
Governance and Sustainability Initiatives

February 2024
Inabata & Co., Ltd.

- June 2023, Disclosure “Measures to Realize Management Conscious of Cost of Capital and Share Prices”
- We made greater-than-expected progress in reducing strategic shareholdings.
- In June 2022, we transitioned to a company with an audit and supervisory committee and moved to a monitoring-type Board of Directors with a majority of independent outside directors.
- Response to climate change
 - Disclosed Scope 1 and 3 in addition to Scope 2.
 - Conducted scenario analyses and estimated financial impact.
- KPIs for materiality are scheduled to be announced along with the new medium-term management plan around May 2024.
Plan to set KPIs such as human capital and medium-term carbon neutrality targets.

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Medium-Term Management Plan and Shareholder Return Policy

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)

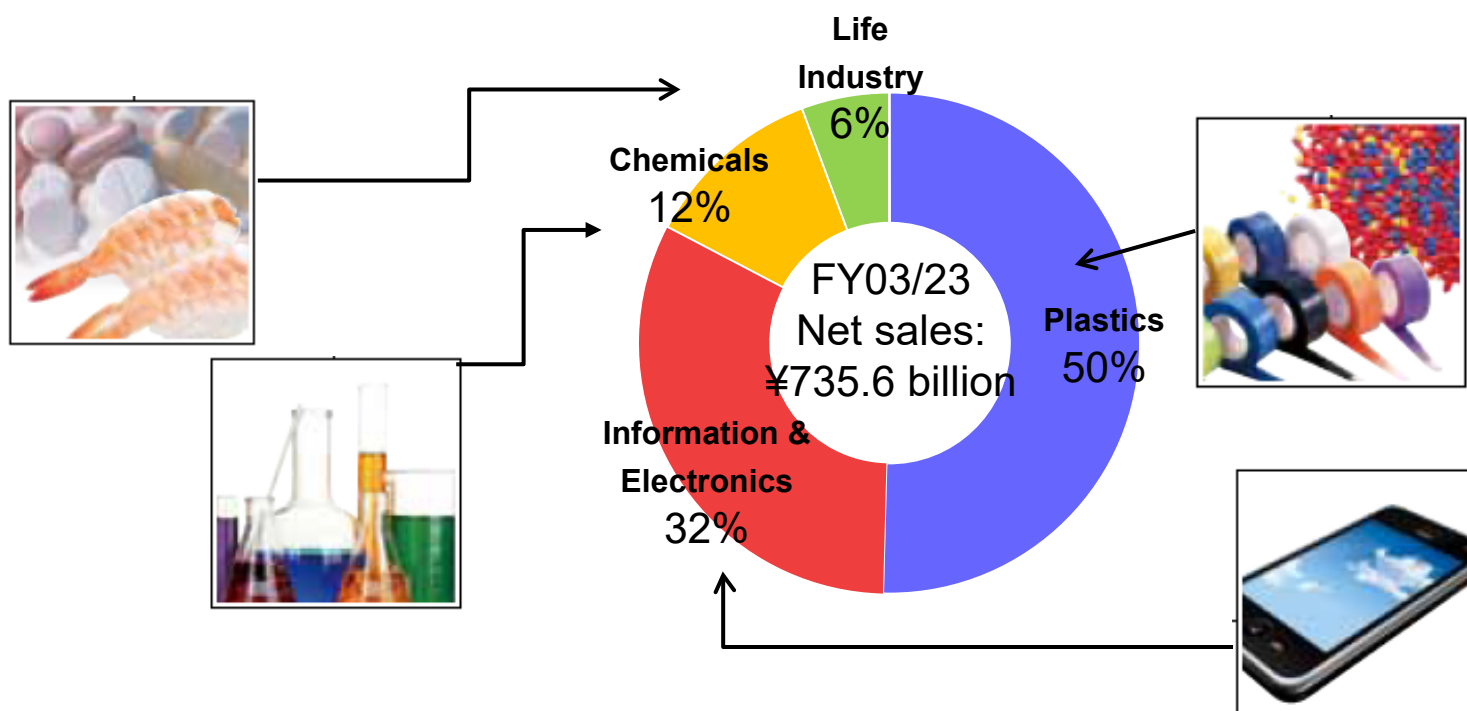
2. A globally expanding, multifaceted trading company

The company operates at 60 locations across 19 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.

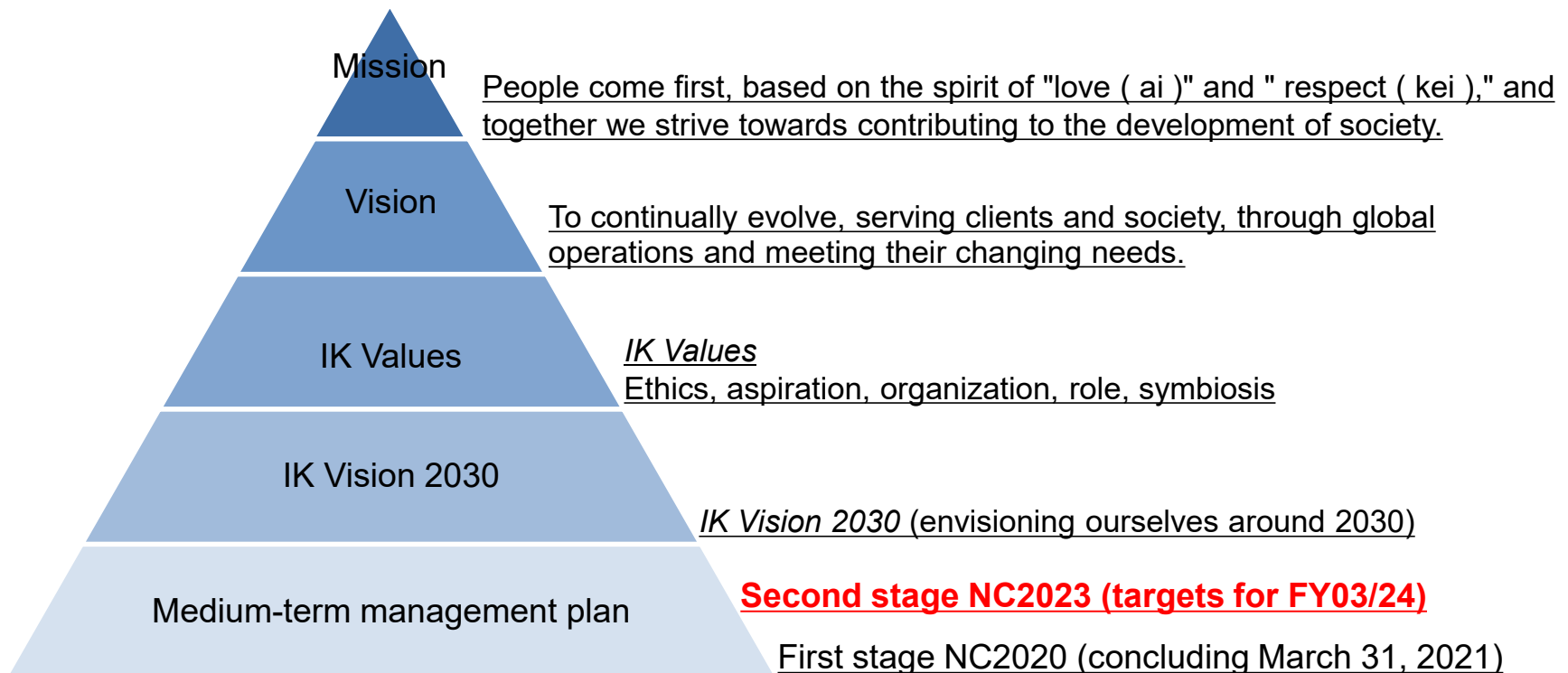


Our Medium-Term Management Plan

NC2023: Basic Policies



- Second-stage medium-term management plan on the way to our long-term vision, *IK Vision 2030*



- Inabata's aspirations for itself in around 2030

Reach consolidated net sales of **¥1 trillion**

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

At least **one-third** of business from segments other than Information & Electronics and Plastics

Overseas business
70% or more

[Formulated May 2017]

Quantitative Targets of NC2023



Net sales and operating profit are expected to reach the final year targets of NC2023; ordinary profit and profit attributable to owners of the parent are projected to fall short of the targets due to higher interest rates for securing funds. (Billions of yen)

	NC2023 FY03/2024 Final year		NC2023 FY03/2024 Final year targets*
	3Q Actual	FY3/24 Forecast	
Net sales	572.9	800.0	800.0
Operating profit	16.3	21.0	20.5
Operating profit margin	2.8%	2.6%	2.6%
Ordinary profit	16.4	20.0	21.5
Profit attributable to owners of parent	16.6	21.0	22.5
ROE	—	10% or more	10% or more
Net debt/equity ratio	0.08x	—	0.5x or less
Equity ratio	46.4%	—	Approximately 40-50%
Exchange rate	USD1=¥143.33	USD1=¥140.00	USD1=¥120.00

*May 2022 disclosure

Key Initiatives for *NC2023*

- Six key initiatives are as follows

Key Initiatives for NC2023

- | | |
|----|---|
| 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 improvement of global management information infrastructure |
| 5. | Continuous review of assets and further improvement of capital and asset efficiency |
| 6. | Enhancement of human capital utilization efforts |

Summary of progress in key initiatives for NC2023



- We made steady progress in measures for each initiative. We are prepared for further profit growth, especially through strengthened investment and financing.

Key Initiatives for NC2023	Specific measures underway
1. Further development of core businesses and horizontal expansion into growth sectors	<ul style="list-style-type: none"> • Expansion of business in the automotive, especially EV, field • Acquisition of Maruishi Chemical Trading (made it a subsidiary)
2. Multi-faceted approach to markets with potential for future growth and steady monetization efforts	<ul style="list-style-type: none"> • Participation in biomass power generation business (Fukuyama, Sakaiminato) • Expansion of sales of products that reduce environmental load • Investment in semiconductor-related companies
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 subsidiary that manufactures lithium ion battery-related materials • Reinforcement of Business Planning Office functions
4. Further improvement of global management information infrastructure	<ul style="list-style-type: none"> • Progress in the core operational system overhaul project • Progress in strengthening security measures, including in overseas
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

NC2023 Strategic shareholdings reduction policy (Key Initiative 5)

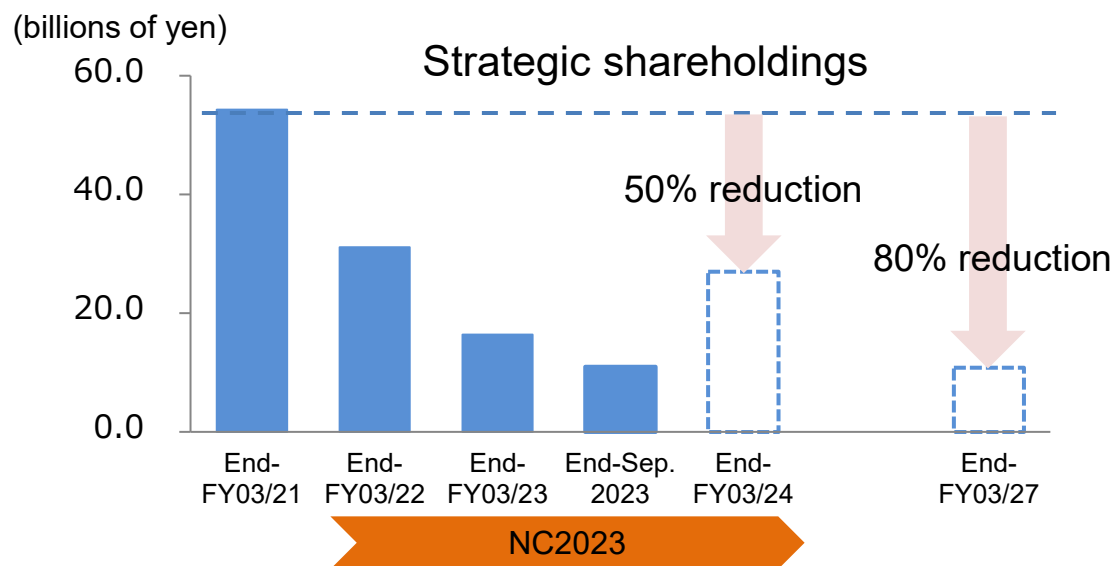
- We made greater-than-expected progress in reducing strategic shareholdings, owing in part to a drop in market prices.

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
- 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 procured from the sale of strategic shareholdings are in principle allocated to shareholder returns and growth investment

*Only includes listed stocks in Japan



Sales value of strategic shareholdings	
FY03/21	¥2,944 million
FY03/22	¥9,367 million
FY03/23	¥10,076 million
FY03/24*	¥3,847 million

*As of September 30, 2023

* As of March 31, 2023, there exists ¥2,321 million in deemed holding shares, and the total amount of non-listed shares, shares other than non-listed shares and deemed holding shares is ¥23,703 million. This was 13.1% of the consolidated net assets as of March 31, 2023. The amount obtained by multiplying the market price of deemed holding shares on the last day of the fiscal year by the number of shares subject to exercise of voting rights.

Notes: The balance of strategic shareholdings in the figure above is the total of the Company's shareholdings in listed companies in Japan. Strategic shareholding balances have been calculated using fiscal year-end stock prices.

Basic Policy on Shareholder Return

During NC2023

■ 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%

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.

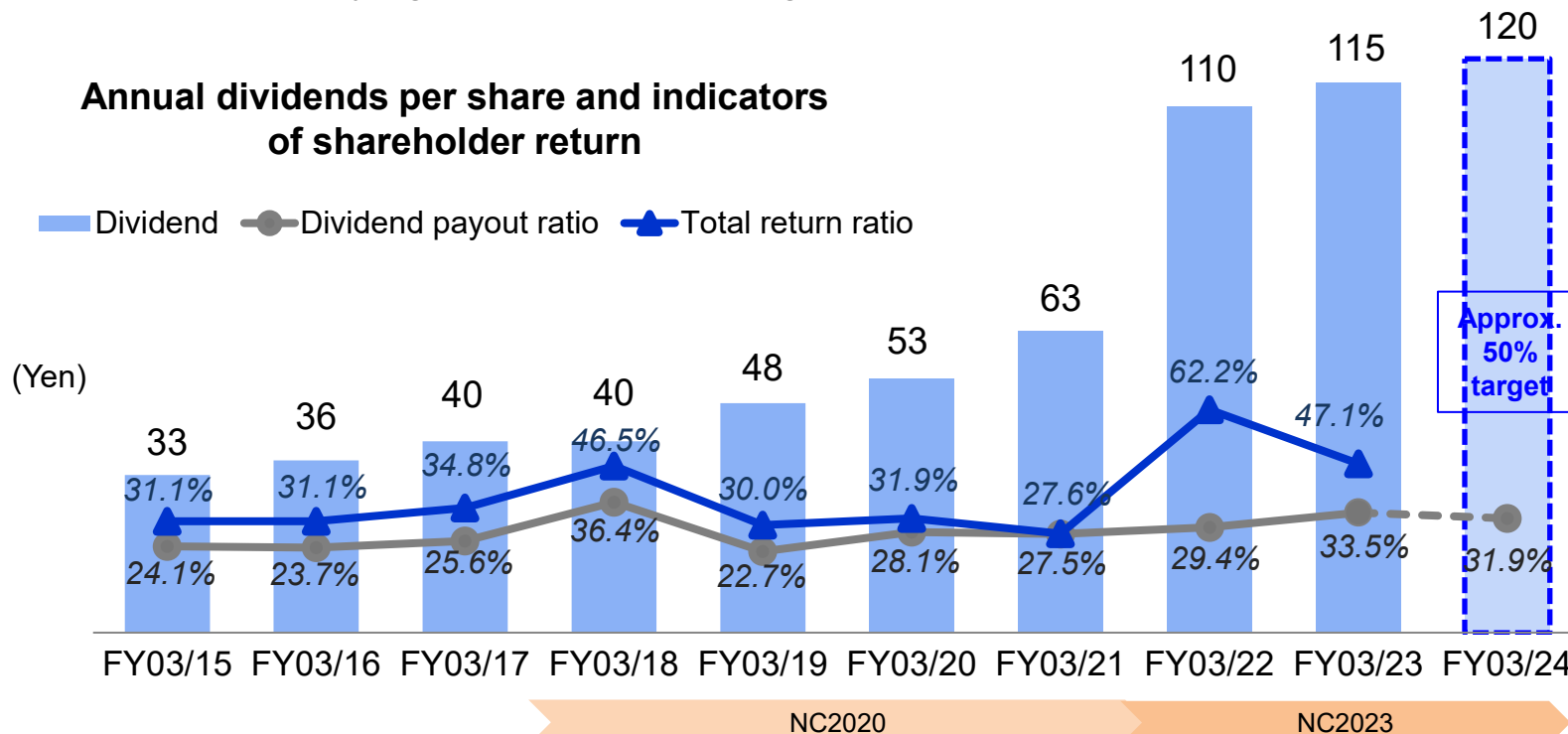
Note: Total return ratio (%) = (dividend amount + amount of treasury shares acquired) / consolidated net income x 100

NC2023 Returning Profits to Shareholders



- For FY03/24, we plan to pay an annual dividend of JPY120 per share as planned (interim: JPY55, year-end: JPY65).
- We will continue buying back and canceling shares to further improve capital efficiency.

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*	
Acquisition amount	604	707	891	679	936	425	-	7,499	2,635	2,229	(Millions of yen)
No. of shares Acquired	600	600	600	400	600	300	-	3,085	1,035	765	(Thousands of shares)
No. of shares cancelled	1,660	-	-	-	-	-	-	2,700	3,685	1,200	(Thousands of shares)

* Amounts current as of September 30, 2023

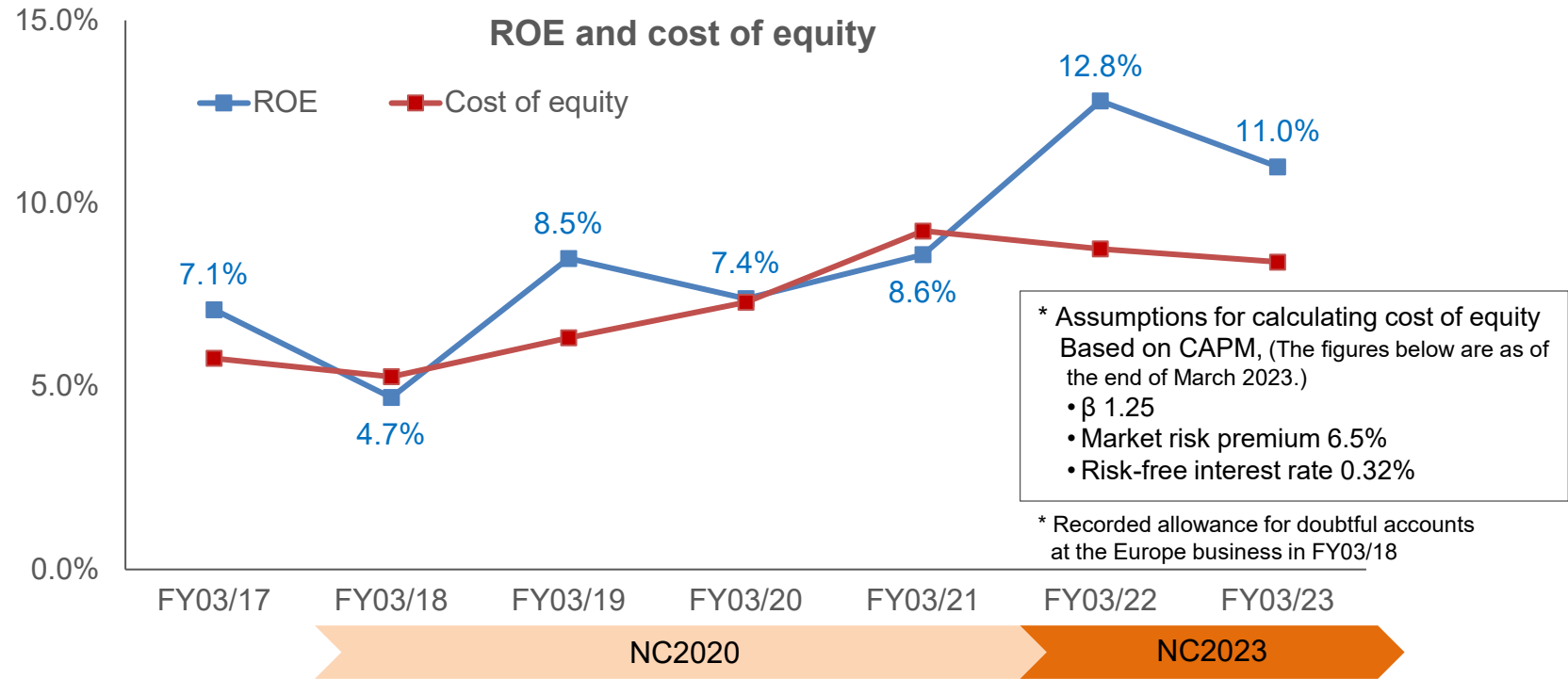
Measures to Realize Management Conscious of Cost of Capital and Share Prices

June 2023

Explanation from the President at the financial results briefing

Current Status: Cost of Capital vs. Return on Capital

- Since the start of *NC2023*, ROE rose to the level exceeding the cost of equity.
- If we can maintain ROE at 10% or higher, the target set forth in *NC2023*, we can keep ROE above the cost of equity.

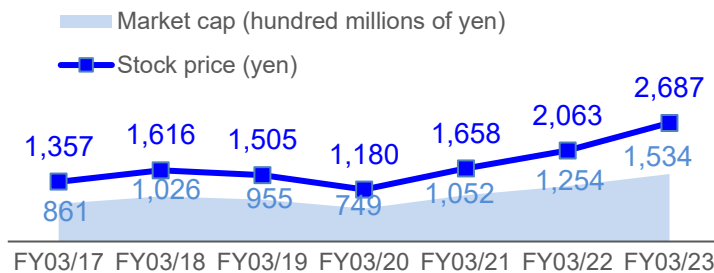


Current Status: Share Price and the Market's Valuation of the Company

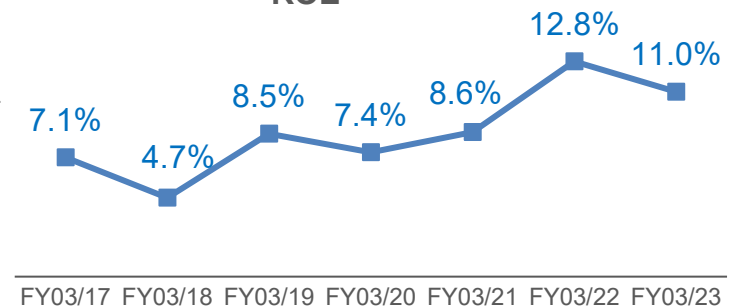
- Share prices steadily increased, reflecting earnings growth and a substantial improvement in shareholder returns.
- PBR was below 1x, but rose mainly on the back of an increase in ROE (0.90x as of May 31, 2023*).
- PER largely remained unchanged at a low level, suggesting that investors have low expectations for our future profit growth.

*Obtained by dividing the closing price on May 31, 2023 by BPS at the end of FY03/23

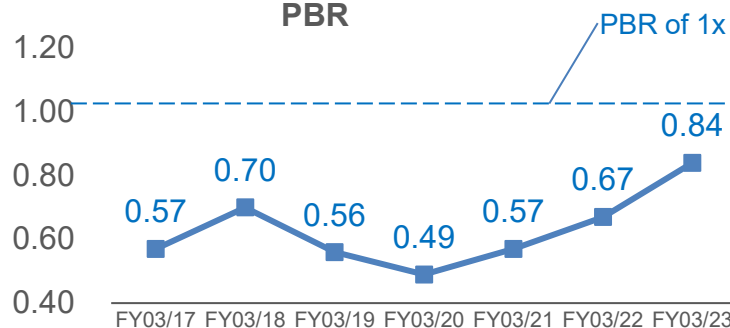
Stock price and market capitalization



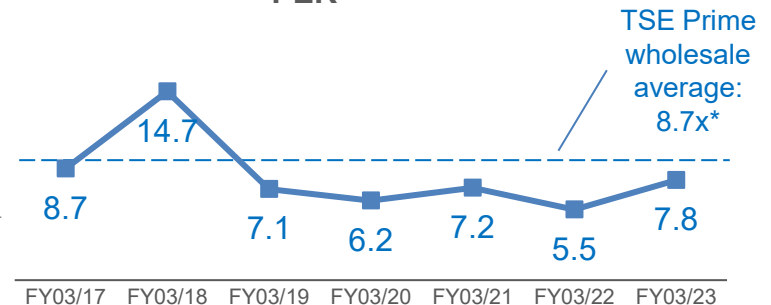
ROE



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, 2023

Policies/Targets, and Timeline

- 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: 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
 - Grow mainstay businesses
 - Increase the share of earnings accounted for by highly profitable businesses
 - Make aggressive investments, including in M&A, and generate revenue at an early stage
 - Steadily dispose of strategic shareholdings
 - Control of equity
 - Continue flexible share buybacks and cancellations
 - Maintain a progressive dividend policy
- } Maintain a total return ratio of around 50%

Specific Measures: 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

- Utilize debt (diversify funding methods, including the issue of corporate bonds)
- Buyback and cancel own shares

□ Indirect measures

- Enhance information disclosure
- Actively engage in dialogues with investors (step up efforts to provide explanation)
- Strengthen the Board's monitoring function to continuously monitor performance
- Be selected as a constituent of many ESG indexes by increasing ESG scores

Corporate Governance

Continue to Strengthen Corporate Governance

■ Promoted strengthening corporate governance to achieve the Group's management philosophy and vision

- June 2003 Executive officer system introduced
- June 2006 Term of appointment of directors reduced from two years to one year
- June 2013 Appointment of two outside directors
- June 2015 Appointment of three outside directors
- November 2015 Nominating and Remuneration Committee (voluntary) established
Evaluation of the Board of Directors introduced
- June 2022 Transition to a company with an audit and supervisory committee
Transition to having outside directors comprise the majority of directors

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

→Continue revamping and strengthening the governance structure

[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.

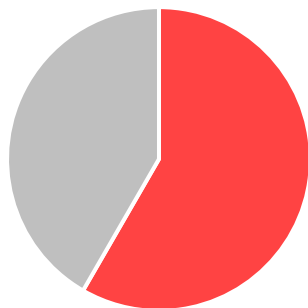
[Vision]

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

- Transition to Company with Audit and Supervisory Committee in June 2022
- Transition to monitoring-type Board of Directors where independent outside directors account for more than half
- **Added one more outside director (Audit and Supervisory Committee member) in June 2023**

Ratio of independent outside directors

58% (7 out of 12)



Directors (excluding audit and supervisory committee members)

7 persons



Outside

Directors (audit and supervisory committee members)

5 persons



Outside

Experience and expected roles of directors



In light of our mission, aspirations, long-term vision IK Vision 2030, and medium-term management plan NC2023, we, as a global business operator, have identified skills necessary to build a framework to enable the Board of Directors to fulfill their roles of decision making and supervision of business execution, and created a skills matrix as below.

	Name	Global management	Business strategy & industry knowledge			Finance & accounting	Legal, risk management, & internal control	HR & labor	IT & digital	ESG
			Electronics & energy	Materials & chemicals	Food & Life					
Directors	Katsutaro Inabata	●		●			●	●		●
	Toyohiro Akao		●	●	●					
	Kenichi Yokota					●	●	●	●	●
	Masahiro Sugiyama		●	●						
	Takashi Shigemori			●		●			●	
	Takako Hagiwara*		●					●		●
	Osamu Chonan*	●			●					
Directors (Audit and Supervisory Committee members)	Kenji Hamashima*	●	●			●				
	Satoshi Tamai*					●	●			
	Minoru Sanari*		●				●			
	Tomokazu Fujisawa*				●		●			
	Noriya Yokota*				●	●		●	●	●

* Independent outside director

Notes: An explanation of each skill is provided on pages 45-46 of this Corporate Governance material or on page 16-18 of [the Notice of Convocation of the Ordinary General Meeting of Shareholders](#) held in June 2023.

Composition of Board of Directors (Outside Directors 1)



- Two outside directors who are not audit and supervisory committee members

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.



Takako Hagiwara*

Lead outside director/Chair of Nominating and Remuneration Committee

Background

Former Representative Director, Sony Kibou/Hikari Corp.
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.



Osamu Chonan*

Nominating and Remuneration Committee Member

Background

Former Representative Director, President and Chief Executive Corporate Officer, Kewpie Corp.
Current Chairman, Kewpie Miraitamago Foundation

Reasons for appointment

Mr. Chonan has extensive experience as the head of the sales department and as an executive at a global food manufacturer.

(*) Ms. Takako Hagiwara and Mr. Osamu Chonan are registered as independent outside officers with the TSE.

Composition of Board of Directors (Outside Directors 2)



- Five outside directors who are audit and supervisory committee members



Kenji Hamashima*

Head audit and supervisory committee / Nominating and Remuneration Committee member

Background

Former President and Chief Executive Officer – Ushio Inc.
Current Outside Director, Nichirei Corp.

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.



Satoshi Tamai*

Background

Current Representative,
Satoshi Tamai certified Public Accountant Office
Current Outside Auditor, Toho Lamac Co., Ltd., PC Dept Corp.

Reasons for appointment

Mr. Tamai has extensive experience as a representative partner at a major Japanese auditing corporation, and as an outside auditor at multiple companies.



Minoru Sanari*

Background

Former Executive Officer,
Tokyo Gas Co., Ltd.
Current Senior Adviser, Tokyo Gas Co., Ltd.

Reasons for appointment

As an attorney at Japan's largest city gas company, Mr. Sanari has specialized knowledge and extensive experience in corporate legal affairs and governance.

(*) Mr. Kenji Hamashima, Mr. Satoshi Tamai and Mr. Minoru Sanari are registered as independent outside officers with the TSE.

Composition of Board of Directors (Outside Directors 3)



- Five outside directors who are audit and supervisory committee members (Continued)



Tomokazu Fujisawa*

Background

Former Director, Audit & Supervisory Committee Member, Astellas Parma Inc.

Reasons for appointment

Mr. Fujisawa has experience in auditing operations and at overseas subsidiaries for a global pharmaceutical company, as well as extensive experience as a director and member of the Audit & Supervisory Committee.



Noriya Yokota*

Background

Former Director, Senior Executive Officer, Kirin Holdings Co., Ltd.

Reasons for appointment

Mr. Yokota has extensive experience as a factory manager and head of the manufacturing division of a manufacturer engaged in producing and selling alcoholic and non-alcoholic beverages, pharmaceuticals, etc. worldwide. After serving as an executive at an overseas subsidiary, he was an executive officer in charge of human resources, finance, IT, and management strategy.

(*) Mr. Tomokazu Fujisawa and Mr. Noriya Yokota are registered as independent outside officers with the TSE.

Deliberations by the Board of Directors



The Board of Directors transitioned to the model of a company with an audit and supervisory committee, adopting a monitoring-type approach.

Main deliberations at the Board of Directors' meeting for FY03/23 after the transition

Item	Main deliberations
Management strategy	Repurchase of treasury shares, report on review of significance of strategic shareholdings, report on reduction of strategic shareholdings.
Director-related	Appointment and compensation of directors and executive officers, business execution reports, delegation of important business execution decisions, establishment of rules for the Board of Directors, liability limitation agreements with directors who do not fall under the category of executive directors, etc., revision of regulations for the Nominating and Remuneration Committee, officer liability insurance contract
Governance	Corporate governance reports, evaluation of the effectiveness of the Board of Directors
Sustainability	Sustainability reports, ESG rating agency score reports, succession planning reports
Investor relations	Institutional investor shareholder identification survey report, domestic and overseas institutional investor post-hearing report, individual investor questionnaire results report
Audit	Basic policy on internal control, direct reports from the internal audit office, Audit and Supervisory Committee audit plan
Finance	Annual securities reports, financial results, interim dividend payments
Investment and financing	Lithium-ion battery-related investment projects, report on determination of subsidiaries falling under criteria for withdrawal consideration

Note: The above deliberations were held from June 22, 2022 (after the transition to a company with an audit and supervisory committee) to March 31, 2023.

[Nominating and Remuneration Committee] (Voluntary)

Established in 2015

Ensures objectivity, fairness and transparency with respect to appointing senior management, nominating director and executive officer candidates, and making decisions on director remuneration

Independent outside directors are key members

- Chairperson : lead independent outside director
- Current membership: 3 independent outside directors and 1 internal director
- Number of times held: FY03/2023 10 times

Item	Main deliberations and activities
Nomination-related	Individual interviews with director/executive officer candidates Selection of director/executive officer candidates
Remuneration-related	Review of director compensation KPIs (ROE and stock price were added to the KPIs based on feedback mainly from dialogue with shareholders and investors.)
Committee-related	Revision of rules for the Nominating and Remuneration Committee

Objective - To increase corporate value by enhancing the effectiveness and transparency of the Board of Directors; evaluation of the Board began in 2015

■ FY03/2022, FY03/2023

Performed a self-evaluation of all directors using a survey format

■ FY03/2024

Conducted third-party evaluations of all directors through questionnaires and interviews

⇒Plans to disclose results of the evaluation and measures to be taken in April 2024

*Each cycle lasts for three years in which self-evaluation is carried out for the first two years and third-party evaluation is carried out in the third year.

Summary of evaluation in FY03/2023 (self-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

Improvements based on issues raised in self-evaluations in FY03/2022

- Discussions on succession planning and sustainability-related issues
- Provision of sufficient information by the Nomination and Remuneration Committee to the Board
- Communication among outside directors, which had been insufficient due to the impact of COVID-19
- Further improvements in communicating information to the capital market

Issues to be addressed in the future

- Further discussions on longer-term management policy and succession plans for CEO and outside directors
- Provision of sufficient information by the Nomination and Remuneration Committee to the Board of Directors and communication between them
- Further improvements in communication among outside directors
- Further improvements in communicating information to the capital market

From FY03/2024, adopted ROE and share price as indicators for performance-based remuneration

■ Remuneration for directors who are not Audit and Supervisory Committee members*

1) Fixed remuneration

2) Performance-based remuneration:

- Profit before taxes (excluding gains on the sale of a portion of strategically held shares)
- Return on invested capital (ROIC and ROE)
- Share price
- ESG scores from several outside evaluation agencies (FTSE Russell and MSCI)

Performance-based compensation is calculated by multiplying each of the above coefficients.

3) 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-based remuneration to fixed remuneration in FY03/2023

Performance-based remuneration 58.2%	Fixed remuneration 41.8%	Target: six directors Total: 335mn yen
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■ Remuneration for directors who are Audit and Supervisory Committee members

1) Fixed remuneration only

* Remuneration for directors who are not executive directors is fixed remuneration only.

Major Business Risks

The 14 risks outlined in the matrix below are considered significant risks the Group is facing. The matrix maps out the risks in terms of their potential impact on business performance and the possibility of occurrence, taking into consideration the results of risk evaluation analysis and management's response to risk awareness in the Board Effectiveness Assessment conducted in FY03/23.

Risk matrix

Impact on business performance	Possibility of occurrence		
	Low	Medium	High
Large		2 Risk of fluctuations in product markets	1 Credit risk of customers 3 Potential risks of overseas activities
Medium	6 Risk related to business restructuring 7 Environment-related risks	8 Risk related to information systems and security 10 Risk related to quality	4 Risk related to business investment 5 Risk of fluctuations in foreign exchange rate 9 Risk related to interest rates
Small	13 Risk related to laws and regulations 14 Risk of fluctuations in retirement benefit obligation	12 Risk of natural and other disasters	11 Risk of decline in value of securities held

Sustainability

Sustainability Initiatives

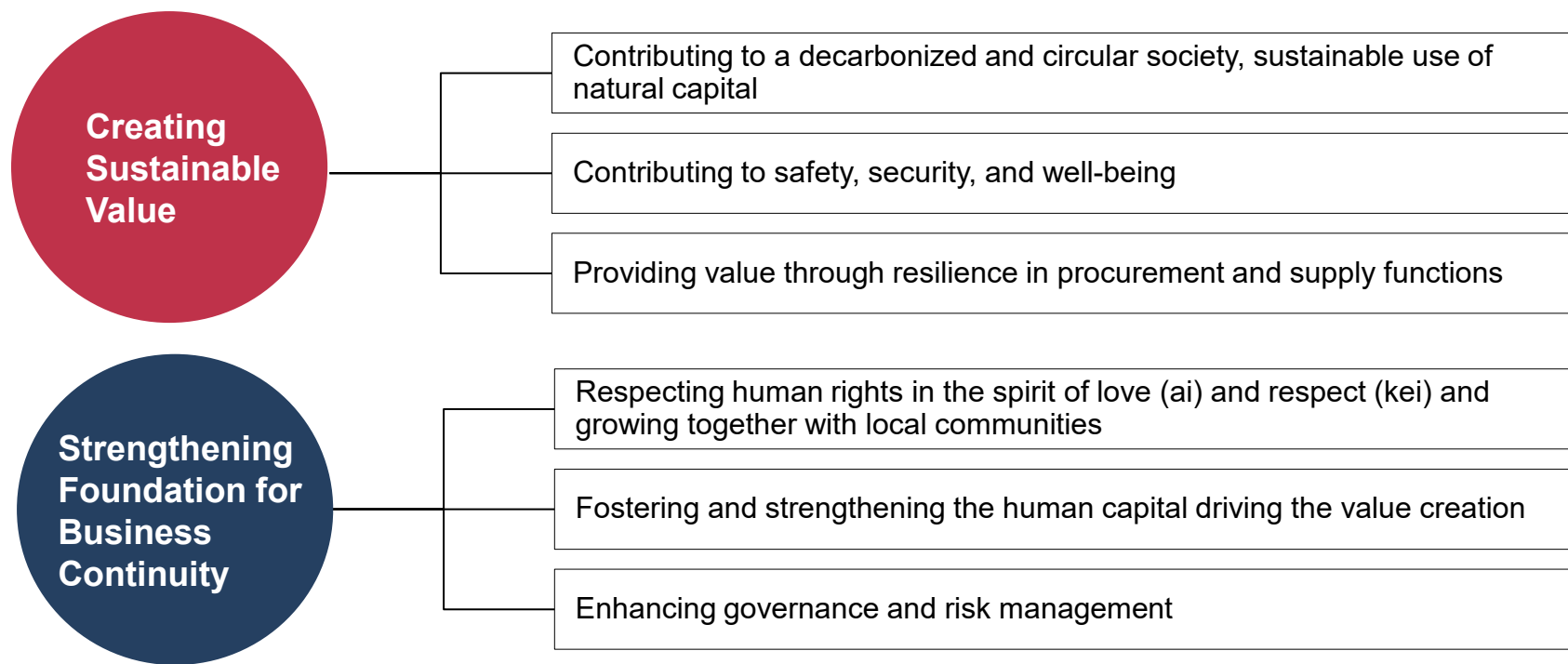


- We will push forward with sustainability management in accordance with our corporate group's mission, which emphasizes respect for humankind.

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

* Targets the amount of internal emissions(Scope 1 and 2)

■ Inabata Group Materiality



- We have identified priority issues with impact on our pursuit of sustainable growth (June 2022).
- KPIs for materiality will be announced around May 2024.

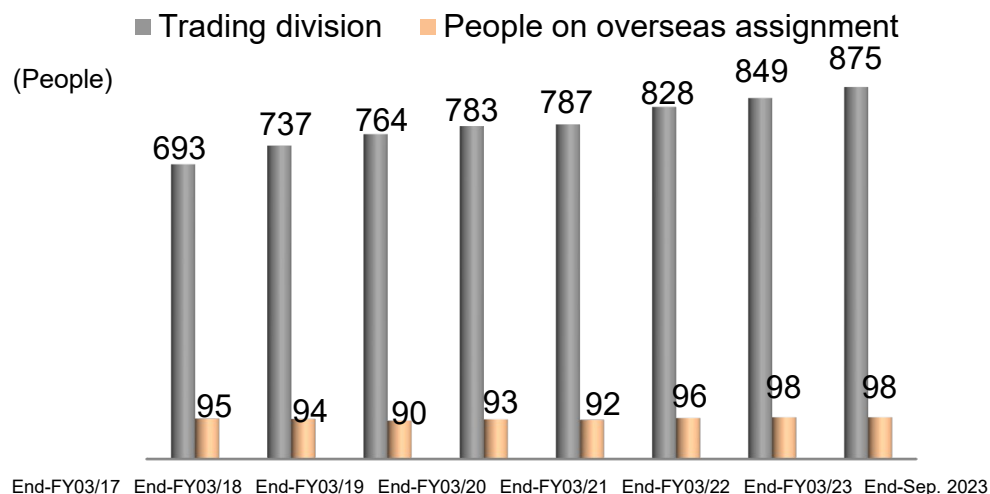
Fostering and Strengthening Human Capital



Our strengths lie in our human resources and information

- Made progress in improving diversity.
- Conducted an employee engagement survey, with a greater number of targets. Key scores improved.
- Conducted the Human Rights Due Diligence Digital Survey and identified risks in business operations.
- Global HR Management Department further focused on centralized management and training of global personnel.

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



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



President of Inabata and
IK Plastic Compound Mexico employees

Fostering and Strengthening Human Capital



Identifying issues through engagement surveys to increase HR capabilities, the source of value creation

- ✓ Positive responses to the human resources system and training, which were issues in FY2021, increased due to various measures implemented based on the survey results (career training, open recruitment system, rotation, etc.)

		2021	2022	2023
Number of employees surveyed (people)	Total	1,400	1,697	1,901
	Inabata & Co., Ltd.	587	606	652
	Main overseas trading companies	813	1,091	1,249
Response rate (%)		49	73	72
Main items*(%)	【Engagement】 I am satisfied with the work I am doing at Inabata now.	70	73	76
	【Relationship with superiors】 I have the necessary collaboration with my supervisor at work.	75	80	80
	【Organizational culture】 When a problem occurs in the course of my duties, my supervisor and the people around me provide appropriate support.	83	85	83
	【Corporate philosophy】 I can relate to Inabata's philosophy, vision and management policies, and I want to participate in achieving them.	70	73	73
	【Human resources system and benefits】 Inabata's salary standards are satisfactory, compared to other companies in the same industry.	59	55	57
	【Human resources system and training】 Inabata supports employee training to improve their skills.	41	48	54
	【WLB (work-life balance)】 Overtime is kept to a level that is acceptable for me.	64	69	75

*From among a five-point evaluation by employees

(5. Strongly agree / 4. Agree / 3. Neither agree nor disagree / 2. Disagree / 1. Strongly disagree), the ratio of positive responses (5. and 4.)

Institutional improvements

1. Diversity and Inclusion

Diverse workstyles

- ✓ Established remote work and work-from-home systems to accommodate flexible workstyles (for all employees)

Promoting participation by women

- ✓ Messages from top management communicated through internal website and newsletters
- ✓ Conducted briefing meetings on changes of positions and interviews with female employees
- ✓ Expanded work-from-home systems and support in balancing work with caring for children and seniors, or with treatments for personal injuries or illnesses



Video message from the President, posted on the internal website

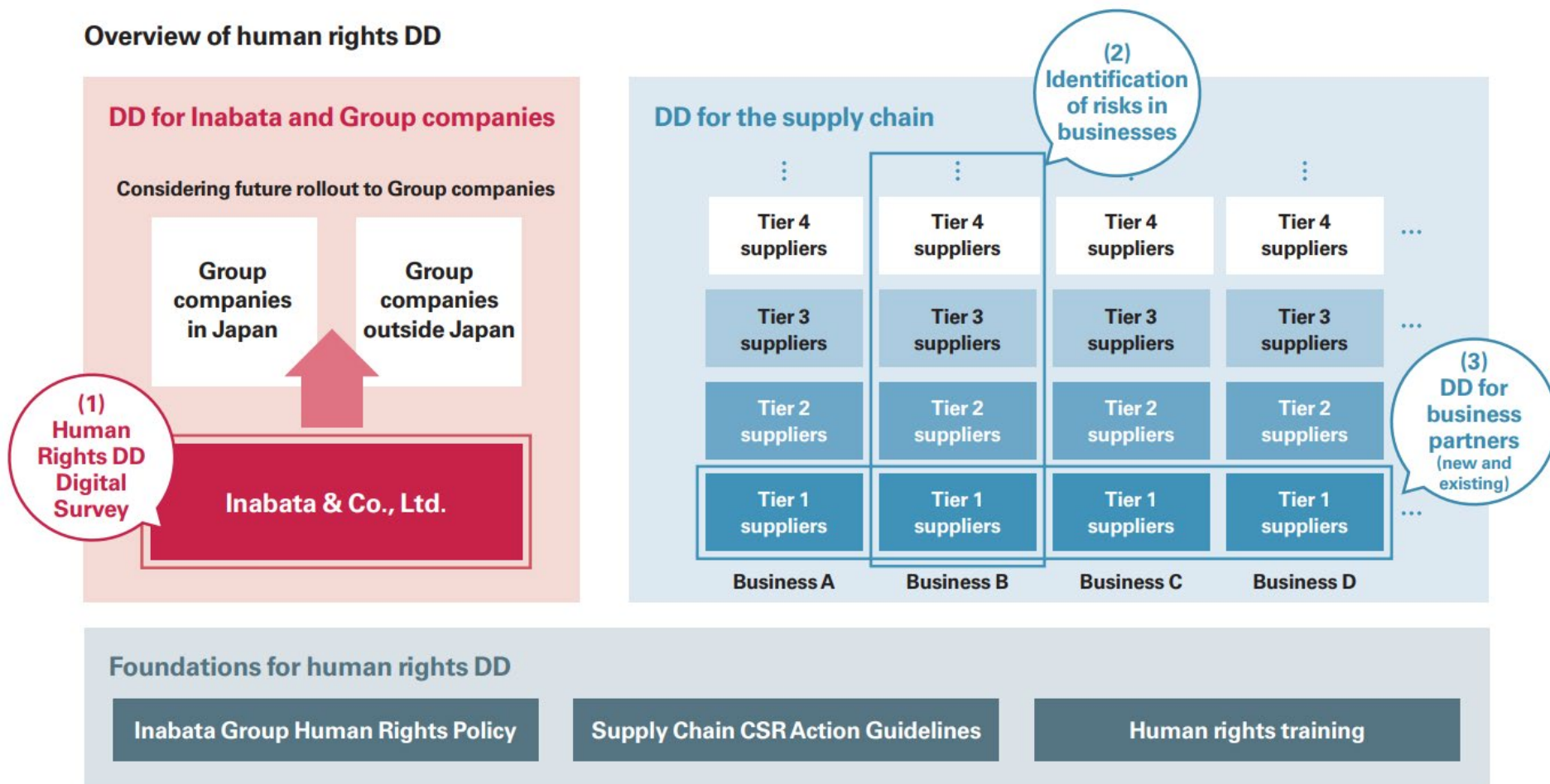
Supporting participation by seniors

- ✓ Extended retirement age to 65, established a senior employment contract system and a reemployment contract system for employees over 65, and conducted career training and skills development for employees in their 40s and 50s.

2. Introduced restricted stock units for employee stock ownership plan

In accordance with the Inabata Group Human Rights Policy established in 2022, we are striving to give consideration to human rights in our business activities.

Overview of human rights DD



- Identified as a priority issue (materiality) “Contributing to a decarbonized and circular society”
 - June 2022 Announced “2050 Carbon Neutrality Declaration*”
 - June 2022 Began disclosures in accordance with TCFD recommendations
 - June 2023 Began disclosure of Scope 1 and 3 in addition to Scope 2
 - Conducted 1.5°C and 4°C scenario analyses to estimate financial impact
 - Complied with all TCFD requirements
- ⇒ 2030 medium-term target for carbon neutrality to be disclosed in 2024

* Targets the amount of internal emissions(Scope 1 and 2)

Products that reduce environmental load



Expand sales of products that reduce environmental impact, as part of “Multi-faceted approach to markets with potential for future growth and steady monetization efforts,” a key initiative in NC2023

(Billions of yen)

Field	Main contents	Sales		
		FY03/22 (actual)	FY03/23 (actual)	FY03/24 (forecast)
Energy & Power	Renewable energy-related, battery-related, etc.	13.4	17.5	25.0
Resources & Environment	Sustainable raw materials, recycling, water-related	4.2	7.5	11.2
Materials & Chemicals	Low carbon materials, reduction of environmental pollutants, etc.	0.7	1.5	3.5
Environmental certifications	Certified products of FSC, PEFC, MSC, ASC, etc.	0.3	0.3	0.4
Total* *Simple aggregate value		18.7	26.9	40.3

Forest Stewardship Council: FSC certification ensures that products come from responsibly managed forests and recycled resources.

Marine Stewardship Council: MSC certification ensures that marine products obtained through sustainable fishing.

Aquaculture Stewardship Council: ASC certification ensures that marine products produced through sustainable farming.

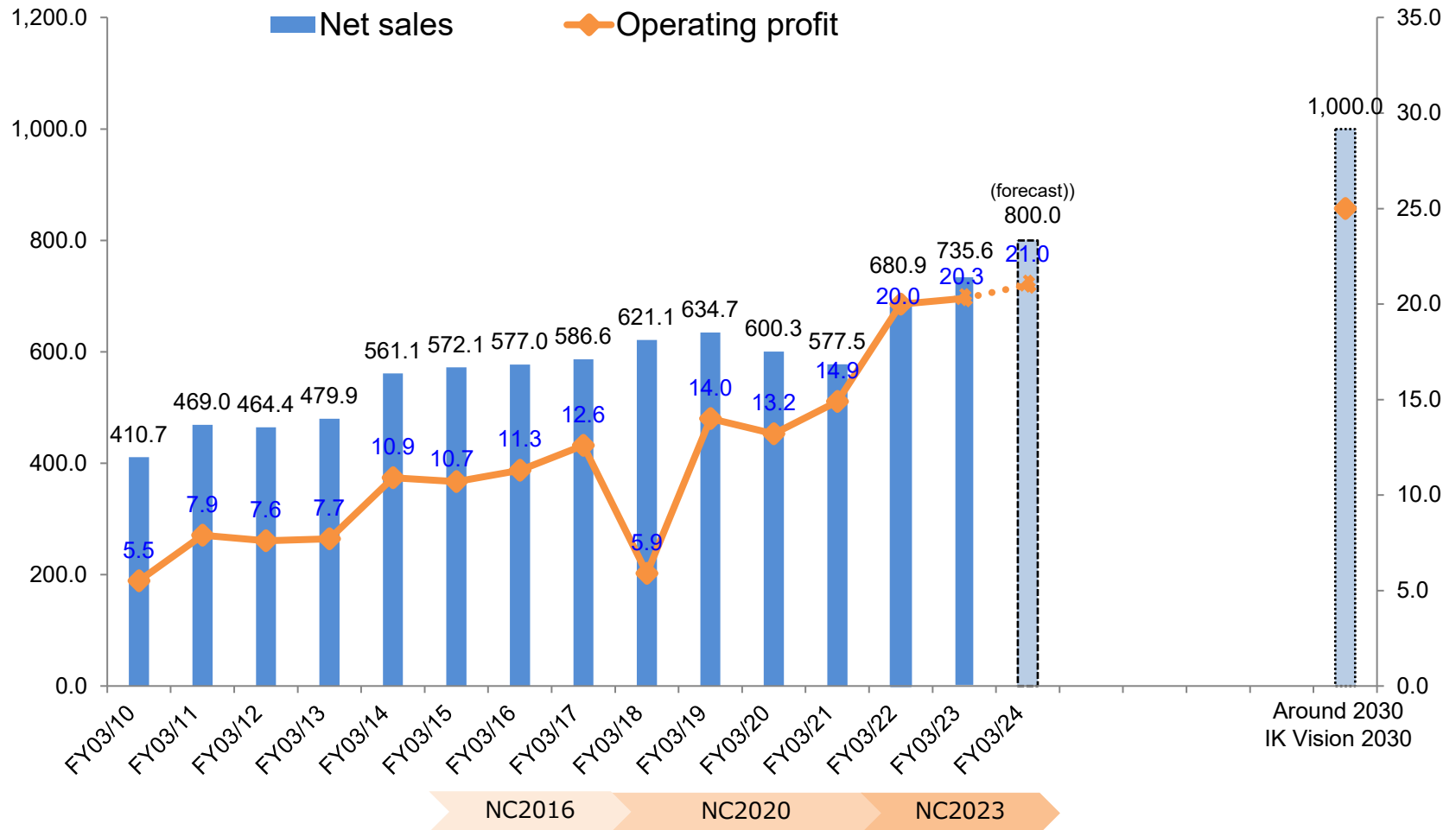
* From FY03/23, some product categories have been reclassified (solar cell and EV battery materials were moved from Materials & Chemicals to Energy & Power). FY03/22 sales figures have been retroactively adjusted to reflect this change.

Reference: Net Sales and Operating Profit



(Net sales: Billions of yen)

(Operating profit: Billions of yen)



Notes: *Inabata has adopted Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) effective from FY03/22.

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

1. Global management

We are developing our business globally, and in particular, our long-term vision IK Vision 2030 envisages increasing the ratio of our business conducted overseas to 70% or more. From this perspective, we believe that it is extremely useful to appoint people with knowledge of global corporate management to the Board of Directors in order to promote our future growth. For this reason, when inviting outside directors, we take particular care to ensure that their experience includes top management of companies with global operations, or equivalent experience. The “global management” item in the skills matrix is based on the presence or absence of top management or equivalent experience at companies with global operations.

2. Business Strategy/Industry Knowledge

In managing a specialized trading company like ours, first and foremost, vast expertise and experience in each business field is indispensable. In particular, regarding executive directors who are in charge of business execution, it is extremely important in practice to the development of the business of a trading firm like ours to hold a wide range of knowledge, experience and personal connections in each of our business fields, and when appointing executive directors, we give consideration to balance among those who have knowledge of the Company’s business fields.

When inviting outside directors, we give consideration to the broad knowledge and experience in various business fields, and aim to include individuals capable of providing supervision and opinions on business strategies from an objective perspective.

3. Finance & accounting

The importance of financial strategy (corporate finance) in corporate management goes without saying. We believe that it is necessary for some executive directors to be in charge of financial strategy, and to spearhead initiatives to enhance corporate value through various dialogues with investors. In addition, in order to strengthen the supervisory function over business execution, we believe that it is useful to ensure that directors who are familiar with finance and accounting are included on the Audit and Supervisory Committee.

4. Legal/Risk Management/Internal Control

At Inabata & Co., Ltd., which is expanding its business globally, there are various risks such as credit risk of business partners, risk related to business investment, country risk associated with overseas business, foreign exchange risk, and the product market fluctuation risks. Therefore, risk management is extremely important for management. In addition, we are committed to management that emphasizes compliance above all else, and in order to strengthen the supervisory function for business execution, we believe it is useful to include those who are familiar with the law among directors who are Audit and Supervisory Committee members without fail.

The Company has chosen to be a company with an audit and supervisory committee with the aim of expediting management decision-making and strengthening the supervisory function for business execution. Companies with an audit and supervisory committee are required to make effective use of the company internal control system to conduct systematic audits. From this point of view, we believe that it is essential to include those who have specialized knowledge and experience in internal control and auditing among directors who are Audit and Supervisory Committee members.

5. HR & labor

For a trading company such as Inabata, human resources are our greatest asset, and human resource development is an important management issue over the medium to long term. In our medium-term business plan, the NC2023, we are working to improve our initiatives for training global human resources, further enhancing our systems to increase diversity, boosting employee engagement, and reforming work styles. From this perspective, we believe that it is desirable to have directors with experience and skills in human resources and labor affairs, and we place importance on these perspectives when inviting outside directors.

6. IT & digital

Knowledge of IT and digital technology is indispensable for promoting digital transformation (DX). In addition, threats to information security are increasing year by year, and we believe that IT and digital skills are necessary to strengthen our countermeasures against such threats.

7. ESG

We established the Sustainability Committee in October 2021, and regard the promotion of sustainability as an important management issue. We also consider the improvement of external ESG assessments to be an important issue. From this perspective, we believe that it is necessary to include persons with knowledge of sustainability and ESG in corporate management on the Board of Directors, and we take these points into consideration when inviting outside directors.

□ 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.