Inabata & Co., Ltd.
May 09, 2025

Implementation Status of Dialogue with Shareholders in FY2024

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 and investors in FY2024.

1. Structure for Promoting Investor Relations (IR)

- The President assumes ultimate responsibility for investor relations (IR), supported by an executive officer in charge of IR. Dialogue with shareholders and investors is conducted by the President, the IR Officer, and relevant departments.
- 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 actively accommodate meetings with investors to the extent reasonable and similarly respond to requests for meetings with outside directors where feasible.
- We organize biannual financial result briefings where we explain the progress of our Mid-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 FY2024]

Activities	Frequency
Financial results briefings	2 times
One-on-one meetings with institutional investors & analysts (including foreign investors and analysts)	66 times
Briefing session for individual investors (participation in IR fair)	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 FY2024, we reported on IR-related matters, including providing feedback on specific opinions and requests from investors, at the Board of Directors meetings held in July and August 2024, and January 2025.

4. Main Topics of Discussion

1) Target Fields for Growth Investment, etc.
Participants: Domestic and foreign institutional investors (active fund managers)

Q: The main theme of your current Mid-term Management Plan is to “Accelerate growth through proactive investment.” What specific fields are you targeting for investment?

A: Rather than simply aiming to scale up the business, we focus on initiatives that strengthen our manufacturing and processing capabilities to drive differentiation and improved profitability.
For example, in FY2024, we established a joint venture, *Novacel*, through the transfer of certain business functions from Daicel Corporation to enhance our plastic compounding* capabilities.
In the resin compounding industry, structural changes are underway, such as rising quality assurance requirements from our customers—manufacturers. In response, we are working to strengthen our compounding technologies, promote product differentiation, and ultimately grow earnings in our core Plastics business.

** Compounding: A process in which additives such as colorants and flame retardants are blended into base resins to impart new properties tailored to specific applications. Inabata operates compound manufacturing and processing sites in seven countries, primarily in Asia, with a combined annual production capacity of approximately 190,000 tons.*

Q: Are you focusing your investment strategy mainly on manufacturing and processing functions?

A: In addition to investments in manufacturing and processing capabilities, we are also considering equity investments aimed at acquiring commercial rights. Our primary criteria are whether the investment can generate synergies with our existing businesses and contribute to improving profitability. For example, in growth areas such as the semiconductor sector, we also take into account the potential for future business expansion when evaluating opportunities.

Q: Regarding your policy of proactive investment, have any outside directors expressed more conservative views?

A: If anything, we have received more feedback suggesting that our stance has been too cautious. The decision to emphasize proactive investment in our current Mid-term Management Plan was, in fact, strongly influenced by input from our outside directors. Historically, we have tended to avoid taking significant investment risk, and our business growth has been driven primarily by steady organic expansion. However, to accelerate further growth, exploring new markets and earning greater recognition from customers is essential. Achieving this will require strengthening various capabilities. Since it would take too long to develop all of these capabilities internally, we see investment—including M&A—as a necessary means to achieve our growth objectives.

[Our views, understanding, and response]
Since the company has historically made few large growth investments, many investors expressed interest in gaining a clearer picture of the target areas and scale of such investments.
Under our current Mid-term Management Plan, we have formulated a new three-year capital allocation plan, which include defined budgetary limits for investment and related activities. Through dialogue with investors—supported by concrete examples–we were able to convey our investment approach which focuses on generating synergies with existing businesses and contributing to earnings growth.

* Disclosed capital allocation policy in the Mid-term Management Plan “NC2026” on May 9, 2024.
https://www.inabata.co.jp/english/investor/management/midterm_plan/

2) Medium- to Long-Term Growth Drivers
Participants: Domestic institutional investors (active fund managers)

Q: In your new Mid-term Management Plan launched this fiscal year, you have established medium- to long-term sales targets for “Environmental & Energy-Related Businesses” and “Automotive-Related Businesses” as key growth drivers. This kind of growth narrative is easy for investors to understand. Are you considering setting similar targets for other businesses?

A: Yes, we intend to expand the number of businesses for which we disclose quantitative growth targets. For example, mainly in the Information & Electronics segment, we are focusing on semiconductor-related materials, which have been performing well. In the Life Industry segment, we are prioritizing the food business and have executed several M&A deals in recent years to strengthen this area.
Although still relatively small in scale, we are also placing emphasis on the recycling business, particularly within the Plastics segment. Going forward, we hope to present clear growth targets for these and similar businesses to make our growth strategy more easily understood by investors.

[Our views, understanding, and response]
By presenting both specific strategies and numerical targets for the business areas identified as growth drivers, we were able to provide investors with a clearer picture of our medium- to long-term growth trajectory.
In addition to the “Environmental & Energy” and “Automotive Resins” areas–where quantitative targets have been set under the current Mid-term Management Plan–we are also considering the introduction of additional growth drivers going forward.

* Disclosed segment growth strategies in the Mid-term Management Plan “NC2026” on May 9, 2024.
https://www.inabata.co.jp/themes/inabata/pdf/company/midterm_plan2026_en.pdf?0

3) Big Picture for the Automotive-Related Business
Participants: Domestic and foreign institutional investors (active fund managers)

Q: We would like to understand your big-picture outlook for expanding earnings in the automotive resins business in particular. Japanese automakers are currently facing headwinds, including certification irregularities, and globally, the momentum behind EV adoption appears to be slowing. How do you plan to grow the business under these market conditions?

A: At present, our business is primarily centered on Japanese manufacturers. Historically, we expanded overseas—mainly in Asia—by following the global expansion of Japanese home appliance and office equipment makers. We built out supply chains and addressed a range of logistical and operational challenges, which helped us grow our business. These overseas initiatives were well received, and leveraging our compounding capabilities—one of our core strengths—we successfully expanded into Japanese automotive parts suppliers, steadily broadening our transactions both in Japan and abroad.

However, in markets such as China, EV adoption is advancing, and the market share of Japanese automakers has been declining. National policies and market dynamics differ across countries, and we recognize the importance of expanding our customer base beyond Japanese companies.

While EV growth has slowed globally, hybrid vehicles are on the rise. We intend to stay closely aligned with evolving technology trends and to position ourselves to serve both areas.

Geographically, we will place particular focus on India and Mexico, which are expected to deliver strong growth in the coming years.

[Our views, understanding, and response]

There were particularly in-depth discussions regarding “Automotive Resins,” one of the growth drivers outlined in our new Mid-term Management Plan. By explaining our specific growth strategy in response to changes in the business environment—along with our core strengths and the history behind the expansion of this business—we were able to clearly communicate the high potential for future growth.

* Disclosed segment growth strategies in the Mid-term Management Plan “NC2026” on May 9, 2024.
https://www.inabata.co.jp/themes/inabata/pdf/company/midterm_plan2026_en.pdf?0

4) Sustainability Mid-term Plan
Participants: Domestic and foreign institutional investors (responsible investment managers)

Q: Alongside your Mid-term Management Plan, you also announced the “Sustainability Mid-term Plan 2026,” which clearly signals your increased focus on the sustainability domain. Within this plan, you have set a target to expand sales from environmental-related businesses to ¥100 billion by FY2026. Could you share more about the specific strategies for achieving this?

A: The largest sales contributors are in the renewable energy sector, particularly materials related to solar cells and lithium-ion batteries. In addition, we handle recycled plastics and materials that help reduce environmental pollutants. Although demand for lithium-ion battery-related materials for EVs has recently slowed, we believe the medium- to long-term trend of growing demand remains intact. We will continue to disclose progress in this area on an ongoing basis.
In the case of recycled plastics, for example, value creation begins with the collection of plastic waste–an upstream process in which we are increasingly involved. As our participation in more stages of the value chain expands, so too does our share of the added value. Overall, we expect that the growth of our environmental-related businesses will also contribute to improved profit margins.

Q: Your carbon neutrality initiatives currently cover Scope 1 and 2 emissions, but do not yet include targets for Scope 3. Given the complexity of supply chains in the trading business, we understand that this may be inherently challenging. Could you share what activities you are currently undertaking in this area?

A: As a wholesaler, our Scope 3 Category 1 emissions—those associated with purchased goods—span a broad and diverse range of products, which naturally results in a high volume of greenhouse gas (GHG) emissions. Moreover, it is inherently difficult for us to control the selection of purchased items, as we do not manufacture goods ourselves. While some major trading companies have set Scope 3 reduction targets, in most cases, these targets relate to business investments in resource-related areas, and there are few reference cases directly applicable to our business model.
That said, we recognize Scope 3 emissions as an important issue and are committed to exploring practical and transparent ways of disclosing related information wherever feasible going forward.

[Our views, understanding, and response]
In discussions on sustainability, we were able to communicate both dimensions of our approach: the reinforcement of management foundations essential for sustainable value creation, and the role these initiatives play in supporting business expansion. Sustainability was a frequently raised topic, and we believe that the inclusion of concrete KPIs and quantitative targets in our *Sustainability Mid-term Plan* helped to facilitate more in-depth and constructive dialogue.

5) Our Share Price and Valuation
Participants: Domestic and foreign institutional investors (active fund managers and responsible investment managers)

Q: What is your view on the company's current share price valuation? Your PBR is currently below 1x, which seems somewhat undervalued considering your strong performance. How do you plan to address this with investors going forward?

A: We believe the main reason for our low PBR is that our strengths and growth potential have not been fully communicated to investors–resulting in a PER that does not reflect our true value. We recognize the need for clearer, more effective communication. Starting this fiscal year, we have added a dedicated section on “Inabata’s Strengths” to our financial results briefing materials and now allocate time to explain these strengths in detail.
We are also enriching the content of our integrated report and providing more in-depth explanations during investor engagement. In addition to highlighting our competitive advantages and growth prospects, we also intend to proactively communicate our earnings stability and shareholder return policies, including our progressive dividend approach.
Some investors have pointed out that our low market capitalization and limited liquidity make it difficult for them to invest. In our current Mid-term Management Plan, we have explicitly set the early achievement of a price-to-book (P/B) ratio consistently above 1x as a financial target. Going forward, we are more committed than ever to enhancing our market capitalization and raising awareness through increased investor engagement.

Q: In your “Measures to Realize Management Conscious of Cost of Capital and Share Prices,” you disclosed your internal cost of equity, and the spread relative to ROE appears adequate. However, given that your PBR remains below 1x, it seems investors may be applying a higher cost of equity in their valuation.

A: We are aware of this perception. We recognize that factors such as our still-modest market capitalization, limited liquidity—despite some improvement—, and the wholesale industry’ s general exposure to global economic cycles (not unique to us) may be contributing to a higher implied cost of equity from the investor perspective.
That said, we do not operate in high-risk sectors such as resource trading, and we have consistently and steadily improved our earnings performance in recent years. We intend to proactively highlight these differentiating characteristics that distinguish us from other companies in the wholesale sector.

[Our views, understanding, and response]
We disclosed our “Measures to Realize Management Conscious of Cost of Capital and Share Prices” early on—in June 2023—and clearly stated in our Mid-term Management Plan the goal to “achieve a share price level that regularly exceeds 1x P/B ratio as soon as possible.” We have remained sincerely committed to improving our share price. Regarding the current situation where PBR still remains below 1x, we have openly shared our own views on the contributing factors and, in turn, received candid feedback from shareholders and investors. These exchanges have allowed us to more deeply explore potential measures to address the issue going forward.

* Progress on our “Measures to Realize Management Conscious of Cost of Capital and Share Prices” was explained at the June 2024 financial results briefing.
https://www.inabata.co.jp/archives/001/202409/20240603_01eng_1.pdf

6) Human Capital
Participants: Domestic and foreign institutional investors (active fund managers and responsible investment managers)

Q: What do you consider to be your company's strengths in terms of human capital?

A: One of our key strengths is the high level of technical expertise unique to a specialized chemical trading company. We also see our agility in responding swiftly to customer needs as a major advantage. While many trading companies emphasize their global office networks, we believe the real differentiator is the ability to mobilize those networks quickly—and that speed is often the key to securing business.
For instance, during the COVID-19 pandemic, global resin supply chains were severely disrupted, and many customers didn't know where to source materials. In that environment, we were able to rapidly procure and supply materials–even to customers we had never worked with before–leading to the establishment of new business relationships.

Q: Are there any particular challenges you face in terms of human capital?

A: One frequently discussed topic is how to pass down our strengths in the sales function to the next generation. One of our core strengths in sales lies in our ability to build close relationships with customers, obtain information directly from key decision-makers, and respond swiftly. We believe this has been a major driver of our business growth to date. However, because some of these strengths rely heavily on individual skills, a key challenge for us is how to institutionalize and embed these strengths across the organization in a more systematic way.

Q: Your long-term vision includes a target of raising your overseas sales ratio to 70% or more. Do you believe this will require an increase in local managerial talent overseas?

A: Our current overseas sales ratio is around 55%, so achieving 70% or more is not a distant goal. Given the relatively limited growth prospects for our domestic business, we expect overseas operations to be the primary engine of our future growth. Against this backdrop, talent development is a critical priority. We are also mindful of the proportion of directors with overseas business experience when shaping our Board of Directors, and all seven heads of our business divisions have experience stationed and working at overseas offices.
At our overseas subsidiaries, the proportion of local staff in managerial positions is also steadily increasing. To grow sales among non-Japanese customers, we believe it is essential to develop an organizational structure that enables local talent to take on leadership roles. We are advancing these efforts in close coordination with our headquarters in Japan.

[Our views, understanding, and response]
For a trading company like ours, human resources are our most important management asset and the foundation of our growth. While we have consistently conveyed this message to shareholders and investors, by taking a step further‒explaining the unique strengths that define us and the challenges we currently face—we believe we were able to deepen understanding of our human capital strategy.

7) Effectiveness of the Board of Directors
Participants: Domestic institutional investors (responsible investment managers)

Q: Since 2022, your Board of Directors has had a majority of outside directors. We have heard from other companies that having a majority of outside directors can have downsides as well. What do you see as the benefits and drawbacks of this structure?

A: One clear benefit has been faster decision-making, enabled by greater delegation of authority to the executive side. Governance discipline has also strengthened. The mindset that "if something cannot be explained to outside directors, it cannot be understood by society," and that "internal common sense is not always aligned with societal expectations" has become firmly embedded in our culture.
While we wouldn't necessarily describe it a disadvantage, there were differing views within the company during the initial transition. Additionally, for outside directors with manufacturing backgrounds, we occasionally need to provide more detailed explanations due to differences in business models.

[Our views, understanding, and response]
Among companies that have adopted a monitoring-focused board structure with a majority of outside directors, some have expressed concerns about effectiveness. In our case, three years have passed since transitioning to this structure, and we received many inquiries requesting candid insights into how our Board actually operates. By sharing concrete examples of discussions held at Board meetings, we were able to provide a clear picture of how the Board is managed and demonstrate the level of effectiveness it has achieved.

5) Future Approach

In May 2024, we announced our new Mid-term Management Plan, NC2026. Compared with previous plans, NC2026 outlines a more detailed and concrete growth strategies. As a result, we were able to engage in deeper, more substantive dialogue with shareholders and investors regarding our business and growth strategies. These conversations provided valuable input and suggestions, which we believe will be instrumental in advancing our initiatives and enhancing the quality of our progress disclosures going forward.

In the same month, we also announced the Sustainability Mid-term Plan 2026, which drew particularly strong interest from shareholders and investors in our human capital strategy. In

December 2024, all directors and business division heads participated in a full-day strategic discussion session focused on human capital. During this session, we identified key issues that will form the foundation for our medium- to long-term strategy, incorporating direct feedback received from shareholders and investors.

Looking ahead to FY2025, we face heightened uncertainty in the external business environment, particularly due to tariff-related developments in the United States. We recognize the importance of explaining both the potential business impact and our strategic responses in a timely and transparent manner. At the same time, we remain committed to clearly communicating the content and progress of our medium- to long-term growth strategies.

In FY2024, we saw an encouraging increase in the number of investors taking interest in our company. That said, we believe there is still significant room for further engagement. We will continue to strengthen our information disclosure through a range of channels, and we sincerely hope you will continue to follow and support our initiatives.

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