdings in the graph only includes listed stocks in Japan.

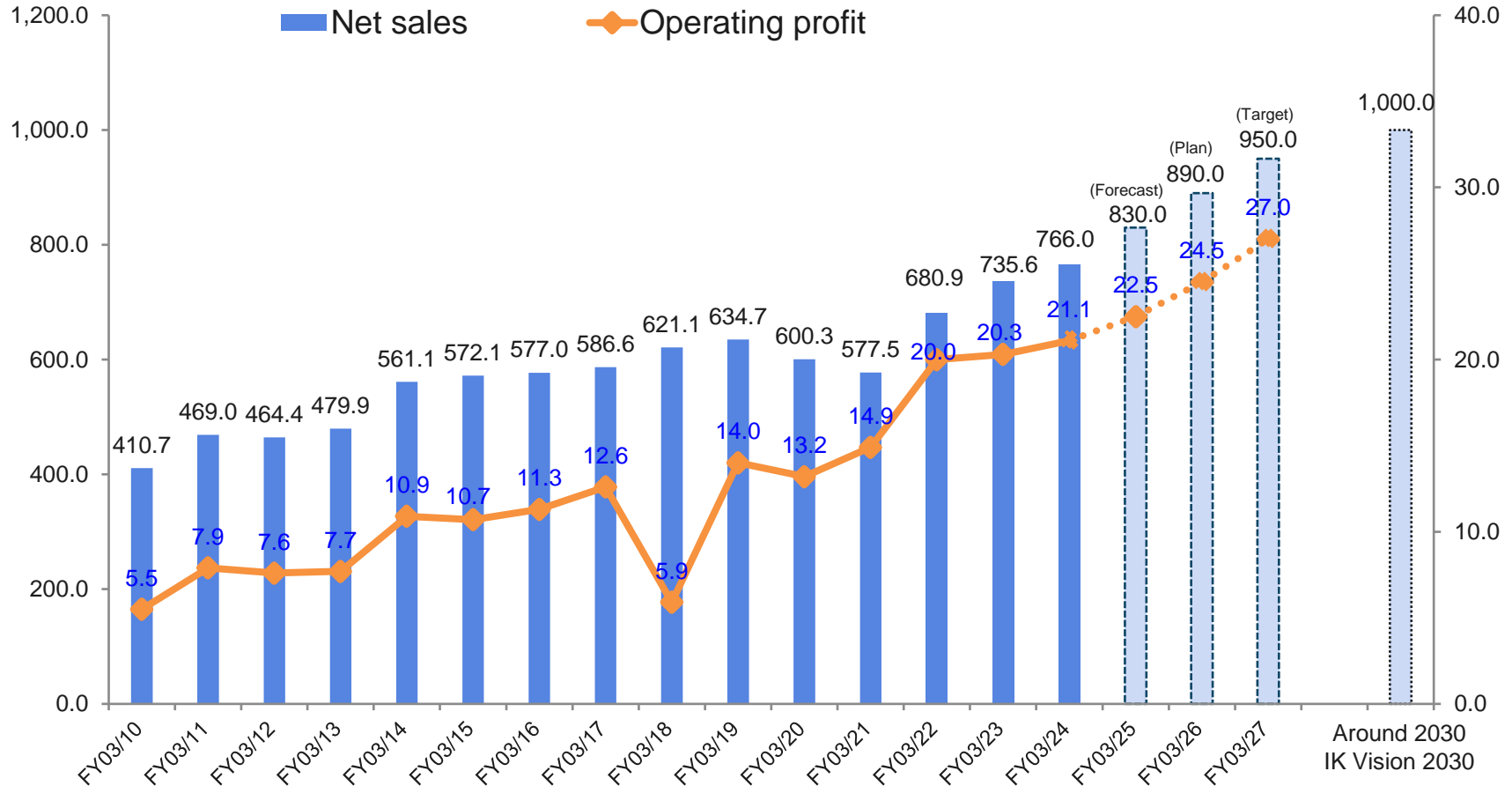
*The balance of strategic shareholdings was calculated using share prices at the end of each term.

*Only includes listed stocks in Japan

Net Sales and Operating Profit

(Net sales: Billions of yen)

(Operating profit: Billions of yen)

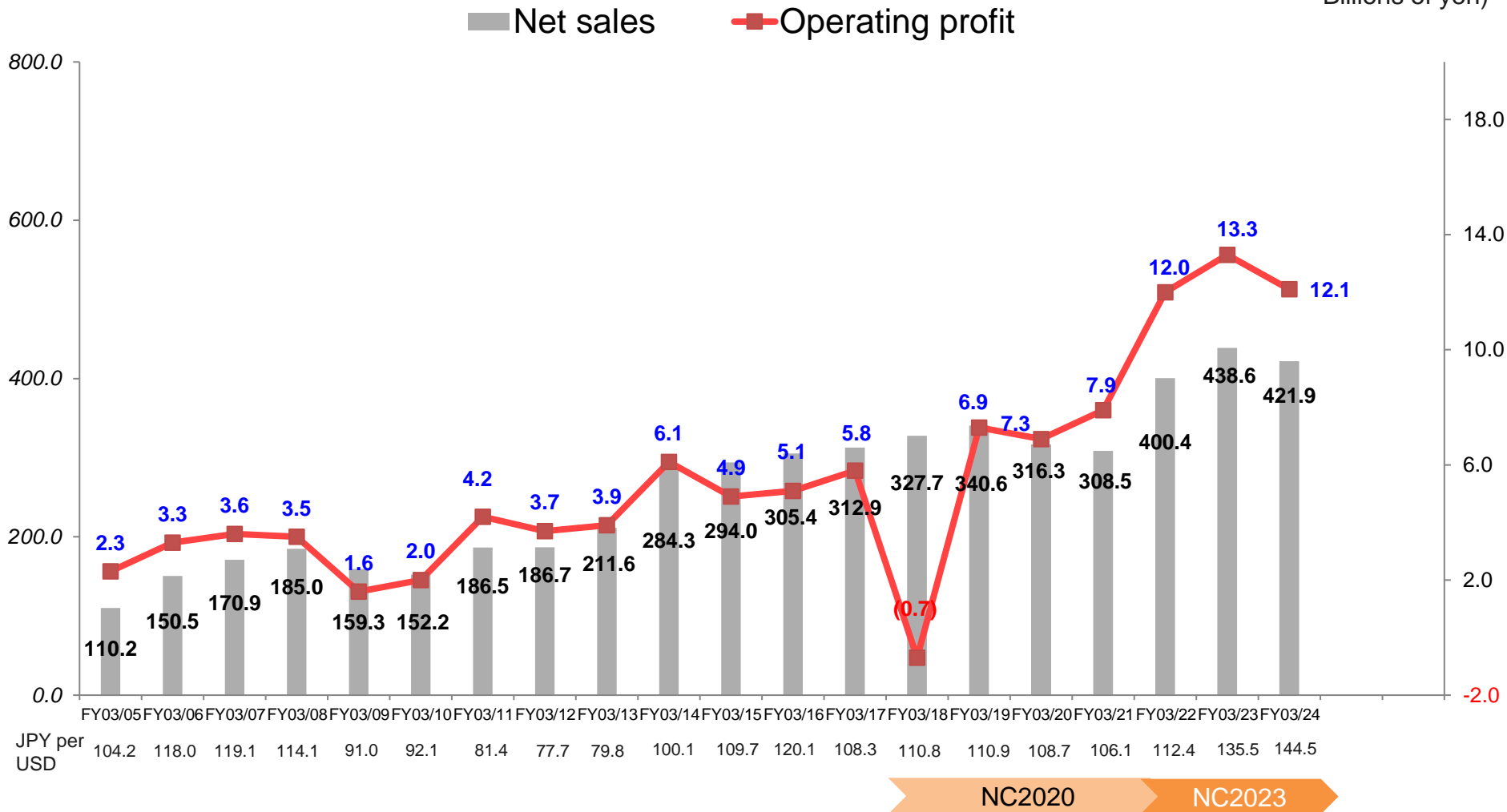


Around 2030
IK Vision 2030

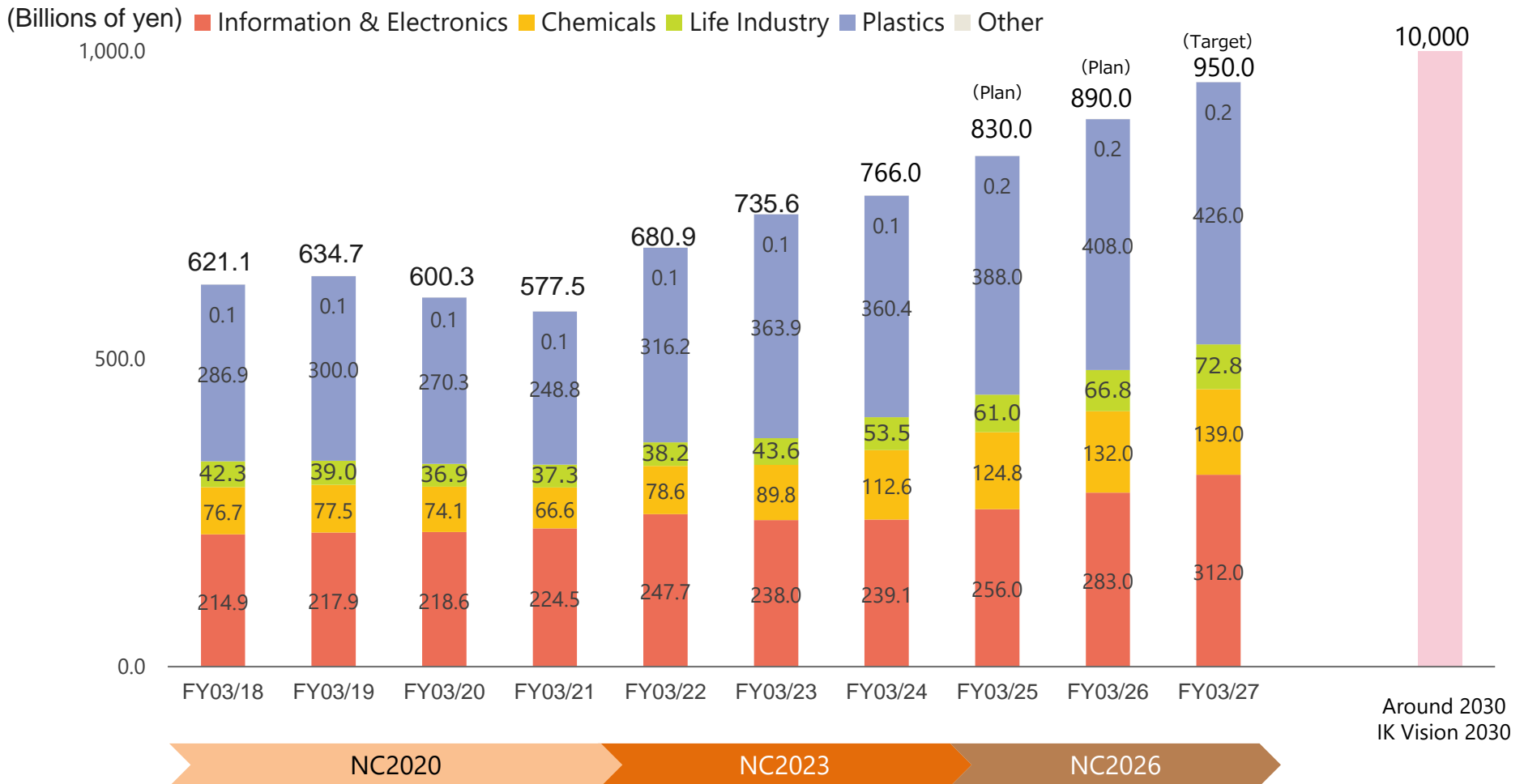
Overseas Sales and Operating Profit

(Operating profit: Billions of yen)

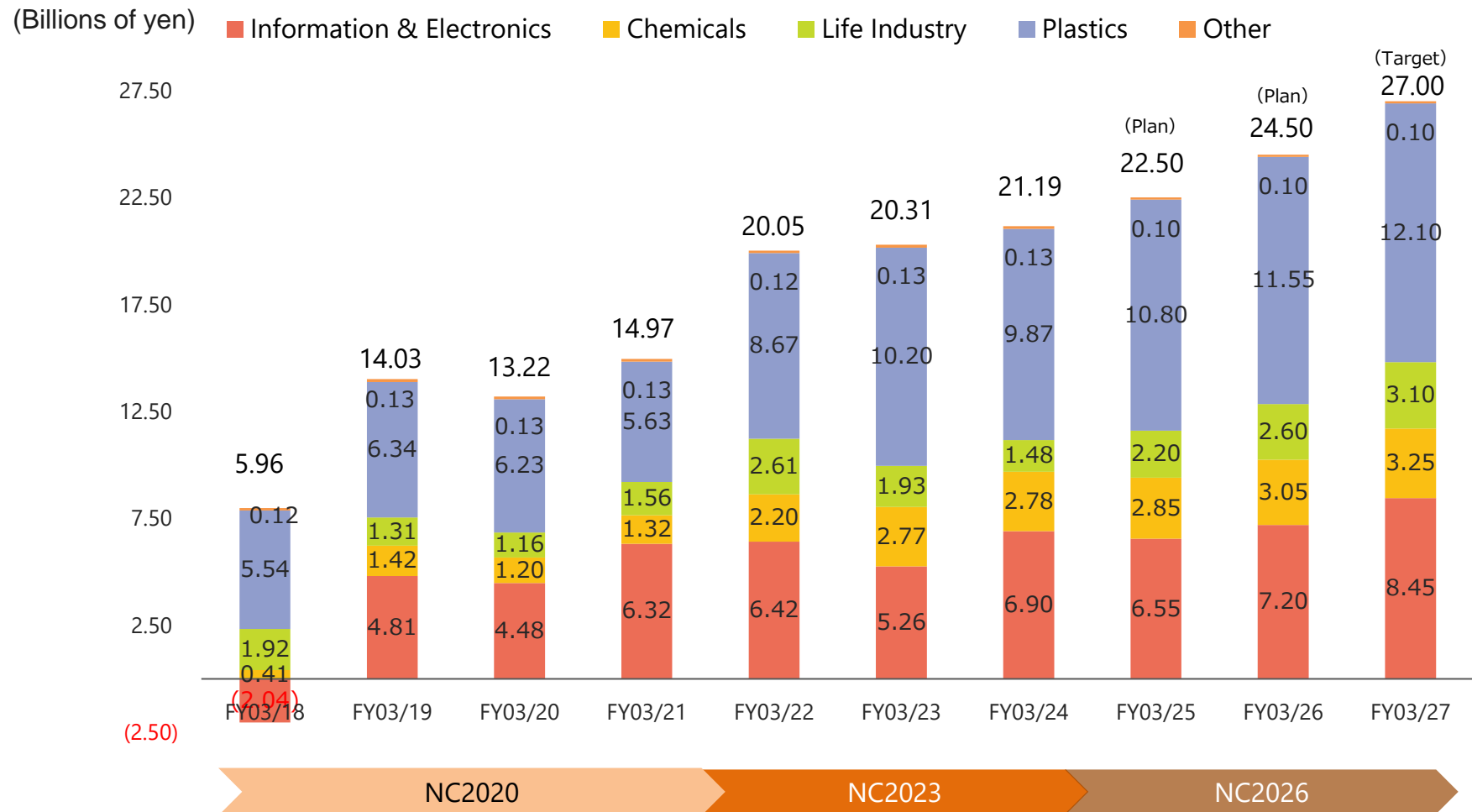
(Net sales: Billions of yen)



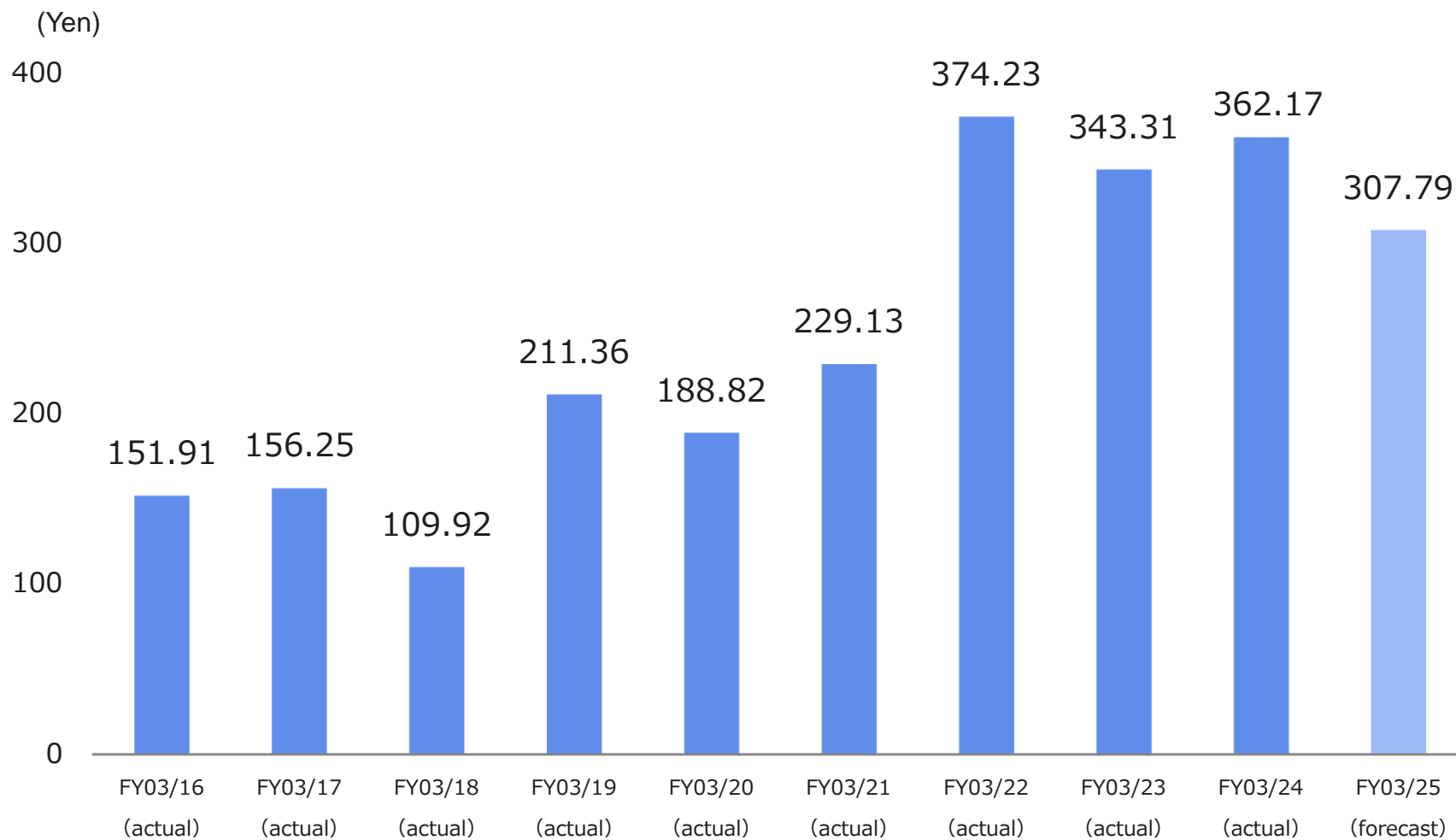
Sales by Segment



Operating Profit by Segment



Earnings per Share



□ IR queries should be directed to:

IR Department

Financial Management Office

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E-mail inabata-ir@inabata.com (Contact: Ms. Ryoko Mitsui)

◆ A Cautionary Note Regarding Future Estimates

The data and future predictions contained in this document are based on information available and judgments applicable at the time of the document's release. Consequently, the data and future forecasts contained herein may include elements that are subject to change, and the reader should be aware that this document and its contents are no guarantee of future performance.

◆ Re:Numerical Format

Units of 'billion', 'hundred million' and 'million' JPY in this document use figures that have been rounded down. Consequently, there may be some discrepancy between individual values and total values, or values showing changes between sets of data.