

Implementation Status of Dialogue with Shareholders in FY2023

At Inabata & Co., Ltd., we actively engage in dialogue with shareholders and investors, with the aim of promoting sustainable growth and enhancing our corporate value over the medium to long term. The following is a report on the implementation of our dialogue with shareholders in FY2023.

1. Structure for Promoting Investor Relations (IR)

- Our President leads the IR efforts, supported by Director, Senior Managing Executive Officer, a designated officer responsible for IR (“IR Officer”). The president and the director/senior managing executive officer, who is a designated officer responsible for investor relations (“IR officer”), mainly engage in dialogue with shareholders and investors, with some engagements handled by the IR Department.
- Our dedicated IR Department works in collaboration with related departments to gather and analyze various business data. This ensures the timely and accurate distribution of information within the company and to the public.

2. Summary of IR Activities

- We proactively seek to arrange meetings with investors to the extent reasonable. We also consider accommodating requests for engagement with our outside directors to the extent practical.
- We organize biannual financial result briefings where we explain the progress of our Medium-Term Management Plan and present an overview of our financial results.
- We foster opportunities for dialogue with individual shareholders and investors by participating in IR events.
- We actively disseminate information through various mediums such as our website, integrated reports, shareholder newsletters, and shareholder meeting notices.

[Record of IR Activities for FY2023]

Activities	Frequency
Financial results briefings	2 times
One-on-one meetings with institutional investors & analysts (including foreign investors and analysts)	62 times
One-on-one meetings between the Company's outside directors and institutional investors	1 time

3. Feedback to the Board of Directors

Our Board regulations require that shareholder opinions and concerns gathered through our dialogue with shareholders be incorporated into the IR Officer's activity report at least once a year. In practice, we regularly provide feedback regarding meetings with investors to the Board of Directors approximately three times a year. In FY2023, we reported on IR-related matters, including providing feedback on specific opinions and requests from investors, at the Board of Directors meetings held in May and August 2023, and January 2024.

4. Main Topics of Discussion

1) Direction of the Next Medium-Term Management Plan

Discussion with: Domestic institutional investors (active fund managers)

Q: Under the current medium-term management plan, it looks like you will be able to achieve record profits even though the business environment is not necessarily favorable, but I think further growth will not be easy going forward. What is your vision for growth in the next fiscal year and beyond?

A: We plan to pursue growth mainly in fields where market growth is expected and where we have strengths. In the two major segments of Information & Electronics and Plastics, which are currently our earnings drivers, we are considering presenting medium- and long-term target figures for the environmental and energy fields (Information & Electronics) and automotive resins (Plastics), which we believe will drive future growth. In addition to growing organically, we believe we need to accelerate investments at the same time.

[Our views, understanding, and response]

While there were doubts about our growth going forward, we were able to explain to stakeholders our vision for growth by providing specific examples of business fields and methods and gain their understanding. In addition, we began presenting numerical targets for environmental and energy fields and automotive resins in our new medium-term management plan, which kicked off this fiscal year, based on our impression from investor meetings that presenting numerical targets for growth-driving businesses and fields would be more convincing.

* Disclosed Medium-term Management Plan NC2026 on May 9, 2024.

https://www.inabata.co.jp/english/investor/management/midterm_plan/

2) Business Model and Our Company's Strengths

Discussion with: Domestic and foreign institutional investors (active fund managers and responsible investment managers)

Q: I believe you have the opportunity to talk with various investors, but are there any areas you feel investors do not fully understand or are not aware of?

A: Foreign investors often do not understand the business model of trading companies, and it is difficult for them to picture our growth. Trading companies fulfill a wide range of functions, which are often difficult to convey unless they are explained with specific examples, but sometimes it is difficult to provide in-depth explanations because they involve customer information. We believe that we have strengths in manufacturing and processing functions such as for compounds, as well as procurement capabilities in specific fields where we can leverage our long-cultivated relationships with customers and information intermediary functions when supply chains are disrupted, as we demonstrated during the COVID-19 pandemic. We must communicate as clearly as possible why we are able to perform these functions.

[Our views, understanding, and response]

We are having an increasing number of first-time one-on-one meetings with both domestic and foreign investors, and have reaffirmed the need to carefully explain and have them understand how trading companies, and in particular our company, provide added value in the supply chain and why we are an essential component of it. We would like to explain this at financial results briefings and through dialogue while presenting as many easy-to-understand examples and materials as possible.

3) Target Fields for Growth Investment, etc.

Discussion with: Domestic institutional investors (active fund managers)

Q: What fields are you looking into in terms of investments aimed at accelerating growth?

A: We are considering strengthening our manufacturing and processing functions. For example, the business environment is changing in our core Plastics business, and we see opportunities there. With regard to our compounding capabilities*, which are one of our strengths, the level of quality assurance and other requirements from manufacturers, our customers, is on the rise. Accordingly, we are looking at strategies to enhance our compounding capabilities to differentiate our products and expand earnings in the Plastics business.

In addition, customers are increasingly requesting to procure recycled plastics that have low environmental impact even if they cost more, and we believe that by responding to these requests, including collecting materials, we will be able to expand our earnings.

*Compounding capabilities: Adding colorants, flame retardants, etc. to raw material resins to give them new properties according to the intended use of the plastic. We operate seven compound manufacturing

and processing bases in seven countries, mainly in Asia, with a total annual production capacity of approximately 190,000 MT/Y.

[Our views, understanding, and response]

Since we have not made significant growth investments in the past, investors had concerns about our specific investment vision and scale, as well as whether we have attractive investment target fields as we move toward making more proactive growth investments. By explaining our approach using examples from our Plastics business, an area in which we have strengths, we were able to help investors understand the synergies with our core business and picture how it would contribute to earnings growth.

4) Track record of growth investment

Discussion with: Foreign institutional investors (active fund managers)

Q: There seems to be an increase in new investment projects recently. Could you tell us about the details and aims of some of the major ones?

A: We are accelerating our pace of investment in the current Medium-Term Management Plan. For example, in the environmental and energy fields, we are participating in a biomass power generation project. We are involved in this project mainly to procure unused thinned wood for fuel, which we consider to be a meaningful business that makes use of Japan's forest resources. Some of the fuel is imported from overseas, but we aim to increase the ratio of domestic procurement.

Also in the environmental and energy fields, we have established a new company in the US with Toyo Ink SC Holdings Company, Limited (now artience Co., Ltd.) and are involved in the business of lithium-ion battery-related materials. With EV demand projected to grow over the medium to long term, we are making investments commensurate with our scale, and this is a project that could lead to the next phase of development.

Furthermore, in the Life Industry segment, we made Daigo Tsusho, which processes and sells eels, a subsidiary to expand into the upstream and downstream areas of the food industry. Daigo Tsusho also operates an e-commerce site, and in the future, we expect synergies such as selling processed agricultural and marine products that we procure domestically and internationally on this site.

[Our views, understanding, and response]

During our investor dialogue in FY2022, we received comments that our disclosure regarding our growth investment track record was inadequate, and we have strengthened our efforts to provide explanations through timely disclosures and posting summaries of our growth investment performance on our website. As a result, in FY2023, this subject came up more frequently during our dialogue, and we were able to deepen investor understanding not only of individual projects, but also of our business and strategy.

5) Presentation of Capital Allocation Plan

Discussion with: Domestic institutional investors (responsible investment managers)

Q: It is very important for investors to know how a company intends to use its funds to make an investment decision. We would also like to see the capital allocation plan when the new Medium-Term Management Plan is disclosed.

A: We plan to disclose this information in the new Medium-Term Management Plan. Since we have made ample progress in improving our financial position, we intend to present our respective allocations in a manner that strikes a balance between investments and shareholder returns.

[Our views, understanding, and response]

Taking into consideration the fact that our financial health has improved compared to the past, we have been stepping up shareholder returns and investment since FY2021. As a result, we have very frequently received questions about whether we will place more emphasis on shareholder returns or growth investment in the next Medium-Term Management Plan, as well as how significant our growth investment will be. We have always had a view of capital allocation internally and decided to present it in the new Medium-Term Management Plan, as we believe that clearly stating it will help investors in their decision-making process.

* Disclosed the capital allocation in the Medium-term Management Plan NC2026 on May 9, 2024.

https://www.inabata.co.jp/english/investor/management/midterm_plan/

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

Discussion with: Domestic and foreign institutional investors (active fund managers and responsible investment managers)

Q: I appreciate that you provided early and detailed disclosures. You have listed several measures to boost share price, but what do you consider to be the most important?

A: We believe the most important measure is to raise growth expectations by steadily implementing growth measures. To date, we have not made many significant investments, but with existing businesses steadily growing and our financial position improving, we intend to accelerate our growth by making more proactive investments.

Q: On the other hand, what specific initiatives will you be carrying out to improve return on capital and lower the cost of capital?

A: It is difficult to boost return on capital in a single leap for a trading company, but we are looking at initiatives such as increasing manufacturing and processing functions to add value and raise our return on capital.

As for lowering our cost of capital, we need to reduce our information gap in the market by further enhancing information disclosure and dialogue (explanation) with investors, while also

taking direct actions such as using debt and repurchasing and canceling treasury shares.

[Our views, understanding, and response]

In FY2023, many investors brought up our disclosure regarding the company's measures to realize management conscious of cost of capital and share prices in discussions. We believe that by disclosing our policy at a relatively early date on June 5, 2023, we were able to have discussions based on the content of the disclosure, thus gaining investor understanding for the most part. Going forward, we plan to present our progress at the FY03/24 Financial Results Briefing in June 2024.

* We disclosed our measures to realize management conscious of cost of capital and share prices at our financial results briefing held on June 2023. We also plan to present our progress at our financial results briefing to be held in June 2024.

https://www.inabata.co.jp/archives/001/202403/ir_briefing20230605.pdf

7) Gender Balance on the Board of Directors

Inabata representative: Independent external directors

Discussion with: Domestic and foreign institutional investors (responsible investment managers)

Q: What do you view as issues with regard to promoting diversity on the Board of Directors?

A: We believe that it is still a work in progress, and we are actively engaging in discussions to respond to the needs and changes in the world. Specifically, we recognize that it is not enough to simply have one female director, but that we need to ensure further diversity, and the Nominating and Remuneration Committee is discussing ways to identify candidates for female directors. In addition, the committee is also engaged in discussions on taking a broader view of diversity that goes beyond gender to appoint non-Japanese and other directors with diverse backgrounds.

[Our views, understanding, and response]

Starting in June 2022, we transitioned to a monitoring-centered board in which outside directors make up the majority of the board. By explaining in detail how outside directors with various skills and backgrounds play a role in actual board discussions, etc., we believe that we have been able to help investors understand our approach regarding the benefits of ensuring diversity and our determination to promote it further.

8) Utilizing Human Capital

Discussion with: Domestic institutional investors (responsible investment managers)

Q: What do you think is necessary to promote female participation in the company, such as appointing female internal officers?

A: In general, trading companies as an industry lag behind in promoting women, and we need to start by increasing the number of female managers. This is something we need to do systematically, including through our personnel system, in line with the target set by the Japanese government in its “Priority Policy for Women's Advancement and Gender Equality 2023” to increase the ratio of female managers to 30% or more by 2030. Furthermore, we believe that we must promote changes in our corporate culture and internal awareness. Since there is still a strong preconceived notion in Japanese society as a whole, including our company, that housework and childcare are primarily the responsibility of women, we need to work steadily to increase the rate of male employees taking childcare leave, among other things.

[Our views, understanding, and response]

We have been working on improving our systems not only for female participation but also senior participation, etc. By introducing specific initiatives, we were able to gain a certain level of understanding of our stance and approach. Going forward, we will continue to report on our progress based on targets such as the ratio of female managers and the ratio of male employees taking childcare leave. Regarding the topic of utilizing human capital, one of our issues lies in further training local staff and promoting them to senior management positions at our overseas subsidiaries. We intend to report our progress on this as well.

Disclosed Medium-Term Sustainability Plan on May 9, 2024

https://www.inabata.co.jp/sustainability/about/midterm_plan/

9) Sustainability Disclosure

Discussion with: Domestic institutional investors (responsible investment managers)

Q: You are moving forward with sustainability initiatives and disclosures, such as by starting to provide disclosures in line with TCFD recommendations in June 2022, but what are your priorities for future initiatives?

A: The main focus will be on addressing climate change and making contributions through our business, such as by expanding sales of products that reduce environmental load. For reducing greenhouse gas emissions, we are looking into setting a concrete path toward achieving our already disclosed 2050 Carbon Neutrality Declaration. In addition, with regard to making contributions through our business, we plan to set specific KPIs and target figures and report on our progress regularly.

Q: Regarding your carbon neutrality initiatives, you currently cover Scope 1 and 2 emissions, but are you considering setting targets that include Scope 3 emissions in the future?

A: Trading companies are involved in purchasing goods from a wide variety of sources, which falls under Category 1 of Scope 3, and this inevitably results in a higher GHG emissions figure. In addition, it is difficult to exercise control over product selection. On the

other hand, we are aware that investors expect us to set targets that include Scope 3, and we would like to get creative where possible and explore ways of disclosing information.

[Our views, understanding, and response]

With the emergence of various issues related to sustainability, we believe that we have reached a point where we need to systematically organize and disclose what issues we will prioritize, what KPIs and targets we will set, and how we will manage progress. Accordingly, we decided to summarize this information and disclose it as our Medium-Term Sustainability Plan in May 2024.

10) Information Security and Digital Strategy

Discussion with: Domestic institutional investors (responsible investment managers)

Q: Since trading companies have many business partners and many overseas offices, I believe information security becomes an important priority, but what is your company's approach and initiatives toward ensuring information security?

A: We believe enhancing information security for the entire group is an important management priority, and in light of remote work and other increasingly diverse work styles, we have introduced and are operating a system in line with an international framework for incident response. Specifically, we were among the first to adopt the so-called *zero trust* approach, and have introduced an endpoint security system, including at overseas bases. We have also established an in-house CSIRT (security incident response team) and established a 24-hour, 365-day monitoring system in cooperation with external organizations.

In addition, we are introducing a new data management platform as we believe it is important to support sales activities and various operations through digital technology, including by using generative AI and RPA, to expand existing businesses and develop new projects.

[Our views, understanding, and response]

We have historically made efforts to take various measures to ensure information security, and we believe that we should appropriately disclose these measures and explain the main points in our dialogue going forward. Furthermore, we would like to explain our initiatives and progress in utilizing digital technology, which will help boost earnings.

5) Future Approach

Since FY2023 was the final year of our medium-term management plan NC2023, many dialogue with shareholders and investors focused on our intent and vision for growth in the following fiscal year and beyond. Based on the opinions and suggestions gained from such

dialogue, we held discussions involving all directors. We incorporated the views of those responsible for business execution divisions to formulate our new Medium-Term Management Plan NC2026, which we announced today on May 9, 2024.

Moreover, in FY2023, we were able to engage in a lot of dialogue and received useful comments and suggestions thanks to the relatively early disclosure of our measures to realize management conscious of cost of capital and share prices.

For FY2024, we will continue to pursue initiatives to ensure sustainable growth and enhance corporate value through constructive dialogue, focusing on the details of our new Medium-Term Management Plan, NC2026. We will continue to report on our progress at the same time next year.

We held slightly more one-on-one meetings in FY2023 than in FY2022, but the number is still need to be large. We will continue to improve our information disclosure in various ways, and we hope you will take an interest in our activities.

Kenichi Yokota, Director, Senior Managing Executive Officer in charge of IR