
Governance and Sustainability Initiatives

February 2025
Inabata & Co., Ltd.

- Sales and operating profit forecast to reach record highs for the 4th consecutive fiscal year
- Accelerate business growth by proactively pursuing investment under the mid-term management plan NC2026 (announced in May 2024)
- Strategic shareholding reductions proceeded faster than initially expected
- Established the Sustainability Medium-Term Management Plan 2026, setting KPIs for human capital and decarbonization targets for the medium term

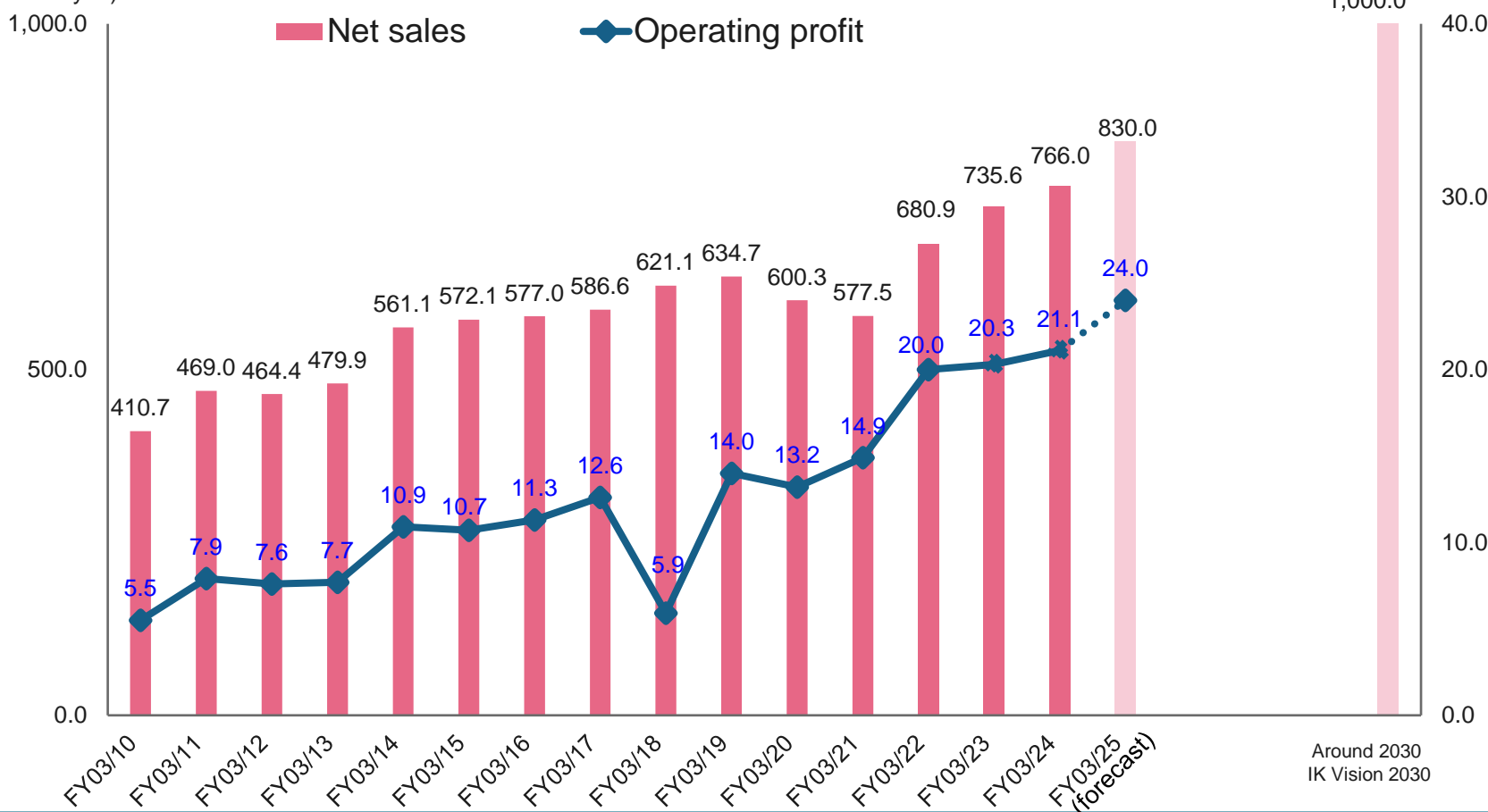
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1. Inabata's Strengths

- Business performance is growing steadily, with net sales and operating profit expected to reach record highs for the fourth consecutive fiscal year.

(Net sales:
Billions of yen)

(Operating profit:
Billions of yen)



■ **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.

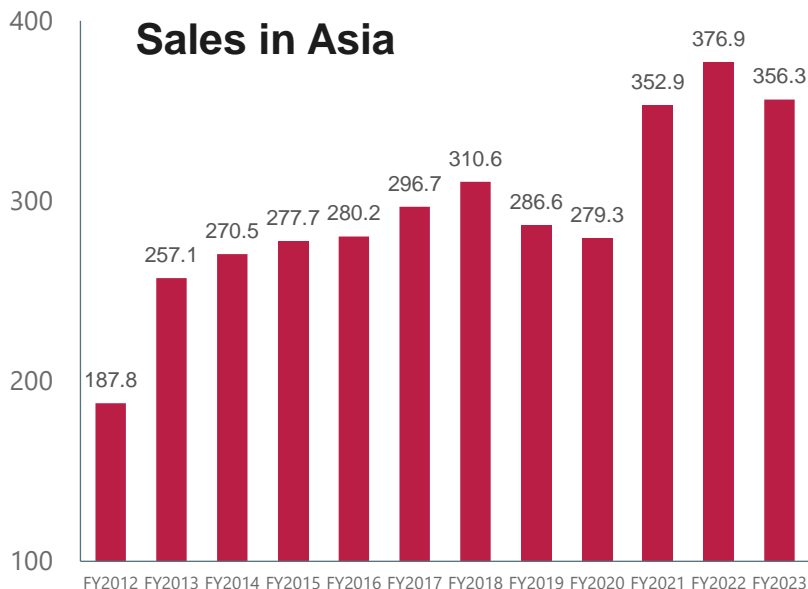
*Vendor Managed Inventory

■ **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.

- 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.

(Billions of yen)



Around 1980

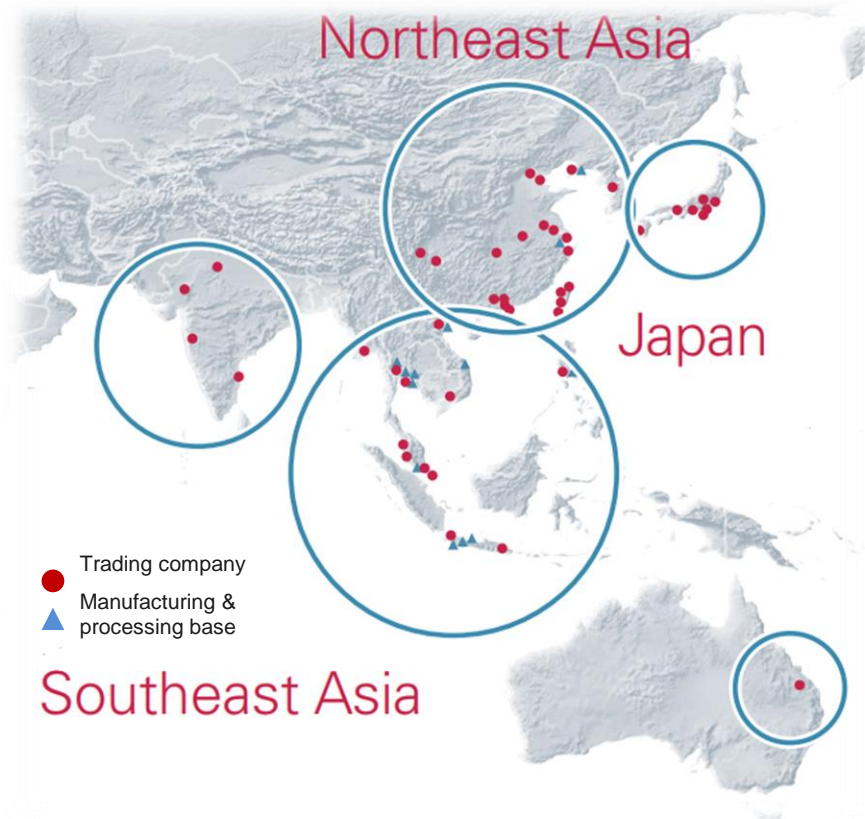
3 bases
in 2 countries



End of 2023

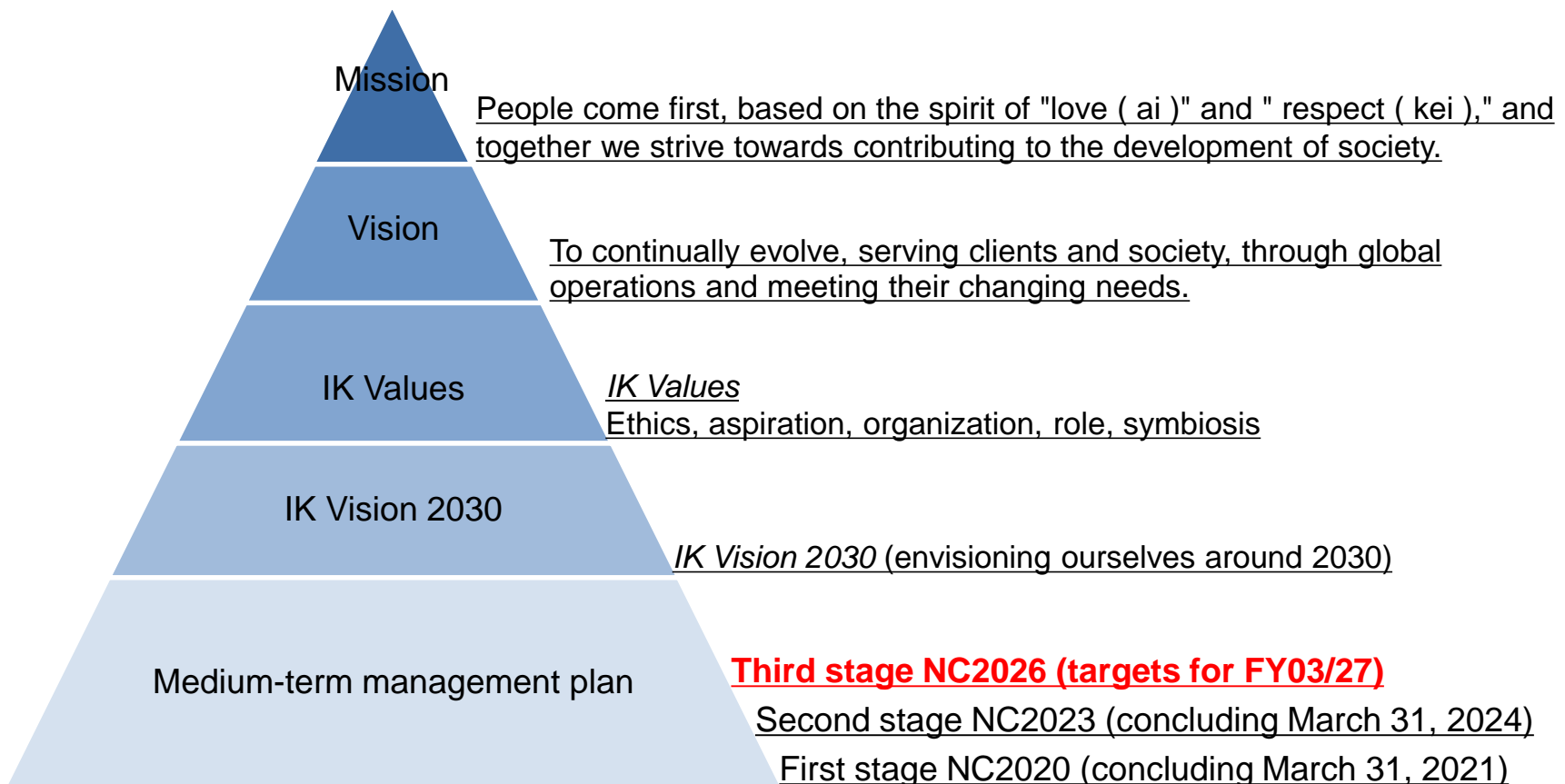
56 bases in
11 countries

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



2. Medium-Term Management Plan and Shareholder Return Policy

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



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]

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 p12

Segment Growth Strategy

Management Base Strategy

Financial Strategy
P15-22

Sustainability Strategy
(including HR strategy)
P35-37

Digital 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)

NC2026 Quantitative Targets



(Billions of yen)

	FY03/24 Actual	NC2026		
		FY03/25 Forecast	FY03/26 Plan	FY03/27 Targets
Net sales	766.0	830.0	890.0	950.0
Operating profit	21.1	24.0	24.5	27.0
Ordinary profit	21.3	24.0	23.5	26.0
Profit attributable to owners of parent	20.0	20.0	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

* FY03/25 projections for operating profit, ordinary profit, and profit attributable to owners of parent were revised on November 7.

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

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



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

Shareholder returns
About **40~50%**

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)

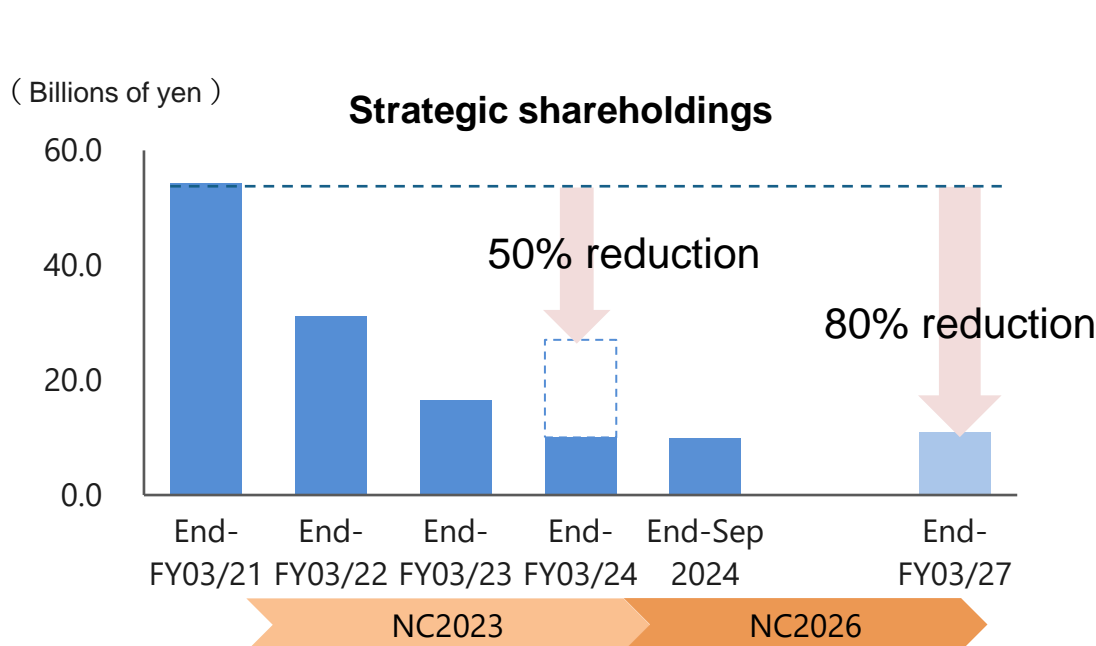
Financial Strategies: 1. Reducing Strategic Shareholdings

■ Strategic shareholding reductions proceeded faster than initially expected

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



*Only includes listed stocks in Japan

FY03/22	¥9,367 million
FY03/23	¥10,076 million
FY03/24	¥4,159 million
FY03/25*	¥1,850 million

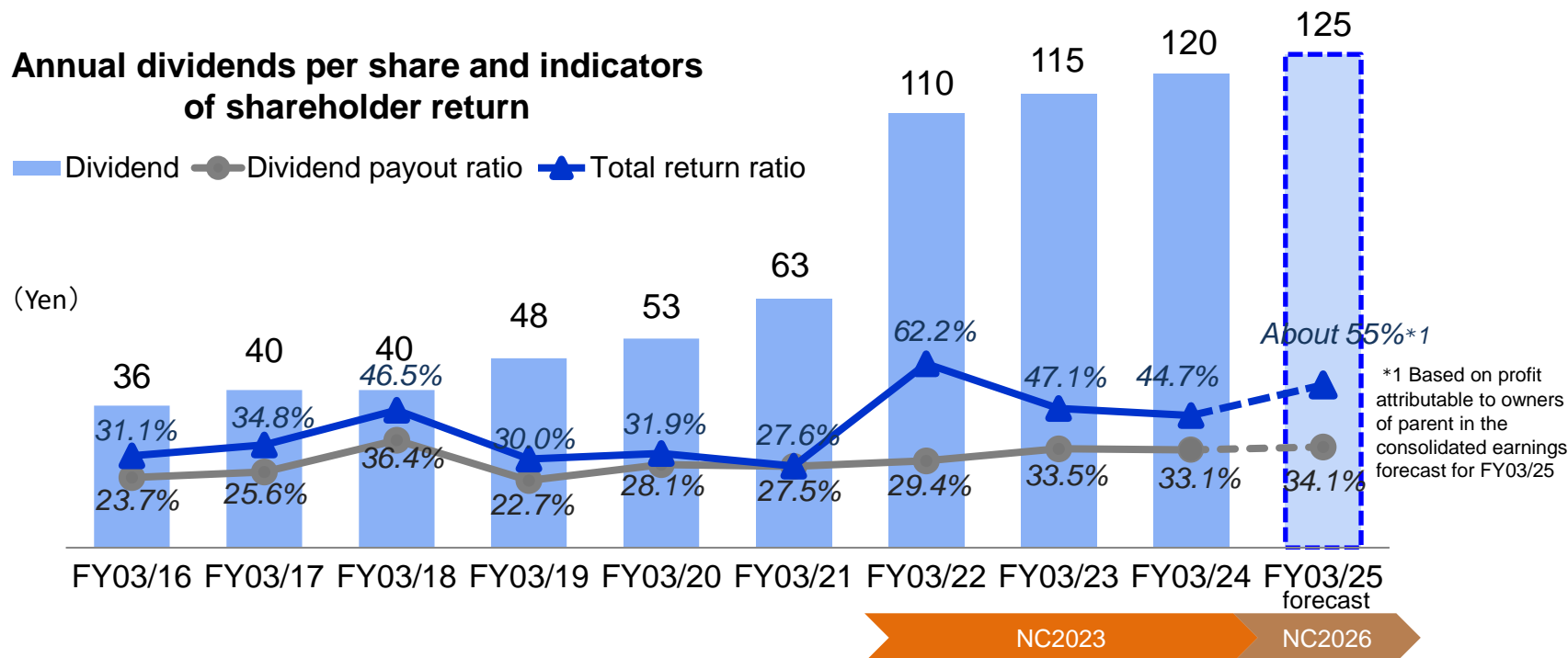
*As of September 30, 2024

* As of March 31, 2024, there exists ¥1,766 million in deemed holding shares, and the total amount of non-listed shares, shares other than non-listed shares and deemed holding shares is ¥18,143 million. This was 8.8% of the consolidated net assets as of March 31, 2024. 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.

Financial Strategies: 2. Returning Profits to Shareholders

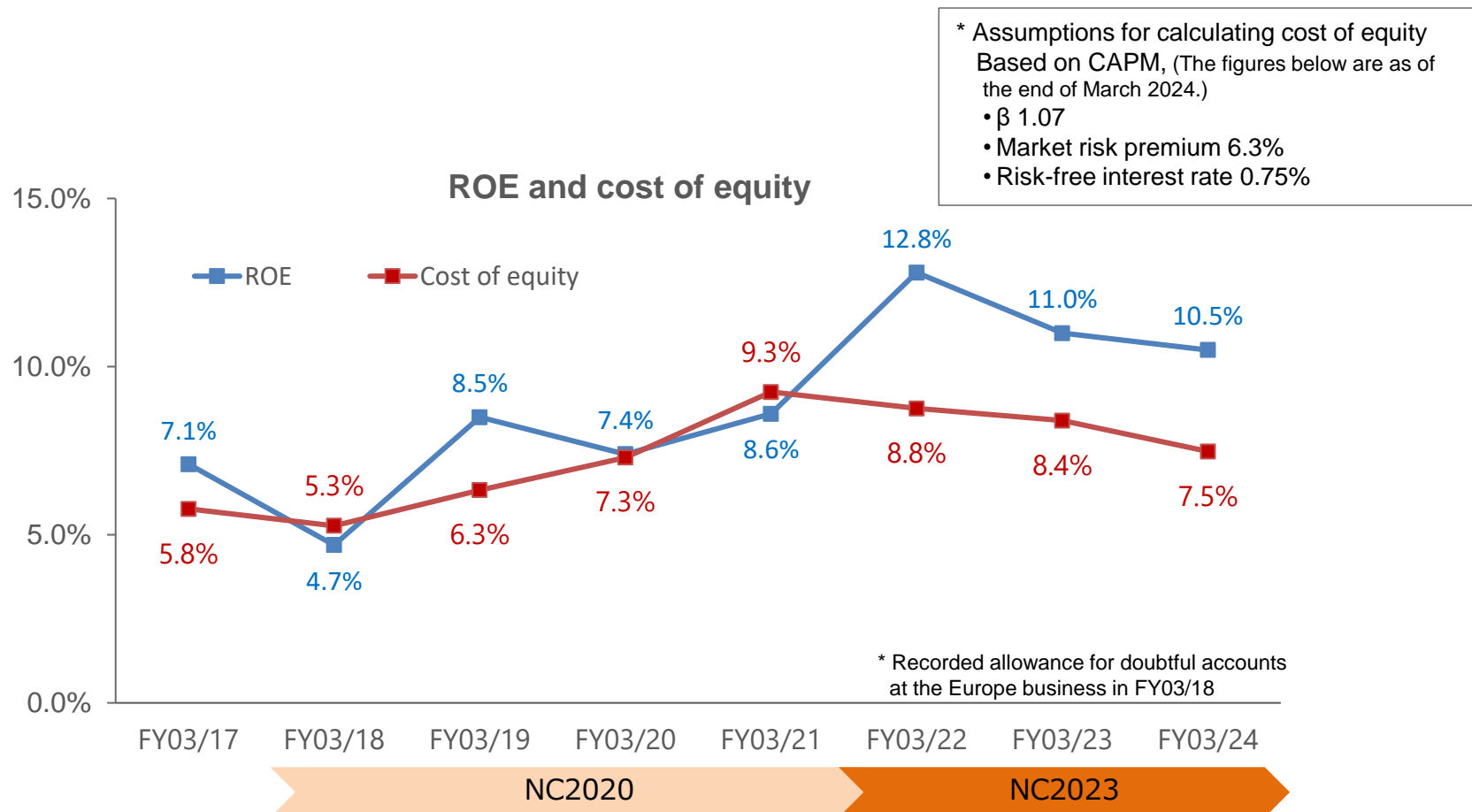
- For FY03/25, we plan to pay an annual dividend of ¥125 per share. (interim: ¥60 (actual), year-end: ¥65 (forecast))
- We will continue buying back and canceling shares to further improve capital efficiency.



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

Current Status: Cost of Capital vs. Return on Capital

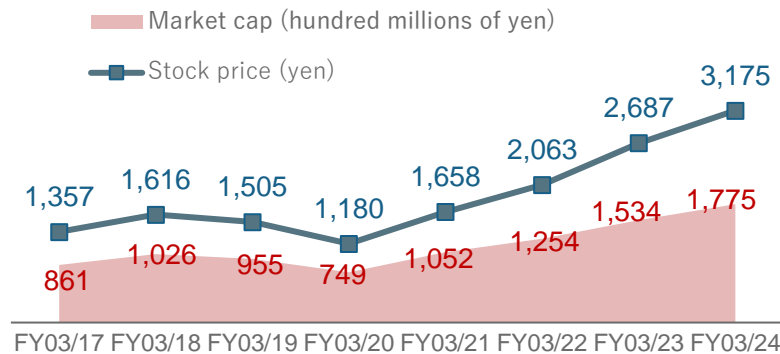
- During *NC2023*, ROE reached a level consistently exceeding the cost of shareholders' equity, leading to an increase in market cap and an improvement in PBR (see next page).



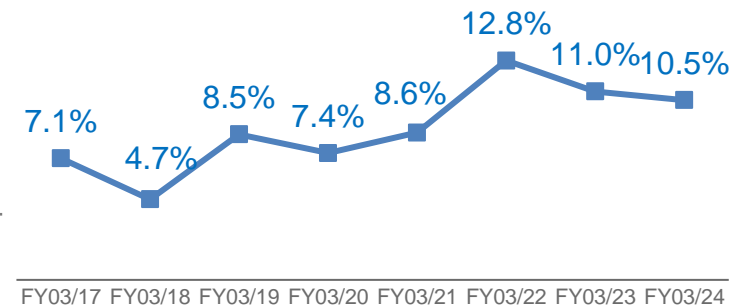
Current Status: Share Price and the Market's Valuation of the Company

- Stock price and market cap steadily increased.
- PBR is trending up, but not yet reached the target of 1.0x .
- PER is also trending up, but remains at a low level. Need to raise higher for Inabata's future growth expectations.

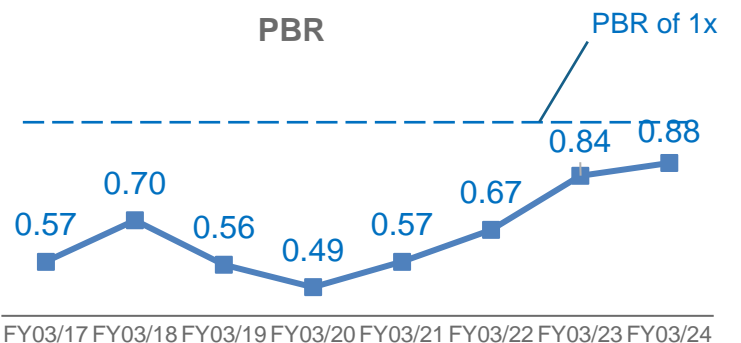
Stock price and market capitalization



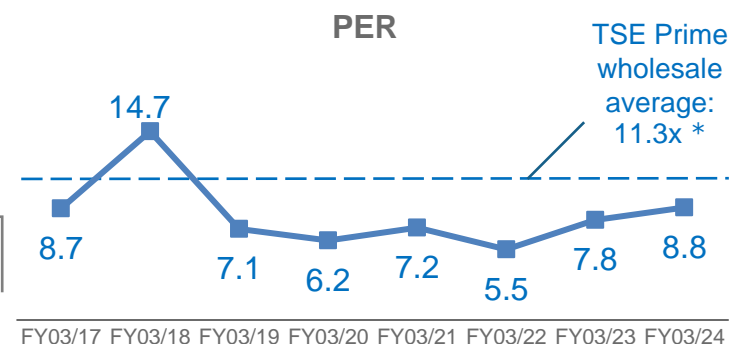
ROE



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, 2024 *Weighted average PER

Financial Strategies: 3. Measures to Realize Management Conscious of Cost of Capital and Share Prices



Specific Measures ~ 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 ~ 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 NC2023.
Increase the share of earnings accounted for by highly profitable businesses	<ul style="list-style-type: none"> • Under NC2023, 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 NC2023, 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 NC2023, 4,880,000 shares were repurchased for ¥12.3 billion, and 7,580,000 shares were canceled. • Repurchased and canceled 1,200,000 shares (approx. ¥4.0 billion) in FY03/25.
Maintain a progressive dividend policy	<ul style="list-style-type: none"> • Substantially raised dividend in first year of NC2023 (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 NC2023*.

*consolidated basis

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	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. • Issued the second and third straight corporate bonds In June 2024.
Buyback and cancel own shares	<ul style="list-style-type: none"> • During the three years of NC2023, 4,880,000 shares were repurchased for ¥12.3 billion, and 7.58 million shares were canceled. • Repurchased and canceled 1,200,000 shares (approx. ¥4.0 billion) in FY03/25.
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 NC2026.
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"> • Selected as a constituent stock for the JPX-Nikkei Index 400. • 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.

3. Corporate Governance

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

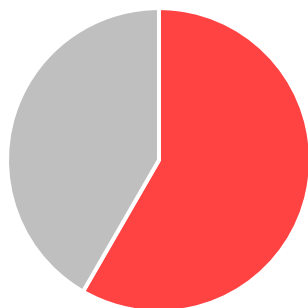
- June 2003 Executive officer system introduced
- June 2006 Term of appointment of directors reduced from two years to one year
- June 2013 Appointment of two outside directors
- June 2015 Appointment of three outside directors
- November 2015 Nominating and Remuneration Committee (voluntary) established
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

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.

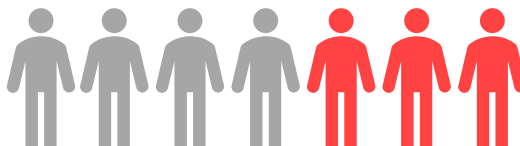
Ratio of independent outside directors

58% (7 out of 12)



Directors (excluding audit and supervisory committee members)

7 persons



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	Inside	Katsutaro Inabata	●		●			●	●		●
		Toyohiro Akao		●	●	●					
		Kenichi Yokota					●	●	●	●	●
		Takashi Shigemori			●		●			●	
	Outside/Independent	Takako Hagiwara*		●					●		●
		Osamu Chonan	●			●					
		Hisayuki Suekawa	●			●					
Directors (Audit and Supervisory Committee members)	Inside	Nobukazu Kuboi					●	●			●
	Outside/Independent	Minoru Sanari		●				●			
		Tomokazu Fujisawa				●		●			
		Noriya Yokota				●	●		●	●	●
		Shiho Ito*					●	●			

* Female director

Notes: An explanation of each skill is provided on pages 50-52 of this material or on page 25-29 of [the Notice of Convocation of the Ordinary General Meeting of Shareholders](#) held in June 2024.

Composition of Board of Directors (Outside Directors 1) **IK**

- Three 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
Current Outside Director, Lotte Co., Ltd.

Reasons for appointment

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



Hisayuki Suekawa*

**Nominating and Remuneration
Committee Member**

Background

Former Representative Director, President and CEO, Shiseido Co., Ltd.
Current Unaffiliated Director, Morishita Jintan Co., Ltd.
Current Advisor, Nippon Kanazai Holdings Co., Ltd.

Reasons for appointment

Mr. Suekawa has extensive experience as a corporate executive and as the head of the corporate planning department at a globally operating manufacturer, primarily in the cosmetics industry.

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

Composition of Board of Directors (Outside Directors 2) **IK**

- Four outside directors who are audit and supervisory committee members



Minoru Sanari*

Background

Former Executive Officer, Tokyo Gas Co., Ltd.
Current Special Counsel, Hayakawa Low Offices.

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.



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*

Head audit and supervisory committee / Nominating and Remuneration Committee member

Background

Former Director, Senior Executive Officer, Kirin Holdings Co., Ltd.
Current Senior Advisor, Japan Activation Capital, Inc.

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.



Shiho Ito*

Background

Former Partner, Shin Nihon & Co. (now Ernst & Young ShinNihon LLC).
Current Shiho Ito certified public accountant's office.
Current External Director, Japan Display Inc.

Reasons for appointment

Ms. Ito, a certified public accountant, has wide-ranging experience as a partner at a major domestic auditing firm and as an outside director at a leading LCD panel manufacturer.

(*) Mr. Minoru Sanari, Mr. Tomokazu Fujisawa, Mr. Noriya Yokota and Ms. Shiho Ito are registered as independent outside officers with the TSE.

[Nominating and Remuneration Committee] (Voluntary)

Established in 2015

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

Independent outside directors are key members

- Chairperson : lead independent outside director
- Current membership: 4 independent outside directors and 1 internal director
- Number of times held: FY03/2024 12 times*

Item	Main deliberations and activities
Nomination-related	Individual interviews with director/executive officer candidates Selection of director/executive officer candidates
Remuneration-related	Performance evaluation and director compensation
Committee-related	Revision of rules for the Nominating and Remuneration Committee

* Interviews with director and executive officer candidates by the Nominating and Remuneration Committee (three times) were conducted only by independent outside directors.

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

■ FY03/2024

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

Conducted the evaluation for all directors using surveys and individual interviews

■ FY03/2025

Self-evaluation of all directors using questionnaires underway

⇒ Plans to disclose results of the evaluation and measures to be taken in April 2025

FY03/2024 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
- An adequate support system for outside directors is in place
- Communication between outside directors has improved
- The Nomination and Remuneration Committee and the audit and supervisory committee were properly operated
- Sustainability issues are regularly discussed
- 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.

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 gain on sales of investment securities)
- 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 FY03/2024

Performance-based remuneration 56.2%	Fixed remuneration 43.8%	Target: six directors Total: 306mn 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.

4. Sustainability

- 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
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
May 2024	Announced “Sustainability Mid-Term Plan 2026”
July 2024	Entered into the Company’s first green loan agreement
November 2024	Decided to issue the Company’s first green bonds Selected as a component of the MSCI Japan Empowering Women Index (WIN)

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

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.

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

Materiality :
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.

■ Energy & power (renewable energy, batteries, etc.) : Approx. 70% ■ Resources & environment (sustainable materials, recycling, water, etc.) : Approx. 20%
■ Materials & chemicals, agriculture & food, transportation & logistics, and environmental certification : Approx. 10%

*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
2. Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services
3. Cease, prevent and mitigate adverse impacts
4. Track implementation and results
5. Communicate how impacts are addressed
6. Provide for or cooperate in remediation when appropriate

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

Materiality :
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"> 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 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"> Increase the ratio of women in managerial positions to at least 8% by March 2028, and to 10% by 2030 Maintain the ratio of mid-career hires at around 50% Increase the ratio of male employees taking paternity leave to 100% Continue to exceed the legal rate of employment for persons with disabilities 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"> Achieve a 100% rate of complete checkup*4 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"> Every year, spend more on education and training costs*5 per employee than in the previous year Maintain the ratio of employees with overseas posting experience at around 40% 	Non Consolidated

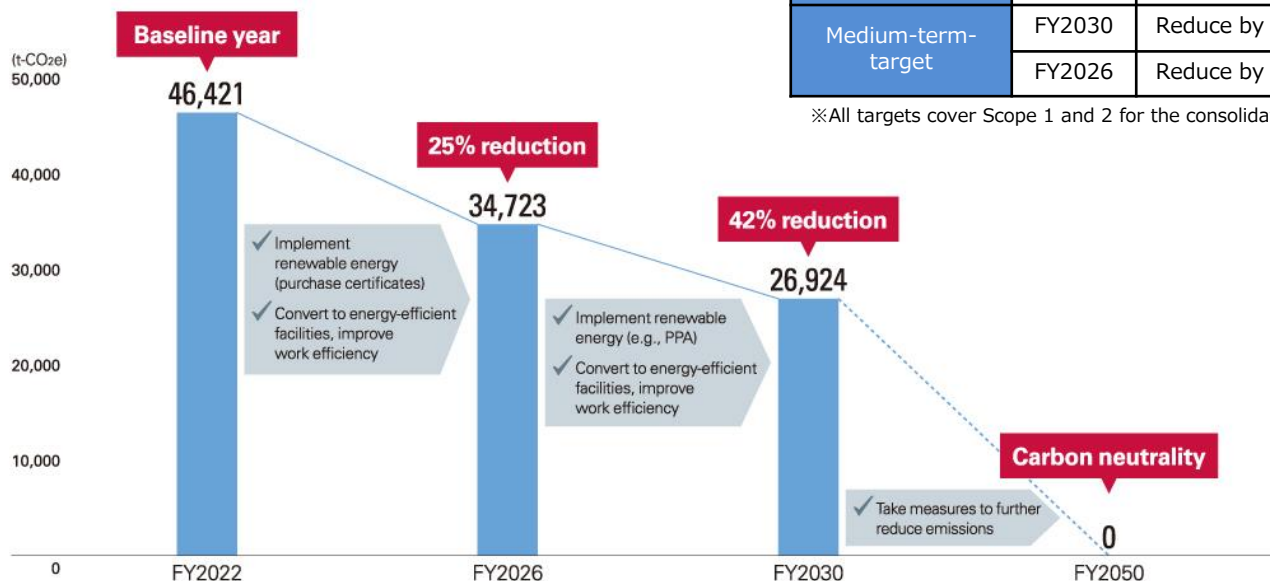
*3. The positive response rate in employee engagement surveys refers to—of employee responses on the five-point scale (5. Fully agree; 4. Agree; 3. Neither agree nor disagree; 2. Disagree; 1. Fully disagree)—the proportion of responses 4 and 5, which are the positive responses.

*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.)

- 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
- May 2024 Established a long-term goal of achieving carbon neutrality in FY2050, along with interim goals for FY2026 and FY2030

GHG emissions reduction targets



Long-term-target	FY2050	Achieve carbon neutrality by FY2050
Medium-term-target	FY2030	Reduce by 42% compared to FY2022
	FY2026	Reduce by 25% compared to FY2022

※All targets cover Scope 1 and 2 for the consolidated Group.

Fostering and Strengthening Human Capital



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

- ✓ From May 2024, conducted engagement surveys covering domestic and overseas consolidated subsidiaries
- ✓ Intend to continue making improvements, with the goal of creating a work environment where every employee can thrive

Survey results (2021–2024)		May 2021	May 2022	May 2023	May 2024
Number of employees surveyed (people)	Total	1,400	1,697	1,901	2,714
	Inabata & Co., Ltd.	587	606	652	686
	Overseas trading companies* ¹	768	934	903	864
	Overseas manufacturing companies* ²	45	157	346	624
	Domestic subsidiaries* ³	—	—	—	540
Response rate (%)	Total	49	73	72	82
Overall average score* ²		3.68	3.77	3.61	3.64
Ratio of positive responses for key items* ⁴ (%)	Engagement I am satisfied with the work I am doing at Inabata now.	70	73	76	69
	Relationship with superiors I have the necessary collaboration with my supervisor at work.	75	80	80	73
	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	77
	Corporate philosophy I can relate to Inabata's philosophy, vision, and management policies, and I want to participate in achieving them.	70	73	73	67
	Human resources system and benefits Inabata's salary standards are satisfactory, compared to other companies in the same industry.	59	55	57	50
	Human resources system and training Inabata supports employee training to improve their skills.	41	48	54	51
	Work-life balance Overtime is kept to a level that is acceptable for me.	64	69	75	73

*¹ Due to errors found in previous descriptions, we are providing the corrected scope and figures for the survey retrospectively.

In 2021, the survey covered major overseas trading companies and certain overseas manufacturing companies in addition to Inabata. The scope was expanded in 2022 and 2023. In 2024, the survey covered domestic and overseas consolidated subsidiaries as well as other domestic subsidiaries (excluding subsidiaries consolidated in FY2023). The survey mainly targeted employees with email addresses.

*² The average score across all items. Employees were asked to rate 39 items on a five-point scale (5. Strongly agree / 4. Agree / 3. Neither agree nor disagree / 2. Disagree / 1. Strongly disagree), and the score for each item was calculated.

*³ The proportion of positive responses, which are ratings of 5 (Strongly agree) and 4 (Agree), among the five-point scale ratings provided by employees.

Diversity and Inclusion

◆ Continuing to enhance diversity & inclusion frameworks

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 (Diversity Promotion)
- ✓ Conducted briefing meetings on changes of positions and interviews with female employees
- ✓ Encouraged male employees to take paternity leaves

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



Video message from the President, posted on the internal website

HR Development

Strengthening the development of talent as a source of value creation

- ✓ New employee rotation program
- ✓ Overseas training program
- ✓ Internal job posting system & career advancement declaration system

Human Rights Due Diligence (DD)

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

Overview of human rights DD



1. DD for the Company and Group companies => Conducted a human rights DD digital survey
The survey targeted 166 employees of the Company, selected through a sampling method
2. Supply chain DD => Identified risks within business operations
Conducted an in-depth analysis of upstream suppliers and a comprehensive review of direct suppliers over whom the Company can exert effective influence

5. Reference

Q3 Results and Quantitative Targets of NC2026



- Off to a good start in the first year of NC2026. The operating profit margin also improved, and profit forecasts for each stage were revised upward.

(Billions of yen)

	NC2026 First year FY03/2025		NC2026 FY03/2027 Final year targets*
	Q3 Actual	FY3/25 Forecast	
Net sales	635.1	830.0	950.0
Operating profit	20.3	24.0	27.0
Operating profit margin	3.2%	2.9%	2.8%
Ordinary profit	20.8	24.0	26.0
Profit attributable to owners of parent	17.4	20.0	19.0
ROE	—	10% or more	10% or more
Net debt/equity ratio	0.07x	0.5x or less	0.5x or less
Equity ratio	45.9%	Approximately 50%	Approximately 50%
Exchange rate	USD1=¥152.64	USD1=¥145.00	USD1=¥145.00

*Nov 2024 disclosure

*May 2024 disclosure

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.

Deliberations by the Board of Directors



Board discussion on longer-term themes, such as management strategies and sustainability

Main deliberations at the Board of Directors' meeting for FY03/24

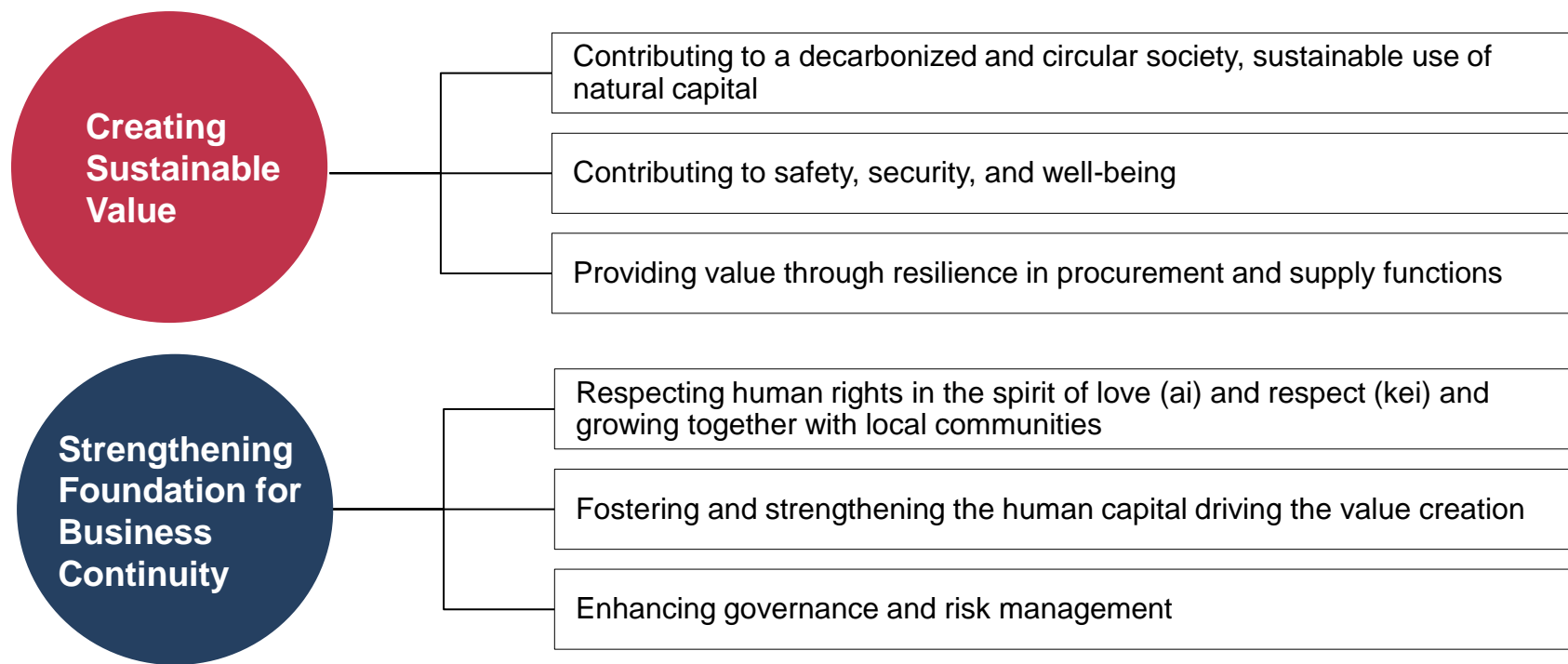
Item	Main deliberations
Management strategy	Measures to realize management conscious of cost of capital and share prices, progress report on the medium-term management plan <i>NC2023</i> , new medium-term management plan <i>NC2026</i> , secondary offering of shares, review of the significance of strategic shareholdings and the status of their reduction
Director-related	Appointment and compensation of directors and executive officers, business execution reports, directors' responsibilities related to business execution, revision of director compensation regulations, 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
General Meeting of Shareholders	Partial amendments to the Articles of Incorporation, convocation of General Meeting of Shareholders
Governance	Corporate governance reports, evaluation of the effectiveness of the Board of Directors, report on the operating status of internal reporting system
Sustainability	Succession planning report, director training status report, introduction of a restricted stock incentive plan for the Employee Shareholding Association, and disposal of treasury shares as restricted stock incentives
HR	Executive officer / audit and supervisory officer appointments, and report on performance evaluations to be reflected in senior management personnel decisions
Investor relations	Institutional investor shareholder identification survey report, domestic and overseas institutional investor post-hearing report, individual investor questionnaire results report, report on the Company's selection as a JPX-Nikkei Index 400 constituent
Audit	Report on the audit status by the Audit and Supervisory Committee, Audit and Supervisory Committee audit plan, direct reports from the internal audit office
Finance	Annual securities reports, disposal of surplus, report on transactions among related parties, financial results, interim dividend payments
Investment and financing	Acquisition of the plastic compounding business, report on determination of subsidiaries falling under criteria for withdrawal consideration
IT	Report on the status of information security measures

Major Business Risks

The 15 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 FY03/24.

Impact on Business performance ↑	Large	⑪ Risk related to quality	④ Risk related to business restructuring ⑤ Risk of fluctuations in commodities markets	① Potential risks of overseas activities ② Credit risk of clients
	Medium		⑧ Risk related to personnel training and retainment ⑨ Environment-related risks ⑩ Risk related to information systems and information security	③ Risk related to business investment ⑥ Risk of fluctuations in foreign exchange rate ⑦ Risk related to interest rates
	Small	⑬ Risk related to laws and regulations ⑭ Risk of decline in value of securities held ⑮ Risk of fluctuations in retirement benefit obligation	⑫ Risk of natural and other disasters	
		Law	Medium	High
		Possibility of occurrence →		

■ Inabata Group Materiality



- We have identified priority issues with impact on our pursuit of sustainable growth (June 2022)
- Announced KPIs for materiality (May 2024)

Products that reduce environmental load



We have established numerical targets for the Sustainability Medium-Term Plan 2026, and promoted initiatives to achieve these targets in all segments.

(Billions of yen)

Field	Main contents	Sales		
		FY03/23 (actual)	FY03/24 (actual)	FY03/25 (forecast)
Energy & Power	Renewable energy-related, battery-related, etc.	17.5	24.4	24.5
Resources & Environment	Sustainable raw materials, recycling, water-related	7.5	10.7	13.3
Materials & Chemicals	Low carbon materials, reduction of environmental pollutants, etc.	1.5	3.1	4.4
Environmental certifications	Forest certification, marine certification, etc.	0.3	0.1	0.6
Total* *Simple aggregate value		26.9	38.6	43.0

* From FY03/23, some product categories have been reclassified (solar cell and EV battery materials were moved from Materials & Chemicals to Energy & Power).

Human Rights Due Diligence (DD)

1. DD for the Company and Group companies => Conducted a human rights DD digital survey

Assessment items, criteria, methods, results, and response in the Human Rights DD Digital Survey

Assessment items	Criteria	Method	Results	Response
a. Categories of human rights risks	Themes with risks of human rights violations	The 25 human rights risk themes identified by the Ministry of Justice are mapped into four quadrants based on two axes: understanding and occurrence.	<ul style="list-style-type: none"> • Risk themes in the "Known but cannot change" category: Discrimination and harassment • Risk themes in the "Unknown and therefore occurring" category: Supply chain and excessive and unreasonable working hours. 	<ul style="list-style-type: none"> • Continued to implement harassment training and business and human rights training • Promoted initiatives to identify risks in businesses
b. Access to remedy	Degree of access to remedy	Evaluation of risk levels for each item using a five-point risk scale and risk percentage	<ul style="list-style-type: none"> • Employees are able to exercise their right to access remedies (low risk) • Awareness of the Company's response needs improvement 	<ul style="list-style-type: none"> • Raised awareness of the proper understanding of the internal whistleblowing system and its operation
c. Psychological safety	Risk level of elements contributing to human rights risks		<ul style="list-style-type: none"> • Employees experience high psychological safety within the organization (low risk) 	<ul style="list-style-type: none"> • Continued to create a comfortable working environment
d. Unconscious bias			<ul style="list-style-type: none"> • Unconscious bias is significantly present • Halo effect and authority bias are notably strong 	<ul style="list-style-type: none"> • Implemented new training on unconscious bias

2. Supply chain DD => Identified risks in business operations

- We found that in many businesses, supply chains are complex, making information gathering difficult. Due to insufficient data, we could not fully assess human rights risks.

-> We will continue investigations in this front

- In the food and building materials businesses, we obtained information on the origin and processing stages.

-> We have identified agricultural and seafood products from Southeast Asia as potential targets for future due diligence.

Skills that our Board of Directors are expected to have



1. Global management

We are expanding our business globally, and in particular, in our long-term vision IK Vision 2030, we anticipate that the overseas business ratio will be 70% or more. From this point of view, in order to plan the future growth of the Inabata Group, we believe that it is extremely useful to appoint those who have knowledge of global corporate management as directors. Therefore, especially when inviting outside directors, we make sure to include managers of companies that are developing business globally, especially top management, or those with equivalent experience. The Global management item in the skills matrix is based on top management of a company that is developing business globally or whether the candidate has experience equivalent to this.

When judging the candidates under this requirement, Katsutaro Inabata, Osamu Chonan, and Hisayuki Suekawa all have abundant experience as executive managers in global companies, demonstrating their global management skills.

2. Business Strategy and Industrial Knowledge

In managing a specialized trading firm 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.

More specifically, Katsutaro Inabata was engaged in the Company's Plastics segment for many years. Toyohiro Akao was engaged for many years in the Information & Electronics segment, and then, after being appointed director, he supervised the Chemicals and Life Industry segments. These two executives possess knowledge and experience concerning different businesses of the Company.

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. In regard to the candidates for outside director, all of the candidates have valuable expertise in their respective fields of business gained from work at other companies.

3. Finance and accounting

Financial strategy (corporate finance) in corporate management is of course important, and we believe that we need someone among executive directors who is responsible for financial strategy and can lead efforts to improve corporate value through various dialogues with investors. Kenichi Yokota has long served in management positions in the finance, accounting, and IR departments, and included in his duties, he has held dialogues with various investors and provided valuable feedback to Company management as part of his consistent efforts to strengthen corporate governance and enhance corporate value. Takashi Shigemori was engaged in the finance and accounting affairs at a global chemical company. Additionally, after being appointed director at that company, he oversaw its finance and accounting operations.

In addition, in order to strengthen the supervisory function for business execution, we believe that it is useful to include those who are familiar with finance and accounting among directors who are Audit and Supervisory Committee members without fail. Nobukazu Kuboi has long been engaged in the Company's finance and accounting operations. After being appointed full-time audit and supervisory board member, he was engaged in the Company's audit operations. Noriya Yokota has held the position of CFO at a major global alcoholic beverages and soft drinks manufacturer. He has extensive knowledge and experience in finance, accounting, and IR operations. Shiho Ito has specialized expertise as a certified accountant. She has many years of experience in accounting audits at various companies, and this experience will be valuable in strengthening the Company's supervisory function for business execution.

Skills that our Board of Directors are expected to have



4. Legal, risk management, and internal control

At the Inabata Group, which is expanding its business globally, there are various risks such as credit risk of clients, risk related to business investment, potential risks associated with overseas activities, risk of fluctuations in foreign exchange rate, and risk of fluctuations in commodities markets. Therefore, risk management is extremely important for management. As director, Katsutaro Inabata has had direct control over the internal audit department, and in that capacity, he has been closely involved with risk management and internal controls. In addition, he has served for many years as chair of the Compliance Committee. Kenichi Yokota has served for many years as chair of the Company's Internal Control Committee while being directly involved in the establishment of internal control systems. After being appointed director, he has been in charge of the legal and risk management departments.

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. Minoru Sanari is a registered attorney with expertise in all aspects of corporate legal affairs accumulated through his years of work as in-house lawyer at the largest city gas company in Japan.

Additionally, we have 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. Nobukazu Kuboi has been engaged in the establishment of internal control systems since the rollout of the J-SOX system. Tomokazu Fujisawa has extensive hands-on experience in internal control and auditing systems. His experience includes auditing at a major global pharmaceutical company and serving as a full-time audit and supervisory board member and a director who is an audit and supervisory committee member. Shiho Ito has extensive expertise and experience in internal control and auditing after having been engaged in internal controls and audits of various companies over many years as an employee of major audit firms.

5. HR and labor

In a trading firm like ours, human resources are our greatest asset, and human resource development is an important management issue in the medium to long term. The new mid-term management plan, NC2026, places a priority on improving the well-being of employees who support our sustainable growth, promoting diversity and inclusion, further expanding health and productivity management initiatives, and making greater investments in our human capital.

To implement this strategy, we believe it desirable for directors to include those who have experience and skills in HR and labor, and we place great importance on this perspective when inviting outside directors.

During his experience as director, Katsutaro Inabata has been in charge of human resources. Kenichi Yokota currently is in charge of human resources and has extensive experience reforming various personnel systems.

In addition, Takako Hagiwara has experience in human resources management at a major global electronics manufacturer. Since her appointment as outside director, she has used her extensive experience to provide advice and insights on the Company's human resources strategies and on the priority management issue of diversity promotion. Noriya Yokota has extensive experience in human resources and labor, having served as director of group-wide human resources and general affairs at a major alcoholic beverages and soft drinks manufacturer.

Skills that our Board of Directors are expected to have



6. IT and digital

The Company's new mid-term management plan, NC2026, includes a medium-term digital strategy as one of the core management strategies. The basic policy behind the new digital strategy is to enhance the management information infrastructure and strengthen Group-wide security. To implement the digital strategy and promote data-driven management and digital transformation initiatives, we need specialized expertise in IT and digital technology. In addition, threats to information security have been increasing year by year, and we believe that IT and digital skills are necessary to strengthen countermeasures against these.

Kenichi Yokota holds multiple national certifications in the IT and digital fields for information technology engineers and other experts. With that specialized knowledge, he has led many initiatives aimed at strengthening the Group's overall information security. Additionally, Takashi Shigemori and Noriya Yokota both have broad expertise in the IT and digital field, having served as CIOs or equivalent positions at major global companies.

7. ESG

We established the Sustainability Committee in October 2021 and consider the promotion of sustainability to be an important management issue. We also consider improving the external evaluation of ESG as an important issue. From this point of view, we believe that it is necessary to include those who have knowledge of sustainability and ESG in corporate management among directors, and take these points into consideration when inviting outside directors.

Katsutaro Inabata has expertise in all areas of ESG, having served as chair of the Company's Sustainability Committee. Kenichi Yokota has led initiatives to improve corporate governance, and while in charge of human resources, he implemented employee engagement surveys and health and productivity management programs. Through these initiatives, he has developed particular expertise in the Governance and Social aspects of ESG. Nobukazu Kuboi was closely engaged in worksite-level initiatives to introduce a corporate governance code. He has developed particular expertise in the Governance aspect of ESG.

Additionally, Takako Hagiwara has extensive experience in human resources policymaking and diversity promotion strategies. She is expected to take a leading role in making recommendations in the Social area of ESG. Noriya Yokota has been in charge of management strategies at a major alcoholic beverages and soft drinks manufacturer that has demonstrated leadership among Japanese companies for its advanced initiatives in the environmental area. He is expected to take a leading role in making recommendations in the Environmental area of ESG.

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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.